Protecting Your Intellectual Property by Staying Informed and Knowing Your Options

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Effective intellectual property use can often involve choices concerning where and how to protect intellectual property, in what forum to enforce a business's rights, or what intellectual property to use, or not use, to steer clear of infringement. Understanding the ramifications of various choices enables a business to make sound, informed decisions concerning intellectual property matters. We highlight three examples in this article, each concerning one of the three primary types of intellectual property—patents, trademarks and copyrights. Part A discusses making an informed choice of forum for enforcing a patent. Part B explains the complex network of choices for protecting trademarks in today's global economy. Part C highlights a recent Supreme Court decision upholding Congress' resurrection of numerous foreign works from the public domain and gives guidance concerning enforcement of rights in, and avoidance of infringement of, restored works.

A. The International Trade Commission ("ITC") or the Federal Court: Which Forum Is Best for Patent Owners?

The ITC—The International Trade Commission offers an administrative proceeding in which the sole remedy the Complainant (Plaintiff) can obtain is an Exclusionary Order, *i.e*. countrywide permanent injunction. The Exclusionary Order prevents importation of a patented product or a product made by patented process, even though the process was performed outside the United States. The ITC is an *in rem* proceeding and not an *in personam* proceeding so that it can reach foreign companies not otherwise subject to Federal Court jurisdiction. Its jurisdictional basis is 19 U.S. C. § 1337, or 337 proceeding in short. There are three additional distinct differences between an ITC proceeding and a Federal Court proceeding for patent infringement:

- The ITC is a three party proceeding:
  - i. The Complainant;
  - ii. The Respondent;
  - iii. The Office of Unfair Import Investigations ("OUII"), which looks after the public interest.
- The ITC can only prevent the importation of a product into the United States. If a product is made in the United States, the ITC has no jurisdiction.
- The patent owner must have a "domestic industry" in the subject matter of the patent in suit.

While the threshold for domestic industry is low, holding companies or non-practicing entities are not candidates for the ITC unless they license United States manufacturers who practice patents which are the subject of the 337 action.

United States Federal Courts—Patent actions are brought in the District Courts of the United States. Personal jurisdiction is required over the Defendant and venue must be properly laid for the action to be sustained. Under recent decisions interpreting the sufficiency of complaints, a prudent patent owner who sues in the Federal Court should not only allege ownership of the patent, but describe in some detail how the Defendant is infringing the patent and then ask for the desired relief. A patent owner who relies solely on Federal Form 18 to plead ownership of the patent and that the Defendant is engaged in infringing acts is likely to be subject to a Motion to Dismiss for Failure to State a Claim. The Federal Courts cannot reach a foreign Defendant, unless it is subject to the court's jurisdiction by virtue of doing business in the United States or is otherwise engaged in acts which subject it to the "Stream of Commerce" kind of cases.

Damages—Only the Federal Court can award damages for patent infringement. Thus, one reason to bring a Federal District Court proceeding is to seek damages rather than the Injunctive Relief the ITC offers. However, at the time the ITC complaint is filed, a parallel District Court proceeding may also be filed. Such a District Court action would, on application by the Respondent(s), be stayed pending the outcome of the ITC case. It is also possible to bring a later District Court action for damages after a successful ITC proceeding.

Domestic Industry—While the threshold to show a Domestic Industry in the subject matter of the patent is fairly minimal, there are some unsettled questions as to what constitutes a Domestic Industry. It is clear that if the patent owner is manufacturing product covered by the patent, there is a Domestic Industry. Difficulties arise when the patent owner has not manufactured, offered for sale or sold infringing product in the United States, but has begun substantial activities toward that end. Leasing land, building a plant and/or hiring executives as a prelude to sales have generally been found to satisfy the Domestic Industry requirement. There is some case law to the effect that significant litigation expenses directed toward forcing or assisting a licensing program may constitute a “Domestic Industry.” There is also uncertainty about whether a Domestic Industry is established by a patent owner who has the components of the patented products manufactured outside the United States and merely assembles the finished product in the United States. The extent of the assemblage is a relevant factor as is the nature of the components. Surely, a patent owner would present a strong argument for “Domestic Industry” if the patented product was made up of a novel combination of readily available components so that it did not make economic sense for the patent owner to actually manufacture the components when they could be more readily and less expensively obtained from existing sources. If all the assemblage of the product took place in the United States, that activity will probably be sufficient to constitute a Domestic Industry.

