

## INTELLECTUAL PROPERTY UPDATE

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### Editor's Corner

As announced in our June 2010 *Intellectual Property Alert*, in the long anticipated *Bilski v. Kappos* decision, the US Supreme Court rejected patentability of the business process at issue, but did not eliminate patentability of business methods. The Court, however, declined to specify how and when processes are patentable. To provide guidance on the implications of this decision, in this issue we analyze Supreme Court precedent by discussing the principles articulated in *Bilski* that may assist in protecting processes and software claims. We also explore the *Bilski* decision from a software perspective, and provide recommendations when including software claims in US patent applications.

Federal trademark laws permit the owner of a trademark to sue if his mark is "used in commerce" in a way that is "likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection or association of such person with another, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities." But is typing a trademarked term into a search engine a use in commerce? And have courts agreed on whether the use of a trademarked term in keyword advertising creates likelihood of confusion? In this issue, we consider these two questions. We also discuss how businesses can protect their marks online.

In our final article, Google is back with a victory for Google-owned YouTube as a federal judge has ruled that the video-sharing site is protected under US copyright law. We discuss the safe harbor provisions of the Digital Millennium Copyright Act (DMCA), which is a federal law that protects publishers, such as YouTube, as long as they follow specific "notice and take-down" procedures. We also consider the discord among copyright owners in the holding of this case and the burden that copyright owners may face.

Alicia M. Choi, editor

## Drafting Process Claims After *Bilski*: Applying the *Diehr-Benson-Flook* Principles Beyond the Machine-or-Transformation Test



Claims drafting will employ new or adjusted strategies in the wake of the US Supreme Court's decision in *Bilski v. Kappos*.<sup>1</sup> *Bilski* rejected the machine-or-transformation test as the exclusive test of

patentable subject matter, but maintained the machine-or-transformation test as one test. In situations where the machine-or-transformation test is not met, patent practitioners will seek to establish that their claims nevertheless recite patentable subject matter.

One further impact of the Supreme Court's decision is that there is great uncertainty about the viability of prior Federal Circuit case law. While the Supreme Court did not specifically disclaim any prior Federal Circuit precedent, it also did not endorse any.

Accordingly, rather than looking to Federal Circuit precedent, patent practitioners will need to scrutinize Supreme Court precedent. *Diehr*, *Benson* and *Flook*, in particular, provide principles that may assist in getting beyond the machine-or-transformation test.

### Principle 1: Solving a Practical Problem

The patent at issue in *Diamond v. Diehr*<sup>2</sup> involved a process for molding cured precision synthetic rubber products from raw, uncured synthetic rubber. The particular facts of *Diehr*, therefore, fall squarely within the "transformation" branch of the machine-or-transformation test.

What is easily overlooked is the broader issue that the Supreme Court decided. As Justice Rehnquist explained: "We granted certiorari to determine whether a process for curing synthetic rubber *which includes in several of its steps the use of a mathematical formula and a*

*programmed digital computer* is patentable subject matter under 35 U.S.C. §101" (emphasis added).

During prosecution of the claims, the examiner at the United States Patent and Trademark Office had based his rejection on the fact that the claims were carried out by a computer under control of a stored program. The Court of Customs and Patent Appeals (CCPA) eventually reversed the examiner's rejection noting that a claim, which is otherwise drawn to statutory subject matter, is not rendered unstatutory simply because a computer is involved.

In describing the CCPA's rationale, the Supreme Court noted an important distinction: "The respondent's claims were not directed to a mathematical algorithm or an improved method of calculation but rather recited an improved process for molding rubber articles by *solving a practical problem* which had arisen in the molding of rubber products"<sup>3</sup> (emphasis added). This seems to suggest the idea of appealing to a solution to a practical problem as one way of identifying patentable subject matter. There is at least a reasonable argument to be made that if a process solves a practical problem, it should constitute patentable subject matter, as opposed to being merely an abstract idea.

The key precedent upon which the *Diehr*'s decision hung was the following:

That a process may be patentable, irrespective of the particular form of the instrumentalities used, cannot be disputed. \* \* \* A process is a mode of treatment of certain materials to produce a given result. It is an act, or a series of acts, performed upon the subject matter to be transformed and reduced to a different state or thing. If new and useful, it is just as patentable as is a piece of machinery. In the language of the patent law, it is an art. The machinery pointed out as suitable to perform the process may or may not be new or patentable; whilst the process itself may be altogether new, and produce an entirely new result. The process requires that certain things

should be done with certain substances, and in a certain order; but the tools to be used in doing this may be of secondary consequence.  
*Cochrane v. Deener*, 94 U.S. 780, 787-788 (1876).<sup>4</sup>

**One may reasonably argue that a patentable process is defined as one or more acts performed on subject matter to be changed.**

The significance of this definition is that the patentability of a process does not hang on the machine or tools used. Thus, one may reasonably argue that a patentable process is defined as one or more acts performed on subject matter to be changed.

