

UPDATE

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FUNCTIONAL CLAIMING AND FUNCTIONAL DISCLOSURE

BY: BRADLEY C. WRIGHT



Patent attorneys sometimes claim inventions based on the functions that they perform, instead of reciting their structural elements. This is

sometimes referred to as “functional claiming.” The use of “functional” language in a patent claim may increase the likelihood that the claim will be held unpatentable or invalid. Consider the following hypothetical claim:

Claim 1: An apparatus configured to:

- receive a satellite signal;
- process the signal to detect a synchronization indicator;
- extract the synchronization indicator; and
- display the synchronization indicator on a display device.

This claim would apparently cover any apparatus that is “configured to” perform the functions recited in the body of the claim. Yet the validity of such a claim might be subject to attack on a number of grounds.

FAILURE OF ENABLEMENT OR WRITTEN DESCRIPTION—SCOPE OF CLAIM EXCEEDS SCOPE OF DISCLOSURE

A first line of attack would be to challenge the validity of the hypothetical claim on the basis that it is not fully enabled, or that it lacks sufficient written description. Because the claim purports to include every type of apparatus that performs the recited functions, its breadth is likely not commensurate with the scope of the structures disclosed in the specification for performing such functions.

In *LizardTech, Inc. v. Earth Resource Mapping, Inc.*,¹ the Federal Circuit held that a patent claim was invalid on that basis.

LizardTech’s patent specification repeatedly described a compression process as [MORE>](#)



First Line of Attack

¹ 424 F.3d 1336 (Fed. Cir. 2005).



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“seamless.” According to the Federal Circuit, the specification only described a single way of performing a “seamless” compression, but that single way was not recited in the claim at issue. The court stated that “a person of skill in the art would not understand how to make a seamless DWT generically and would not understand LizardTech to have invented a method for making a seamless DWT, except by ‘maintaining updating sums of DWT coefficients,’” a feature that was not recited in the claim. Therefore, the claim was invalid because the full breadth of the claim scope was not enabled.

INDEFINITENESS: IMPROPER MIXING OF STATUTORY INVENTION CATEGORIES

A second possible attack would be to allege that the claim is indefinite because it improperly mixes two statutory categories of invention—a machine (apparatus) and a method (process steps). The preamble identifies the statutory category of the invention as an apparatus, but the body of the claim recites only functions or steps.

The Federal Circuit invalidated a claim on that basis in *IPXL Holdings, L.L.C. v. Amazon.com, Inc.*,² because it was unclear whether infringement of the claim occurred upon creation of a system that allowed the user to perform the recited step, or whether infringement occurred only when the user actually used the claimed apparatus in the recited manner.

The Federal Circuit revisited this issue in *Microprocessor Enhancement Corp. v. Texas Instruments Inc.*,³ noting that, “apparatus claims are not necessarily indefinite for using functional language... [f]unctional language may also be employed to limit

the claims without using the means-plus-function format.”⁴

MAY THE USPTO IGNORE “FUNCTIONAL” FEATURES OF APPARATUS CLAIMS?

The United States Patent and Trademark Office (USPTO) has taken the position that an apparatus claim must be *structurally distinguishable* from the prior art. See MPEP § 2114 (“While features of an apparatus may be recited either structurally or functionally, claims directed to an apparatus must be distinguished from the prior art in terms of structure rather than function... Apparatus claims cover what a device is, not what a device does,” citing *In re Schrieber*⁵ and *Hewlett-Packard Co. v. Bausch & Lomb Inc.*⁶).

Assuming that a USPTO examiner were to apply that rule to the examination of the hypothetical claim above, it would seem to run afoul of established USPTO practice. There do not, however, appear to be any Federal Circuit decisions invalidating a claim on that basis or ignoring functional limitations in apparatus claims. In view of established precedent stating that “functional” limitations are permitted in apparatus claims, it does not appear that the USPTO may ignore “functional” recitations in apparatus claims.

INDEFINITENESS: CLAIMING FUNCTION WITHOUT METRICS

Sometimes the patent drafter may use an adjective or adverb in a claim to describe a property in functional, non-numeric terms. For example, in *Halliburton Energy Services, Inc. v. M-ILLC*,⁷ the patent drafter used the term “fragile gel” in a claim directed to a drilling fluid. Because “fragile” is an adjective that defines a function or **MORE▶**

² 430 F.3d 1377 (Fed. Cir. 2005).

³ 520 F.3d 1367 (Fed. Cir. 2008).

⁴ *Id.* at 1375.

⁵ 128 F.3d 1473 (Fed. Cir. 1997).

⁶ 909 F.2d 1464, 1468 (Fed. Cir. 1990).

⁷ 514 F.3d 1244 (Fed. Cir. 2008).

[FUNCTIONAL, FROM PAGE 3]

property of the claimed gel, it was attacked on the ground that the specification provided no meaningful definition of “fragile.”

The Federal Circuit agreed, concluding that “it is ambiguous as to the requisite degree of the fragileness of the gel, the ability of the gel to suspend drill cuttings (i.e., gel strength), and/or some combination of the two.” The court cautioned that, “When a claim limitation is defined in purely functional terms, the task of determining whether that limitation is sufficiently definite is a difficult one that is highly dependent on context...”⁸

IS “PURELY” FUNCTIONAL CLAIMING PERMITTED?

One might think that the principles for “functional claiming” have by now been fairly well settled. Claiming an invention by its function rather than its structure is permissible as long as certain requirements are met.

But a recent precedential opinion by the USPTO’s Board of Patent Appeals and Interferences may have called into question the extent to which “purely functional” claiming is permissible. In *Ex Parte Miyazaki*,⁹ an expanded five-member panel of the Board declared that “purely functional” claim language does not comply with the patent statute.

The Board entered a new ground of rejection for a claim under 35 U.S.C. § 112, first paragraph, on the basis that the claimed “sheet feeding area operable to feed” was “a purely functional recitation with no limitation of structure.”¹⁰ The basis for the rejection was lack of enablement—i.e., the scope of the claim was insufficiently enabled.