Choosing Between the Two Forums—When weighing the pros and cons of an ITC 337 action versus a Federal District Court infringement suit, the overriding considerations are: 1) injunctive relief versus damages; 2) is the allegedly infringing product being imported into the United States as opposed to being domestically produced; and 3) does the patent owner have a domestic industry in the patented subject matter?

Since the ITC only grants Injunctive Relief by issuing an exclusionary order, the four-prong test (likelihood of success, irreparable injury, balancing the equities and the public interest) is not applied at the ITC. While the ITC cannot grant damages for patent infringement, the patent owner is not precluded from either bringing a parallel District Court action for patent infringement which would be stayed pending the ITC decision or bringing a subsequent District Court action, if successful at the ITC, to collect damages.

Types of Relief at ITC—The most common Order the ITC grants is a Limited Exclusionary Order, which precludes a Respondent from importing the infringing product. A General Exclusionary Order may be granted when the importation is shown to be so widespread that a Limited Exclusionary Order would be ineffective. The General Exclusionary Order precludes product which is alleged to infringe from importation, regardless of the source. A Cease and Desist Order is issued to a U.S. distributor or other party which has an inventory of infringing product. A Cease and Desist Order freezes the inventory and could, under appropriate circumstances, result in destruction of the inventory.

ITC Is a Rocket Docket—The ITC is a “rocket docket” type of proceeding, but of course one can find rocket dockets in a number of District Courts. Thus, the rapidity of the action can be an important strategic factor, but it is really the ability to get rapid Injunctive Relief that can be the overriding consideration in using the ITC, assuming that importation of the infringing product is occurring or likely to occur and that the patent owner has a domestic industry in the patented subject matter.

Additional ITC Advantages—While the new AIA legislation has created District Courts where presumably one can obtain a District Court judge experienced in patent matters, the Administrative Law Judges, (“ALJs”) at the ITC are all patent savvy and present a better opportunity to ensure that your patent matter will be heard by a judge conversant with the technology or not afraid to learn it. At the ITC, delaying tactics are very difficult, so the patent owner can be sure of a fairly rapid conclusion, rarely more than 18 months. The ITC schedule is set in an initial conference among the parties and fixes a date for the ALJ to issue his Initial Determination (“ID”), as well as the date for the Commission to render its decision on an appeal from the ALJ’s ID. While discovery, motions and other dates set between the institution of the proceeding and the trial may be adjusted slightly, the trial date and the date for issuance of the ID almost never move. In contrast in the District Courts, except for a few rocket dockets, dates are frequently moved and Defendants can engage in various delaying tactics which may not be in the best interest of the patent owner.

Summary—The ITC vs. the Federal District Courts requires balancing Injunctive Relief vs. Damages (which can be obtained later in a Federal Court Proceeding). But the ITC is only available as a forum when there is importation of a product (which is to be enjoined/precluded) and there is a “Domestic Industry” in the subject matter of the patent.

B. Protecting Trademarks in the Global Arena: An Array of Options for the U.S. Trademark Owner

Businesses planning to expand the global reach of distribution of their branded goods and services also need to plan for the expansion of international protection of their trademarks. There are several ways for U.S. trademark owners to secure international protection, each with its own advantages and drawbacks. Securing the best and most efficient protection in the jurisdictions where it is needed requires knowledge and consideration of all available methods and the pros and cons of each.

All international trademark protection is based on a “territorial” theory of international law under which a “trademark” only exists in jurisdictions where it is protected (either by registration or, in some cases, actual use) and that protection does not extend beyond the borders of those jurisdictions. There is a possible exception for "well-known" marks, which may be entitled to some protection in jurisdictions where they are famous under a widely subscribed multi-lateral treaty known as the "Paris Convention." However, most trademarks will not have sufficient "fame" to merit this protection.

