

UPDATE

FALL/WINTER 2011

LAW ON DIVIDED INFRINGEMENT REMAINS UNCERTAIN



BY: H. WAYNE PORTER

Direct infringement requires making, using, selling, offering to sell, or importing an invention.¹ It is often easy to identify makers, users, sellers, etc., for inventions defined by components or steps associated with a single location. For instance, all claimed components of a product invention might be amenable to inclusion in a single product.

Once an accused product is identified, it is normally easy to find a single person, company, or other legal entity that makes, uses, sells, offers to sell, or imports that product. For example, steps of a process invention might be carried out in a single location. If one can identify a single location where all claimed steps are performed, one can likely associate a single legal entity with activity at that location.

Claiming elements at a single location is frequently the most intuitive and logical way to define an invention, particularly if features of an invention will reside at a single

location when that invention is actually practiced. Sometimes, however, a patent claim may define an invention by reference to components and/or activities at widely dispersed locations. In some such cases, the real innovation may reside in a combination of activities and/or components that will not normally be in a single place. Suppose, for example, that an inventor develops a technique for communicating large amounts of data across a network. Assume that technique requires pre-processing of data prior to transmission and post-processing the transmitted data once it is received. Further assume that there is prior art describing the same or similar preprocessing in an unrelated context, and that there is additional prior art describing a same or similar postprocessing technique in another unrelated environment.

Under those circumstances, it might be difficult to avoid the prior art by only claiming a transmitter or preprocessing steps or by only claiming a receiver or postprocessing steps. Even if there is a reasonable argument to distinguish such a claim over the prior art, however, there may be temptation [MORE▶](#)

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¹ 35 U.S.C. § 271(a).

to accept a multi-location claim. An examiner might indicate a willingness to allow a claim reciting steps at the transmitting and receiving ends, but might firmly reject claims that do not recite activity at both ends. Faced with the prospect of a lengthy and expensive appeal

could be infringed by the activities of multiple legal entities. That panel held that “there can only be joint infringement when there is an agency relationship between the parties who perform the method steps or when one party is contractually obligated to the other to perform

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to obtain allowance of a single location claim, possibly combined with a limited patent budget and/or unknown market potential for the invention, the inventor or assignee may consider settling for the two-location claim.

Just as claims based on activities and/or components at a single location will usually implicate a single legal entity, claims requiring components and/or activities at widely dispersed locations will often implicate multiple legal entities. This is sometimes referred to as “divided infringement,” as actions constituting infringement may be “divided” among different legal entities. Continuing the above example, an accused system may include a transmitter in one location and numerous widely distributed receivers. Company A may own and operate the transmitter, but the receiver may be owned and operated by individuals or other entities distinct from company A.

METHOD CLAIMS

U.S. patent law regarding divided infringement is currently unsettled, particularly with regard to method claims. In a December 2010 opinion in the case of *Akamai Technologies Inc. v. Limelight Networks Inc.*², a three judge panel of the Federal Circuit limited the circumstances under which a method claim

the steps.”³ According to the panel opinion, there would not likely be an agency relation unless one joint infringer has the right to cause the other joint infringer to perform one or more claimed steps.⁴ If party A only has the right to control how party B performs a claim step, but party B is free to initially decide whether to perform or not to perform, there would likely be no agency sufficient to make A and B joint infringers. Similarly, the existence of a contract that gives party A the right to control how party B performs an activity would not create joint infringement if party B is not obligated to perform that activity. Stated differently, a contract under which party A can control the details of how party B performs a method step would not create joint infringement unless that contract also requires party B to perform that step.

The Federal Circuit recently vacated the December 2010 *Akamai* opinion and agreed to rehear the appeal *en banc* (i.e., before all judges of the Federal Circuit).⁵ The Federal Circuit specifically asked the parties to file new briefs to address the following issue: “If separate entities each perform separate steps of a method claim, under what circumstances would that claim be directly infringed and to what extent would each of the parties be liable?”⁶ The Federal Circuit has also agreed

² 629 F.3d 1311, 97 USPQ2d 1321 (Fed. Cir. 2010).

³ *Id.* at 1320, 97 USPQ2d at 1327.

⁴ *See id.* at 1320-21, 97 USPQ2d at 1327.

⁵ Order dated April 20, 2011, in Cases 2009-1372, 2009-1417, 2009-1380, 2009-1416 (2011 WL 1518909).

⁶ *Id.*

to *en banc* rehearing of the separate case of *McKesson Technologies, Inc. v. Epic Systems Corporation* and has asked the parties in that case to address the circumstances under which there may be liability for inducing

SYSTEM CLAIMS

In addition to method claims reciting steps in multiple locations, patents may also include device claims that recite components in multiple locations. Multi-location device

This article takes no position on how the *Akamai* or *McKesson* appeals should be decided, but it seems reasonably possible that the Federal Circuit will at least partially retreat from the standard of the vacated *Akamai* opinion.

infringement or for contributory infringement when separate entities perform method claim steps.⁷

In its principal brief, the *Akamai* appellant has argued that “[a] method claim is directly infringed when every step of the claim is practiced in the United States, whether by a single entity or by entities whose actions combine to perform all steps of the claim.”⁸ Briefs of numerous *amici curiae* have urged that separate entity infringement should be determined using standards that would be more encompassing than the agency-relationship-or-contractual-obligation standard of the vacated *Akamai* opinion. As of the date this article was written, the *Akamai* appellee had not yet filed its brief.