The Board relied on the Supreme Court’s 1946 *Halliburton* case, but not more recent

Federal Circuit cases involving “functional” claiming. The Federal Circuit earlier that year had decided *Microprocessor Enhancement Corp. v. Texas Instruments Inc.*,¹¹ in which the court explained, “As this court recently stated, apparatus claims are not necessarily indefinite for using functional language... Functional language may also be employed to limit the claims without using the means-plus-function format.”¹² Although the Federal Circuit was addressing “functional” claim language in the context of the definiteness requirement of the patent statute, it is unclear whether the *Miyazaki* decision is consistent with *Microprocessor Enhancement*. At least one district court has declined to follow it.¹³

More recently, another expanded panel of the Board decided *Ex Parte Rodriguez*,¹⁴ holding that “configuration generator configured to generate,” a “system builder configured to build,” and a “simulation verification environment configured to verify” were purely functional recitations involving no known structures, and the claims were unpatentable on two different grounds: (1) failure to disclose corresponding structure in the specification, assuming that the claims were interpreted as means-plus-format clauses;¹⁵ and (2) following *Miyazaki*, purely “functional” claiming without any recitation of specific structure.¹⁶ According to the Board, “Appellants’ claim recites no meaningful structure. *Instead, the scope of the functional claim language of claim 1 is so broad and sweeping that it includes all structures or means that can perform the function.*”¹⁷

Although the Federal Circuit has not yet addressed this specific issue—i.e., whether “functional claiming” without any recitation of recognized structures renders a claim invalid or unpatentable—patent applicants would be

⁸ *Id.* at 1255.

⁹ 89 USPQ2d 1207, 2008 WL 5105055 (B.P.A.I. 2008).

¹⁰ *Id.* at *10.

¹¹ 520 F.3d 1367 (Fed. Cir. 2008).

¹² *Id.* at 1375.

¹³ *American Med. Sys., Inc. v. Laser Peripherals, LLC*, 712 F.Supp.2d 885, 910 (D. Minn. 2010) (rejecting a “purely functional” invalidity attack on the claims).

¹⁴ 92 USPQ2d 1395, 2009 WL 3756279 (B.P.A.I. 2009).

¹⁵ 92 USPQ2d at 1406.

¹⁶ *Id.* at 1409–11.

¹⁷ *Id.* at 1409.

well-advised to steer clear of apparatus claims that recite little or no recognized structural elements while reciting functions. At least before the USPTO, such claims are unlikely to make it out into the real world.

CONCLUSION

Until the Federal Circuit provides more guidance as to whether there are any limits to “functional” claiming, patent applicants and litigants should keep in mind several basic principles when drafting or asserting claims involving functional language.

First, the enablement requirement may impose limits to overly-broad functional claiming. As set forth in the hypothetical claim at the beginning of this paper, for example, claiming a machine solely by reciting the functions it performs without reciting any structural elements may run afoul of that requirement. Adding dependent claims with varying levels of structural detail may provide a fall-back validity position for aggressive functional claiming strategies.

Second, when prosecuting applications before the USPTO, it may be more difficult to procure patents involving “functional” elements unless at least *some* structural elements are claimed in combination with the functions. And the structural elements must correspond to recognized or known structures, not generic elements that have no corresponding real-world meaning.

Finally, when drafting functional limitations in combination with structural features, care should be taken to avoid running afoul of the *IPXL Holdings* case, which was found to improperly mix an apparatus claim with a method of using the apparatus. ■



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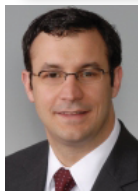
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SUPREME COURT HEARS ARGUMENTS ON STANDARD FOR INDUCING PATENT INFRINGEMENT



BY: PAUL M. RIVARD

On February 23, 2011, the U.S. Supreme Court heard oral arguments in *Global-Tech Appliances Inc. and Pentalpha Enterprises, Ltd. v. SEB S.A.* At issue in this case is whether liability for inducing patent infringement requires the defendant to have actual knowledge of the patent, or whether under some circumstances a defendant may be charged with constructive knowledge of the patent.

CASE BACKGROUND

In August 1999 the patent owner, SEB, brought an action against Pentalpha for direct infringement under 35 U.S.C. § 271(a) based on sales of “cool touch” deep fryers which Pentalpha had reverse-engineered from an SEB deep fryer Pentalpha acquired in Hong Kong. SEB also included a cause of action against Pentalpha for actively inducing infringement under 35 U.S.C. § 271(b) based on sales of the appliance by Sunbeam Products, Inc.

Pentalpha engaged a U.S. patent attorney to investigate whether sales of its deep fryer would infringe any U.S. patents, but did not inform the attorney that the design was copied from the SEB deep fryer. The attorney opined that Pentalpha would not infringe any U.S. patents; however, the search on which his opinion was based failed to identify the relevant SEB patent.

During trial, Pentalpha argued it could not be found liable for inducing infringement for the time period prior to Pentalpha having

actual knowledge of the patent. The district court disagreed, and instructed the jury that it could find Pentalpha liable for inducing infringement if it “knew or should have known” that its actions could induce actual infringement. The jury returned a verdict against Pentalpha for patent infringement and found that the infringement was willful.

On appeal, the U.S. Court of Appeals for the Federal Circuit affirmed the jury’s verdict, finding that Pentalpha’s “deliberate indifference” to a known risk that a patent may exist satisfied both the knowledge of the patent requirement and the state of mind necessary for active inducement.

The Supreme Court granted Global-Tech’s petition for a *writ of certiorari*. The sole question presented is, “Whether lack of knowledge of a specific patent—where one company has deliberately copied the commercial product of another company and has remained willfully blind to whether the copied product is protected by a patent—is an absolute bar to liability for inducing infringement under 35 U.S.C. § 271(b).”

ORAL ARGUMENTS

During oral arguments, counsel for petitioner Global-Tech argued the purpose of 35 U.S.C. § 271(b) is to punish third parties who know their actions will cause infringement, [MORE>](#)



[GLOBAL-TECH, FROM PAGE 7]

and that the third party must have the purpose of causing the underlying offense of infringement. Counsel urged that the Federal Circuit's test of "deliberate indifference" went too far. Not only does the Federal Circuit test not require actual knowledge of the patent, according to counsel, but it is even broader than the traditional standard for willful blindness—which would require that a party act in disregard of a high probability of the existence of a patent.

