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FEDERAL CIRCUIT CLARIFIES NEED TO GIVE NOTICE TO LICENSOR UNDER LEAR DOCTRINE IN ORDER TO RECOVER LICENSE PAYMENTS

In *Go Medical Industries Pty, Ltd., v. Inmed Corp.*, 80 USPQ2d 1629 (Fed. Cir. 2006), *Go Medical* sued *MMG/Rusch* (now *Inmed*) in U.S. District Court for the Northern District of Georgia, in February, 2001 alleging patent infringement, breach of contract, tortious interference with contract, conspiracy to breach fiduciary duty, trademark infringement and unfair competition.

As background, Dr. O'Neil received U.S. Patent No. 4,652,259 (the '259 patent) for a catheter designed to reduce the occurrence of urinary infections. The '259 patent was granted in 1987, and was a continuation in part based on a 1979 application. The continuation in part was made to include his preferred embodiment (as evidenced by constructed examples and later, O'Neil's own admission on deposition), where the distance from the stop member to the distal end of the catheter was specifically limited at 1.5 cm.

However this distance preference was described in '259 patent as "crucial," but, while known at the time of the 1979 application, was not included in the 1979 application and was not supported by the 1979 application's drawings.

Between the filing of the 1979 application and the filing of the continuation in part application, a 1982 publication issued which anticipated the claims.

Dr. O'Neil formed *Go Medical* in 1988 to contract with defendant *MMG* to distribute the catheters, sharing profits equally. *MMG* sold "MMG/O'Neil" catheters and registered the "MMG/O'Neil" trademark. The licensing

agreement was silent on rights to use the name "O'Neil".

Independently in 1992, *Go Medical* sued competitor C.R. Bard for patent infringement. In that suit, the district court granted summary judgment in March, 1999 for Bard, finding inter alia, the '259 patent invalid as anticipated. The Federal Circuit court reversed and remanded in August, 2000 on the issue of invalidity, and the case later settled.

Due to the litigation with Bard, *MMG* began in 1999 to place the licensing royalties in an escrow account. Specifically, *MMG* sent a letter in June 1999 stating that the royalty payments were being placed in the escrow account pending an appeal of the invalidity finding, but did not state that *MMG* believed that the licensed patents were invalid.

FAILURE TO COMPLETELY CEASE LICENSING PAYMENTS MAKES LEAR INAPPLICABLE

The *Lear* doctrine was promulgated by the Supreme Court in *Lear, Inc. v Adkins*, 395 U.S. 653 (1969) and allows a licensee to challenge the validity of a licensed patent. During the challenge, the licensee is permitted to cease license payments that would otherwise be contractually required up until there is a final holding of invalidity. However, in order to take advantage of the *Lear* doctrine, the licensee must provide notice that the royalties are being ceased due to the licensed patent being invalid.

The Federal Circuit held that the mere fact that *MMG* considered the agreement terminated upon the invalidity finding in the

Bard litigation was insufficient since *MMG* continued paying royalties into the escrow account. Instead, the Federal Circuit held that the invalidity finding in the *Bard* litigation was independent of the contractual obligations set forth in the license. Further, *MMG*'s continued payment into the escrow account was an implicit recognition that *Go* was still contractually entitled to payment pending appeal.

Further, the Federal Circuit clarified that the June 1999 letter in which *MMG* gave notice that the royalties were being placed in escrow pending appeal did not give proper notice that royalties were being ceased due to a belief that the patent was invalid since the letter did not so state. Thus, the June 1999 letter was insufficient notice for the purposes of *Lear* such that, contractually, *MMG* was obligated to continue the payments and the failure to remit these payments was a breach of the

license. The court vacated and remanded to the district court for recalculation of contract damages.

BEST MODE NOT SATISFIED FOR 1979 PRIORITY APPLICATION

Separately, the Federal circuit court affirmed the district court's grant of summary judgment on patent invalidity due to anticipation. Specifically, the Federal Circuit held that the 1979 application failed the best mode test and lacked adequate disclosure for the undisclosed 1.5 cm distance. As such, the 1979 application was not compliant with 35 U.S.C. §112, and could not be a basis for a priority claim for the '259 patent. Thus, the Federal Circuit affirmed the district court's finding that the 1982 article on the subject matter anticipated the '259 patent.

FEDERAL CIRCUIT DEFINES TERM "PREDETERMINED"

In *Planet Bingo, LLC v. Gametech Int'l, Inc.*, 05-1476 (Fed. Cir. Dec.13, 2006), *Planet Bingo* was the exclusive licensee of both U.S. Patent No. 5,482,289 (the '289 patent) and U.S. Patent No. 5,727,786 (the '786 patent). The Federal Circuit affirmed the district court's holding of non-infringement and patent invalidity against *Planet Bingo*'s patents.

The '289 and '786 patents involved methods of playing and wagering on bingo. Specifically, in addition to the normal method of play, the '289 patent claimed additional indicia or markings on the game balls. The '786 patent claimed a marked flashboard. These additions permitted winning additional jackpots by combining normal number sequences with colors.

Gametech, a competitor, introduced "Rainbow Bingo". Rainbow Bingo included additional markings of colors assigned to columns of the bingo matrix board, and jewels or coins assigned to the rows. A crucial additional element of Rainbow Bingo included randomly distributing extra winning color/number combinations after the first ball had been drawn.

Planet Bingo sued *Gametech*, claiming infringement of certain claims of each patent. *Gametech* countered that it did not infringe the indicia requirements on the game balls; that "Rainbow Bingo" did not invoke a predetermined winning combination; and that the prior art "Hotball" bingo game anticipated both patents. A magistrate conducted Markman hearings, construing fourteen claims in favor of *Gametech*; the district court followed this construction in granting summary judgment for *Gametech*, finding no infringement.

In a separate ruling, the district court found that claims 2 and 5 of the '289 patent were invalid as anticipated by "Hotball."

TERM "PREDETERMINED" DEFINED IN LIGHT OF SPECIFICATION

Claim 2 of the '289 patent recites a "predetermined combination as a winning combination for the progressive jackpot pool." *Gametech* argued that the predetermined requirement of claim 2 required fixing the entire winning combination before drawing the first game ball in any game. *Planet Bingo* countered that predetermined merely required the player know the predetermined rules for winning the progressive jackpot. The Federal Circuit, citing *Phillips v. AWH Corp.* F.3d 1303 (Fed Cir. 2005 (en banc)), analyzed the predetermined claim language in light of the specification and agreed with *Gametech*.