This article takes no position on how the *Akamai* or *McKesson* appeals should be decided, but it seems reasonably possible that the Federal Circuit will at least partially retreat from the standard of the vacated *Akamai* opinion. As noted by the *Akamai* appellant and several *amici*, the Supreme Court has resisted Federal Circuit efforts to create bright line rules in patent law. Requiring an agency relationship or contractual obligation, in the absence of a statute clearly imposing such requirements, seems to be the type of standard the Supreme Court might reject.

claims, which are often styled as “system” claims, may recite elements that are owned and operated by different legal entities.

For example, a claim might recite a server computer and a client computer. In practice, the server may be owned and operated by one entity and the client might be owned and operated by a different entity. In some cases, one of those entities might be an infringer.

In *Centillion Data Systems LLC v. Qwest Communications International Inc.*⁹, Federal Circuit held that “to ‘use’ a system for purposes of infringement, a party must put the invention into service, i.e., control the system as a whole and obtain benefit from it.”¹⁰ However, a party that uses a system under Section 271(a) need not exercise physical or direct control over each element of that system.¹¹ Although a party must use every element of the system in order to infringe, that party can do so by placing all elements of the system collectively into service.¹² Notably, one entity that puts a system into service can be an infringer even if another entity physically possesses other elements of the system.¹³

It is unclear how the *Centillion* rule might be affected by the *en banc* decisions in *Akamai* and *McKesson*. Although the *Centillion* rule is based on principles that differ [MORE▶](#)

⁷ Order dated May 26, 2011, in Case 2010-1921 (2011 WL 2173401).

⁸ Principle Brief for Plaintiff-Appellant dated June 20, 2011, at 1.

⁹ 631 F.3d 1279, 97 USPQ2d 1697 (Fed. Cir. 2011).

¹⁰ *Id.* at 1284, 97 USPQ2d at 1701.

¹¹ *Id.*, 97 USPQ2d at 1701.

¹² *Id.*, 97 USPQ2d at 1701.

¹³ *See id.* at 1285, 97 USPQ2d at 1702.

[INFRINGEMENT, FROM PAGE 3]

(at least in part) from the principles at issue in *Akamai*, the *Centillion* opinion did cite to the now-vacated *Akamai* opinion for certain aspects.

CONCLUSION

The law of divided patent infringement will remain in flux while the *Akamai* and *McKesson* cases are pending. For the present, it is prudent not to rely solely on patent claims that require actions by multiple legal entities. ■

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FEDERAL CIRCUIT HOLDS CLAIMS TO ISOLATED DNA AND TO METHODS OF USING ISOLATED DNA TO SCREEN FOR CANCER PATENT-ELIGIBLE



BY: FRASER D. BROWN (L) AND PAUL M. RIVARD (R)

On July 29, 2011, the Federal Circuit

handed down the hotly-anticipated decision in *Association for Molecular Pathology v. USPTO*, Fed. Cir., No. 2010-1406, 7/29/2011. In a 2-1 decision, the Panel held that isolated DNA molecules are eligible for patent protection under 35 U.S.C. § 101.

The substantive dispute amongst the parties is whether claims to isolated DNA impermissibly encompass a product of nature. Myriad argued that isolated DNA is patent eligible because it is “a nonnaturally occurring composition of matter” with “a distinctive name, character, and use.” The plaintiffs responded that the

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isolated DNA molecules encompass products of nature because they are not “markedly different” from the natural product. In other words, the question before the court was whether the differences between isolated DNA and naturally occurring DNA is sufficient to confer patent-eligibility.

The three judge panel struggled to find common ground. Judge Lourie, writing for the majority, held that claims to isolated DNA are patent-eligible. In his view, isolated DNA is “markedly different” from DNA in the human body because the covalent bonds have been cleaved to isolate the DNA from the native

DNA molecule. Notably, Judge Lourie did not differentiate between different types of DNA and applied this reasoning to find both isolated DNA similar to the DNA in the chromosome and cDNAs patent-eligible. Judges Bryson (dissenting-in-part) and Moore (concurring-in-part), however, drew distinctions between the two categories of DNA and whether—and why—they are patent-eligible.

ISOLATED DNA VERSUS cDNAs

In her concurring opinion, Judge Moore divided DNA claims into two categories and applied different reasoning to find each category patent-eligible. The first category was directed to isolated sequences that are identical to naturally occurring sequences and included the isolated full length sequence and fragments of those which are found on the chromosome.

Judge Moore’s second category was cDNAs, which lack introns and are complementary to naturally occurring RNA. Judge Moore found that the chemical differences between cDNA versus RNA or continuous DNA on the chromosome were “markedly different” and thus claims to cDNAs were patentable.