Thus, initially, those guiding the international expansion of a brand need to be sure that protection is in place when and where it is needed. Ideally, that is before goods or services begin to flow to a new jurisdiction. A business should evaluate where it expects to be expanding over the next three to five years and begin the process of getting protection in place. Where popular brands with obvious expansion potential are involved it is advisable to look even farther into the future. Otherwise, a business may find that some enterprising, but unscrupulous, person has already registered its brand in one or more target jurisdictions in the hope of realizing a profit from sale of the mark to the "legitimate" trademark owner.

If possible, a business should seek international protection within six months of filing its U.S. trademark application. That is because the Paris Convention, referred to above, affords international applicants a six-month "priority" period. International applications filed within that period are deemed filed as of the U.S. filing date and will have priority over applications filed between that date and the actual foreign filing date. Having "priority" lessens the possibility that a prior filed application will interfere with the protection a business is trying to obtain.

Once a business decides where it wants protection, it must determine what method or combination of methods of securing international protection will best serve its needs. Three methods are potentially available:

- Individual country registrations filed with the trademark offices in each jurisdiction;
- An "International" registration filed with the U.S. Patent & Trademark Office and administered by the World Intellectual Property Organization ("WIPO") in Geneva; and
- "Supranational" registrations that afford protection in a group of countries through one registration.

Each has benefits and detriments, and the latter two methods are not available as alternatives for all jurisdictions. Accordingly, an international trademark protection program is likely to involve a well-considered combination of the three methods.

Individual Country Registrations—The one method of protection available in virtually all countries is registration with the country's trademark office. It is the only method currently available for some important countries, for example, Canada and most Latin American countries. The primary benefits of individual country registration are that only existing registrations in that country can potentially interfere with the registration sought, and that it is generally the fastest method of obtaining protection in a country. The drawbacks include the need for counsel in each country and the need to renew the registration in each country periodically.

International Registration—A multi-lateral treaty known as the "Madrid Protocol" provides for "International" registration of U.S. trademarks. Currently, 86 countries subscribe to the treaty. A U.S. trademark owner can file an "International" application with the U.S. Patent & Trademark Office, which forwards the application to the WIPO. The applicant can seek protection in any combination of jurisdictions that subscribe to the Madrid Protocol. The benefits of this method, where available, are the ability to have U.S. counsel make the application and avoid the expense of local counsel, and the ease of having only one registration to renew. However, each designated country's trademark office must review the application and determine, within 18 months, whether protection will be extended to that country. If there are problems in a particular country, local counsel will be required. In addition, if the U.S. registration fails for some reason, or is successfully attacked within five years, the "International" application disintegrates into a group of individual country applications with the attendant need to retain local counsel and renew individually.

There are two principal drawbacks to the "International" registration. First, its coverage is limited to the 86 signatory countries. Currently, there is no coverage in North America, very little coverage in Latin America or Africa, and spotty coverage in Asia. That problem is, however, beginning to change. Colombia has recently acceded to the Madrid Protocol, and Panama and Mexico are expected to do so soon. The U.S.'s trade policy of requiring accession to the Madrid Protocol as a condition of new free trade agreements should also increase the number of member countries.

The second problem with "International" registrations for U.S. trademark owners is that the description of goods and services in the "International" registration must mirror the U.S. application. The U.S. requires more specific descriptions than most other countries. This, in turn, leads to narrower coverage in foreign countries than might be available through individual country, or supranational, registrations. In certain situations, it may be advantageous to use one of the other alternatives to obtain a broader goods and services description in foreign registrations despite greater cost.

Supranational Registrations—A supranational registration grants protection in a particular group of countries that have agreed to offer group protection. The most important supranational registration is the Community Trademark ("CTM"), which offers protection in all EU countries through one registration. The primary benefits of the CTM are the broad coverage it offers, the requirement that the mark be used in only one EU country to support protection in all, and the availability of a pan-EU injunction in litigation. The main detriment is the cost, which exceeds $5,000, including filing fees. In general, if protection in three or fewer EU countries is the primary goal, then individual applications in those countries are more cost efficient.

