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## PORTRAIT: RON MYRICK— CHAIRING PIERCE LAW'S ACIP

BY ANDREW MATISZIW (JD '05)

**R**ON MYRICK is a master of running meetings. His talent was evident as he ran Pierce Law's newly reactivated Advisory Council on Intellectual Property (ACIP) on September 24, 2004. When asked how he developed the ability to operate an efficient meeting, Mr. Myrick humbly laughed in response, “Well, I've run a lot of meetings.”

“A lot of meetings” is definitely an understatement. Mr. Myrick has participated in over 60 boards, committees, panels, presentations, associations, and other bar activities—most recently as the President of the American Intellectual Property Association (AIPLA) and the President of the Intellectual Property Owners Association (IPO).

Mr. Myrick is also heavily involved with the International Association for the Protection of Intellectual Property (AIPPI). Last year, he was elected the Vice President of AIPPI at the 39th World IP Congress in Geneva. In 2006, he will become the President of AIPPI at the 40th World IP Congress in Gothenburg, Sweden. Mr. Myrick will be bringing AIPPI home in 2008, presiding over the 41st World IP Congress in Boston.

Recently, Mr. Myrick took the position of chair of Pierce Law's newly reformed ACIP. He was a perfect fit for the role of chair as his impressive career in developing and protecting IP gives special insight in how to best meet the needs of a law school with a strong focus on IP. Previously, he participated at Pierce Law in Patent System Major Problems Conferences and served as a moot court judge.

ACIP is currently working on many issues important to the future of Pierce Law's IP program. The council has committees working on the mission statement, the role of corporate leaders in IP, and major issues facing the program. In chairing the ACIP, it is important for him to keep the council focused on the issues at hand while ancillary issues not important enough to make it to the docket threaten to consume time. However, Mr. Myrick believes it is important to not restrain anyone's discussion. In fact, drawing everyone into contributing is one of his keys to running a successful meeting.

Mr. Myrick received his Bachelor of Electrical Engineering from the University of Louisville, a Master of Science in Electrical Engineering from Arizona State University, and completed further advanced course work at the University of Houston and Brooklyn Polytechnic Institute. As an engineer, he worked at Sperry Flight Systems on the design, development, and flight test of several autopilot and automatic control projects, including both analog and digital technology. He spent additional time at McDonnell Douglas Astronautics working on dynamics in aerospace development, including digital simulation



**RON MYRICK**

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Germeshausen, the Germeshausen  
Center is the umbrella organization  
for Pierce Law's specialization  
and policy studies in the legal  
protection, management and  
transfer of intellectual property,  
especially relating to the  
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## IP FACULTY ACTIVITIES

**Professor Tom Field** presented a program on "Legal Issues: Answering Writer's Questions" on March 19 at the New Hampshire Writers' Project 12th Annual Writer's Day 2005 held at Southern New Hampshire University.

\* \*

On December 10, **Professor Bill**

**Hennessey** was a keynote speaker at an international conference in Shanghai, China on "Intellectual Property and Urban Competitiveness" at the invitation of the Shanghai Municipal People's Government and on February 19 he spoke at Harvard Business School's 2005 Asia Business Conference on "IP Piracy in China" on February 19.

\* \*

**Professor Hennessey** also gave a speech on "China's Compliance with the WTO TRIPs Agreement" on March 21 in San Francisco, CA at a two-day conference entitled "A Blue Print for Building and Enforcing IP Value in China."

\* \*

**Professor Craig Jepson** spoke at the University of Texas School of Law, Austin, Texas on "Obstacle to the Implementation of TRIPs" on February 22, 2005 and at the IP Summit of the Utah State Bar Association, Salt Lake City, Utah on "Patent Kill: the New Anti-IP Movement" on March 3, 2005.

\* \*

**Professor Jepson** also spoke on March 11 at the Washington State Bar Association, Seattle Washington on "Recent Developments at the Federal Circuit" and at the AIPLA, National Academy of Sciences, Federal Trademark Commission Patent Town Hall Meeting in Boston, Mass. on March 18.

\* \*

**Professor Susan Richey** made two presentations on the legality of the appropriation Art Movement—a type of art created using third parties' copyrighted images and/or trademarks—one at the Annual Meeting of the New England Museum Association and one for students and faculty at Montserrat College of Art, Beverly, MA in early February. ■

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### ■ MYRICK, from page 1

design for an early version of the space shuttle.

It was not long before Mr. Myrick decided to enter the practice of law and explore the growing field of patent law. "I always had it as a bug in my ear," he said. While working at Bell Telephone Laboratories, where he worked on patent applications, he took advantage of a program offered by Bell that sent employees to law school. He received his JD, cum laude, from Loyola University of Chicago Law School. Looking back at his distinguished career, he is proud to have been engaged in IP in various capacities, as IP is extremely important and worth preserving.

At Neuman, Williams, Anderson & Olson in Chicago, where he became partner, Mr. Myrick also became involved in antitrust law with the groundbreaking case of *Berkey Photo v. Eastman Kodak*, 603 F.2d 263 (2d Cir. 1979). The *Berkey Photo* case provided him a stepping-stone to pursue further work in antitrust law. Mr. Myrick sees antitrust as a sister discipline to IP—while IP law allows IP owners to create limited monopolies to create competition, antitrust law prevents market power from being used to destroy competition.

Eventually, he moved on to work for United Technologies Corporation (UTC) where he served as Vice President and General Counsel for UTC's subsidiaries Mostek Corporation and later, Otis Elevator Company, NAO. As General Counsel at Mostek, Mr. Myrick's

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# NOTABLE HAPPENINGS...

## US NEWS & WORLD REPORT RANKING

According to the latest *U.S. News & World Report's* rankings of *Americas' Best Graduate Schools*, Pierce Law ranked 6th, up a spot from last year, in intellectual property law. Since the rankings started in 1992 Pierce Law has always placed among the top law schools in intellectual property law, and was ranked number one in 1997, 1998 and 1999.

\* \*

## LEWIS F. GOULD DISTINGUISHED LITIGATOR IN RESIDENCE

Attorney Gould, of Duane Morris, Philadelphia, PA, and Markman's lead attorney in the Markman litigation, gave a presentation on April 4. In addition to his presentation, "Markman: An Insider's View." He also gave a talk on careers in IP litigation to Pierce Law students.

\* \*

## NEW ONLINE DIRECTORY FOR PIERCE LAW ALUMS

Pierce Law Alumni can now register on our new Online Alumni Directory go to <http://www.piercelaw.onlinecommunity.com/>, click on First Time Users and follow directions. If you have any questions, please contact Ruth Kimball at: [rkimball@piercelaw.edu](mailto:rkimball@piercelaw.edu).

\* \*

## MIT ENTERPRISE FORUM AT PIERCE LAW

On January 20, Pierce Law hosted the MIT Enterprise forum sponsored by the IP law firm of Hayes Soloway PC (of Manchester, NH and Tucson, AZ) and co-sponsored by the NH MIT chapter. Thanks go to alumnus Peter Nieves for bringing the forum to Pierce Law, so that students had the opportunity to understand what building and sustaining a corporation entails, especially at the beginning stages, in terms of IP issues.

\* \*

## STUDENT COMPETITIONS

### PIERCE LAW HOSTS PHILIP C. JESSUP INTERNATIONAL LAW MOOT COURT COMPETITION

Pierce Law Center hosted the Northeast Regional Philip C. Jessup International Law Moot Court Competition on February 25 and 26. "With so many international students at Pierce Law, this is a most appropriate competition to host at the school," said Dean John Hutson. "Our students have an opportunity to hear arguments regarding international legal issues presented by fellow students to an international forum." Law school teams from across New England traveled to Pierce Law to argue about international legal issues.

The annual competition is sponsored by the International Law Students Association and with assistance again this year from the international law firm of Shearman & Sterling.

