

# UPDATE

SPRING/SUMMER 2009

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## PATENT REFORM ACT PROPOSED FOR 2009



BY: MATTHEW P. BECKER

Patent reform bills introduced every year since 2005 have languished in Congress. This year, the patent reform debate continues as bipartisan bills were recently introduced in both houses of Congress. Patent reform bills H.R. 1260 and S. 515 include many of the same controversial provisions from prior bills that Congress failed to enact. The changes proposed in the 2009 patent reform bills are designed to improve patent quality, curb excessive litigation, and promote internal harmonization between United States and foreign patent laws. Like past years, financial, software, energy and computer technology companies favor the patent reform bill whereas biotechnology and pharmaceutical companies oppose the legislation believing its provisions would weaken intellectual property protection and reduce the value of patents.

### PROVISIONS CARRIED OVER FROM PRIOR LEGISLATION

**FIRST TO FILE:** The 2009 bills would switch the United States to a first-to-file patent system from a first-to-invent system. Since the 1836 Patent Act, patent rights in the United States belonged to the person who was the first to invent the claimed subject matter. Under a first-to-file system, the first person to file a patent application for a claimed invention is entitled to any patent rights. Moving towards the first-to-file system would in most instances also eliminate the one year grace period for filing an application and eliminate

interference proceedings. The proposed legislation would also create a prior user rights defense for earlier inventors.

**POST-GRANT REVIEW:** One of the most sweeping and controversial changes proposed in the patent reform act is a post-grant challenge procedure. Under the post-grant procedure, a third party may within twelve months of the issuance of a patent, file a petition to cancel an issued patent on any ground of invalidity except best mode. [MORE](#)



*First-to-file?*

18 Yes, We Can... Resolve Patent Cases For Less

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[PATENT REFORM ACT, FROM PAGE 1]

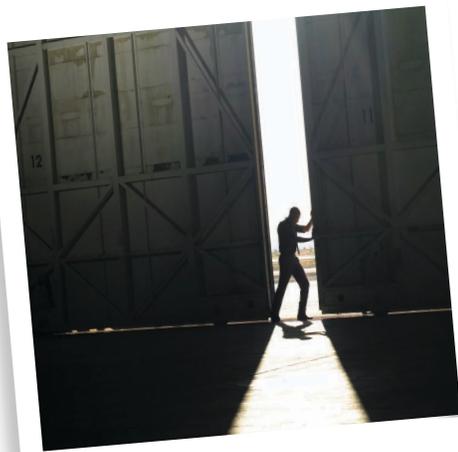
While past legislation included a second window of opportunity to file a post-grant challenge, the 2009 legislation contains only one window.

**EXPANDED REEXAMINATION PROCEEDINGS:**

Presently, reexamination challenges are limited to prior art publications. The proposed legislation would additionally permit reexamination proceeding based on evidence of prior public use or sale in the United States. The

**DAMAGES:** The most controversial proposal in the patent reform bills is changes to determining the amount of reasonable royalty damages, should infringement be found. The proposed legislation would require the court to determine which method should be used to calculate a reasonable royalty, *i.e.* the entire market valuation, an established royalty based on marketplace licensing, or a valuation calculation. The entire market value (EVM) may be used for a royalty base only “upon a showing . . . that the claimed

**The most controversial proposal in the patent reform bills is changes to determining the amount of reasonable royalty damages, should infringement be found.**



*Single Window of Opportunity*

legislation would create a administrative board (the Trial and Appeal Board) and administrative patent judges would preside over post-grant and reexamination proceedings.

**PRE-ISSUANCE SUBMISSION OF PRIOR ART BY THIRD PARTIES:**

The 2009 patent reform bills would permit third parties to submit prior art publications and evidence of prior public use or sale in the United States to the patent office for consideration and inclusion in the record of a patent application. The submission must be filed within six months of publication of a patent application or before the first office action. The goal of this section of the bill is to improve the quality of patents by providing examiners with greater access to prior art by leveraging the resources of the private sector.

invention’s specific contribution over the prior art is the predominant basis for market demand.” Damages may be made based on the terms of existing nonexclusive licenses in the marketplace “[u]pon a showing . . . that the claimed invention has sufficiently similar noninfringing substitutes in the relevant market, which have themselves been the subject of such nonexclusive licenses, and the . . . the infringer’s use is of substantially the same scope, volume, and benefit of the rights granted under such licenses.” Where evidence does not support application of the EVM or marketplace licensing, a reasonable royalty should be applied “only to the portion of the economic value of the infringing product or process properly attributable to the claimed invention’s specific contribution over the prior art.”

**WILLFUL INFRINGEMENT:** The proposed legislation would essentially codify *In re Seagate Technology*, 497 F.3d 1360 (Fed. Cir. 2007), and limit when willful infringement may be found. Reasonable reliance on advice of counsel or evidence that the alleged infringer modified its actions to avoid infringement would establish a good faith belief of invalidity and/or noninfringement and preclude a finding of willful infringement.

**VENUE:** The patent reform bills seek to limit a patentee's ability to choose the venue to bring claims of patent infringement. Under the proposed litigation, "a party shall not manufacture venue by assignment, incorporation, or otherwise to invoke the venue of a specific district court." Venue would be proper (i) where the defendant has its principal place of business or is incorporated, (ii) where the defendant has committed substantial acts of infringement and has an established facility or (iii) where the plaintiff resides if the plaintiff is an individual inventor or non-profit organization. The bills also include a provision that expressly permit a defendant to request a change of venue based on evidentiary burdens.

**INTERLOCUTORY APPEALS:** The proposed legislation would provide the Federal Circuit Court of Appeals with jurisdiction over interlocutory appeals of orders determining the construction of claims. The district court would have discretion over whether to approve the application for an interlocutory appeal and whether to stay the litigation pending an appeal.

## CHANGES IN 2009 PROPOSED PATENT REFORM BILLS

### INEQUITABLE CONDUCT

**The 2009 patent reform bills do not address inequitable conduct. Earlier patent reform bills limited when inequitable conduct could be asserted (after a finding of infringement of a valid claim) and attempted to curtail what constituted inequitable conduct.**

### BEST MODE

**The best mode requirement remains in the 2009 legislation. Provisions to eliminate the best mode requirement were contained in prior legislation.**

### PRIOR ART SEARCH

**Earlier versions of patent reform bills required applicants to conduct prior art searches. The provision was intended to improve the quality of a patent. However, the increased costs on the patent system, and especially individual inventors, of requiring patent searches resulted in the elimination of this provision in the 2009 patent reform bills.**

### PATENT PUBLICATION

**Unlike earlier patent reform bills, the 2009 version would not require that all applications be published at 18 months.**

**For four straight years, patent reform bills stalled in Congress. While many are hopeful that 2009 will finally result in the enacting of patent reform into law, this year's bill is largely the same as those that were not brought to a full vote. ■**

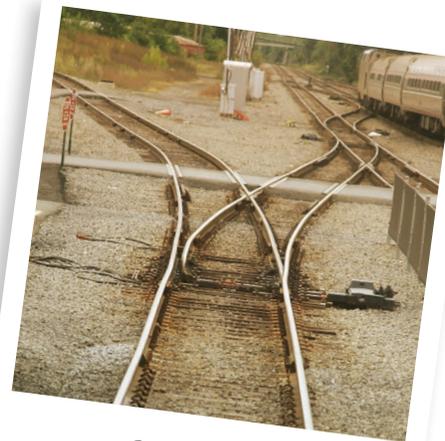
## FEDERAL CIRCUIT ISSUES SPLIT DECISION ON PTO CONTINUATION RULES



BY: BRADLEY C. WRIGHT

On March 20, 2009, in a long-awaited decision, the U.S. Court of Appeals for the Federal Circuit issued a split decision partially upholding the authority of the U.S. Patent and Trademark Office (PTO) to impose strict new limits on patent applicants. The court struck down the PTO's proposed rule limiting the number of continuing patent applications that an applicant may file, but—in a surprise to many patent attorneys—upheld the right of the PTO to limit the number of claims in each patent application to no more than five independent claims and 25 total claims and the number of requests for continued examination (RCEs) that an applicant may file. One of the three panel members filed a dissenting opinion, arguing that all of the regulations were invalid. The lawsuit was originally filed by GlaxoSmithKline, which obtained an injunction in 2008 against the PTO's enactment of the proposed new regulations.

