

Recent Developments in US Intellectual Property Law

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I've been updating chapters in the upcoming edition of a textbook and hope readers will find some of the research interesting. This week I'm posting materials I added to the chapter on intellectual property law.

AIA

Peter E. Heuser of Schwabe, Williamoson & Wyatt summarized the American Invents Act (AIA) of 2011[1] as follows: “The AIA is the most important legislative patent reform in over 50 years. The AIA will change how patents are granted, how patent litigation will proceed and what kinds of inventions are eligible for patents, among other things.”[2] The author summarized the main features of the AIA in detailed discussions of the following areas:

- First-to-file Will Now Establish Priority of Invention
- Prior Commercial User Defense is Established
- New Post-grant Proceedings for Patent Validity Challenges
- The PTO Will No Longer Grant Patents on Tax Strategy
- Special Transitional Review for Certain Patents Related to Financial Products and Services
- Most PTO Fees Will Increase By 15 Percent
- Limited Prioritized Examination Will be Available
- New Rules will Affect Litigation by Nonpracticing Entities
- False Patent Marking Claims are Curbed
- Other Provisions Will Make it More Difficult to Attack Patent Validity.

Complete information about the legislation is available through the Library of Congress THOMAS database.[3]

The PROTECT IP Act (Preventing Real Online Threats to Economic Creativity and Theft of Intellectual Property Act)[4] or PIPA, was introduced in the US Senate in May 2011 but failed to make it to the floor of the Senate.[5] After extensive public opposition, including a worldwide temporary blackout of thousands of Websites in protest of PIPA and the Stop Online Piracy Act (SOPA, below),[6] the bill was suspended in January 2012 pending further analysis.[7]

PIPA's main points include the following (quoting several sections from the THOMAS database):

- Preventing Real Online Threats to Economic Creativity and Theft of Intellectual Property Act of 2011 or the PROTECT IP Act of 2011 - (Sec. 3) Authorizes the Attorney General (AG) to commence: (1) an in personam action against a registrant of a nondomestic domain name (NDN) used by an Internet site dedicated to infringing activities (ISDIA) or an owner or operator of an ISDIA accessed through an NDN; or (2) if such individuals are unable to be found by the AG or have no address within a U.S. judicial district, an in rem action (against a domain name itself, in lieu of such individuals) against the NDN used by an ISDIA.
- Defines ISDIA as a site that: (1) has no significant use other than engaging in or facilitating copyright infringement, circumventing technology controlling access to copyrighted works, or selling or promoting counterfeit goods or services; or (2) is designed, operated, or marketed and used to engage in such activities.
- Defines NDN as a domain name for which the registry that issued the domain name and operates the relevant top level domain, and the registrar for the domain name, are located outside the United States.
- Allows the court, upon application by the AG after an NDN-related in personam or in rem action is commenced under this section, to issue a temporary restraining order or an injunction against the NDN, registrant, owner, or operator to cease and desist further ISDIA activity if the NDN is used within the United States to access an ISDIA directing business to U.S. residents and harming U.S. intellectual property right holders.
- Directs the AG to identify and provide advance notice to operators of nonauthoritative domain name system servers (NDNSSs), financial transaction providers (FTPs), Internet advertising services (IASs), and providers of information location tools (ILTs), including search engines, online directories, and other indexes with hypertext links or referrals to online locations, whose action may be required to prevent such NDN-related ISDIA activity.
- Sets forth the preventative measures required to be taken by NDNSSs, FTPs, IASs, and ILTs upon being served with a court order in a such an NDN-related action commenced by the AG.

