FRANKLIN PIERCE LAW CENTER
GERMESHAUSEN CENTER NEWSLETTER • *Summer/Fall 2004*

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PIERCE LAW ACIP REACTIVATED

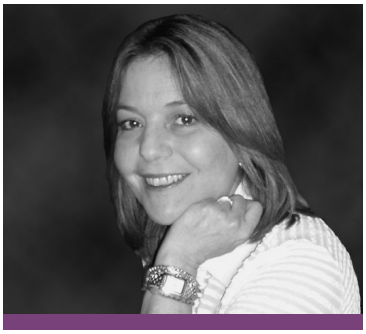
BY: KARL JORDA

AFTER AN UNFORTUNATE HIATUS in biannual meetings, due to several ill-fated events and unforeseen changes, Pierce Law's Advisory Council on Intellectual Property (ACIP) was reactivated with a meeting at the Cambridge offices of Finnegan, Henderson, Farabow, Garrett & Dunner on September 24, 2004. ACIP now has a new chairman, Ron Myrick of the above firm, and a reconstituted membership. Its members are: Daniel Cahoy, Pennsylvania State University; James Cullem, Cell Signaling Technology; Manuel Desantes, European Patent Office; J. Jeffrey Hawley, Eastman Kodak Co.; Dr. Kamil Idris, WIPO; Gerd Kunze, Switzerland; Silke von Lewinski, Max Planck Institute; Charles McManis, Washington University School of Law; Bradley J. Olson, Robins, Kaplan, Miller & Ciresi; Marybeth Peters, U.S. Copyright Office; David Plant, New Hampshire; Gerald Rosenthal, IBM; Mpazi Sinjela, WIPO; William S. Strong, Kotin, Crabtree & Strong; James Slattery, Birch, Stewart, Kolasch & Birch; Gordon Smith, AUS Consultants; Jennifer Tegfeldt, Genzyme Corporation; Herbert Wamsley, IPO; Richard Wilder, Sidley, Austin, Brown & Wood; Jeremy Williams, Warner Bros. Entertainment; Pierce Law faculty — Jon Cavicchi, Thomas Field, William Hennessey, Karen Hersey, Craig Jepson, Karl Jorda, William Murphy, John Orcutt, Susan Richey and Dean and President John Huston. Additional interested members will be recruited. The well-attended meeting had a full agenda with a report from Dean Hutson and a lively discussion about Pierce Law's on-going mission in IP education and training. Several proposals for new initiatives surfaced in the areas of academic program development, IP conferences and outreach and strategic planning. To pursue these proposals and otherwise assure that ACIP stays active between meetings, Ron Myrick organized three committees. The next meeting will be held in spring 2005. ■

PORTRAIT: GLORIA ISLA, PIERCE LAW'S FIRST MEXICAN GRADUATE

BY: MARK D. JENKINS (JD '05)

AS THE FIRST MEXICAN GRADUATE of the Masters of Intellectual Property (MIP) Program, Gloria Isla will always have a special place in her heart for Pierce Law. Ms. Isla was born and raised in Mexico City. She received a law degree from the Universidad Iberoamericana in 1985. A scholarship from the United States Agency for International Development allowed Ms. Isla to attend Pierce Law and obtain her MIP in 1988. Upon graduation, Ms. Isla practiced briefly as a visiting attorney in Canada and as in-house counsel with Procter & Gamble in Ohio. She also participated in the Visiting Scholar Program at the United States Patent and Trademark Office.



GLORIA ISLA

Ms. Isla currently practices with Clarke, Modet & Co. in Mexico City and boasts over twenty years of

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Created in 1985 through the generosity of Kenneth J. and Pauline 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 commercialization of technology. The Germeshausen Center Newsletter is published two times a year for alumni/ae, students and friends of Pierce Law.

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IP FACULTY ACTIVITIES

Professor Tom Field, Jr.'s guest editorial entitled, "Technology Worth Patenting…," was published in the June issue of *RTI International* (see: www.rti.org/index.cfm newsletter) and reprinted in the most recent *Pierce Law* Magazine. **Professors Field** and **Bill Hennessey** have been asked to be columnists for PatentCafe's new online magazine entitled, *ipFrontline* (formerly *CafeZine*). **Field** is the magazine's new op-ed colunist for IP Law and **Hennessey** will write about IP from a global perspective. **Field** has just completed "What Is Intellectual Property?" It will be the introduction to a book to be translated into various languages and distributed by the U.S. State Department via embassies beginning 2005.

**

Professor Bill Hennessey lectured on developments in U.S. patent law jurisprudence at Chun Hsing and Feng Chia Universities in Taiwan from June 14-17. This past summer, he and **Professor John Orcutt** traveled to Beijing to teach at the Second Annual Pierce Law-Tsinghua IP Summer Institute (CHIPSI). **Hennessey** and **Orcutt** also hosted a reunion for 75 Pierce Law alums in Beijing on July 11.

**

Professor Hennessey spoke on "Designing and Implementing a Sound Intellectual Property Curriculum" on October 22 in Tokyo at the invitation of the Tokyo Institute of Technology, in conjunction with the Japanese Ministry of Education's new IP education Initiative. He also hosted a reception of Japan's Pierce Law Alumni in Tokyo on October 23.

**

Professor Karl Jorda participated in an Advanced Workshop of Law Seminars International (LSI) on "Mining Patent Portfolios" in Seattle, WA on September 13 with a talk on "IP Valuation: The Legal Counterpart/Counterpoint." He also lectured on "Globalization of R&D: IP Management Policies and Strategies" at the Fall '04 meeting of the Industrial Research Institute in Charlotte, NC on October 12 and on October 20, he gave a presentation on "The Role & Value of Trade Secrets in IP Management Strategies" and participated in a panel discussion at the 35th International Congress of PIPA (Pacific Intellectual Property Association) in Toyama, Japan. **Professor Jorda** participated as the American representative in the Sixth Regular Meeting of the Commission on the Settlement of Disputes Relating to Confidentiality (Confidentiality Commission) of the Organization for the Prohibition of Chemical Weapons (OPCW) in The Hague, Netherlands on November 1-2. **Jorda** also participated in the Second International Seminar on IP and Technology Transfer with a presentation on "Intellectual Property Rights in Company/University Relationships" in Santiago, Chile on November 11-12. The seminar was organized by NEOS, founded by Pierce Law alumnus Allan Jarry '02.

**

Professor Bill Murphy (Pierce Law Chair, Commerce & Technology Law Program) is a Fulbright Scholar for the Fall Semester at the University College Cork where he is teaching in their eLaw Graduate Program.

**

Professor Susan Richey presented a program on "Fair Use: Commercial Images in Museum Collections" at the Annual Conference of the New England Museum Association in Burlington, Vermont October 27-29.

NOTABLE HAPPENINGS…

USPTO HOLDS 9TH ANNUAL INDEPENDENT INVENTORS CONFERENCE AT PIERCE LAW

The U.S. Patent & Trademark Office, in conjunction with the National Inventors Hall of Fame, held its 9th Annual Independent Inventors Conference on August 20-21 at Pierce Law. Top USPTO officials as well as IP experts, successful inventors, marketing and licensing experts and inductees from the National Inventors Hall of Fame, led the sessions. Nearly 200 participants attended. Among the speakers were Under Secretary of Commerce for IP and Director of the USPTO Jon Dudas, Pierce Law founder Bob Rines and inventor Dean Kamen.

Dean Kamen with Dean John Hutson

Two Pierce Law alums, Scott Asmus (JD/MIP '97) and Andrew Cernota (JD/MIP '02) of the NH firm of Maine & Asmus were also recognized for their recent finding of 14 early patents at New Hampshire's Dartmouth College Library. An 1836 fire at the USPTO destroyed records of 10,000 patents, including the 14 found by Asmus and Cernota. To date, about 1,800 of the lost patent records have been recovered.

104TH BIRTHDAY CELEBRATION FOR OLDEST U.S. PATENT ATTORNEY

The life of C. Yardley Chittick was celebrated at his 104th birthday on October 22 here in Concord. Mr. Chittick is the oldest Patent Attorney in the U.S. and is still registered to practice before the USPTO. He was offered a job by Thomas Edison in 1925 but turned it down. And he is the oldest member of the U.S. Supreme Court Bar. He participates regularly in Pierce Law commencements.