Specifically, the Federal Circuit held that the claims specified each individual game would have a different winning combination, rather than the rules for overall game play. That is, before the first ball is drawn, the particular combination of other indicia and locations dictates the winning combination. Further, knowing the rules, a player would then know which color/number combination would win the game and that this could occur in a straight line, a diagonal or 4-corners. These latter geometric arrangements would not change in any individual game, but the predetermined color/number combination would. Claims of the '786 patent also indicated that the bingo game operator would designate

at the *beginning of each game* which combinations of locations would be the winners. The specification also supported this construction.

Since *Gametech's* bingo game did not make this designation this until *after* the first ball was drawn, the Federal Circuit held that *Gametech* did not literally infringe.

On the issue of infringement under the doctrine of equivalents, *Planet Bingo* argued that *Gametech's* rules only insubstantially differed from the '289 claim language since the actual predetermined winning combination appeared immediately after, rather than before, drawing the first ball. However, the Federal Circuit held that, since "Rainbow Bingo" did not reveal the predetermined winning combination of numbers until after the game had begun, it did not include a limitation corresponding to the claimed predetermined featured. Further, since "before" and "after" are direct opposites, the Federal Circuit would not substitute the terms fearing such consideration would ignore the '289 claim limitation entirely. Thus, the Federal Circuit upheld the district court's finding of non-infringement.

FEDERAL CIRCUIT DEFINES ERROR CORRECTABLE BY REISSUE TO ENCOMPASS ANY ERROR AFFECTING ENFORCEABILITY

REISSUE NOT RESTRICTED TO ERRORS IN CLAIMS AND EXTENDS TO PROCEDURAL ERROR AFFECTING ENFORCEABILITY OF CLAIMS

In *Medrad Inc. v. Tyco Healthcare Group LP*, 80 USPQ2d 1526 (Fed. Cir. 2006), the Federal Circuit overturned a District Court finding of invalidity for a reissue patent due to a violation of 35 U.S.C. §251. Specifically, U.S. Reissue Patent No. 37,602 (hereinafter "the '602 reissue patent") relates to patient infusion systems for use with magnetic resonance imaging systems. There are two predecessor patents to the '602 reissue patent, both of which were assigned to *Medrad*. The first predecessor patent was U.S. Patent No. 5,494,036 (hereinafter the "'036 patent"), issued on February 27, 1996. On February 23, 1998, *Medrad* filed an application for reissue of the '036 patent and submitted reissue declarations stating that the inventors had claimed less than they had a right to claim (an "underclaiming" error). During prosecution of the reissue, *Medrad* narrowed the scope of various claims (correcting an "overclaiming" error) and corrected inventorship, in addition to correcting the underclaiming error. At the

On the issue of invalidity, the Federal Circuit upheld the district court's finding of anticipation for claims 2 and 5 of the '289 patent were in view of "Hotball." Hotball is a bingo game variation involving wagering on the "Hotball" number—the final bingo ball needed to win a game. In various methods of playing, either the bingo operator or the game player would pre-select the Hotball number from the hopper. Achieving bingo as the last number using this Hotball would allow winning the Hotball jackpot.

Planet Bingo asserted that Hotball was not based on a predetermined winning combination. Instead, Hotball required a player to guess the Hotball such that there was no winning combination that was predetermined. The Federal Circuit differed with this reasoning, however, noting that players of Hotball would know the predetermined Hotball number needed to win bingo. Thus, since the Hotball number was known prior to the game, Hotball used a predetermined winning combination and anticipated claims 2 and 5 of the '289 patent.

conclusion of prosecution, *Medrad* did not submit a supplemental reissue declaration for any errors other than those on which reissue had initially been granted as required by 37 C.F.R. §1.175. That reissue patent issued as U.S. Reissue Patent No. 36,648 (hereinafter the "'648 reissue patent.") On realizing this error, *Medrad* filed a second reissue patent application to submit the supplemental reissue declaration, and this second reissue patent application issued as the '602 reissue patent.

On October 24, 2001, *Medrad* filed a complaint in district court against *Tyco* alleging infringement of the '602 reissue patent. *Medrad* and *Tyco* filed cross motions for summary judgment regarding the validity of the '602 reissue patent, and more specifically, regarding whether the failure of *Medrad* to file a supplemental declaration in the '648 reissue patent qualified as an "error" under 35 U.S.C. §251.

35 U.S.C. §251 requires the following in regards to the error requirement:

Whenever any patent is, through error without any deceptive intention, deemed wholly or

partially inoperative or invalid, by reason of a defective specification or drawing, or by reason of the patentee claiming more or less than he had a right to claim in the patent, the Director shall, on the surrender of such patent and the payment of the fee required by law, reissue the patent for the invention disclosed in the original patent, and in accordance with a new and amended application, for the unexpired part of the term of the original patent.

The district court construed 35 U.S.C. §251 as requiring “that some error in the specification, drawings, or claim of the patent be corrected as a result of the reissue process.” Since *Medrad’s* reissue application for the ‘602 reissue patent only corrected a failure to submit a supplemental declaration, the district court granted *Tyco’s* motion for summary judgment, holding the ‘602 reissue patent invalid since 35 U.S.C. §251 does not provide for reissues based on these other errors.

On appeal, the Federal Circuit held that 35 U.S.C. §251 can be read to encompass any error that causes a

patentee to claim more or less than he had a right to claim. In overturning the district court’s holding in regards to what constitutes an error correctable by 35 U.S.C. §251, the Federal Circuit restated its holding in *In re Weiler*, 790 F.2d 1576, 1579 (Fed. Cir. 1986) that “in enacting [35 U.S.C. §251], Congress provided a statutory basis for correction of ‘error.’ The statute is remedial in nature, based on fundamental principles of equity and fairness, and should be construed liberally.” The plain meaning of 35 U.S.C. §251 indicates that the error involves rendering a patent wholly or partly invalid. Here, by including changes to the language of the claims that narrowed the scope of coverage and by correcting inventorship, the resulting ‘648 reissue patent claimed more than it had a right to claim in the patent without submitting a supplemental declaration to support the narrowing subject matter and the change in inventorship. The correction of such an error meets the express terms of 35 U.S.C. §251, and thus serves as a basis for reissue. As such, the Federal Circuit reversed the district court’s finding of invalidity as there was an error on which the ‘648 reissue patent could be based.