\* \*

### BPLA WRITING COMPETITION

At the December '04 Annual Meeting of the BPLA, two Pierce Law students received both 2004 Writing Competition Awards. First prize went to Nathan Greene for a paper on "Enforceability of the People's Republic of China's Trade Secret Law: Impact on Technology Transfer in the PRC and Preparing for Successful Licensing," which is published in *IDEA*, Vol. 44, No. 3. Second prize went to Joy Simeone for her paper on "Has the World Trade Organization Tripped Up Pharmaceutical Patent Protection Through the Waiver of Article 31 (F)?" Joy subsequently also earned first place in a writing competition from the *Stanford Technology Law Journal* for her paper.

Congratulations to Pierce Law students who competed in recent months representing Pierce Law. Pamela Roth was one of three finalists competing in the final round of the LES Edwin A. Shalloway Student Licensing Competition February 9-11 in Denver. Only the second year of the competition, this is the second time finalists have been selected from Pierce Law.

Congrats to two Pierce Law teams who competed at the B.M.I. Copyrights & Entertainment Law Moot Court Competition in New City this past March: Dan Branson, Lili Vo, Ryan Heavener and Will Toronto and Kittie Palakovich.

\* \*

### STUDENT IP ASSOCIATIONS ACTIVITIES

The 9th Annual Pierce Law **Student LES Chapter** Spring Symposium was held on campus on April 2. Go to: <http://www.students.piercelaw.edu/les/speakers.htm> for program information, including a list of the presenters, their affiliations and presentation topics.

James G. Culleum (JD '99), IP Counsel for Cell Signaling, Beverly, MA gave a presentation upon invitation of the LES Student Chapter and as a part of Professor Jorda's Spring Semester IP Management course, on "Developing & Managing IP Assets in Emerging Technology Corporations: Challenges & Rewards."

Pierce Law's **Student IP Law Association (SIPLA)** held their Symposium '05 on March 26 on current developments in open source and free software. Go to <http://www.students.piercelaw.edu/sipla/archive.htm> for program information, including a list of the presenters, their affiliations and presentation topics. ■

# PULLING TROLLS OUT FROM UNDER THE BRIDGE: PROPOSED PATENT REFORMS

BY BRAD D. KRUEGER (JD '06)

LARGE COMPANIES such as Intel face challenges as they try to use IP strategically. The proliferation of patents in technology-based industries creates the potential for being held-up with threats of patent infringement as companies tiptoe through the patent thicket. In addition, previous strategies of amassing large patent portfolios to deal with threats of hold-up create little defense to patent trolls. Patent trolls are entities that procure patents without any intention to practice them, but instead assert them against others in an effort to obtain a license under the threat of litigation. 150 Cong. Rec. E1935 (Extensions Oct. 11, 2004). Legislation introduced in October 2004 proposes several patent reforms in response to the problems caused by the patent thicket and the negative effects of trolls.

At a presentation in 2002, Peter Detkin of Intel stated that more than 90,000 patents related to microprocessors are held by more than 10,000 parties and approximately 420,000 semiconductor and systems patents are held by more than 40,000 parties. Peter N. Detkin, *A Semiconductor Patent Survey* 5, <http://www.ftc.gov/opp/intellect/020228peterndetkin.pdf>, (slides) (Feb. 28, 2002). In fact, the number of patents in the semiconductor industry has increased so much that there are densely overlapping patent rights, creating what is known as a "patent thicket." Federal Trade Commission, *To Promote Innovation: The Proper Balance Of Competition And Patent Law And Policy* ch.3, 34, <http://www.ftc.gov/os/2003/10/innovationrpt.pdf> (Oct. 2003). The patent thicket has been attributed to the incremental nature of semiconductor innovations, defensive patenting, and the ease of obtaining patents through the Patent and Trademark Office (PTO). *Id.* at ch.2, 34-35. The patent thicket leads to two prominent problems for large corporations like Intel: hold-up and mitigation strategies of amassing patents and assuring mutual destruction, known as "MAD." *Id.* at 28-30.

Hold-up arises due to the large number of patents in the semiconductor industry. *Id.* at 34. A company cannot make a new

product without potentially infringing thousands of patents. *Id.* at 28. If the company has committed considerable costs to a product, it may have effectively locked itself into the technology and be held-up by a patentee asserting an unknown patent. *Id.* at 29. The situation is very real in today's patent scheme in which willful infringers are subject to treble damages. Mark A. Lemley and Ragesh K. Tangri, *Ending Patent Law's Willfulness Game*, 18 Berkeley Tech. L.J. 1085, 1086 (Fall, 2003). A company that developed or adopted a technology in good faith may find itself subject to expensive infringement damages. *Id.* at 1088. The company is left negotiating for use of the technology at a higher rate, because the option to redesign may not be economically viable and the potential of a preliminary injunction that would shut down high-volume manufacturing could be very detrimental. Federal Trade Commission at ch.2, at 29.

To reduce the risk of hold-up as a consequence of the patent thicket, companies engage in a mitigation strategy by amassing large patent portfolios. *Id.* at 30. Since a firm can use its large patent portfolio to force others to license their patents or to demand non-assertion agreements, each firm will race to develop larger patent portfolios. *Id.* If one firm threatens to demand higher royalty rates or to sue for patent infringement, the other firm can retaliate with similar claims of patent infringement and enjoin its products. *Id.* Such a prospect of mutually assured destruction (or "MAD") causes firms to seek cross-licensing agreements so that they can operate freely without fear of being sued by each other. *Id.*

Unfortunately, large patent portfolios like Intel's cannot help in dealing with non-practicing entities (NPEs). NPEs come in three flavors: (1) firms which patent their inventions but do not make or sell them; (2) companies that mine their patent portfolio and assert them against other companies not in their line of business; and (3) companies that buy patents from other, usually distressed, companies and then assert them. *Id.* at 38-39. Peter Detkin

of Intel coined this third variety as "trolls" after Intel was sued by TechSearch for libel for referring to them as "patent extortionists." Brenda Sandberg, *Battling The Patent Trolls*, <http://www.law.com/servlet/ContentServer?pagename=OpenMarket/Xcelerate/Preview&c=LawArticle&cid=1015973975154> (July 30, 2001) (accessed Nov. 4, 2004). According to Detkin, "a patent troll is somebody who tries to make a lot of money off of a patent that they are not practicing and have no intention of practicing and in most cases never practiced." *Id.* Consequently, they are not vulnerable to an infringement countersuit and do not seek a cross-licensing agreement. Federal Trade Commission at ch.2, 31-32. Detkin has referred to it as the "ultimate asymmetry of risk." Detkin, (slides) at 10.

The patent thicket and its apparent problems have spurred large companies to take action. In April 2004, Intel, Cisco, eBay, Symantec, Chiron, Genentech, and Microsoft formed a group to cooperate with regulators and legislators on patent reform. *Microsoft Patents PDA Clicks*, eWeek (June 4, 2004) (available at LEXIS, Nexis library, eWeek file). On October 8, 2004, Representative Howard Berman of California introduced the Patent Quality Assistance Act of 2004. 150 Cong. Rec. E1935 (Extensions Oct. 11, 2004). One of the main goals of the Act is to "deter abusive practices by unscrupulous patent holders." *Id.* The legislation was proposed in the wake of two reports, one by the Federal Trade Commission and another by the National Research Council, which made a number of recommendations for reform. *Id.* Among other things, the act proposes to create a post-grant opposition procedure, to allow recipients of licensing demand letters to have standing to seek a declaratory judgment of non-infringement, and to decrease the ability of trolls to seek permanent injunctions. *Id.* at E1935-36.