Counsel for SEB argued that the central objective of 35 U.S.C. § 271(b) is to separate bad actors from those engaging in innocent business activities. SEB argued

the sections have different objectives and different requirements for knowledge of the patent. Counsel for Global-Tech argued that inducement has an even higher standard than contributory infringement for knowledge and intent, while counsel for SEB urged that inducement should not require that the defendant have actual knowledge of the patent when there is other indicia establishing culpable conduct.

Justice Breyer expressed concern that a constructive knowledge standard not based on willful blindness could introduce uncertainty and have far-reaching consequences, as there is almost always some risk of patent infringement when a company brings a product to market. Justice Kennedy likewise appeared concerned that creating a "duty to inquire" could impose a heavy burden on businesses, especially those supplying staple goods or raw materials used in many different products.

Justice Breyer expressed concern that a constructive knowledge standard not based on willful blindness could introduce uncertainty and have far-reaching consequences, as there is almost always some risk of patent infringement when a company brings a product to market.

that, although the Federal Circuit couched its decision in terms of "deliberate indifference," the argument presented to the jury was effectively one of willful blindness, and the jury was instructed to find liability if Global-Tech actively and knowingly aided and abetted infringement.

Several questions from the Justices inquired into whether the Court should adopt the same knowledge requirement for inducement under § 271(b) that is used in the context of contributory infringement under 35 U.S.C. § 271(c). Both sides appeared to agree that

While the case at hand involves deep fryers, the Court was not unmindful of the implications its decision will have in other industries—most notably electronics where tens and even hundreds of thousands of patents can come into play for a new product. Laughter erupted from the audience when Justice Alito informed counsel that the Court would not fashion a special rule for the deep fryer industry.

Counsel for SEB offered three possible approaches to the standard for inducing infringement that the Court could adopt.



The first approach would be to implement the standard announced in *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, which dealt with inducement of copyright infringement. Under *Grokster*, inducement can be established by showing “clear expression or other affirmative steps taken to foster infringement,” even in the absence of actual knowledge of specific copyrights. The second approach is one of willful blindness, which would require the defendant act in disregard of a high probability of the existence of a patent. The third approach offered by SEB would be to require a

defendant who copies a commercial product to investigate whether that product is covered by a patent.

It is difficult to predict how the Court will rule, but several of the Justices appeared concerned that an actual knowledge requirement was too narrow, and would effectively encourage willful blindness. At the same time, the Court seemed sensitive to the need to tread carefully because its decision will have an even greater impact in other industries, particularly those which have dense patent landscapes. ■

Decisions Coming Soon!

Association for Molecular Pathology v. USPTO

On April 4, 2011, the Court of Appeals for the Federal Circuit heard arguments in *Association for Molecular Pathology v. USPTO*. This case could potentially reach the issue of subject matter patentability of claims to isolated DNA under Section 101 of the patent statute. A decision is expected by late summer 2011. A summary and analysis of the oral argument can be found at <http://www.bannerwitcoff.com/library/>.

Microsoft v. i4i Limited Partnership

On April 15, 2011 the U.S. Supreme Court heard oral arguments in *Microsoft v. i4i Limited Partnership*. At issue in this case is whether the invalidity defense provided for in the Patent Act, 35 U.S.C. § 282, must be proved by clear and convincing evidence. A decision is expected in this case in June 2011. A summary and analysis of the oral argument can be found at <http://www.bannerwitcoff.com/library/>.

Stanford v. Roche Molecular Systems, Inc.

On February 28, 2011, the U.S. Supreme Court heard oral arguments in *Stanford v. Roche Molecular Systems, Inc.* At issue in this case is whether an inventor of an invention that arose from federally-sponsored research has the right to separately assign rights to the invention, or if ownership of those rights is automatically determined by the Bayh-Dole Act. A decision is expected in this case by June 2011. A summary and analysis of the oral argument can be found at <http://www.bannerwitcoff.com/library/>.

Banner & Witcoff will continue to monitor and report on these cases.

TRENDS IN *INTER PARTES* REEXAMINATION



BY: ROBERT H. RESIS

An avenue of attack being used more frequently against patents than just a few years ago is *inter partes* reexamination.

It is believed that *inter partes* reexamination requests were not widely used when they became available in November 1999 due to the estoppels that arise in litigation after initiating this type of proceeding, as opposed to *ex parte* reexamination requests. With a longer track record dating back to July 1981 and no statutory estoppels in a later or concurrent litigation, *ex parte* reexams were by far the preferred avenue when a third party wished to attack a patent in the United States Patent and Trademark Office (USPTO) at the beginning of this century.

A driving factor in the recent increase of requests for *inter partes* reexam is believed to be the “success” rate published by the USPTO in obtaining certificates with “all claims canceled (or disclaimed).” According to USPTO statistics, as recently as the period ending March 31, 2009, the success rate of “all claims” being knocked out in *inter partes* reexamination was 73%. This is much higher than the 13% kill rate of all claims for *ex parte* reexamination for the same period.

A review of more recent statistics, however, shows that this success rate is plummeting. According to USPTO statistics, for the period ending December 31, 2010, the success rate of all claims being knocked out in *inter partes* reexamination was at 47% (based on 221 *inter partes* reexam certificates issuing since *inter partes* reexam proceedings became available).

An independent study done by the author of this article for certificates issuing between September 8, 2009 and December 31, 2010 shows that the rate of all claims being knocked out in *inter partes* reexam was 30% (based on 121 *inter partes* reexam certificates issuing during that period), and that between July 1, 2010 and December 31, 2010, the rate has dropped to 24.5% (based on 53 *inter partes* reexam certificates issuing during that period).