FEDERAL CIRCUIT CLARIFIES INTENT REQUIRED FOR INDUCEMENT INFRINGEMENT

IN PARTIAL *EN BANC* DECISION, FEDERAL CIRCUIT HOLDS THAT INDUCEMENT UNDER 35 U.S.C. §271(B) REQUIRES SPECIFIC INTENT TO CAUSE INFRINGEMENT

In *DSU Med. Corp. v. JMS Co., Ltd.*, 04-1620 (Fed. Cir. December 13, 2006), *DSU* sued *JMS* and *ITL Corp.* for infringement, inducement to infringe and contributory infringement of U.S. patent No. 5,112,311 (the ‘311 patent). The ‘311 patent covers a guarded, winged-needle assembly used in medical procedures, designed to prevent accidental punctures/injuries from the needle during use.

The claims at issue centered on the term “slotted.” The design included a slotted guard used to lock a needle in a shielded position while being removed from a patient’s body. Particular elements were a winged needle assembly with needle, winged needle hub and a slotted, locking guard. The winged needle assembly was slidably mounted within the guard.

The alleged infringing device, the “Platypus”, was made by *ITL Corp.* The Platypus was essentially a sheath. Prior to use, the Platypus was in an open shell configuration. When used, with a closed shell

configuration, the two shell halves closed to form a needle guard.

DEFINITION OF “SLIDABLY ENCLOSING”

Claim 1 of the ‘311 patent recites “a guard slidably enclosing a sliding assembly comprising a needle and a winged needle hub.” As defined in the district court, this feature required the guard to substantially contain the needle assembly at all times. *DSU* had contested this definition, and instead asserted that the phrase “slidably enclosing” meant only generally surrounding the needle and hub. However, because the Platypus is a stand-alone guard without an accompanying needle, the district court granted summary judgment of non-infringement. In affirming the district court’s construction, the Federal Circuit noted that the sliding assembly, as recited, required the use of the needle. Moreover, the plain meaning of the term “enclosing” requires that the sliding assembly with the needle be enclosed. This construction was confirmed by a review of the terminology used in the specification and drawings all emphasize that the device was protective for an included needle. Viewing both the claims and the specification, the Federal Circuit agreed that “sliding”, and “enclosing” combined with “assembly” clearly indicated that the needle was to be included in such assembly and enclosed at all times. As such, the

Federal Circuit affirmed the district court's grant of summary judgment for noninfringement.

DEFINITION OF "SLOT"

The district court construed the term "slot" with respect to the guard. Specifically, the guard recites a "slot proportioned to receive a wing of said needle hub." Both courts considered "proportioned to receive" as indicating the slot would be relatively sized to accommodate the wings' thickness. The claims did not recite a specific slot size requirement. Claims construction analysis indicated that if "slot" limited the size of the opening to accommodate the "minor" thickness of the '311 wings, Platypus' use would not infringe because its jaws could accommodate any wing thickness. If, however, "slot" did not have any size limitation, Platypus would infringe. The Federal Circuit noted that there was no requirement for a specific size of the slot as recited, and the specification and prosecution history also did not confer a more narrow meaning to the recited slot. As such, the Federal Circuit agreed with the district court's holding that, when sold in its closed-shell configuration in the U.S., the Platypus literally infringed certain claims of the '311 patent as this configuration had a "slot."

NO CONTRIBUTORY INFRINGEMENT WHERE NO EVIDENCE OF INFRINGEMENT IN THE UNITED STATES

The jury in the district court had found that *JMS* had directly and contributorily infringed since *JMS* imported the Platypus guards into the U.S. under a sales agreement with *ITL*. Prior to importation, *JMS* assembled the guards into their closed (and infringing) configurations and controlled the shipping into the U.S. Based upon these facts, *DSU* also sued *ITL* for contributory infringement.

As reviewed by the Federal Circuit, to find contributory infringement under 35 U.S.C. §271 (c), *DSU* needed to show *ITL* made and sold Platypus in the U.S., that *ITL* had no non-infringing uses in the closed configuration, that *ITL* engaged in conduct in the U.S. that contributed to *JMS*'s direct infringement, and that *JMS* engaged in acts of direct infringement on the sales of *ITL* made in the U.S. The Federal Circuit held that the record did not show that the resulting infringement occurred in the United States.

Specifically, the Federal Circuit noted that the record showed that *ITL* only permitted the Platypus' closed configuration in Malaysia, not the U.S. The record also showed that only open configuration versions of the

Platypus guards were sent to the U.S., but there was no evidence that the Platypus guards were constructed in the closed configuration. Thus, the Federal Circuit upheld the district court's denial of *DSU*'s motion for a new trial on *ITL*'s contributory infringement.

EN BANC HOLDING THAT NO INDUCEMENT WITHOUT SPECIFIC INTENT

DSU additionally argued that *ITL* induced infringement by inducing *JMS* to sell the closed configuration Platypuses in the U.S. On the issue of the requisite intent to induce infringing acts, the Federal Circuit sat en banc in order to resolve conflicting precedent in regard to the intent required to cause inducement.

Reviewing the intent requirement in *Manville Sales Corp. v. Paramount Systems, Inc.*, 917 F.3d 544 (Fed. Cir. 1990), the court clarified the requirements for inducement under 35 U.S.C. 271 (b), the infringer must have known his actions would induce actual infringement. Mere knowledge of possible infringement is not inducement, rather specific intent and action must be shown.

DSU argued that the district court improperly instructed the jury on the required intent by not saying that inducement only requires intent to cause the *acts* that constitute infringement. However, the Federal Circuit countered that the infringer must have had specific intent to encourage infringement rather than just knowledge of the actions that constituted infringement, and that this interpretation is supported in other forms of intellectual property as demonstrated in the Supreme Court's decision in *MGM Studios Inc. v. Grokster, Ltd.*, 125 S. Ct. 2764, 162 L. Ed. 2d 781, 75 USPQ2d 1001 (U.S. 2005). Thus, the Federal Circuit confirmed that the jury instructions were proper in requiring a showing of intent to cause infringement as opposed to mere knowledge of the acts surrounding the infringement.