SHORT FRAGMENTS VERSUS LONG FRAGMENTS

Judge Moore did not, however, extend this reasoning to “DNA sequences that have the same pattern of DNA bases as a natural gene, in whole or in part.” Instead, Judge Moore further differentiated between [MORE>](#)

[MYRIAD, FROM PAGE 5]

short DNA fragments and longer strands that included most, or all, of the gene. The former type she found patentable as having uses and applications, such as primers, that were different from

alone was insufficient to confer patent-eligibility, particularly in view of the fact that breaking other bonds, such as ionic bonds during isolation of lithium, would not confer patent-eligibility on the isolated

Notably, Judge Lourie did not differentiate between different types of DNA and applied this reasoning to find both isolated DNA similar to the DNA in the chromosome and cDNAs patent-eligible. Judges Bryson (dissenting-in-part) and Moore (concurring-in-part), however, drew distinctions between the two categories of DNA and whether—and why—they are patent-eligible.

the DNA found in nature. For the latter type, however, Judge

Moore based patent-eligibility on the settled expectations of stakeholders that such claims have always been patent-eligible. Notably, Judge Moore strongly suggested she may have held otherwise in the absence of settled expectations, particularly because of a paucity of uses for such DNAs that are different from the gene as it appears on the chromosome.

Judge Bryson concurred with the patentability of the cDNA claims on the basis that the cDNA lacks introns and can be used in cells to express proteins, but dissented from the court's holding that Myriad's claims to the BRCA gene and gene fragments were patent-eligible. Judge Bryson protested that "[t]he structural differences between the claimed 'isolated' genes and the corresponding portion of the native genes are irrelevant to the claim limitations, to the functioning of the genes, and to their utility in their isolated form." Notably, in contrast to Judge Lourie, Judge Bryson found that breaking covalent bonds

lithium. Finally, Judge Bryson opined that claims to fragments of DNA having at least 15 nucleotides are not patent-eligible because they are overbroad, indicating the underlying policy concern that genes are claims to natural products and should be limited in scope.

IMPORTANT PRACTICE TIPS FOR DRAFTING DIAGNOSTIC METHOD CLAIMS

The Court's analysis of the methods claims used a straightforward application of the "machine-or-transformation" test. Almost all Myriad's method claims recited "comparing" or "analyzing" sequences but not any prior steps indicating how the sequences were obtained. Without such a step, the Court held that claims recited only the abstract mental steps required to compare two nucleotide sequences, and were thus not valid. In contrast, Myriad's claim for screening for potential therapeutics included two steps sufficient to confer patent eligibility. The claims recited "growing" transformed cells, which supports eligibility by the "transformative step involving the manipulation of the cells and their growth medium." That the "determining" step "necessarily involv[ed] physical manipulation



DNA Fragments: Patent Eligible

of the cells” further supported patent eligibility. The Court’s opinion thus reinforces a key take-home for both litigators and patent-prosecutors regarding diagnostic method claims: Make sure you have “determining” and transformative steps recited in the claim to avoid claiming only “abstract mental processes.”

On the merits, the panel agreed that claims to cDNAs are patent-eligible, allowing most stakeholders in the biotech space to breathe more easily. But the differences in their reasoning and the distinctions between different types of isolated DNA suggest we haven’t seen the last of this case or the issues

The Court’s opinion thus reinforces a key take-home for both litigators and patent-prosecutors regarding diagnostic method claims: Make sure you have “determining” and transformative steps recited in the claim to avoid claiming only “abstract mental processes.”

IT MAY NOT BE OVER YET

A threshold issue before the Court was whether the plaintiffs had standing to sue for declaratory judgment. The American Civil Liberties Union, which had organized and brought the case to district court, had listed a plethora of researchers and medical organizations as plaintiffs and it was unclear at oral argument whether any plaintiff had suffered a sufficient legal injury such that the court had power to hear the case. In the opinion, the Court found standing for only a single physician who had stated an intent to imminently begin testing for breast cancer mutations using the Myriad approach. Counsel submitted a letter to the Court, dated just two days before the opinion issued, informing the Court that this physician will be soon leaving the employment of the research institution where he was to have conducted the testing, and accepted employment at an organization that does not and is not equipped to conduct genetic testing. It will be interesting to see whether the Court vacates or reconsiders its decision on standing in light of this development.

it raises. Indeed, the thoroughly-developed reasoning in each of three opinions may suggest the Court anticipates the case will be reheard *en banc* and may possibly make its way to the Supreme Court. ■

SUPREME COURT RENDERS DECISION IN *STANFORD V. ROCHE*



BY: STEVE S. CHANG

On June 6, 2011, the U.S. Supreme Court rendered its opinion in *Stanford v. Roche Molecular Systems, Inc.*¹ At issue in this case was

whether, under the Bayh-Dole Act², federal contractors automatically own an invention made by their employee using federal funds, or whether a separate assignment from the employee is still needed to convey title to the inventions.

THE MAJORITY OPINION

The majority opinion of the Court (Roberts, Scalia, Kennedy, Thomas, Alito, Sotomayor and Kagan) held that the Bayh-Dole Act did not automatically vest title to the federal contractor, meaning a separate assignment is still needed. Justice Sotomayor also filed a concurring opinion, while Justices Breyer and Ginsburg dissented.

