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As the President of National Taipei University of Technology (Taipei-Tech), I am delighted to present to you the first issue of the *Journal of Intellectual Property Law and Management (JIPLM)* which is the first English IP law journal in Taiwan and is going to be collected in the Westlaw legal database that is run by world-famous Thomson Reuters. I believe *JIPLM* offers a great forum for legal scholars or practitioners to share their valuable knowledge and ideas of intellectual property, and I would like to take this opportunity to extend my appreciation to valued readers and authors for their interest in *JIPLM*.

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Best regards,



Lechter Yao
President
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June 2012

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TABLE OF CONTENTS

- Ping-Hsun Chen**, *Should We Have Federal Circuit Law for Reviewing JMOL Motions Arising from Patent Law Cases?*, 1 NTUT J. OF INTELL. PROP. L. & MGMT. 1 (2012).
- Kuan-Hsun Chiu**, *The Duty of Confidentiality Shall be Preserved in Patent Prosecution to Foster a More Effective and Efficient Patent System*, 1 NTUT J. OF INTELL. PROP. L. & MGMT. 25 (2012).
- Lung-Sheng Chen**, *Enhancing the Quality of Software Patents by Open Review*, 1 NTUT J. OF INTELL. PROP. L. & MGMT. 41 (2012).
- Ai-Tang Irene Chang**, *Whether a Trademark Qualifies as a Well-Known Mark?-Application of Bad Faith in Determining the Degree of Well-Knownness*, 1 NTUT J. OF INTELL. PROP. L. & MGMT. 53 (2012).
- Wan-Ling Cheng**, *Patent-eligibility after Bilski: Revisiting the Supreme Court's Prometheus Decision*, 1 NTUT J. OF INTELL. PROP. L. & MGMT. 94 (2012).
- Huei-Ju Tsai**, *The Practice of Preventive Proceeding and Preservation of Evidence in Intellectual Property Civil Actions*, 1 NTUT J. OF INTELL. PROP. L. & MGMT. 105 (2012).
- Yuan-Chen Chiang**, *"Willful Blindness" for Induced Infringement-Impacts of the U.S. Supreme Court's Global-Tech Case on Taiwanese Companies*, 1 NTUT J. OF INTELL. PROP. L. & MGMT. 114 (2012).
- Po-Ching Lee**, *The Digital Convergence Strategy and Patent Activity of Taiwanese Media Groups*, 1 NTUT J. OF INTELL. PROP. L. & MGMT. 121 (2012).

[2012] Vol. 1 NTUT J. of Intell. Prop. L. & Mgmt.

Chloe Lau, *Researching U.S. Intellectual Property Law in the Digital Age: How Online Research on Westlaw Can Enhance Your Results*, 1 NTUT J. of INTELL. PROP. L. & MGMT. 147 (2012).

SHOULD WE HAVE FEDERAL CIRCUIT LAW FOR REVIEWING JMOL MOTIONS ARISING FROM PATENT LAW CASES?

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ABSTRACT

A motion for judgment as a matter of law is a procedural tool which is used by a movant to see whether a trial judge thinks sufficient evidence exists to support a jury's verdict. When a district court's JMOL decision is appealed, an appellate court will apply its own review standard to the appeal. The problem comes when the Federal Circuit has exclusive jurisdiction over an appeal from a district court. This is because the Federal Circuit has to decide whether to apply its own case law or regional circuit case law. In this article, the observation of how the Federal Circuit reviews JMOL appeals where the substantive legal issue is a patent law issue will be presented. The inconsistency of the Federal Circuit's current choice-of-law practice regarding JMOL is found and proved. And, a suggestion of developing the Federal Circuit case law regarding JMOL is provided and followed by several factual observations and policy reasons.

Keywords: JMOL, Federal Circuit, patent

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I. Introduction

The patent law is part of the fundamental structures of the U.S. economy because it creates incentives for economic people to develop technology or products that would drive the economy.¹ To secure the strength of the patent law, it is important to keep the efficiency of the judicial enforcement of the patentee's rights secured by the patent law.² And, the consistency of the judicial application of the patent law is also crucial. So, Congress created the United States Court of Appeals for the Federal Circuit ("CAFC") in 1982 for improving the uniformity of the patent law practice among the federal district courts.³

When a federal district court hears a patent infringement case, the issues are usually divided into questions of law, such as claim construction, and questions of fact, such as anticipation.⁴ A trial judge will decide a question of law and leave a question of fact to the jury.⁵ But, the parties may ask the trial judge to sit as the jury by filing a motion for judgment as a matter of law ("JMOL") under the Federal Rules of Civil Procedure ("FRCP").⁶

¹ See Lawrence M. Sung, *Echoes of Scientific Truth in the Halls of Justice: The Standards of Review Applied by the United States Court of Appeals for the Federal Circuit in Patent-Related Matters*, 48 AM. U.L. REV. 1233, 1235-36 (1999) (discussing the impacts of the U.S. patent system).

² See *id.* at 1236-37.

³ See *id.*; see also Joan E. Schaffner, *Federal Circuit "Choice Of Law": Erie through the Looking Glass*, 81 IOWA L. REV. 1173, 1177 (1996) (explaining how the CAFC asserts jurisdiction over appealed cases arising from patent infringement complaints).

⁴ *Markman v. Westview Instruments*, 517 U.S. 370, 372 (1996); see also Christopher A. Harkins, *Fending Off Paper Patents and Patent Trolls: A Novel "Cold Fusion" Defense Because Changing Times Demand It*, 17 ALB. L.J. SCI. & TECH. 407, 431 n.101 (2007) (giving several examples of questions of either law or fact). Here, "claim construction" and "anticipation" are briefly explained.

"Claim construction" means a methodology of interpreting claims of a patent. See DONALD S. CHISUM ET AL., *PRINCIPLES OF PATENT LAW: CASES AND MATERIALS* 865 (Foundation Press 3d ed. 2004) (1998). Generally, a patent contains five sections, "background of the invention," "summary of the invention," "detailed description of the invention," "drawings," and "claims." See *id.* at 83-90. Claims are the center of a patent because they define the scope of the patent protection. See *id.* at 90. "Anticipation" comes from 35 U.S.C. § 102, which only allows a new or novel invention to be patented. See *id.* at 324. Generally, if each and every element of a claim is disclosed in one single prior art, such claim is anticipated. See *id.*

⁵ See David B. Pieper, Note, *The Appropriate Judicial Actor for Patent Interpretation: A Commentary on the Supreme Court's Decision in Markman v. Westview Instruments, Inc.*, 51 ARK. L. REV. 159, 174 (1998).

⁶ See Corey M. Dennis, Case Comment, *Civil Procedure-Sufficiency of Evidence Not Reviewable in Absence of Post-Verdict Judgment as a Matter of Law or New Trial Motion*-Unitherm Food Systems, Inc. v. Swift-Eckrich, Inc., 546 U.S. 394 (2006), 41 SUFFOLK U. L. REV. 279, 279 (2007). "JMOL" was a term adopted in a 1991 amendment of

According to Rule 50(a) of the FRCP, a party can file a JMOL motion after all evidence has been heard and before the case is submitted to the jury.⁷ And, under Rule 50(b), if a party wants to file a JMOL motion after a jury returns the verdict, he must file a JMOL motion before the case is submitted to the jury.⁸ Otherwise, the post-verdict JMOL motion will not be granted.⁹

In patent litigation,¹⁰ if an unsatisfied party appeals the district court's decision about his or her JMOL motion, the CAFC will apply the *de novo* standard to review the denial or grant of such JMOL motion,¹¹ and, however, apply the "substantial evidence" standard to review the jury verdict.¹² But, the CAFC will not review the "weight or credibility of the evidence."¹³ Instead, the CAFC will review whether "there is no legally sufficient evidentiary basis for a reasonable jury to find for [the non-movant,]"¹⁴ by using regional circuit law that governs such district court.¹⁵

It seems to be settled that the CAFC will apply regional circuit law to review an appeal regarding a JMOL motion.¹⁶ That is, the CAFC will cite the cases of a particular regional circuit to develop the review standard.¹⁷

the FRCP. See GEOFFREY C. HAZARD, JR. ET AL., PLEADING AND PROCEDURE: STATE AND FEDERAL 1097 (Foundation Press 9th ed. 2005) (1962). The term merged two past terms, "direct verdict" and "judgment notwithstanding the verdict." See *id.*

⁷ *Union Carbide Chems. & Plastics Tech. Corp. v. Shell Oil Co.*, 308 F.3d 1167, 1175 (Fed. Cir. 2002).

⁸ *Id.* at 1177; see also Dennis, *supra* note 6, at 279.

⁹ *Union Carbide Chems. & Plastics Tech. Corp.*, 308 F.3d at 1177.

¹⁰ The CAFC has jurisdiction over the appealed patent cases from the federal district courts. 28 U.S.C. §§ 1295(a)(1), 1338(a) (West 2008).

¹¹ *Liquid Dynamics Corp. v. Vaughan Co.*, 449 F.3d 1209, 1218 (Fed. Cir. 2006). The CAFC will review the district court's decision regarding the denial or grant of a JMOL motion "without deference [by] applying the same standard employed by the district court." *DePuy Spine, Inc. v. Medtronic Sofamor Danek, Inc.*, 469 F.3d 1005, 1013 (Fed. Cir. 2006) (citing *Honeywell, Int'l Inc. v. Hamilton Sundstrand Corp.*, 370 F.3d 1131, 1139 (Fed. Cir. 2004) (en banc)).

¹² *Liquid Dynamics Corp.*, 449 F.3d at 1218. The CAFC will look to the record produced in the district court as an overall source to judge whether such record "would support the verdict in the mind of a reasonable person." *Id.*

¹³ *Id.* (citing *Comark Commc'ns, Inc. v. Harris Corp.*, 156 F.3d 1182, 1192 (Fed. Cir. 1998)).

¹⁴ *DePuy Spine, Inc.*, 469 F.3d at 1013.

¹⁵ *Agrizap, Inc. v. Woodstream Corp.*, 520 F.3d 1337, 1341 (Fed. Cir. 2008) (citing *Summit Tech., Inc. v. Nidek Co.*, 363 F.3d 1219, 1223 (Fed. Cir. 2004)).

¹⁶ See Sean M. McEldowney, Comments, *The "Essential Relationship" Spectrum: A Framework for Addressing Choice of Procedural Law in the Federal Circuit*, 153 U. PA. L. REV. 1639, 1664-67 (2005). But, this article will prove it is not that case.

¹⁷ See NANCY L. SCHULTZ & LOUIS J. SIRICO, JR., LEGAL WRITING AND OTHER LAWYERING SKILLS 13-14 (LexisNexis 4th ed. 2004). Other issues that the CAFC will apply

However, in several occasions the CAFC also cited its own cases to present the propositions of how to review a JMOL motion.¹⁸ There seems to be a conflict to some extent as to whether the CAFC should use regional circuit law or its own case law to review lower courts' decisions regarding JMOL motions.¹⁹

This article discusses why there should be Federal Circuit law for reviewing a JMOL motion in patent litigation cases. Part II discusses two landmark cases about how the CAFC developed the choice-of-law doctrine regarding the FRCP.²⁰ Part III discusses how the CAFC applied regional circuit law. In the cases discussed, the JMOL issue will be focused, and the

regional circuit law to include (1) claim preclusion, *Pactiv Corp. v. Dow Chem. Co.*, 449 F.3d 1227, 1230 (Fed. Cir. 2006), (2) a motion to amend the findings of a bench trial under FRCP 52(b), *Golden Blount, Inc. v. Robert H. Peterson Co.*, 438 F.3d 1354, 1358 (Fed. Cir. 2006), (3) a motion to disqualify a judge, *In re Beyond Innovation Tech. Co.*, 166 F. App'x 490, 491-92 (Fed. Cir. 2006) (non-published opinion), (4) a dismissal of a complaint with or without prejudice, *Sicom Sys., Ltd. v. Agilent Techs., Inc.*, 427 F.3d 971, 975 (Fed. Cir. 2005), (5) questions of discovery, *Group One, Ltd. v. Hallmark Cards, Inc.*, 407 F.3d 1297, 1307 (Fed. Cir. 2005); *Network Commerce, Inc. v. Microsoft Corp.*, 422 F.3d 1353, 1363 (Fed. Cir. 2005) (stating that the regional circuit law governs the discovery practice under Rule 56(f) of the Federal Rules of Civil Procedure), (6) a motion to intervene, *Ericsson Inc. v. InterDigital Commc'ns Corp.*, 418 F.3d 1217, 1221 (Fed. Cir. 2005), (7) relief under FRCP 60(b)(2) and (3), *Schreiber Foods, Inc. v. Beatrice Cheese, Inc.*, 402 F.3d 1198, 1204-05 (Fed. Cir. 2005) (citing *Engel Indus., Inc. v. Lockformer Co.*, 166 F.3d 1379, 1384 (Fed. Cir. 1999)), (8) a waiver of a defense, *Ultra-Precision Mfg., Ltd. v. Ford Motor Co.*, 411 F.3d 1369, 1376 (Fed. Cir. 2005) (citing *Riverwood Int'l Corp. v. R.A. Jones & Co.*, 324 F.3d 1346, 1352 (Fed. Cir. 2003)), (9) a sanction under FRCP 11, *Power Mosfet Techs., L.L.C. v. Siemens AG*, 378 F.3d 1396, 1406-07 (Fed. Cir. 2004) (citing *Phonometrics, Inc. v. Econ. Inns of Am.*, 349 F.3d 1356, 1361 (Fed. Cir. 2003)), (10) a motion for leave to amend to add a party, *Hockerson-Halberstadt, Inc. v. JSP Footwear, Inc.*, 104 F. App'x 721, 725 (Fed. Cir. 2004) (non-published opinion)(citing *McGinley v. Franklin Sports, Inc.*, 262 F.3d 1339, 1357 (Fed. Cir. 2001)), and (11) judicial estoppel. *Minn. Mining & Mfg. Co. v. Chemque, Inc.*, 303 F.3d 1294, 1302 (Fed. Cir. 2002) (citing *Wang Labs., Inc. v. Applied Computer Scis., Inc.*, 958 F.2d 355, 358 (Fed. Cir. 1992)).

¹⁸ See, e.g., *DSU Med. Corp. v. JMS Co.*, 471 F.3d 1293 (Fed. Cir. 2006); *Applied Med. Res. Corp. v. U.S. Surgical Corp.*, 147 F.3d 1374 (Fed. Cir. 1998); *Dana Corp. v. IPC Ltd.*, 860 F.2d 415 (Fed. Cir. 1988).

¹⁹ See, e.g., Ted L. Field, *Improving the Federal Circuit's Approach to Choice of Law for Procedural Matters in Patent Cases*, 16 GEO. MASON L. REV. 643, 658-661 (2009) (explaining the choice-of-law issue regarding the post-trial motions for judgment as a matter of law).

²⁰ The selection of the landmark cases is based on some previous cases and articles. See, e.g., *Midwest Indus., Inc. v. Karavan Trailers, Inc.*, 175 F.3d 1356, 1359 (Fed. Cir. 1999); *Eolas Techs., Inc. v. Microsoft Corp.*, 457 F.3d 1279, 1282 (Fed. Cir. 2006); Adam E. Miller, Note, *The Choice of Law Rules and the Use of Precedent in the Federal Circuit: A Unique and Evolving System*, 31 OKLA. CITY U.L. REV. 301, 313-19 (2006); Schaffner, *supra* note 3, at 1181-82.

logic of these cases will be analyzed. The methodology for observation is to show how the CAFC presented the propositions and the analogous cases. Part III also discusses the cases where the CAFC cited its own case law to explain the legal standard.²¹ Part IV provides some aspects for why it is necessary to create Federal Circuit law to review JMOL decisions of federal district courts.²² Specifically, one Supreme Court case, *Reeves v. Sanderson Plumbing Prods., Inc.*,²³ will be introduced to resolve the inconsistency issue.

II. Development of the Choice-of-Law Doctrine regarding the FRCP

A. The “Pertain to the Patent Issues” Standard—Panduit Corp. v. All States Plastic Manufacturing Co.

*Panduit Corp. v. All States Plastic Mfg. Co.*²⁴ is a case about attorney disqualification.²⁵ One issue the CAFC dealt with was whether the regional circuit law or Federal Circuit law should be applied to the attorney disqualification issue.²⁶ The theme of the CAFC’s rationale has two parts. The first part states why it has jurisdiction over procedural matters arising from the patent law disputes, and the second part states why it chooses the regional circuit laws to decide the procedural matters.²⁷

Regarding the first part, the CAFC relied on 28 U.S.C. §§ 1295(a) and 1338 to support its jurisdiction assertion.²⁸ 28 U.S.C. § 1295(a) provides the

²¹ Thus, the whole purpose of Part III is to show consistency or inconsistency of the choice-of-law doctrine regarding the review standard of JMOL.

²² However, this article will not provide a solution for a motion for a new trial, which is an affiliated product of a JMOL motion, *see Dennis, supra* note 6, at 279, because the new trial motion is more about the court management of a judge and the rules of the court management may be better decided by regional circuits. *See Cone v. W. Va. Pulp & Paper Co.*, 330 U.S. 212, 216, (1947) (“And [a trial judge] can exercise this discretion with a fresh personal knowledge of the issues involved, the kind of evidence given, and the impression made by witnesses. His appraisal of the bona fides of the claims asserted by the litigants is of great value in reaching a conclusion as to whether a new trial should be granted. Determination of whether a new trial should be granted or a judgment entered under Rule 50(b) calls for the judgment in the first instance of the judge who saw and heard the witnesses and has the feel of the case which no appellate printed transcript can impart.”).

²³ 530 U.S. 133 (2000).

²⁴ 744 F.2d 1564 (Fed. Cir. 1984).

²⁵ *Id.* at 1567-68. All States Plastic Manufacturing Co., Inc. (“All States”) had hired the Laff Firm as a legal counsel since late 1976. *Id.* at 1567. During the litigation, Panduit Corp. (“Panduit”) filed to disqualify the Laff Firm. *Id.* at 1568-69. In light of the Seventh Circuit law, the district judge ruled in favor of All States. *Id.* at 1570-71. Then, Panduit appealed. *Id.* at 1571.

²⁶ *Id.*

²⁷ *Id.* at 1572-73.

²⁸ *Id.* at 1573, 1573 n.9.