C. Yardley Chittick

COOPERATIVE PROGRAM TO BEGIN IN IRELAND

Pierce Law has established a new IP, Commerce and Technology Law program in cooperation with the University College Cork Faculty of Law, Cork, Ireland. The eLaw Summer Institute, is scheduled from July 18-August 12, 2005. According to Professor William Murphy, "Pierce Law is expanding on its family of intellectual property summer institutes currently offered in the U.S. and China. The annual six-credit program will focus on legal issues at the cutting-edge of Information Age law." Students will study issues from both European and U.S. perspectives with faculty from the two schools on the University College Cork Campus in Ireland. (see: www.piercelaw.edu/eLSI)

Pierce Law Professor William Murphy (l.) and Darius Whelan, a member of the faculty of the University College Cork, Ireland

LIFE SCIENCE IP IN EUROPE SYMPOSIUM

Pierce Law, in cooperation with the Boston Patent Law Association, will hold a Life Science IP in Europe Symposium in Boston, MA on 9/16-17/05. Speakers from Hoffmann-Eitle, one of the oldest and largest IP law firms in Europe, will present current topics affecting U.S. businesses desiring to protect life science and bio-tech IP in Europe. (see: www.piercelaw.edu/lifescience)

PIERCE LAW HOSTS TRADITIONAL KNOWLEDGE WEB PORTAL

Professors Jon Cavicchi and Bill Hennessey along with Zakir Thomas, former Registrar of the Copyright Office of India are pleased to announce that the award winning IP Mall Website now hosts an annotated Web portal for researchers in the field of traditional knowledge at http://www.traditionalknowledge.info/.

Traditional Knowledge (TK) is a broad term referring to knowledge systems, encompassing a wide variety of areas, held by traditional groups or communities or to knowledge acquired in a non-systemic way. These knowledge systems have significance and relevance not only to its holders but to the rest of humanity. There are a number of areas where IP issues interact with TK. Many International Organizations, National Governments and Non-governmental Organizations are involved in the international policy debate on these issues.

A large number of resources on issues relating to TK are available on the internet. This portal is designed as a database of the information on TK available on the Internet. Research revealed that though a lot of material is available on the Internet relating to various aspects of TK, these are not available in one place in a systematically classified fashion. This portal brings together all the information available on the web, to better understand and study this important subject. In the true spirit of sharing which epitomizes the philosophy of traditional knowledge this portal is set up by the voluntary effort of faculty and students of Pierce Law. ■

THE HAGUE CONVENTION ON JURISDICTION AND ENFORCEMENT OF JUDGMENTS

BY YUSUN PARK (JD '05)

IT IS A BASIC PRINCIPLE of international law that national law cannot extend beyond its own borders or territories. A territorial copyright receives automatic protection in all other Berne countries under "the laws of the country where protection is claimed" according to Article 5(2) of the Berne Convention. Thus, under U.S. law, although a work may be published first in another country, the copyright holder of foreign origin is conferred all the rights of a U.S. copyright holder when the infringing act takes place within U.S. borders. The courts then treat the infringement as a violation of U.S. copyright law. Brenda Tiffany Dieck, *Reevaluating the Forum Non Coveniens Doctrine in Multiterritorial Copyright Infringement Cases*, 74 Wash. L. Rev. 127, 127 (1999). As a result, this legal rule simultaneously preserves national sovereignty by confining other nations' copyright regimes to their local borders, while also promoting the permeability of national boundaries by copyrighted works in accordance with Berne. *Id*. However, the spread of copyrighted works on the Internet has led to the rise of multinational infringements, forcing copyright owners to bring enforcement actions in hundreds of countries at the same time.

Going beyond the provisions set forth in Berne, The Hague Convention provides for the enforcement of judgments abroad. Hague Conference on Private International Law, *Preliminary Draft Convention on Jurisdiction and Judgments in Civil and Commercial Matters*, adopted by the Special Commission on 30 October 1999 (available at <http://www.hcch.net/e/conventions/text01e.html>). Under The Hague Convention, a decision rendered in one signatory State would be fully enforceable in any other member State of The Hague Convention. Recognizing the need for a uniform system of jurisdiction and recognition of judgments arise from IP disputes, the World Intellectual Property Organization (WIPO) proposed a draft convention in January 2001. Rochelle C. Dreyfuss & Jane C. Ginsburg, *WIPO Forum on Private International Law and Intellectual Property, Draft Convention on Jurisdiction and Recognition of Judgments in Intellectual Property Matters* (Jan, 2001) (available at <http://www.wipo.org/pil-forum/en/documents/pdf/pil_01_7.pdf>).

Article 10 of The Hague Convention deals with personal jurisdiction and enforcement of foreign judgment. It articulates the general provisions regarding the adjudication of tort and contract claims, and unauthorized use of IP comes within their scope. Rochelle C. Dreyfuss & Jane C. Ginsburg, *Symposium On Constructing International Intellectual Property Law: The Role of National Courts: Draft Convention On Jurisdiction And Recognition Of Judgments in Intellectual Property Matters*, 77 Chi.-Kent. L. Rev. 1065, 1074 (2002). The WIPO Draft is directed especially at IP disputes and Article 1 articulates that the substantive scope of the draft includes copyright, neighboring rights, patents, trademarks, other intellectual property rights, and rights against unfair competition. Under Article 10 sub-paragraph (b) of The Hague Convention, a plaintiff may bring an action in the courts of the State in which the injury arose when the defendant *could reasonably have foreseen* that the act or omission could result in an injury of the same nature in that State.

However, with the advent of the Internet, the location of the host computer does not affect where the information is viewed, and information may be viewed in one country while the host computer is located on the other side of the world. Kristen Hudson Clayton, *The Draft Hague Convention On Jurisdiction and Enforcement of Judgments and the Internet, A New Jurisdictional Framework*, 36 J. Marshall L. Rev. 223, 224 (2002). Thus, an individual who places materials on the website which is legal in his country cannot foresee that it is illegal in another country where the downloading occurs. *Report of the Experts Meeting on the Intellectual Property Aspects of the Future Convention on Jurisdiction and Foreign Judgments in Civil and Commercial Matters*, Geneva, 1, 7 (February 2001) (available at <http://www.hcch.net/doc/jdgmpd13.doc>). With respect to the interpretation of "foreseeability" of Article 10(1)(b) of The Hague Convention, there is an ongoing debate as to whether jurisdiction could only be exercised when the website targeted the particular jurisdiction.

Under the "effects test" doctrine, courts find personal jurisdiction when the following four elements are present: 1) the defendant's tortious actions, 2) expressly aimed at the forum state, 3) caused harm to the plaintiff in the forum state, 4) which the defendant knows is likely to be suffered. Marc H. Greenberg, *A Return to Lilliput: The LICRA v. Yahoo! Case and the Regulation of Online Content in the World Market*, 18 Berkeley Tech. L.J. 1191, 1203 (2003). An effective targeting test requires an assessment of whether the targeting of a specific jurisdiction was itself foreseeable. Foreseeability in this context depends upon contracts, technology, and actual or implied knowledge. *Id*. at 1254. Forum selection clauses found in website terms of use agreements or transactional click-wrap agreements allow parties to mutually determine an appropriate jurisdiction in advance of a dispute. *Id*. at 1385. Therefore, they provide important evidence as to the foreseeability of being called into the courts of a particular jurisdiction.

Article 6.1 of the WIPO Draft stipulates that the forum will not be competent if the defendant took reasonable steps to avoid acting in or directing activity to that state. Therefore under The Hague Convention and WIPO Draft jurisdictional principles, Internet and e-commerce companies greatly benefit since they would be more certain of activities exposing them to cross-border liability. Clayton *supra* at 247. The Hague Convention would also apply to the recognition of a judgment rendered by a court in another signatory country. Article 25 establishes conditions for the recognition or enforcement of a signatory country's judgment.