Section 2 of the Act proposes a post-grant opposition procedure in which a person may request that the PTO reconsider the

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grant or reissue of a patent by filing an opposition. H.R. 5299, 108th Cong. § 2 (Oct. 8, 2004). The opposition request may be made within nine months after the grant of the patent or issuance of the reissue patent, or within six months after receiving a notice of infringement. *Id.* The opposer will have the burden to prove invalidity by a preponderance of the evidence. *Id.* Reasons for invalidity may be based upon double patenting or any of the requirements for patentability under Title 35 of the United States Code, except for section 112's best mode requirement or issues arising under subsections (c), (f), or (g) of section 102. *Id.* Discovery will be limited to deposing people who submitted an affidavit or declaration. *Id.* Furthermore, the proceeding shall last no later than one year after the date it is instituted, and may not be extended by more than six months for good cause shown. *Id.* Finally, the identity of the opposer may, upon request, be kept secret. *Id.*

Section 5 of the Act addresses the situation in which a recipient of a letter requesting a license has no meaningful options if the letter does not create a case or controversy upon which to file a declaratory judgment of non-infringement. 150 Cong. Rec. at E1935. In many situations, a patent holder may send a letter to another party offering to grant a license for use of its patented invention. *Id.* However, such letters are usually worded so as not to meet the threshold of creating a "case or controversy." *Id.* If the recipient ignores the letter, it could be liable for treble damages as a willful infringer. *Id.* The recipient cannot file for declaratory judgment of non-infringement and is left with the costly choice of obtaining an opinion from an attorney stating that it is not committing infringement. *Id.* Section 5 of the Act relieves this situation by not making the recipient liable for willful infringement unless the notice received causes the recipient to have standing to seek a declaratory judgment of non-infringement. H.R. 5299, 108th Cong. at § 2.

Section 6 of the Act addresses, in Representative Berman's words, "the deleterious effect on innovation created by patent 'trolls.'" 150 Cong. Rec. at E1935.

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## ZONING OUT ON RADIO: TRADEMARK REGISTRATION FOR BROADCAST BRANDS

BY CHRISTOPHER S. REED (JD/MIP '06)

EVERY DAY, MILLIONS OF AMERICANS tune into at least one of the nearly 14,000 radio stations in the U.S. From up-to-the-minute news to popular music, the diverse array of contemporary programming formats makes radio one of the most widely used forms of media. Just like many other businesses, radio stations use trademarks to identify their unique programming to listeners and advertisers. But because of the highly localized nature of traditional radio broadcasting and the importance of each station's frequency identifier in promoting its brand, radio trademarks present unique challenges when stations seek federal registration.

Recently, Cumulus Broadcasting, one of the nation's largest radio groups sought federal trademark registration for the mark "106.5 The Zone" for use in connection with "radio broadcasting services." Citing confusing similarity with "94.1 FM The Zone," a previously registered mark for the same services, the examiner issued a rejection under § 2(d) of the Lanham Act. 15 U.S.C. § 1052(d) (2000). In its appeal, Cumulus argued that the "purchasers" of a radio station are its advertisers. *Br. for Appellant Cumulus Broad., Inc.* 7 (Dec. 26, 2001). Using the analytical framework set forth in *In re E.I. DuPont de Nemours & Co.*, 476 F.2d 1375 (C.C.P.A. 1973), Cumulus asserted that because advertisers are sophisticated buyers that spend a considerable amount of time making purchase decisions, it is unlikely that there would be any confusion in the marketplace if the Cumulus mark were to be registered. *Br. for Appellant Cumulus Broad., Inc.* 7-8.

Moreover, Cumulus argued that because of the unique character of the radio broadcasting industry, no consumer confusion would ensue if both marks were registered. *Id.* at 2. Cumulus pointed specifically to the frequency designation which, although disclaimed as part of the mark, serves an important purpose, since radio stations are, by their very nature, frequency-specific. *Id.* at 4. In this respect, the marks create a distinct commercial impression. Similarly, Cumulus noted that radio station trademarks "are typically strong marks in the local market in which the mark is used and weak marks nationally based on the common practice of various stations using the same mark in different local markets." *Id.* at 4-5.

The Trademark Trial and Appeal Board (TTAB), agreeing partially with Cumulus, reversed the examiner's refusal to register. *In re Cumulus Broad., Inc.*, 2004 TTAB LEXIS 608 (T.T.A.B. 2004). Turning to an earlier radio industry case, *In re Infinity Broad. Corp. of Dallas*, 60 U.S.P.Q.2d 1214 (T.T.A.B. 2001), the TTAB rejected the sophisticated purchaser argument by recognizing that radio trademarks serve as source identifiers not only to advertisers, but to listeners as well. *Cumulus*, 2004 TTAB LEXIS at 4. In *Infinity*, the TTAB explained that although radio listeners do not purchase anything in the traditional sense when they choose a particular station, they do pick one station over another, effectively deciding which station to consume at a particular time. *In re Infinity*, 60 U.S.P.Q.2d at 1218. Such decisions are typically not the product of much time or research. Instead, they are made on impulse, the antithesis of the sophisticated purchase decisions made by advertisers.

In response to the argument that the mark is weak by virtue of its typical attachment to a specific frequency, the TTAB agreed with Cumulus by observing that "evidence of widespread third-party use ... [suggests] that purchasers have been conditioned to look to the other elements of the marks as a means of distinguishing the source..." *Cumulus*, 2004 TTAB LEXIS at 9. (quoting *In re Broadway Chicken, Inc.*, 38 U.S.P.Q.2d 1559 (T.T.A.B. 1996)). Applying that logic, the TTAB rationalized that because "The Zone" is so widely used within the radio industry, both listeners and advertisers look not only to the mark itself, but also to the frequency designation to identify source. *Id.* Given the ample evidence on the record to support the notion that confusion was not likely between the two "The

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Zone” marks, the TTAB reversed the decision of the examiner thereby allowing the registration process to go forward.

Although the TTAB’s decision in *Cumulus* resolves the immediate dispute, the decision is of little use to trademark practitioners representing broadcasters. Despite *Cumulus*’s request, the TTAB refused to issue citable precedent, explaining in a footnote that the “decision is based on the particular facts of this case...” *Id.* at 2. The TTAB amplifies this sentiment in a later footnote which states explicitly that the decision is based solely “on the specific evidence in this case regarding this mark, and not on any asserted ‘policy’ regarding other marks and radio broadcasting services in general.” *Id.* at 8. Indeed, the TTAB was particularly adamant about providing as little direction as possible in this unique area despite a demonstrated need for administrative guidance.

The issues presented in the *Cumulus* case could also arise in other broadcasting contexts. Just like radio stations, television stations often employ identical station names or slogans in different geographic markets. Popular slogans like “Where the News Comes First” and “Coverage You Can Count On” are peppered throughout the television industry. Similarly, station names are often duplicated. Both Denver and Washington, D.C., for example, have stations that identify themselves as “9 News.” Because of the widespread yet geographically discrete use of these types of phrases and

names, just like the radio brands, it is reasonable to believe that a similar trademark registration scuffle might arise in the television industry as well.

In rejecting *Cumulus*’s request for a citable opinion, the TTAB pointed to the *Infinity* decision as providing guidance for broadcast trademarks. *Id.* at 2. But the *Infinity* case only addresses station call letters which are assigned by the Federal Communications Commission and are, by definition, unique to each broadcaster. Moreover, call letters are far more limited in scope than the brand names that stations often adopt. Call letters are limited to four letters in length and always begin with a “K” for stations west of the Mississippi River, and “W” for stations east of the Mississippi River.

The issue in the *Cumulus* case relates not to call letters, but the catchier common names that stations generally use to identify themselves to listeners and advertisers. While it is rather common for stations throughout the country to employ the same name on stations in different markets, the call letters for these stations remain unique to each. For example, “790 The Zone” in Atlanta is legally identified as WQXI while Albuquerque’s “103.3 The Zone” is legally known as KTZO. Because the issue in *Infinity* was related to two confusingly similar sets of call letters (KING and KYNG) which are unique to each station, it fails to address the issues

presented in *Cumulus* relating to multiple stations using the identical brand name on different stations in different markets.

In addition to the inadequacy of existing case law, a review of prior Patent and Trademark Office (PTO) activity reveals possible internal confusion as to how to best handle broadcast related trademarks. As *Cumulus* points out in its brief, the PTO has, on numerous occasions, issued multiple registrations for similar radio station trademarks. *Br. for Appellant Cumulus Broad., Inc.* 12. Marks like “Jammin,” “Lite,” “Mix,” “Power,” “Star,” and “Sunny” have each been approved on multiple occasions by trademark examiners for concurrent use in connection with radio broadcasting services. The only difference in each registration appears to be the frequency. Yet when *Cumulus* attempted to register “The Zone,” the examiner issued a rejection. Such inconsistency within the PTO illustrates that the state of the law and policy surrounding the registration of broadcast entity trademarks is unclear.