While the kill rate for patents has been plummeting, the rate of filings of *inter partes* reexaminations has been skyrocketing. According to the USPTO statistics, requests for *inter partes* reexamination have grown from seventy (70) in 2006 to two hundred eighty one (281) in 2010. From 2009 through June 2010, the author calculated that the percentage of *inter partes* reexam requests has now risen to about 28% of the total of reexam requests filed by third parties. The percentage of *inter*

partes reexamination requests known to be in litigation is about 70% (i.e., about 264 cases), while for *ex parte* reexamination requests, the percentage known to be in litigation is about 32% (i.e., about 304 cases). These statistics show the increasing trend to file for *inter partes* reexamination, and to do so when there also is ongoing patent infringement litigation.

A party who is considering whether to file a request for reexamination needs to consider a number of factors. One factor to consider in deciding whether to file for reexamination is whether the patent owner has moved or will likely move for preliminary relief. Some courts

instance required a third party that sought a stay pending *ex parte* reexamination to agree to be bound to the estoppels that would apply had there been a pending *inter partes* reexamination. Thus, if you want to stay litigation in a jurisdiction like the Eastern District of Texas, then you might opt for *inter partes* reexamination so that you get the benefits of that proceeding in the USPTO over those of *ex parte* reexamination.

The fact that the knock out rate in *inter partes* reexamination has recently dropped precipitously is another factor that should be considered. Parties should be aware that more

The fact that the knock out rate in *inter partes* reexamination has recently dropped precipitously is another factor that should be considered.

appear to be more willing to deny preliminary relief if there is a reexamination pending in the USPTO.

A party who is considering whether to file for *inter partes* or *ex parte* reexamination has additional factors to consider. A key factor in deciding whether to file for *inter partes* reexamination is whether the third party believes that having the ability to respond to arguments presented by the patent owner and appeal any USPTO decision favorable to the patent owner outweighs any estoppels that arise from such a proceeding over *ex parte* reexamination.

Yet another factor to consider is whether the third party desires to move for a stay of litigation pending reexamination. Some courts may be more willing to stay litigation if there is a pending *inter partes* reexamination, as opposed to an *ex parte* reexamination. The Eastern District of Texas has in at least one

recent statistics can be used to help defeat a motion to stay litigation pending *inter partes* reexam by rebutting the published USPTO knock out rate numbers, which include all *inter partes* reexam certificates. Indeed, the author compiled recent statistics and used them to help defeat motions to stay litigation pending *inter partes* reexamination for different clients in different courts. One of those courts was the Northern District of California, a court that historically has granted stays pending reexamination more often than not. The litigation in the Northern District of California settled shortly after the motion to stay was denied. ■

BOUND TO BE ROUND



BY: DARRELL G. MOTTLEY

Intellectual property rights in trademark are an important business tool. The owner of the mark can possibly extend the term of the trademark indefinitely as long as the mark is in continuous use in commerce. To be entitled to trademark rights, the mark must be capable of functioning as a source identifier and cannot be confusingly similar to existing marks. A three-dimensional product design can be protected under Federal trademark law. For a product design to be protectable as a trademark, it must have acquired “secondary meaning”, which serves to identify the product with its manufacturer or source. In general, there must be evidence that suggests that consumers viewing the product design can associate the product with its source based on the design.¹

In our analysis of a product-design-mark law, we review a recent case opinion issued from the U.S. Court of Appeals for the Seventh Circuit, *Jay Franco & Sons, Inc. v. Clemens Franek*, 615 F.3d 855 (7th Cir. 2010), pertaining to a circular beach towel product design trademark. This case is important from an intellectual property perspective because the consequence of the failure to use the product design as an indicator of product source can be grave for the trademark owner.

CASE BACKGROUND

In the mid-1980s Clemens Franek’s associated company, CLM designs, Inc., sold a round beach towel. CLM Designs advertised the towel, for example, as “[b]ound to the round! Don’t be Square!” and “[t]he round shape eliminates the need to constantly get up and move your towel as the sun moves across the sky. Instead merely

reposition yourself.”² The round beach towel was a success. CLM Designs sold over 30,000 circular beach towels in 32 states by the end of 1987.³ Millions of dollars worth of the “most radical beach fashion item since the bikini” (as one of CLM Designs’ ads proclaimed) were sold.⁴ Uplifted by the initial commercial success, CLM Designs sought a trademark registration for a design of the round beach towel in 1986. On August 30, 1988, the United States Patent and Trademark Office (USPTO) registered Trademark No. 1,502,261 for a configuration of a round beach towel to CLM Designs, Inc.

The mark was simply a circle pertaining to a round beach towel. CLM Designs Inc. later dissolved as an on-going business enterprise and the registered trademark was assigned to Mr. Clements Franek, who continued to sell the circular beach towels covered by the registered trademark. Now, twenty plus years later from 1987, Mr. Franek sued Walmart Stores, Inc. and Target, Inc. under §32 of the Lanham Act for trademark infringement of his round beach towel trademark. Jay Franco and Sons, Inc. was the ultimate manufacture of the round beach towels distributed by WalMart and Target. Jay Franco defended its customers and filed a separate action to invalidate the trademark registration for the round beach towel. The District Court consolidated the two cases.

At trial, Jay Franco sought a declaratory judgment that Franek’s trademark was invalid because it was functional. The District Court agreed and invalidated the round beach towel trademark based on the doctrine of functionality.⁵ The District Court ruled that towel design was functional based on several factors including:

¹ See generally, *Wal-Mart Stores, Inc. v. Samara Brothers, Inc.*, 529 U.S. 205, 120 S.Ct. 1339, 146 L.Ed.2d 182 (2000).

² *Jay Franco & Sons, Inc. v. Clemens Franek*, 615 F.3d 855 - 856, 96 USPQ.2d 1404 (7th Cir. 2010).

³ *Jay Franco*, 615 F.3d at 856.

⁴ *Jay Franco*, 615 F.3d at 856.

⁵ See generally, *Clemens Franek v. Walmart Stores, Inc.*, Nos. 08-58 and 08-1313, 2009 U.S. Dist. LEXIS 20361 (N.D. Ill. Mar. 13, 2009).