**After struggling with the distinction between “substantive” and “procedural,” the court nevertheless concluded that the proposed regulations were merely “procedural” in nature because they imposed new duties on applicants but did not completely foreclose applicants from filing more than the specified number of continuation applications or patent claims.**



*Split Decision*

### AUTHORITY OF USPTO TO ISSUE SUBSTANTIVE RULES LIMITED

At issue on appeal was the PTO's statutory authority to issue regulations that are “substantive” in nature—as opposed to merely “procedural” regulations. The court generally agreed with the plaintiffs that the PTO does not have authority to enact “substantive” regulations. After struggling with the distinction between “substantive” and “procedural,” the court nevertheless concluded that the proposed regulations were merely “procedural” in nature because they imposed new duties on applicants but did not completely foreclose applicants from filing more than the specified number of continuation applications or patent claims.

For example, the court pointed out that if an applicant desired to file more than the specified number of patent applications or patent claims, it could do so by following the proposed procedures set forth by the PTO. As many practitioners are aware, however, those detailed procedures are quite onerous and may weaken the scope of a patent in later litigation. Despite the fact that the PTO had **MORE** ➤



**JULY 21, 2009**

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METRO: VIRGINIA SQUARE STATION [ ORANGE LINE ]

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POST-BILSKI

GIRDING YOUR CLIENT'S INTELLECTUAL PROPERTY  
**TO SURVIVE BANKRUPTCY**

PATENT REFORM LEGISLATION  
AND IP GOALS  
FOR THE NEW ADMINISTRATION

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[FEDERAL CIRCUIT ISSUES SPLIT..., FROM PAGE 4]

published comments suggesting that requests to exceed the limit would rarely be granted, the court concluded that the PTO was not bound by those comments, and that applicants would be entitled to judicial review of such denials. The court also rejected Glaxo's position that the detailed patentability statements and analysis that must be submitted in an Examination Support Document (ESD)—the mechanism by which the claim limits could be exceeded—might be so onerous and open ended as to subject patent applicants to charges of inequitable conduct.

### LIMITS ON NUMBER OF RCEs UPHELD

The appeals court reached a different conclusion concerning the PTO's limits on the number of Request for Continued Examination (RCEs). Because RCEs were governed by a different section of the patent statute that contained different language, and because the different section specifically mentioned the authority of the PTO to enact regulations governing re-examination of applications under the RCE provisions, the court concluded that the PTO's proposed regulations were not contrary to the statute.

The appeals court also upheld the authority of the PTO to limit the number of claims in a patent application unless an ESD is filed. Drawing an analogy to an earlier case in which the Federal Circuit had upheld the right of the PTO to require additional information from applicants, the court concluded that requiring an ESD in certain circumstances did not improperly shift the burden of proving patentability onto applicants.

### LIMITS ON NUMBER OF CONTINUING APPLICATIONS STRUCK DOWN

Although it concluded that the PTO's limits on continuing applications were procedural in nature, the court nevertheless held that such limits were contrary to the U.S. patent statute and therefore invalid. Because Section 120 of the patent statute provides that later-filed patent applications claiming priority to an earlier application "shall have the same effect" as the earlier-filed application, the court found that an arbitrary limit on the number of continuation applications was not permitted by the statute. The court also referred to prior court decisions holding that the statute did not permit arbitrary limits on the number of continuing applications.

### LIMITS ON NUMBER OF CLAIMS UPHELD

The appeals court also upheld the authority of the PTO to limit the number of claims in a patent application unless an ESD is filed. Drawing an analogy to an earlier case in which the Federal Circuit had upheld the right of the PTO to require additional information from applicants, the court concluded that requiring an ESD in certain circumstances did not improperly shift the burden of proving patentability onto applicants.

## IMPACT ON PATENT APPLICANTS

The court remanded the case to the district court for further review, and pointed out that nothing in its ruling prevented the district court from considering whether the new regulations had other defects, such as being impermissibly retroactive or being arbitrary and capricious. Given that part of the PTO's rules were invalidated and the time required for the district court to consider the remaining aspects of the case, it is unlikely that applicants will face an immediate change in PTO regulations. Nevertheless, as the dissenting opinion points out, patent applicants in certain technologies where large

numbers of patent claims and continuation applications are frequently filed—for example, some pharmaceutical and chemical sectors—are likely to face increased costs for filing and prosecuting patent applications. As Judge Rader's dissenting opinion noted, under the majority's reasoning the PTO would apparently have the authority to impose such draconian regulations as limiting patent applicants to a five-page patent application. Time will tell whether the PTO will eventually prevail and what the impact will be on the patenting community. ■

## IP ADVISORIES

### TRADEMARK REGISTRATION IN THE EUROPEAN UNION

The European Union recently voted to substantially reduce the filing fees for trademark applications filed in the European Union and under the Madrid Protocol. The fee reductions will be finalized in the upcoming weeks.

### PATENT TERM ADJUSTMENTS

On September 30, 2008, the District Court for the District of Columbia held that the PTO has been misinterpreting the patent term adjustment statute, 35 U.S.C. § 154. *Wyeth v. Dudas*, 88 U.S.P.Q.2d 1538 (D.D.C. 2008). The district court in *Wyeth* held that overlap in the statute means a day of type A delay and a day of type B delay that occur on the same day.

### PTO EXTENDS DEADLINE FOR COMMENTS ON DEFERRED EXAMINATION OF PATENTS

The PTO will now accept comments until May 29 regarding the proposed system for deferring examination of patents once an application has been filed.



## LITIGATION IN EAST TEXAS AFTER THE FEDERAL CIRCUIT'S DECISION IN *TS TECH*



BY: TIMOTHY C. MEECE

Prior to the late 1990's, personal injury litigation in East Texas was plentiful. After passage of Texas tort reform, litigation virtually disappeared. Thereafter, litigation rebounded based on an influx of patent cases. Indeed, a *New York Times* article entitled "So Small a Town, So Many Patent Suits"<sup>1</sup> brought national attention to patent litigation in the venue. Now, because of the Federal Circuit's decision in *TS Tech* in which the district court was found to have "clearly abused its discretion in denying transfer of venue," the district will no longer be the go-to jurisdiction for patent litigation.

### THE EXPLOSION OF PATENT LAWSUITS IN THE E.D. OF TEXAS

After Judge Ward was sworn into the bench, patent lawsuits in East Texas jumped from 32 to 234 suits annually. Despite rarely having substantial connection to the venue, more patent suits were filed recently in East Texas than anywhere else.<sup>2</sup>

<sup>1</sup> [http://www.nytimes.com/2006/09/24/business/24ward.html?pagewanted=1&\\_r=1](http://www.nytimes.com/2006/09/24/business/24ward.html?pagewanted=1&_r=1)

<sup>2</sup> <http://www.legalmetric.com/top5reports/>

<sup>3</sup> Recently, the fastest districts in the country for patent cases have been the Eastern District of Virginia, Western District of Wisconsin, Middle District of Florida, Western District of Washington, and the Central District of California. Conversely, the slowest districts in the country for patent cases have been the District of Delaware, District of Connecticut, District of New Jersey, District of Massachusetts, and the Northern District of Ohio.

<sup>4</sup> See, e.g., "District Judge Reports" available from Legal Metric, LLC, 1000 Des Peres Road, Suite 210, St. Louis, MO 63131 (<http://www.legalmetric.com/cgi-bin/index.cgi>)

<sup>5</sup> *TiVo, Inc. v. EchoStar Comm. Corp.*, 516 F.3d 1290 (Fed. Cir. 2008).