CAFC with jurisdiction over the appeals from 28 U.S.C. § 1338, where section 1338 gives a district court original jurisdiction over a patent litigation.²⁹ And, if a complaint includes a *bona fide* patent claim, the CAFC has the exclusive jurisdiction over the matters surrounding the complaint.³⁰

Additionally, the CAFC gave several policy reasons for its choice to assert the jurisdiction, and those reasons also relate to the CAFC's discussion about the choice-of-law issues. First, the CAFC recognized that Congress granted to it a specific, nationwide subject matter jurisdiction over patent law cases, so that when a district court exercises the 28 U.S.C. § 1338 jurisdiction it will be bound by the substantive patent law of the CAFC.³¹ Second, the CAFC stated that practitioners and district judges should follow its law in "patent" cases and the regional circuit laws in non-patent cases to fulfill the congressional purposes of the creation of the CAFC.³² Third, the CAFC explored the legislative history to prove its reasoning.³³ By quoting the legislative record,³⁴ it claimed the jurisdiction regarding the dispute of attorney disqualification for the purposes of patent law uniformity.³⁵

The second part of the rationale discussed the issues of the choice of law. The CAFC again reflected Congress' consent that the CAFC was created for the uniformity of the patent law.³⁶ Then, it divided the appealable issues into

²⁹ *Id.* at 1573 n.11. 28 U.S.C. § 1338 (1982) provides:

(a) The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trade-marks. Such jurisdiction shall be exclusive of the courts of the states in patent, plant variety protection and copyright cases.

(b) The district courts shall have original jurisdiction of any civil action asserting a claim of unfair competition when joined with a substantial and related claim under the copyright, patent, plant variety protection or trade-mark laws.

³⁰ *Panduit Corp.*, 744 F.2d at 1573 ("Since our jurisdiction to review a district court's decision is predicated on the presence of a *bona fide* patent claim in that action, we, naturally, have the exclusive jurisdiction to review any other matters which were tried below.").

³¹ *Id.*

³² *Id.* (dividing the laws, which district courts could apply, into the substantive patent law and the "general" laws).

³³ *Id.* ("Since our enabling statute fails to enunciate any guidance for this question, an analysis of the legislative history must be made.").

³⁴ *Id.* at 1573-74.

³⁵ *Id.* at 1574 ("It is, therefore, clear that one of the primary objectives of our enabling legislation is to bring about uniformity in the area of patent law.").

³⁶ *Id.* ("In addition to the guidance provided by the legislative history, we must resolve this choice of law question by considering the general policy of minimizing confusion and conflicts in the federal judicial system.").

a procedural question and a non-procedural question,³⁷ and decided to apply regional circuit laws to procedural matters which are not unique to patent issues.³⁸ The reason is that the CAFC did not want patent law litigants to face different procedural rules within one regional circuit.³⁹

Additionally, when the procedural matters relate to patent issues, such as the proof of non-experimental or experimental use, the CAFC said that it would apply its own case law.⁴⁰ However, the CAFC did not give a well-defined instruction for how to decide which procedural matters should pertain to patent issues. Instead, the CAFC was waiting for the cases to resolve the question of the choice of law.⁴¹ Although the CAFC was aware of possible inconsistency of the procedural rulings among the regional circuit courts,⁴² it did not think that there could be a problem.⁴³

Moreover, the CAFC talked about its rules about how to decide procedural matters not pertaining to patent issues. First, it would sit as a regional circuit court to review the appeals.⁴⁴ Second, if the regional circuit court has rulings on appealing issues, it would apply the regional circuit law.⁴⁵ Third, if the regional circuit court has said nothing about the issues, it

³⁷ *Id.* Maybe, since the dispute in *Panduit Corp.* was about attorney disqualification, which is a pure procedural question, the CAFC decided to view appealable issues as two types of question.

³⁸ *Id.* at 1574-75.

³⁹ *Id.* (“Where . . . a procedural question . . . that is independent of the patent issues is in dispute, practitioners within the jurisdiction of a particular regional circuit court should not be required to practice law and to counsel clients in light of two different sets of law for an identical issue due to the different routes of appeal.”).

⁴⁰ *Id.* at 1575, 1575 n.14 (citing *Barmag Barmer Maschinenfabrik v. Murata Mach. Ltd.*, 731 F.2d 831 (Fed. Cir. 1984)) (“[P]rocedural matters that do pertain to patent issues, such as whether proof of non-experimental use is necessary to establish a *prima facie* defense of an on-sale bar, must conform to Federal Circuit law.”).

⁴¹ *Id.* at 1575 (“The exact parameters of this ruling will not be clear until such procedural matters are presented to this court for resolution.”).

⁴² *Id.* (“Although the adoption of this policy could on occasion require this court to reach disparate results in procedural matters in light of disparate viewpoints from the regional circuit courts, it is nonetheless preferable for the twelve judges of this court to handle such conflicts rather than for countless practitioners and hundreds of district judges to do so.”).

⁴³ The CAFC thought that the situation was like those where the CAFC decides state law. *Id.* (“The task of deciding issues in light of different laws is no worse than the existing duty of federal judges to decide diversity cases or pendent state matters in view of state law.”). Additionally, the CAFC stated that, even with the present policy of the choice of law, it still had a right to develop its own laws regarding procedural matters appealed from some particular lower courts under its jurisdiction, such as the Court of International Trade. *Id.*

⁴⁴ *Id.*

⁴⁵ *Id.*

would try to predict what the regional circuit law would be.⁴⁶

The CAFC finally decided to assert the jurisdiction over the attorney disqualification issue arising from the patent disputes, and decided to apply the Seventh Circuit law.⁴⁷

B. The “Essential Relationship” Standard—*Biodex Corp. v. Loredan Biomedical, Inc.*

In *Biodex Corp. v. Loredan Biomedical, Inc.*,⁴⁸ the CAFC considered whether to review the sufficiency of the evidence supporting a jury verdict if such jury verdict was not challenged by a post-verdict JMOL motion.⁴⁹ But, before resolving such issue, the CAFC first analyzed whether it “should or must defer to the law of the regional circuit.”⁵⁰ It decided to develop its own case law to deal with such issue.⁵¹

The CAFC presented a two-part analysis.⁵² In the first part, it explored

⁴⁶ *Id.*

⁴⁷ *Id.* at 1576.

⁴⁸ 946 F.2d 850 (Fed. Cir. 1991). The patentee, Biodex Corp. (“Biodex”), appealed from the district court’s decision of invalidity of U.S. Patent No. 4,691,694 and non-infringement of U.S. Patent No. 4,628,910. *Id.* 851-52. The CAFC affirmed the district court’s decision. *Id.* at 852.

⁴⁹ *Id.* at 854. In the district court proceeding, Biodex failed to file a post-verdict JMOL motion, *Id.* at 853 (using the term, “judgment non obstante veredicto,” which is abbreviated as “JNOV” and also known as “judgment notwithstanding the verdict”).

⁵⁰ *Id.* at 854-55.

⁵¹ *Id.* at 859.

⁵² The CAFC provided two reasons for why it should decide the choice-of-law issue. First, the regional circuit law governing the district court did not have a clue of whether a post-verdict JMOL motion should be “a prerequisite to appellate review of the sufficiency of the evidence supporting the jury verdict.” *Id.* at 855 (discussing one Ninth Circuit’s case, *Kopczynski v. The Jacqueline*, 742 F.2d 555, 560 (9th Cir. 1984), where the Ninth Circuit, without seeing a post-verdict JMOL motion filed below, refused to review the jury verdict of a substantive law issue but decided to interfere with the jury verdict of punitive damages).

Second, all regional circuit laws were not uniform or clear so that the CAFC could not decide whether to defer to the Ninth Circuit law. *Id.* Here, the CAFC also mentioned its previous decision and said, “[T]he law on the reviewability of a jury verdict for sufficiency of the evidence absent a post-verdict motion is unsettled.” *Id.* at 855 n.7 (citing *R.R. Dynamics, Inc. v. A. Stucki Co.*, 727 F.2d 1506, 1511 (Fed. Cir. 1984)). The mentioned case is *R.R. Dynamics, Inc. v. A. Stucki Co.*, 727 F.2d 1506 (Fed. Cir. 1984), where the CAFC also reviewed a decision about a post-verdict JMOL motion, but did not discuss the choice-of-law issue. In *R.R. Dynamics, Inc.*, however, the CAFC did state that “where there has been no motion for [a post-verdict JMOL motion], and nothing of record that may be treated as such a motion, an appellate court cannot reverse or order judgment for appellant.” *Id.* at 1511. Thus, it is hard to understand why the CAFC in *Biodex Corp.* presented such proposition.

However, the *R.R. Dynamics, Inc.* decision was made on January 25, 1984 before

four standards for deciding choice-of-law issues.⁵³ The first standard asks “whether procedural or substantive, is one ‘. . . over which this court does not have exclusive appellate jurisdiction.’”⁵⁴ The second standard asks whether a subject “is not unique to patent law.”⁵⁵ The third standard asks whether a subject is “not specific to [CAFC’s] statutory jurisdiction.”⁵⁶ The fourth standard is close to what the CAFC developed, and it asks “whether the procedural issue may be ‘related’ to ‘substantive matters unique to the [CAFC] and thus committed to [CAFC’s] law.’”⁵⁷

Besides these four standards, one additional factor is “whether ‘most cases [involving the issue] will come on appeal to [the CAFC],’ thereby putting [it] in a ‘good position to create a uniform body of federal law’ on the issue.”⁵⁸ Moreover, if a subject of the appeal has no relationship of the issue to CAFC’s exclusive jurisdiction, the deference to regional circuit law is adopted “when there is existing and expressed uniformity among the circuits.”⁵⁹

The second part gave the reasoning of choosing its own law. The whole theme of the second part was to reframe *Panduit Corp.*, which provided a

Panduit Corp. made on September 25, 1984. *R.R. Dynamics, Inc.*, 727 F.2d at 1506; *Panduit Corp.*, 744 F.2d at 1564. But, in *Panduit Corp.*, the CAFC just ignored the issue of whether the *Panduit* standard of choice of law would fit to the law placed in *R.R. Dynamics, Inc.*

⁵³ *Biodex Corp.*, 946 F.2d at 855-56.

⁵⁴ *Id.* (citing *Cicena, Ltd. v. Columbia Telecomms. Group*, 900 F.2d 1546, 1548 (Fed. Cir. 1990) (dealing with the unfair competition law)).

⁵⁵ *Id.* at 856 (citing *Kalman v. Berlyn Corp.*, 914 F.2d 1473, 1098 (Fed. Cir. 1990) (dealing with a motion to amend the pleadings)).

⁵⁶ *Id.* (citing *Registration Control Sys., Inc. v. Compusystems, Inc.*, 922 F.2d 805, 807 (Fed. Cir. 1990) (dealing with a motion for a new trial)).

⁵⁷ *Id.* (citing *Chrysler Motors Corp. v. Auto Body Panels, Inc.*, 908 F.2d 951, 953 (Fed. Cir. 1990) (dealing with a motion for a preliminary injunction)). In *Chrysler Motors Corp. v. Auto Body Panels, Inc.*, 908 F.2d 951 (Fed. Cir. 1990), the CAFC actually did not expressly decide whether a preliminary injunction should be subject to its own law or regional circuit law. *Id.* at 952-53. Instead, the CAFC directly applied its own law. *Id.* at 953 (citing *Hybritech, Inc. v. Abbott Labs.*, 849 F.2d 1446, 1451 (Fed. Cir. 1988)). After tracing *Hybritech, Inc. v. Abbott Labs.*, 849 F.2d 1446 (Fed. Cir. 1988), cited by *Chrysler Motors Corp.*, I found that in footnote 12 of *Hybritech, Inc.* the CAFC stated, “Because the issuance of an injunction pursuant to [35 U.S.C. section 283] enjoins ‘the violation of any right secured by a patent, on such terms as the court deems reasonable,’ a preliminary injunction of this type, although a procedural matter, involves substantive matters unique to patent law and, therefore, is governed by the law of this court.” *Id.* at 1451 n.12. Therefore, the CAFC seems not to care much about the origin of its proposition. And, regarding the issue of a preliminary injunction, the CAFC seems to owe us some reasons of the choice-of-law issue.

⁵⁸ *Biodex Corp.*, 946 F.2d at 856. (citing *Forman v. United States*, 767 F.2d 875, 880 (Fed. Cir. 1985) (dealing with a dispute of a lease contract between a private party and a governmental agency)).

⁵⁹ *Id.*

significant factor that the policy behind the deference to regional circuit law is to “achiev[e] uniformity in district court management of trials.”⁶⁰ By reading *Panduit Corp.*, the CAFC recognized that it should apply regional circuit law to procedural matters that is not unique to patent issues.⁶¹ And, the test is not fixed because whether a procedural matter is unique to the patent law is decided case by case when the CAFC faces such procedural matter.⁶² And, it further stated that “the resolution of the [choice of law] in particular cases would depend on whether the procedural matter should ‘pertain to’ or should be ‘related to patent issues.’”⁶³

Relying on *Panduit Corp.*, the CAFC confirmed that although the meanings of “unique to,” “related to,” and “pertain[ing] to” were not defined, the guideline was to keep a path where it would not create “unnecessary conflicts and confusion in procedural matters.”⁶⁴ So, when the issues relate to the interpretation of the FRCP or local rules of a district court or involve substantive legal issues outside CAFC’s exclusive jurisdiction, the CAFC will apply regional circuit law.⁶⁵ However, the CAFC stated, “[W]e have not deferred in the resolution of all procedural issues merely because that issue might separately arise in a case having nothing to do with the patent laws.”⁶⁶ Rather, it will apply its own law to a procedural issue when such procedural issue has “an essential relationship [with its] exclusive statutory mandate or [its] functions as an appellate court.”⁶⁷

Finally, after providing a derivative of *Panduit Corp.*, the CAFC gave three reasons for why its own law governs the issue. First, it reframed the issue as “the reviewability on appeal of fact findings made by a jury in a patent trial absent any post-verdict motions”⁶⁸ to acquire a statutory power to determine “the prerequisites of appellate review of legal issues.”⁶⁹ Therefore, the issue has an essential relationship with its “exclusive control by statute, the appellate review of patent trials.”⁷⁰

Second, the CAFC pointed out the advantage of “uniformity in the

⁶⁰ *Id.*

⁶¹ *Id.* at 856-57 (citation omitted).

⁶² *Id.* at 857 (citation omitted).

⁶³ *Id.* (citation omitted). The CAFC also affirmed that its own law triumphed if “either procedural or substantive matters ... were essential to the exercise of our exclusive statutory jurisdiction.” *Id.*

⁶⁴ *Id.*

⁶⁵ *Id.* at 857-58.

⁶⁶ *Id.* at 858.

⁶⁷ *Id.*

⁶⁸ *Id.*

⁶⁹ *Id.* (citing 28 U.S.C. §§ 1295(a)(1), 1338 (1988)).

⁷⁰ *Id.* at 858-59.

review of patent trials.”⁷¹ If the reviewability is based on its own law, for the same patent disputed in district courts of different regional circuits, whether the same dispositive factual findings can be reviewed will not depend on regional circuit laws.⁷² Additionally, the trial management will not be affected because “the availability of appellate review is irrelevant to the conduct of the trial or to any decision on substantive legal issues that may arise during trial.”⁷³ So, a district court judge will not serve two circuit courts.⁷⁴ Third, the CAFC stated that “predictability . . . is improved by the adoption of a single nationwide standard for preserving the reviewability of sufficiency of the evidence in a case arising under the patent laws.”⁷⁵

Ultimately, the CAFC considered the various standards of deciding the choice-of-law issue. With the advantages in mind, such as reviewability, uniformity, and predictability, the CAFC ended up with the “essential relationship” standard as a ground of why to choose its own law to deal with the issue.⁷⁶

C. Inferences from Two Landmark Cases

The “pertain to the patent issues” standard from *Panduit Corp.* would be a general approach adopted by the CAFC for the choice-of-law issue. The application would be easy when substantive issues could not generate CAFC’s exclusive jurisdiction vested in 28 U.S.C. §§ 1295(a) and 1338, for instance. However, when procedural rules are handled, the choice-of-law issue would be complex because the CAFC could have to give detailed and sound reasons in order to assert jurisdiction under a case-by-case approach.⁷⁷

The “essential relationship” standard from *Biodex Corp.* would be a good

⁷¹ *Id.* at 859.

⁷² *Id.*

⁷³ *Id.*

⁷⁴ *Id.*

⁷⁵ *Id.*

⁷⁶ *Id.* The CAFC decided that a post-verdict JMOL motion is a prerequisite of its appellate review of the sufficiency of the evidence supporting a jury verdict. *Id.* at 862.

⁷⁷ Giving an example, I started with *Schreiber Foods, Inc. v. Beatrice Cheese, Inc.*, 402 F.3d 1198 (Fed. Cir. 2005), to find out why the CAFC adopted the regional circuit case law when considering the district court’s decision to grant or deny relief under Rules 60(b)(2) and (3). I did not find any cases where the CAFC gave its comprehensive reasons about why to adopt the regional circuit law. *Schreiber Foods, Inc.* directed me to *Engel Indus., Inc. v. Lockformer Co.*, 166 F.3d 1379 (Fed.Cir.1999). *Schreiber Foods, Inc.*, 402 F.3d at 1204.

Engel Indus., Inc. did not provide the knowledgeable discussion about the choice-of-law issue, but it led me to another case, *Amstar Corp. v. Envirotech Corp.*, 823 F.2d 1538 (Fed. Cir. 1987). *Engel Indus., Inc.*, 166 F.3d at 1834. In *Amstar Corp.*, the CAFC cited *Panduit Corp.*, but again simply states, “Because denial of a Rule 60(b) motion is a procedural issue not unique to patent law, we apply the rule of the regional circuit where appeals from the district court would normally lie.” *Amstar Corp.*, 823 F.2d at 1550.

model for furthering the case-by-case approach. But, so far in several procedural decisions, the CAFC has never given any explanation for why it applies regional circuit law to the choice-of-law issue about JMOL. In those JMOL cases, the CAFC merely stated the propositions of the JMOL review standard. In the following discussions about the inconsistency of the applications of the JMOL review standards, the observation will show the necessity that the CAFC should provide the uniformity of the review standard.