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The U.S. Supreme Court recognized that "international law, in its widest and most comprehensive sense, is part of the United States law." Violeta I. Balan, *Recognition and Enforcement of Foreign Judgments in the United States: The Need for Federal Legislation*, 37 J. Marshall L. Rev. 229, 235 (2003). This rule is based on comity. *Hilton v. Guyot*, 159 U.S. 113, 162 (1895). One such issue identified by the WIPO Draft is the problem of adjudicating multi-territorial claims. Article 13 of the WIPO Draft suggests that such multi-territorial claims be consolidated and heard by a single court in a single forum.

There is a public policy exception. Even though The Hague Convention provides for the recognition and enforcement of judgments by the courts of member states, most countries may not recognize or enforce a foreign judgment if it runs contrary to their own public policy. Article 28 of The Hague Convention lists the grounds for refusal of recognition or enforcement of a foreign court's judgment and sub-paragraph (f) articulates that recognition or enforcement of a judgment may be refused if recognition or enforcement would be manifestly incompatible with the public policy of the State addressed.

The WIPO Draft also provides suggestions for dealing with the regulation of online content, while still retaining the "public policy" exemption found in The Hague Convention for refusal of recognition or enforcement, found in Article 25 of the WIPO Draft. This provision has been construed narrowly and has rarely led to the denial of recognition or enforcement of foreign judgments in the U.S. However, the task of defining what is encompassed by public policy has proven to be problematic. Violeta I. Balan, *Recognition and Enforcement of Foreign Judgments in the United States: The Need for Federal Legislation*, 37 J. Marshall L. Rev. 229, 244-45 (2003).

The public policy exception applies when there is an "overriding public interest which outweighs comity principles." *Id.* at 246. The court held that a foreign judgment should not be enforced when doing so "tends clearly to injure public

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CURBING COUNTERFEITING

BY JACQUELINE CAPTELL HUDKINS (JD/MIP '05)

THE INTERNATIONAL CHAMBER OF COMMERCE estimates that counterfeit goods account for approximately 5-7% of all world trade annually: a $350 billion value. International Chamber of Commerce, Commercial Crime Services Division, *A Brief Overview of Counterfeiting*, http://www.iccwbo.org/ccs/cib_bureau/overview.asp, accessed Sept. 7, 2004. The consequences of counterfeiting are vast. Consumers may be harmed through the use of poorly made counterfeit goods, especially with regard to counterfeit airplane or automobile parts and counterfeit pharmaceuticals. Immeasurable economic losses accrue due to the counterfeit goods market through losses in tax revenue, a reduction in the number of genuine goods that are sold, and devaluation of genuine brands and brand owner equity.

Several initiatives to curtail the counterfeit goods market are being pursued by IP protectionist groups and trademark holders. Groups such as the International Anti-Counterfeiting Coalition (IACC) are actively lobbying state legislatures to re-write anti-counterfeiting statutes to strengthen criminal penalties for counterfeiting. Existing penalties for counterfeiting under the Federal Trademark Counterfeiting Act, 18 U.S.C. §2320, are only triggered when counterfeit marks are affixed to a class of goods that are "identical" to those listed on a trademark holder's certificate of registration. Efforts to loosen the "identical goods doctrine" to allow defense for the criminalization of counterfeit marks used on "non-identical goods" as well as the U.S. Patent & Trademark Office (USPTO) not requiring a registrant to register for specific goods or services would broaden trademark protection and would limit the scope of counterfeiting possibilities. In addition to these initiatives for statutory change, trademark owners are active in their efforts to combat counterfeiting in order to protect their IP and brand equity.

STRENGTHENING CRIMINAL PENALTIES

A model Trademark Anti-Counterfeiting Bill has been prepared by the IACC. If enacted, this Bill would classify counterfeiting as a felony. The class of felony would escalate depending on the number of past counterfeiting violations, the quantity of goods or their total retail value. The model legislation also contains a mandatory forfeiture provision, which would require a defendant to release all goods bearing counterfeit marks to the IP owner for destruction or disposition.

The ability to pursue criminal sanctions is critical. Often, it is difficult for plaintiffs to argue a successful civil case. Even when a plaintiff prevails on a civil counterfeiting suit, defendants are typically judgment proof as they tend not to operate as legitimate businesses but rather conduct their business in stealth mode and disappear quickly. Because counterfeiting has known links to terrorism and organized crime, victims of IP theft are often fearful of the consequences of bringing a civil suit. Without strong criminal sanctions in place, many counterfeiters are able to escape justice.

LOOSENING THE "IDENTICAL GOODS DOCTRINE"

The strengthening of the aforementioned criminal penalties for counterfeiting will be an effective deterrent to counterfeiters only if prosecutors are able to classify the actions of counterfeiters as criminal. Many counterfeiters, however, operate in such a manner that makes it difficult, if not impossible, to criminalize their actions. As the Federal Trademark Counterfeiting Act currently exists, counterfeiters operate in modes, which circumscribe them from criminal penalties.

A basic tenet of trademark law is that one may only register for the protection of a mark that is used on goods or services in interstate commerce. 15 U.S.C. §1051. The USPTO, in the *Trademark Manual of Examining Procedure* §1402.01, requires that "the identification of goods or services must be specific, definite, clear, accurate and concise." United States

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Patent and Trademark Office, *Trademark Manual of Examining Procedure*, (3d ed. 2003). Thus, if a trademark holder's mark is applied to goods or services not listed in the certificate of registration, protection will be denied. In *Playboy Entertainment, Inc. v. Universal Tel-A-Talk, Inc.*, the plaintiff sued the defendant for operating a website that contained the plaintiff's signature "Bunny" mark. WL 288423 (E.D.Pa. June 3, 1998). The court ruled for the defendant, holding that the plaintiff failed to state an actionable claim because it did not register for the protection of its "Bunny" mark on websites. *Id*. at 5. "…[A] claim for trademark counterfeiting lies only against a defendant's counterfeit uses of a mark on the same goods or services as are covered by the plaintiff's registration of that mark." *Id*. at 4. Similarly in *U.S. v. Giles*, the 10th Circuit refused to criminalize Giles' trafficking of medallions and patch kits bearing the mark of luxury-goods company Dooney & Bourke because Dooney & Bourke had not registered for the protection of its trademark in connection with patch kits or medallions but rather only registered for trademark protection in connection with items such as handbags and luggage. *U.S. v. Giles*, 213 F.3d 1247, 1248, 1251, (10th Cir. 2000). Giles escaped criminal sanctions even though the intended use of such medallions was to later be affixed to generic handbags to be sold by his business, "Fabulous Fakes." *Id*. at 1248.

Although the court's result may seem unjust, the Giles decision was a fair one based on the literal statutory interpretation of 18 U.S.C. §2320 that only triggers criminal sanctions when:

1. the defendant trafficked or attempted to traffic in goods or services;
2. such trafficking, or an attempt thereof, was intentional;
3. the defendant used a "counterfeit mark" (as defined in §2320(e) as:
   a. a spurious mark
   b. used in connection with the trafficking of goods or services
   c. that is identical with or substantially indistinguishable from
   d. a mark registered on the principal register in the USPTO for those goods or services that are being trafficked by the counterfeiter/defendant and
   e. is likely to cause confusion or to deceive.
4. the defendant knew that the mark was counterfeit.

18 U.S.C. §2320

Though the *Giles* decision may have been a just result based upon the literal application of the statute, the court's decision is illustrative of the limited protection that courts are able to invoke through their adherence to the identical goods doctrine.

Even if the court wanted to criminalize Giles' actions because he created the type of consumer confusion that trademark law aims to prevent when he created the illusion of a product endorsed by Dooney & Bourke, the court's hands were tied. As *Giles* suggested in his defense, had Congress intended to criminalize the trafficking of counterfeit logo-bearing labels, they would have written 18 U.S.C. §2320 accordingly. Giles, 213 F.3d at 1251. The absence of such a provision is highlighted by comparing 18 U.S.C. §2320 with 18 U.S.C. §2318 which criminalizes the trafficking in counterfeit labels for records, computer programs and motion pictures. *Id*. If 18 U.S.C. §2320 were amended to include in its definition of "counterfeit mark," representations of the mark itself such as labels, patch kits, medallions, etc., then a court facing a *Giles*-like decision would have the necessary ammunition to criminalize the activity. This type of

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health, public morals, public confidence in the purity of the administration of the law, or to undermine that sense of security for individual rights, whether of personal liberty or of private property, which any citizen ought to feel." *Somportex Ltd. v. Phila. Chewing Gum Corp.*, 453 F.2d 435, 443 (3d Cir. 1971).