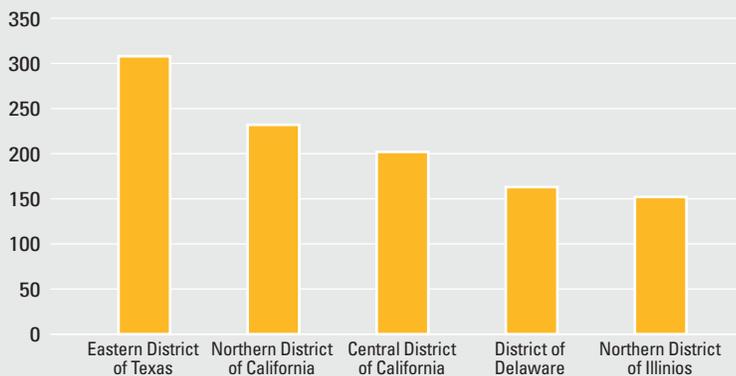
A common misunderstanding is that East Texas is popular because it is a fast jurisdiction, but it is not.<sup>3</sup> The time from commencement until judgment in ranges from 17.8 to 57.7 months, and averages 34.3.<sup>4</sup>

The popularity of East Texas is because it is very pro-plaintiff. 93% of East Texas jurors favor protecting inventions with patents, and 76% "strongly favor" patent protection. Only 19% of jurors believed that patents discouraged innovation. Only 3% of jurors "strongly believed" that patents discouraged innovation. Lastly, 25% of jurors believed that the Patent Office "rarely or never" makes mistakes.

Another reason for the district's popularity is disasters that befell some defendants, such as EchoStar,<sup>5</sup> which was found to infringe TiVo's patent and had to pay \$100M in damages. Currently, EchoStar is in danger of being held in contempt because its design around may violate the permanent injunction. These disasters encourage plaintiffs to file in the district. Concomitantly, it encourages defendants to settle cases in order to avoid East Texas juries.

Most Popular Districts for Patent Infringement Litigation in 2008<sup>2</sup>

Number of Patent Infringement Complaints



Further, some argue that the district gives summary judgment reluctantly, speeds discovery, and delays claim construction, which are “all practices that favor plaintiffs.”<sup>6</sup>

### IN RE VOLKSWAGEN OF AM., INC.

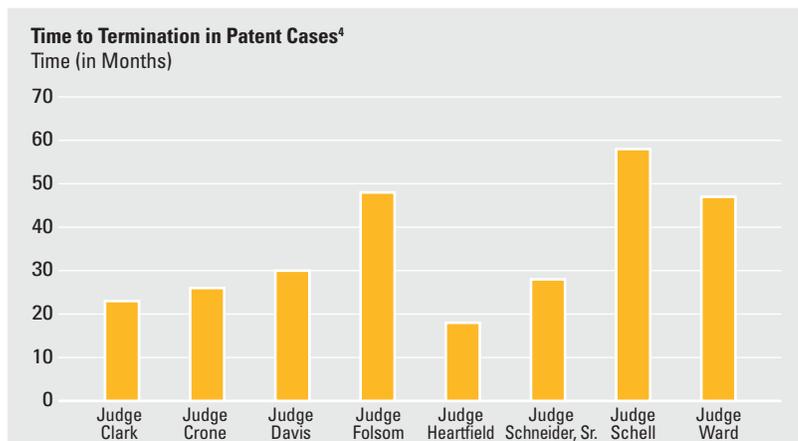
East Texas has been criticized for refusing to transfer cases lacking a significant connection to the venue. Trial attorneys often would not file transfer motions, because there was no realistic chance of success. This unwillingness to transfer cases was addressed by the Fifth Circuit in *In re Volkswagen of Am. Inc.*, in which there were competing *amicus curiae* filings by the American Intellectual Property Law Association in favor of Volkswagen<sup>7</sup> and by an “Ad Hoc Committee of Intellectual Property Trial Lawyers in the Eastern District of Texas.”<sup>8</sup>

In that case, the Fifth Circuit granted a writ of mandamus and ordered transfer of the case.<sup>9</sup> This decision undermined East Texas’ ability to attract and retain new patent suits.

### IN RE TS TECH USA CORP. ET AL.

Lear filed suit against TS Tech in East Texas and the case was assigned to Judge Ward. TS Tech moved to transfer venue, but Judge Ward denied transfer. Thereafter, TS Tech sought mandamus.

A writ of mandamus is only available “in extraordinary situations to correct a clear abuse of discretion or usurpation of judicial power.” Nonetheless, the Federal Circuit held that East Texas clearly abused its discretion in refusing to transfer the case. The Federal Circuit applied the “private” and “public” factors articulated by the Fifth Circuit in *Volkswagen II* and determined that the district court gave too much weight to the plaintiff’s choice of venue. While the plaintiff’s choice of venue is accorded deference, precedent clearly forbids treating the choice as a distinct factor in the analysis under 28 U.S.C. § 1404(a).



The court also erred by disregarding the “100-mile rule,” which provided that “[w]hen the distance between an existing venue for trial of a matter and a proposed venue under § 1404(a) is more than 100 miles, the factor of inconvenience to witnesses increases in direct relationship to the additional distance to be traveled.”

The court further erred by reading out of the analysis the relative ease of access to sources of proof. In particular, the Federal Circuit noted that because all of the physical evidence was far more conveniently located near the Ohio venue, the district court erred in not weighing this factor in favor of transfer.

Finally, the court’s analysis regarding the public’s interest in having localized disputes decided at home was erroneous. There was no relevant connection between the case and East Texas except that the accused products were sold in the venue. No evidence, parties, or witnesses were located in the venue. In contrast, the vast majority of identified witnesses, evidence, and events leading to this case involve Ohio or its neighboring state of Michigan. Because the accused products were sold throughout the country, the citizens of East Texas had no more of a connection to the case than any other venue.

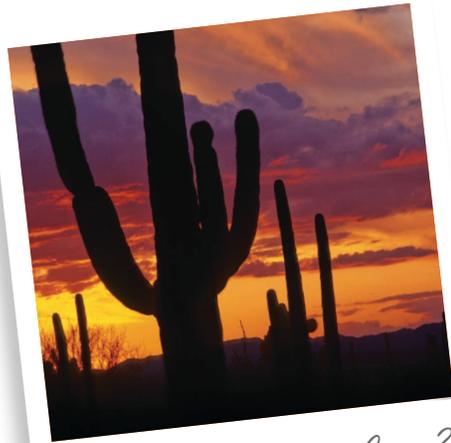
<sup>6</sup> [http://thepriorart.typepad.com/the\\_prior\\_art/2008/05/ed-tex-lawyers-to-aipla-quit-talking-smack-about-judge-ward.html](http://thepriorart.typepad.com/the_prior_art/2008/05/ed-tex-lawyers-to-aipla-quit-talking-smack-about-judge-ward.html)

<sup>7</sup> [http://thepriorart.typepad.com/the\\_prior\\_art/files/vw\\_case\\_5th\\_circuit\\_102407.pdf](http://thepriorart.typepad.com/the_prior_art/files/vw_case_5th_circuit_102407.pdf)

<sup>8</sup> [http://thepriorart.typepad.com/the\\_prior\\_art/files/adhoc\\_committee.Amicus%20Brief.pdf](http://thepriorart.typepad.com/the_prior_art/files/adhoc_committee.Amicus%20Brief.pdf)

<sup>9</sup> *In re Volkswagen of Am. Inc.*, 545 F.3d 304, 308 (5th Cir. 2007) (“Volkswagen II”).

Thus, the Federal Circuit held that the district court “clearly abused its discretion in denying transfer of venue to the Southern District of Ohio.”



*Sun Setting for Patent Cases?*

### FUTURE LITIGATION IN EAST TEXAS

The *TS Tech* decision will reduce the number of patent cases that are filed in East Texas, because most cases will lack substantial connection to the venue. Physical evidence, documentary evidence, key witnesses, a party’s office(s), and a party state of incorporation are located typically in other state(s). Consequently,

the “private” factors<sup>10</sup> to be considered will typically favor litigating a case somewhere else. Similarly, the “public” factors<sup>11</sup> often will be neutral because they will neither favor nor oppose transfer to another venue. At a minimum, this decision will encourage defendants to file transfer motions in order to escape the district.