III. How the CAFC Applies Current Regional Circuit Law: Consistency v. Inconsistency

A. Three Modes of How the CAFC Uses Authority to State the Governing Law for JMOL

There are three modes of how CAFC applied current regional circuit laws. In the first mode, the CAFC cited the cases of a regional circuit to state the propositions of governing law regarding JMOL.⁷⁸ However, even when the same regional circuit law was applied, the CAFC used different formulations of language for the same governing law. For example, when referring to the Third Circuit law, the CAFC once stated:

[A] grant of JMOL is appropriate only where a party has been fully heard on an issue during a jury trial and the court finds that a reasonable jury would not have a legally sufficient evidentiary basis to find for the party on that issue. As the reviewing court, we are mindful that we []may not weigh the evidence, determine the credibility of witnesses, or substitute [our] version of the facts for the jury's version.⁷⁹

However, in one case, the CAFC stated:

[T]o prevail, [the moving party] must show that the jury lacked

⁷⁸ See, e.g., *Agrizap, Inc. v. Woodstream Corp.*, 520 F.3d 1337, 1341-42 (Fed. Cir. 2008) (obviousness); *Z4 Techs., Inc. v. Microsoft Corp.*, 507 F.3d 1340, 1346-47 (Fed. Cir. 2007) (infringement and anticipation); *Wechsler v. Macke Int'l Trade, Inc.*, 486 F.3d 1286, 1290-91 (Fed. Cir. 2007) (infringement and damages); *nCube Corp. v. SeaChange Int'l, Inc.*, 436 F.3d 1317, 1319 (Fed. Cir. 2006) (infringement); *Callicrate v. Wadsworth Mfg., Inc.*, 427 F.3d 1361, 1366 (Fed. Cir. 2005) (infringement); *Harris Corp. v. Ericsson Inc.*, 417 F.3d 1241, 1248 (Fed. Cir. 2005) (infringement); *CollegeNet, Inc. v. ApplyYourself, Inc.*, 418 F.3d 1225, 1230 (Fed. Cir. 2005) (infringement); *Seachange Int'l, Inc. v. C-COR Inc.*, 413 F.3d 1361, 1367-68 (Fed. Cir. 2005) (anticipation); *Riverwood Int'l Corp. v. R. A. Jones & Co.*, 324 F.3d 1346, 1352 (Fed. Cir. 2003) (obviousness); *Bowers v. Baystate Techs., Inc.*, 302 F.3d 1334, 1340-41 (Fed. Cir. 2002) (infringement).

⁷⁹ *Agrizap, Inc.*, 520 F.3d at 1342 (citation omitted).

substantial evidence for its verdict, viewing the evidence most favorably to the non-movant.⁸⁰

Or, in another case, the CAFC stated:

[W]e must []determine whether viewing the evidence in the light most favorable to the nonmovant and giving [the nonmovant] the advantage of every fair and reasonable inference, there is insufficient evidence from which a jury reasonably could reach the conclusions that it did.⁸¹

In the second mode, the CAFC cited the regional circuit's cases and its own cases for legal propositions.⁸² For example, in *Yamanouchi Pharm. Co. v. Danbury Pharmacal, Inc.*,⁸³ the CAFC cited its case and one Tenth Circuit's case to state, "[T]his court reviews the district court's JMOL findings as if entered at the conclusion of all the evidence."⁸⁴ In *Summit Tech., Inc. v. Nidek Co.*,⁸⁵ the CAFC cited the First Circuit's cases to state the propositions for the burden of proof, while it cited its own cases to state the propositions for reviewing the jury verdict.⁸⁶ In *Princeton Biochemicals, Inc. v. Beckman Coulter, Inc.*,⁸⁷ the CAFC cited one Third Circuit's case to state, "Under the law of the Third Circuit, review of a district court's ruling on JMOL is plenary,"⁸⁸ but cited its own cases for other JMOL propositions.⁸⁹ Last, in *Voda v. Cordis Corp.*,⁹⁰ the CAFC cited one Tenth

⁸⁰ *nCube Corp.*, 436 F.3d at 1319.

⁸¹ *Seachange Int'l, Inc.*, 413 F.3d at 1368.

⁸² See, e.g., *Voda v. Cordis Corp.*, 536 F.3d 1311, 1318-19 (Fed. Cir. 2008) (obviousness and infringement); *Princeton Biochemicals, Inc. v. Beckman Coulter, Inc.*, 411 F.3d 1332, 1336 (Fed. Cir. 2005) (obviousness); *Summit Tech., Inc. v. Nidek Co.*, 363 F.3d 1219, 1223 (Fed. Cir. 2004) (infringement); *Yamanouchi Pharm. Co. v. Danbury Pharmacal, Inc.*, 231 F.3d 1339, 1343 (Fed. Cir. 2000) (obviousness).

⁸³ 231 F.3d 1339 (Fed. Cir. 2000).

⁸⁴ *Id.* at 1343 (citing *Lemelson v. United States*, 752 F.2d 1538, 1547, (Fed. Cir. 1985) and *Woods v. N. Am. Rockwell Corp.*, 480 F.2d 644, 645-46 (10th Cir. 1973)). *Lemelson v. United States*, 752 F.2d 1538 (Fed. Cir. 1985), was a case appealed from the United States Claims Court.

⁸⁵ 363 F.3d 1219 (Fed. Cir. 2004).

⁸⁶ *Id.* at 1223 (citing *Brooktree Corp. v. Advanced Micro Devices, Inc.*, 977 F.2d 1555, 1569 (Fed. Cir. 1992)). *Brooktree Corp. v. Advanced Micro Devices, Inc.*, 977 F.2d 1555 (Fed. Cir. 1992), was a case appealed from the United States District Court for the Southern District of California, which is not within the First Circuit.

⁸⁷ 411 F.3d at 1332 (Fed. Cir. 2005).

⁸⁸ *Id.* at 1336 (citing *Shellenberger v. Summit Bancorp, Inc.*, 318 F.3d 183, 186 (3rd Cir. 2003)).

⁸⁹ *Id.* (citing *Summit Tech., Inc. v. Nidek Co.*, 363 F.3d 1219, 1223 (Fed. Cir. 2004); *Tex.*

Circuit's case to state a JMOL proposition, but it also cited its own case for the same proposition.⁹¹

In the third mode, the CAFC only cited its own cases for legal theories.⁹² The examples of the third mode could be divided into two groups. In the first group, the choice-of-law doctrine disappeared. The examples are *Honeywell Int'l, Inc. v. Hamilton Sundstrand Corp.*,⁹³ *Porody v. Land O'Lakes, Inc.*,⁹⁴ and *Forest Labs., Inc. v. Abbott Labs.*⁹⁵ The CAFC's cases cited in those three cases are also a case where the CAFC ignored the choice-of-law doctrine.⁹⁶

Instruments Inc. v. Cypress Semiconductor Corp., 90 F.3d 1558, 1563 (Fed. Cir. 1996); *Richardson-Vicks Inc. v. Upjohn Co.*, 122 F.3d 1476, 1479 (Fed. Cir. 1997)). *Summit Tech., Inc. v. Nidek Co.*, 363 F.3d 1219 (Fed. Cir. 2004), was a case appealed from the United States District Court for the District of Massachusetts. *Tex. Instruments Inc. v. Cypress Semiconductor Corp.*, 90 F.3d 1558 (Fed. Cir. 1996), was a case appealed from the United States District Court for the Northern District of Texas. *Richardson-Vicks Inc. v. Upjohn Co.*, 122 F.3d 1476 (Fed. Cir. 1997), was a case appealed from the United States District Court for the District of Delaware. Among these three cases, only the last case was from a federal district court covered by the Third Circuit.

⁹⁰ 536 F.3d 1311 (Fed. Cir. 2008).

⁹¹ *Id.* at 1318-19 ("The Tenth Circuit has explained that '[w]hen a jury verdict is challenged on appeal, our review is limited to determining whether the record-viewed in the light most favorable to the prevailing party-contains substantial evidence to support the jury's decision.' *United Int'l Holdings, Inc. v. Wharf (Holdings) Ltd.*, 210 F.3d 1207, 1227 (10th Cir. 2000) (quotation omitted); *see also Dawn Equip. Co. v. Ky. Farms, Inc.*, 140 F.3d 1009, 1014 (Fed. Cir. 1998).").

Dawn Equip. Co. v. Ky. Farms Inc., 140 F.3d 1009 (Fed. Cir. 1998), was a case appealed from the United States District Court for the Northern District of Illinois, which is not within the Tenth Circuit's jurisdiction. *Id.* at 1009.

⁹² *See, e.g., Honeywell Int'l, Inc. v. Hamilton Sundstrand Corp.*, 523 F.3d 1304, 1311-12 (Fed. Cir. 2008)(not dealing with the sufficiency of evidence); *Poly-America, L.P. v. GSE Lining Tech., Inc.*, 383 F.3d 1303, 1307 (Fed. Cir. 2004)(on-sale bar, anticipation, and obviousness); *Cardiac Pacemakers, Inc. v. St. Jude Med., Inc.*, 381 F.3d 1371, 1375-76 (Fed. Cir. 2004)(obviousness and best mode); *Porody v. Land O'Lakes, Inc.*, 97 F. App'x 921, 926-27 (Fed. Cir. 2004)(anticipation); *Forest Labs., Inc. v. Abbott Labs.*, 239 F.3d 1305, 1309 (Fed. Cir. 2001)(infringement); *Embrex, Inc. v. Serv. Eng'g Corp.*, 216 F.3d 1343, 1347 (Fed. Cir. 2000)(infringement).

⁹³ 523 F.3d 1304 (Fed. Cir. 2008).

⁹⁴ 97 F. App'x 921 (Fed. Cir. 2004).

⁹⁵ 239 F.3d 1305 (Fed. Cir. 2001).

⁹⁶ In *Honeywell Int'l, Inc. v. Hamilton Sundstrand Corp.*, 523 F.3d 1304, the CAFC was supposed to cite the Third Circuit's cases. *Id.* at 1304 (dealing with an appeal from the United States District Court for the District of Delaware). Instead, the CAFC cited one its own case and FRCP 50(a)(1). *Id.* at 1312 ("This court reviews a district court's denial of a motion for JMOL *de novo*, applying the JMOL standard used by the district court. *Interactive Pictures Corp. v. Infinite Pictures, Inc.*, 274 F.3d 1371, 1375 (Fed. Cir. 2001). JMOL is appropriate when 'there is no legally sufficient evidentiary basis for a reasonable

However, in the second group, the CAFC was still aware of the choice-of-law doctrine applied in the procedural matters other than JMOL. In

jury to find for that party on that issue.’ Fed. R. Civ. P. 50(a)(1).”)

The cited CAFC’s case, *Interactive Pictures Corp. v. Infinite Pictures, Inc.*, 274 F.3d 1371 (Fed. Cir. 2001), is also a case where the CAFC cited its own cases to suppose the propositions related to JMOL. *Id.* at 1375-76 (“JMOL is appropriate when ‘there is no legally sufficient evidentiary basis for a reasonable jury to find for that party on that issue.’ Fed. R. Civ. P. 50(a)(1). On appeal, this court must consider the record evidence in the light most favorable to the non-movant, ‘drawing all reasonable inferences in its favor, without disturbing the jury’s credibility determinations or substituting our resolutions of conflicting evidence for those of the jury.’ *Applied Med. Res. Corp. v. U.S. Surgical Corp.*, 147 F.3d 1374, 1377, 47 U.S.P.Q.2d (BNA) 1289, 1290 (Fed. Cir. 1998). To prevail, ‘an appellant must show that the jury’s findings, presumed or express, are not supported by substantial evidence or, if they were, that the legal conclusion(s) implied from the jury’s verdict cannot in law be supported by those findings.’ *Celeritas Techs., Ltd. v. Rockwell Int’l Corp.*, 150 F.3d 1354, 1358, 47 U.S.P.Q.2d (BNA) 1516, 1519 (Fed. Cir. 1998).”)

In *Pordy v. Land O’Lakes, Inc.*, 97 F. App’x 921, the CAFC reviewed a decision made by the United States District Court for the Southern District of New York, *id.* at 921, but cited no Second Circuit’s cases. *Id.* at 926-27. There were six CAFC’s cases cited for the JMOL propositions.

The first one is *Ericsson, Inc. v. Harris Corp.*, 352 F.3d 1369 (Fed. Cir. 2003), where the CAFC handled an appeal from the United States District Court for the Eastern District of Texas. *Id.* at 1369. The CAFC cited no Fifth Circuit’s cases but its own cases to suppose the propositions regarding JMOL. *Id.* at 1373.

The second one is *Markman v. Westview Instruments, Inc.*, 52 F.3d 967 (Fed. Cir. 1995), where the CAFC had a lengthy discussion about JMOL. *Id.* at 975-76. In *Markman*, the CAFC cited only federal circuits’ cases. *Id.*

The third one is *Pannu v. Iolab Corp.*, 155 F.3d 1344 (Fed. Cir. 1998), where the CAFC cited its own cases to suppose the propositions regarding JMOL. *Id.* at 1348. The appeal was from the United States District Court for the Southern District of Florida, *id.* at 1344, and the CAFC should have cited Fourth Circuit’s cases.

The fourth one is *Eaton Corp. v. Rockwell Int’l Corp.*, 323 F.3d 1332 (Fed. Cir. 2003), where the CAFC cited its own case when stating the propositions related to JMOL. *Id.* at 1345. In *Eaton Corp.*, the CAFC was supposed to apply Third circuit law. *Id.* at 1332.

The fifth one is *Akamai Techs., Inc. v. Cable & Wireless Internet Servs., Inc.*, 344 F.3d 1186 (Fed. Cir. 2003), where the CAFC cited its own cases to lay out the review standard for a JMOL decision. *Id.* at 1192. Here, the CAFC should have applied Second Circuit’s cases. *Id.* at 1186.

The last one is *SIBIA Neurosciences, Inc. v. Cadus Pharm. Corp.*, 225 F.3d 1349 (Fed. Cir. 2000), where the CAFC cited its own cases to state a standard for examining a JMOL decision. *Id.* at 1354-55. In *SIBIA Neurosciences, Inc.*, the CAFC should have cited Ninth Circuit’s cases. *Id.* at 1349.

In *Forest Labs., Inc. v. Abbott Labs.*, 239 F.3d 1305, the CAFC reviewed an appeal from the United States District Court for the Western District of New York. *Id.* at 1305. It cited no Second Circuit’s cases. *Id.* at 1309. And, there were two cited cases. One is a CAFC’s case, *Markman*, which is discussed above, and the other one is a Supreme Court’s case, *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 255 (1986). *Forest Labs., Inc.*, 239 F.3d at 1309.

Poly-America, L.P. v. GSE Lining Tech., Inc.,⁹⁷ the CAFC cited its own cases for JMOL while citing Fifth Circuit's cases for a motion for a new trial.⁹⁸ In *Cardiac Pacemakers, Inc. v. St. Jude Med., Inc.*,⁹⁹ the CAFC was supposed to cite Seventh Circuit's cases,¹⁰⁰ but it cited its own case in the governing law section.¹⁰¹ However, when going into the application section, it cited one Seventh Circuit's case to suppose its conclusion that "the district court's grant of JMOL cannot stand."¹⁰² Moreover, when dealing with other procedural matters, the CAFC then went back to the Seventh Circuit law.¹⁰³

*Embrex, Inc. v. Serv. Eng'g Corp.*¹⁰⁴ is an "unbelievable" case of the third mode, where the CAFC cited its own cases for JMOL,¹⁰⁵ while citing the Fourth Circuit's cases for reviewing whether Appellate preserved a right

⁹⁷ 383 F.3d 1303 (Fed. Cir. 2004) (an appeal from the United States District Court for the Northern District of Texas).

⁹⁸ *Id.* at 1307. There are two cited CAFC cases. *Id.* One is *Sextant Avionique, S.A. v. Analog Devices, Inc.*, 172 F.3d 817 (Fed. Cir. 1999), where the CAFC reviewed a decision from the United States District Court for the Northern District of California. *Id.* at 817. The CAFC in *Sextant Avionique, S.A.* did not cite any Ninth Circuit's cases for the propositions related to JMOL but, instead, cite its own cases. *Id.* at 824. The other one is *Ericsson, Inc.*, where the CAFC also cited *Sextant Avionique, S.A.*, 172 F.3d at 824. *Ericsson, Inc.*, 352 F.3d at 1373.

⁹⁹ 381 F.3d 1371 (Fed. Cir. 2004).

¹⁰⁰ *Id.* at 1371 (dealing with an appeal from the United States District Court for the Southern District of Indiana).

¹⁰¹ *Id.* at 1375-76. Three CAFC cases were cited. *Id.* The first one is *Hewlett-Packard Co. v. Mustek Sys., Inc.*, 340 F.3d 1314 (Fed. Cir. 2003), where the CAFC should have cited Ninth Circuit's cases for JMOL. *Id.* at 1314. The second one is *LNP Eng'g Plastics, Inc. v. Miller Waste Mills, Inc.*, 275 F.3d 1347 (Fed. Cir. 2001), where the CAFC cited the Third Circuit's cases and its own cases for the JMOL propositions. *Id.* at 1353. The third one is *Medtronic, Inc. v. Advanced Cardiovascular Sys., Inc.*, 248 F.3d 1303 (Fed. Cir. 2001), where the CAFC did not cite Eighth Circuit's cases, *id.* at 1309, to review a JMOL decision issued by the United States District Court for the District of Minnesota. *Id.* at 1303.

¹⁰² 381 F.3d at 1378 (citing *Cont'l Air Lines, Inc. v. Wagner-Morehouse, Inc.*, 401 F.2d 23, 30 (7th Cir. 1968)).

¹⁰³ 381 F.3d at 1379-81 (citing Seventh Circuit's cases to discuss the issues of a motion for a conditional new trial and the "futility" exception related to Rule 51 of the FRCP).

¹⁰⁴ 216 F.3d 1343 (Fed. Cir. 2000) (dealing with an appeal from the United States District Court for the Eastern District of North Carolina).

¹⁰⁵ *Id.* at 1347. There were two CAFC's cases cited. *Id.* The first one is *Applied Med. Res. Corp. v. U.S. Surgical Corp.*, 147 F.3d 1374 (Fed. Cir. 1998), where the CAFC cited only its own cases for the JMOL propositions. *Id.* at 1376. The CAFC in *Applied Med. Res. Corp.* was supposed to cite Fourth Circuit's cases. *Id.* at 1374 (dealing with an appeal from the United States District Court for the Eastern District of Virginia). The second one is *Perkin-Elmer Corp. v. Computervision Corp.*, 732 F.2d 888 (Fed. Cir. 1984), where the CAFC also cited its own cases for reviewing JMOL. *Id.* at 893.

to appeal.¹⁰⁶ When the CAFC discussed the issue of “preservation of appeal rights”, it stated, “[It] is a procedural issue, for which this court looks to the laws of the regional circuit.”¹⁰⁷ Clearly, the CAFC recognized that the choice-of-law doctrine was an embedded issue. That makes the author wonder why the CAFC was blind to the choice-of-law doctrine when it reviewed JMOL.