The majority began its analysis by noting that rights to an invention have always been traced back to the inventor. Even in situations where the inventor was an employee, the majority noted that unless there is an agreement to the contrary, an employer does not have rights to the employee's invention, and that "[i]n most circumstances, and inventor must expressly grant his rights in an invention to his employer if the employer is to obtain those rights." Slip Op., pp. 7-8.

To determine whether the circumstances here fit within the usual circumstances mentioned above, the majority noted that when Congress intended to divest inventors of ownership of their inventions, it has done so unambiguously. The majority cited

as an example a portion of the US Code dealing with nuclear material and atomic energy, where the laws state that ownership of such inventions "shall be vested in, and be the property of, the [Atomic Energy] Commission." Slip Op., p. 8.

The majority then noted that the Bayh-Dole Act did not contain such an unambiguous statement vesting rights of federally-sponsored inventions. One passage cited by Stanford states that contractors may "elect to retain title to any subject invention," with a definition of "subject invention" to mean "any invention of *the contractor* conceived or first actually reduced to practice in the performance of work under a funding agreement." 35 U.S.C. 202(a), (e) (emphasis added). Stanford had taken the position that "of the contractor" referred to all inventions made by the contractor's employees, and that this election to retain title would mean that the contractor already had title. The majority disagreed, noting that such an interpretation would essentially render the "of the contractor" language meaningless. The majority interpreted this language to refer to an invention that the contractor otherwise obtained (e.g., via an assignment from the inventor), and that the contractor "retaining" the rights referred to the contractor keeping whatever rights it obtained from the inventor, in the disposition of rights between the federal agency and the contractor. Slip Op., p. 11.

The majority also found support in other provisions in the Act. For example, the majority

¹ No. 09-1159 (June 6, 2011)

² 35 U.S.C. §200 et seq.

noted that the Act allowed the federal agency to “grant requests for *retention* of rights by the inventor” in the event the contractor does not elect to retain title. Slip Op., p. 12 (emphasis

The Act did not provide any mechanism for anyone to challenge whether a particular invention was indeed developed using federal funds.

added). The majority noted that the use of the term “retention” suggests that the rights still were held by the inventor.

Another example was the fact that the Act did not provide any mechanism for anyone to challenge whether a particular invention was indeed developed using federal funds. The majority stated that such an omission would only make sense if the Act were read to only apply to inventions that the contractor had otherwise obtained from the inventor. Slip Op., p. 13.

THE DISSENTING OPINION

In the dissent, Justices Breyer and Ginsburg noted that the majority’s decision, which turned on the fact that Stanford’s employee agreement simply stated that the employee would “agree to assign” inventions to the university, while the Cetus agreement also added “and do hereby assign,” promulgates a “drafting trap for the unwary” that could frustrate the purpose of the Act by making the public pay twice for a government-sponsored invention (once to fund it, and again when buying the patented product from a third party assignee not subject to the Act). Dissent, p. 8. Taking issue with such a trap, and its potential for frustrating the purpose of the Act, the dissenting Justices preferred an alternative approach based in equity. They proposed treating both the Stanford and Cetus agreements as conveying equitable title only, and that the case should be remanded

to the district court for a determination as to which of these two parties, in equity, should take title to the invention. Dissent, p. 7.

THE CONCURRING OPINION

Justice Sotomayor’s concurring opinion simply stated that, although she shares the majority’s reasoning and conclusion given the arguments that were presented and briefed, she also shares Justice Breyer’s concern about the precedent behind the “drafting trapⁱ”, and that she understood the majority opinion to permit reconsideration of arguments surrounding that precedent in a future case.

THE TAKEAWAYS

This case presented some difficult, and perhaps unfortunate, facts. The employee inventor signed a document that was placed before him when he first visited a third-party facility, and the document contained a clause that his employer would not have agreed to, and which could have been a breach of his own employee agreement with the employer. The first takeaway would be a general caution to ensure that employees do not sign any agreements that have not been fully vetted by Legal.

The second takeaway would be to note how the subtle difference between “agree to assign” and “do hereby assign” was pivotal in this case, and that it may be a good idea to include the “do hereby assign” language in employee agreements. ■

ⁱ Which traces roots to a 1991 Federal Circuit opinion in *Filmtec Corp. v. Allied-Signal, Inc.*, 939 F.2d 1568 (Fed. Cir. 1991).

AN INTRODUCTION TO THE CHILDREN'S ONLINE PRIVACY PROTECTION ACT



BY: ROSS A. DANNENBERG

Do you or your company have a web site? Is it marketed to or would it be appealing to children, i.e., individuals under

the age of 13? If so, you need to be aware of the Children's Online Privacy Protection Act (COPPA). COPPA was enacted to place

material also need to consider COPPA's implications, because the chances are that some kids will be interested in those web sites, and there are special considerations when kids are involved.

The second category applies once a user provides information sufficient for the operator

Whether a website is directed to children under 13 is objectively determined based on criteria such as whether its subject matter and language are child-oriented, whether it uses animated characters, or whether advertising appearing on the website is directed to children--not based on the operator's subjective intent that children be prohibited.

parents in control of what information is collected from their young children online. COPPA was designed to protect children under the age of 13 while accounting for the dynamic nature of the Internet. If you fall into *either* of the following two categories, then COPPA applies to you:

- (1) operators of commercial websites and online services *directed to children under 13* that collect, use, or disclose personal information from children.
- (2) operators of general audience websites or online services with *actual knowledge* that they are collecting, using, or disclosing personal information from children under 13.