Under the facts of the case, the Federal Circuit held that the record lacked evidence of intent to cause infringement due, in part, to opinions from American and Australian counsel that the Platypus did not infringe.

NINTH CIRCUIT FINDS LACHES WHERE MARK NOT ENFORCED AGAINST KNOWN USE OF SIMILAR MARK

In *Tillamook Country Smoker, Inc. v. Tillamook County Creamery Association*, 80 USPQ2d 1460 (9th Cir. 2006), the Ninth circuit affirmed summary judgment for a processed meat company because the cheese company's trademark claims were barred by laches. Tillamook County Creamery Association (TCCA) is a long standing dairy cooperative which began using the "Tillamook" mark as early as 1918, and registered the mark in 1921 and 1950. In 1975, a member of TCCA approached TCCA's General Manager concerning his intention to start a processed meat company to operate under the mark "Tillamook Country Smoker." The General Manager did not object, and Tillamook Country Smoker (TCS) was born.

From 1976 on, TCS used the "Tillamook Country Smoker" mark with no objection from TCCA. In fact, TCCA offered TCS products for sale in its store and catalogs.

TCS attempted to register the "Tillamook Country Smoker" mark but was rejected by the USPTO as "confusingly similar" to TCCA's mark. However, TCCA itself did not comment on the application despite having been notified. In 1995, TCS was successful in registering a combined word and design mark consisting of the words "Tillamook Country Smoker" on a ribbon design. Again, TCCA did not oppose this mark.

TCS grew throughout the late 90s, helped by a rebranding and a huge expansion in direct sales to grocery stores and warehouses. Subsequently, TCS again tried to register the "Tillamook Country Smoker" mark; this time the PTO allowed the mark. On this occasion, TCCA lodged its opposition to the mark to prevent registration. TCCA also tried to cancel the registered mark. The PTO later rejected a "Tillamook Jerky" mark as highly similar to TCCA's "Tillamook" mark.

In 2005, TCCA submitted a cease-and-desist letter to TCS. TCS then brought suit seeking declaratory judgments 1) declaring TCS the owner of the "Tillamook Country Smoker" and finding it non-infringing; 2) declaring the ribbon mark to be valid; and 3) entitling TCS to the registration of the "Tillamook Country Smoker" mark. TCCA asserted counterclaims 1) seeking an injunction preventing TCS's use of the name "Tillamook" or any other likely confusing mark and 2) seeking an order declaring that use of "Tillamook

Country Smoker," "Tillamook Jerky," and "TillamookJerky.com" infringed TCCA's registered mark.

TRADEMARK INFRINGEMENT CLAIM FAILS DUE TO LACHES

The Ninth Circuit affirmed the grant of partial summary judgment to TCS on the use of the "Tillamook Country Smoker" mark. The Ninth Circuit found that the limitations period for laches started in 1975, when TCCA first had notice of the possibility of confusion, not 1998 when TCS began to expand into supermarket sales. As such, TCCA had a protectable interest in 1975. Additionally, while at that point the products may not have operated in identical commercial channels, their similar marks, complementary products, and similar geographic region should have put TCCA on notice of the possibility of confusion.

The court also noted that neither party disputed the district court finding that the most analogous causes of action would have had their statutes of limitation run after either 2 or 10 years. As 25 years had passed since the date on which the court held that TCCA had notice, there was a strong presumption favoring TCS' laches defense due to the extreme delinquency in taking action.

PROGRESSIVE ENCROACHMENT NOT FOUND

In response, TCCA claimed that the doctrine of "progressive encroachment" excused their non-enforcement for most of TCS's history. Under this doctrine, a trademark owner need not sue for *de minimus* infringement, but may wait until the junior user moves into direct competition and causing actual market confusions.

The Ninth Circuit found that the district court did not abuse its discretion in rejecting TCCA's progressive encroachment claim. The district court reasonably found that TCS's use of the "Tillamook Country Smoker" mark had been constant over the entire period, and the rebranding (font, design, and color) did not make the mark more similar to TCCA's products. Ninth Circuit also found that the district court did not abuse its discretion in finding that TCS's expansion of supermarket sales represented normal business growth, not progressive encroachment, since the product being sold was still the same, and it was being sold in the same region.

Therefore, the progression was not into a new market within the meaning of the progressive encroachment doctrine.

NO INVALIDATION OF TCS'S REGISTERED MARKS DUE TO DISCOVERY ADMISSION

The court upheld the district court's finding that TCCA admitted during discovery that TCS's use of the "Tillamook Country Smoker" and the ribbon mark did

not create a likelihood of confusion. In response to a discovery request, TCCA admitted that TCS began to violate its trademark in the "latter part" of the time period between 1995 and 2000. The district court construed this as admitting that there was no infringement prior to 1997, and thus no likelihood of confusion. Since there was no likelihood of confusion, the marks were correctly granted to TCS. Thus, the court upheld the district court's grant of summary judgment to TCS with respect to the registration claim.

SIXTH CIRCUIT FINDS LIKELIHOOD OF CONFUSION BETWEEN UPON DISTINCTIVE CAR PART AND TOY

In *General Motors Corp. v. Lanard Toys Inc.*, 80 U.S.P.Q.2d 1608 (6th Cir. 2006), the Sixth Circuit addressed whether a toy depicting a car infringes the car's distinctive trade dress and registered marks.

In 1997, *Lanard Toys* sold "The Corps! ATK" toy vehicle, which resembled AM General's "Humvee", and General Motors' "Hummer." While originally designed by AM General for use by the military under the Humvee name. AM General later created the Hummer as a civilian version of the Humvee. The brands were ultimately transferred to *GM*. As part of the brand, *GM* owned a trademark for the distinctive grille design of the Humvee/Hummer.

In a related 1992 dispute regarding a different toy depicting the Humvee, *Lanard* had agreed to stop using the "Humvee" name on its packaging. After a series of communications between *GM* and *Lanard* and *AM General* and *Lanard* regarding cessation of production of the newer toys using the trademarked grille design, *GM* filed suit for trademark infringement, trade dress infringement, dilution and common law trademark infringement regarding the toy vehicle and its use of the trademarked grille design. *Lanard* sought a declaratory judgment on the right to use the term "Humvee" and the grille design for toys. Both parties moved for summary judgment at the district court level. The district court granted summary judgment for *GM*.