However, it is unlikely that “patent trolls” will abandon East Texas. The trolls may attempt to manufacture fact patterns conducive to venue by opening office(s) in the district, moving any physical and documentary evidence to the local office(s), pre-selecting “key” witnesses such as experts who are geographically local, and/or incorporating their companies in Texas.

Another possible strategy is for trolls to include as additional defendants a few small Texas businesses, including businesses that are literally “mom and pop” operations. This type of approach would generate some connection between some defendants and the venue. However, if this tactic is successful, East Texas businesses can expect to become regular targets of litigation by patent infringement plaintiffs in need of “anchors” to tie a case to a venue that would otherwise fail to satisfy the dictates of § 1404(a).

**The *TS Tech* decision will reduce the number of patent cases that are filed in East Texas, because most cases will lack substantial connection to the venue. Physical evidence, documentary evidence, key witnesses, a party’s office(s), and a party state of incorporation are located typically in other state(s).**

Only time will tell if these types of approaches will be effective. For others, this strategy is not practical. When all is considered, it looks like the “sun will set” for patent cases in East Texas. ■

<sup>10</sup> The “private” factors are (1) the relative ease of access to sources of proof; (2) the availability of compulsory process to secure the attendance of witnesses; (3) the cost of attendance for willing witnesses; and (4) all other practical problems that make a trial easy, expeditious and inexpensive.

<sup>11</sup> The “public” factors are (1) the administrative difficulties flowing from court congestion; (2) the local interest in having localized interests decided at home; (3) the familiarity of the forum with the law that will govern the case; and (4) the avoidance of unnecessary problems of conflicts of laws or in the application of foreign law.

## JANICE V. MITRIUS IS THE FIRST WOMAN ELECTED PRESIDENT OF BANNER & WITCOFF



Ms. Mitrius is a Shareholder and has served on the firm's Board of Directors for more than three years. Ms. Mitrius is an active member of the ABA and currently serves in a

leadership role as Co-Chair of the Judicial Intern Opportunity Program Committee for the ABA Section of Litigation. Most recently, *Super Lawyers* named Ms. Mitrius to their 2009 list of "Top 50 Women Attorneys in Illinois."

Ms. Mitrius joined the firm in 1997 and focuses her practice on intellectual property litigation. Ms. Mitrius litigates patent cases

covering a wide range of technologies including: internet sales methods, injection molding equipment, diapers, feminine hygiene products, instant messaging, athletic shoes, steam turbine engines, plastics processing and extrusions, voting machines, railroad cars, and rapid prototyping.

Prior to joining Banner & Witcoff, she worked as a mechanical engineer for Allied Signal (now Honeywell) for five years. During that time, she also broadened her business sense by obtaining an MBA.

Banner & Witcoff is pleased to announce Ms. Mitrius as firm president.

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### BANNER & WITCOFF ANNOUNCES NEWLY ELECTED SHAREHOLDERS

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**Aimee Boss Kolz**  
Chicago  
*Principal Shareholder*

**Erik S. Maurer**  
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*Principal Shareholder*

**Jason S. Shull**  
Chicago  
*Principal Shareholder*

**Benjamin C. Spehlmann**  
Washington D.C.  
*Shareholder*

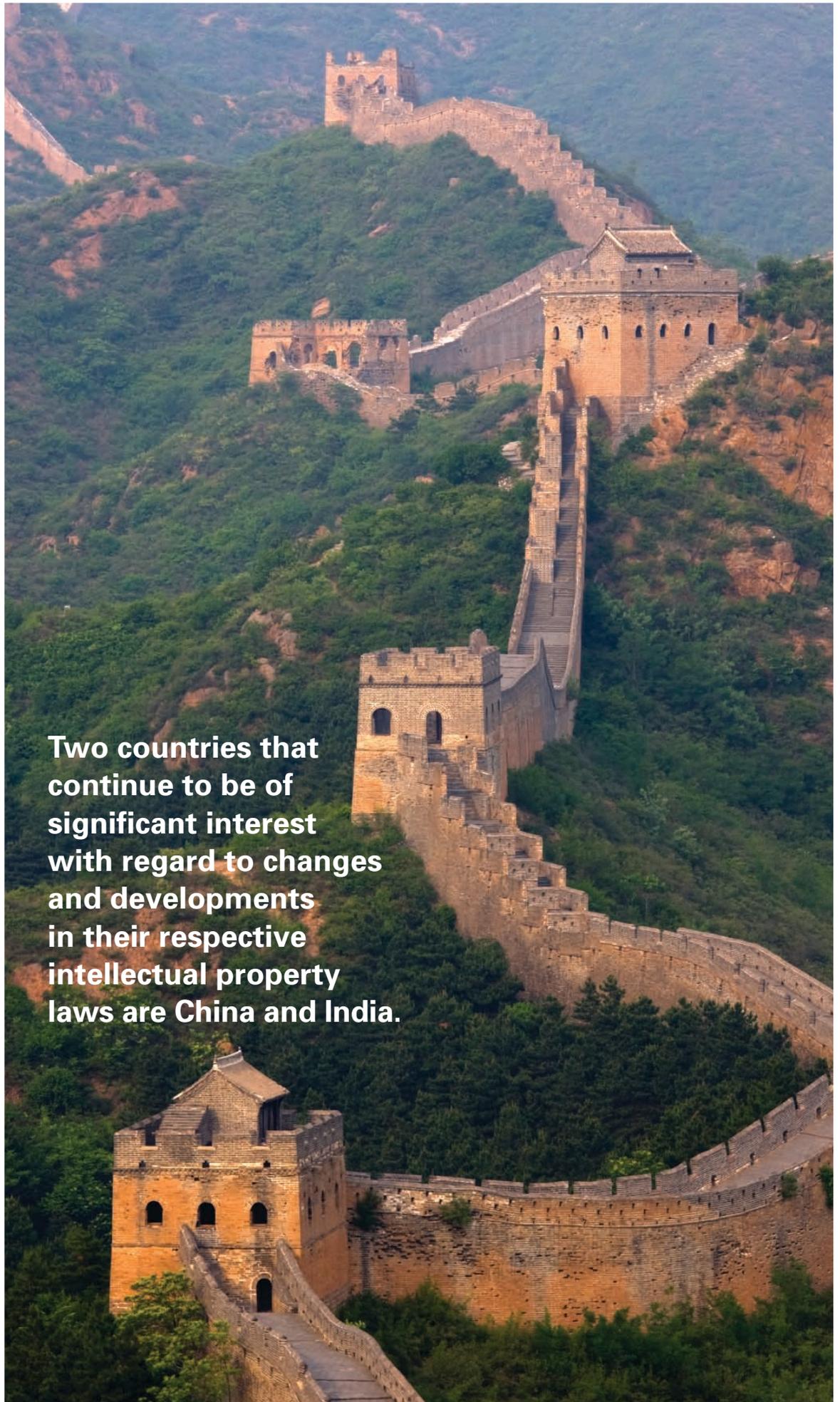
### ADDITIONALLY, BANNER & WITCOFF IS PLEASED TO WELCOME THE FOLLOWING ASSOCIATES:

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Washington D.C.

**Daniel G. Cardy**  
Washington D.C.

**Stephanie L. Knapp**  
Washington D.C.

**Christopher M. Swickhamer**  
Chicago



**Two countries that continue to be of significant interest with regard to changes and developments in their respective intellectual property laws are China and India.**

<sup>1</sup> The text of the WCT is available at [http://www.wipo.int/treaties/en/ip/wct/trtdocs\\_wo033.html](http://www.wipo.int/treaties/en/ip/wct/trtdocs_wo033.html). The text of the WPPT is available at [http://www.wipo.int/treaties/en/ip/wppt/trtdocs\\_wo034.html](http://www.wipo.int/treaties/en/ip/wppt/trtdocs_wo034.html).