The first category—websites directed to children—is broader than it sounds. Some sites are obvious, e.g., games, etc. However, providers of web sites publishing educational material, cartoons, or other child-related

to know that the user is under 13 years old, e.g., by providing a birth date or year that indicates the user is under 13 years old.

A website operator cannot ignore the issue by stating "My site is for users 13 and older only" and expect to be immune from COPPA compliance. Whether a website is directed to children under 13 is objectively determined based on criteria such as whether its subject matter and language are child-oriented, whether it uses animated characters, or whether advertising appearing on the website is directed to children--not based on the operator's subjective intent that children be prohibited. Empirical evidence regarding the actual and intended ages of the website's visitors also may be taken into account.

Keep in mind that the triggering event for COPPA is collection of personal information from a child under 13 years old. *If you do*

not collect personal information from anyone under 13, then COPPA does not apply to you. However, the FTC recommends that all websites post privacy policies so visitors can easily learn about the website operator's

COPPA also prohibits operators from conditioning a child's participation in an online activity on the child's providing more information than is reasonably necessary to participate in that activity. Many operators,

Your privacy policy should include the name, address, telephone number, and e-mail address of each operator collecting or maintaining personal information from children through your site.

information practices. Some surveys show that parents are uncomfortable with their children giving out any personal information online, so the parents may be pleased to read your privacy policy and discover that you do not collect personally identifiable information.

If you fall within one of the above listed categories, then you must adhere to the following requirements:

- Post a clear and comprehensive privacy policy on your website describing your information practices for children's personal information;
- Provide direct notice to parents and *obtain verifiable parental consent*, with limited exceptions, before collecting personal information from children;
- Give parents the choice of consenting to the operator's collection and internal use of a child's information while prohibiting the operator from disclosing that information to third parties;
- Provide parents access to their child's personal information to review and/or have the information deleted;
- Give parents the opportunity to prevent further use or online collection of a child's personal information; and
- Maintain the confidentiality, security, and integrity of information you collect from children.

when considering the measures and precautions they must adhere to in order to collect personal information from children, decide to delete information about and prohibit a user from registering for the web site once the operator learns the user is under 13 years old.

If you will be collecting information from users under 13 years old, you must comply with the above requirements, which includes posting your practices in your privacy policy. Your privacy policy should include the name, address, telephone number, and e-mail address of each operator collecting or maintaining personal information from children through your site; the types of personal information collected from children and whether it is collected actively or passively (e.g., do you use cookies, GUIDs, IP addresses?); how such personal information is or may be used; whether such personal information is disclosed to third parties, allowing parents to deny consent to disclosure of the collected information to third parties; that the operator cannot condition a child's participation in an activity on the disclosure of more information than is reasonably necessary to participate; and that the parent can review the child's personal information and refuse to permit the further collection or use of the child's information. [MORE▶](#)

[COPPA, FROM PAGE 11]

COPPA also requires that you place a clear and prominent link to your privacy policy on your home page and at each area where personal information is collected. Your privacy policy should be kept simple, too, because the COPPA rules require that privacy policies must be “clearly and understandably written, be complete, and contain no unrelated, confusing, or contradictory materials.”

When obtaining parental consent, you can use any number of methods to obtain verifiable parental consent, as long as the method you choose is reasonably calculated to ensure that the person providing consent is, in fact, the child’s parent. There are several options:

If you are going to disclose children’s personal information to third parties, or make it publicly available through operation of an online service such as a social networking site, a blog-hosting service, personal home pages, chat rooms, message boards, pen pal services, or e-mail accounts, then you must use one of the more reliable methods to obtain verifiable parental consent enumerated in the rule:

- Provide a form for the parent to print, fill out, sign, and mail or fax back to you (the “print-and-send” method);
- Require the parent to use a credit card in connection with a transaction (which could consist of a membership or subscription fee, a purchase, or a charge to cover the cost of processing the credit card). The transaction must be completed—just performing an initial “hold” without completing the transaction is not sufficient;
- Maintain a toll-free telephone number staffed by trained personnel for parents to call in their consent; or
- Obtain consent through an e-mail from the parent, if that e-mail contains a digital signature, or other digital certificate that uses public key technology obtained through one of the above methods.

If you are going to use children’s personal information only for internal purposes, that is, you will not be disclosing the information to third parties or making it publicly available, then you can use any of the above methods, or you can use what is referred to as the “e-mail plus” mechanism. The “e-mail plus” mechanism allows you to request (in the direct notice to the parent) that the parent provide consent in an e-mail message. However, this mechanism requires that you take an additional step after receiving the parent’s e-mail consent to confirm that it was, in fact, the parent who provided consent (the “plus” factor). These additional steps include:

COMPLYING WITH COPPA

- Post a clear and comprehensive privacy policy on your website describing your information practices for children’s personal information;
- Provide direct notice to parents and obtain *verifiable parental consent*, with limited exceptions, before collecting personal information from children;
- Give parents the choice of consenting to the operator’s collection and internal use of a child’s information while prohibiting the operator from disclosing that information to third parties;
- Provide parents access to their child’s personal information to review and/or have the information deleted;
- Give parents the opportunity to prevent further use or online collection of a child’s personal information; and
- Maintain the confidentiality, security, and integrity of information you collect from children.