LIKELIHOOD OF CONFUSION

On appeal, the Sixth Circuit held that, to show trademark infringement, plaintiffs must apply the "likelihood of confusion" test, as laid out in 15 U.S.C. §1114, which can be determined by looking at the eight "Frisch factors." *Lanard* contested the District Court's summary judgment since these factors were not explicitly analyzed in holding that *Lanard's* toy infringed the Hummer Nose Design, Trademark No. 1,959,544. The Sixth Circuit court engaged in de novo review,

holding that the weight of the factors favored General Motors regarding the likelihood of confusion and affirmed the district court's ruling of summary judgment for *GM*, despite the failure to discuss the factors.

The Sixth Circuit reviewed the record in light of the *Frisch* factors. The eight *Frisch* factors are "(1) strength of the plaintiff's mark, (2) relatedness of the goods or services, (3) similarity of the marks, (4) evidence of actual confusion, (5) marketing channels used, (6) likely degree of purchaser care, (7) the defendant's intent in selecting its mark, and (8) likelihood of expansion of the product lines." *Gibson Guitar Corp. v. Paul Reed Smith Guitars, LP*, 423 F.3d 539, 548, 76 U.S.P.Q. 2d 1372 (6th Cir. 2005) (citing *Frisch's Rests., Inc. v. Elby's Big Boy of Steubenville, Inc.*, 670 F.2d 642, 648, 214 USPQ 15 (6th Cir. 1982), cert. denied, 459 U.S. 916 (1982)).

In reviewing the factors, the Sixth Circuit found that the first factor ("strength of mark") was in favor of *GM* since the mark was registered and heavily promoted. The second factor ("relatedness of goods and services,) favored *GM* since the toy car directly related to actual vehicle. For the third factor ("similarity of the marks") and the seventh factor ("defendant's intent in selecting the mark"), the Sixth Circuit found these factors favored *GM* since *Lanard* copied the design directly. The sixth factor ("likely degree of purchaser care") also favored *GM* since a purchaser of the toy would not necessarily know whether the toy was made by *GM* or by another, but would make the purchase based on recognition of the trademarked grille.

The remaining factors, ("marketing channels used", "likelihood of expansion of product lines" and "evidence of actual confusion") did not favor either party from the evidence of record. As such, the Sixth Circuit found that the balance of the *Frisch* factors favored *GM* and upheld the District Court's finding of infringement.

TRADE DRESS

Trade dress refers to the secondary meaning associated with the design/packaging of a product, enabling one to identify the product's manufacturer or source. The Sixth Circuit held that *GMs'* identification of the vehicle's exterior appearance and styling, as well as specific reference to the grille, hood, windshield, doors and edges sufficiently fulfilled the "discrete elements" requirement for trade dress claims and overcame any issues of vagueness with respect to mention of mere appearance.

Lanard also challenged the non-functionality determination of the district court. Lack of trade dress functionality is a requisite element a plaintiff must show by preponderance of the evidence, to prevail on an infringement claim. *Lanard* had claimed that the trade dress at issue was functional and thus ineligible for protection. Despite the district court's error in stating that *Lanard* had the burden of proving functionality, the Sixth Circuit relied on testimony of a product development executive for AM General, that the Humvee's appearance was not essential to the use/purpose of the vehicle, and allowed General Motors to prevail on the functionality issue.

SECONDARY MEANING

Citing application of the seven-factor test to ascertain secondary meaning, from *Marketing Displays, Inc. v. Traffix Devices, Inc.*, 200F.3d 929, 937 (6th Cir. 2000), the Court affirmed the district court's summary judgment ruling. Test elements include: 1) direct consumer testimony, 2) consumer surveys, 3) exclusivity, length and manner of use, 4) amount and manner of advertising, 5) amount of sales/number of customers, 6) established place in the market and 7) proof of intentional copying. The Sixth Circuit focused on *GMs'* use of consumer surveys and proof of *Lanard's* intentional copying of the grille design to aid its analysis. Although such surveys should ideally be conducted pre-infringement (not post-infringement as in this case) to show acquired secondary meaning, the Sixth Circuit considered the strength of brand recognition given the elapsed time between the surveys and the alleged infringement. These surveys indicated about 96% brand recognition of Hummer and 77% secondary meaning for trade dress. In addition, *Lanard* failed to present any contrary evidence on any of the seven factors. Thus, Sixth Circuit found that there was evidence that the trade dress of the Humvee had acquired secondary meaning and that the District Court's granting of summary judgment on this issue was proper.

DISTRICT COURT USES EXTRINSIC EVIDENCE TO DEFINE URI SINCE SPECIFICATION EXAMPLE DOES NOT PROVIDE AN ALTERNATE DEFINITION

In *BEA Systems, Inc. v. Web Balance, Inc.*, 80 U.S.P.Q.2d 1317 (D.Mass. 2006), after defendant *Web Balance, Inc.* brought infringement actions against *BEA's* corporate clients in Illinois for infringement of U.S. Patent No. 6,128,279 (the '279 patent), *BEA's* sought declaratory judgment of non-infringement, invalidity, and unenforceability of the '279 patent. The Massachusetts District Court granted *BEA's* motion for summary judgment of non-infringement of *Web Balance's* patent.

As background, *BEA's* "Weblogic" software uses a session ID to track a user's interaction with a particular website when a user does not allow a cookie to track the user's usage. The session ID begins with a semicolon and is appended or inserted into the requested web address of the user—"http://www.zzz.com/app;jsessionid=1234."

The '279 patent describes a method and apparatus for web site computer servers to handle incoming requests from client computers using Uniform Resource Identifiers (URIs). As related to claim 4, the method is

for handling user requests, where the server handles the request or forwards it to a different computer for processing, according to whether there is a URI in the request.

BEA alleged that the Weblogic software did not infringe the '279 patent since the second embodiment of the '279 patent considered the URI to be the discrete portion of a URL. In this example, in a request of "http://www.zzz.com/application," the URI is the "/application" and the URL is the "www.zzz.com". Thus, Weblogic's session ID could not be considered the URI.

Web Balance countered that common usage of the terms URI and URL (as evidenced in Internet Request for Comments (RFC)) indicated that the entire string of characters in a web address constituted the URI, including both URL and session ID.