<sup>2</sup> A listing of parties to the WIPO Copyright Treaty and their current status may be viewed at: ([http://www.wipo.int/treaties/en/ShowResults.jsp?country\\_id=ALL&start\\_year=ANY&end\\_year=ANY&search\\_what=C&treaty\\_id=16](http://www.wipo.int/treaties/en/ShowResults.jsp?country_id=ALL&start_year=ANY&end_year=ANY&search_what=C&treaty_id=16))

# DIGITAL AGE COPYRIGHT LAW IN ASIA: DMCA-TYPE PROVISIONS IN CHINA AND INDIA

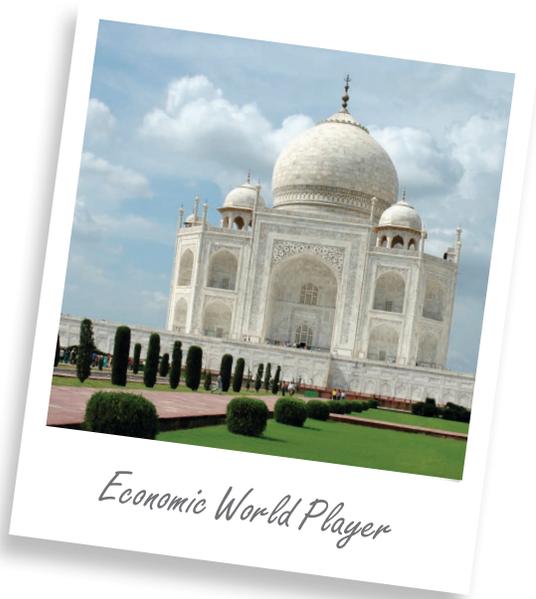


BY: ROSS A.  
DANNENBERG (L)  
AND DAVID  
R. GERCK (R)

Computer, internet and related digital technology are the functional platform upon which many of the largest and most robust economies across the globe now operate. Further, these services are vital for the continued operation and integration of the global economy. Accordingly, legal liability relating to actions (or failures to act) in cyberspace and other media, now greatly affects decisions by governments, companies, and individuals across the globe.

**Computer, internet and related digital technology are the functional platform upon which many of the largest and most robust economies across the globe now operate. Further, these services are vital for the continued operation and integration of the global economy.**

In the ten-plus years since the Digital Millennium Copyright Act (DMCA) took effect in the United States, many of the jurisdictions topping rankings of annual GDP lists have enacted similar laws or provisions. The WIPO Copyright Treaty (WCT) and the WIPO Performances and Phonograms Treaty (WPPT) generally require that treaty signatories provide copyright protection concerning technological measures used to protect copyrighted works, as well as regarding rights management information. Thus, the signatories to these treaties are more likely to have enacted laws similar to the United States'



Digital Millennium Copyright Act than non-signatory countries.<sup>1</sup> However, non-signatory countries may also have laws providing limited similar protections, and a review of the law in the individual jurisdictions would be necessary to confirm the extent of such protection.

In order to determine the extent to which these provisions have been implemented and the specific embodiment these provisions take in a given country, one must analyze the specific laws in each given jurisdiction. Analysis of individual laws is necessary because, while many of the countries analyzed herein are signatories to common copyright treaties such as the Berne Convention and the WIPO Copyright Treaty,<sup>2</sup> each possesses significant freedom regarding *how* to implement specific provisions of these treaties within the framework of their existing laws.<sup>3</sup> **MORE▶**

<sup>3</sup> For example, Article 11 of the WIPO Copyright Treaty provides the following broad guidance regarding obligations concerning technological measures:

Contracting Parties shall provide adequate legal protection and effective legal remedies against the circumvention of effective technological measures that are used by authors in connection with the exercise of their rights under this Treaty or the Berne Convention and that restrict acts, in respect of their works, which are not authorized by the authors concerned or permitted by law.

*(The WIPO Performances and Phonograms Treaty contains a similar provision in Article 18.)*

Similarly, Article 12 provides the following broad guidance regarding obligations concerning rights management information:

Contracting Parties shall provide adequate and effective legal remedies against any person knowingly performing any of the following acts knowing, or with respect to civil remedies having reasonable grounds to know, that it will induce, enable, facilitate or conceal an infringement of any right covered by this Treaty or the Berne Convention:

- (i) to remove or alter any electronic rights management information without authority;
- ii) to distribute, import for distribution, broadcast or communicate to the public, without authority, works or copies of works knowing that electronic rights management information has been removed or altered without authority.

*(The WIPO Performances and Phonograms Treaty contains a similar provision in Article 18.)*

[DIGITAL AGE COPYRIGHT LAW, FROM PAGE 13]

Two countries that continue to be of significant interest with regard to changes and developments in their respective intellectual property laws are China and India. The following is a brief synopsis of the Digital Millennium Copyright Law in the United States and a review of some of the key “DMCA-type provisions” implemented in China based on its implementation of the WIPO Copyright Treaty and/or the WIPO Performances and Phonograms Treaty. While India is not a member of either treaty, India has nonetheless implemented some DMCA-type laws, which are briefly discussed.

### BACKGROUND ON THE DIGITAL MILLENNIUM COPYRIGHT ACT (DMCA)

Enacted in October of 1998, the DMCA implements two 1996 World Intellectual Property Organization treaties: the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty.<sup>4</sup> The DMCA is divided into five titles: (1) Title I—*WIPO Copyright and Performances and Phonograms Treaties Implementation Act*; (2) Title II, *Online Copyright Infringement Liability Limitation*; (3) Title III—*Computer Maintenance Competition Assurance Act*; (4) Title IV—miscellaneous provisions relating to the functions of the Copyright Office, “ephemeral recordings,” “webcasting,” and collective bargaining agreements; and (5) Title V—*Vessel Hull Design Protection Act*.

**TITLE I**, among other things, creates two prohibitions in Title 17 of the United States Code: one prohibiting circumvention of technological measures used by copyright owners to protect their works and a second prohibiting tampering with copyright management information.

**TITLE II**, in adding new section 512 to the Copyright Act, creates a “safe harbor” by



placing limitations on liability for copyright infringement by online service providers. These limitations are based on four primary categories of conduct by “service providers”: (1) transitory communications, (2) system caching, (3) storage or transmission of information at the direction of users, and (4) information location tools. Titles I and II, taken together, are typically considered the “heart” of the DMCA.

**TITLE III** expands exemptions relating to computer programs allowing an owner of a copy of a program to make reproductions or adaptations when necessary to use the program in conjunction with a computer. For example, this title permits an owner of a computer to make (or permit making of) a copy of a computer program in the course of maintaining or repairing that computer.

**TITLE IV** includes a number of miscellaneous provisions. Among the miscellaneous provisions is confirmation of the Copyrights Office’s authority regarding policy and international functions and an exemption under the Copyright Act for making “ephemeral recordings” (e.g., recordings to facilitate a transmission). Title IV also expands the Digital Performance Rights Act (DRPA)

<sup>4</sup> The Digital Millennium Copyright Office Act of 1998—U.S. Copyright Office Summary, December 1998, pg. 1 (<http://www.copyright.gov/legislation/dmca.pdf>)

to include webcasting as a new category of “eligible nonsubscription transmissions,” revises the criteria for an entity to be eligible for a license, and creates a new statutory license for making ephemeral recordings. Lastly, Title IV also addresses the assumption of contractual obligations upon transfer of rights in motion pictures.

TITLE V adds a new chapter 13 to Title 17 of the United States Code and, along with it, creates a new system for protecting original designs of certain useful articles (i.e., hulls of vessels no longer than 200 feet).<sup>5</sup>

This article principally discusses Titles I and II—circumvention of technological protections and the “safe harbor” provisions for service providers—and whether various foreign jurisdictions provide similar types of protection.