Sundial towel example from www.mysizeusa.com

- (1) existence of a third party utility patent that involved or described the functionality of the towel's round element;
- (2) the utilitarian properties of the towel's unpatented design elements;
- (3) advertising of the towel that highly touted the utilitarian advantages or benefits of the towel's design;
- (4) the lack of, or difficulty in creating, alternative designs for servicing the purpose of the design; and
- (5) the use of the design's round feature on a towel's quality or cost.⁶

Consequently, there was no trademark infringement by WalMart or Target. Franek appealed to the U.S. Court of Appeals for the Seventh Circuit and the Court of Appeals affirmed the decision of the District Court.

PRODUCT CONFIGURATIONS AND FUNCTIONALITY

A product design that produces a benefit other than source identification may be considered functional. In the Supreme Court case of *Traffix Devices, Inc. v. Marketing Displays, Inc.*, 532 U.S. 23 (2001), a design is functional when it is "essential to the use or purpose of the device or when it affects the cost or quality of the device."⁷ In that event, no trademark protection is available.⁸ In *Traffix*, expired utility patents provided "strong evidence that the features therein claimed are functional."⁹ The Court of Appeals evaluated the functionality in light of the utilitarian nature of the design features regardless of whether the features were patentable or could infringe a utility patent.¹⁰ **MORE ►**

⁶ *Id.* at *34; See generally, *In re Morton-Norwich Products, Inc.*, 671 F.2d 1332, 1340–1341, 213 USPQ 9, 15–16 (C.C.P.A. 1982) (applying four factor test of functionality to register a product configuration mark).

⁷ *Traffix*, 532 U.S. at 33.

⁸ *Traffix*, 532 U.S. at 26. ("[S]econdary meaning is irrelevant because there can be no trade dress protection in any event."); See also, Trademark Manual of Examining Procedure (TMEP) 1202.02(a).

⁹ *Traffix*, 532 U.S. at 29.

¹⁰ *Jay Franco*, 615 F.3d at 858. ("Functionality is determined by a feature's usefulness, not its patentability or its infringement of a patent.")

United States Patent [19]

Tennant et al.

[11] Patent Number: 4,794,029

[45] Date of Patent: Dec. 27, 1988

[54] TOWEL THAT CONVERTS INTO A BAG
[76] Inventors: Lynne H. Tennant; Ashley A. Herrin,
both of 244 Thirteenth St., NE.,
#101, Atlanta, Ga. 30309; Garrett L.
Simmons, 876 Broadway, Fourth
Floor, New York, N.Y. 10003

[21] Appl. No.: 18,358

[22] Filed: Feb. 24, 1987

[51] Int. Cl.⁴ A45C 9/00; A47G 9/00

[52] U.S. Cl. 428/101; 5/417;
190/1; 383/4

[58] Field of Search 2/49 R, 69; 5/417, 418,
5/419, 420; 190/1; 383/4; D6/595, 596, 603;
428/78, 79, 101, 102

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3,016,544	1/1962	Pinkney	2/49 R
3,646,896	3/1972	Derujinsky et al.	5/419 X
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4,669,128	6/1987	Furgang	2/69
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4,709,430	12/1987	Nicoll	5/417

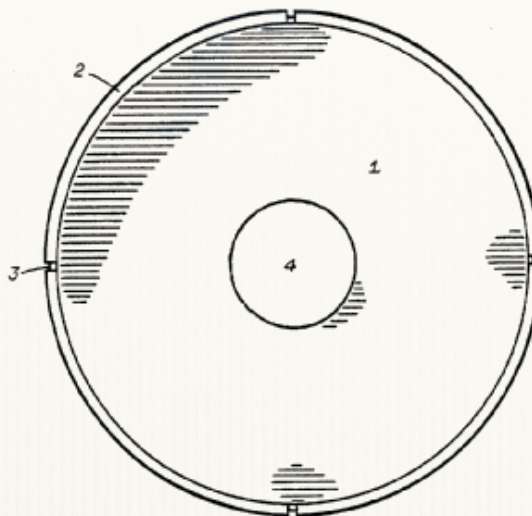
Primary Examiner—Henry F. Epstein

Attorney, Agent, or Firm—Robert W. Fiddler

[57] ABSTRACT

A circular section of woven terry fabric, with a circular section of woven nylon fabric having precisely one-fourth the area of the circular woven terry fabric attached to the inferior plane of the circular woven terry fabric, which has four sections of woven terry fabric cut on the bias and of equal lengths and widths attached along the perimeter on both the superior and inferior planes to form a casing encompassing a cotton cord or drawstring thereby allowing conversion of the fabrics into a bag.

10 Claims, 5 Drawing Sheets



FUNCTIONALITY ANALYSIS IN ROUND BEACH TOWEL CASE

The first problem was that the advertisements of the round beach towel highly touted its functional utilitarian features. Hence, there is strong evidence that the first prong in *Traffix* is satisfied. (e.g., essential to the use of purpose of the device). For example, CLM Designs advertised its towel with the following text—“NOW WHEN THE SUN MOVES, YOUR TOWEL DOESN’T HAVE TO”—The round shape eliminates the need to constantly get up and move your towel as the sun moves across the sky. Instead merely reposition yourself.”¹¹ In another example of an advertisement, CLM Design proclaimed that “[t]hese unique round towels stay put on the beach while sun-worshippers rotate to follow the sun.”¹²

When reviewing these advertising statements of CLM Designs, a key functionality theme stands out for analysis. The advertisements clearly link the towel’s shape to a primary functional/utilitarian advantage. In this regard, Franek associated the benefits of the towel shape to sunbathers repositioning themselves with the movement of the sun across the sky to enhance the act of sunbathing. In essence, he advertised a heliotropic benefit of the round towel shape, e.g., solar tracking of the sun by sunbathers.

The second problem for Franek was that third party patents provided evidence of functionality and Franek’s advertisements were similar to text of a patent claim. The Court of Appeals discussed U.S. Patent No. 4,794,029, which describes a round beach towel that can be pulled together to convert the towel into a bag. The front page of the noted patent is reproduced below:

The Court of Appeals reviewed the claims of the noted patent and focused on claim 2 reproduced below:

- (2) A towel-bag construction as set forth in claim 1 wherein said towel is circular in shape, whereby a user while sunbathing may reposition his or her body towards the changing angle of the sun while the towel remains stationary. (emphasis added).