**Principle 2: Particular End Use**

Connected with the citation from *Cochrane*, *Gottschalk v. Benson*<sup>5</sup> explained: “Transformation and reduction of an article ‘to a different state or thing’ is the clue to the patentability of a process claim that does not include particular machines.” While this transformation may be connected with the machine-or-transformation test, the case also provided some indication of why the claims at issue in *Benson* were not directed to statutory subject matter. Specifically, the Court indicated that “[t]he claims were not limited to any particular art or technology, to any particular apparatus or machinery, or to any particular end use”<sup>6</sup> (emphasis added). The implication in the Court’s statement is that if the claims had been limited to a particular end use, they would apparently have been patentable subject matter.

**Principle 3: Integrating Process and Solution**

After *Benson* but before *Diehr*, the Supreme Court provided the particularly challenging precedent of *Parker v. Flook*.<sup>7</sup> The Court took the position that a claim arguably addressed to a particular end use was not directed to patentable subject matter. The Court recognized what many people doubtless are beginning to see is true: “The line between a patentable ‘process’ and an unpatentable ‘principle’ does not always shimmer with clarity.”<sup>8</sup>

The Court explained that its decision was consistent with the approach of considering a claim as a whole, stating that “[r]espondent’s process is unpatentable under §101 not because it contains a mathematical algorithm as one component, but because once that algorithm is assumed to be within the prior art, the application, considered as a whole, contains no patentable invention.”<sup>9</sup> The Court specifically defined algorithm to mean a “procedure for solving a given type of mathematical problem.”<sup>10</sup>

The Court appeared to focus on the idea that the entire “solution” in *Flook* was an algorithm – a different way of calculating a given type of mathematical problem. The lesson here is that care should be taken to avoid drafting claims that have the appearance of differing from the prior art only by using a different algorithm, the different algorithm having the same input and output as the prior art. In other words, to avoid a situation like *Flook*, the algorithm should be integrated, as much as possible, into the process and the solution so that even if the algorithm were assumed to be part of the prior art, the process would still be novel and nonobvious.

**Conclusion**

Undoubtedly, the primary approach for drafting claims going forward will be to attempt to make the claims fall within the machine-or-transformation test. However, for claims that do not naturally fall within the limits of that test for whatever reason, the above principles may help guide the drafter.

In particular, an emphasis on solving a particular practical problem with a particular end use identified, while integrating the process and solution together as much as possible, should help to assist the patent practitioner, both in obtaining an allowance of the claims and subsequently defending those claims against challenges in the course of litigation.

*Peter Flanagan, associate, Tysons Corner*

1. 95 USPQ2d 1001 (June 28, 2010).  
2. 450 US 175 (1981).  
3. 209 USPQ2d at 6.

4. *Id.* (ellipsis in original).
5. 409 US 63 (1972).
6. 175 USPQ at 674.
7. 437 US 584 (1978).
8. 198 USPQ at 197.
9. *Id.* at 199.
10. *Id.* at 195n1.

## Patentability of Software After *Bilski v. Kappos*



In *Bilski v. Kappos*,<sup>1</sup> the US Supreme Court held that the machine-or-transformation test<sup>2</sup> is not the sole test for determining whether a process is patentable subject matter under 35 USC §101. While the decision did not directly address patentability of software, the principles articulated in *Bilski* should be considered when drafting software claims. This article explores the *Bilski* decision from a

software perspective, and provides guidance for software claims in light of *Bilski*.

In *Bilski* the claims of the patent application were directed to a process of hedging against the risk of price changes for commodities in an energy market.<sup>3</sup> The patent examiner rejected all the patent application claims, and the Board of Patent Appeals and Interferences (BPAI) affirmed the patent examiner's decision. The Federal Circuit, *en banc*, affirmed the decision of the BPAI. The Federal Circuit rejected its prior test for determining whether a claimed invention was a patentable process under 35 USC §101, i.e., whether the claimed invention produces a useful, concrete, and tangible result, as articulated in *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*<sup>4</sup> and *AT&T Corp. v. Excel Communications Inc.*<sup>5</sup> The Federal Circuit further held that a claimed process is only patent-eligible under section 101 if: (1) it is tied to a particular machine or apparatus, or (2) it transforms a

particular article into a different state or thing (machine-or-transformation test).

After noting that Congress contemplated that the patent laws be given wide scope based on the plain language of section 101, the Supreme Court interpreted the term "process" in section 101. The Court rejected two categorical limitations on the term: (1) the machine-or-transformation test and; (2) the categorical exclusion of business method patents. The Court held that, while the machine-or-transformation test is a useful clue for determine whether an claimed invention is a "process" under section 101, the machine-or-transformation test is not the sole test for determining whether a claimed invention is a patent-eligible process. The Court further held that the plain and ordinary meaning of the Patent Act<sup>6</sup> allows for the inclusion of business methods as patentable subject matter. Nevertheless, the Supreme Court affirmed the Federal Circuit's decision, holding that the claims were directed to an abstract idea, which the Court identified was an exception to section 101's broad patent-eligible categories.<sup>7</sup>

The Supreme Court briefly discussed the patentability of software, indicating that it had previously held that a procedure for molding rubber that included a computer program was patentable subject matter. The Court also identified that the machine-or-transformation test would create uncertainty as to the patentability of software.