Other drawbacks to the CTM include the requirement that each country's trademark office, in addition to the OHIM, examine and accept the application. If any country refuses registration, the entire CTM is disaggregated into a bundle of individual applications with the attendant drawbacks. In addition, the CTM does not include Norway or Switzerland, which are not part of the EU. Thus, depending on the circumstances, use of an "International" application, which permits a U.S. applicant to designate protection in Norway, Switzerland and the EU, as well as other countries, may be a better alternative.

Other supranational registrations are available for the Benelux countries and two groups of African nations. Each is somewhat different from the CTM, but the general considerations are similar.

In summary, obtaining the international trademark protection necessary in today's global economy requires advance planning and careful, informed choices among the international trademark protection options available.

C. *Golan v. Holder*: Copyright Restoration—Protecting and Avoiding Infringement of Former Public Domain Works

On January 18, 2012, the Supreme Court in *Golan v. Holder* upheld the constitutionality of § 514 of the Uruguay Round Agreements Act codified at 17 U.S.C. § 104A. That section restored copyright protection to millions of works coming from members of the Berne Union and the World Trade Organization ("WTO") that had fallen into the public domain in the U.S. for various technical reasons, such as failure to renew a registration, publication of the work without a copyright notice, or lack of copyright relations between the U.S. and the country of origin of the work. Congress enacted § 514 to comply with its obligations under the Berne Convention, which the U.S. joined effective March 1, 1989.

The restored works include Sergei Prokofiev's Peter and the Wolf, music by Stravinski, paintings by Picasso; and writings by George Orwell and J.R.R. Tolkien.

The *Golan* Case—The *Golan* petitioners, who had enjoyed free use of these works for years, challenged the restoration. They argued that § 514 exceeded Congress's authority under the Copyright Clause in Article I of the Constitution and therefore violated their First Amendment free speech rights. The Court, in a 6-2 majority opinion written by Justice Ruth Bader Ginsburg, rejected these arguments.

In summary, the Court, after examining the text of the Copyright Clause, historical practice and precedents, found no "barrier" to Congress' authority to enact § 514. The Court "declined to infer from the text of the Copyright Clause 'the command that'" a term of copyright, once set, becomes forever "fixed or inalterable."

Turning to the First Amendment, the Court stated there was no reason for heightened review because § 514 "leaves undisturbed" copyright's "built-in First Amendment accommodations," the fair use defense and the idea/expression distinction. Justice Ginsburg had, in *Eldred v. Ashcroft*, labeled these safeguards the traditional "contours of copyright." The Court added that works do not cease to serve the public interest when restored; they simply become subject to copyright and therefore must be licensed.

Golan thus makes clear that, if Congress amends copyright law in the future, the amendment will not face heightened scrutiny unless it alters the "First Amendment accommodations" of fair use or the idea/expression distinction.

Guidance Going Forward—Here is some guidance for dealing with restoration issues:

- The date of restoration is January 1, 1996 if the source country was a Berne or WTO member, or thereafter when a source country joins Berne;
- The copyright term for restored works subsists for the remainder of the term of copyright the work would have enjoyed in the U.S. if the work had never entered the public domain;
- Upon restoration a party who did not exploit the work when it was in public domain may not now do so without a license;
- If the restored work is in the public domain in the source country, the work does not gain copyright protection here;

- Title to the work vests in the author or initial rights holder of the restored work as determined by the law of the source country;
- A reliance party is one who exploited the work on an ongoing basis before it was restored and would have infringed the work if it had been protected by copyright;
- Owners of restored works can bring suit against a reliance party only after either filing with the Copyright Office within 24 months of restoration a notice of intent to enforce or serving a notice of intent to enforce on the reliance party;
- The reliance party, however, has a one-year grace period after receiving notice and before suit may be filed to sell off its version of the restored work or attempt to negotiate a license with the owner; and
- Owners of derivative works made from foreign restored works may continue to exploit the works for the remainder of the copyright term by paying a reasonable royalty.

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