The Court pointed out that claim 2 of the patent almost sounded like Franek’s advertisement about the towel’s round shape. The Court also noted that patent’s specification that a circular towel is central to the invention because of its benefit to sunbathers. Franek argued that the patent was filed years after he first started selling the round towel. Thus, the patent (according to Franek) was invalid. In response, the Court of Appeals rejected Franek’s contention and stated that a design feature in a patent can be good evidence of the functionality of the product configuration trademark.¹³

The third problem for Franek was that his advertisements declared that the round towel was primarily utilitarian. He stated the towel was a fashion statement as “the most radical beach fashion item since the bikini.” The Court of Appeals pointed out that fashion is a form of function and noted that a design’s aesthetic appeal can be as functional as its tangible characteristics.¹⁴

The fourth problem for Franek was that there was a lack of alternative designs for serving the purpose of the trademarked round beach towel and this issue did not comport with the tenets of trademark law. The Court of Appeals noted for policy reasons that trademark **MORE>**

¹¹ *Franek*, 2009 U.S. Dist. LEXIS 20361, at * 19–20; *Jay Franco*, 615 F.3d at 856.

¹² *Franek*, 2009 U.S. Dist. LEXIS 20361, at * 20.

¹³ *Jay Franco*, 615 F.3d at 858.

¹⁴ See *Qualitex Co. v. Jacobson Products Co.*, 514 U.S. 159, 169–70, 115 S.Ct. 1300, 1306–1307 (1995).

[ROUND, FROM PAGE 15]

owners should not have exclusive rights that last forever in basic shapes.

[A] trademark holder cannot block innovation by appropriating designs that undergird further improvements. Patent holders can do this, but a patent's life is short; trademarks can last forever, so granting trademark holders this power could permanently stifle product development.¹⁵

Franek obtained a trademark registration on a basic design element in the relevant market industry that foreclosed competition. The basic shape of the circle is so rudimentary and general that the trademark for the beach towel likely significantly impaired competition.

Franek wants a trademark on the circle. Granting a producer the exclusive use of a basic element of design (shape, material, color, and so forth) impoverishes other designers' palettes.¹⁶

Finally, the Court of Appeals sums up why this basic shape product configuration trademarks is invalid. "A circle is the kind of basic design that a producer like Jay Franco adopts because alternatives are scarce and some consumers want the shape regardless of who manufactures it."¹⁷ Hence, the Court Appeals did not permit Franek "to keep the indefinite competitive advantage in producing beach towels this trademark creates."¹⁸

PRACTICAL APPLICATION

This case is important from an intellectual property perspective to see how a trademark owner's product advertisements and third party utility patents can be used to invalidate a product-design-mark. The consequence of the failure to use the product design as an indicator of product source can be problematic

for the trademark owner. Some of the following lessons learned can be gleaned from the *Jay Franco* case:

- Avoid advertising and touting the shapes of product using as functional language in product configuration trademarks. Otherwise, the trademark owners open their product configuration mark to potential challenges of invalidity.
- Avoid slogans or phrases that merely recite features found in any patent claims, including expired patents or patent application publications of third parties.
- Avoid touting features in utility patents or patent publications that claim the features that are the subject of the product configuration trademark. Here, it was a patent by a third party which provided strong evidence of functionality.
- When evaluating trademark protection on three-dimensional products, consider searching of patents and patent application publications that touts or claim key features of the product.

For new product designs, consider evaluating whether design patent protection is available. ■

¹⁵ *Jay Franco*, 615 F.3d at 859.

¹⁶ *Jay Franco*, 615 F.3d at 860.

¹⁷ *Jay Franco*, 615 F.3d at 861.

¹⁸ *Jay Franco*, 615 F.3d at 861.

THERASENSE—WILL IT MAKE SENSE? WILL THE LAW OF INEQUITABLE CONDUCT FINALLY BE FIXED? AND WHEN?



BY: CHARLES W. SHIFLEY

Readers of past editions of this newsletter may recall that last year, the newsletter predicted that by year end 2010 the Federal Circuit would work big changes in the patent law doctrine of inequitable conduct.¹ Did it happen? No. Was there a reason? Yes, a simple one. The case is taking longer than expected. Any day now, however, the decision in *Therasense*,² the case to potentially make the changes, will issue. Will it make sense? Will it work big changes? And will it finally fix the law of inequitable conduct? The answer to each of these questions, now after oral argument, is: don't bet the farm.

The Federal Circuit heard the oral arguments in *Therasense* in November. Instead of continuing the potential for big change to the law that was signaled by the Federal Circuit's initial listing of the questions for which it wanted argument, the oral argument signaled that the change to the law could range from big change to some change to little change at all.

The only striking aspect of argument was that the advocate for the United States Patent and Trademark Office (USPTO) admitted that under current standards, which include the current Rule 56 standard for which he advocated, the Patent Office was experiencing the disclosure of so many prior art references by so many applicants that it had labeled the practice as "reference flooding." The advocate also volunteered that the USPTO knew applicants

were acting in fear and did not know what to disclose.

In spite of this admission, however, and in spite of setting the case up as if the whole of the framework of law for inequitable conduct was in question, the Federal Circuit at oral argument revealed it may only change inequitable conduct law in nuanced and minor ways. In spite of reference flooding as a compelling reason to narrow the law, some judges were focused solely on the potential for applicants to commit inequitable conduct under a significantly narrowed rule of law. Other judges were focused solely on a companion issue, the lack of precedents for a narrow "but for" standard of a narrowed rule.

Questioning by the judges of all advocates speaking on materiality at the oral argument revealed that, perhaps to get to a unifying decision of the Court, the judges may invent a new, "midrange" standard of materiality: a standard having a scope somewhere between the "but for" materiality and the section (b)(1) materiality of the current Rule 56 of the Patent Office³—the narrow side of materiality—and section (b)(2) of the current Rule 56—the broad side of materiality.