The Court's reliance upon an abstract idea analysis to determine the outcome strongly suggests that one should focus on whether a software claim merely describes an abstract idea, which would preempt use of the idea, or instead describes a practical application of the idea. Supreme Court and Federal Circuit precedents provide guideposts outlining the boundaries of unpatentable subject matter (abstract ideas), and patentable subject matter (practical applications of an idea).

The first guidepost, providing examples of unpatentable subject matter, includes the Supreme Court cases *Gottschalk v. Benson*<sup>8</sup> and *Parker v. Flook*.<sup>9</sup> *Benson* held

that a process of converting binary code to pure binary was not a patentable process under 35 USC §101. The Court characterized the claimed process as a mere variation of ordinary arithmetic steps a human could use to mentally convert the numerals, and as being so abstract and sweeping as to cover both known and unknown uses of the binary code to pure-binary conversion. Likewise in *Flook*, which held that a process of updating alarm limits using a mathematical algorithm was not a patentable process under section 101, the Court characterized the adjustment of an alarm limit to a figure computed according to the mathematical algorithm as “post-solution” activity, and held that post-solution activity cannot transform an unpatentable abstract idea into a patentable process.

***The Court did not hold that software must be tied to a particular structure or perform a function of transforming an article to a different state to constitute patentable subject matter, but merely that such a tying or transformation is an example of a practical application of an idea.***

The second guidepost, providing examples of patentable subject matter, includes the Supreme Court case *Diamond v. Diehr*<sup>10</sup> and the Federal Circuit case *In re Allapat*.<sup>11</sup> *Diehr* held that a claimed process for molding synthetic rubber products utilizing an algorithm was patentable subject matter. The Supreme Court stated that, unlike the claimed process in *Benson*, where the sole purpose of the algorithm was the programming of a general purpose digital computer, and unlike the claimed process in *Flook*, where the sole purpose was to compute a number which represented an “alarm limit,” the algorithm in the claimed process of *Diehr* implemented the formula in a structure or process which performed a practical function, such as transforming or reducing an article to a different state or thing. The Court did not hold that software must be tied to a particular structure or perform a function of transforming an article to a different state to constitute patentable subject matter, but merely that such a tying or transformation is an example of a practical application of an idea.

Furthermore, in *Allapat* the Federal Circuit stated that *Benson*, *Flook* and *Diehr* did not create a fourth category of subject matter excluded from section 101 (i.e., algorithms) but merely explained that certain types of algorithms represent nothing but abstract ideas until reduced to some type of practical application. Applying this principle, the Federal Circuit held that the claimed invention was directed to a combination of interrelated elements which combined to form a machine that performed a specific function, as opposed to an abstract idea.

Therefore, in drafting a software claim, one should draft the claim to position it somewhere between the two guideposts delineating patentable subject matter and unpatentable subject matter. In other words, the claim should be drafted so that it can be fairly characterized as a practical application of an idea rather than a mere abstract idea. In *Bilski* the Supreme Court articulated that one way of positioning this claim between the two guideposts is to tie the claim to a particular machine or recite a transformation of underlying subject matter to a different state or thing.<sup>12</sup> However, the Court also articulated that there are other ways to draft the claim so that it is directed to a practical application rather than an abstract idea, although the Supreme Court gave little guidance on how to draft the claim. Thus, a patent drafter should draft the software claim carefully not to be so overbroad that the software claim can be characterized as an abstract idea, and to ground the claim in an appropriate context that makes clear the software claim is directed to a practical application.

*Keith Mullervy, associate, Tysons Corner*

1. 561 US \_\_\_\_ (2010).
2. The machine-or-transformation test was first articulated by the Court of Appeals for the Federal Circuit in *In re Bilski*, 545 F.3d 943 (Fed Cir. 2008).
3. Claim 1 entailed “managing the consumption risk costs of a commodity sold by a commodity provider at a fixed price” and consisted of the following steps:
  - (a) initiating a series of transactions between said commodity provider and consumers of said commodity wherein said consumers purchase said commodity at a fixed rate based upon historical averages, said fixed rate corresponding to a risk position of said consumers;
  - (b) identifying market participants for said commodity having a counter-risk position to said consumers; and

- (c) initiating a series of transactions between said commodity provider and said market participants at a second fixed rate such that said series of market participant transactions balances the risk position of said series of consumer transactions.
- 4. 149 F.3d 1368, 1373 (Fed. Cir. 1998).
- 5. 172 F. 3d 1352, 1357 (Fed. Cir. 1999).
- 6. Specifically, the Supreme Court referred to 35 USC §100(b) (“[t]he term ‘method,’ which is within § 100(b)’s definition of ‘process,’ at least as a textual matter ... may include at least some methods of doing business.”) and 35 USC §273 (“Under 35 U.S.C. § 273(b)(1), if a patent-holder claims infringement based on ‘a method in [a] patent,’ the alleged infringer can assert a defense of prior use. For purposes of this defense alone, ‘method’ is defined as ‘a method of doing or conducting business...’” In other words, by allowing this defense the statute itself acknowledges that there may be business method patents.”) in support of its position that the term “process” includes at least some business methods. See slip opinion of *Bilski v. Kappos* at page 10 (citations omitted).
- 7. The three judicially created exceptions to patentable subject matter are: (1) laws of nature; (2) physical phenomena; and (3) abstract ideas. *Diamond v. Chakrabarty*, 447 U.S. 303, 309 (1980).
- 8. 409 US 63 (1972).
- 9. 437 US 584 (1978).
- 10. 450 US 175 (1981).
- 11. 33 F.3d 1526 (Fed. Cir. 1994).
- 12. In light of the United State Patent and Trademark Office’s Interim Guidance for Determining Subject Matter Eligibility, issued July 27, 2010, (Guidance) which indicated that compliance with the machine-or-transformation test is a factor to be considered in determining whether a claim is directed to an abstract idea, tying the claim to a particular machine or drafting the claim to recite a transformation of underlying subject matter to a different state or thing may be the simplest way to position this claim between the two guideposts. See United States Patent and Trademark Office, Interim Guidance for Determining Subject Matter Eligibility for Process Claim in view of *Bilski v. Kappos*, July 27, 2010. This article takes no position on whether the Guidance correctly reflects the holding of *Bilski*.