Under The Hague Convention, a foreign copyright owner can bring a suit against a website so long as the website directed or "targeted" its activities toward the particular foreign national's forum and it was foreseeable that the website was directing its activities to users in that nation. However, under the WIPO Draft, the latent protections in the website, such as a detailed terms-of-use agreement, instructions and information in a certain language and click-wrap agreements, may be interpreted in favor of a defendant website. If the foreign judgment is not contrary to the public policy, such as restriction of free speech rights of the First Amendment, U.S. courts should enforce the foreign judgment.

While there are substantial hurdles to enforce foreign judgments, going beyond the provisions set forth in the Berne Convention, The Hague Convention would provide a legal guideline for enforcement of judgments abroad. Therein may lay the key. ■

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

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protection need only be extended to famous marks for it is only famous marks that are subject to wide-scale criminal counterfeiting.

PROTECTION OF TRADEMARKS BY INTELLECTUAL PROPERTY OWNERS

IP owners must be proactive in protecting their trademarks against counterfeiting. Many owners of famous brands use corporate dollars to combat counterfeiting by training private investigators and customs officials to differentiate between authentic and counterfeit goods. Often, trademark owners collaborate to create "networks" where resources are pooled and the costs of funding seizures of counterfeit goods are shared. Efforts to police unlawful use of one's trademark account for a significant allotment in a trademark owners' enforcement budget.

CONSUMER EDUCATION

Several methods for combating counterfeiting have been discussed, all of which are effective only when they are working in tandem with one another. Perhaps the most obvious and strongest way to combat counterfeiting is to raise consumer awareness regarding the consequences of purchasing counterfeit goods. In an Interpol media release, it was reported that Interpol Secretary General Ronald K. Noble warned governments and law enforcement agencies of the mounting evidence links between IP crimes and the funding of terrorism and organized crime. Interpol, *Media Release-July 16, 2003*, http://www.interpol.com/Public/ICPO/PressReleases/PR2003/PR200319.asp, accessed Sept. 7, 2004. If consumers were better informed about these known links, perhaps they would be less inclined to purchase fake goods.

If the dread of supporting terrorism is not enough of a deterrent, perhaps information regarding the risks and consequences associated with the use of counterfeit goods would discourage consumers from purchasing such goods. The lure of a

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EXEMPTION OF METHOD CLAIMS FROM THE MARKING REQUIREMENT

BY BRETT W. GARNER (JD '04) AND ZACHARY MILES (JD '03)

IN 1790, THE FIRST FEDERAL PATENT STATUTES were enacted. Several revisions of the Act modified the requirements in § 287 including limiting the scope of the statute's effect to patented articles. Jessica S. Siegel, *The Patent Marking & Notice Statute: Invitation to Infringe or Protection for The Unwary*, 36 Hous. L. Rev. 583 (1999). The Patent Act first required notice in the 1842 Amendments but did not condition recovery of damages upon notice until 1861. Donald S. Chisum, *Chisum on Patents* vol. 7 § 20.03(7)(c)(i) (2001).

Section 287 of the U.S. Patent Act conditions a patentee's damages on actual or constructive notice to potential infringers. Constructive notice is given by fixing the word "patent," with the number of the patent to the article. 35 U.S.C. § 287 (2003). Alternatively, actual notice may be given by evidencing, "proof that the infringer was notified of the infringement and continued to infringe thereafter." *Id*. However, damages may only be sought post notice. *Id*. The statute's notice requirements only extend to patented articles. Several cases have interpreted this language to limit the inclusion of pure method claims under the statue due to their incorporeal nature. Since a process, by its very nature, is intangible, courts reason it is unmarkable.

A method is a series of steps or actions directed to a specific end and are a means of getting from a starting point to an ending point. The patentability of a method depends upon the statutory requirements of novelty, usefulness, and nonobviousness, although the result of practicing the method need not be novel, useful or nonobvious. The patentable method is either a vehicle for producing an inventive tangible item, producing a tangible item already known, or generating some tangible effect. The tangible may (1) be an item, (2) represent a physical object, (3) be information, or (4) need not be patentable in and of itself.

Method patents extend to a variety of fields including chemical, business, and software processes. A typical chemical process involves mixing compound A with compound B under the conditions C to produce D. Herbert F. Schwartz, *Patent Law and Practice*, 62 (3d ed., BNA 2001). A software process is patentable so long as it is not a pure algorithm but produces a useful result. *See Generally State St. Bank & Trust Co. v. Signature Fin. Group, Inc.*, 149 F.3d 1368 (Fed. Cir. 1998) (a data processing system for implementing an investment structure). The Federal Circuit, in its decision, also recognized the business method as patentable subject matter. *Id*. at 1375 – 1377.

Method claims inherently require the patent holder to expend additional time, energy and resources to police their patent rights, as many do not produce a particular article of manufacture. As explained earlier, because of this difficulty, method claims have been expressly exempted from 35 U.S.C. § 287. However, because of the tangibles that are created using patented methods, the patent holder has a way of policing potential infringers.

For example, pure drug target assay methods may not produce a tangible product other than creating data on potential drugs affecting the target site. However, such methods may be monitored through products or pharmaceuticals created to affect the target site.

The provisions of 35 U.S.C. § 287 only apply to patented articles, "[t]he law is clear that the notice provisions of section 287 do not apply where the patent is directed to a process or method. *Bandage, Inc. v. Gerrard Tire Co., Inc.*, 704 F.2d 1578, 1581 (Fed. Cir. 1983)

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(citing *Wine Ry. Appliance Co. v. Enterprise Ry. Equip. Co.*, 297 U.S. 387 (1936)); *Hanson v. Alpine Valley Ski Area, Inc.*, 718 F.2d 1075, 1083 (Fed. Cir. 1983).

The courts purport that method claims are impossible to mark under § 287. The courts have reasoned that the difficulty or impossibility to do so renders them exempt from the same. *American Medical Systems, Inc. v. Medical Engineering Corp.*, 6 F.3d 1523, 1538 (Fed. Cir. 1993). Therefore barring defenses for infringement occurring without notice and prior to an action in court, damages may be sought for infringed method claims at any time. *Hanson*, 718 F.2d 1075. In *Hanson*, method claims directed to a process for making snow were claimed infringed in the 1972-73 and 1973-74 seasons. *Id*. Such infringement occurred prior to the filing of the action and no notice was provided. *Id*. However, damages were awarded upon the infringing acts. *Id*.

The statute restricts the marking requirement to tangibles by using the language, "any patented article." 28 U.S.C. § 287(a) (2003). Surprised infringers have made arguments that the requirement extends to "patentees" in general. However, courts looking to the language of § 287 and its predecessors have concluded the requirement extends only to "articles." *See Generally Wagner v. Corn Prod. Refining Co.*, 28 F.2d 617 (D.N.J. 1928) (a district court looking at the legislative history of the 1861 Patent Amendments concluded processes are exempt from the marking requirement).

Two main problems exist with the current law. First, the patent owner has a difficult time policing and enforcing the method patents because of their intangible nature. Second, the exposure of innocent infringers to liability is high when there is no notice.

The policy behind the patent law is to strike a balance between the rights of the patent holder and the rights of the public. An adequate balance must include sufficient notice to the public on methods, so as not to unfairly surprise innocent infringers while providing patent holders with adequate remedies for infringement. Such a balance should protect the right of the patentee primarily and the innocent infringer secondarily. There are two suggestions for striking this balance.