The judges were accepting of the part (b)(1) of the rule, which states that information is material if it "establishes, by itself or in combination with other information, **MORE▶**



Reference Flooding Continues

¹ See "Federal Circuit Signals Big Changes On Inequitable Conduct Likely By Year End 2010."

² *Therasense, Inc. v. Becton Dickinson & Co.*, No. 2008-1511.

³ (b) Under this section, information is material to patentability when it is not cumulative to information already of record or being made of record in the application, and

(1) It establishes, by itself or in combination with other information, a prima facie case of unpatentability of a claim; or

(2) It refutes, or is inconsistent with, a position the applicant takes in:

(i) Opposing an argument of unpatentability relied on by the Office; or

(ii) Asserting an argument of patentability.

[*THE RASENSE*, FROM PAGE 17]

a *prima facie* case of invalidity of a claim.” This is somewhat broader than the narrow “but for” materiality,” but not truly broad.

The judges were not accepting of part (b)(2) of the rule, that information is material if it “refutes, or is inconsistent with, a position an applicant takes in opposing an argument of unpatentability relied on by the Office,” or a position the applicant takes in “asserting an argument of unpatentability.” This standard is truly broad. More than one judge spoke out against the (b)(2) standard, the most notable assertion being that it was broad and amorphous, and would swallow up any other definitional aspect of “materiality.” An example

was that the Court should state that intent could not be inferred from materiality alone, and that wrongful intent had to be the single most reasonable inference from the evidence. This, however, is essentially no change from recent Federal Circuit case law. Uniformity of suggestion to reinforce the intent standard of the *Kingsdown* case would also cause no change in the law, as that case articulated only a language variation that wrongful intent must be the single most reasonable inference from the evidence.

In the author’s opinion, and his alone, with no change to the (b)(1) standard of materiality, and no change to the standard

Will it make sense? Will it work big changes? And will it finally fix the law of inequitable conduct? The answer to each of these questions, now after oral argument, is: don’t bet the farm.

given was that if an applicant argued for non-obviousness, inequitable conduct under the (b) (2) standard could be asserted in any failure to disclose any known information tending toward obviousness.

The potential change of the case is not as predictable in part because the oral argument lacked for responses to obvious questions of the Court. In a golden opportunity, an advocate was invited to suggest the articulation of a standard that would lie between the (b)(1) standard and the (b)(2) standard, and overcome the problem of the stated example. The advocate involved failed to respond meaningfully.

The potential of the case for drama was also reduced because on the intent aspect of inequitable conduct, there was an apparent consensus among the advocates, rather than a vigorous dispute that could lead to significant analysis and change. The apparent consensus

of intent, patent prosecutors will not enjoy inequitable conduct law gaining the sense it now lacks. There will be no fix of the law. Prosecutors will continue to be concerned that they cannot know what they can refrain from disclosing, and cannot assure that their good intentions will be assessed so as to prevent conclusions of inequitable conduct. They will worry that the one or two references they do not disclose will be considered to make out a *prima facie* case of invalidity of one or more claims, and that inability to remember later why references were not disclosed, will subject them to decisions against them and their licenses to practice. And with no change to prosecutor worries, the USPTO will continue to get flooded.

Banner & Witcoff will continue to monitor and report the case as more information becomes available. ■

Concern for colleagues, friends in Japan

The attorneys and staff of Banner & Witcoff express our deep personal concern and heartfelt sympathy for the families and friends of the victims of the recent disastrous events in Japan. The firm values our deep relationships with our longstanding Japanese clients and is proud to support the American Red Cross's disaster relief efforts helping those affected by these tragic events.

Banner & Witcoff organized a firm-wide Jeans Day to raise money, with firm-matched contributions, for the American Red Cross's disaster relief efforts in Japan.



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Mark T. Banner Award



The American Bar Association Section of Intellectual Property Law (ABA-IPL) has announced the first annual Mark T. Banner Award.

This award in honor of the late Mark Banner will be presented to an individual or group that has made an impact on IP law and/or practice.

The first award will be presented on Saturday, August 6, 2011, during the American Bar Association Annual Meeting in Toronto, Canada. More information can be obtained by contacting the ABA-IPL section at MarkBannerAward@gmail.com.

Mark T. Banner was a principal shareholder at Banner & Witcoff and served as the Chair of the ABA Section of Intellectual Property Law from 2002 to 2003. Mark was considered one of the best IP trial lawyers in the United States, served as an adjunct professor and authored numerous books on intellectual property law.

DMCA—NEXT UP: SUPREME COURT REVIEW?

BY: ERNEST V. LINEK



Two Federal Courts of Appeals, the 9th Circuit and the Federal Circuit, have reached opposite views regarding the scope of rights and/or remedies afforded by the Digital Millennium Copyright Act (DMCA or Act). With disagreement among two appellate courts, the time is ripe for Supreme Court review and a final decision as to which court, if either, got it right.

The DMCA has three provisions designed to protect copyright in the digital era. In short, these provisions make it unlawful to circumvent a technological measure that effectively controls

access to a work protected by copyright, or to traffic in devices designed to accomplish that end. See 17 U.S.C. 1201 *et seq.*

The first provision, 17 U.S.C. § 1201(a)(1)(A), is a general prohibition against “circumventing a technological measure that effectively controls access to a work protected under [the Copyright Act].”

The second prohibits trafficking in technology that circumvents a technological measure that “effectively controls access” to a copyrighted work. 17 U.S.C. § 1201(a)(2).

The third prohibits trafficking in technology that circumvents a technological measure that “effectively protects” a copyright owner’s right. 17 U.S.C. § 1201(b)(1).

The specific question these two appellate courts disagree on is this—does the DMCA create a new substantive right to control access to copyrighted material or does it simply add to the remedies available for copyright infringement?

The Federal Circuit was the first to consider the question of “rights” afforded by the DMCA and concluded that the Act created no new rights, only new remedies. *Chamberlain Group, Inc. v. Skylink Techs., Inc.*, 381 F.3d 1178, 1202 (Fed. Cir. 2004). The Federal Circuit held that if there was no “copyright infringement” there could be no violation of the Act.

