

DIGITAL RADIO ON THE ROPES

The Copyright Royalty Board (CRB) has announced its decision on Internet radio royalty rates, rejecting all of the arguments made by webcasters and adopting the “per performance” rate proposal put forth by SoundExchange (a group created by the RIAA to handle collection of royalties due to performers) instead. The rates will be enforced retroactively from the beginning of 2006, effectively bankrupting many small independent webcasters. CRB defines “performance” as a streaming of one song to one listener, so an Internet radio station with an average audience of 500 listeners would have to pay a royalty on each of the 500 “performances” for every song it plays. Under prior licensing scheme, the amount of royalty paid to a song’s performers was based on a percentage of revenue; the newly-announced rates involve a predetermined per-song, per-listener fee that will increase annually at an average rate of 25% for the next four years.

USPTO PROPOSES CHANGES FOR RECONSIDERATION OF FINAL OFFICE ACTIONS

The USPTO has recently proposed a rule change that would reduce the time frame for responding to a Final Office Action in trademark cases. In current practice, a request for reconsideration of an examining attorney’s final refusal must be filed within six months of the mailing date of the final action. The proposed change to 37 CFR 2.64 would require that the request for reconsideration be filed within three months of the mailing of the final action. In addition, the request would need to be filed through the Trademark Electronic Application System (“TEAS”). The purpose of this amendment is to facilitate the likely disposition of an applicant’s request for reconsideration prior to the six-month deadline for filing an appeal to the Trademark Trial and Appeal Board (“TTAB”) or petition to the Director on the same final action. The intent is to obviate the need for some appeals or petitions, and to reduce the need for remands and transfers of applications on appeal. The requirement for using TEAS would expedite the examining attorney’s notice of and access to the request. The request for reconsideration, however, would not extend the time for filing an appeal or petitioning the Director on that action. Applicants would also still have the opportunity to submit amendments for the full six-month period from the date of the final action. The USPTO expects that this rule change would relieve some of the burden on the TTAB, promote prompt and more efficient handling of the case, decrease applicant’s costs, and reduce the pendency of the case. Comments to the proposed rule change are being accepted by the Commissioner for Trademarks through April 16, 2007.

TRADITIONAL STATIONS STIFF GEORGE AND RINGO

One aspect that emerged from the Copyright Royalty Board’s decision on Internet royalty rates is the difference in treatment of traditional and digital radio stations. Traditional radio stations only pay royalties to composers of songs by purchasing blanket licenses from ASCAP and BMI. Digital radio stations pay these royalties as well, but must now also pay the performance royalty to SoundExchange that terrestrial stations do not pay. Thus, if a traditional radio station plays “Yellow Submarine,” only John Lennon and Paul McCartney—the composers—are compensated; whereas if that same song is played via a webcast, George Harrison, Ringo Starr and Brian Jones would also be paid as performers (under this arrangement Lennon and McCartney would each receive a composer and a performer royalty.) The reasoning for the difference in treatment is two-fold. One is the belief held by performers that airtime translates into sales. Two stems from the Digital Performance Right in Sound Recordings Act of 1995 (DPRA), which removed the exemption from digital broadcasting under the guise that digital radio broadcasts were a perfect digital copy (with no degradation) of the original sound recording. (Even though in practice this is not true because all digital streams use “codecs” to compress the digital audio to lower bitrates. This process degrades the audio, and even though the change may not be perceptible to the ear, the result is certainly not a perfect digital copy of the original.)

USPTO ISSUES FIRST PATENT UNDER NEW ACCELERATED EXAMINATION PROCEDURE

The USPTO, to further combat the impression that it is slow in granting patents, has instituted an accelerated examination program (<http://www.uspto.gov/web/patents/accelerated/>) available to applicants who desire to have their applications examined within 12 months of their filing date. Generally, a Petition to Make Special has been available to accelerate examination in certain circumstances, for example, for an inventor who is over 65 or where the claims of a patent application are considered to be infringed. The new program was instituted in fall 2006. Grant of a Petition to Make Special under the Accelerated Examination Procedure makes USPTO treatment of such applications a priority. The first such patent, US Patent No. 7,188,939, issued to Brother Kogyo Kabushiki Kaisha of Nagoya, Japan, was filed on September 29, 2006 and issued in less than six-months on March 13, 2007. The patent claims improved ink cartridges.

The new procedure differs significantly from the previous Petition to Make Special. Several onerous requirements

must be met for filing a Petition under the new procedure. Also, significant rights, available in normal examination, are waived and time deadlines are accelerated. Among the application requirements are electronic filing and prosecution, limitation of the number of claims to 3 independent and 20 total, limitation of claims to a single invention or acknowledgement that a restriction requirement response must include an election without traverse, agreement to an examiner interview, which may be conducted before examination starts, conducting a pre-examination search using both classification and word criteria, and filing of an accelerated examination support document that not only is complete, but also directs the examiner's attention to each disclosure in a cited reference where a claim limitation can be correlated, and a detailed explanation of how the claims are patentable over the prior art, among others. The intent of the procedure requirements is to be "analogous to the analysis an examiner uses when locating a relevant prior art reference" and determining its relevance. In effect, the procedure is calculated to certify that the Examiner's job has already

been done and the only remaining step is approval and allowance.

Several drawbacks are immediately apparent to this new procedure. Granting special status to a number of recently filed applications will necessarily delay the examination of other pending applications. The recent experience of the Mexican Industrial Property Office (IMPI) apparently was not taken into account. By law, IMPI must examine new applications within a certain time period, but in complying with this section of the law, older pending applications have languished. Also, the procedures require meeting extensive mandatory steps, and may be subject to inadvertent (or not) discrepancies by the applicant or practitioner. The new procedures necessarily rely on the applicants' good will efforts to aid the examination process. Such reliance may lead to extra complications in later enforcement action by the patent owner, and leave an opening for an accused infringer to raise inadequacy of the search and inequitable conduct charges as possible defenses. Litigators will be pleased.