The District Court began by using the analysis of *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005) and

concluding that, although the claims must be read in light of the specification, it is improper to confine such claims to any preferred embodiment. However, since the language of the '279 patent did not adequately define the term "URI," and the prosecution history was unrevealing, the District Court considered extrinsic evidence in the form of the parties' expert testimony.

While the District Court noted that both experts offered similar definitions of URI, the '279 patent language provided that a particular server would handle all the requests for a particular resource (URI). *Weblogic's*

system however allowed a particular server to handle all the requests from a specific user (session ID) (as opposed to a resource). Further, both systems would be recognized as performing their respective functions by those skilled in the art. Since the session ID did not specify a particular resource, rather only a specific user, it was fundamentally different than a URI as would be understood by one skilled in the art in the context of the '279 patent. As such, the District Court granted plaintiff's motion for summary judgment of non-infringement.

DISTRICT CIRCUIT FINDS NO TRADEMARK INFRINGEMENT DESPITE SIMILAR NAMES DUE TO DIFFERENT CUSTOMERS

In *Wild Willy's Holding Company, Inc. v. Palladino*, 2006 WL 3423765 (D.Me.), the U.S. District Court for the District of Maine refused a plaintiff's motion for injunctive relief in a trademark infringement case due to a lack of evidence of a likelihood of confusion.

The plaintiff operated Wild Willy's Burgers as a family-style restaurant since 2001 in York Maine, and obtained federal registration of "Wild Willy's Burgers" in 2003. The defendant operated Wild Willy's Aleroom at the Shed, a bar and lounge. Plaintiff notified defendant of the trademark and requested that defendant cease using the name.

In assessing the likelihood of success on the merits, requisite for injunctive relief, the District court applied a Lanham analysis to determine the likelihood of confusion by defendant's use of the same or similar mark as plaintiff. The court utilized the "Frisch factors." The eight Frisch factors set forth in *Frisch Rests., Inc. v. Elby's Big Boy of Steubenville, Inc.*, 670 F.2d 642, 648, 214 USPQ 15 (6th Cir. 1982), *cert. denied*, 459 U.S. 916 (1982) are (1) strength of the plaintiff's mark, (2) relatedness of the goods or services, (3) similarity of the marks, (4) evidence of actual confusion, (5) marketing channels used, (6) likely degree of purchaser care, (7) the defendant's intent in selecting its mark, and (8) likelihood of expansion of the product lines.

In evaluating factor (3), the District Court held that the similarity of the marks is tested on sound, sight, and meaning. Other than one occasion of mistaken and unauthorized use of similar font type by defendant, the court noted no similarity between plaintiff's advertising and defendant's. However, the District Court found

that there was identity in the sound of the respective names used and this similarity favored a finding of likelihood of confusion based upon factor (3).

With regard to similarity of goods (factor (2)), the District Court stated that there was a significant difference in plaintiff's family-style restaurant and defendant's bar/lounge, respecting menu options and bar attractions (darts, pool tables, etc.). Further, this difference in business approach (demographics) led the District Court to determine that there would be only a small chance of customer overlap between the two establishments. Thus, factor (2) favored the defendants.

There was no record of advertising channels/methods used by either party (factor (5)), thus no indication of confusion was present based on those elements. However, the Court did find that the strength of mark (factor (1)) favored the plaintiff given Williams' licensing of the trademark (two other "Willy's" had opened in New Hampshire and Massachusetts), restaurant success and critical praise from restaurant critics.

Ultimately, the fatal blow to plaintiff's case came from absence of evidence of actual confusion (factor (4)). Plaintiff tried to cite several e-mails from unidentified parties claiming confusion over defendant's advertising. The District Court did not allow these emails into evidence due to hearsay concerns. As there was insufficient evidence of actual confusion and since factor (2) favored the defendant, the District Court determined that the plaintiff had little chance of success on the merits, and denied the plaintiff's motion for preliminary injunctive relief.

STEIN McEWEN & BUI IS PLEASED TO WELCOME THE FOLLOWING NEW ADDITIONS

ALAN M. EHRLICH

Alan M. Ehrlich, Of Counsel, received a B.A. cum laude in Chemistry from the State University of New York at Buffalo in 1963, an S.M. in 1965 and Ph.D. in 1968 in Chemistry from M.I.T., and an M.B.A. in Finance from Georgia State University in 1972. He received his J.D. in 1991 from George Washington University where he served as a Dean's Fellow teaching Legal Research and Writing and on the Moot Court Board as Judge's Chair. Dr. Ehrlich is admitted to practice law in Maryland and the District of Columbia and before the U.S. District Court of Maryland and the U.S. Supreme Court. He is also registered to practice before the U.S. Patent and Trademark Office.

Prior to joining Stein, McEwen & Bui, LLP, he was with the U.S. Environmental Protection Agency's Office of General Counsel from 1991 to 2004, and was Patent Counsel from 1995 through 2004. From 1992 to 1997 he was also an Associate Professorial Lecturer in Law (adjunct) at the George Washington University Law School. From 1967 to 1991, he held various positions as a scientist in industry and government. After leaving the Government, he was in private practice specializing in the field of intellectual property.

Dr. Ehrlich's major practice area is in the chemical arts and transactional matters such as licensing agreements and cooperative research agreements. While in the EPA's Office of General Counsel, Dr. Ehrlich supervised the writing and prosecution of over 100 applications for pollution control technology, energy saving engine technology (including hybrids), pollution detection methods, environmental monitoring methods, and computer modeling. He negotiated, wrote or reviewed over 100 patent license agreements and cooperative research and development agreements. He was the EPA official representing the EPA's position in the litigation surrounding Unocal's patents for reformulated gasoline, including arguing the EPA's position on certiorari directly before the Solicitor General. He served as inside counsel to the Department of Justice on the patent infringement case, *Chemical Separation Technology v. United States*, 53 USPQ2d 1419 (Fed. Cl. 1999) and 63 USPQ2d 1114 (Fed. Cl. 2002) and the employee rights case, *Breton v. Evans*, both of which led to decisions in the government's favor in 2006.

GREGORY L. CLINTON

Gregory L. Clinton, Associate, attended the George Mason University School of Law, where he received a J.D. in 2006. He received a bachelor's degree in computer science from Cornell University in 2001.