While the issues presented in the *Cumulus* case may be reduced somewhat by the increasing trend towards use of new media like satellite radio and Internet based services which are promoted on a national basis, the local broadcasting system in the

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Since a permanent injunction is issued automatically upon a finding of infringement under the current law, a party who has invested substantial resources into a product may pay a large licensing fee to avoid an infringement suit threatened by a patent troll. *Id.* Under section 6, a court would not be able to grant an injunction unless it is able to find “that the patentee is likely to suffer irreparable harm that cannot be remedied by payment of money damages.” H.R. 5299, 108th Cong. at § 6. In deciding whether to issue a permanent injunction, the court shall weigh the equities and consider factors such as the “unclean hands” of the patent trolls, failure of the patentee to commercialize the invention,

the social utility of the activity, and the loss of invested resources by the infringing party. 150 Cong. Rec. at E1936.

Even though the patent thicket will persist, the proposed patent reforms will pull the trolls out from under the bridge and help companies like Intel successfully defend against hold-up by patent trolls. The American Intellectual Property Law Association is presenting a series of Town Meetings across the country on Patent Reform for the purpose of hearing from companies like Intel and other stakeholders on these issues from February to June of 2005. AIPLA, *Town Meetings on Patent Reform*, <http://www.aipla.org/Template.cfm?template=/ContentManagement/ContentDisplay.cfm&ContentID=7092>

(accessed Jan 26, 2004). These meetings will end in the summer with a conference in Washington, DC, to review all of the feedback received during these programs. *Id.* ■

**Brad D. Krueger** (JD '06) from Stanford Law School received a BS in mechanical engineering from the University of



Illinois and a MS in mechanical engineering from Stanford University. He plans to practice in the area of IP law in Silicon Valley upon graduation.

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United States remains strong. With the rapid increase in media options available to consumers, content providers, including traditional broadcasters, have placed a greater emphasis on the packaging and branding of their programming. As competition increases, the yearning to secure as much legal protection as possible for broadcast station identities will surely increase.

Broadcasters have little guidance when filing future applications for trademark registration for their station brands. Absent a clear policy within the PTO, some examiners might adopt the TTAB's view, recognizing the inherent uniqueness of broadcast station brands and the importance of the frequency designation, while others might simply see two marks as confusingly similar and issue a rejection. Such rejections lead to possible appeals which require a considerable investment of resources including time and money. Operating in this climate, it is difficult for broadcasters to adequately budget for the appropriate legal resources necessary to protect their intellectual assets or to judge the efficacy of a particular station brand.

Consequently, when another case like *Cumulus* arises, the TTAB should seize the opportunity to provide guidance to the broadcast industry by way of a citable opinion. In the interim, the PTO should issue an Examination Guide that addresses the unique nature of trademarks in the radio and television industry. Such a guide will allow future applicants to better predict the likelihood of success of their applications and help ensure that trademark examiners review those applications pursuant to consistent standards. ■

**Christopher S. Reed (JD/MIP '06)** received a BS in Economics from Lehigh University. He



plans on practicing copyright, trademark, and media law in Washington, D.C. upon graduation.

## “INDUCING INFRINGEMENT OF COPYRIGHTS ACT OF 2004” AND PEER-TO-PEER FILE SHARING

BY YUSUN PARK (JD '05)

ON JUNE 22, 2004, a bill to amend the Copyright Act of 1976 was introduced to the U.S. Senate. Sen. 2560, 108th Congress §§1-2 (2004). The bill, “Inducing Infringement of Copyrights Act of 2004,” was created to address current copyright infringement issues concerning peer to peer (P2P) file sharing and it would create a new cause of action for the induced copyright infringement. <<http://www.copyright.gov/docs/regsrate072204.html>> (accessed June 30, 2004). On September 3, 2004, after a group opposition of the bill proposed an alternative version to the Judiciary Committee, the Copyright Office released a draft version for discussion and comments by interested entities. <<http://www.techlawjournal.com/cong108/inducement/20040902.asp>> (accessed Nov. 30, 2004).

Currently, Section 501 of the Copyright Act of 1976 addresses direct infringement of copyright(s). The Copyright Act of 1976 does not expressly provide for liability based upon the infringing conduct of another. Despite the lack of express provisions for third-party liability, contributory and vicarious liability are inarguably recognized. The bill would add a new subsection (g) to Section 501. Subsection (g)(1) of “the discussion draft” provides as follows:

Whoever intentionally induces another to infringe any of the exclusive rights in Sections 106(3), 106(4), 106(5) or 106(6) under subsection (a) shall be liable as an infringer. For the purposes of this subsection, induces means to commit one or more affirmative, overt acts that are reasonably expected to cause or persuade another person or persons to commit any infringement under subsection (a) of this section.

The proposed provision suggests a new test for induced copyright infringement. Any person who commits overt acts that can be reasonably expected to cause or persuade another person's infringement is liable for induced copyright infringement. The question remains; however, as to the degree of knowledge that the third party must have to be liable for inducing copyright infringement.

The proposed provision distinguishes the induced infringement liability from contributory infringement. Contributory infringement is based on principles from tort law. Subsection 876(b) of the Restatement (Second) of Torts suggests that a contributory infringer is liable if such party “knows that the other's conduct constitutes a breach of duty and gives substantial assistance or encouragement to the other so to conduct himself.” The Patent Act requires that the alleged contributory infringer have actual knowledge, thus alleviating that party's duty to know. Nicholas E. Sciorra, *Self-Help & Contributory Infringement: The Law and Legal Thought Behind a Little “Black-Box,”* 11 *Cardozo Arts & Ent. L.J.* 905, 934 (1993).

In applying the theory to copyright matters, liability is based on constructive knowledge rather than actual knowledge. *Sony Corp. of America, Inc. v. Universal City Studios, Inc.*, 464 U.S. 417 487 (1983). In *Sony*, the Supreme Court focused on constructive knowledge, noting that “a finding of contributory infringement has never depended on actual knowledge of particular instances of infringement; it is sufficient that the defendant have reason to know that infringement is taking place. *Id.* A finding of liability based on a constructive knowledge standard is broader than the standard provided in the Patent Act. Sciorra, 11 *Cardozo Arts & Ent. L.J.* at 943.

However, in *Napster* the Ninth Circuit found that Napster had both actual and constructive knowledge of infringing activity. *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1022 (9th Cir. 2001). The Ninth Circuit construed *Sony* narrowly to require actual knowledge

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rather than the lesser standard of constructive knowledge, holding that a defendant whose product was found to have substantial non-infringing uses would not be charged with constructive knowledge of infringement arising from the technology's design. Matt Jackson, *Copyright Law As Communications Policy: Convergence of Paradigms and Cultures: One Step Forward, Two Steps Back: An Historical Analysis of Copyright Liability*, 20 *Cardozo Arts & Ent. L.J.* 367, 405 (2002).

The Ninth Circuit found actual knowledge of infringing conduct based on Napster's centralized file index and the notices of infringement. *A&M Records, Inc.*, 239 F.3d 1004 at 1021. The centralized search indices and mandatory registration system gave Napster both "knowledge" of what was being exchanged, and an ability to police those exchanges. Elizabeth Miles, *In re Aimster & MGM, Inc. v. Grokster, Ltd.: Peer-to-Peer and the Sony decision*, 19 *Berkeley Tech. L. J.* 21, 31 (2004). After

*Napster* showed that the more centralized a P2P network, the more legal liability is likely to accrue to the network providers for copyright infringement by users, the second generation networks used decentralized networking protocols. *Id.* at 29.