In December 2010, the 9th Circuit Court of Appeals concluded that the Federal Circuit was wrong. The 9th Circuit decided that the DMCA *does create the right to control access to copyrighted works*—regardless of whether there is actual copyright infringement as defined by the Copyright Act, or not. *MDY Industries, LLC v. Blizzard Entertainment, Inc.*, (9th Cir., Appeal No. 09-15932)

CHAMBERLAIN GROUP, INC. V. SKYLINK TECHS., INC., 381 F.3D 1178 (FED. CIR. 2004)

The Federal Circuit’s *Chamberlain* case involved two makers of garage door openers and the remote controls used for the openers. The Chamberlain system used an opener and remote control that each used an algorithm to frequently change the codes used to operate the door opener. Skylink, a competitor of



Tension Between Circuits

Chamberlain created a universal remote that would replicate the Chamberlain algorithm, allowing its remotes to operate as substitutes for the Chamberlain remotes.

Chamberlain sued Skylink for copyright infringement and alleged that the sale of the universal remote was a DMCA violation since the Chamberlain system had embedded software protected by copyright

and the algorithm for changing codes was a technological measure that controlled access to the embedded software.

The Federal Circuit found no DMCA violation. The court found that there was no copying of Chamberlain's software by Skylink—and thus, no copyright infringement. Skylink's system merely permitted the operation of the Chamberlain garage door [MORE>](#)

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WE LOOK FORWARD TO SEEING YOU IN SEPTEMBER!



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[DMCA, FROM PAGE 21]

opener. The Federal Circuit held that there was no connection between Skylink's activity and any copyright infringement, and *without infringement*, there could be *no violation* of the DMCA.

Under *Chamberlain*, the Federal Circuit requires a DMCA plaintiff to demonstrate that the circumventing technology employed by the defendant infringes or facilitates infringement of the plaintiff's copyright—as “nexus requirement.” The court held that Section 1201(a) did not grant copyright owners any new rights, but instead, established only new causes of action for a defendant's unauthorized access of copyrighted material *when there is infringement* under Section 106.

In *Chamberlain*, the Federal Circuit noted several concerns regarding policy considerations. These included a fear that Section 1201(a) would allow companies to leverage their sales into aftermarket monopolies, in tension with antitrust law and the doctrine of copyright misuse. The court also viewed an infringement nexus requirement as necessary to prevent “absurd and disastrous results,” such as the existence of DMCA liability for disabling a burglary alarm to gain access to a home containing copyrighted materials. Finally, the court was concerned that, without an infringement nexus requirement, Section 1201(a) would allow copyright owners to deny all access to the public by putting an effective access control measure in place that the public is not allowed to circumvent.

MDY INDUSTRIES, LLC V. BLIZZARD ENTERTAINMENT, INC., (9TH CIR., APPEAL NO. 09-15932)

In the *MDY Industries* case, decided on December 14, 2010, the 9th Circuit Court of

Appeals found that it was unable to follow the approach adopted by the Federal Circuit in *Chamberlain*. The 9th Circuit stated that the *Chamberlain* decision was “contrary to the plain language of the statute.”

According to the 9th Circuit, while the Federal Circuit in the *Chamberlain* case relied heavily on policy considerations to support its reading of Section 1201(a), these considerations cannot trump the statute's plain text and structure:

Even were these policy considerations permissible, they would not persuade us to adopt an infringement nexus requirement. Instead, Section 1201(a) creates a distinct right. A fair reading of the statute indicates that Congress created a distinct anti-circumvention right under Section 1201(a) without an infringement nexus requirement.

MDY Industries was a case involving the internet-based, multiplayer online role-playing game, World of Warcraft (WoW), sold by Blizzard. It is estimated that WoW has over 10 million subscriber-players, over 2.5 million of which are located in North America.

The WoW game software has two components; (1) the game server software, which a player accesses on a subscription basis; and (2) the game client software that a player installs on the player's personal computer. WoW does not have single-player or off-line modes of play. Finally, each WoW player must read and accept Blizzard's End User License Agreements and Terms of Use to remain a player.

WoW players roleplay different characters with an objective of advancing the character through the game's numerous skill levels by participating in quests and battles. As a player advances through the skill levels, the character

collects rewards such as game currency, weapons, and armor—all useful for further advancement.

In 2005 a WoW player and software programmer, Michael Donnelly, developed a software robot (bot) called Glider, which automated play of WoW's early skill levels. When the Glider bot

Since the Glider bot was designed to avoid the Warden software, MDY Industries was found to be trafficking in a circumvention device prohibited by the DMCA.

was activated, WoW play was automatic—the game player was the bot, not the subscriber. The Glider bot did not copy or alter any of WoW's game client software. Donnelly sold the Glider robot software to other WoW players through his company, MDY Industries.

A sufficient number of WoW players complained to Blizzard that they were competing against robots instead of “real” players, and soon thereafter, Blizzard banned the use of bots in an updated license agreement. Blizzard further created and installed the Warden software, which inspects WoW player habits to detect and banish those who use bots for WoW play. MDY Industries responded to the changes made to WoW by Blizzard by creating and selling a premium version of the Glider bot—which the Warden software could not detect.

When Blizzard threatened to sue MDY Industries for copyright infringement, MDY filed a declaratory judgment action contending that Glider did not violate any of MDY's rights. MDY responded alleging copyright infringement and violations of the DMCA.

The Arizona District Court granted Blizzard partial summary judgment holding that Donnelly was personally liable for MDY's tortious interference with contract and secondary copyright infringement. After a bench trial, MDY was also found to have violated the DMCA.

On appeal, the 9th Circuit issued its decision. The court held that MDY was not liable for secondary copyright infringement, but was liable for violating Section 1201(a)(2) of the DMCA—even though there was no infringement.

The Warden software was found to be a technological measure designed to control access to the game experience. Since the Glider bot was designed to avoid the Warden software, MDY Industries was found to be trafficking in a circumvention device prohibited by the DMCA.

The appeals court further held that summary judgment was inappropriate as to Blizzard's claim of tortious interference with contract under Arizona law and remanded the case to reconsider the issue of Donnelly's personal liability. ■

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