**These recent developments in Chinese law are generally believed to have expanded the scope of protection available to copyright holders (and adjacent right holders) utilizing encryption software and various other technical measures to protect copyrighted subject matter and content.**

### DMCA-TYPE PROVISIONS IN CHINA AND INDIA

**CHINA:** China’s laws in accordance with the WCT and WPPT went into force on June 9, 2007. In China, “computer software” is specifically identified as one of the “forms of expression” protectable by copyright.<sup>6</sup> Chinese law also provides anti-circumvention protection of computer technology. China’s first anti-circumvention provisions were set forth in 1998 in the form of ministry regulations (“Interim Regulations”). Article 18 of the Interim Regulations prohibits “production of pirated software, software for deciphering secrets and software with the main function of removing technology-protection measures.”<sup>7</sup> Further anti-circumvention

regulations were later introduced in the Copyright Law of 2001, which prohibits “intentionally avoiding or destroying the technical measures” taken by copyright owners or obliges without permission or unless otherwise authorized under the law.<sup>8</sup> These same anti-circumvention rules were also promulgated by the State Council in 2002 in the Regulations on the Protection of Computer Software.<sup>9</sup>

More recently, on June 1, 2006, the State Council set forth further anti-circumvention rules explicitly authorizing an owner to adopt “technical measures” to “protect the right to network dissemination of information.”<sup>10</sup> These rules prohibit organizations or individuals from purposely avoiding or breaking the technical measures (often in an attempt at reverse engineering) or purposely

manufacturing, importing or providing to the general public devices or components that are mainly used to avoid or break the technical measures unless otherwise provided for in law or regulation.<sup>11</sup> Thus, China has adopted several provisions in the spirit of the DMCA related to the “anti-circumvention” provisions of Title I of DMCA.

These recent developments in Chinese law are generally believed to have expanded the scope of protection available to copyright holders (and adjacent right holders) utilizing encryption software and various other technical measures to protect copyrighted subject matter and content.<sup>12</sup> However, it has been suggested by some that the **MORE>**

<sup>5</sup> Vessel Hull Design Protection relates to a *sui generis* provision outside the topical scope of this article and is merely mentioned to provide an accurate and complete description of the Act (DMCA).

<sup>6</sup> Copyright Law of the People’s Republic of China, Article 3 (2001). (“For the purposes of this Law, the term “works” includes works of literature, art, natural science, social science, engineering technology and the like which are expressed in the following: ... (8) computer software...”)

<sup>7</sup> Interim Regulation on Administration of Software Products, Article 18 (1998).

<sup>8</sup> Copyright Law of 2001, Article 47.

<sup>9</sup> Order of the State Council of the People’s Republic of China, No.339, Regulations on the Protection of Computer Software, Article 24 (effective January 1, 2002) at ([http://english.gov.cn/laws/2005-08/24/content\\_25701.htm](http://english.gov.cn/laws/2005-08/24/content_25701.htm)).

<sup>10</sup> CoOrder of the State Council of the People’s Republic of China, No.468, Ordinance on the Protection of the Right to Network Dissemination of Information, Article 4 (effective July 1, 2006) at ([http://fdi.gov.cn/pub/FDI\\_EN/Laws/GeneralLawsandRegulations/AdministrativeRegulations/P020060713308299373030.pdf](http://fdi.gov.cn/pub/FDI_EN/Laws/GeneralLawsandRegulations/AdministrativeRegulations/P020060713308299373030.pdf))W

<sup>11</sup> See *id.*

<sup>12</sup> Song Haiyan and Xu Yuezhu, *Computer Software Protection in China*, (March 2007), at [www.kingandwood.com](http://www.kingandwood.com)



Literary Works Protection

current anti-circumvention laws need to be improved because the current provisions: (1) are “too simple and vague” including a lack of limits on the scope of protection; (2) make no distinction between the varied technical measures utilized; and, (3) fail to account for or explicitly exempt legitimate or potentially desirable circumvention activities (e.g., research and academic arenas) as is done in many other countries.<sup>13</sup>

recommended that China amend its laws to be in conformity with its obligations under the TRIPS Agreement.<sup>17</sup> As a result, expect additional changes to China’s intellectual property laws in the future.

**INDIA:** India has been a little slower and less comprehensive in its implementation of DMCA-type laws. Indeed, India has not signed either the WCT or WPPA. However, India continues to contemplate implementation of DMCA-type provisions. As a result, India may continue to revise its copyright laws to include further provisions that resemble the DMCA. For example, some believe India’s laws will soon be amended with the introduction of anti-circumvention provisions as well as protections for rights management information.<sup>18</sup>

After a dispute initiated by the United States, a panel of the World Trade Organization determined in January 2009 that certain provisions of China’s intellectual property

### After a dispute initiated by the United States, a panel of the World Trade Organization determined in January 2009 that certain provisions of China’s intellectual property laws were not in compliance with the Berne Convention and TRIPS Agreement.

laws were not in compliance with the Berne Convention and TRIPS Agreement.<sup>14</sup> Specifically, the panel determined that China’s copyright laws do not provide the same efficacy to non-Chinese nationals as they do to Chinese citizens, as is required by the Berne Convention.<sup>15</sup> The panel also determined that China’s copyright laws do not provide enforcement procedures so as to permit effective action against any act of infringement of intellectual property rights, as required by the TRIPS Agreement.<sup>16</sup> Based on these findings, the panel concluded that China’s copyright laws nullify or impair benefits accruing to the United States, and

In India, like most other jurisdictions that provide copyright protection of computer programs and related subject matter, computer programs are considered “literary works.”<sup>19</sup> Despite being considered “literary works,” computer programs receive special consideration under Indian Law based on a right “to sell or give on commercial rental or offer for sale or for commercial rental any copy” of a computer program, regardless of whether such copy is sold or rented previously. This right specific to computer programs contrasts with other types of “literary works” under Indian law, which provides a right “to issue copies of the work to the public” provided the copy is “not

<sup>13</sup> See *id.*

<sup>14</sup> DS362: China—Measures Affecting the Protection and Enforcement of Intellectual Property Rights, World Trade Organization, January 26, 2009, p. 134.

<sup>15</sup> *Id.*

<sup>16</sup> *Id.*

<sup>17</sup> *Id.*

<sup>18</sup> Ayan Roy Chowdhury, *The Future of Copyright in India*, *Journal of Intellectual Property Law & Practice*, volume 3, number 2 (2008).

<sup>19</sup> See, *Int’l Copyright Law and Practice, India*, §8[1][b][iii], at pg. IND-42.

already in circulation.”<sup>20</sup> Accordingly, computer programs are exempt from what resembles the United States’ “first sale doctrine” limitation on the distribution rights of the copyright owner even though the “first sale doctrine” applies to other forms of literary works in India.

Currently, Section 52(1) of the Indian Copyright Act sets forth several provisions specifically limiting the rights of copyright owners in relation to utilization of computer programs, making of back-up copies, interoperability between computer programs, and reverse engineering.<sup>21</sup> First, the “making of copies, or the adaptation, of a computer program” by the lawful possessor of the program is allowed “(i) in order to utilize the computer program for the purpose for which it was intended or (ii) to make back-up copies purely as a temporary protection against loss, destruction, or damage.”<sup>22</sup> Second, “any act necessary to obtain information essential for assuring the interoperability . . . with other programs,” provided that the information is not otherwise readily available, is also allowed under the Indian Copyright Act.<sup>23</sup> Lastly, “observation, study, or test[ing] of the functioning of a computer program,” in order to determine “the ideas and principle that underlie any elements of the program” while performing such acts as necessary for which the program was supplied is also permitted.<sup>24</sup>

## CONCLUSION

Since 1998 digital technology has continued exponential growth in importance, complexity, and breadth. Very few locales on the planet have not been influenced by digital media and technology. Accordingly, in the time since the U.S. passed the Digital Millennium Copyright Act (DMCA) as the manner in which the United States governs copyright and related issues relating to the facets enumerated in that Act, many other countries have also amended or added to their body of law relating to digital media, technology and related issues. After reviewing DMCA-type provisions currently implemented by two of the larger players on the world economic stage, China and India, it is evident that many factors influence each nation’s approach to addressing the expanding challenges introduced by new and evolving technologies. While many issues must be worked out in order to have a sense of harmony or universal approach to the use of copyright laws in this age, similarities in the approaches are apparent. This is an arena that will continue to develop and, although perhaps never reaching full harmonization, the significance of such laws is clear. ■

<sup>20</sup> *Id.*

<sup>21</sup> *See id.* at pg. IND-48.