## Keyword Advertising: Can You Really Protect Your Brand and Revenue In Cyberspace?



The Internet has revolutionized how businesses advertise. Search engines have developed highly effective products, such as Google AdWords®

(and Keyword Tool), that enable advertisements to be shown to Internet users who enter search terms related to a particular product or even when the user enters a trademark as a search term. Online advertising is now recognized as an essential component of any major advertising campaign. But this new advertising strategy faces an uncertain legal landscape, third parties’ use of trademarks and continual threats to a business’ control over its brand. Implementing a strategy to hedge against these threats is not only good for the bottom line, it is necessary to protect a business’ brand.

### What Is Keyword Advertising?

Keyword advertising allows businesses to target their audience based on the words used in every Internet search. The advertising strategy begins with the purchase of terms (the keywords), which can be a single word or a phrase. Once a keyword is purchased, its inclusion in an Internet search will trigger the purchaser’s advertisement to appear in the search results page. For example, the owner of a shoe store may purchase the keyword “sneaker” to ensure that her advertisement appears every time someone types “sneaker” and clicks “search.”

### The Risks Involved

Keyword advertising presents several possible dangers to businesses because, at its core, this form of advertising is largely unregulated. Currently, keyword advertisers may purchase generic terms as well as a third party’s trademarked terms and brand names. In fact, keyword advertising tools recommend keywords for advertisers to

purchase – including the names of other businesses’ brands and trademarks.<sup>1</sup> For example, entering “sneaker” into a popular keyword advertising tool results in a suggestion for the advertiser to purchase the keyword phrase “air force one sneakers” – Air Force 1 is a branded line of Nike basketball sneakers. Purchase of this keyword would allow the advertisement of a competitor not selling Nike shoes or a counterfeiter of Nike products to appear on a search results page with Nike and its authorized distributors. Search engines – and the law – place no limits on who can purchase trademarks or brand name terms as keywords, and leave it to advertisers to police themselves. This scenario presents a potential hotbed for unfair business practices that can direct a consumer away from the owner or authorized user of a brand or trademark.

***It remains unsettled whether the use of a trademarked term in keyword advertising creates a likelihood of confusion.***

The infinite keyword advertising strategies present new legal issues that are making their way through the courts; most notably, whether keyword purchasing and advertising constitutes trademark infringement. US courts have struggled with this question while focusing on two key elements of trademark infringement: (1) whether the sale of a trademarked term as a keyword is a “use in commerce” under the Lanham Act and (2) whether the use of a trademarked term as a keyword is likely to cause confusion.

Most courts hold that sale of a trademarked term qualifies as a trademark “use in commerce.” The Second Circuit’s *Rescuecom Corp. v. Google, Inc.* decision is a seminal case on this issue. Prior to *Rescuecom* the Second Circuit held that a computer program generating pop-up advertising based on the terms typed into an Internet browser’s address bar was not a use in commerce.<sup>2</sup> In an apparent about-face, *Rescuecom* found that the display, offer and sale of a trademarked term by Google’s AdWords® and Keyword Tool programs is a “use in commerce.”<sup>3</sup> Courts following *Rescuecom* would likely find that an advertiser’s purchase of a trademarked term from

programs such as Google’s AdWords® qualifies as a “use in commerce.”

It remains unsettled whether the use of a trademarked term in keyword advertising creates a likelihood of confusion. Plaintiffs in trademark infringement actions involving keyword advertising often attempt to fulfill the likelihood of confusion element by relying on the “Initial Interest Confusion” doctrine. Under this doctrine, although the consumer is not confused in the end, a plaintiff suffers harm because the consumer was initially confused (and often frustrated) and “walked through the door” as a result of that initial confusion.<sup>4</sup> For example, a consumer runs an Internet search for “X,” company X’s trademark. Company Y has purchased “X” as a keyword. When the consumer reviews her search results, she clicks on an advertisement for Company Y. She is taken to company Y’s website where she buys a product that competes directly with company X’s product. While not confused when the purchase is finally made, confusion led the consumer to Y’s website because company Y used company X’s trademark. The result is a lost sale for company X because it did not have control over its trademark. This pattern can repeat unchecked and result in significant losses.