- Requesting in your initial e-mail seeking consent that the parent include a phone or fax number or mailing address in the reply e-mail, so that you can follow up to confirm consent via telephone, fax, or postal mail; or
- After a reasonable time delay, sending another e-mail to the parent to confirm consent. In this confirmatory e-mail, you should include all the original information contained in the direct notice, inform the parent that he or she can revoke the consent, and inform the parent how to revoke the consent.

As mentioned above, you do have the option of restricting children under 13 from using

years making them 13 or older, would not be considered a neutral age-screening mechanism since children cannot enter their correct age on that site.

Do not encourage children to falsify their age information, for example, by stating that visitors under 13 cannot participate on your website or should ask their parents before participating. Do *not* advise users of adverse consequences prior to their inputting their age, indicating they are younger than 13 years old.

A site that does not ask for neutral date of birth information but rather simply includes a check box stating “I am over 12 years old”

If you ask participants to enter age information, and then you fail to either screen out or obtain parental consent from those participants who indicate that they are under 13, you may be liable for violating COPPA. COPPA violations may result in steep fines from the United States Federal Trade Commission.

your web site. However, be mindful not to design your age collection input screens in a manner that encourages children to provide a false age in order to gain access to your site. If you take reasonable measures to screen for age, then you are not responsible if a child misstates his or her age.

Ask age information in a neutral manner at the point where you invite visitors to provide personal information or to create their log-in user ID.

Ensure that the data entry point allows users to enter their age accurately. An example of a neutral age-screen would be a system that allows a user to freely enter month, day, and year of birth. A site that includes a drop-down menu that permits users to enter only birth

would not be considered a neutral age-screening mechanism.

Use a temporary or a permanent cookie to prevent children from back-buttoning to enter a different age.

If you ask participants to enter age information, and then you fail to either screen out or obtain parental consent from those participants who indicate that they are under 13, you may be liable for violating COPPA. COPPA violations may result in steep fines from the United States Federal Trade Commission. For example, in 2008, Sony BMG settled a COPPA violation by agreeing to pay \$1 million in civil penalties, the largest COPPA settlement ever at that time.

MORE ▶

[COPPA, FROM PAGE 13]

If all this sounds onerous, that's because it is. This is the price you have to pay if you want to market to children under 13.

TAKE NOTE!

Once you know that a user is under 13 and you have collected personal information, you have only two options:

- 1) You can collect their parents' e-mail addresses to provide direct notice and implement COPPA's parental consent requirements; or
- 2) If you do not wish to implement the COPPA protections for visitors under age 13, you may configure your data system to automatically delete the personal information of those visitors under 13 and direct them to content, if available, that does not involve collection or disclosure of personal information.

The above information provides a basic introduction to COPPA. The actual text of COPPA is quite short, and is located at 13 U.S.C. sec. 1303. The Federal Trade Commission (FTC) rules implementing COPPA may be found at 16 C.F.R. sec. 312.1-312.12. In addition, the FTC website contains very helpful information regarding COPPA at <http://www.ftc.gov/privacy/privacyinitiatives/childrens.html> and <http://www.ftc.gov/privacy/coppafaqs.shtml>. The COPPA FAQs are extremely helpful, and while they might not answer every question, they are worth reviewing. When in doubt, err on the side of protecting the under-13 user. A little common sense goes a long way, and in these cases, an ounce of prevention is certainly worth more than a pound of cure! ■



THE RASENSE ON PATENT INEQUITABLE CONDUCT - THE DECISION OF THE FEDERAL CIRCUIT “FIXES” INEQUITABLE CONDUCT LAW



BY: CHARLES W. SHIFLEY

On May 25, 2011, the Federal Circuit issued the much-awaited *en banc* (full court) decision about patent inequitable

conduct in *Therasense, Inc. v. Becton, Dickinson & Co.* According to a dissent, the Court “comes close to abolishing [the doctrine of inequitable conduct] altogether.” Slip op. dissent at 5.

In a surprise decision, the Court majority narrowed the materiality test for inequitable conduct to “but-for materiality” -- as a general matter. Explaining the application of the new rule to the important situation of undisclosed prior art, the Court stated, “When an

require a finding of deceitful intent in the light of all the circumstances.” Id. “Hence,” it said, “when there are multiple reasonable inferences that may be drawn, intent to deceive cannot be found.” Slip op. at 26.

Moreover, the Court stated there is not to be a “sliding scale” balancing materiality and intent, and that intent may not be inferred solely from materiality. Slip op. at 25.

Thus, the Court’s six judge majority opinion (written by Chief Judge Rader, for himself and Judges Newman, Lourie, Linn, Moore and Reyna (appointed in 2011)) represents the Court’s abandonment of the “reasonable

According to a dissent, the Court “comes close to abolishing [the doctrine of inequitable conduct] altogether.”

applicant fails to disclose prior art to the PTO, that prior art is but-for material if the PTO would not have allowed a claim had it been aware of the undisclosed prior art.” Slip op. at 27. Patent applicants thus have a different assurance in this standard than in the past as they go about considering whether to disclose what they judge to be marginal prior art.