<sup>22</sup> Section 52(1), Clause (aa).

<sup>23</sup> Section 52(1), Clause (ab).

<sup>24</sup> Section 52(1), Clause (ac).

## YES, WE CAN... RESOLVE PATENT CASES FOR LESS



BY: ROBERT H.  
RESIS (L) AND  
CHARLES W.  
SHIFLEY (R)

Is this your company? Sales just fell off a cliff, there is no bailout money coming, any further cost cutting seems impossible without doing serious long term damage, and yet now the company faces a new budget buster. The former founder, who was ousted, set up a business that only creates patents, and has now sued for infringement in a patent-friendly location. He knew how the company technology was advancing, he patented ahead of the company, and your assessment is that non-infringement is not an option. Outside counsel also predicts that the jury in the patent-friendly court will not likely overturn the so-called experts at the Patent Office who issued the patents gained by the company nemesis. Win or lose, the attorneys fees from the case will start with quarterly expenses of as much as several million dollars, right away.

Do you ask: Isn't there any lower cost, better potential path through this situation? The answer may be—*may be*: Yes. We lawyers can now say, yes, we can . . . resolve *some* patent cases for less.

### WE CAN USE *INTER PARTES* PATENT REEXAMINATION.

The practices as to *inter partes* reexamination have been evolving, to help create new opportunities for reduced cost elimination of some patents. A group of “super examiners” now exists at the U.S. Patent Office. They



were selected from the high ranks of patent examiners, based on the quality of their work and their efficiency. Their job now is to reexamine issued patents based on prior art patents and printed publications that raise a substantial new question of patentability. Moreover, their job is being done in the open, with the every-step-along-the-way participation of those who request the reexamination of patents. So, for situation of patents that you and I believe should be reexamined, we now have a Patent Office procedure for high quality reexamination of issued patents, where you have a voice, including the right to appeal to the Court of Appeals for the Federal Circuit should the Patent Office affirm the validity of the patent claims.

### HOW DOES IT WORK?

*Inter partes* patent reexamination starts when we file for this type of reexamination of patents. It then proceeds with “special dispatch” within the Patent Office. It gives the “requester” an opportunity to respond to

anything the patent owner files. This right of response is perhaps the most valuable aspect of this type of reexamination, to a requester. But there are other valuable aspects, too. If the owner amends the patent, the owner may give up rights to those who would otherwise be infringers. If the owner argues for narrow patent interpretation, courts can be expected to consistently interpret the patent narrowly. If the owner argues against the prior art (other patents and publications), the owner will likely create prosecution history estoppel,

According to PTO statistics just issued, 94% of reexamination requests have been granted. Also, 70% have resulted in reexamination certificates with all claims canceled (or disclaimed). Pendency time has been, on average, about 35 months.

beneficial to competitors. In these situations of safe harbors, competitors can operate with confidence of noninfringement.

Finally, the requestor benefits from the burden of proof aspect of reexamination—a requester need not prove by clear and convincing evidence that the claims are invalid, as would be required in litigation. Rather, the burden will be on the patent owner to prove that the claims are valid. Indeed, in *In re Swanson*, 540 F.3d 1368 (Fed. Cir. September 4, 2008), the Federal Circuit affirmed a reexamination finding that claims were anticipated and obvious in light of a prior art reference considered in the initial examination, and despite the Federal Circuit's holding in an earlier infringement case that the same claims were valid over the same prior art. (For further discussion of *Swanson*, see "It Ain't Over 'Til the Federal Circuit Sings After Reexamination" (Banner & Witcoff Intellectual Property Update Fall/Winter 2008) by Robert H. Resis.)

### ISN'T THIS OLD?

*Inter partes* reexamination has legally existed for about ten years. Until recently, it has been little used, but is rapidly gaining popularity. Filings for *inter partes* reexamination in year 2007 (126) exceeded all such filings from 2001–2006 (112). Filings in 2008 (168) nearly equaled all the filings for *inter partes* reexamination from 2001 through 2007 (182). Filings for the beginning of 2009 (68) appear to continue this trend of rising filings.

According to PTO statistics just issued, 94% of reexamination requests have been granted. Also, 70% have resulted in reexamination certificates with all claims canceled (or disclaimed). Pendency time has been, on average, about 35 months.

### WHAT DOES THIS COST?

Patent litigation in court can cost millions of dollars, as indicated with the hypothetical fact situation that started this article. *Inter partes* reexamination was conceived specifically to have patents reexamined as to their validity in a much less expensive manner than in patent litigation. Virtually no one litigates patent cases without filing for summary judgment, sometimes filing several or even many such motions. According to the AIPLA Report of the Economic Survey 2007, the median cost of an *inter partes* reexamination is \$15,000 through the filing of the request, \$27,000 through the first patent owner response, \$43,000 through the patent owner responses, \$73,000 where **MORE**▶

[YES, WE CAN, FROM PAGE 19]

there is an appeal to the Patent Office's Board of Appeals and Interferences, and \$150,000 through an appeal to the Federal Circuit—costs that are a fraction of the total costs of a district court patent litigation through the jury verdict.

**THIS MUST HAVE CAUTIONS AND DISADVANTAGES, OR I WOULD HAVE HEARD MORE OF THIS ALREADY.**

Every legal procedure has advantages and disadvantages, and this one is no exception. Weighing against the benefits of its low cost, special dispatch, super examiners, absence of a jury, absence of the burden of proving invalidity by clear and convincing evidence, and full requester participation, there are some disadvantages to *inter partes* reexamination.

First, it does not in and of itself permit discovery of the patent owner. There will not be document requests, interrogatories or depositions through the reexamination procedure. Of course, not receiving the same in return is an offsetting advantage. The high costs of document collections and reviews are avoided, in this procedure.

Second, obvious but worth stating, *inter partes* reexamination is not a process that results in a decision of non-infringement of patents. It also is not a process that permits challenging patents for all of the numerous ways they may be challenged. Reexamination is focused on whether the issued patent is valid or not based on prior art, and not even all prior art. Reexamination is focused on comparing the patents being reexamined to older patents and publications. But if your company has its own past uses of inventions that would invalidate its competitors' patents, and if it has "publications" of the past uses, such as published engineering

drawings, brochures, flyers, and the like, we can treat its uses as publications and utilize them to invalidate patents.

Perhaps one of the most frustrating aspects of dealing with patent disputes is reviewing a patent's file, and finding that the patent's own file included prior art that should have prevented the patent from issuing and should still invalidate the patent. Often, the file contains prior art that was not used by the examiner to reject claims, but that should have been used for just that purpose. This may result from late citations of such prior art by the applicant, or sometimes, perhaps, for lack of better explanation, even poor quality examination. Convincing juries to second guess patent examiners on the same materials they reviewed, however, may be chancy at best.

*Inter partes* reexamination is different. It can be based on the same prior art reviewed by the examiner who issued the patent. All that is needed is an argument that puts the prior art in a new light. This is not much of a hurdle.

Third, and this is a significant issue, the requesters who lose in *inter partes* reexamination may not raise the same issues in litigation; they are estopped. Consider, however, the estoppel in context. One of the attractions of *inter partes* reexamination is avoiding a jury. Worrying over the loss of a decision by a jury is not very reasonable in that context. Worrying over the loss of a decision by a federal judge is more reasonable, but likely overestimates the time and depth of study available to a judge, as compared to a super examiner. And for every patent "hawk" among the federal judiciary, *i.e.*, every judge inclined to declare patents invalid, there is surely a patent "dove," inclined to let a jury decide patent validity and not much question the jury's results.