Some courts<sup>5</sup> hold that the Initial Interest Confusion doctrine may not be appropriate in the online context because Internet users are accustomed to “false starts” and can easily hit the browser back button. Other courts hold that Initial Interest Confusion can form the basis of a trademark infringement claim. In *Hearts on Fire Company, LLC v. Blue Nile, Inc.*, for example, the US District Court for the District of Massachusetts found that Blue Nile’s purchase of the “Hearts on Fire” trademark as a keyword, which triggered Blue Nile’s advertisement together with the search engine’s “natural” results, alleged trademark infringement based on Initial Interest Confusion.<sup>6</sup>

**How Can Brand Owners Protect Their Marks Online?**

The case law governing trademark infringement in keyword advertising will likely remain unsettled until specific laws are enacted. Until then, brand owners should be vigilant

and police the use of their marks by others. A recent decision from the US District Court for the Eastern District of Virginia provides a cautionary tale. In *Rosetta Stone Ltd. v. Google, Inc.*, Rosetta Stone filed a trademark infringement suit against Google over AdWords®. The court held that selling Rosetta Stone's trademarks as keywords does not create "a likelihood of confusion" as to the origin of Rosetta Stone's products and entered summary judgment in favor of Google. Divergent opinions are likely to continue in this area of the law.

To protect revenue and brand recognition, businesses should take a multifaceted approach to protecting their trademarks. First, mark owners should monitor their marks' use on the Internet. When owners note improper uses, they should utilize the search engine's complaint process and explain how the advertisement confuses users about the origin of their advertised goods or services. Second, mark owners may wish to bid on their own marks.<sup>7</sup> This will allow a business to control its brand. Third, mark owners should contact parties improperly using their marks and, if necessary, consider filing a lawsuit in a jurisdiction where favorable law exists. Brand owners should take these practical steps to protect their valuable marks on the Internet – at least until the courts get on the same page or legislation is passed to address the use of trademarks in keyword advertising.

*Xavier M. Brandwajn, associate, Palo Alto*

*Barry D. Brown, Jr., associate, Palo Alto*

*Joseph P. Grasser, associate, Palo Alto*

1. *Rescuecom Corp. v. Google, Inc.*, 562 F.3d 123, 126 (2d Cir. 2009).
2. *1-800 Contacts, Inc. v. WhenU.com, Inc.*, 414 F.3d 400, 412 (2d Cir. 2005).
3. See *Rescuecom*, 562 F.3d at 127-130.
4. See, e.g., *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, 174 F.3d 1036, 1061-66 (9th Cir. 1999); *Mobil Oil Corp. v. Pegasus Petroleum Corp.*, 818 F.2d 254, 257-58 (2d Cir. 1987).
5. E.g., *Chatam Int'l v. Bodum, Inc.*, 157 F.Supp.2d 549, 559 (E.D. Pa. 2001).
6. *Hearts on Fire Company, LLC v. Blue Nile, Inc.*, 603 F.Supp.2d 274, 288 (D. Mass. 2009).
7. Most search engines and Internet Service Providers have their own trademark complaint policy that will allow a brand owner to register complaints for misuse of a trademark. See, e.g., [https://services.google.com/inquiry/aw\\_tmcomplaint](https://services.google.com/inquiry/aw_tmcomplaint).

## A Service Provider Is Not Required to Be an Investigator: Service Provider Duties Under the Safe Harbor Provisions of the Digital Millennium Copyright Act



Google and its April Fools' Day Joke were showcased in our Spring 2010 *Intellectual Property Update*. Google, through its independent subsidiary YouTube, is back in this edition – not with a joke but a victory. On June 23, 2010 its motion for summary judgment was granted in *Viacom Int'l Inc.*

*v. YouTube, Inc.*<sup>1</sup>, and Viacom's lawsuit for direct and secondary copyright infringement was dismissed. Google's vice president and general counsel called the decision "an important victory not just for [Google] but also for the billions of people around the world who use the web to communicate and share experiences with each other." Viacom's executive vice president, general counsel and secretary called the decision disappointing and stated: "Copyright protection is essential to the survival of creative industries. It is and should be illegal for companies to build their businesses with creative material they have stolen from others." Viacom is confident it will prevail on appeal.

In its motion for summary judgment, YouTube argued that it was protected by the safe harbor provisions of the Digital Millennium Copyright Act (DMCA) against all of Viacom's copyright infringement claims because it had insufficient notice of the specific infringements in the case. Viacom filed a cross-motion for partial summary judgment arguing that YouTube was not protected by the safe harbor provisions because: (1) YouTube had actual knowledge and was aware of the facts and circumstances from which the infringing activity was apparent and failed to act expeditiously to stop it; (2) YouTube received a financial benefit directly attributable to the infringing activity and had the right and ability to control the infringing activity; and (3) YouTube's "infringement does not result solely from

providing 'storage at the direction of a user' or any other Internet function specified by section 512."

At the outset the court recognized that YouTube operates a website onto which users may upload video files. YouTube copies and formats those files and makes them available for viewing at the website. Therefore, under the definition of a service provider in 17 USC §512(k)(1)(B), "a provider of online services or network access, or facilities therefore," YouTube was a service provider for the purposes of 17 USC §512(c), the safe harbor provisions of the DMCA.