First, a proposed change to § 287(a) can strike the balance by inserting the following language: "Notice may be given to the public, concerning a process patent, by fixing upon any tangible item made by the process, the words 'made with patent' or the abbreviation 'm. w/pat.', together with the number of the patent. If a patentee fails to give constructive notice for a process patent, damages are calculated from the time of actual notice." We also propose higher damages for the method patent holder who does give constructive notice but the patent nonetheless infringes.

This language protects the innocent infringer by requiring the patentee to give constructive notice by marking tangibles or effects of the method and discounting any damages from the time of constructive or actual notice. The requirement of damages being dependent on the time of notice gives the patentee the incentive to alert the pubic to the existence of the method. The rights of the patentee receive enhanced protection by allowing for additional damages. However, this solution may remain unworkable in regard to some patents.

A second solution would be a combination of § 287's Limitation on Damages and Other Remedies, and § 295's Presumption: Product Made by Patented Process. This entails extending the presumption of infringement of product by process claims to also include pure method claims. Providing a presumption of such infringement offers the innocent infringer relief from damages incurred through innocent infringement and places lessened notice requirements by patent holders by allowing a presumption of infringement. It replaces the actual notice requirement, which in practice is not feasible for method claims. This would allow a patent holder to send a letter to a potential infringer, provide sufficient evidence of potential infringement, to § 295. The patent holder thereby starts the clock for infringing activities.

In conclusion, legislative and case law history have demonstrated the need for patent holders to police their rights through notice, constructive or actual, to potential infringers. These notice provisions have not extended to pure method patents and in essence place these patents outside the critical element of policing one's rights. Allowing holders of pure method patents to sue for damages that occurred without notice rubs against the balance between patent holder's need to police their rights and innocent infringer's right to receive notice of infringement. By adopting a system similar to those presented within this paper, pure method patents would conform to present policy. ■

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cheap knock-off might have appeal, but consumers would probably be surprised to learn of the wide span of potential risks involved with the use of counterfeit goods. The examples of the evils caused by counterfeiters are staggering. A 16 year old liver transplant recipient in New York received eight weeks worth of injections of a counterfeit drug which caused excruciating aches and spasms. International Anti-Counterfeiting Coalition, *Facts on Fakes*; www.iacc.org. Other cases of counterfeit pharmaceuticals involve a meningitis vaccine composed of tap water, birth control pills composed of wheat flour, paracetamol syrup made of industrial solvents, and counterfeit versions of AIDS drugs which were ineffective. *Id*. In sixteen U.S. states, counterfeit versions of infant formula were sold in grocery stores. *Id*. Counterfeit mechanical parts have been discovered in North Atlantic Treaty Organization (NATO) helicopters, jet engines, bridge joints, and fasteners in areas of nuclear power plants responsible for preventing reactor meltdowns. *Id*. Airplane and bus crashes that have resulted in deaths have also been attributed to counterfeit mechanical parts. *Id*. Consumers may assume that if they only purchase counterfeit clothing and handbags, that they will be immune from such dangers. This is not true. Drugs have been found in the linings of counterfeit handbags, and counterfeit children's clothing has been found to be constructed of highly flammable materials. Congress may re-write statutes and corporations may spend millions of dollars protecting their IP, but until consumers truly appreciate the significant consequences of supporting counterfeit trade, the problem will continue to proliferate. Consumer awareness reinforced with a strong criminal code penalizing counterfeiters is the key to deterring counterfeiters and curbing the magnitude of their trade. ■

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WATCHING THE WATCHMAN: WHEN DIGITAL COPYRIGHT BECOMES A MATTER OF TRUST

BY GLENN LIEBERT (JD '05)

IN AN EFFORT TO STAVE OFF A DIGITAL ARMS RACE pitting copyright owners against potential pirates, Congress enacted the Digital Millennium Copyright Act (DMCA) to threaten civil and criminal sanctions against people who not only make infringing use of a work, but who also attempt to crack through copy protection software. 17 U.S.C. § 1201 (2004) et seq. These provisions have been used by companies including Sony, Adobe and Microsoft to threaten programmers researching ways to defeat watermarking and decryption technology, even when such initiatives were taken at the industry's behest.

The legal battles and legislation involving copyright and technology, such as *Sega Enterprises, Ltd. v. Accolade, Inc.* and *Sony Computer Entertainment America v. Bleem* and the DMCA are fairly well known and documented. Meanwhile, several companies including Intel and Microsoft have joined forces to form the Trusted Computing Group (TCG). TCG seeks to develop technologies to improve computer security, including the implementation of anti-piracy mechanisms in computers. In contrast to the DMCA, these technologies seem to have clung to the shadows despite a plethora of information and commentaries readily available on the Internet from TCG, InterTrust Technologies, the Electronic Frontier Foundation, Slashdot, and other groups. When the Trusted Computing Platform (TCP) is released, will the public be aware of the benefits of the technology in order to both harness them and be alert to the risks that could be faced once this technological Pandora's Box is opened? The purpose of this article is to shed some light on this technology and to stimulate more discussion regarding its benefits and drawbacks.

The basic premise and function of the Trusted Computing Platform (TCP), while perhaps not doing the hardware and software justice, can be simply explained by contemplating trust in an everyday context. For example, a friend asks to borrow a book from you and says that they will return it to you at lunch two days later. You believe this friend is reliable and thus you entrust the book to them without asking anything in return. Two days later, your friend has kept their word and returns the book to you, commenting that it was an enjoyable read.

Trusted technology would essentially extend this metaphor to computers used at home and in the workplace through multiple functions, including memory isolation features which prevent programs from writing to one another as can be done by viruses, securing input and output devices to prevent credit card numbers and other private information from being stolen by snooping programs such as screen-grabbers and keyloggers, and improved sophistication in encryption technology. The above functions actually have not proven overly controversial and most likely would be readily accepted by the general public, particularly since they would be more likely to protect privacy rather than invade it by thwarting malicious programs such as viruses and worms.

What seems to be the beating heart of the controversy surrounding the TCP is a powerful, new feature called "remote attestation." This attestation function would allow remote systems to scan a computer to determine if a malicious program was present. For example, if a computer was infected with a Trojan Horse, a user on a remote and uninfected system could note its presence, along with any unauthorized alterations to the operating system and application programs. Thus, the user could avoid sending sensitive

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information that could wind up in the wrong hands and also avoid connecting to the system and risk infecting their machine with malicious programs.

Such an attestation feature, when coupled with the other features of trusted technology, could conceivably be used as a more potent digital rights management (DRM) mechanism to augment protection of a company's trade secrets and other sensitive data from being misappropriated by unscrupulous employees or competitors. This could be done by requiring an attestation from an employee's machine in order for an employee to download sensitive information. Ideally, the client computer could use the TCP features just described to provide a company's server with authorization information to determine whether to allow the employee permission to read the document, alter it, or to make copies without any need to use a password system for ID verification or worry about a hacker stealing passwords or coding around software protections. By way of additional protection, a trusted system should be able to protect encryption keys such that even if an unauthorized download of a file took place, the content itself would remain protected because only the program on the system that generated the stolen files could provide the proper decryption key.

Given the glowing description of what trusted computing does for security thus far, one might be inclined to ask where the problems with this technology lie, if any exist at all. The first problem is the potential for anti-competitive practices that could result from abuse TCP's features. The second problem pertains to DRM mechanisms that could be devised to capitalize on trusted technology, potentially turning the security principle of remote attestation upside down and allow third parties access to files and information that would otherwise remain private.

Attestation could be easily applied to restrict competition within the computer hardware and software market for a very simple reason. Chiefly, attestation is not limited to informing remote machines of whether one's computer is infected with malicious code or not, but may provide the remote system requesting the attestation with anything desired, including computer hardware specs and software installed and in use on the machine, including operating systems, web browsers, email programs, and other applications. For example, a host to a web site could use TCP to only allow the latest version of Internet Explorer to access it while detecting and blocking all other browsers. Were such a scenario to occur, competing browsers such as Netscape's would be shut out of competition as the attestation protocol would forbid it from accessing the site in question. This same problem might also occur with email utilities, as well as any other programs where attestation would be practicable (primarily those whose function includes interfacing with remote machines). Using this technology, industries could effectively kill competition and the fair use of reverse engineering.