B. Various Sources of Authority for the *De Novo* Review Standard.

The presentations of governing law regarding the review standard are diverse among those cases. There are two parts of the governing law statements. The first part is how the CAFC stated that it reviewed JMOL *de novo*. The cited authority could be from its own cases. In *Z4 Techs., Inc. v. Microsoft Corp.*, the CAFC stated:

We review the denial of a motion for JMOL *de novo*, *Harris Corp. v. Ericsson Inc.*, 417 F.3d 1241, 1248 (Fed. Cir. 2005), and thus affirm the jury's verdict unless “a reasonable jury would not have a legally sufficient evidentiary basis to find for the [winning] party,” Fed. R. Civ. P. 50(a)(1). “The denial of a motion for judgment as a matter of law ... is a procedural issue not unique to patent law, which we review under the law of the regional circuit where the appeal from the district court normally would lie.” *Riverwood Int’l Corp. v. R.A. Jones & Co.*, 324 F.3d 1346, 1352 (Fed. Cir. 2003).¹⁰⁸

The cited authority could be from regional circuits’ cases. In *Wechsler v. Macke Int’l Trade, Inc.*, the CAFC stated:

The regional circuit in this case is the Ninth Circuit, which reviews *de novo* an order granting or denying JMOL. *See Acosta v. City & County of S.F.*, 83 F.3d 1143, 1145 (9th Cir.1996) (grant); *Rivero v. City & County of S.F.*, 316 F.3d 857, 863 (9th Cir. 2002) (denial).¹⁰⁹

Or there has been a case where no authority of cases was cited. In *Harris Corp. v. Ericsson Inc.*, the CAFC stated:

We review the court's denial of a motion for JMOL *de novo*. A court may grant JMOL on an issue when “there is no legally sufficient evidentiary basis for a reasonable jury to find for [the nonmoving] party on that issue” Fed. R. Civ. P. 50(a)(1). The denial of JMOL

¹⁰⁶ *Embrex, Inc.*, 216 F.3d at 1350-51.

¹⁰⁷ *Id.* at 1350.

¹⁰⁸ *See Z4 Techs., Inc.*, 507 F.3d at 1346.

¹⁰⁹ *See Wechsler*, 486 F.3d at 1291.

is not a patent-law-specific issue, so regional circuit law applies.¹¹⁰

Additionally, in *Agrizap, Inc. v. Woodstream Corp.*,¹¹¹ the CAFC did not mention the *de novo* standard.¹¹² The CAFC stated:

Because the denial or grant of a motion for JMOL is a procedural matter not unique to patent law, we abide by the standard of review of regional circuit law. *Summit Tech., Inc. v. Nidek Co.*, 363 F.3d 1219, 1223 (Fed. Cir. 2004). Under Third Circuit law, we exercise plenary review over a district court's rulings on motions for JMOL, applying the same standard as the district court. *Gagliardo v. Connaught Labs., Inc.*, 311 F.3d 565, 568 (3d Cir. 2002).¹¹³

Obviously, the CAFC is not cautious about the sources of authority which it uses. From time to time, the CAFC acts inconsistently when applying the governing law regarding the review standard of JMOL. Though, the CAFC might argue that it did nothing but cited persuasive authority. But, if mandatory authority existed, why did the CAFC, instead, decide to use persuasive one? Therefore, the CAFC might have to think of creating its own precedents for reviewing district courts' JMOL decisions to end this confusion.

IV. Reasons for Creating Federal Circuit law for Reviewing JMOL Decisions

A. Characteristics of JMOL in a Patent Litigation

JMOL can let a judge take a case away from a jury to enter a judgment that he or she prefers.¹¹⁴ In view of the movant, JMOL can test whether the non-movant's evidence is sufficient to meet its burden.¹¹⁵ To decide whether to grant a motion for JMOL, the issue is whether a reasonable jury could stand with the non-moving party.¹¹⁶ In addition, the judge will consider all of the evidence in the record without weighing the evidence, and draw all reasonable inferences that support the non-moving party.¹¹⁷ But, the judge will ignore all evidence that is in favor of the moving party.¹¹⁸ No matter whether the judge grants or denies a motion for JMOL, the motion itself

¹¹⁰ See *Harris Corp.*, 417 F.3d at 1248.

¹¹¹ 520 F.3d 1337 (Fed. Cir. 2008).

¹¹² See *id.* at 1341-42.

¹¹³ *Id.*

¹¹⁴ See HAZARD, *supra* note 6, at 1097.

¹¹⁵ See *id.* at 1105.

¹¹⁶ See *id.*

¹¹⁷ See *id.*

¹¹⁸ See *id.*

provides a gateway for the moving party to ask an appellate court to review the jury's factual findings if the trial court's decision is appealed.¹¹⁹

The substantive issues in a patent litigation may be categorized as patentability, enforceability, infringement, remedies, and affirmative defenses.¹²⁰ Those issues may be a question of law, a question of fact or a mixture of questions of law and fact, where the last two types may be decided by a jury. The questions of fact include (1) utility,¹²¹ (2) anticipation,¹²² (3) best mode,¹²³ (4) written description,¹²⁴ (5) willful infringement,¹²⁵ and (6) damages.¹²⁶ The mixtures of questions of law and fact include (1) public use,¹²⁷ (2) on-sale,¹²⁸ (3) inventorship,¹²⁹ (4) derivation,¹³⁰ (5) enablement,¹³¹ (6) obviousness,¹³² (7) literal infringement or infringement under the Doctrine of Equivalents,¹³³ (8) patent marking,¹³⁴ (9) inequitable conduct,¹³⁵ and (9) patent misuse.¹³⁶ Therefore, the jury significantly affects the outcome of patent litigation.

If the CAFC has to apply different review standards to the sufficiency of the evidence supporting the jury's verdict, then obviously, given the same claim construction and same facts, the variation of the review standards among those regional circuits will cause the CAFC to give different outcomes. The uniformity of the patent law system may suffer. As a result, the CAFC should develop its own law for reviewing JMOL so as to get away from the risks of conflicts among different regional circuits.

¹¹⁹ *See id.*

¹²⁰ *See Sung, supra* note 1, at 1241-42.

¹²¹ *See id.* at 1290-91.

¹²² *See id.* at 1291.

¹²³ *See id.* at 1299.

¹²⁴ *See id.* at 1297-98.

¹²⁵ *See id.* at 1286-87.

¹²⁶ *See id.* at 1284-85. A jury may decide a reasonable royalty. *See id.* at 1285.

¹²⁷ *See id.* at 1292-93.

¹²⁸ *See id.*

¹²⁹ *See id.* at 1294.

¹³⁰ *See id.* at 1294-95.

¹³¹ *See id.* at 1298-99.

¹³² *See id.* at 1295-97.

¹³³ *See id.* at 1278-80. The literal infringement analysis has two steps. *See id.* at 1278.

First, the disputed claims are interpreted by a judge, and second, a jury decides whether an accused product or process is covered by those claims. *See id.* at 1278-79. And, the jury also decides the infringement under the Doctrine of Equivalents. *See id.* at 1279-80. However, the judge may limit the applications of the Doctrine of Equivalents by prosecution history estoppel. *See id.* at 1281.

¹³⁴ *See id.* at 1284.

¹³⁵ *See id.* at 1301-02.

¹³⁶ *See id.* at 1303.

B. No Analogous Cases in the Regional Circuits

The basic structure of a court opinion contains three parts: governing law, analogy of cases, and applications. If the CAFC consistently applies regional circuit law, it should cite the cases of such regional circuit to support the propositions in those parts.

However, it is hardly possible to cite the cases of regional circuits for all propositions. First, after the CAFC was created, regional circuit courts hardly took patent issues.¹³⁷ Although the CAFC has appellate jurisdiction over patent cases, it may not hear a case where a plaintiff does not well plead patent claims but a defendant counterclaim patent infringement.¹³⁸ Additionally, there may a situation where a district court consolidates two cases, one from a patent claim and the other from other federal claims, but the regional circuit court is reluctant to assert appellate jurisdiction.¹³⁹

Second, even though a regional circuit court hears a patent case, it will still apply Federal Circuit law.¹⁴⁰ For instance, in *County Materials Corp. v. Allan Block Corp.*, the Seventh Circuit dealt with a contract dispute which involved patent licensing clauses.¹⁴¹ Appellant/Plaintiff claimed that some licensing clauses constituted patent misuse.¹⁴² There, the Seventh Circuit cited CAFC's cases to resolve the issue, while it also cited two pre-CAFC regional circuit cases as part of the authority.¹⁴³

Third, the CAFC will not consider the pre-CAFC patent cases of regional circuits unless it does not have its own cases dealing with similar issues; otherwise, it will invalidate the goal of its creation. Therefore, since the CAFC basically has to rely on its own cases to adjudicate substantive issues, why not also follow the same cases to address the review standard for JMOL?

C. No Significant Variation of JMOL Review Standards among the

¹³⁷ See *Maxwell v. Stanley Works, Inc.*, 82 U.S.P.Q.2d 1960, 1960(6th Cir. 2007) (transferring the case to the CAFC because part of the plaintiff's claims were based on the plaintiff's patent).

¹³⁸ See *Holmes Group, Inc. v. Vornado Air Circulation Sys., Inc.*, 535 U.S. 826, 830-34 (2002).

¹³⁹ See *e.g.*, *CytoLogix Corp. v. Ventana Med. Sys., Inc.*, 513 F.3d 271, 272 (1st Cir. 2008); *Natec, Inc. v. Deter Co.*, 28 F.3d 28, 28-29 (5th Cir. 1994).

¹⁴⁰ See *County Materials Corp. v. Allan Block Corp.*, 502 F.3d 730, 734-37 (7th Cir. 2007).

¹⁴¹ *Id.* at 732.

¹⁴² *Id.*

¹⁴³ *Id.* at 736 (citing *Nat'l Lockwasher Co. v. George K. Garrett Co.*, 137 F.2d 255, 256 (3d Cir. 1943) and *Columbus Auto. Corp. v. Oldberg Mfg. Co.*, 387 F.2d 643, 644 (10th Cir. 1968)).

Regional Circuits

There is no significant variation of the phrases or sentences about JMOL among those regional circuits. First, they all review JMOL *de novo*.¹⁴⁴ Second, most of them do not weigh the credibility of the evidence.¹⁴⁵ And,

¹⁴⁴ See e.g., *Parker v. Gerrish*, 547 F.3d 1, 8 (1st Cir. 2008); *Sanders v. N.Y. City Human Res. Admin.*, 361 F.3d 749, 755 (2d Cir. 2004); *Eddy v. V.I. Water & Power Auth.*, 369 F.3d 227, 230 (3rd Cir. 2004); *Sales v. Grant*, 158 F.3d 768, 775 (4th Cir. 1998); *Nova Consulting Group, Inc. v. Eng'g Consulting Servs.*, 290 Fed. App'x 727, 733 (5th Cir. 2008); *Carlton v. Henderson*, 64 Fed. App'x 512, 514 (6th Cir. 2003); *Scaggs v. Consol. Rail Corp.*, 6 F.3d 1290, 1293 (7th Cir. 1993); *Smith v. Des Moines Pub. Schs.*, 259 F.3d 942, 946 (8th Cir. 2001); *Torres v. City of L.A.*, 548 F.3d 1197, 1205 (9th Cir. 2008); *Kaiser v. Bowlen*, 455 F.3d 1197, 1206 (10th Cir. 2006); *Tucker v. Hous. Auth.*, 229 Fed. App'x 820, 822 (11th Cir. 2007); *Ekedahl v. Corestaff, Inc.*, 183 F.3d 855, 858 (D.C. Cir. 1999).

¹⁴⁵ See e.g., *Parker*, 547 F.3d at 8 (1st Cir.) (“We cannot evaluate [t]he credibility of witnesses, resolve conflicts in testimony, or evaluate the weight of evidence.”); *Eddy*, 369 F.3d at 230 n.4 (3rd Cir.) (“In determining whether the evidence is sufficient to sustain liability, the court may not weigh the evidence, determine the credibility of witnesses, or substitute its version of the facts for the jury’s version.”); *Sales*, 158 F.3d at 775 (4th Cir.) (“This requires that we give Miller and Sales, as non-movants, the benefit of every reasonable inference that could be drawn from the evidence, neither weighing the evidence nor assessing its credibility.”); *Carlton*, 64 Fed. App'x at 515 (6th Cir.) (“we do not weigh the evidence, evaluate the credibility of the witnesses, or substitute our judgment for that of the jury.”); *Timmerman v. Modern Indus., Inc.*, 960 F.2d 692, 698 (7th Cir. 1992) (“[E]ven if the district judge were to have expressed disagreement with the way in which the jury chose to weigh the evidence, which he did not do here, it would be inappropriate for that district judge to reverse the verdict of the jury on that basis.”); *Wallace v. City of San Diego*, 479 F.3d 616, 624 (9th Cir. 2007) (“In making this determination, the court must not weigh the evidence, but should simply ask whether the plaintiff has presented sufficient evidence to support the jury’s conclusion.”); *Smith v. Washington Sheraton Corp.*, 135 F.3d 779, 782 (D.C. Cir. 1998) (“We do not assess the weight of the evidence, only its sufficiency.”).

Some regional circuit courts have different formulations about weighing the evidence. In *Nova Consulting Group, Inc. v. Eng'g Consulting Servs.*, 290 Fed. App'x 727 (5th Cir. 2008), the Fifth Circuit stated, “We consider all of the evidence, drawing all reasonable inferences and resolving all credibility determinations in the light most favorable to the non-moving party.” *Id.* at 733. Seemingly, the Fifth Circuit weighs the credibility of evidence. But, it went on to stated, “This is because [c]redibility determinations, the weighing of the evidence, and the drawing of legitimate inferences from the facts are jury functions, not those of a judge.” *Id.* Thus, the Fifth Circuit still takes a position of ignoring the credibility of evidence. In *Smith*, the Eighth Circuit stated, “In considering this issue, we must: ... (3) assume that all facts which Smith's evidence tended to prove are true.” *Id.*, 259 F.3d at 947. Since all facts are presumptively true, the credibility of evidence is not considered.

But, the Second Circuit may deviate from this main stream. In *Fairbrother v. Morrison*, 412 F.3d 39 (2d Cir. 2005), the Second Circuit stated, “The motion should be granted [o]nly if [the court] can conclude that, with credibility assessments made against the moving party and all inferences drawn against the moving party, a reasonable juror would have been compelled to accept the view of the moving party.” *Id.* at 48. The Second Circuit seems to

they all draw inferences in favor of a non-moving party.¹⁴⁶ Although the formulations are slightly different, the concepts are similar or substantially the same. Therefore, since CAFC's precedents have absorbed those invariant sentences, the creation of CAFC's own JMOL rules would not cause any problems of the conflicts against other federal circuit courts.

D. The Resolution from the Supreme Court of the United State—*Reeves v. Sanderson Plumbing Prods. Inc.*

The Supreme Court in fact has given a well-developed standard of reviewing JMOL in *Reeves v. Sanderson Plumbing Prods., Inc.*¹⁴⁷ According to *Reeves*, “[i]n entertaining a motion for judgment as a matter of

weigh the credibility of evidence against the movant.

Moreover, it may be noted that the Tenth and Eleventh Circuits rarely talk about the weighing of the credibility of evidence.

¹⁴⁶ See e.g., *Parker*, 547 F.3d at 8 (1st Cir.) (“[W]e must affirm unless []the evidence, viewed from the perspective most favorable to the nonmovant, is so one-sided that the movant is plainly entitled to judgment, for reasonable minds could not differ as to the outcome.”); *Sanders*, 361 F.3d at 755 (2d Cir.) (“We [] view[] the evidence, ..., in the light most favorable to the nonmoving party.”); *Eddy*, 369 F.3d at 230 (3rd Cir.) (“viewing the evidence in the light most favorable to the non-movant and giving it the advantage of every fair and reasonable inference”); *Sales*, 158 F.3d at 775 (4th Cir.) (“We review the district court’s Rule 50(a) ruling *de novo* to determine whether the evidence, viewed in the light most favorable to Miller and Sales, would have permitted a jury reasonably to return a verdict in their favor.”); *Nova Consulting Group, Inc.*, 290 Fed. App’x at 733 (5th Cir.) (“We consider all of the evidence, drawing all reasonable inferences and resolving all credibility determinations in the light most favorable to the non-moving party.”); *Carlton*, 64 Fed. App’x at 515 (6th Cir.) (“[W]e must view the evidence in the light most favorable to the party against whom the motion is made, and give that party the benefit of all reasonable inferences.”); *Scaggs*, 6 F.3d at 1293 (7th Cir.) (“We [] consider[] the evidence in the light most favorable to the prevailing party and drawing all reasonable inferences in favor of the prevailing party.”); *Smith*, 259 F.3d at 947 (8th Cir.) (“In considering this issue, we must: (1) examine the evidence in the light most favorable to Smith as the non-moving party, (2) resolve all conflicts in favor of Smith, (3) assume that all facts which Smith’s evidence tended to prove are true, (4) give Smith the benefit of all inferences that may reasonably be drawn in his favor, and (5) affirm the denial of the District’s motion unless it is unreasonable to sustain Smith’s position.”); *Torres*, 548 F.3d at 1205-06 (9th Cir.) (“The evidence must be viewed in the light most favorable to the nonmoving party, and all reasonable inferences must be drawn in favor of that party.”); *Edwards*, 268 Fed. App’x at 761 (10th Cir.) (“We [] consider[] the entire record in the light most favorable to the non-moving party.”); *Tucker*, 229 Fed. App’x at 822 (11th Cir.) (“We review []the entire record, examining all evidence, by whomever presented, in the light most favorable to the nonmoving party, and drawing all reasonable inferences in the nonmovant’s favor.”); *Smith*, 135 F.3d at 782 (D.C. Cir.) (“We consider all evidence in the light most favorable to the nonmoving party.”).