Mr. Clinton has drafted applications for electrical inventions and prepared amendments in response to Office Actions. Mr. Clinton previously worked at the United States Patent and Trademark Office as a Patent Examiner in Group Art Unit 2154, where he examined patent applications in the computer networks area (class 709/200+).

As a member of the George Mason Law Review, Mr. Clinton wrote a comment about the 2004 Federal Circuit case *Chamberlain Group v. Skylink Technologies, Inc.*, 381 F.3d 1178 (Fed. Cir. 2004), in which Chamberlain alleged that Skylink's universal garage door openers violated of the Digital Millennium Copyright Act. The *George Mason Law Review* published the comment in 2006.

NATHAN H. CRISTLER

Nathan H. Cristler, associate, received a Bachelor of Science degree in chemical engineering in 2002 and a J.D. in 2005, both from The University of Texas at Austin. He is currently an active member of the State Bar of Texas.

Mr. Cristler has drafted and prosecuted patent applications in many areas including mechanical structures, hydrogen producing devices, polymer and fiber applications, computer programs and systems, medical instruments, and Internet services. He has also authored expert patent and initial patentability opinions. Mr. Cristler has provided services in trademark prosecution and litigation including likelihood of confusion analyses, concurrent use proceedings, oppositions, cancellations, and letters of objection. Furthermore, he has handled and advised clients with respect to licenses, assignments, and nondisclosure agreements for all areas of intellectual property.

While an undergraduate student, Mr. Cristler performed award-winning research in electrochemical detection methods of RNA and DNA. He also worked in polymers where he researched metallocene catalysts and production efficiency, and he wrote several computer programs and models. While in law school, Mr. Cristler

performed an ideological study of judicial decision making federal courts.

MATTHEW T. GILL

Matthew T. Gill, associate, received a Bachelor of Science degree in biology from the University of Virginia in 1998, a Master's degree in biochemistry and molecular biology from Georgetown University in 2004, and a J.D. from the William and Mary School of Law in 2001. Mr. Gill is a member of the Virginia State Bar.

Mr. Gill has been working in the field of intellectual property law since 1998. During this time, Mr. Gill has drafted and prosecuted patent applications in many areas including mechanical structures, micro-fluidic devices, chemical and biotechnology-related inventions. He has also authored expert patent opinions, including infringement, validity and freedom to operate opinions. Mr. Gill has also provided services in trademark prosecution. Furthermore, he has handled and advised clients with respect to licenses, assignments, and know how agreements related to university licensing while working for Georgetown University.

COPYRIGHT OFFICE ISSUES NEW SET OF DMCA EXEMPTIONS IN THIRD TRIENNIAL RULEMAKING

BY DOUG AGOPSOVICZ

INTRODUCTION

On November 27, 2006, the Librarian of Congress, on the recommendation of the Register of Copyrights, announced the classes of works subject to the exemption from the Digital Millennium Copyright Act ("DMCA"). The announcement marked the third time that the Librarian of Congress granted a series of exemptions to the DMCA. This third rulemaking resulted in more exemptions being granted than the number granted in the first two rulemakings of 2000 and 2003. This third rulemaking also marks a significant change in the way in which the Library of Congress defines a "class of works" exempt from the DMCA, by defining a "class of works" based at least partially on the intended use of the works in addition to intrinsic characteristics of the works.

BACKGROUND

The Digital Millennium Copyright Act ("DMCA"), Pub. L. 105-304 (1998), amended Title 17 of the United States Code to add a new chapter 12. One of the provisions of chapter 12 prohibits circumvention of access control technologies employed by or on behalf of copyright owners to protect their works. Specifically, subsection 1201(a)(1)(A) provides, *inter alia*, that "No person shall circumvent a technological protection measure that effectively controls access to a work protected under this title."

Subparagraph (B) of subsection 1201(a)(1) provides a safety valve against the sweeping nature of subsection (A). Specifically, subparagraph (B) provides that the prohibition against circumvention "shall not apply to persons who are users of a copyrighted work which is in

a particular class of works, if such persons are, or are likely to be in the succeeding 3-year period, adversely affected by virtue of such prohibition in their ability to make noninfringing uses of that particular class of works under this title" as determined in this rulemaking. This prohibition against circumvention became effective two years after the date of enactment, on October 28, 2000.

2000 RULEMAKING

In the first rulemaking, the Librarian of Congress exempted two classes of works from 17 U.S.C. §1201(a)(1)(A). The two exempted classes included "compilations consisting of lists of websites blocked by filtering software applications" and "literary works, including computer programs and databases, protected by access control mechanisms that fail to permit access because of malfunction, damage, or obsolescence." Explaining why the vast majority of proposed exemptions were recommended to be rejected, the Register noted that "proponents attempted to define classes of works by reference to the intended uses to be made of the works, or the intended user", and that "for almost all the proposed classes, the proponents failed to demonstrate that there have been or are about to be adverse effects on noninfringing uses that have 'distinct, verifiable, and measurable impacts.'"¹

In the recommendation, the Register explained that defining a "class" of works meant defining the works based on intrinsic characteristics of the works themselves. The Register reasoned that "the view that a 'class' of works can be defined in terms of the status of the user or the nature of the intended use appears to be untenable" because the statutory language appeared

¹ Federal Register, Vol. 65, No. 209, Friday, October 27, 2000, Rules and Regulations, p. 64562

to require that “the Librarian identify a ‘class of works’ based upon attributes of the works themselves”, because “the dictionary defines ‘class’ as ‘a group, set or kind sharing common attributes’”, and because “the term is used throughout the copyright law to refer to a work of authorship, rather than to a material object on which the work appears or to the readers or users of the work”.² Nevertheless, the Register admitted that “the statutory language is arguably ambiguous.”³

2003 RULEMAKING

In the second rulemaking, the Librarian of Congress doubled the number of classes exempted from the previous rulemaking, exempting four classes of works. Two of the four exempted were substantially similar to the two classes exempted in the first rulemaking of 2000. The two new classes included “computer programs and video games distributed in formats that have become obsolete and which require the original media or hardware as a condition of access” and “literary works distributed in ebook format when all existing ebook editions of the work (including digital text editions made available by authorized entities) contain access controls that prevent the enabling of the ebook’s read-aloud function and that prevent the enabling of screen readers to render the text into a specialized format.” The Register again recommended rejecting the vast majority of proposed exemptions proposed in 2003 for substantially the same reasons relied upon in 2000, namely because “proponents failed to propose a true ‘particular class of copyrighted works’ and failed to demonstrate that users of such works have been or will be adversely affected in their ability to make noninfringing uses of those works.”⁴

The Register once again recommended that a class of works be defined based upon “attributes of the works themselves”, relying on the same arguments used in the 2000 recommendation. The Register stated that the class might be “defined in part by reference to the medium on which the works are distributed, or even to the access control measures applied to them.”⁵ The Register emphasized, however, that “it is not permissible to classify a work by reference to the type of user or use.”⁶

² Id. at 64559

³ Id.