- (Sec. 4) Authorizes the AG or an intellectual property right owner harmed by an ISDIA to commence: (1) an in personam action against a registrant of an ISDIA's domain name or an owner or operator of an ISDIA accessed through a domain name; or (2) if such individuals are unable to be found or have no address within a U.S. judicial district, an in rem action against a domain name used by an ISDIA.
- Allows the court, upon application by the relevant plaintiff after an in personam or in rem action concerning a domain name is commenced under this section, to issue a temporary restraining order or injunction against a domain name, registrant, owner, or operator to cease and desist further ISDIA activity if the domain name is: (1) registered or assigned by a domain name registrar or registry located or doing business in the United States, or (2) used within the United States to access an ISDIA directing business to U.S. residents and harming U.S. intellectual property right holders.
- Directs the relevant plaintiff to identify and provide advance notice to FTPs and IASs whose action may be required to prevent such ISDIA activity.
- Requires, upon being served with a court order after such an in personam or in rem action concerning a domain name is commenced by the AG or a private right owner under this section: (1) FTPs to take reasonable specified preventative measures, and (2) IASs to take technically feasible and reasonable measures.
- Sets forth provisions regarding the entities that may be required to take certain preventative measures in actions concerning both domain names and NDNs: (1) granting immunity to such entities for actions complying with a court order, (2) authorizing the relevant plaintiff to bring an action for injunction relief against a served entity that knowingly and willfully fails to comply with a court order, and (3) permitting such entities to intervene in commenced actions and request modifications, suspensions, or terminations of related court orders.
- (Sec. 5) Provides immunity from liability for: (1) FTPs or IASs that, in good faith, voluntarily take certain preventative actions against ISDIAs, and (2) domain name registries and registrars, FTPs, ILTs, or IASs that, in good faith, withhold services from infringing sites that endanger public health by distributing prescription medication that is counterfeit, adulterated, misbranded, or without a valid prescription....

SOPA

The Stop Online Piracy Act, H.R.3261,[8] is summarized in the THOMAS database as follows:

- ... Authorizes the Attorney General (AG) to seek a court order against a U.S.-directed foreign Internet site committing or facilitating online piracy to require the owner, operator, or domain name registrant, or the site or domain name itself if such persons are unable to be found, to cease and desist further activities constituting specified intellectual property offenses under the federal criminal code including criminal copyright infringement, unauthorized fixation and trafficking of sound recordings or videos of live musical performances, the recording of exhibited motion pictures, or trafficking in counterfeit labels, goods, or services.
- Sets forth an additional two-step process that allows an intellectual property right holder harmed by a U.S.-directed site dedicated to infringement, or a site promoted or used for infringement under certain circumstances, to first provide a written notification identifying the site to related payment network providers and Internet advertising services requiring such entities to forward the notification and suspend their services to such an identified site unless the site's owner, operator, or domain name registrant, upon receiving the forwarded notification, provides a counter notification explaining that it is not dedicated to engaging in specified violations. Authorizes the right holder to then commence an action for limited injunctive relief against the owner, operator, or domain name registrant, or against the site or domain name itself if such persons are unable to be found, if: (1) such a counter notification is provided (and, if it is a foreign site, includes consent to U.S. jurisdiction to adjudicate whether the site is dedicated to such violations), or (2) a payment network provider or Internet advertising service fails to suspend its services in the absence of such a counter notification.
- Requires online service providers, Internet search engines, payment network providers, and Internet advertising services, upon receiving a copy of a court order relating to an AG action, to carry out certain preventative measures including withholding services from an infringing site or preventing users located in the United States from accessing the infringing site. Requires payment network providers and Internet advertising services, upon receiving a copy of such an order relating to a right holder's action, to carry out similar preventative measures.
- Provides immunity from liability for service providers, payment network providers, Internet advertising services, advertisers, Internet search engines, domain name registries, or domain name registrars that take actions required by this Act or otherwise voluntarily block access to or end financial affiliation with such sites.
- Permits such entities to stop or refuse services to certain sites that endanger public health by distributing prescription medication that is adulterated, misbranded, or without a valid prescription.
- Expands the offense of criminal copyright infringement to include public performances of: (1) copyrighted work by digital transmission, and (2) work

intended for commercial dissemination by making it available on a computer network. Expands the criminal offenses of trafficking in inherently dangerous goods or services to include: (1) counterfeit drugs; and (2) goods or services falsely identified as meeting military standards or intended for use in a national security, law enforcement, or critical infrastructure application.

- Increases the penalties for: (1) specified trade secret offenses intended to benefit a foreign government, instrumentality, or agent; and (2) various other intellectual property offenses as amended by this Act.
- Directs the U.S. Sentencing Commission to review, and if appropriate, amend related Federal Sentencing Guidelines.
- Requires the Secretary of State and Secretary of Commerce to appoint at least one intellectual property attache to be assigned to the U.S. embassy or diplomatic mission in a country in each geographic region covered by a Department of State regional bureau.