¹⁴⁷ 530 U.S. 133 (2000).

law, the court should review all of the evidence in the record.”¹⁴⁸ “[T]he court must draw all reasonable inferences in favor of the nonmoving party, and it may not make credibility determinations or weigh the evidence.”¹⁴⁹ And, “it must disregard all evidence favorable to the moving party that the jury is not required to believe.”¹⁵⁰ “That is, the court should give credence to the evidence favoring the nonmovant as well as that ‘evidence supporting the moving party that is uncontradicted and unimpeached, at least to the extent that that evidence comes from disinterested witnesses.’”¹⁵¹

Therefore, the governing law for reviewing a JMOL motion can be definitely drawn from those propositions. It is hard to image why these Courts of Appeals forgot to cite *Reeves*. Maybe, at some point, the Supreme Court should take a JMOL case again to point out the unnecessary, diverse practice.

E. Reduction of Patent Litigation Cost

¹⁴⁸ *Id.* at 150. Here, the Supreme Court was aware that the regional circuit courts had stated different propositions for considering a JMOL motion. *Id.* at 149. Two types were recognized. One is to only review “evidence favorable to the non-moving party.” *Id.* (citing *Aparicio v. Norfolk & W. R. Co.*, 84 F.3d 803, 807 (6th Cir. 1996), *Simpson v. Skelly Oil Co.*, 371 F.2d 563, 566 (8th Cir. 1967)). The other is to review “the entire record [and to draw] all reasonable inferences in favor of the nonmoment.” *Id.* at 149-50 (citing *Tate v. Gov’t Employees Ins.*, 997 F.2d 1433, 1436 (11th Cir. 1993), *Boeing Co. v. Shipman*, 411 F.2d 365, 374 (5th Cir. 1969) (en banc)). But, the Supreme Court clarified that the conflict was “more semantic than real.” *Id.* at 150.

The regional circuit courts’ cases the Supreme Court cited followed *Wilkerson v. McCarthy*, 336 U.S. 53 (1949). In *Wilkerson*, the Supreme Court stated that “in passing upon whether there is sufficient evidence to submit an issue to the jury we need look only to the evidence and reasonable inferences which tend to support the case of [the nonmoving party].” *Id.* at 57; *Reeves*, 530 U.S. at 150. But, in *Reeves*, the Supreme Court thought that “subsequent decisions have clarified that this passage was referring to the evidence to which the trial court should *give credence*, not the evidence that the court should *review*.” *Id.* (where this statement was actually based on cited cases).

¹⁴⁹ *Id.* (citing *Lyle v. Household Mfg., Inc.*, 494 U.S. 545, 554-555 (1990), *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 254 (1986), *Continental Ore Co. v. Union Carbide & Carbon Corp.*, 370 U.S. 690, 696 n.6 (1962)).

In *Lyle v. Household Mfg., Inc.*, 494 U.S. 545 (1990), the Supreme Court stated that “in considering a motion for a directed verdict, the court does not weigh the evidence, but draws all factual inferences in favor of the nonmoving party.” *Id.* at 554. The statement was based on *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 255 (1986), where the Supreme Court quoted, “Credibility determinations, the weighing of the evidence, and the drawing of legitimate inferences from the facts are jury functions, not those of a judge. ... The evidence of the nonmovant is to be believed, and all justifiable inferences are to be drawn in his favor.” *Lyle*, 494 U.S. at 554-55.

¹⁵⁰ *Id.* at 151.

¹⁵¹ *Id.*

Because of the current practice of JMOL, when a party is facing a patent dispute, he or she may have to assign two groups of attorneys, one for studying the procedural rules governed by the CAFC and the other for researching the procedural rules governed by regional circuit courts. Even though he does not hire two groups instead of one group or one attorney, he still needs to pay for the case searches of both CAFC and one regional circuit court. So, if the CAFC could take back the power over JMOL, parties in a patent dispute will reduce the cost. Moreover, the patent law practice could get rid of the potential non-uniformity of the JMOL review standards among different regional circuit courts. And, the goal of creating the CAFC could be well achieved and secured.

V. Conclusion

Inconsistency is the significant feature of how the CAFC reviews JMOL. On many occasions, the CAFC defined regional circuit laws as the governing law over JMOL. But, in some cases, the CAFC only used its cases as authority. In either situation, however, when dealing with the fundamental issues behind a JMOL decision, such as those questions of law or fact, the CAFC still applied its own case law. Thus, the choice-of-law doctrine is applied superficially.

The observation is very predictable because a JMOL decision in a patent case is so related to the patent law issues. The CAFC can hardly find any regional circuit courts' cases to apply the law. Even if the CAFC could find one; the application may break the purpose of the creation of the CAFC. So, we should have the Federal Circuit law to review JMOL. Especially under a circumstance where the JMOL review standard has already been provided by the Supreme Court, the CAFC may have to provide a guideline.

Cited as:

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THE DUTY OF CONFIDENTIALITY SHALL BE PRESERVED IN PATENT PROSECUTION TO FOSTER A MORE EFFECTIVE AND EFFICIENT PATENT SYSTEM

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ABSTRACT

During prosecution, patent attorneys must follow the Patent and Trademark Office (“PTO”) Code of Professional Responsibility (“the PTO Rules”), which governs practice in front of the PTO; and the state’s professional rules, which governs any attorney licensed to practice law within that state, and would also include attorneys practicing all forms of patent law, including patent prosecution. Therefore, during patent prosecution, patent attorneys confront a mixture of federal and state ethical principles.

A conflict arises in the following fact scenario, which will be discussed throughout this thesis: Patent Attorney is representing Clients A and B in close industries, and realizes that one piece of non-material but confidential information from Client A is material to Client B’s application. Should Patent Attorney disclose such information to the PTO under the duty of candor, or not disclose such information based on the duty of confidentiality under state professional rule? That is, which rules prevails in the patent prosecution setting? This thesis articulates that to ensure the efficiency of the patent prosecution system, and that the ultimately issued patents meet the requirements of novelty and non-obviousness, without the threat of hidden prior art, duty of confidentiality shall supersede the duty of candor.

Part I of the thesis introduces the patent prosecution system, the duty of candor, and the duty of confidentiality under the PTO Rules. Part II discusses state professional rules, and case laws regarding whether attorney-client privilege applies to patent prosecution. Part III provides arguments that the policies behind preserving client confidentiality, the preemptive scope of the duty of candor, the vested interest of states to enforce legal professional rules to protect the interest of clients, and the lack of conflict with patent principles mandates a conclusion that enforcement of state privilege/confidentiality rules is not preempted by federal patent law. Last,

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[2012] Vol. 1 NTUT J. of Intell. Prop. L. & Mgmt.

Part IV discusses how the practicing attorneys in the real world address this issue. The avenues available shows that there is no perfect resolution, and oftentimes attorneys have to make a business, rather than a legal, decision.

Keywords: Duty of confidentiality, duty of candor, code of professional responsibility, patent prosecution, attorney-client privilege

I. Introduction: The Patent System and PTO Ethical Rules

A. The Patent System

1. Patent Law Requires Disclosure to Fulfill Constitutional Goal

Article I, Section 8 of the Constitution provides the basis for the patent system.¹ Clause 8 establishes the constitutional basis for the Patent Act, which legally enforces, for a period of twenty years after the date of application, the right to exclude others from making, using, and selling the patented invention.² To ensure that the invention truly deserves the monopoly and can be used by persons having ordinary skills in the art to utilize such invention after the patent expires, the patent law mandates that the inventors fulfill the statutory requirements of subject matter, utility, novelty, non-obviousness and enablement.³

2. The Mechanics of Patent Prosecution

Patent prosecution is the administrative proceeding before the PTO to procure a patent. It starts with filing a patent application that claims the particular aspects of the invention for which patent protection is sought.⁴ All material information that may be relevant to the patentability of such invention must be submitted to the PTO with the application. The patent examiner reviews the application according to the statutory requirements and responds the applicant with an office action. If the office action is favorable, the patent proceeds to issuance. If the office action is adverse, the patent attorney either can abandon the application or proceed with prosecution. Examination usually is considered an ex parte proceeding so the patentability of the invention is exclusively determined by the PTO, with the aid of the applicant, at least before the patent is issued.⁵

B. Ethical Duties under the PTO Rules

1. The Duty of Candor

Section 1.56 of the PTO Rules (“Rule 56”), which is also called the “Duty of Candor,” is the most controversial PTO Rule.⁶ Under Rule 56, each individual substantially involved in the preparation and prosecution of a patent application has a duty to disclose to the PTO all information known to

¹ The Congress is given the power to promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries. U.S. CONST. art. I, § 8, cl. 8.

² 35 U.S.C. § 154 (2002).

³ 35 U.S.C. §§ 101-103 (2002).

⁴ DONALD CHISUM & MICHAEL JACOBS, UNDERSTANDING INTELLECTUAL PROPERTY LAW 2-17 to 2-18 (1992).

⁵ 37 C.F.R. § 1.133(a) (2005).

⁶ 37 C.F.R. § 1.56(a) (2000).

that individual to be material to patentability. The PTO Rules establishes two tests for materiality. First, information is material if it is not cumulative⁷ and establishes a prima facie case of unpatentability⁸ before the introduction of rebuttal information. Second, information is material if it is not cumulative and is inconsistent with a position taken by the applicant before the PTO.⁹ The duty of candor starts with the filing of the patent application and continues throughout the prosecution process until the patent issues.¹⁰

The enforcement of the duty of candor by the PTO is primarily restricted to disciplinary action against practitioners. Although Rule 56 states that the PTO will not issue patents pursued fraudulently¹¹, courts already take over the job of striking patent applications because the courts are a better forum for determining the necessary element of intent.¹² The PTO, however, reserves the right to strike applications in extreme violations.¹³

Several reasons justify that burdening the applicants with the duty of candor is beneficial to the patent system. First, a patent affects public interest severely because it confers monopoly.¹⁴ Such exclusive right creates great economic impact if the patent is procured fraudulently. The duty of candor ensures that the PTO considers all material information and avoids granting a monopoly mistakenly.¹⁵ Second, without the duty of candor, there is no incentive for the applicant to disclose unfavorable information. For example, the applicant may be the sole source of information of the “on-sale” and “in-use” statutory bars¹⁶ and the examiner cannot compel production without the duty of candor. The duty of candor is necessary for the PTO to obtain a complete background of the invention. Third, facing an increasing volume of applications, the PTO has to rely on the applicant to provide material information to be used to examine the application, therefore to relieve the PTO of the duty of conducting extensive prior art searches.¹⁷ The duty of candor thus helps maintain an efficient patent system.

⁷ 37 C.F.R. § 1.56(b) (2000). Information is cumulative if it is substantially the same as information already in the record or being made of record in connection with the patent application. *See* 57 Fed. Reg. 2022 (1992).

⁸ 37 C.F.R. § 1.56(b)(1) (2000).

⁹ 37 C.F.R. § 1.56(b)(2) (2000).

¹⁰ 37 C.F.R. § 1.56(a) (2000).

¹¹ *Id.*

¹² *See* DONALD S. CHISUM, PATENTS: A TREATISE ON THE LAW OF PATENTABILITY, VALIDITY AND INFRINGEMENT § 11.03 (1996).

¹³ *See* 56 Fed. Reg. 37,323.

¹⁴ A patent gives the inventor the “exclusive right” to make, use, or sell the invention in the United States. *See* 35 U.S.C. § 271(a) (2010).

¹⁵ 37 C.F.R. § 1.56(a) (2000).

¹⁶ 35 U.S.C § 102 (2002).

¹⁷ *See* Beckman Instruments, Inc. v. Chemtronics, Inc., 428 F.2d 555, 564-65 (5th Cir.

2. The Duty of Confidentiality

Despite requiring the applicants to submit material information, the PTO provides client confidentiality preservation.¹⁸ Further, PTO Rule 10.57 mirrors the Model Rules of Professional Conduct (“Model Rules”) and prohibits disclosure of confidences¹⁹ or use of such matter to the disadvantage of a client without consent and full disclosure to the client, with an exception when disclosure is permitted under the rules or required by law or court order.²⁰

The policy behind the PTO’s confidentiality requirement, which is the same as the Model Rules’, is to promote full freedom for disclosure by the client to the attorney and to assure clients that their attorney “will represent them with undivided loyalty.”²¹ Without full disclosure, the attorney is unable to define an accurate scope of the claimed invention, which is essential to give the client the broadest possible scope of protection.²²

II. The Model Rules and State Professional Rules

A. Duty of Confidentiality is an All-Encompassing Professional Conduct

The duty of confidentiality prevents a lawyer from revealing information relating to representation of a client unless the client consents after consultation.²³ Thus, a patent attorney, who is also a law practitioner, has an obligation to maintain the confidentiality of each client's patent file. Here is where the fact scenario arises, i.e., should Patent Attorney disclose a piece of confidential information of Client A, which is material to Client B’s application, to the PTO under the duty of candor, or not disclose such information according to the duty of confidentiality.

Practitioners look to the PTO Rules for solution but only find that the PTO allows them to reveal client confidences with the consent of the client, when permitted under disciplinary rules, or when required by law or court order.²⁴ Further, the PTO specifies that nothing in the PTO Rules shall be construed to preempt the authority of each State to regulate the practice of law, except to the extent necessary for the PTO to accomplish its federal

1970).

¹⁸ Canon 4 specifies that a practitioner should preserve the confidences and secrets of a client. *See* 37 C.F.R. § 10.56 (2000).

¹⁹ Confidence is defined as information protected by the attorney-client privilege under applicable law. *See* 37 C.F.R. § 10.57(a) (2000).

²⁰ 37 C.F.R. § 10.57(b) (2000).

²¹ CHARLES W. WOLFRAM, MODERN LEGAL ETHICS § 7.1.3 (Practitioners ed. 1986).

²² *See In re Spalding Sports Worldwide, Inc.*, 203 F.3d 800, 806 (Fed. Cir. 2000).

²³ MODEL RULES OF PROF’L CONDUCT R. 1.6 (2006).

²⁴ 37 C.F.R. § 10.57(c)(1)-(2) (2000).

objectives.²⁵ Such lack of clear guidance has drawn courts' attention and efforts to resolve the issue.²⁶

B. The Conflicting Precedents

Some courts tried to resolve the issue by simply rejecting the application of the privileges under the state professional rules to patent prosecution. Although not explicitly rejected, such theory has become the minority.

1. The *Jack Winter* Line of Cases

In *Jack Winter, Inc. v. Koratron Co.*, the court found that the attorney-client privilege failed to apply in patent prosecution because the inventor could not have intended the communication to remain confidential due to the patent attorney's absolute duty of disclosure to the PTO.²⁷ The case involves a patent infringement, in which the defendant argued that the patent was obtained by fraud. Defendant deposed the plaintiff's attorney but he refused to answer, claiming that the information was privileged. The court reasoned that due to the duty of candor, the attorney could not exercise discretion in deciding what information in his possession would be disclosed to the PTO. The attorney's role is solely a conduit for passing information to the PTO and therefore the privilege does not attach to the communication.²⁸ Some courts have expressly followed the *Jack Winter* cases and have held patent documents unprotected under the attorney-client privilege.²⁹

2. The *Knogo* Line of Cases

The court in *Knogo Corp. v. United States* criticized *Jack Winter*'s limited view of patent prosecution and held that the duty of candor is not absolute and privilege applies to information that is immaterial to the patentability of a client's invention.³⁰ The dispute in *Knogo* includes that various papers, some of which written by people other than the client, were used to prepare the patent application. The court found the documents protected by the attorney-client privilege,³¹ and that *Jack Winter*

²⁵ 37 C.F.R. § 10.1 (2000).

²⁶ See Todd M. Becker, *Attorney-Client Privilege Versus the PTO's Duty of Candor: Resolving the Clash in Simultaneous Patent Representations*, 71 WASH. L. REV. 1035, 1047 (1996).

²⁷ *Jack Winter, Inc. v. Koratron Co.*, 166 U.S.P.Q. 295 (N.D. Cal. 1970).

²⁸ *Id.* at 298.

²⁹ See *Quantum Corp. v. W. Digital Corp.*, 15 U.S.P.Q.2d 1062 (N.D. Cal. 1990) (ordering production of draft application and transmittal letters); *Howes v. Medical Components, Inc.*, 7 U.S.P.Q.2d 1511 (E.D. Pa. 1988) (ordering production of draft applications and cover letters); *Sneider v. Kimberly-Clark Corp.*, 91 F.R.D. 1, 10 (N.D. Ill. 1980) (ordering production of patent disclosures, draft applications, purely technical information, and prior art studies).

³⁰ *Knogo Corp. v. United States*, 213 U.S.P.Q. 936, 940-41 (Ct. Cl. 1980).

³¹ *Id.* at 940.

oversimplified the role of the patent attorney in the patent application process. The court reasoned that instead of merely acting as a medium between the inventor and the PTO, patent attorneys bear the duty to define the scope and limitation of the invention.³² The court also found that in the application process, an inventor discloses to a patent attorney the substance of his invention, from which then attorney may extract one or more patent applications. In sum, because the information in a patent application and the communication which conveyed the information are distinct, the attorney-client privilege does apply to patent prosecution.³³ *Knogo* also has a strong following in case law.³⁴

3. Latest Development in *Spalding*

In re Spalding Sports Worldwide, Inc. involved the applicability of the attorney-client privilege to invention records.³⁵ In holding that invention records surrounding patent prosecution are privileged, the court reasoned that because the attorney-client relationship is a cooperative process that requires free flowing information, the same rationale found in non-patent attorney-client privilege cases should be applied.³⁶ Nevertheless, instead of expressly overruling *Jack Winter*, the court limited itself to citing *Knogo* with approval.³⁷ Further, although the *Knogo/Spalding* rationale furthers the purpose of the Federal Circuit to unify patent law and encourages the free communication between attorney and client, the holding does not clearly prevent the duty of candor from becoming an all-encompassing requirement that supersedes confidentiality. Section III articulates the policies behind the duty of confidentiality, and why it should not be preempted by the duty of candor.

III. Why the Duty of Confidentiality Should Prevail

The limited holding in *Spalding* does not clarify whether Patent Attorney will violate the duty of candor by disclosing the reference, which is confidential to Client A but material to Client B, to the PTO. I argue that the

³² *Id.*

³³ *Id.* at 941.

³⁴ See *Hydraflow, Inc. v. Enidine Inc.*, 145 F.R.D. 626, 635-36 (W.D.N.Y. 1993) (protecting communications entirely technical in nature); *In re Minebea Co.*, 143 F.R.D. 494, 502-03 (S.D.N.Y. 1992) (protecting memorandum on prior art search conducted with intent to determine patentability); *FMC Corp. v. Old Dominion Brush Co.*, 229 U.S.P.Q. 150, 152-53 (W.D. Mo. 1985) (protecting memorandum of prior art prepared by the inventor).