**To mandate simply a general knowledge would impose a burden and responsibility on the service provider which was not the purpose of the DMCA.**

While the court acknowledged there was sufficient evidence to find that YouTube was generally aware of infringement and even welcomed infringing material being placed on its website, YouTube had designated an agent for notices of infringement and it acted swiftly to remove the material when it received specific notices of infringement. This was the case when it received the notice from Viacom. With the institution of these measures, namely, the agent designation and YouTube's swift actions YouTube could shield itself from liability under the safe harbor provisions of section 512(c) of the DMCA. However, the crucial question the court faced here was whether those safe harbor provisions required that YouTube possess either a general awareness that there were infringements or "actual or constructive knowledge of specific and identifiable infringements of individual items" in order to act. In considering the applicable knowledge standard, the court undertook a detailed review of the legislative history of the DMCA including Senate and House Committee Reports. Based on the tenor of the reports and the instructive explanation of the need for specificity in the reports, the court held that mere knowledge of a prevalence of infringing activity in general was insufficient. Rather, based on the legislative history,

actual knowledge of specific and identifiable infringements was required. To mandate simply a general knowledge would impose a burden and responsibility on the service provider which was not the purpose of the DMCA.

In addition to the legislative history, the court found support in the decisions of other courts. Specifically, in *Perfect 10, Inc. v. CCBill LLC*<sup>2</sup> the appellate court stated that the burden of policing copyright infringement and of identifying and documenting such infringement was "squarely on the owners of the copyright" and the appellate court refused to shift that burden to the service provider or to impose investigative duties on the service provider. The appellate court found the language of Section 512(m) explicit: "it shall not be construed to condition 'safe harbor' protection on 'a service provider monitoring its service or affirmatively seeking facts indicating infringing activity.'" The New York court agreed. Moreover, as demonstrated by YouTube's prompt actions in response to the complaint from Viacom, the New York court recognized that the notice and take-down provisions of the DMCA work efficiently. YouTube had removed virtually all of the infringing material within one business day of receipt of Viacom's notice. As additional support, the court borrowed from the decisions in *Corbis Corp. v. Amazon.com, Inc.*<sup>3</sup> and, by analogy, *Tiffany (NJ) Inc. v. eBay Inc.*<sup>4</sup>, a trademark case involving counterfeits, and found that the safe harbor provisions of the DMCA are "clear and practical." It held that a service provider must promptly remove infringing material if it knows (from a notice of the copyright owner or a red flag) of specific instances of infringement. Otherwise, the burden is on the copyright owner to identify the infringement. The court emphasized that "[g]eneral knowledge that infringement is 'ubiquitous' does not impose a duty on the service provider to monitor or search its service for infringements."

Turning to Viacom's cross-motion, the court discounted many of Viacom's arguments. While Viacom appeared to rely heavily on *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*<sup>5</sup> which involved a peer-to-peer file sharing network, the court summarily rejected reliance on this case

and other similar cases because Grokster's peer-to-peer file sharing model is not even covered by the safe harbor provisions of the DMCA. The court also discounted Viacom's other arguments and attempts to exclude YouTube from the refuge of the safe harbor provisions: (1) stating that Viacom read various language regarding the word "storage" in the safe harbor provisions too narrowly; (2) explaining that a financial benefit attributable to an infringing activity was conditioned on the right and ability to control that activity which also required the item-specific knowledge of that activity (absent in this case); (3) rejecting Viacom's contention that YouTube's policy of terminating a user after warning was not reasonably implemented; and (4) rejecting Viacom's argument that it could provide a representative list of multiple copyrighted works which have been infringed as eviscerating the specificity required in a notice.

Not surprisingly, this decision has received mixed reviews. While Internet users, companies which provide goods and services similar to YouTube and virtual worlds alike would find this ruling to be good news and a confirmation that they are not required to undertake policing efforts on behalf of copyright owners others, including the Recording Industry Association of America and The Director's Guild, view this as a clear misreading of the law resulting in an increased burden on copyright owners. With these mixed reviews, the decision seemingly strikes discord with copyright owners and their representatives and brings imbalance to the balance Congress intended to create with the DMCA. Not only does it appear to give Google and others a reason not to employ filtering technology but, equally important, some see this as a significant burden on copyright owners – a burden that undermines the rights of artists in every form and strips away the incentives they have to invest time, energy and thought into a copyrighted creation. Indeed, in the aftermath many believe this ruling will stifle the creation of new content, something Congress strived to avoid with the DMCA. Viacom appealed this decision on August 9, 2010. Therefore, there is surely more to come with respect to this copyright controversy and the safe harbor provisions of the DMCA.

*Alisa C. Key, of counsel, Tysons Corner*

1. No. 07 Civ. 2103 (S.D.N.Y. June 23, 2010).
2. 488 F.3d 1102 (9th Cir. 2007).
3. 351 F.Supp.2d (1090) (W.D. Wash. 2004).
4. 600 F.3d 93 (2d Cir. April 2010).
5. 545 US 913 (2003).

## Expanding Our Intellectual Property Practice in California

Patent trial lawyer **Gerald P. Dodson** and patent lawyer **Carol A. Schneider**, Ph.D. recently joined the Squire Sanders Intellectual Property Practice Group and will be resident in the San Francisco office.