The Court also narrowed the intent test, as well, to a tight recitation of the *Kingsdown*, *Star Scientific* and *Scanner Techs.* standards. Slip op. at 25. “[T]o meet the clear and convincing evidence standard, the specific intent to deceive must be the ‘single most reasonable inference above to be drawn from the evidence.’” Id. Adding emphasis, the Court stated, “the evidence ‘must be sufficient to

examiner” standard of materiality, the gross negligence standard of intent, and the balancing of materiality and intent. It also represents the Court’s rejection of current “Rule 56” (37 CFR 1.56). On Rule 56, the Court found that even its standards of materiality were too broad.

Somewhat unusually, however, the majority opinion stated that “but for” materiality and the rest of its test for inequitable conduct were subject to an exception – one for a patentee who “has engaged in affirmative acts of egregious conduct.” Slip op. at 29. Little else was said about the exception, leaving it largely unbounded in its structure and standards.

[MORE▶](#)

[*THE RASENSE*, FROM PAGE 15]

The opinion had a four-judge dissent (written by Judge Bryson, joined by Judges Gajarsa, Dyk and Prost), but it dissented as to materiality alone. It would have retained the PTO standards of Rule 56.

In an interesting third opinion in this important *en banc* case, Judge O'Malley (recently arrived from being a district court judge), joined the majority as to intent, but dissented from the majority -- and dissented from the dissent -- as to materiality. Judge O'Malley said both the majority and dissent "eschew[ed] flexibility in favor of rigidity." Slip. op. concurrence at 4.

Of course, this opinion may not be the final word, as the Supreme Court has not spoken to patent inequitable conduct since the 1940s. ■

BANNER & WITCOFF CLIENT SUCCESSES

B&W Wins Federal Circuit Appeal Affirming Summary Judgment of No Patent Infringement for NIKE, Inc.

On July 22, 2011, the United States Court of Appeals for the Federal Circuit affirmed a district court's grant of summary judgment of no patent infringement in favor of firm client NIKE, Inc.

The case, *Furnace Brook LLC v. Aeropostale, Inc. et al.*, 09-cv-04310 (N.D. IL) and 2011-1025 (Fed. Cir.), was based on allegations that the defendants, through the operation of their respective on-line ordering web sites, were infringing U.S. Patent No. 5,721,832, entitled "Method and Apparatus for an Interactive Computerized Catalog System."

B&W Wins ITC Summary Determination for Lexmark on Violations of Section 337

Banner & Witcoff is pleased to announce that firm client Lexmark prevailed in one of the largest investigations ever initiated in the United States International Trade Commission (ITC). The Initial Determination (ID) issued by the Administrative Law Judge (ALJ) in the case found violations of Section 337 and recommended entry of a General Exclusion Order as well as Cease and Desist Orders against both foreign and domestic respondents. On July 12, 2011, having examined the record of this investigation, including the ALJ's ID in favor of Lexmark, the Commission announced it would not review the ID finding a violation of Section 337. The decision to not review the ID makes the Summary Determination final.

To learn more about our clients' successes, please visit www.bannerwitcoff.com.

NEW BOOKS AUTHORED BY BANNER & WITCOFF ATTORNEYS

[Preliminary Relief in Patent Infringement Disputes](#)

Authored by Banner & Witcoff shareholder Robert H. Resis and published by the ABA in August of 2011, [Preliminary Relief in Patent Infringement Disputes](#) addresses the issues that are most important in seeking preliminary injunctive relief in a patent case and provides a pertinent review of how such injunction requests have been treated by the Federal Circuit and district courts since the important *eBay* decision.

[The American Bar Association's Legal Guide to Video Game Production](#)

Authored by Banner & Witcoff shareholder Ross A. Dannenberg and published by the ABA in August of 2011, [The American Bar Association's Legal Guide to Video Game Production](#) is the authoritative handbook on producing a video game. Included in each chapter are the relevant forms, agreements, and contracts for that phase of production, as well as tons of helpful tips on negotiation and decoding legalese.

For more information on these books and other books written by B&W attorneys, please visit www.bannerwitcoff.com/library.

WHO IS A COPYRIGHT PIRATE?



BY: ERNEST V. LINEK

Maybe you, if you pay for a high speed Internet connection.

Modern technology is great.

Television, telephone and internet services are bundled together in one convenient package so that the whole family can enjoy each form of entertainment - all for one monthly fee. The bill is paid by the single subscriber to this convenient service, and nobody worries about the details regarding use - until something goes wrong. What could go wrong?

Someone using your computer system could violate the Copyright Laws of the United States, possibly making you - the Internet account holder - responsible for such illegal activities.

Here is a common fact pattern in such matters:

A subpoena arrives in the mail regarding a copyright lawsuit filed against a number of "Doe" (i.e., unnamed) defendants in a local federal court. Accompanying the subpoena is a lawyer letter requesting from \$3000 to \$4000 to settle the matter without further action.

Why did you get this letter? Simple, your IP address was identified as a participant in a BitTorrent download of a copyright protected movie. Can you fight this? Yes, but it would likely cost more than the settlement offer. Would you want to fight this?