Critics of the legislation include the American Civil Liberties Association, some educators, some law professors, and the United States Student Association.[9] Arguments included the following:

- The bill would lead to removal of much non-infringing content from the Web, resulting in infringement of free speech
- Eliminating the focus articulated in PIPA about concentrating on sites dedicated to infringing activity would waste government resources on an enormous range of sites
- Internet service providers, search engine providers, payment network providers and advertising services would all have to obey the Attorney General's orders to block all access to sites with infringing content, thus blocking access to all the sites' non-infringing content as well
- Educational uses could be severely constrained if a single infringing document led to the shutdown of an entire site
- Sites with a single link to infringing content could be classified as "facilitating" infringement and thus be shut down
- The bill would violate standards of due process by allowing administrative shutdown without providing an opportunity for the owners of the accused sites a chance to defend themselves

- SOPA's potential barriers to access could severely affect the worldwide movement to pressure dictatorial regimes such as that of the People's Republic of China in their consistent suppression of free access to information
- Librarians, educators and students could be subject to administrative shutdown even for what could be justified as fair use of copyright materials.

The proposed bill was dropped at the same time as PIPA (above).

PATENT TROLLS

Groups aggressively targeting users of little-known patents, often purchased from inventors who have never exercised their rights before, are known as *non-practicing entities* or *patent trolls*. Some of these companies devote their entire business to suing or threatening to sue on the basis of their acquired patents.[10]

In one notorious case, a company bought "...the Canadian patent known as "Automatic Information, Goods, and Services Dispensing System (Canada '216)" whose complete text is available at < http://patents1.ic.gc.ca/details?patent_number=1236216&language=EN_CA > [and] specifically addresses 'a system for automatically dispensing information, goods and services to a customer on a self-service basis including a central data processing centre in which information on services offered by various institutions in a particular industry is stored. One or more self-service information and sales terminals are remotely linked to the central data processing centre and are programmed to gather information from prospective customers on goods and services desired, to transmit to customers information on the desired goods or services from the central data processing centre, to take orders for goods or services from customers and transmit them for processing to the central data processing centre, to accept payment, and to deliver goods or services in the form of documents to the customer when orders are completed. The central data processing centre is also remotely linked to terminals of the various institutions serviced by the system, so that each institution can be kept up-dated on completed sales of services offered by that institution.' [Note that Canadian spelling is used above.] Think about this patent. Does it not remind you unavoidably of what you did the last time you ordered a book or bought something online? Or performed any other commercial transaction on the Web?"

A study published by the Boston University School of Law[11] found that patent trolls "...cost U.S. software and hardware companies US\$29 billion in 2011...."[12]

In the House of Representatives, Peter DeFazio (D-OR) introduced HR.6245, Saving High-Tech Innovators from Egregious Legal Disputes Act of 2012 Saving High-Tech Innovators from Egregious Legal Disputes Act of 2012 in August 2012.[13] It would "[Amend] federal patent law to allow a court, upon finding that a party does not have a reasonable likelihood of succeeding in an action disputing the validity or alleging

infringement of a computer hardware or software patent, to award the recovery of full litigation costs to the prevailing party, including reasonable attorney's fees....” At the time of writing (May 2013) the bill was still in the hands of the Subcommittee on Intellectual Property, Competition and the Internet of the House Committee on the Judiciary.

In May 2013, Senator Charles Schumer (D-NY) introduced S.866, the Patent Quality Improvement Act, an amendment to the AIA to extend its provisions for challenging patents on business methods.[14]

The Library of Congress THOMAS database describes the substance of the proposal as follows:

Amends the Leahy-Smith America Invents Act to remove the eight-year sunset provision with respect to the transitional post-grant review program available to review the validity of covered business method patents, thereby making the program permanent.

Expands the term "covered business method patent" to include a patent that claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of any enterprise, product, or service, except technological inventions. (Current law limits the program to financial products or services.) [15]

END NOTES

- [1] (US House of Representatives 2011)
- [2] (Heuser 2013)
- [3] (Library of Congress 2011)
- [4] (Library of Congress 2012)
- [5] (US Senate 2011)
- [6] (Weisman 2012)
- [7] (Timm 2012)
- [8] (Library of Congress 2011)
- [9] (Electronic Frontier Foundation 2011)
- [10] (Hachman 2013)
- [11] (Bessen and Meurer 2012)
- [12] (Essers 2012)
- [13] (Library of Congress 2012)
- [14] (Gross 2013)

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