§501 (g)(1) in the discussion draft requires a defendant's overt acts to be reasonably expected to cause another's infringement. Section 271 of the Patent Act expressly provides a cause of action for induced infringement along with contributory liability and vicarious liability. 35 U.S.C. §271 (1977). §501 (g)(1) draws from Section 271(b). *Id.* It is originally based on Section 877 of the Restatement (Second) of Torts, which suggests that one should only be held liable if that party "orders or induces the conduct, if he knows or should know of circumstances that would make the conduct tortious if it were his own." The question still remains; however, of which standard to apply.

Section 271(b) of Patent Act provides that inducement of infringement occurs whenever someone "actively induces infringement of a patent." *Id.* It must be established that the defendant possessed specific intent to encourage another's infringement and not merely that the defendant had knowledge of the acts alleged to constitute inducement. *Manville Sales Corp. v. Paramount Systems, Inc.*, 917 F.2d 544, 553 (Fed. Cir. 1990). The plaintiff has the burden of showing that the alleged infringer's actions induced infringing acts and that he knew or should have known his actions would induce actual infringements. *Hewlett-Packard Co. v. Bausch & Lomb Inc.*, 909 F.2d 1464, 1468-69 (Fed. Cir. 1990). While proof of intent is necessary, direct evidence is not required; rather, circumstantial evidence may suffice. *Moleculon Research Corp. v. CBS, Inc.*, 793 F.2d 1261, 1272 (Fed. Cir.

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## ■ MYRICK, from page 2

capacity in international issues and Washington administration became significant. There, he saw the need for the semiconductor industry to work together to help compete against Japanese manufacturers. To remedy the problem, he co-chaired a coalition that resulted in the passage of the National Cooperative Research Act of 1984, which amended the Sherman Act to encourage cooperation in industrial research and development without violating antitrust laws.

Since IP is a major force in computers, Digital Equipment Corporation (DEC) was consequently a major force in IP. Mr. Myrick joined DEC where he served as Vice President, Assistant Secretary, and Assistant General Counsel. Again, he became involved with IP in an international spectrum, implementing a copyright software directive in Europe. He also accomplished a feat never done before when he led industry wide antitrust intervention in the famous *Magill* case before the European Court of Justice.

Most recently, Mr. Myrick worked at Fish & Richardson P.C. in Boston, helping to build one of the premier IP firms. He also served as Chief IP Counsel and President of Monogram Licensing at General Electric (GE) Company, where he restored GE to its traditional leadership role in IP, which saw GE returned to the Top 10 list for U.S. patents issued in 2002. Currently, he is a partner at Finnegan, Henderson, Farabow, Garrett & Dunner, L.L.P. in Cambridge, Massachusetts.

Mr. Myrick's interest in international law compelled him to remedy a lack of legal treatises on the subject. He developed "World Litigation Law and Practice" and sold it to Matthew Bender. After a lot of hard work as the treatise's general editor, he produced a five-volume set, focusing on Canada, England and Wales, Italy, Belgium, and Germany.

Mr. Myrick is also a tireless advocate of strong patent systems, proclaiming "The attraction of IP is simple. It's at the forefront of technology that's driving the world. IP is

one of the unique entities in the law where you're actually creating assets."

When Mr. Myrick is not championing IP, he pilots aircraft in his free time. In fact, 2004 marked his 40th anniversary of flying. It is a passion for him that began in college when a friend who flew planes introduced him to it. While the plane he flies may be temporarily out of commission to get a new paint job, Mr. Myrick is definitely not out of commission as he is taking the future of IP to a new elevation. But rest assured, when the plane is finished, he will be back up into the sky. ■

**Andrew Matisziw** (JD '05) holds a BA in English from Westminster College in Fulton, MO. Andrew is planning on practicing entertainment law and copyright litigation upon graduation.



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1986). Direct evidence of a fact is not necessary. “Circumstantial evidence is not only sufficient, but may also be more certain, satisfying and persuasive than direct evidence.” *Michalich v. Cleveland Tankers, Inc.*, 364 U.S. 325, 330 (1960); *Moleculon Research Corp. v. CBS, Inc.*, 793 F.2d 1261, 1272 (Fed. Cir. 1986). Direct evidence of a fact is not necessary. *Michalich v. Cleveland Tankers, Inc.*, 364 U.S. 325,330 (1960). “Circumstantial evidence is not only sufficient, but may also be more certain, satisfying and persuasive than direct evidence.” *Michalich*, 364 at 330, *Moleculon Research Corp.*, 793 F.2d at 1272.

Section (g)(1) of the discussion draft is likely to be interpreted to require a defendant to possess specific intent to encourage another’s infringement and that he also knew or should have known that his actions would induce actual infringements based on circumstantial evidence.

Section (g)(3) provides that an overt act does not include:

(A) distributing any dissemination technology capable of substantial noninfringing uses knowing that it can be used for infringing purposes, so long as that technology is not designed to be used for infringing purposes.

Such provision is ambiguous because a maker or distributor of technologies provides technologies capable of substantial non-infringing uses for infringing purpose. The courts need to look to not only whether there is an infringing purpose of technology, but also technology’s primary purpose and the proportion of actual infringing use since technology which is not designed to be used for infringing use could be used or distributed for infringing purpose. The bill is now discussed in public and will be revised. The final version should incorporate these concerns to create a win-win situation for everybody involved by not sacrificing any interest group. ■

**Yusun Park** (JD '05) from Seoul, Korea, is concurrently working on her JD and a dissertation thesis for her PhD. She hopes to practice in the fields of trademark, copyright, and international law.



## IP STRATEGY FOR RESEARCH TOOLS

BY ANNETTE KWOK (JD 2005)

**T**HE PATENT STATUTE inadequately protects intangible products produced from patented research tools processes. In the past, both the U.S. Supreme Court and the Court of Appeals for the Federal Circuit have held that as long as a software program is more than a mere algorithm, the program may be eligible for patent protection. See e.g. *Diamond v. Diehr*, 450 U.S. 175, 185 (1981); *State St. Bank & Trust Co. v. Signature Fin. Grouping, Inc.*, 149 F.3d 1368, 1375 (Fed. Cir. 1998) (A mathematical-algorithm is a patentable subject matter if the invention produces a “useful, concrete, and tangible result.”) In view of the Federal Circuit’s recent decision in *Bayer AG v. Housey Pharm. Inc.*, however, practitioners may wish to seek other alternatives to protect research tool inventions and other types of patents that generate intangible products. 340 F.3d 1367 (Fed. Cir. 2003).

In *Bayer v. Housey*, Housey was an assignee of four patents, U.S. patent numbers 4,980,281, 5,266,464, 5,688,655 and 5,877,007, involving methods providing a process for identifying whether substances were either activators or inhibitors of protein activity. 340 F.3d at 1368-69. Bayer filed a complaint seeking declaratory judgment of invalidity, unenforceability, and non-infringement of the Housey patents. *Id.* at 1369. Bayer argued that 35 U.S.C. § 271(g) covers the infringement of physical goods that are manufactured and does not include the use of information that is generated by a patented process. *Id.* at 1370. The Federal Circuit held that importation of information generated using the patented process is not an infringement. *Id.* at 1377. See also Mark Jenkins, *Bayer AG v. Housey Pharmaceuticals: An Important Decision for Drug Development*, *Germeshausen Center Newsletter*, Winter/Spring 2004.

The threat to research tool patent holders is clear. Competitors may try to avoid infringement by using a patentee’s patented method “offshore,” for example, to discover potential drug targets. Competitors could then use that information in the U.S. to develop the drug, all the while arguing that it has not infringed. Thus, based on Bayer, filing for a patent on drug discovery methods may be an ineffective way to acquire intellectual property protection for some types of research tools. When advising clients, practitioners should consider other intellectual property protection options.

## INTELLECTUAL PROPERTY PROTECTION OPTIONS

### COPYRIGHT

According to the Copyright Act of 1976, “an original, creative work, fixed in a tangible medium of expression” is protected. 17 U.S.C. §102(a). Software programs are considered literary works and are thus protected under copyright law as soon as they are written or fixed in permanent form. Furthermore, the work does not need to be published to receive protection.