WHAT IS BITTORRENT ?

BitTorrent is a peer-to-peer (P2P) file sharing system that allows its users to share large data files (e.g., music and video files) quickly and easily. See www.BitTorrent.org.

In systems like BitTorrent, participants act both as transmitters and recipients of blocks of a particular file, but they see themselves as users and receivers, and not as distributors in any conventional sense.

BitTorrent prevents the system crashes that could otherwise occur when multiple parties want to obtain a large file from one server. With BitTorrent, those who get your file tap into their upload capacity to give the file to others at the same time. Thus, each recipient also serves as a provider of information. Cooperative distribution can grow almost without limit, because each new participant brings not only demand, but also supply. Because each new participant brings new resources to the distribution, you get limitless scalability for a nearly fixed cost.

FEDERAL COPYRIGHT LAW

Federal copyright law protects the value of creative works. When someone makes an unauthorized copy of someone else's creative work, that someone is taking something of value from the owner without his or her permission.

Most likely, you've seen the FBI warning about unauthorized copying at the beginning of DVD movies. This warning is about the "criminal" aspect of copyright infringement. Criminal charges may leave you with a felony record, accompanied by up to five years of jail time and fines up to \$250,000. Most BitTorrent users are safe from criminal actions, as the FBI generally only pursues "large scale" infringers.

However, the Federal copyright law also provides for "civil" penalties for the unauthorized reproduction, distribution, rental or digital transmission of copyrighted sound

[COPYRIGHT, FROM PAGE 17]

recordings. (Title 17, United States Code, Sections 501 and 506). Statutory damages of up to \$150,000 per copy can be levied by a Federal Court against an infringer.

WHY MY INTERNET ADDRESS?

As described above, BitTorrent uses multiple computers on the Internet to share the upload and download of large files, especially movie files. Each participating IP address can be traced using investigative software. Film companies pay snoops to troll BitTorrent sites, dip into active torrents and capture the IP addresses of the peers who are downloading and uploading pieces of the files. Once an IP address has been identified, that address can serve as the designated defendant (“Doe”) in a federal copyright action.

The movie companies identify the Internet Service Provider (ISP) for each IP address from a public database, then generate a spreadsheet, with the IP, the name of the ISP, the date and time of the download, and sometimes the size of the file and the BitTorrent client used. The spreadsheet is converted to a PDF and attached to a discovery demand filed with the court, asking a judge to grant subpoenas to all the ISPs. Once the film company has the name and address of the customers, they send out settlement letters.

Movie studios are looking for new tactics against illegal file-sharing and other copyright infringement, from hiring young, tech-savvy turncoats to taking legal action against digital pirates and the search engines they use.

23,000 DEFENDANTS AND COUNTING

In May 2011, at least 23,000 BitTorrent file sharers were notified they were being sued for downloading the 2010 Stallone movie “The Expendables” in what was, up to that date, the

single largest illegal-BitTorrent-downloading case in U.S. history.

A DC Federal judge granted a motion to allow the plaintiff’s lawyers to subpoena ISPs to find out the identity of everybody who had illegally downloaded the movie meaning the number of defendants is likely to dramatically increase as new participants are discovered.

It is hereby ORDERED that Plaintiff’s Motion for Leave to Take Discovery Prior to the Rule 26(f) Conference is GRANTED. ORDERED that Plaintiff is allowed to serve immediate discovery on the internet service providers (ISPs) listed in Exhibit C to Plaintiff’s Motion to obtain the identity of each Doe Defendant, including those Doe Defendants for which Plaintiff has already identified an Internet Protocol (IP) address and those Doe Defendants for which Plaintiff identifies IP addresses during the course of this litigation, by serving a Rule 45 subpoena that seeks information sufficient to identify each Defendant, including name, current (and permanent) addresses, telephone numbers, email addresses, and Media Access Control addresses, and the ISPs shall respond to such subpoenas

That record was later broken, when almost 25,000 BitTorrent IP Addresses were designated in the Hurt Locker copyright lawsuit.

Voltage Pictures, the studio behind 2009’s The Hurt Locker, is suing almost 25,000 BitTorrent users who allegedly illegally downloaded the flick. That came just weeks after 23,000 were sued for downloading The Expendables, produced by Nu Image.

NEW COPYRIGHT COOPERATION

In July 2011, a group of ISPs, including Comcast, AT&T, Verizon, and Time Warner Cable, announced that they will take a [MORE▶](#)

more active role in policing online copyright piracy by their subscribers. These ISPs will now send "Copyright Alerts" to Internet subscribers when their connection is allegedly being used for content theft.

This policy, while not new, is being taken more seriously by the ISPs due to the rash of "Doe" lawsuits that have been filed recently in Federal Courts across the country - often naming thousands of defendants - but only by their IP Address. The movie lawyers then go to the court and seek discovery from the ISPs for the identification of the IP Address owners - so the individual subscribers can be notified of the litigation and offered a settlement letter as described above.

This is a big win for the music and movie industries. For several years the Recording Industry Association of America (RIAA) and the Motion Picture Association of America (MPAA) have been attempting to forge an alliance with ISPs to knock out illegal file-sharing. ■

Banner & Witcoff

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