Mr. Dodson has focused on intellectual property and patent litigation – particularly in the life sciences – since first entering private practice more than 20 years ago. As one of the most highly regarded patent trial lawyers in the United States, he has represented businesses in a wide range of industries, with trials and disputes covering biotechnology, medical device, optical, and electronic hardware and software technologies. Mr. Dodson has been recognized as a top intellectual property lawyer by *Chambers USA: America's Leading Lawyers for Business*, *Chambers Global: The World's Leading Lawyers for Business*, *PLC Which lawyer?* and *The Best Lawyers in America*.



Dr. Schneider's practice focuses on intellectual property matters in the life sciences. She has extensive experience in patent drafting, prosecution and evaluation in the fields of biotechnology and pharmaceutical inventions including drug delivery. Dr. Schneider handles patent prosecution from conception to completion including helping clients to establish patent goals and set patent policy, preparing and prosecuting

patent applications, preparing opinion letters, negotiating legal rights with other entities and litigating patents from both an offensive and defensive position.

Intellectual property practice co-leader David S. Elkins said that Mr. Dodson's and Dr. Schneider's respective backgrounds and experience expand the firm's life sciences practice in biotechnology.

"Jerry is one of the most highly regarded patent trial lawyers in the United States. His track record of success – particularly in the biotech patent litigation arena – is rare and difficult to match. Carol, who has a doctorate in molecular and cellular biology, adds her genomics expertise to the firm's already strong life sciences IP portfolio," Mr. Elkins said.

## Contributor Profiles

### Editor



**Alicia M. Choi** focuses her practice on the area of patent law. Her work includes preparing and prosecuting utility patent applications in the areas of electrical and computer engineering including information technology, software systems, wireless communication, medical diagnostic devices, semiconductors, analog and digital circuitry, and consumer electronics such as optical storage media and audio devices for US and international clients. Her experience also includes conducting novelty, patentability, invalidity and infringement analyses for various electrical devices and systems. Before entering the practice of law, Ms. Choi was a lead engineer for Rockwell Automation where she was involved in the integration of various programmable controllers and electronic operators.



**Xavier M. Brandwajn** focuses his practice on intellectual property litigation and complex business litigation, principally for international clients. Mr. Brandwajn has experience representing high technology clients in disputes concerning patent and trademark infringement, trade secret misappropriation, unfair business practices and a variety of business torts in federal and state courts.



**Barry D. Brown** focuses his practice on high-stakes intellectual property and commercial litigation related to high technology. He has represented clients in matters before federal and state courts. Mr. Brown has experience in many aspects of intellectual property law and has handled trade secret, patent, copyright and trademark litigation cases. He handles significant matters for entities ranging from innovative Silicon Valley startups and their founders to established industry leaders.



**Peter Flanagan** focuses his practice on intellectual property matters. He has assisted clients in patent prosecution as well as in intellectual property litigation, including patent and copyright litigation. Mr. Flanagan has counseled clients regarding intellectual property portfolios and has helped clients analyze infringement and validity of US patents. He has prosecuted hundreds of patent applications in a broad spectrum of technologies, including computer hardware and software, control systems, communications systems, power electronics, electrochemical devices, semiconductors, mechanical systems, industrial systems and medical devices.



**Joseph P. Grasser** focuses his practice on federal and state court litigation including intellectual property matters and insurance coverage disputes. His experience includes discovery and dispositive motion practice as well as trial preparation in defending an insurance company against the manufacturer of asbestos-containing products in litigation concerning coverage for hundreds of thousands of bodily injury claims spanning three decades.

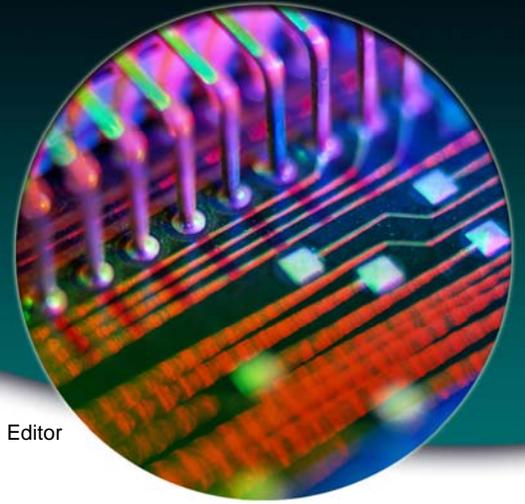


**Alisa C. Key** focuses her practice on all areas of trademark law including trademark, copyright and domain name counseling as well as trademark prosecution and enforcement in US and non-US arenas. She assists clients in the clearance, acquisition and licensing of trademark, copyright and other IP rights, the management of worldwide trademark portfolios, due diligence in corporate transactions, and the design and implementation of policies and guidelines for the proper

procurement, use, protection and enforcement of trademark rights. Ms. Key is experienced in actions involving trademark and trade dress infringement, rights of publicity, domain names, dilution, the seizure of counterfeit goods and unfair competition before federal and appellate courts, arbitration tribunals and the Trademark Trial and Appeal Board of the USPTO.