³⁵ *Spalding Sports Worldwide, Inc.*, 203 F.3d at 805. These invention records are forms where inventors disclose their inventions and other crucial information to the prosecution, including closest prior art, and Patent attorneys use these documents as an aid in drafting the most complete application possible. See *id.* at 802.

³⁶ *Id.* at 806.

³⁷ *Id.* at 805-06.

PTO Rules, court opinions, Congressional intent and policies all support the conclusion that the duty of candor shall not supersede confidentiality.

A. The Duty of Confidentiality Is a Cannon within the PTO Rules

Canon 4 provides client confidentiality preservation in the PTO Rules.³⁸ Further, PTO Rule 10.1 states that nothing in this part shall be construed to preempt the authority of each State to regulate the practice of law, except to the extent necessary for the PTO to accomplish its Federal objectives.³⁹ Indeed, duty of confidentiality is paramount to the practice of law because it ensures full and honest communication between attorney and client. In patent prosecution, confidentiality ensures that clients feel comfortable disclosing all information relevant to the invention. Thus, enforcing the duty of confidentiality does not prevent the PTO from accomplish its Federal objectives, because it provides greater assurance that the ultimate patent that issues is novel and non-obvious, without the threat of any hidden prior art. Last, PTO Rule 10.57 does not include an exception for the duty of candor.⁴⁰ One could conclude that the PTO agrees with the importance of preserving confidentiality and it shall supersede the duty of candor.

B. No Legislative Intent

Under the Supremacy Clause of the Constitution, federal laws enacted under constitutional authority constitute the supreme law of the land,⁴¹ but the intent of Congress is examined to evaluate whether federal law preempts a state regulation.⁴² Intent may be evidenced explicitly in the language of a statute, implicitly through passage of a statutory scheme that extensively occupies the field, or where the purpose and objectives of federal law would be frustrated by state law.⁴³ For example, in *Kewanee*, the Court held that state trade secret law, even when protecting patentable inventions, was not preempted by federal patent law.⁴⁴ The Court pointed out that trade secret law and patent law have co-existed for over 100 years, with each one having its own objectives that complement rather than conflict.⁴⁵ Congress, by its silence over these many years, has seen the wisdom of allowing the States to

³⁸ 37 C.F.R. § 10.56 (2002).

³⁹ 37 C.F.R. § 10.1 (2002).

⁴⁰ 37 C.F.R. § 10.57(c) (2002).

⁴¹ U.S. CONST. art. VI, cl. 2.

⁴² *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 479 (1974) (“The only limitation on the States is that in regulating the area of patents and copyrights they do not conflict with the operation of the laws in this area . . .”).

⁴³ *Fla. Lime & Avocado Growers, Inc. v. Paul*, 373 U.S. 132, 141-42 (1963).

⁴⁴ *Kewanee Oil Co.*, 416 U.S. at 479.

⁴⁵ *Id.* at 493.

enforce trade secret protection. Until Congress takes affirmative action to the contrary, States should be free to grant protection to trade secrets.⁴⁶ Similarly, state professionalism rules and federal patent law have co-existed for over 100 years.⁴⁷ State professional rules set uniform standards of ethics for attorneys that preserve confidentiality and integrity in the practice of law. State professional rules, particularly the duty of confidentiality, serve the goal of promoting full disclosure by clients because they can rely on the attorney's duty of non-disclosure. This will ensure that all information material to a patent is disclosed by the client during prosecution, thereby reduce the likelihood that the PTO issues patents that lack novelty and are obvious due to hidden prior art. This enhances, rather than detracts from the constitutional mandate to preserve the progress of the arts and sciences because it ensures that material, which belongs in the public domain, remains in public domain. Therefore, state ethical rules shall not be preempted by federal patent law.

C. Judicial Opinion

1. Judge Newman's Opinion in *Molins*

In *Molins PLC v. Textron, Inc.*, Smith simultaneously represented two clients, Molins and Lemelson.⁴⁸ Defendant accused Molins of inequitable conduct because Smith failed to disclose Lemelson's application, which was allegedly material to Molins' application. Smith argued that Lemelson's application was cumulative to that already in the record, and thus was not material. The court agreed with Smith and resolved the charge of inequitable conduct on this ground.⁴⁹ Issues of conflict of interest and attorney-client privilege were not directly addressed by the court because these issues were not argued. However, in dicta, the *Molins* court split three ways about the conflicting obligations placed upon patent attorneys by the PTO's duty of candor and the rules of professional responsibility. Judge Lourie, writing for the majority, hinted that Smith's behavior was improper,⁵⁰ but abstained from expressing a formal opinion on the privilege and conflict issues, because neither was properly before the court. Judge Nies argued that Smith faced a

⁴⁶ *Id.*

⁴⁷ *See Swidler & Berlin v. United States*, 524 U.S. 399, 410 (1998) (substantiating that state professionalism rules have existed for over a century).

⁴⁸ *Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1177 (Fed. Cir. 1995).

⁴⁹ *Id.* at 1185.

⁵⁰ *Id.* (“[D]ual representation of two clients seeking patents in closely related technologies created a risk of sacrificing the interest of one client for that of the other and of failing to discharge his duty of candor to the PTO with respect to each client.”).

clear conflict of interest and should have withdrawn from representing Molins.⁵¹

Finally, we found support in Judge Newman's concurring opinion. He argued that Smith had no obligation to disclose Lemelson's application because this reference was protected by attorney-client privilege.⁵² He also emphasizes that preserving client confidentiality must supersede the duty of candor in order to ensure full and frank disclosure from clients during prosecution of patent portfolios. Judge Newman distinguishes that the PTO Rules should not reach the confidential patent application that an entirely unrelated client happened to entrust to the same lawyer, but is instead limited to co-pending applications of the same client.⁵³ Despite the fact that the duty of candor encourages full disclosure that benefits both the PTO and the public, an attorney's obligation to preserve a client's confidentiality is absolute under both state and PTO professional rules.⁵⁴ Maintaining client confidentiality also ensures that each individual client will be motivated and comfortable with disclosing all relevant information during prosecution. In sum, a lawyer's duty of confidentiality under the Model Rules took precedence over the PTO Rules' duty of candor so a patent attorney should not have been charged with improper behavior simply because he respected a client's confidences.⁵⁵

2. Court's Opinion in *Kroll*

In *Kroll v. Finnerty*, a patent attorney sought declaratory judgment that state grievance committee lacked jurisdiction to bring disciplinary proceedings against him, which arose from his handling of patent matters.⁵⁶ The court affirmed the district court's dismissal because the federal law granting the Commissioner of Patents and Trademarks the authority to regulate the conduct of patent attorneys did not preempt state ethical disciplinary proceedings against a patent attorney for misconduct relating to his patent practice.⁵⁷ Because the PTO Rules concedes that it is not attempting to preempt state authority to regulate the practice of law, except

⁵¹ *Id.* at 1190 (Nies, J., dissenting in part) ("Smith's representation of clients with conflicting interests provides no justification for deceiving the PTO.").

⁵² *Id.* at 1192 (Newman, J., dissenting in part) ("[Smith's] obligation to preserve the confidentiality of his client Lemelson was absolute.").

⁵³ *Id.* at 1192-1193.

⁵⁴ See 37 C.F.R. § 10.56 (2002) (A practitioner should preserve the confidences of a client); MODEL RULES OF PROF'L CONDUCT R. 1.6(a) (2006).

⁵⁵ ROY SIMON, CONFLICTS OF INTEREST IN PATENT PRACTICE: REPRESENTING COMPETITORS (2002), <http://lazar-emanuel.com/Conflicts of Interest in Patent Practice Representing Competitors.pdf>.

⁵⁶ *Kroll v. Finnerty*, 242 F.3d 1359, 1365 (Fed. Cir. 2001).

⁵⁷ 35 U.S.C. § 32 (2002).

to the extent necessary to accomplish its objectives, the state could regulate attorney conduct as long as it did not limit the necessary scope of PTO's practice. Because such discipline would not frustrate an attorney's scope of practice or place an additional burden on patent attorneys, but would support the maintenance of proper standards for practitioners, the state professionalism rules were applicable and not preempted by the federal patent law.⁵⁸

D. Policy Arguments

1. Denial of the Privilege Ignores the Inventor's Interest

The PTO is charged with looking out for both the interests of the inventor and the public,⁵⁹ but the duty of candor only takes the public and the PTO into account. The inventor's interest is in obtaining all patent rights to which the inventor is entitled, and quality legal representation is important to ensure that this occurs. To ensure quality legal representation, the inventor must have the freedom to choose a counsel. The inventor's freedom of choice of counsel is an important right that would be seriously affected if the inventor was forced not to choose a counsel because the attorney might be forced to disclose immaterial confidential information.⁶⁰ Therefore, allowing the duty of candor to supersede the duty of confidentiality not only ignores the inventor's interest but also may diminish his interest in procuring patents because he could not choose a counsel based on the competence of an attorney.

2. Preserving Confidentiality Ensures Open and Honest Communication

The open communication that duty of confidentiality seeks to promote is especially important in patent practice because of the arcane technical subject matter of patents. The patent attorney must thoroughly understand the invention and all its technical nuances to be able to distinguish the invention from the prior art, and sometimes the invention will differ from the prior art in very subtle, yet meaningful, ways. Although all patent attorneys are scientists or engineers, they usually are not true experts in any given technology. Therefore, the attorneys need the clients, who are the gurus, to "teach" their inventions. This may require consideration of large amount of background information, not all of which will be material to the resulting patent. If inventors feel constrained in what they can tell their attorney for fear of disclosure, they may not adequately teach the invention to the attorney and may forfeit patent rights to which they are entitled. Therefore,

⁵⁸ *Kroll*, 242 F.3d at 1365.

⁵⁹ See generally CHISUM, *supra* note 12, § 11.03 n.7.

⁶⁰ See *Panduit Corp. v. All States Plastic Mfg. Co.*, 744 F.2d 1564, 1576 (Fed. Cir. 1984).

the duty of confidentiality shall not be preempted by the duty of candor because complete communication will result in more accurately drafted patent applications that save PTO's administrative resources by reducing the numbers of office actions or continuation applications.⁶¹

3. Denial of the Privilege Creates Additional Burden

Because of the possibility of disclosure to third parties, clients and attorneys are forced to guess information about each other that they could not possibly know, even before deciding whether representation is appropriate. The client has to know in advance everything that must be disclosed to the attorney, and guess who the attorney's other clients are and what their inventions are. The inventor probably does not know this information, and the attorney certainly cannot reveal information about other clients because of the duty of confidentiality. Likewise, the attorney is forced to guess what the inventor might say that will be material to other clients' patents. The inventor and attorney can only know this type of information after disclosure, but at that point it is too late because the inventor will have revealed confidential information and the attorney must disclose it against other clients, even if the attorney declines representation of this inventor. This uncertainty will deter inventors from procuring patents, and burden patent attorneys in rendering quality service. Therefore, the duty of confidentiality shall supersede the duty of candor to ensure that the patent system accomplish its Constitutional objectives.

4. Denial of the Privilege Creates a Conflict of Interest Not Otherwise Exist

Revisiting the fact scenario, the Patent Attorney may purposely draft Client B's patent in such a way that Client A's confidential information will not have to be disclosed. This may result in Client B getting less patent rights than he deserves, and therefore creates a conflict of interest because Patent Attorney's representation of Client A limits the representation of Client B. This situation places Patent Attorney in a conflict of interest that would not exist if the privilege applied.⁶² Such uncertainty and resulting possibility of prolonged waiting time for issuance will deter inventors from procuring a patent and therefore prevent the patent system from accomplishing its Constitutional objectives.

IV. Conflict of Interest

In essence, the conflict of the duty of candor and confidentiality stems from representing different clients in close industries. Also, dual representation of two clients seeking patents in closely related technologies

⁶¹ 37 C.F.R. §§ 1.111, 1.53 (2002).

⁶² MODEL RULES OF PROF'L CONDUCT R. 1.7(b) (2006).

creates a risk of sacrificing the interest of one client for that of the other and of failing to discharge his duty of candor to the PTO with respect to each client.⁶³ Therefore, discussion of conflict of interest issues is included in this thesis.

Although it seems that a practitioner may avoid such issue by conducting a conflict check, the conflict check will most likely be ineffective in practice. First, a practitioner who represents two clients who may obtain patents with overlapping subject matter does not represent clients who have, as yet, directly adverse interests. If two patents do not interfere, there would not appear to be a conflict between a lawyer representing two clients seeking closely related applications. Further, if the specifications of applications for different clients could not support at least claims that potentially could interfere, then absent unusual circumstances there is no conflict arising from prosecution. Thus, patent attorneys are not denied to represent clients in the same or similar technology areas because mere patenting of subject matter for one client creates no conflict of interest with all other clients. Second, a conflict may arise even if the patents were wholly unrelated and the clients were in completely separate industries.⁶⁴ Because a conflict can only be determined by measuring the materiality of the other client's application after they are drafted, a simple incident, for example, a client's new product line, will defeat the conflict check.

A. The Rules

Under PTO Rule 10.66, a patent attorney must refuse to accept or continue employment if the interest of another client may impair the independent, professional judgment of the practitioner, unless the practitioner can adequately represent the interest of each and if each consents to the representation after full disclosure of the possible effect of such representation on the exercise of the practitioner's independent professional judgment on behalf of each.⁶⁵ In addition, Model Rule 1.7 specifies that there are waivable and unwaivable conflicts of interest. If representation of the client would be directly adverse, then conflict is unwaivable and representation is prohibited. If the attorney determines that the conflict of interest is waivable, she must then obtain her client's consent, but only after consultation. Nevertheless, does "disclosing Client A's confidential information" create directly adverse conflict thus unwaivable? Further, even if waivable, consent to a conflict of interest is effective only if given after

⁶³ *Molins*, 48 F.3d at 1187.

⁶⁴ See Paul W. Vapnek, *Ethics and Professional Responsibility Issues*, 729 PLI/PAT 43, 47-53 (2002).

⁶⁵ 37 C.F.R. § 10.66(a)-(c) (2002).

full disclosure of the consequences to both parties, which is impossible because the information here is confidential.⁶⁶ Therefore, none of the rules provides a perfect solution.

B. Practice Tips

Below are practical tips to approach the issue of representing clients in close technologies in a chronological order of the patent prosecution process.⁶⁷

1. Selective Representation

A firm may conduct a thorough conflict check and choose to represent only selected clients. However, it is an imperfect way to address the issue because it is hard to predict a business' next move. For example, a merger or acquisition will defeat the initial conflict check because existing clients now have conflicting interests that were not discernable during intake. In addition, firms advertise their expertise in certain technologies and will most likely attract multiple clients in related industries. It is hard for medium/small-size firms to decline representation because they may need the job to maintain operation. It is also undesirable for large firms to turn down the offer. Because it is common for patent prosecution firms to represent direct or indirect competitors, clients will not understand why the firm cannot represent them. The firm will suffer damage in credibility and lose future clients.

2. Ethical Wall

A firm may create an "ethical wall" by separating its lawyers into independent groups so they can represent conflicting clients. However, this method may be impracticable as a business matter because, as discussed, conflict checks are not 100% accurate. Also, the firm will become inflexible in intaking new clients due to the number of groups.⁶⁸

3. Waiver Agreement

An attorney may request a would-be client to sign an agreement to waive the attorney-client privilege. Nevertheless, such method is legally unenforceable because a waiver of attorney-client privilege cannot be unknown, undefined future problems. The client also will most likely not accept such agreement because a blank waiver at the inception of a

⁶⁶ CHARLES W. WOLFRAM, MODERN LEGAL ETHICS § 7.2.4(a) n.109 (Practitioners ed. 1986).

⁶⁷ Telephone Interview with Theodore Herhold, Partner, Kilpatrick, Townsend & Stockton (Nov. 10, 2010); E-mail from Juan Marques, Member, Stites & Harbison PLLC (November 3, 2010) (on file with author).

⁶⁸ David Hricik, *The Risks and Responsibilities of Attorneys and Firms Prosecuting Patents for Different Clients in Related Technologies*, 8 TEX. INTELL. PROP. L.J. 331, 352 (2000).

relationship is problematic. An attorney may also request for consent to a conflict of interest from Client A, according to Model Rule 1.7. Nevertheless, this is also impracticable because clients will be reluctant to disclose their confidential information at any time.

4. Withdraw from Presentation

The majority in *Molins* opined that simultaneous representation of clients seeking patents in related technologies was fraught with possible conflict of interest and created a risk of sacrificing the interest of one client for that of the other and of failing to discharge his duty of candor to the PTO.⁶⁹ Indeed, if prosecution for Client B leads to conflicting claims with Client A, which may trigger an interference proceeding within the PTO, the attorney may have to withdraw from representing Client B. He can explain to Client B that his ability to represent has been compromised by another client's confidential information.⁷⁰ Client B's application thus may be abandoned, or transferred to another firm. Nevertheless, Client B will be unhappy to hear such explanation, especially if at the time of the withdrawal, Client B has lost his chance to procure patent protection due to the statutory bar.⁷¹

5. Claim Around

An attorney may revise Client B's claims after informing him about the conflict, and that the claims drafted have problem of invalidity and enforceability because a confidential material reference was found. A claim shaving may protect Client B by giving him at least an equally broad patent protection. Still, if the client is disfavored by a narrower claim, this may become the subject of a malpractice claim.⁷²

V. Conclusion

The goal of fostering enhanced communication between attorney and client through the use of privileged communications will be diminished if such privilege is preempted by the duty of candor. Preserving confidentiality must remain paramount in the practice of all areas of law, including patent prosecution. Moreover, confidentiality motivates clients to be honest and to disclose all material relevant to the patentability of the invention during prosecution. This ensures more efficient prosecution at the PTO and increases the likelihood that issued patents indeed meet the statutory requirements of novelty and non-obviousness, without the existence of hidden prior art or other fraud on the PTO. In addition, the PTO Rules and the state ethical requirements should work together to ensure high moral and

⁶⁹ *Molins*, 48 F.3d at 1185.

⁷⁰ 37 C.F.R. § 10.66(d) (2002).

⁷¹ 35 U.S.C. § 102(b) (2002).

⁷² *Berkeley Ltd. P'ship v. Arnold, White & Durkee*, 118 F. Supp. 2d 668 (D. Md. 2000).

[2012] Vol. 1 NTUT J. of Intell. Prop. L. & Mgmt.

ethical standards when prosecuting patents in any state forum. In this regard, when preserving a client's confidentiality is at issue, the duty of candor must yield to the greater ethical policies because application of the privilege does not necessarily contravene the policies and objectives of the patent system.