In this case, the research tool software program is an original, creative work, and fixed in a tangible medium of expression. Therefore, the program’s source code is protected under the Copyright Act. Copyright alone, however, is probably not the best option for this type of invention because copyright protection only protects unauthorized copying, modification, or distribution, but not independent development of software with identical capabilities. To avoid infringement, a competitor need only use a different object or source code to achieve the same result. Therefore, clients should also seek additional protection of the software programs using other avenues.

### TRADE SECRET

The advantage of trade secret protection is that the invention can be maintained indefinitely. Trade secret protection, however, does not prevent independent creation or reverse engineering. Thus, the protection is lost once the information is made public.

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# A PATENT PORTFOLIO STRATEGY FOR ENTREPRENEURS

BY BRETT A. KRUEGER (JD '06)

**N**ETFLIX is an online DVD rental service that executed a patent portfolio strategy which allowed the dot.com startup to go public in 2002 at a time when most others could not. Netflix secured both funding and their position in the market by pursuing patents on their core technologies. Netflix received a U.S. patent (No. 6,584,450) for a pioneering method of renting items to customers. Their rental system allows customers to populate an online queue with selected DVDs for proposed rental. The system then sends out a maximum number of DVDs in accordance with the subscription type. When DVDs are returned, the system sends additional selected DVDs from the customer's queue to reach the maximum number allowed out at any time. Netflix is also pursuing another pioneer patent (App. No. 2004/0206808) on their mailing envelope. They spent years developing a

mailing envelope that would minimize DVD breakage when processed by the U.S. Postal Service, dramatically affecting their inventory. These pioneer patents are keeping formidable competitors like Blockbuster, Wal-Mart, and Amazon.com from effectively entering and taking over the market.

A comprehensive patent portfolio strategy tailored to an entrepreneur's business objectives is a key component to success. A patent portfolio strategy consists of: (1) identifying business objectives; (2) identifying intellectual assets; (3) assessing patentability of the assets; (4) procuring patents; and (5) leveraging the patents to achieve the business objectives.

An entrepreneur must identify the business objectives to be served by a patent portfolio. An economic and market analysis will determine whether pursuing patent protection on various technologies will allow

the business to position itself for obtaining funding, being acquired, or continuing growth within a particular market segment. Netflix procured patents with the intention of securing funding and growing within the movie rental market for an initial public offering without being acquired.

A patent portfolio is built on identified intellectual assets that serve business objectives. Netflix identified its mailing and renting systems as two core elements of its business model that required protection to achieve its business objectives. The patentable subject matter within these two elements was a new manufacture, the mailing envelope, and a new method of renting items that incorporates the use of a computer automated queue.

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Currently, clients can choose to keep their inventions as trade secrets by not disclosing to the public. However, they run the risk of a third party patenting or publishing a similar process. If a third party acquires a patent for a substantially similar process, the clients can possibly rely on prior user rights as a defense for infringement. Still, the clients must continue to use the program consistent with its use in the past. Furthermore, they will not be allowed to improve, modify or upgrade the program if the third party's patent reads on the changes. Also, clients are precluded from future patenting in the U.S. if the trade secret is kept for more than one year and is commercially exploited. See *e.g. W.L. Gore v. Garlock, Inc.*, 721 F.2d 1540 (Fed. Cir. 1983); *Metallizing Engr. Co., v. Kenyon Bearing*, 153 F.2d 516 (Fed. Cir. 1946).

### PATENT

Practitioners may consider filing for patent protection globally or filing for a patent application in the U.S. using a non-publication request. With a global patent portfolio, the patentees may seek

infringement remedies against the infringer in the country where the infringing activity occurs. The cost of obtaining and maintaining such a portfolio, however, might outweigh the benefit of such protection. Alternatively, the patentees can file for patent protection in selected countries. Yet, they may be ineffective because a competitor could overcome this strategy by practicing the patented method in countries where the patentee omitted to file for patent protection.

Conversely, filing for a non-publication request can prolong the trade secret life of an invention because the application will not be published until the patent grants or until the applicant rescinds the non-publication request. Under 35 U.S.C. § 122(b)(2)(B)(i-ii), an application will not be published if an applicant makes a request upon filing, certifying that the invention disclosed in the application has not and will not be the subject of an application filed in another country, or under a multilateral international agreement, that requires publication of applications 18 months after filing.

Furthermore, if a third party applies for a similar application during the pendency of the clients' application, the clients can rescind the non-publication request and use the filing date as the prior art date to challenge the third party's application.

The disadvantage of this strategy is that the applicant will not be able to file for a foreign application. Under *Bayer*, it is important to procure broad protection by filing for patent protection internationally. Thus, if the clients later decide to file foreign patent applications, they must do so within twelve months and give notice to the USPTO within 45 days. Unfortunately, this defeats the purpose of obtaining a non-publication request to keep the invention as a secret. Therefore, filing the application with a non-publication request might not be the best option if the clients seek international protection. If they choose not to file the application in a foreign country, however, the option of obtaining patentable claims while simultaneously maintaining the

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invention as a trade secret will be an advantage. Furthermore, the clients have the option of abandoning the application anytime before it is published to retain it as a trade secret. This will allow clients additional time to determine the value of the inventions before proceeding forward.

### PUBLICATION IN SCIENTIFIC JOURNALS

The final alternative is to utilize the benefits of copyright, patent and trade secret law by publishing the invention in scientific journals. By publishing the invention, the publication date establishes a 102(b) prior art against parties who wish to patent the same process. 35 U.S.C. § 102(b). In addition, unlike patent application restrictions, the inventor can publish the invention without completely disclosing all the details of the invention. Thus, trade secret law can still be used to protect the heart of the invention. Furthermore, the clients can eliminate the large filing and prosecution fees associated with patent applications. Lastly, the publication of such a research tool method will potentially benefit the public.

### CONCLUSION

Pharmaceutical companies invest billions of dollars in research every year. In view of the recent case law on offshore research, practitioners must come up with alternative ways to protect their research tool assets. Until Congress remands the statute to include “information” as “a product made by a process,” or the *Bayer* decision is overruled, it might be best for the clients to consider keeping the research tool invention as a trade secret. ■

**Annette Kwok (JD '05)** received a BS in Chemistry from the University of California, Irvine. She plans on practicing IP law in the area of Pharmaceutical and Biotechnology upon graduation.



## STUDENT PROFILE: OZLEM FUTMAN —BUILDING A CAREER IN IP

BY SANDRA SZELA (JD '06)

**O**ZLEM FUTMAN, a native of Turkey, began her law career in Istanbul in corporate law and focused her work in that area of law for several years at two law firms and as in-house counsel. She knew, however, that this was not all she wanted to do as an attorney. Ms. Futman had a desire to tailor her career further. After researching the area of IP law, she discovered that it was her true passion.

Once she realized that she wanted to focus her career in IP, she transitioned from corporate law and handled IP matters as in-house counsel. After four years of working at a law firm tackling IP issues, she started her own firm. Her law firm, Ozdogan, Futman & Ohaner, where she is a partner, specializes in IP, corporate, commercial, and labor law. Along with her partners, she works with four associates, and one paralegal. The firm has an IP subdivision, Ofo Ventura Ltd. Sti, that consists of five patent and trademark attorneys.

Ms. Futman's focus is mostly in the area of trademarks. Her responsibilities include filing applications and renewing registrations before the Turkish Patent Institute, and handling assignments and licensing transactions. She also represents her clients in court during infringement cases and other proceedings. Most of her clients are foreign companies: especially from other parts of Europe, Japan, and the United States, that are interested in marketing their products in Turkey. Her firm's clients include Toyota Motor Corporation, Starbucks Coffee, and the professional soccer player, David Beckham. She works in a variety of other industries including textiles, music, art, and media.



Ozlem Futman

When she is not working hard at her law firm, she writes articles and gives presentations on the topic of trademarks. In April 2004, she wrote an article for Trademark World magazine discussing the relationship between trademarks and historical treasures. She also gave a presentation at the International Marques Annual Meeting, held in Istanbul, Turkey in September 2003. The presentation discussed the problems that trademark owners face with overseas operations, addressing issues such as cultural and linguistic differences, and bad faith trademark registrations of third parties.

