

WHAT'S NEW IN PATENT LAW? Update on Recent Supreme Court and Federal Circuit Decisions

The year 2008 saw some significant decisions issued by the Supreme Court and the Federal Circuit Court of Appeals on patent law questions. In this article, we will highlight the key points of some of these decisions.

1. Patent Licensing and the Exhaustion Doctrine.

Under the doctrine of patent exhaustion, a patent owner's patent rights in an article embodying a patent invention end once an authorized sale of the item occurs. In *Quanta Computer, Inc. v. LG Electronics, Inc.* the Supreme Court considered how this doctrine applies in a licensing situation. Computer manufacturer Quanta purchased Intel chips and installed these chips in computers manufactured for others. LG owns several patents concerning these chips and licensed Intel to manufacture chips with the patented technology. LG did not license Intel's customers to install the chips in machines they were manufacturing for others. When LG sued Quanta for patent infringement, asserting that combination of the Intel chip and non-Intel components infringed LG's patents, Quanta argued that LG's patent rights were exhausted once Intel, as LG's licensee, made an authorized sale of the chips to Quanta. The Supreme Court agreed.

2. Patentability of Business Method Claims.

In *In re Bilski* the Federal Circuit addressed the question of the standard for review of proposed patent claims covering business methods. Business method claims are often utilized to protect a method of how a business performs an operation or procedure. Prior to *Bilski*, several different tests for patentability of

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ICANN Releases Revised New gTLDs Applicant Guidebook for Public Comment

The Internet Corporation for Assigned Names and Numbers (ICANN) released a revised Draft Applicant Guidebook relating to its plans for the expansion of gTLDs (generic top-level domains). As previously reported in our October 2008 Newsletter, the guidebook provides a draft proposal for the application process and guidelines that will attach to any public or private organization that wants to register any string of letters as a gTLD. Upon receipt of public comments from many competing constituencies, such as trademark holders, registries, registrars, and domainers, ICANN has revised the policy documents and commenced a second Public Comment period through April 13, 2009. Potential applicants for new gTLDs should review the revised Draft Guidebook at ICANN's website at www.icann.org, but the guidebook is still a work in progress. ICANN has announced that the application process for new gTLDs likely will not occur before December 2009 at the earliest.

In the revisions, ICANN proposed a significant reduction in ongoing "Registry-Level Fees," reducing the original proposed \$75,000 per year fee down to \$25,000 per year. The revisions also pertained to a variety of issues including: the dispute resolution policy for objections to new gTLDs; the definitions of "Community-Based gTLDs" and "Open gTLDs," which pertain to gTLDs that may be open to the public or limited to a particular company or group; refund schedules for applications that have been withdrawn at various stages of the proceedings; and, changes to string contention procedures.

Of greater importance to trademark holders is what has not been fully addressed in the revisions. Based on the comments submitted by trademark holders and the

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Meet the New Law, Same as the Old Law

Much is written about how the Internet has changed the face of news reporting, information delivery and traditional print newspapers. There is also much written about new technologies requiring or creating new legal theories particular to them. Sometimes, though, seemingly archaic concepts apply to the fast-paced, need-to-know-now world of the internet.

The Associated Press ("AP") is a world-wide news-gathering and reporting organization. AP works with a global network of reporters who write and file news stories with it. AP in turn edits these items and provides the content to subscribers. Among AP subscribers are traditional print newspapers as well as internet-based and mobile news outlets. Many subscribers ultimately place AP content on their websites. AP subscriptions carry various terms and conditions and every story provided under the subscriptions contains copyright notices identifying AP as author and owner of the copyright.

All Headline News ("AHN") is a company whose employees were paid to scour the web to find breaking news stories from around the world and prepare them for republication under the AHN name. This was done by either re-writing the stories or simply copying them in full. Often, AHN employees simply removed an original author's copyright claim from a story, paraphrased the story and republished it. Sometimes, AHN attributed content to the original author in its reworked stories, but often not. Many of AHN's stories were simply paraphrased AP items. AHN, like AP, would provide its news stories to subscribers who would then publish the items.

AP filed suit alleging, among other things, that a ninety-year-old little-utilized legal theory provided it with a cause of action

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Patent Law Update (continued from page 1) these types of claims were being utilized by the Patent Office, such as the “machine or transformation” test, the “technological arts” test and the “useful, concrete, and tangible” test. *Bilski* clarified the issue by deciding that the “machine or transformation” test is the proper test. The “machine or transformation” test requires that a business method claim be tied to a particular machine (e.g., software code to be executed by a computer), or transform a tangible article. Without such ties, the claim is invalid.

3. Test for Infringement of Design Patents.

Prior to the Federal Circuit’s decision in *Egyptian Goddess v. Swisa, Inc.*, courts used two tests to determine infringement of a design patent. The first of these tests was the “ordinary observer” test, which requires a comparison between the accused design and the patented design, and then consideration of any applicable prior art designs. The second test was the “points of novelty” test, which focused on the points of novelty of the accused- and patented designs. Analysis under the points of novelty was often complicated if there were multiple points of novelty or if the point of novelty was a combination of design elements. *Egyptian Goddess* decided that ordinary observer test was the proper test for evaluating design patent infringement claims. This decision arguably increases the value of design patents by making claims of infringement less burdensome to support.

4. Opinion of Patent Counsel in Inducement-of-Infringement Claims.

An allegation of inducement-to-infringe requires that the patentee show that one has enabled another to infringe a patent and requires that the patentee establish that: (1) there has been direct infringement of the patent claims, and (2) the alleged

infringer knowingly induced infringement by another and possessed specific intent to encourage such infringement. In *Broadcom Corp. v. Qualcomm, Inc.*, the Federal Circuit addressed the issue of how opinions of counsel factor into inducement to infringe allegations.