Along with forced "upgrades" of software, some critics suggest that TCP might also allow for a new variant of spyware subprograms that remain in contact with their originator to let them know how their principal applications are being used. While no one knows at this point to what extent spyware would be supported by trusted systems, speculation abounds as to what extent third-party software developers could use spyware, reliant in part on attestation technology to rummage through a computer owner's hard drive to search for programs and files which they believed violated licensing agreements, or perhaps more vaguely simply found objectionable. Whether any of these fears are actually justified remains to be seen, but software applications that capitalize on attestation technology such that it could be used invasively to read, remove, or alter files is an issue that TCP's creators should address prior to the platform's release so that trust in trusted computing is not abused for consumers. Further, if invasiveness is not an issue, companies such as Microsoft should be sure to make average consumers aware of what DRM technologies such as Microsoft Rights Management Services will accomplish, how the technology interacts with TCP and how consumers' privacy will be protected.

What can be inferred readily about Microsoft's new DRM system is that in conjunction with trusted technology, both would most likely be protected under the DMCA as copyright anti-circumvention technology. Now that companies have been given more robust legal protections for copyright of digital material and also for those self-protection mechanisms such as trusted technology, to what extent are aspects of copyright doctrine such as fair use still applicable to digital material when, through the use of DRM, a business can set the terms of use for software, such as eBooks, and then enforce those terms through attestation? For example, one might photocopy a page from a bound book for some statement of political import or educational value as a fair use and might also find such material in unauthorized copies posted on numerous websites, but be prohibited from extracting such material from eBooks. Whether businesses allow for a variation of fair use in licensing agreements, technological innovations could marginalize the role of the courts in enforcement of digital copyright in the years to come, potentially leaving them to businesses as decisions to be made in the context of marketing and customer service. ■

Glenn Liebert (JD '05) received his BA in Computer Science from SUNY Albany. Upon graduation, Glenn's aspirations include practicing copyright law in the Northeast, with an emphasis on technology issues and public policy.

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experience in the areas of IP and licensing. She is very passionate in her strive for excellence and this serves her well as the General Director of the firm. When asked about the challenges facing IP and licensing, Ms. Isla stressed the importance of education so that more value added services might be offered to clients. She emphasized, "nowadays, competition is furious. What really makes the difference between the leading IP firms are quality and price, new services being developed and offered, and new niches opening up and just waiting for someone to seize the opportunity to jump in."

In addition to publishing many articles on technology transfer, licensing and the related tax implications, Ms. Isla has given presentations in Mexico and other international forums. She has been active in the Licensing Executives Society International (LESI) and is the past President of its Mexican chapter. She is a member of the Editorial Board of *Les Nouvelles*, Journal of Technology of LESI and is the current Chair of the Pan-American Committee of LESI. Ms. Isla is also a member of various other legal societies (e.g. AIPPI, AMPPI, ASIPI) and is active within the Mexican Bar Association.

In her free time, Ms. Isla enjoys painting, cooking, entertaining friends, and working out. She has also been active in organizing the Mexican Alumnae of Pierce Law. "I will always consider myself connected to the school for a number of professional, social and friendship reasons," says Ms. Isla. As the first Mexican citizen to graduate from Pierce Law, Ms. Isla can rest assured that feeling of a special connection is mutual.

Mark Jenkins (JD '05) received his BS in Chemistry from the University of Tennessee and his MS in Biophysical Chemistry from Vanderbilt University. Mark plans on practicing IP law upon graduation.

SPARE PARTS AND PATENT INFRINGEMENT

BY DOUG PORTNOW (JD '05)

CAN A MANUFACTURER BE HELD LIABLE for making or selling spare parts? Clearly, the answer is "yes" if utility patents cover those parts. But what about spare parts which are not patented or those that are only protected as part of a combination patent? There, the answer becomes more complex and fact specific. However, in general, even if the manufacturer is not liable for direct infringement, the manufacturer may still be liable for contributory infringement. Under the Patent Act, a manufacturer may be liable for contributory infringement if it makes, sells, offers to sell or imports in the United States, a non-staple component of a patented machine that is a material part of the invention and that the manufacturer knowingly makes for an infringing use. 35 U.S.C. §271(c) (2000). Stated alternatively, there can be no contributory infringement unless there is a direct infringement.

In many cases, contributory infringement is determined based on how the end user of the spare parts utilizes the components. If the spare parts are used for a non-infringing use such as permissible repair, there is no infringement. Meanwhile, if the parts are used for impermissible reconstruction, there is direct infringement and the manufacturer probably will be held liable for contributory infringement. Courts tend to interpret what constitutes "permissible repair" liberally since this prevents expansion of the monopoly on a patented machine to its unpatented parts.

The Supreme Court addressed this issue in *Aro I. Aro Manufacturing Co. v. Convertible Top Replacement Co.*, 365 U.S. 336 (1961). In *Aro I*, a manufacturer produced fabric that was sold as a replacement for automobile convertible tops to legitimate car owners. *Id.* at 346. The convertible top manufacturer brought suit against the fabric maker for infringement of patents on the convertible tops. *Id.* The Court held that replacement of the parts was the right of the owner to repair his property. *Id.* Therefore, since automobile owners were permissibly repairing their convertible tops, there was no direct infringement. Consequently, without direct infringement, there was no contributory infringement.

The case came back to the Supreme Court three years later. In *Aro II*, the Court held that there was contributory infringement. *Aro Manufacturing Co. v. Convertible Top Replacement Co.*, 337 U.S. 476 (1964). However, in *Aro II*, the distinguishing factor was the fact that the disputed convertible tops were not properly licensed. Therefore, the users this time were not permitted to replace the fabric and this was considered to be infringement. *Id.* at 490-491. Hence, due to the direct infringement, the fabric maker was also held liable for contributory infringement.

A similar result was obtained in *Molten Metal* where the plaintiff company sold unpatented pumps for use in a patented metal purifying system. *The Carborundum Company v. Molten Metal*, 72 F.3d 872, 875 (Fed. Cir. 1995). The defendant also sold replacement pumps and the court held that this was contributory infringement because the pump owners violated their licenses when they exchanged the original manufacturer's pump with the replacement. *Id.* at 876. The Federal Circuit affirmed this decision on appeal and permanently enjoined the sale of the substitute pumps. *Id.* at 883.

The key issue then, is whether permissible repair is being undertaken or whether the activity is an impermissible reconstruction. This area of infringement has been litigated for over 150 years. While there is a large body of case law, there is no bright line rule to distinguish where repair ends and reconstruction begins. Courts tend to interpret "repair" broadly to prevent the monopoly on a patented machine or combination from extending to unpatented parts. Chisum, *Chisum on Patents* at §16.03[3]. As was stated by the Supreme Court, "[R]econstruction of a patent entity, comprised of unpatented

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STUDENT PROFILE: ZAKIR THOMAS MIP '04

BY BETH A. DERAGON (JD '05)

ZAKIR THOMAS' homeland is the beautiful, exotic state of Kerala in India. In addition to being the home of exotic wildlife, Kerala proudly boasts a 100% literacy rate. The eclectic characteristics of Kerala, sophistication and vitality, are integral parts of Zakir's personality. Zakir's hazardous seven-day trek as a graduate student through one of India's National Wildlife Parks covering a vast area of pristine, difficult, and hilly tropical forest mirrors his life's journey which has momentarily paused at Franklin Pierce Law Center.

Zakir Thomas, MIP '04

The Wildlife Park is designated as a tiger sanctuary, thereby necessitating the guidance of forest guards who know how to cope with the wild animals on the treks. The aim of the trek is to experience nature by closely observing biodiversity and wildlife. In the depths of this untamed wilderness, Zakir came to rely upon food prepared and donated by villagers living in tribal villages encountered along the way.