After working in IP for seven years, Ms. Futman decided it was time to broaden her views of this area of law. Ms. Futman came to Pierce Law because of the school's reputation for its in-depth IP program. Also, her law partner, Isik Ozdogne, was an LLM student at Pierce Law two years ago. His positive experience in the IP graduate program helped her decide to attend this school to pursue her LLM degree.

She joined the Pierce Law Community in August 2004. Ms. Futman is deep into the thick of IP topics at Pierce Law and is enjoying her classes.

Ms. Futman will continue her studies this summer by attending Pierce Law's IP Summer Institute (IPSI). She is also considering staying to work in an internship after finishing her LLM to gain hands-on work experience at a U.S. law firm prior to returning to her firm in Istanbul.

Ms. Futman received her law degree at the University of Istanbul. The law program there is a four-year course of study that begins directly after high school. This is followed by a fifth year of training in the Turkish court system and in law firms. Unlike in the United States, there is no bar examination requirement in Turkey. A student is certified to practice law

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Evaluation of the intellectual assets includes legal due diligence to determine a cost/benefit analysis for each intellectual asset. The due diligence entails determining whether the business has full title to the technology, whether exploiting the technology will infringe on a third-party, and whether patenting the technology will be of value. Paul E. Schaafsma, *The Entrepreneur's Guide to Managing Intellectual Property* 6 (The Oasis Press 2001).

The analysis should commence with a threshold inquiry of whether a statutory bar would preclude patentability. The statutory bars most relevant to an entrepreneur's legal due diligence include on sale and public use bars, as well as bars due to printed publications and foreign filings. The on-sale bar applies when the invention is the subject of a commercial offer for sale at least one year before the effective filing date and the invention is ready for patenting. *Pfaff v. Wells Electronics Inc.*, 525 U.S. 55, 55 (1998). An offer rises to the level of a commercial offer for sale if acceptance by another party can make it a binding contract, assuming consideration. *Group One, Ltd. v. Hallmark Cards, Inc.*, 254 F.3d 1041, 1048 (Fed. Cir. 2001). In addition, many entrepreneurs fail to realize that an enabling printed publication in the U.S. or a foreign country disclosing the invention more than one year prior to the effective filing date of the application is also a statutory bar. 35 U.S.C. § 102(b) (2000). Finally, the filing and granting of a foreign patent application more than twelve months before the effective U.S. filing date establishes a statutory bar. *Id.* at § 102(d).

Ownership of a patent gives the patent owner the right to exclude others from making, using, offering for sale, selling, or importing into the U.S. the claimed invention for twenty years from the effective filing date. *Id.* at § 154(a)(1). If the entrepreneur is the sole inventor, he/she will own all rights to the technology. However, a co-inventor will have ownership in the patent as well. In the absence of any agreement to the contrary, each joint owner of a patent may make, use, offer to sell, or sell the patented invention within the U.S., or import the patented invention into the U.S., without the consent of and without accounting to the other owner(s). *Id.* at §

262. As a result, Netflix requires all employees to sign confidentiality and invention assignment agreements to ensure that title to technologies developed at Netflix reside with the business. Finally, the entrepreneur should obtain an exclusive license for technologies licensed to the business to provide a barrier to entry of the market for competitors. Netflix entered into a joint development agreement with TiVo on September 30, 2004 to work towards a long-term business objective of providing online video on demand to complement its DVD rental service and prepare for the next generation of rental technology.

A thorough search for prior art will determine the breadth of claim coverage potentially available and ensure that exploitation of the technology does not infringe a third-party's patent protection on all or a portion of the technology. Consequently, a prior art search is essential to determining the potential value of the patent. It will reveal the likelihood of patentability of the invention as well as the purpose the patent will serve in achieving business objectives.

Patent procurement serves three main purposes: (1) to cover the actual invention and prevent duplication; (2) to block the development of competitor's inventions for the same purpose, using alternative means; and (3) to secure patents on possible improvements of competing inventions, so as to "fence in" those and prevent their reaching an improved stage. *Spec. Equip. Co. v. Coe*, 144 F.2d 497, 498 (D.C. Cir. 1944). An entrepreneur should focus on procuring pioneer, design-around, or improvement patents from which blocking and fencing patents will naturally follow.

A pioneer patent denotes a patent covering a novel and distinct step in the progress of the art, as distinguished from a mere improvement of what had gone before or a design-around patent. *Westinghouse v. Boyden Power Brake Co.*, 170 U.S. 537, 561-562 (1898). Pioneer patents are entitled to a broad or liberal construction and a wide range of functional equivalents. *Id.* at 574. Netflix procured a pioneer patent on its method of renting items that is comparatively as revolutionary as Amazon.com's one-click purchase patent (U.S. Patent No. 5,960,411). As a result, to protect its market

position, Netflix may argue infringement on a wide range of equivalents to its method of using a computer implemented queue to maintain a maximum number of items rented out at any particular time.

In contrast, an improvement patent has limited claim scope and will require a license to make and use the basic invention. *Transparent-Wrap Mach. Corp. v. Stokes & Smith Co.*, 329 U.S. 637, 646 (1947). However, an improvement patent may have great strategic value. On expiration of the basic patent, the improvement may be "the key to a whole technology" and the owner may therefore have a considerable competitive advantage. *Id.* at 642. Netflix is pursuing a patent on an improved mailing envelope to minimize DVD breakage when processed by the U.S. Postal Service. The optimized design, which is the result of years of development and testing, minimizes the mailing cost to DVD breakage ratio. Since Netflix does not require a license for the basic invention, an envelope, which is in the public domain, the optimized mailer design creates a barrier for competitors to effectively compete in mailing DVDs cost-effectively.

A blocking patent situation occurs when two or more patents are closely related, and none of the title holders can use its rights without infringing the other's patent. *CCPI Inc. v. Am. Premier*, 967 F. Supp. 813, 819 (D. Del. 1997). As a result, blocking patents may be used to prevent competitors from using the technology, since cross-licensing agreements are the only reasonable method for making the invention available to the public. *N.C. v. Chas. Pfizer & Co.*, 384 F. Supp. 265, 276 (E.D.N.C. 1974). Similarly, fencing patents surround a single invention with claims on parts or aspects of that invention which the applicant has no intention of manufacturing or exploiting as distinct patents, in order to prevent competitors from entering the market. *Spec. Equip. Co.*, 144 F.2d at 498.

After the patent issues, the entrepreneur may use it offensively and defensively to advance the business towards its objectives. Offensive uses include bolstering market position, generating revenue, protecting research, and encouraging favorable

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upon completion of the academic and practical training program.

Ms. Futman is not only enjoying her studies at Pierce Law, but is also enjoying the quiet and peacefulness of her new surroundings in Concord, NH. Even though she is a long way from home, she is enjoying the uncrowdedness, which she says is a “big change” from her home in the bustling city of Istanbul. She says, “It is taking some time to adjust to everything!”

While Ms. Futman is not studying for her classes, she plans to take advantage of her presence in the U.S. by attending IP conferences and visiting with some of her U.S. clients. She also enjoys history and art, and even takes seminars in these areas. She plans to explore the U.S. as much as possible while she is here, already having been to Boston several times since she’s arrived in the States. California’s Napa Valley and the Grand Canyon in Arizona are at the top of the list of places she plans to visit.

Ms. Futman hopes to take the knowledge she obtains at Pierce Law and directly apply it to her business in Turkey. She will return to the same law firm and resume her position as a partner. She hopes to use important insights she gains as an LLM student to improve her capabilities as an IP attorney, to better serve her clients, and to expand her client base. Since IP law in Turkey has undergone changes in the past ten years in an effort to move towards creating a more effective IP system, Ms. Futman intends to be on the cutting edge of this area of law when she returns to Turkey. She says, “IP is a relatively new area of law in my country and we need more dynamic, open-minded, and energetic people to work on this subject.” Ms. Futman’s passion and knowledge obtained from the LLM program at Pierce Law will certainly make her a leader in her country’s development of IP, and hopefully inspire others to follow in her path! ■

**Sandra Szela** (JD '06) received a BS and MS in Chemical Engineering from Tufts University. She plans on practicing IP law in Boston upon graduation.