Opinions of counsel in patent infringement claims are often obtained to provide a defense to a claim of willful infringement, which if shown could significantly increase monetary damages awarded to the patentee. A 2007 Federal Circuit decision appeared to pull back the importance and necessity of opinions of counsel in such claims, indicating that other evidence could be as probative on the issue. In *Broadcom*, however, the Federal Circuit held that a jury could consider evidence of whether an alleged infringer obtained an opinion of counsel in determining liability on an inducement-of-infringement claim, thus renewing the importance of these opinion letters in defending such a claim.

Qualcomm had not obtained opinions of counsel on the issue of patent infringement, but was not found liable on the willfulness count. Qualcomm unsuccessfully argued that it couldn’t be found to have induced infringement if it wasn’t liable for intentionally infringing, since the bar is higher to prove inducement. The Federal Circuit disagreed, instead finding that inducement can be found even without a showing of willfulness. The Court stated that because opinion-of-counsel evidence, along with other factors, may reflect whether the accused infringer “knew or should have known” that its actions would cause another to directly infringe, such evidence remains relevant to the second prong of the intent analysis in an inducement claim.

5. Direct Infringement of Method Claims.

A “method” claim in a patent includes a list

of steps to perform the claimed invention. These types of claims can be written to require that the various steps be performed by different entities, which raises issues regarding proving an allegation for direct infringement of a method claim when there are multiple parties involved. In *Muniacion v. Thomson Corp.*, the Federal Circuit addressed this issue by deciding that unless one of the parties exercises control over entire process, such an allegation could not be supported. The Court found that such control was not evident when the defendant auction company received data and determined the winning bidder, but did not control the actions taken by the bidders in submitting bid information.

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international business community in the initial commenting period, ICANN has recognized that it needs to further evaluate “overarching issues” relating to trademark protection, security and stability, malicious conduct, demand and economic analysis. As a result, ICANN has not yet updated the policy regarding these issues, and is seeking further consultation, along with recommendations from the global business community, before updating the language in the policy regarding these issues.

Another issue that may greatly affect registrants, and in particular trademark holders, is the potential for tiered pricing, or lack of caps, for registration and renewal fees for domain names. If there are no price caps for the registries for new gTLDs, it is anticipated that the existing registries, such as for .COM, .ORG, .BIZ, etc., may request equal treatment. Tiered pricing would result in more popular or “elite” domains being charged varying prices, without any caps. This development potentially could result in current domain name holders being charged exorbitant renewal fees to maintain the domain

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Meet the New Law *(continued from page 1)*
against AHN for “misappropriation of hot news.” This cause of action has its basis in a 1918 U.S. Supreme Court decision also involving AP and at a time when competition among newspapers and reporting organizations was both intensely fierce and fueled by new technology—the telephone and radio wire. In that case, William Randolph Hearst’s International News Service (“INS”) actually bribed AP reporters and newspapers that subscribed to the AP wire (when it was a wire) to provide AP’s breaking news stories to INS before publishing them. Hearst’s INS would then rewrite those stories as its own and send them off to its wire subscribers, thus “getting the scoop” on AP.

Copyright law does not necessarily apply to the news itself, since the underlying facts or events giving rise to a news-worthy item cannot be property rights in and of themselves. Only the expression or interpretation of news-worthy events can be protected. This would seem to leave “news” unprotectable. The Supreme Court, however, recognized there is a “quasi-property right” in the reporting of “hot news.” Time and expense is involved in newsgathering and reporting and when those efforts yield items of immediate interest—breaking news—the party who put forth the work to develop the news and “break” a story should have the primary right to enjoy the results of same, including profiting from selling its story. INS’s practice of seeking diversion of AP news and rewriting it for its own wire was an attempt to “reap what it has not sown.” Thus, the Supreme Court held there is a cause of action against a party who misappropriates “hot news.”

Though the elements and parameters of this claim were developed almost a century ago, it is little-used and not widely accepted in American jurisprudence. In fact, the only state that allows such a cause

of action is New York, which is where AP brought its suit against AHN. AHN tried to dismiss AP’s misappropriation of hot news claims, in part by arguing that Florida-, not New York law applied. Nevertheless, just a few weeks ago the U.S. District Court for the Southern District of New York found the ninety-year-old cause of action still available to AP based on the facts alleged in its complaint.

This is not a copyright doctrine, but rather a form of unfair competition. Still, the 1918 decision and cause of action it created was an application of legal concepts to a highly-competitive news industry growing with the use of new technologies. Sometimes, even the latest technologies can be governed by the “old” rules.

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names associated with their company name and trademarks. In the current economic climate, the lack of caps could significantly constrain a company’s ability to properly budget and implement an effective offensive and defensive domain name strategy.

Although the Department of Justice has requested that ICANN further evaluate the need and public interest for new gTLDs, the proposed program appears to still be moving forward. ICANN is intending to meet with the intellectual property community in the coming weeks to address specific suggestions, along with responding to other competing constituencies, such as registries and registrars. Following the comment period ending on April 13, ICANN will issue a third draft of the Applicant Guidebook, anticipated in third quarter of 2009. However, now is the time for brand owners to take the opportunity to review the revisions to the Guidebook, and continue to provide ICANN with concerns, objections, and/or proposed solutions to the policies that may impact company’s valuable trademark rights.