It is that same thirst for understanding that has led Zakir from India to New Hampshire. Zakir received a Bachelor of Science and a Master of Science in Physics from Mahathma Gandhi University in Kerala, India. He enjoyed lecturing in Physics for a short time at the college level before joining the Indian Civil Service, Income Tax Department, where he argued for the state in tax court. Zakir quickly advanced to the position of Deputy Secretary to the Government of India, Department of Education, where his many responsibilities included advising the government on policy matters including IP rights. His next government position, the Registrar of Copyrights, involved modernizing the Indian Copyright Office by upgrading their information technology systems and training personnel, resulting in the expedition of copyright approval from one year to less than six months. It was as the Additional Commissioner of Income Tax that Zakir decided to take advantage of the government's training program and applied for a place at Pierce Law.

Zakir has satiated his thirst for knowledge by taking many IP courses at Pierce Law, including Technology Licensing and Managing Knowledge Assets in Universities. He greatly appreciates the American system of legal education that requires students to be engaged in the subject matter before entering the classroom, thereby creating an

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elements is limited to such a true reconstruction of the entity as to 'in fact make a new article,'… after the entity, viewed as a whole, has become spent… mere replacement of individual unpatented parts, one at a time, whether of the same part repeatedly or different parts successively, is no more than the lawful right of the owner to repair his property." *Aro I*, 365 U.S. at 346; *Chisum on Patents* at §16.03[3]. Courts have been reluctant to lay down such a rule because of the "number and infinite variety of patented inventions." *Goodyear Shoe Machinery Co. v. Jackson*, 112 F. 146, 150 (1st Cir. 1901). Therefore, "each case as it arises, must be decided in the light of all the facts and circumstances presented." *Id*. A review of several relevant cases helps to understand this variety.

The earliest case involving permissible repair was *Wilson v. Simpson*, 50 U.S. 109 (1850). In Wilson, the Court held that replacement of dull or broken cutting knives in a patented planing machine was permissible repair. *Id*. at 126. This decision was based on the fact that the life of the knives was two to three months while the life of the rest of the machine was several years. *Id*. at 125. The Court stated, "when the wearing or injury is partial, then repair is restoration, and not reconstruction." The majority concluded that when one element of a machine is worn out or broken, the machine no longer exists and the owner has the right to renew it (repair) but not the right to make it (rebuild or reconstruction). *Id*. at 123. Repair is required to preserve the life of the machine and repair is restoration, not reconstruction. Therefore, the knives could be replaced. *Id*.

Contrasting the repair decision found in *Wilson v. Simpson* was a finding of impermissible reconstruction in *American Cotton Tie Co. v. Simmons*, 106 U.S. 89, 95 (1882). In *American Cotton*, the plaintiff had a patent on metal ties for cotton bales and marked them with the words "licensed to use once only." *Id*. at 91. The defendant purchased used ties after they had been severed at the mill and used a rivet to fasten the tie ends together. *Id*. The court held that this was reconstruction because the tie was not intended to be used more than once and after severing the tie it had performed its function. *Id*. at 95.

This same logic was seen in a case involving reconstruction of spent light bulbs. *Davis Electrical Works v. Edison Electric Light Co.*, 60 F. 276 (1st Cir. 1894). In *Davis Electrical Works*, the defendant replaced a filament in a burned out light bulb, covered by Edison's patent, and resealed the bulb. *Id*. at 280. Like the cotton tie, which had performed its function, this work was also held to be impermissible reconstruction. *Id*.

The notion of bringing back a spent machine from the junkyard was succinctly

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articulated on in *Monroe Auto Equipment Co. v. Precision Rebuilders, Inc.*, 229 F. Supp. 347, 141 (D. Kan. 1964). In *Monroe Auto Equipment*, cutting and rejoining patented shock absorbers with a new seal was held to be reconstruction and not simply repair because such work "resurrects them from limbo of useless junk and accomplishes a second creation." *Id*. at 141.

On the other hand, recent cases have broadened the scope of permissible repair rather than narrowing it. For example, in *Jazz Photo Corp. v. U.S. International Trade Commission*, 264 F.3d 1094, 1111 (Fed. Cir. 2001), refurbishment of single use disposable cameras was held to be permissible repair. This repair work included replacing the film, batteries, resetting a counter and resealing and relabeling the camera. *Id*.

The right of repair has also been extended to repair more durable parts that are broken, worn-out or destroyed. Chisum, *Chisum on Patents* at §16.03. In one case, the court rejected the idea that replacement of durable parts that break (beveled gear pairs and a wheel driving shaft) was impermissible. *Automotive Parts Co. v. Wisconsin Axle Co.*, 81 F.2d 125, 126 (6th Cir. 1935). In making that determination, the court used a "preponderance test" which stated "if new parts so dominate the structural substance of the whole as to justify the conclusion that it has been made anew, there is a rebuilding or reconstruction; and conversely, where the original parts, after replacement, are so large a part of the whole structural substance as to preponderate over the new, there has not been a reconstruction but only repair." *Id*. at 127.

A more recent case which supports the notion of permissible sale of spare parts was reinforced in *Sage Products, Inc. v. Devon Industries, Inc.*, 45 F.3d 1575 (Fed. Cir. 1995). *Sage Products* involved

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From the Editor

THE "DIFFERENCES" BETWEEN PATENTS AND TRADE SECRETS

BY KARL F. JORDA

THREE EDITOR'S COLUMNS IN PAST ISSUES OF THIS NEWSLETTER, namely, the Spring 1999, the Fall 1999 and the Winter/Spring 2004 issues, dealt with patent/trade secret interface issues. The first column tried to dispel the deep-seated misconception that patents and trade secrets are mutually exclusive, when in fact they are mutually reinforcing and highly complementary. Patents are but the tips of icebergs in a sea of trade secrets. Over 90% of all new technology is covered by trade secrets and over 80% of all license and technology transfer agreements cover proprietary know-how, i.e. trade secrets, or constitute hybrid agreements relating to patents and trade secrets. As a practical matter, licenses under patents without access to associated or collateral know-how are often not enough to use patented technology because patents rarely disclose the ultimate scaled-up commercial embodiments. Our Supreme Court has recognized trade secrets as perfectly viable alternatives to patents (*Kewanee Oil v. Bicron* (1974): "the extension of trade secret protection to clearly patentable inventions does not conflict with the patent policy of disclosure.").

And what's more, for any given technology, patents can be obtained to protect patentable inventions and trade secrets can be kept to cover the volumes of collateral know-how that do not belong in a patent specification as well as all improvements developed after filing.

The editor's column in the Fall 1999 issue discussed the respective rights of a first inventor who elects to hold patentable subject matter as a trade secret and a second independent inventor who obtains a patent thereon. After noting that no trade secret owner has ever been enjoined by a later patentee, it concluded that the patentee does not have superior rights vis-à-vis the trade secret owner as we have a *de facto* prior user rights system that provides a trade secret owner a defense against a charge of infringement.

And the editor's column in the Winter/Spring 2004 issue shows that the best mode requirement of our Patent Code is actually no impediment, as is commonly assumed, to the co-existence of patents and trade secrets for almost any invention. This requirement applies **only** at the time of filing, **only** to the knowledge of the inventor(s) and **only** to the claimed invention. But patent applications are normally filed very early in the research stage based on rudimentary lab experiments and long before best modes are developed, which is often done by others, and patent claims tend to be narrow for distance from prior art. It is simply not true that, because the Patent Code requires a best mode disclosure, patents necessarily disclose or pre-empt all the trade secrets that are useful in the practice of the invention.

Most of the discussion about the patent/trade secret interface has dealt with the question of whether to choose patents or trade secrets for protection of inventions. This discussion has largely focused on the perceived differences between patents and trade secrets and the respective advantages and disadvantages that flow from these differences. However, on closer scrutiny, the respective advantages and disadvantages are simply not there.

The differences in terms of duration and scope and nature of protection are the major talking points in this respect. However, the patent life may be more or less than 20 years

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from filing and a garden-variety type of trade secret, far from being indefinite, may last but a few years. Nor is there a difference as regards the scope of protection with "everything under the sun made by man" being patentable. And while a patent does, and a trade secret does not, protect against independent discovery, a patent leads to efforts to design or invent around and a trade secret, properly guarded and secured, may withstand attempts to crack it.

In greater detail, as for the respective **duration** of patents and trade secrets, it is simplistic to state that the patent life is 20 years from filing and trade secrets last indefinitely and let it go at that.