## From the Editor

### COLOR ME CONFUSED, CONFOUNDED — REVISITED

BY KARL F. JORDA

**I**N THE EDITOR’S COLUMN in the Summer 2002 issue of this Newsletter—subsequently published as lead article in *les Nouvelles*, Vol. XXXVIII, No. 2, June 2003, p.53—I railed against the IP value extraction and monetization craze, typified by *Rembrandts in the Attic: Unlocking the Hidden Value of Patents* (Kevin G. Rivette & David Kline, Harvard Business School Press, 2000) and *Edison in the Boardroom: How Leading Companies Realize Value from Their Intellectual Assets* (Julie L. Davis & Suzanne S. Harrison, John Wiley & Sons, 2001) for ignoring the fundamentals of patent and licensing law and practice by hyping licensing-out, selling or donating patents as the best way to extract value, as if patents were “Rembrandts in the Attic” by definition and licensing-out was the only game in town. I took issue in particular with the hype and hoopla about “producing patents on demand” in “patent factories” and valuing patents “in a matter of minutes” in the millions of dollars and bewailed the disregard of the paramount value of patents for protection of, and exclusivity for, a company’s products and processes, and of the importance of trade secrets and the virtue of royalty-free licensing, because these things are difficult to monetize.

This craze may be ebbing now and none too soon. For instance, Law Seminars International (LSI) held a Workshop in Seattle, Washington on September 13, 2004 on “Mining Patent Portfolios—Legal and business strategies for maximizing the value of a patent portfolio.” Based on my *les Nouvelles* article, I was invited to give a talk on “Valuation: The Legal Counterpart/Counterpoint” in order to highlight the legal side and show that the emphasis on licensing-out and other forms of monetization alone is misplaced. “Placing IP assets in their true perspective: IP as primarily legal assets; assessing value in different contexts” was how my talk was characterized in the program brochure.

Interestingly, in his presentation at this LSI Workshop, Donald Merino of Intellectual Ventures exploded the myth about IBM’s annual royalty income being over \$1 billion. Referring to an IBM chart on “Intellectual Property and Custom Development Income,” he pointed out that it showed \$338 million in 2003 as “Licensing/Royalty-based fees,” rather than, as he put it, “Funny, I was told it was \$1.5 billion.” And anent IBM’s vaunted free and open licensing policy, he asserted that as a matter of fact IBM was forced into licensing early on in Japan and then in the U.S. on the basis of a consent decree with the Justice Department.

There’s more. In a Roundtable on “Maxing Out,” conducted and published by *IP Law & Business* in February 2005 (p.29), Peter Detkin of Intellectual Ventures is quoted as saying:

“These people come in who have never written, licensed, prosecuted or litigated a patent and tell you what they’re worth. They’ve never even read a patent...The Big Six each had their own IP valuation outfit. They were all being called to testify (in patent cases) and they said, ‘Aha! We can make a business out of valuating IP.’ They go to Joe (Beyers) (of Hewlett-Packard) and try to sell this gigantic consulting package (that costs) several hundred thousand dollars and they give him complete misinformation about how to value his patents.”

And the Big Six are the ones that SEC Chairman Arthur Levitt accused of practicing “accounting hocus-pocus.” (*U.S. News & World Report*, July 23, 2001, p. 40).

In her “Inside IP” column in *IP Law & Business* (February 2005, p.58), Victoria Slind-Flor describes the attitude of Intel’s Chief Patent Counsel, David Simon, in this matter as follows:

“Although Intel now has a healthy patent portfolio with about ‘35,000 IP assets in our inventory,’ Simon says he’s not interested in working with outside consultants who want to help him leverage those assets. ‘That’s not the space Intel is at,’ he says. ‘Our head is at being a successful business rather than using

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the IP department to make money. I'd rather have us see a lot more product—which will contribute a lot more money to the bottom line—than to maximize my assets trying to get people to take a license.”

Also in the “Smart Pills” column of *IP Law & Business* (Feb. 2005, p.20) John Benassi and Noel Gillespie of Paul, Hastings, Janofsky & Walker, San Diego relate that “(t)he companies we see...seek patent protection to stake out rights, maintain competitive advantage, and aid in cross-licensing negotiations.”

And Marshall Phelps, Microsoft's new Corporate Vice President for Intellectual Property and formerly IBM's Chief IP Counsel, put it this way recently:

“Our emphasis is first and foremost about the quality of innovation and then the subsequent and logical protection of that innovation. We will be investing some \$6.9 billion in R&D annually. It would be foolish if we did not do everything we could to protect the output of such a large investment...This type of investment is going to generate a healthy stream of intellectual property. As with others in the IT industry, our most important IP strategy is to protect our innovations and our substantial investment in the area of R&D, through IP laws and, in some instances (!) to seek compensation for this investment through licensing to third parties or engaging in technology transfers with other innovators.” (Emphasis added. *IP Law & Business*, Oct. 2003, p.32).

Indeed, the IP monetization gurus had turned things upside down. A student of mine got it right, when he stated in an exam paper:

“Licensing is not where the big bucks are. Patentees can most often get the best value out of their patents by commercializing and marketing the technology themselves. Licenses only happen when patentees for whatever reason cannot fully exploit patents themselves. Also, when you license technology you often create a competitor.”

And then there is significant royalty-free (yes, free!) licensing, which makes eminent business sense but would hardly be endorsed by the IP value extraction gurus. In my *les Nouvelles* article I mention that in my experience there is indeed virtue in royalty-free licensing in terms of good will and increased purchasing of goods and supplies. Let me be more specific now and give telling examples.

At one point in my career at CIBA-GEIGY (now Novartis), I prepared over 20 royalty-free non-exclusive licenses to carpet manufacturer under patents I had obtained in the U.S. and Canada on an improved carpet tufting method. I did this with the expectation that this would induce grateful carpet manufacturers to buy more dyestuffs from CIBA-GEIGY.

A more recent example is the royalty-free licensing by Iridian Technologies. Iridian owns a broad patent and another two dozen patents on iris-recognition technology. They licensed them on a royalty-free basis, after deciding that the upside of software sales was greater than the downside of collecting royalties. Now they have already won contracts with Schiphol Airport and the UAE government, and other big government contracts are expected. This case also shows that giving away valuable patent rights for free can be a savvy business move. (*IP Law & Business*, March 2004, p.12).

And according to the January 2005 issue of *IP Law & Business* (p.14) there is speculation that the successful mysterious bidder (possibly Microsoft or IBM) at an auction in December 2004 for a \$15.5 million portfolio of 39 Commerce One patents may want to license them royalty-free (!) to keep standards open since these patents cover internet standards. ■



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licensing/cross-licensing. Rajiv V. Patel, *A Patent Portfolio Development Strategy for Start-Up Companies*, [http://www.fenwick.com/docstore/publications/IP/IP\\_Articles/Patent\\_Portfolio\\_Dev.pdf](http://www.fenwick.com/docstore/publications/IP/IP_Articles/Patent_Portfolio_Dev.pdf) 1 (Nov. 1, 2002). BTG, a London-based firm, is currently exercising offensive patent use against Netflix. As part of their online marketing programs, Netflix tracks a member's rental history and site usage. However, BTG filed suit against Netflix alleging infringement of its patented technology (U.S. Patent No. 5,717,860) that enables the tracking of users between websites. Conversely, defensive uses include providing a barrier to entry into the market by competitors and defending against lawsuits. *Id.*

When starting a business, a patent portfolio strategy should be part of the entrepreneur's business plan. As demonstrated by Netflix, one pioneer patent covering a core technology may be sufficient to carry the business to profitability and a public offering. ■

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in mechanical engineering from Stanford University. He plans to practice IP law with a focus on patent prosecution in Boston upon graduation.



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