**Keith Mullervy** focuses his practice on intellectual property matters with a focus on patent prosecution. His experience includes patent preparation and prosecution in several technologies including wireless communication systems, computer software, automotive systems, robotics, mechanical systems, imaging systems and radiation detection systems. Prior to law school, Mr. Mullervy worked in the information technology industry as a software developer and systems analyst for several consulting companies.



## Squire Sanders Intellectual Property Practice

**David S. Elkins**  
Intellectual Property  
Practice Group Co-Leader  
Palo Alto  
+1.650.843.3378  
delkins@ssd.com

**Nathan Lane III**  
Intellectual Property  
Practice Group Co-Leader  
San Francisco  
+1.415.954.0249  
nlane@ssd.com

**Alicia M. Choi**  
Intellectual Property Update Editor  
Tysons Corner  
+1.703.720.7896  
amchoi@ssd.com

**Majid AlBassam**  
Tysons Corner  
malbassam@ssd.com

**Douglas H. Goldhush**  
Tysons Corner  
dgoldhush@ssd.com

**Eligiusz J. Krzesniak**  
Warsaw  
ekrzesniak@ssd.com

**David T. Miyamoto**  
Los Angeles  
dmiyamoto@ssd.com

**Steven Skulnik**  
New York  
sskulnik@ssd.com

**Olga M. Bezrukova**  
Moscow  
obezrukova@ssd.com

**Barry S. Goldsmith**  
Tysons Corner  
bgoldsmith@ssd.com

**Zhaoyang Li (Paul)**  
Los Angeles  
San Francisco  
Shanghai  
zli@ssd.com

**Norman L. Morales**  
San Francisco  
nmorales@ssd.com

**Alex D. Starkovich**  
Phoenix  
astarkovich@ssd.com

**Xavier M. Brandwajn**  
Palo Alto  
xbrandwajn@ssd.com

**Joseph P. Grasser**  
Palo Alto  
jgrasser@ssd.com

**Qun (Helen) Liu**  
San Francisco  
qliu@ssd.com

**A.J. Moss**  
Phoenix  
amoss@ssd.com

**Masao Yoshida**  
Tokyo  
myoshida@ssd.com

**Barry D. Brown**  
Palo Alto  
bbrown@ssd.com

**Gloria M. Gusler**  
Palo Alto  
San Francisco  
ggusler@ssd.com

**Lucius L. Lockwood**  
Phoenix  
llockwood@ssd.com

**Keith Mullervy**  
Tysons Corner  
kmullervy@ssd.com

**Philip Zender**  
San Francisco  
pzender@ssd.com

**Nicholas Chan**  
Hong Kong  
Shanghai  
nchan@ssd.com

**James M. Hall**  
Palo Alto  
jmhall@ssd.com

**Mark Lupkowski**  
Houston  
San Francisco  
mlupkowski@ssd.com

**Colter Paulson**  
Cincinnati  
cpaulson@ssd.com

**Song Zhu**  
Palo Alto  
San Francisco  
Beijing  
szhu@ssd.com

**Brad Y. Chin**  
Tysons Corner  
bchin@ssd.com

**Kanako Inokuchi**  
Tokyo  
kinokuchi@ssd.com

**Richard L. Mattiaccio**  
New York  
rmattiaccio@ssd.com

**James L. Reed**  
Palo Alto  
San Francisco  
jreed@ssd.com

**Francesca E. Crisera**  
San Francisco  
fcrisera@ssd.com

**Masazumi Kano**  
Tokyo  
mkano@ssd.com

**Christopher D. Mays**  
Palo Alto  
cmays@ssd.com

**David E. Rogers**  
Phoenix  
drogers@ssd.com

Beijing  
Bratislava  
Brussels  
Budapest  
Caracas  
Cincinnati  
Cleveland  
Columbus  
Frankfurt  
Hong Kong  
Houston  
Kyiv  
London  
Los Angeles  
Miami  
Moscow  
New York  
Palo Alto  
Phoenix  
Prague  
Rio de Janeiro  
San Francisco  
Santo Domingo  
São Paulo  
Shanghai  
Tallahassee  
Tampa  
Tokyo  
Tysons Corner  
Warsaw  
Washington DC  
West Palm Beach

**Gerald P. Dodson**  
San Francisco  
gdodson@ssd.com

**Cameron K. Kerrigan**  
San Francisco  
ckerrigan@ssd.com

**Caroline H. Mead**  
San Francisco  
cmead@ssd.com

**Bernard F. Rose**  
San Francisco  
brose@ssd.com

**Peter Flanagan**  
Tysons Corner  
pflanagan@ssd.com

**Alisa C. Key**  
Tysons Corner  
akey@ssd.com

**Joseph A. Meckes**  
San Francisco  
jmeckes@ssd.com

**Carol A. Schneider**  
San Francisco  
cschneider@ssd.com

**Adam R. Fox**  
Los Angeles  
afox@ssd.com

**Joon Y. Kim**  
Tokyo  
Los Angeles  
jkim@ssd.com

**Shigeru Miki**  
Tokyo  
smiki@ssd.com

**Beth Seals**  
San Francisco  
bseals@ssd.com

**Victor Genecin**  
New York  
vgenecin@ssd.com

*The contents of this newsletter are not intended to serve as legal advice related to individual situations or as legal opinions concerning such situations. Counsel should be consulted for legal planning and advice.*

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