Patents too can last longer than 20 years. They can be extended by up to five years or longer under the Drug Price Competition and Patent Term Restoration Act of 1984, the Uruguay Round Agreements Act of 1994 and the American Inventors Protection Act of 1999 or by private acts. Submarine patents that had a pendency of 20-30 years and a patent term of 17 years on top it, are fortunately a thing of the past, although royalties are still being paid under, e.g. the Gould laser patents filed for in 1959. Patent coverage can also be extended by a process of "evergreening," that is, by filing for improvement patents. And of course a patent can have a life of less than 20 years if it lapses for non-payment of maintenance fees or if the patent or patent claims are held invalid or are disclaimed or dedicated.

On the other hand, when it comes to trade secrets the term may be indefinite but that is rarely the case, the notable examples of the Coca-Cola formula, the musical instrument cymbal, the Angostura bitters, etc. to the contrary notwithstanding. Most products or devices are subject to analysis or reverse engineering sooner or later and manufacturing techniques more susceptible to trade secrecy may also lose secrecy in various ways. Trade secrecy may dissipate in a matter of a few years in view of the high degree of employee mobility and inadvertent or deliberate leakage. Again the perceived differences in duration may not exist as a practical matter.

Anent **subject matter scope** of protection via patents and trade secrets, the common perception is that the scope of possible protection for trade secrets is much broader than for patents. If § 101 of the Patent Code is compared with the definition of a trade secret from the Uniform Trade Secret Code, that appears to be the case. The list of patentable categories according to the Patent Code (process, machine, manufacture or composition of matter) is a very brief one indeed, while the definition of trade secrets is open-ended, especially since it also includes commercial matters, such as, customer lists and other business information. However, on closer scrutiny and taking into account the Supreme Court decision in *Chakrabarty* (1980 — establishing the patentability of living organisms) to the effect that "everything under the sun that is made by man" is patentable, and the holding in *State Street Bank* (Fed. Cir. 1998) that formerly unpatentable business methods and computer programs are also patentable, the scope of patent protection is equally all-encompassing. It is true that to be patentable fairly stringent requirements must be met in terms of novelty, utility and unobviousness, etc. but on the trade secrets side there are also fairly stringent requirements in terms of value assessment and secrecy measures that have to be put in place and maintained. Thus it

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intensive and interactive learning environment. Zakir has served as a teaching assistant to Professor Thomas Field, Jr. and was a finalist in the Graduate Students Licensing Competition organized by the Licensing Executives Society of North America. Zakir hopes to be directly involved in India's transition from a process based patent system to a product based patent system. He is especially interested in the transfer of university knowledge to industry and his personal goal is to bring India up to international standards in this regard.

Zakir not only values the academic side of his experience at Pierce Law, but also feels that he has benefited immensely from the international mix of the student population. He strives to understand other cultures and their processes for managing IP. Zakir's willingness to forge a new path, as he did on his wildlife trek, has led him to a greater understanding of himself and others. He is well aware that his desires for his country are fraught with the hazards that change often poses to those who do not welcome it, but his tolerance and perseverance are invaluable assets to his homeland.

As Zakir said, "Human beings are very adaptable. Unless we go out and see the world, we don't know what we miss. Worse, we may not value what we have!" Unlike his seven-day journey, Zakir's odyssey has no bounds as he thrives on and cherishes each and every experience. Who knows where the path will lead Zakir? What is apparent is that it will be unconventional and challenging. ■

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the defendant's sale of an inner plastic container designed to be used with the plaintiff's patented sharps (e.g. needles) disposable system. *Id*. at 1576. The court affirmed that unpatented parts in a patented system could be sold without infringement since the product owner had the legal right to repair or replace a spent item. *Id*. at 1579.

Spare parts can infringe patents even if they are not individually patented. Therefore, manufacturers must be aware of how their products are being used. The heart of the issue is whether or not use of the spare parts is considered "permissible repair" or "impermissible reconstruction." While there is no bright line test distinguishing the two, courts generally interpret "repair" broadly. As long as the purchaser of a patented product acquires the product legitimately from the patent owner or from one with authority, he may use the product free of the patent owner's control. Chisum, *Chisum on Patents* at §16.03. This right includes the right to make repairs but not to completely reconstruct a new product from the remains of the old one. *Id*. Since repair is a non-infringing use, manufacturers cannot be liable for contributory infringement without a direct infringement. ■

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appears that the differences when it comes to scope of protectable subject matter are not very large at all, if there are any.

Even with respect to the **nature of protection**, the question arises whether there is really a crucial difference. It is true that patents confer exclusive rights, i.e. the right to exclude others from making, using, offering to sell, selling or importing a given invention. On the other hand, trade secrets provide no protection against independent developers or those who reverse-engineer or analyze products that are secret or are produced by secret processes. But here too a patent application or patent, after they are published and the invention is disclosed, often spur competitors to invent around and develop improved products which may be separately patented and may not be dominated and become commercially much more important than the earlier more basic invention. The trade secret on the other hand, if proper security measures are taken, may be safely maintained for a longer period of time. Also an important patent may cause competitors to seek to invalidate it and even though invalidation is more difficult in this day and age, the golden age for patents, there are about three dozens of invalidity or unenforceability reasons that may make it a short life for a patent.

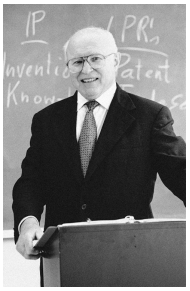
As regards touted differences in terms of costs and efforts required in obtaining and maintaining patents and in securing and maintaining trade secrets, there may not be much of a difference either, even though it is true that patenting can be expensive. However, implementing measures to safeguard trade secrets, if not already in place for other business and legal reasons, may be equally expensive or over a period of time even more expensive. But the matter of cost and effort is of no import when it comes to protecting important technology.

Finally, there is however a very important difference that is commonly overlooked and that is this: trade secret protection operates without delay and without undue cost against the world, while patents are territorial and so expensive to obtain and maintain that they can be taken out only in selected countries.

In conclusion, let it be said that it is unproductive to base decisions for protecting innovative technology and commercial and technical know-how via patents and trade secrets solely on postulated differences between the two and the presumed respective advantages and disadvantages flowing therefrom.

Trade secrets are a viable mode of protection and can be used in lieu of patents but, more importantly, they can and should be relied upon side by side with patents to protect any given invention as well as the volumes of collateral know-how, because far from being irreconcilable, patents and trade secrets in fact make for a happy marriage as equal partners. Hence, it is patents and (not "or") trade secrets.

With patents and trade secrets it is clearly possible to cover additional subject matter, invoke different remedies in litigation and have one standup when the other becomes invalid or unenforceable and thereby exploit the overlap and strengthen exclusivity. Utilizing both routes for optimal protection should be a critical part of any IP management strategy. ■



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April 29-30, 2005	**SEVENTH BASIC PATENT COOPERATION TREATY (PCT) SEMINAR** Courtyard Marriott, Concord, NH www.piercelaw.edu/TreatySem/treatsem.htm
May 23-July 15, 2005	**NINETEENTH ANNUAL INTELLECTUAL PROPERTY SUMMER INSTITUTE (IPSI)** Pierce Law, Concord, NH www.piercelaw.edu/ipb/ipsi00Broch.htm
June 13-July 15, 2005	**THIRD ANNUAL INTELLECTUAL PROPERTY SUMMER INSTITUTE (CHIPSI)** Tsinghua University School of Law, Beijing, China www.piercelaw.edu/ipb/CHIPSI/ChipsiIndex.htm
July 11-15, 2005	**FOURTEENTH ANNUAL ADVANCED LICENSING INSTITUTE (ALI)** Pierce Law, Concord, NH www.piercelaw.edu/ali/ali.htm
July 18–August 12, 2005	**FIRST ANNUAL eLAW SUMMER INSTITUTE** University College of Cork, Cork, Ireland www.piercelaw.edu/eLSI
September 16-17, 2005	**LIFE SCIENCE IP IN EUROPE SYMPOSIUM** Langham Hotel, Boston, MA www.piercelaw.edu/lifescience

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