⁴ Recommendation of the Register of Copyrights, October 27, 2004, p. 82

⁵ Id. at 12.

⁶ Id. at 13.

2006 RULEMAKING

In the third rulemaking, the Librarian of Congress exempted six classes of works. The Librarian granted an exemption for one class of works for audiovisual works included in the educational library of a college or university’s film or media studies department, when used for the purpose of making compilations. The Librarian granted two more exemptions related to obsolete technology, included one exemption directed towards archived versions of obsolete computer programs and video games, and another exemption directed towards obsolete dongle technology. The Librarian granted a fourth exemption for ebooks which closely resembled the exemption granted in 2003, a fifth exemption for computer programs in the form of firmware used to lawfully connect to a wireless telephone communication network, and a sixth exemption for sound recordings distributed in compact disc (CD) format, when used for the purpose of good faith testing, investigating, or correcting security flaws and vulnerabilities.

As indicated by these six exemptions, the Register departed from the methodology used in the previous two rulemaking proceedings and recommended defining a “class of works” based at least somewhat on the use of the proposed class of works. Four of the six classes of works granted in the third rulemaking (other than the dongle and ebook exemptions) are defined at least partially by the intended use of the works. Defending this departure from the previous manner of defining classes of works, the Register explained: “based on the proposals made in the past rulemaking proceedings, proponents had failed to satisfy certain threshold requirements that would have necessitated consideration of whether a class that was primarily defined by reference to a section 102 category of works could be further narrowed by reference to the user or use.”⁷ The Register clarified, however, that classes of works still should not be *initially defined* by reference to a particular type of use or user, but rather, should be *refined* by such, when supported by sufficient evidence.⁸

IMPACT

The impact of these six exemptions should be significant within the industries which they relate to. For example, the first exemption grants film professors the right to

⁷ Recommendation of the Register of Copyrights, November 17, 2006, p. 17.

⁸ Id.

circumvent technological protection measures⁹ to use audiovisual works included in the educational library of a college or university's film or media studies department for the purpose of making compilations. This first exemption should play a key role in enabling film professors across the country to use DVD film compilations in the classroom. Accordingly, this first exemption should save valuable classroom time (otherwise spent loading and unloading DVDs) for film professors across the country, improving the efficiency of film and media classes.

The second exemption, granting an exemption to computer programs and video games distributed in obsolete formats and that require the original media or hardware as a condition of access, could potentially prove valuable for companies looking to archive old software. The second exemption arose from the need of the Internet Archive, a nonprofit digital library which archives old software and video games, to emulate floppy disk drives in order to "migrate" obsolete software and video games from one hard drive to another. Manufacturers designed floppy disks with "original-only" access controls which prevented access to the contents of the disk unless the disk was loaded into the original corresponding disk drive. Since storage units inevitably begin to deteriorate, the Internet Archive needed to migrate the contents of these disks from one storage unit to another, in order to verify the authenticity of the migrated version.¹⁰

Without the recently granted exemption, this emulation triggered DMCA liability, since the emulation of disk drives to circumvent original-only access control measures constituted a circumvention of "technological protection measures," as prohibited by §1201(a)(1)(A). Now, however, this emulation is exempted from the scope of DMCA liability. Thus, under this new exemption, companies may emulate technological protection measures, such as floppy disk drives, in order to access the contents of computer programs and video games, assuming that the use is for archival purposes, and that the computer programs and video games are

distributed in obsolete¹¹ formats and require the original media or hardware as a condition of access.

One significant impact of these new exemptions is the limiting effect that the "use-based" definitions have on the four classes of works partially defined by use. In the previous rulemakings, the Register recommended and the Librarian granted exemptions for classes of works which were defined based upon intrinsic attributes of the works themselves. To fall under the protection of these previous exemptions, as long as a user used a copyrighted work which satisfied the intrinsic attributes according to the class definition (e.g., "computer programs and video games distributed in obsolete formats and that require the original media or hardware as a condition of access"), any noninfringing use of the copyrighted work fell outside of the scope of DMCA liability.

Now, however, protection is limited to works which not only have the intrinsic attributes as defined by the class definition (e.g., "computer programs and video games distributed in obsolete formats and that require the original media or hardware as a condition of access"), but which are also used in the specific manner defined by the class definition (e.g., "when circumvention is accomplished for the purpose of preservation or archival reproduction of published digital works by a library or archive"). Thus, by refining the definitions of classes of works based on specific intended uses, these new exemptions are more narrowly circumscribed than previous exemptions.

CONCLUSION

The six exemptions granted in the third triennial rulemaking reflect a willingness on the part of the Library of Congress to carve out more exemptions to the DMCA than in the previous two rulemakings. On the other hand, by refining the definitions of classes of works based in part upon the intended uses of the works, many future exemptions may be significantly narrower than the exemptions granted in the first and second rulemaking proceedings. These six exemptions should prove valuable tools for the specific industries to which they relate.

⁹ The primary technological protection measure found in DVDs is the Content Scrambling System ("CSS"), which encrypts the content of the DVD so that only authorized DVD players with authorized decryption devices may access the contents. See Recommendation of the Register of Copyrights, November 17, 2006, p. 12.

¹⁰ Recommendation of the Register of Copyrights, November 17, 2006, p. 27-28.

¹¹ Obsolete is defined as "no longer manufactured or...no longer reasonably available in the commercial marketplace." *Id.* at 25.

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Stein, McEwen & Bui, LLP is a full service intellectual property law firm with an emphasis on intellectual property creation and maximization. With a diverse clientele, including large multinational corporations, as well as small to midsize domestic and international companies, the attorneys of Stein, McEwen & Bui, LLP have worked with and counseled clients on the use of intellectual property as a tool for maximizing the protection of their research and development efforts.

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