[YES, WE CAN, FROM PAGE 20]

Fourth, patent lawyers have been waiting on the law surrounding *inter partes* reexamination to develop. Some are still waiting, but the law has been developing, and the surrounding law is better stabilized now than ever before. There are still criticisms of the law—for example, that the examiners reject reexamination requests over picky interpretations of the law, and that even with special dispatch, *inter partes* reexamination takes too long, particularly when averages are recalculated to eliminate uncontested reexaminations, and appeals are also considered. Consistent with the rapidly increasing number of filings, however, many possible requesters are through waiting for the law to develop.

### THE BLACKBERRY CASE AND THE FACT WE ARE ASSUMING THAT THE PATENT OWNER SUED

In the hypothetical assumed at the beginning of this article, the existence of a lawsuit by the patent owner is assumed. There are those who would remember the Blackberry case, and assert that no re-examination can help since it did not help in that case.

The Blackberry case was between RIM, the maker of the Blackberry, and NTP, a holding company that gained over \$600 million in settlement from RIM. The district court of the case nearly enjoined the Blackberry system. A jury found that RIM infringed, and the Federal Circuit affirmed the district court's denial of RIM's motion to overturn the jury verdict on grounds of invalidity over the prior art. On remand for further proceedings, and four years after being sued for infringement, RIM filed for reexamination and requested a stay of the case. The district court denied the stay based on the Federal Circuit's mandate and moved the litigation forward so as to bring closure on remand. Those who doubt reexamination based on this case should recall that reexamination



was requested four years after suit was filed. The reexamination did not help RIM because it was simply too little, too late.

*Inter partes* reexamination can help accused infringers, if they get to the Patent Office with their reexamination filings as soon as possible, and seek stays of litigation pending reexamination outcomes. Filing for reexaminations and stays early can make significant differences in the right cases. While district judges have discretion to stay or proceed, many patent owners will join in stay motions, and many judges do issue stays, even in situations that are contested, where the timing is right—meaning, early.

### SUED AND RISKING EXPENSIVE PATENT LITIGATION, CONSIDER *INTER PARTES* REEXAMINATION

Sued by a former founder, sued by a holding company (a “troll”), or sued by a major competitor, the time has now come when you and your company should seriously consider *inter partes* patent reexamination to aid its situation. Properly handled, it can be a success. ■

## DOT BOMB: BE PREPARED FOR THE NEW WEB ADDRESSING SYSTEM

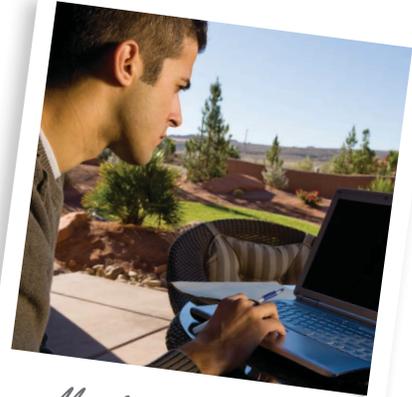


BY: KATHERINE L. FINK

In June 2008, ICANN, the organization responsible for coordinating the internet's addressing system, approved a policy that would loosen its control over the nature and number of generic top-level domains (gTLDs). This new policy will present a new internet landscape and has the potential to drastically change the way businesses, organizations, and other institutions market and present themselves on the internet.

Historically, ICANN has maintained strict control over the nature and number of gTLDs. Currently, there are only 21 gTLDs. Examples of current gTLDs include .com, .org, .biz, .net, etc. Given the current structure of gTLDs, businesses and other organizations seeking an internet address have had to select from this limited number of gTLDs. However, the vast number of internet users has led to increased demand for diversity and choice and, thus, demand for additional gTLDs.

Under ICANN's new policy, the sky is nearly the limit on possible gTLDs. Beginning in late 2009 or 2010, during a pre-set application submission period, applicants will be able to apply for almost any gTLD, including, for example, *.yourbrandname*, *.productcategory* (i.e., *.cars*), or *.geographiclocation* (i.e., *.chicago*), with certain restrictions. This opportunity allows for incredible creativity in marketing and presence on the internet. For example, a car manufacturer could seek to register *.carmanufacturername* as well as *.cars*, so that it could use the domain name *carmanufacturername.cars*.



*Market Your Domain*

This policy also includes several built in features to protect trademark owners in the new internet addressing landscape. One such feature is that individuals and sole proprietorships are not eligible to apply. Only established corporations, organizations, or institutions in good standing may apply for a new gTLD. Moreover, the application fee for a new gTLD is \$185,000, with potential costs reaching \$235,000 or more. Additionally, applicants will be required to provide information regarding their capacity to operate and maintain the new gTLD and corresponding registry, including documentary evidence of their ability to fund ongoing basic registry operations. Finally, applications will be subject to review, public comment, and objections. SEE SIDEBAR

The losing party of an objection would be required to pay the cost of the proceeding, which would likely range from \$2,000 to \$122,000, or more, depending on the scope of such proceeding.

In light of ICANN's new policy regarding gTLDs and its built in barriers to entry, businesses, organizations, and other institutions should weigh the costs and benefits and make informed business decisions regarding whether to apply for a new gTLD.

[DOT BOMB, FROM PAGE 22]

Companies with substantial intellectual property rights in their brand name should strongly consider seeking registration of *.theirbrandname* and, possibly, *.theirproductcategory*. The benefits of obtaining such registrations are that the gTLD registry owner and operator will be able to control and decide the rules regarding who can obtain domain names under the gTLD. This will allow companies to utilize a new internet marketing landscape, including launching new marketing campaigns to draw consumers to their new websites. For example, these new marketing campaigns could focus on “Dot BrandName” or “BrandName Dot ProductCategory,” among others.

Many companies, however, do not have the experience or capacity to operate or maintain a registry (one of the requirements for seeking registration under ICANN’s rules). As such, these companies could consider forming alliances with established registry operators, such as, for example, VeriSign, Inc. (.com and .net) or NeuStar, Inc. (.biz and .us), to operate the gTLD registry, if such established registries are willing. This alliance would allow a company to team up with an experienced registry under agreed-upon terms and rules regarding what companies or organizations can obtain a domain name under the gTLD.

At a minimum, regardless of whether a company wishes to seek registration of a gTLD for its brand name, product category, or geographic region, brand owners need to institute a policy to monitor new gTLD applications when they begin and file objections where an application violates the brand owners’ rights. Despite the potentially high costs of objections, this defensive measure is essential to preventing infringement and/or dilution of trademark rights in this new internet landscape.

**Objectors with standing to object could base their objections on the following grounds:**

- 1 “STRING CONFUSION”—the applied-for gTLD is confusingly similar to an existing TLD or to another applied for gTLD string;**
- 2 “LEGAL RIGHTS OBJECTION”—the applied for gTLD infringes the legal rights of the objector;**
- 3 “MORALITY AND PUBLIC ORDER OBJECTION”—the applied-for gTLD string is contrary to generally accepted legal norms of morality and public order; or**
- 4 “COMMUNITY OBJECTION”—there is a substantial opposition to the gTLD application from a significant portion of the community to which the gTLD string may be explicitly or implicitly targeted.**

Currently, ICANN is still in the process of honing its new policy. Following ICANN’s June 2008 approval of its new gTLD policy, it sought public review and comment of its Draft Application Guidebook. Recently, on February 18, 2009, ICANN issued a summary and analysis of the comments received, noting four issues requiring more discussion: (a) security and stability, (b) malicious conduct, (c) trademark protection, and (d) demand/economic analysis. On that same date, ICANN issued a second Draft Application Guidebook that was subject to further public comment through April 13, 2009. Now that the April 13 deadline has passed, a third draft is anticipated, and the application period is expected to open in late 2009 or 2010.

For additional information, please see ICANN’s New gTLD Program website at: <http://www.icann.org/en/topics/new-gtld-program.htm>. ■

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