Cited as:

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ENHANCING THE QUALITY OF SOFTWARE PATENTS BY OPEN REVIEW

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ABSTRACT

Software is an abstract technology that facilitates abstract claiming. In order for the patent system to operate well, it is crucial that the patent examiners secure the quality of software patents. The examiners, however, have difficulties in obtaining “good quality” prior art information regarding a particular patent application. Due to the institutional factors, the examiners are not willing to seek outside resources. As such, the patent review practice cannot work well due to the information deficit problem that consequently leads to the poor patent quality problem. In particular, as this article noted, the poor quality of software patents has posed serious threats on the open source community. With this concern in mind, this paper discusses the ways to mitigate the risk of patent infringement under the open source framework, such as the GNU GPL version 3.0. This article traces the open source community’s patent problem back to the patent review process’s poor quality problem. This article, therefore, explores different ways to improve the quality of software patents, suggesting the U.S. patent examination system to include open review into its existing review framework. On the one hand, the traditional peer review will provide valuable insights for the examiners. On the other hand, however, a new review model that invites the public to contribute their knowledge and to scrutinize the review process is of great help to enhance the quality of an issued patent, especially a software patent.

Keywords: Patent quality, software patent, community patent review, pilot program, open source

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I. Introduction

“Sharing... is cool.”¹ We are constantly sharing something, online or offline, with our family, friends, colleagues, neighbors, or persons we even don’t know at all. A sharing paradigm can be found in the computing community—the open source movement. In 1983, Richard M. Stallman announced the GNU project that consequently launched the open source movement.² This project developed a free computer operating system open to computer users. Each user can download and use the GNU’s software by agreeing the GNU General Public License (“GPL”),³ under which the user, as a licensee, is free to use, share, and change the licensed software, as well as to share the changes that the user makes based on the software.⁴ In addition, the user can access, modify, and distribute the software’s source code and object code.⁵ Via the GPL and the license agreements of this sort, the open source movement has developed a sharing paradigm that values the user’s freedom.

While sharing is so cool, some people just don’t think so, however. Many open source individuals, groups, or firms that grant license to users have faced threats of their competitors’ patent infringement claims. Facing this “patent problem,” some open source members have developed a strategy to crash their competitors’ efforts in obtaining software patents. That is, these open source members are quite often injecting “new” information or discoveries into the public domain; as such, their potential competitors’ patent infringement claims is likely to fail due to the lack of the novelty requirement.⁶ Professor Robert P. Merges calls the practice of this sort “Property-Preempting Investments.”⁷ In addition to the PPIs, the open source members address the “patent problem” by including into their license agreement a “patent clause.” For instance, the GNU GPL in its version 3.0

¹ Neil M. Richards, *The Peril of Social Reading*, 101 GEO. L.J. (forthcoming 2013), available at SSRN: <http://ssrn.com/abstract=2031307>.

² For an introduction of this project, see GNU Operating System, Overview of the GNU System, <http://www.gnu.org/gnu/gnu-history.en.html> (last visited May 23, 2012).

³ Brian Carver, Note, *Share and Share Alike: Understanding and Enforcing Open Source and Free Software Licenses*, 20 BERKELEY TECH. L.J. 443, 444 (2005).

⁴ Brett Smith, *A quick guide to GPL v3*, available at: <http://www.gnu.org/licenses/quick-guide-gplv3.html> (last visited 2012/5/21).

⁵ GNU GPL version 3.0, Preamble, available at: <http://www.gnu.org/licenses/gpl-3.0.html> (last visited May 21, 2012); Carver, *supra* note 3, at 456.

⁶ Carver, *supra* note 3, at 461; Sara Boettinger & Dan L. Burk, *Open source patenting*, 1 JIBL 221, available at: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=64512 (last visited May 23, 2012); Robert P. Merges, *A New Dynamism in the Public Domain*, 71 U. CHI. L. REV. 183, 185 (2004).

⁷ Merges, *id.*, at 185; Carver, *supra* note 3, at 462-463.

provides its users (licensees) with an explicit patent license protection against the patent claims by this project's contributors and redistributors.⁸ As Stallman puts it, "the only way to make software movement safe is to abolish software patents."⁹ Nonetheless, as this article will show, the GPL's patent clause might be insufficient to address the open source software's patent problem. Tracing back this patent problem to an earlier stage, this article argues that to resolve the patent problem requires a reform of the patent examination's review process.

Software is an abstract technology that facilitates abstract claiming. The job for patent examiners to secure the quality of software patents becomes crucial. However, patent examiners are quite restricted to accessing the information of the prior art of a particular patent application. The current review practice's reluctance to use outside science and isolation of expertise causes an information deficit problem and consequently results in poor quality patents.¹⁰ This paper discusses ways to improve the quality of issued software patents by reforming the patent examination system. This paper argues that such reform is compelling not only because it will improve the U.S. patent system itself, but also because it will advantage the open source community by reducing its patent problem.

Part II describes the insufficiency protection against patent infringement under the GNU GPL version 3.0. Part III illustrates the information deficit problem as well as the quality problem in the current patent system. Finally, part IV outlines detailed reform proposals including tradition peer review and the USPTO Community Patent Review Project and discusses some potential problems. This paper concludes that the patent examination system should reform to enable the examiners to access outside input. Open review, (such as traditional peer review and the USPTO Community Patent Review Project) builds a promising framework that the public can participate in the examination process of a particular patent review process and can better resolve the information deficit problem and promote the patent quality.

II. The GPL's Patent Clause and Its Insufficiency

GNU GPL version 3.0 attempted to deal with the software patent threats and provide users with an explicit patent license covering any patents held by a developer of a GPL-covered work. The relevant patent rights license clauses are set forth in the Preamble and Section 11 of the GNU GPL version

⁸ Richard Stallman, *Why Upgrade to GPL v3*, available at <http://www.gnu.org/licenses/rms-why-gplv3.html> (last visited May 23, 2012).

⁹ *Id.*

¹⁰ Beth Simone Noveck, *Peer to Patent: Collective Intelligence, Open Review and Patent Reform*, 20 HARV. J.L. & TECH. 123, 132 (2006).

3.0.

A. The Preamble

The Preamble of GNU GPL version 3.0 informs the users of the patent problem. It provides:

Finally, every program is threatened constantly by software patents. States should not allow patents to restrict development and use of software on general-purpose computers, but in those that do; we wish to avoid the special danger that patents applied to a free program could make it effectively proprietary. To prevent this, the GNU GPL version 3.0 assures that patents cannot be used to render the program non-free.¹¹

The GPL thus requires those who intend to distribute software under the GPL framework to permit free redistribution of their contribution to the program. Since the GNU GPL version 3.0 adds a new section 11, as discussed below, the Preamble of the GNU GPL 3.0 contains some revision accordingly; nonetheless, the main idea of the Preamble remains as its previous version—the GNU GPL version 2.0.¹²

B. Section 11: Patent Grant Clause

As amended, Section 11 of the GNU GPL version 3.0 expressly provides users with a patent grant. This new Section provides that a distributor of a GPL licensed work automatically grants a non-exclusive, worldwide, royalty-free patent license of his essential patent claims, to make, use, sell, offer for sale, import and otherwise run, modify and propagate the software.¹³ Under this provision, a distributor cannot make any patent infringement claims against a redistributer who uses the distributor's contribution.

Section 11 attempts to make the subsequent use of a GPL-covered work free from any patent infringement claims. If a distributor has actual knowledge that the conveyance or use of the GPL-covered work would

¹¹ GNU GPL version 3.0, Preamble, *supra* note 5.

¹² The Preamble of GNU GPL version 2.0 provides that “Finally, any free program is threatened constantly by software patents. We wish to avoid the danger that redistributors of a free program will individually obtain patent licenses, in effect making the program proprietary. To prevent this, we have made it clear that any patent must be licensed for everyone's free use or not licensed at all. The precise terms and conditions for copying, distribution and modification follow. See GNU General Public License v2.0, Preamble, available at: <http://www.gnu.org/licenses/gpl-2.0.html> (last visited May 23, 2012).

¹³ GNU GPL version 3.0, *supra* note 5, section 11.

infringe one or more identifiable patents, the redistributor should make the corresponding source of the work available for anyone to copy, free of charge, deprive him of the patent license, or extend the patent license to downstream recipients.¹⁴ The aim of the provision is to protect the downstream users from patent infringement allegations made by upstream distributors.

There are concerns over the patent grant clause of GNU GPL version 3.0, however. First, although the patent rights grant provision broadens the freedom of distribution of software, it runs counter to the traditional logic and goal behind the patent system. GNU GPL version 3.0 requires a distributor not to insist on the patent right he may hold in the GPL-covered work. The patentee thus waives his legal rights against not only the parties to whom he distributes the GPL-covered work but also everyone in the GPL framework. This is true even after a distributor has withdrawn from the GPL framework. As such, many companies refuse to apply GNU GPL version 3.0 because they worry that this provision will force them to abandon their patent rights against everyone involved in the GPL framework.¹⁵

Additionally, GNU GPL version 3.0 cannot completely mitigate the risk of patent infringement. For instance, a program developer writes software programs and is unaware of the fact that his work would fall into another existing patent claim. Under this circumstance, the program developer and the consequent recipients will still face the risk of being sued for infringing patent by the patent holder. No solutions for this circumstance can be found in the GNU GPL version 3.0. It then seems that the only way to mitigate the risk of infringement litigations is to improve the patent examination procedure to enhance the quality of software patents.

III. Information Deficit and the Quality Problem of Software Patents

¹⁴ *Id.* Section 11 of GNU GPL version 3.0 provides that “if you convey a covered work, knowingly relying on a patent license, and the Corresponding Source of the work is not available for anyone to copy, free of charge and under the terms of this License, through a publicly available network server or other readily accessible means, then you must either (1) cause the Corresponding Source to be so available, or (2) arrange to deprive yourself of the benefit of the patent license for this particular work, or (3) arrange, in a manner consistent with the requirements of this License, to extend the patent license to downstream recipients. “Knowingly relying” means you have actual knowledge that, but for the patent license, your conveying the covered work in a country, or your recipient’s use of the covered work in a country, would infringe one or more identifiable patents in that country that you have reason to believe are valid.”

¹⁵ Shaobin Zhu, *Patent Rights Under FOSS Licensing Schemes*, 4 SHIDLER J.L. COM. & TECH. 4 (2007).

Because a software patent claim often contains abstract language, software patents are often subject to litigations or disputes over the scope of a particular software claim.¹⁶ The abstract nature of software technology makes it more difficult to place limits on abstract claims in software patents.

A. Patent Quality

The patent system serves as a mechanism to encourage innovations by granting inventors an exclusive right within a limited period of time. However, several issued patents have been questioned as they claim either unpatentable subject matters or are obvious or not novel.¹⁷ These “bad” patents decrease the quality of the patent system and are often abused by patent trolls who obtain patents not for manufacturing products.¹⁸

A patent’s quality will be measured before and after the patent is issued. First, during the patent application review process, the statutory patentable requirements, such as requirements regarding a patentable subject matter,¹⁹ novelty,²⁰ non-obviousness²¹ and utility²² serve as one way to measure the patent quality.²³ In order to assess the quantity of patent quality, the USPTO gives most weigh on its internal quality assessment audits.²⁴ Second, a patent’s quality will be assessed in subsequent legal proceedings after that patent being issued.²⁵ The rate that patents are invalidated in subsequent proceedings reflects the quality of all issued patents.²⁶

Reviewing and construing the prior art of a particular patent invention are keys to a patent invalidation proceeding.²⁷ The invalidation of an issued patent indicates that the prior art is not being thoroughly searched and discovered during the review process of that patent. Therefore, identifying prior art becomes crucial to improve patent quality.

¹⁶ MICHAEL MEURER & JAMES BESSEN, PATENT FAILURE 9-11 (2008), *available at*: <http://researchoninnovation.org/dopatentswork/dopat9.pdf> (last visited May 23, 2012).

¹⁷ Christopher J. Worrel, *Improving the Patent System: Community Sourcing and Pre-Grant Opposition*, 42 U. TOL. L. REV. 833, 835 (2011).

¹⁸ Susan Walmsley Graf, *Improving Patent Quality Through Identification of Relevant Prior Art: Approaches to Increase Information Flow to the Patent Office*, 11 LEWIS & CLARK L. REV. 495, 496-99 (2007) (discussing the patent quality and problems with patent trolls).

¹⁹ 35 U.S.C. § 101 (1952).

²⁰ 35 U.S.C. § 102 (2011).

²¹ 35 U.S.C. § 103 (2011).

²² 35 U.S.C. § 101 (1952).

²³ Graf, *supra* note 18, at 499.

²⁴ *Id.* at 500-01.

²⁵ Bronwyn H. Hall & Dietmar Harhoff, *Post-Grant Reviews in the U.S. Patent System - Design Choices and Expected Impact*, 19 BERKELEY TECH. L.J. 989, 991 (2004).

²⁶ *See* Graf, *supra* note 18, at 501-02.

²⁷ *Id.* at 501.

B. Problems in Identifying Software Patents Prior Art

Commentators have noted that many software patents contain broad and vague claims; however, a close examination of the claims of these sort indicate that such software contain very limited “invention.”²⁸ As result, when examining a software patent application, to do a diligent prior art search is crucial to the software patents’ quality problem.

At the core of the software patent quality problem is information access. Due to the patent examiners’ lack of access to sufficient and adequate information, many commentators consider that the USPTO is awarding software patents improvidently.²⁹ In particular, some allege that the patent examiners are not quite experienced with the patent examination. Examiners are supposed to possess “the knowledge that comes from specialized experience,” but fifty-five percent of patent examiners have just been employed by the USPTO for less than two years. Moreover, they are not required to have an advanced degree.³⁰ This reflects that over half of the examiners are not qualified to be expert bureaucrats.

In addition, the examiners’ resources for prior art search are limited. When examining a patent application, patent examiners rely on three computer databases systems³¹ to search and access the prior U.S. patents, foreign patent abstracts, certain pending U.S. applications, and additional proprietary database libraries.³² Moreover, the examiners are restricted to use Internet as a search tool for security reasons.³³ In other words, the examiners are not independently finding the prior art and are limited to internal sources available at the USPTO when doing the examination.

Further, third parties are restricted to actively provide information. This is because Congress has required the USPTO to “establish appropriate procedures to ensure that no protest or other form of pre-issuance opposition to the grant of a patent on an application may be initiated after publication of the application without the express written consent of the applicant”³⁴ A third party must provide his input by mail within two-month window, plus a

²⁸ MEURER & BESSEN, *supra* note 16, at 9-16.

²⁹ Noveck, *supra* note 10, at 132.

³⁰ *Id.*

³¹ The three databases at USPTO are Examiner’s Automated Search Tool (“EAST”), Web-Based Examiner Search Tool (“WEST”), and Foreign Patent Access System (“FPAS”). See United States Patent And Trademark Office, MANUAL OF PATENT EXAMINING PROCEDURES (hereinafter “MPEP”) §902.03(e) (8th ed. 2001) (latest revision July 2010).

³² See *id.*

³³ MPEP, *supra* note 31, §904.02(c); Noveck, *supra* note 11, at 135.

³⁴ 35 U.S.C. §122(c) (2011).

fee and no commentary.³⁵ Thus, there are fewer third party input available. The burden of finding adequate information for patent examination greatly falls to the patent examiners.

IV. Proposals

One of the thoughtful solutions to the information deficit and quality problems is Beth Simone Noveck's *Peer to Patent: Collective Intelligence, Open Review and Patent Reform*,³⁶ which abandons the traditional peer review model and provides a new reform model for open patent examination (Peer-to-Patent). While Noveck's Peer-to-Patent proposal is insightful, this article contends that traditional peer review still works well and should co-exist with the Peer-to-Patent model.

A. Traditional Peer Review

Noveck argues that traditional peer review is inappropriate to solve the information deficit problem because of its lack of transparency.³⁷ She considers peer review as a fairly conservative means to address the information quality problem. To the extent that she proposes to abandon the traditional peer review, this article disagrees with her arguments for the following reasons.

First, it is adequate to select certain kinds of industry and academic experts to form peer review groups because patent applications, especially new technology such software and biotechnology, are highly professional and technical. Instead, to invite the public to join the peer review group without any qualification requirement will apparently cause inefficiency for gathering unrelated and inadequate information. It is necessary for an experienced and knowledgeable expert to contribute valuable information. And this is just how the traditional peer review works. Noveck argues that the peer review groups are selected based on educational or social status, and this will exclude otherwise qualified and meaningful contributors.³⁸ However, this is just an administrative and management issue. A solution to this problem is not to repudiate the traditional peer review. Rather, it can be resolved by broadening the list of peer review group, or renew it frequently.

Second, Noveck argues that the peer review member selection process is closed especially when the subject matter relates to high technological issues. In the circumstance of this sort, only certain experts will be invited to join

³⁵ See MPEP, *supra* note 31, at § 1134.01; 37 C.F.R. § 1.99 (2006).

³⁶ Noveck, *supra* note 10, at 139.

³⁷ *Id.* at 138.

³⁸ *Id.* at 141.

the review group.³⁹ She thus contends that the traditional peer review selection process is not transparent. This article agrees with her argument that the peer review should open to the public; however, if the subject matter concerns certain highly technological knowledge or professional issues, whether the selection process is open or not does not matter a lot. In this circumstance, a selection process that merely opens to the experts belonged to the field will improve the efficacy of the review process.

The traditional peer review in many aspects works well to resolve the examiners' information deficit. Contribution from the industry experts and academic professionals provides the examiners with many valuable insights that improve the quality of the review process. This article thus contends that the traditional peer review can coexist with a new review model, as explored below.

B. USPTO Community Patent Review Project

To encourage the knowledgeable public to submit information regarding patent applications' prior art for the examiners' consideration, the USPTO executed a Community Patent Review Project (hereinafter "CPRP") since June 2007.⁴⁰ Adopting Noveck's open review proposal, the CPRP puts the idea of open review into practice by building a framework that separates technical issues from legal disputes.⁴¹ The project "enabled the public to submit prior art and commentary relevant to the claims of pending patent applications."⁴²

In light of the information deficit and the examiners' excessive caseload, the CPRP reviewed inventions regarding computer technology, software, information security, or business methods, E-Commerce, management or cost/price determination data processing.⁴³ Merely training the patent examiners in computer technology does little help in maintaining the patent

³⁹ *Id.*

⁴⁰ The USPTO Community Patent Review Project (hereinafter "CPRP"), which is also known as Peer-to Patent: Community patent Review pilot program, is executed by the "Institute for Information and Policy" of New York law school through the peer-to-patent website at <http://www.peertopatent.org>. See About Community Patent, N.Y. Law Sch., available at <http://dotank.nyls.edu/communitypatent/about.html> (last visited May 21, 2012).

⁴¹ Noveck, *supra* note 10, at 127. Noveck's Peer to Patent model separates scientific from legal decision making by means of an online network that the scientific community provides what it knows best—scientific information relevant to determining the requirement of a patent application.

⁴² CPRP, *supra* note 40.

⁴³ *Id.* See also CENTER OF PATENT INNOVATIONS AT N.Y. LAW SCHOOL, PEER TO PATENT SECOND ANNIVERSARY REPORT 14 (2009), http://dotank.nyls.edu/communitypatent/CPI_P2P_YearTwo_lo.pdf [hereinafter "the 2009 Report"].

quality because the examiners rely mostly on the U.S. database in searching the prior art.⁴⁴ While the development of new technology in the field of software is quite rapid, patented inventions within this filed were not available until recently. As such, when an examiner is searching software prior art, he/she could not merely rely on the patent database; instead, the non-patent sources should be given equal, or much more, weight.⁴⁵

The CPRP broadens the current rules to permit third parties—the Peer to Patent community—to submit prior art with their commentary online.⁴⁶ The CPRP creates a platform that allows third parties to rank the prior art for relevance, creating a searchable and sorted list of information for the USPTO. Although the CPRP forwards only that “top ten” list to the examiner,⁴⁷ the examiners still have access to the full list by searching online database. The USPTO will not interfere with the process of CPRP since each examiner is independent of the USPTO. In each patent application review process, the patent examiner remains the ultimate decision power. The project has finished its second year program in 2009, and an examination of this project concluded, like that of the first year program, the CPRP successfully invited public consultation that helped improve the patent quality.⁴⁸

As an open patent review model, the CPRP supplies rich information revealing patent applications’ prior art by encouraging third parties to participate in the patent examination process. Nonetheless, the open review model is not without its own difficulties and problems.

The first problem is that a contributor who provides the CPRP with certain copyrighted prior art information might face liability for copyright infringement. When a third party uploads a copyrighted article, computer program code, or other information, the uploading might constitute a unauthorized copying which results in copyright infringement for the contributor as well as secondary liability for those administering the CPRP.⁴⁹ Although in this circumstance, the contributor might argue that his/her uploading is a fair use,⁵⁰ potential litigations of this sort might substantially harm the project’s efficacy. A solution to this copyright problem is to give

⁴⁴ James Gleick, *Patently Absurd*, N.Y. TIMES MAG., Mar. 12, 2000, § 6, available at <http://www.nytimes.com/library/magazine/home/20000312mag-patents.html> (last visited May 21, 2012).

⁴⁵ Robert P. Merges, *As Many As Six Impossible Patents Before Breakfast: Property Rights for Business Concepts and Patent System Reform*, 14 BERKELEY TECH. L.J. 577, 589 (1999).

⁴⁶ The website is <http://www.peertopatent.org/> (last visited May 21, 2012).

⁴⁷ Noveck, *supra* note 10, at 148-49.

⁴⁸ See the 2009 Report, *supra* note 43, at 11.

⁴⁹ Noveck, *supra* note 10, at 146.

⁵⁰ *Id.* at 147.

notices on the Peer-to-Patent website that if contributors are submitting a copyrighted work to the project, they must quote the materials and/or indicate the source of the submitted materials.

Second, the project might attract the competitors of a certain patent applicant to participate in the review process.⁵¹ On the one hand, the project cannot work well without the participation of various contributors, including the applicant's competitors, who desire to disclose a "good quality" prior art with intent to defeat the patent application. On the other hand, however, it is likely that some contributors, especially the competitors, might cheat the ranking system, misleading the examiners by giving untrue information. Regarding this point, Noveck suggests that the system "must control against participants voting 'early and often.'"⁵² In addition, a transparent framework that receives the public's scrutiny and a clear policy that expressly forbids the gaming practice are required to prevent this problem.⁵³

Moreover, the prior art information provided by the contributors is of great help for examiners to determine a particular application's novelty. Nonetheless, when an examiner reviews an application's non-obviousness, the prior art information contributed from the open review might not be sufficient. This is because to observe the non-obviousness requirement, an inventor must have some "advances" in his/her invention. To determine whether an invention is non-obvious, the examiners should not rely too much on the prior art information provided by the contributors.

V. Conclusion

The free software movement is facing serious patent problems. Although the GNU GPL v. 3.0 contains a broad patent grant provision that extends protections for its users, it is still insufficient for the users to avoid the risk of patent infringement. While the patent system provides an incentive for firms and individuals to invest in new technologies, there is an important basic question: how to ensure and maintain the patent quality. To address this question, this article suggests a reform of the patent examination system, in particular, the review process of software patent applications.

Open review presents a practical and efficient alternative by enhancing the institutional competence of the patent examiners. At the core of the software patents' quality problem is the examiners' information deficit problem. To this point, the traditional peer review could provide valuable information regarding technological knowledge and professional information by technology and academic expert. On the other hand, a new review model,

⁵¹ *Id.* at 149.

⁵² *Id.*

⁵³ *Id.*

[2012] Vol. 1 NTUT J. of Intell. Prop. L. & Mgmt.

the CPRP, offer an opportunity to welcome outside contributions. Both reform proposals should co-exist under the current patent system to spur empirical and data-driven reform⁵⁴ and to supplement, not replace, substantive examination by the examiners. After all, without effectively addressing the patent quality problem, a patent system is unlikely to work best and achieve its purpose to promote the industry and the progress of science and the useful art.

Cited as:

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APA Style: Chen, L.-S. (2012). Enhancing the quality of software patents by open review. *NTUT Journal of Intellectual Property Law & Management*, 1(1), 41-52.

⁵⁴ *Id.* at 161.

WHETHER A TRADEMARK QUALIFIES AS A WELL-KNOWN MARK?-APPLICATION OF BAD FAITH IN DETERMINING THE DEGREE OF WELL-KNOWNNESS

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ABSTRACT

In 1995, McDonald's opened its first restaurant in South Africa. Prior to its opening, a local businessman decided to call his burgers "Big Mac," knowing perfectly well that McDonald's had been using this name in other countries and a lot of South Africans associated the name "Big Mac" with McDonald's. Should we enjoin the local businessman from using the mark? What if he has no intention to take advantage of McDonald's mark? What if South Africans barely associate "Big Mac" with McDonald's? What if McDonald's is a regional fast food chain that only operates in the Americans?

The answers to these questions related to the protection of well-known marks. Generally speaking, when a trademark is recognized as a well-known mark in a given jurisdiction, the proprietor of the mark can prevent others from using or registering the mark prior to registration. This article examines how much fame/reputation is needed for a mark to be qualified as a well-known mark. As we will discuss later, the evidences used to prove the degree of fame/reputation can be divided into objective and subjective evidence of bad faith, i.e., intention to take advantage of consumer recognition. This article purports that marks should be considered as well-known when objective evidence of fame/reputation falls within a certain range. Within this range, courts should be able consider subjective bad faith evidence and determine whether the mark is well-known. This article explores how courts apply subjective evidence to determine the requisite fame/reputation needed in different jurisdiction. For reasons discussed below, this article is of the view that laws should not require a set percentage of consumer recognition within this range.

Keywords: Well-known mark, well-knownness, fame, reputation, bad faith, subjective evidence, famous mark, dilution

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I. Introduction

There are two types of trademark priority systems in the world: first-to-use and first-to-register, also called first-to-file.¹ As the name suggests, the first person to use a mark in first-to-use jurisdictions has priority of the mark, while the first person to register his or her mark with an official registrar enjoys trademark rights in first-to-register jurisdictions. Trademark rights acquired within each jurisdiction are subject to the principle of territoriality, which “permits ownership of a mark by separate parties in separate nations, regardless of consumer perception.”²

However, globalization has reshaped the concept of territoriality.³ With the ever-increasing trans-border traveling and prevalence of internet communications, goods and services can be provided beyond borders and potential consumers can be anywhere in the world.⁴ In such an economy, the fame/reputation of a mark may exist in a jurisdiction without physical presence of any goods or services.⁵ Under the traditional theory of territoriality, a person can take advantage of such fame/reputation in a first-to-register jurisdiction by registering a mark originating in a foreign jurisdiction before the foreign trademark owner.⁶ Well-known marks are vulnerable to such squatting because (1) success has already been proven in other markets, and (2) most likely, a certain degree of consumer recognition has already occurred in the intended market of the squatter.

¹ J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 16.4 (4th ed. 2011).

² MCCARTHY § 29.8. Territoriality is defined as “(1) a state's laws have force only within the state's boundaries; (2) anyone found within the state's boundaries is subject to the state's authority; and (3) comity will discipline sovereign exercises of authority so that the territorial effect of each state's laws is respected.” BLACK'S LAW DICTIONARY, *Bad Faith* (9th ed. 2009) (citing PAUL GOLDSTEIN, *INTERNATIONAL COPYRIGHT: PRINCIPLES, LAW, AND PRACTICE* 64 (2001)). See also Graeme B. Dinwoodie, *Trademarks and Territory: Detaching Trademark Law from the Nation State*, 41 HOUS. L. REV. 885, 924 (2004).

³ Dinwoodie, *supra* note 2, at 955.

⁴ *Id.*

⁵ GEORG HENDRIK CHRISTIAAN BODENHAUSEN, UNITED INTERNATIONAL BUREAUX FOR THE PROTECTION OF INTELLECTUAL PROPERTY, GUIDE TO THE APPLICATION OF THE PARIS CONVENTION FOR THE PROTECTION OF INDUSTRIAL PROPERTY, AS REVISED AT STOCKHOLM IN 1967 91 (World Intellectual Property Organization 1968), available at http://books.google.com/books?id=EDfuIoT5rxQC&printsec=frontcover&source=gbs_ge_summary_r&cad=0#v=onepage&q&f=false. “A trademark may be well known in a country before its registration there and, in view of the possible repercussions of publicity in other countries, even before it is used in such country.” *Id.*

⁶ See JOON SEOK LEE, *INTERNATIONAL NORMS FOR WELL-KNOWN MARK PROTECTION ACROSS NATIONAL BORDERS AND IN CYBERSPACE: CURRENT STATUTE AND FUTURE DIRECTIONS* 11, 12 (2002).

Article *6bis* of the Paris Convention was designed to combat this phenomenon.⁷ In essence, Article *6bis* of the Paris Convention obliges member states to refuse or cancel registration, or to prohibit use of a trademark in identical or similar goods which could create confusion as to another trademark that has been recognized as well-known by competent authorities.⁸ For the purpose of this article, we will call a trademark capable of being recognized as well-known by competent authorities a “foreign mark,” and the squatter’s trademark “local mark.” More often than not, the foreign mark owner would be the plaintiff in a proceeding seeking to prohibit the local mark user from taking advantage of the fame/reputation of the foreign mark in the squatter’s intended market (the “target market”). Despite its contribution to the protection of well-known marks, Article *6bis* of the Paris Convention left a number of issues unresolved; among them is the requisite degree of well-knownness, which is to be decided “by the competent authority of the country of registration or use,” in the target market.⁹

In a continuing effort to define the degree of well-knownness required under Article *6bis*, the World Intellectual Property Organization (“WIPO”) adopted the Joint Recommendation Concerning Provisions on the Protection of Well-known Marks (“Joint Recommendation”) in 1999, which provides factors for the determination of well-knownness.¹⁰ These factors can be divided into two categories, objective and subjective, which will be discussed further later.¹¹ The subjective factor is bad faith, defined as the intention to take advantage of the fame/reputation of the foreign mark in the target market. The bad faith factor seems to function independently of the objective factors. However, the Joint Recommendation did not explain the relationships between the subjective and objective factors. The main argument/proposal of this article is that the degree of well-knownness falls between level of recognition required to establish ordinary trademark right (“secondary meaning”) and the fame/recognition needed to be protected as a famous mark worthy of dilution protection. We will call this range of well-knownness the “zone of well-knownness.” Within this zone of well-knownness, bad faith functions as a tool for courts to exercise equitable discretion in determining whether a mark is well-known. Contrary to this view, some jurisdictions have developed and Professor McCarthy has

⁷ WIPO Intellectual Property Handbook: Policy, Law and Use (“WIPO IP Handbook”), para. 5.83, available at <http://www.wipo.int/about-ip/en/iprm/>.

⁸ Protection of Industrial Property [hereinafter, Paris Convention], art. *6bis*, Sept. 28, 1979, 828 U.N.T.S. 305.

⁹ Paris Convention, art. *6bis*.

¹⁰ Joint Recommendation, art. 2, 3(2).

¹¹ *Id.*

suggested a benchmark degree supported by survey evidence.¹² This article disagrees with such method, and is of the view that due to the potential inaccuracies and bias of survey evidence and courts' equitable power to prohibit local squatting, a benchmark degree of well-knownness is too draconian a method in assessing such a question of fact.

To explain the interrelation between bad faith and the degree of well-knownness required for the protection of Article 6*bis* of the Paris Convention, this article follows the following structure: It begins by introducing Article 6*bis* of the Paris Convention and the objective and subjective factors identified in the Joint Recommendation. It then discusses the concept of the zone of well-knownness, and explains why the subjective factor, bad faith, functioning independently to the objective factors, should not affect the degree of fame/reputation outside the zone of well-knownness. Subsequently, this article examines how bad faith is proved or inferred and its relationship with the objective evidence establishing well-knownness and analyzes several illustrative cases, demonstrating (1) whether the mark fell within the zone of well-knownness and (2) how the courts utilized bad faith to establish the (or lack of) well-knownness of the marks. In conclusion, this article suggests that in light of the uncertainty created by the bad faith element in establishing a clearer standard on the degree of well-knownness, it is preferable for the Joint Recommendation to explicitly include the zone of well-knownness within which bad faith can be an independent factor. In addition, when a jurisdiction adopts bad faith as one of the elements in determining the degree of well-knownness, a benchmark percentage of well-knownness through survey evidence should be disfavored.

II. Well-known Mark Protection under Article 6*bis* of the Paris Convention and the Factor List in the Joint Recommendation

A. Well-known Mark under Article 6*bis* of the Paris Convention

Modern well-known mark jurisprudence derives from Article 6*bis* of the Paris Convention.¹³ The Article states:

- (1) The countries of the Union undertake, *ex officio* if their legislation so permits, or at the request of an interested party, to

¹² Frederick W. Mostert, *International Recognition and Protection of Famous and Well-known Marks*, in *INTELLECTUAL PROPERTY AND INFORMATION WEALTH: TRADEMARK AND UNFAIR COMPETITION* 275 (Peter K. Yu eds., 2007) (*citing* Germany as an example); MCCARTHY § 29:4 (suggesting “knowledge by more than half is an appropriate level to qualify for the ‘well-known’ marks exception from the normal rule of territoriality of marks.”).

¹³ MCCARTHY § 29:62. *See also* LEE, *supra* note 6, at 11. This article focuses on the application of the well-known mark doctrine originally envisaged by the Paris Convention.

refuse or to cancel the registration, and to prohibit the use, of a trademark which constitutes a reproduction, an imitation, or a translation, liable to create confusion, of a mark considered by the competent authority of the country of registration or use to be well known in that country as being already the mark of a person entitled to the benefits of this Convention and used for identical or similar goods. These provisions shall also apply when the essential part of the mark constitutes a reproduction of any such well-known mark or an imitation liable to create confusion therewith.

(2) A period of at least five years from the date of registration shall be allowed for requesting the cancellation of such a mark. The countries of the Union may provide for a period within which the prohibition of use must be requested.

(3) No time limit shall be fixed for requesting the cancellation or the prohibition of the use of marks registered or used in bad faith.”¹⁴

As mentioned earlier, it was said that Article 6*bis* was designed to bridge the gap between first-to-use and first-to-register systems so that well-known mark proprietors who did not register their mark would have a tool to oppose those who attempt to take advantage of their fame/reputation in a first-to-register jurisdiction.¹⁵ As such, when Article 6*bis* was first introduced, its application only concerned refusal or cancellation of a prior similar or

¹⁴ Paris Convention, Article 6*bis*. The WIPO IP Handbook explains the rule as:

This Article was said to obliges a member country to refuse or cancel the registration and to prohibit the use of a trademark that is liable to create confusion with another trademark already well known in that member country. The effect of this Article is to extend protection to a trademark that is well-known in a member country even though it is not registered or used in that country. The protection of the well-known trademark results not from its registration, which prevents the registration or use of a conflicting trademark, but from the mere fact of its reputation.

The trademark that is protected by Article 6*bis* must be a ‘well-known’ trademark, as determined in a member country by its competent administrative or judicial authorities. A trademark may not have been used in a country, in the sense that goods bearing that trademark have not been sold there; yet that trademark may be well-known in the country because of publicity there or the repercussions in that country of advertising in other countries.

WIPO IP Handbook, para. 5.84.

¹⁵ See BODENHAUSEN, *supra* note 5, at 89.

identical “registration.” However, upon the passage of Article *6bis*, fame/reputation of famous foreign marks established through “prior local use” is also protected.¹⁶ The present text of Article *6bis* gives priority rights to the trademark owner whose mark has acquired goodwill and a reputation in a member country over a subsequent applicant or user.¹⁷ The WIPO IP Handbook justifies the rule on the ground that:

The registration or use of a confusingly similar trademark would, in most cases, amount to an act of unfair competition and be prejudicial to the interests of the public, who would be misled by the use of a conflicting trademark for the same or identical goods than those in connection with which the well-known trademark is registered.¹⁸

It is to be noted that the protection contemplated under Article *6bis* of the Paris Convention only extends to identical or similar goods (not services), and the local mark user’s usage must be liable to create confusion.¹⁹ Besides these inherent limitations, Article *6bis* left many issues unresolved, such as whether a foreign mark needs to be used in the target market before it enjoys well-known mark protection, and whether the Convention is self-executing.²⁰ Among these issues was uncertainty over the degree of well-knownness required. Article *6bis* sheds little lights on how much fame/reputation is needed for the competent authority in a particular jurisdiction to recognize certain mark as well-known marks.²¹

B. 1999 Joint Recommendation on Well-known Marks

In order to provide further guidance on the degree of well-knownness, WIPO, the organization responsible for administering the Paris Convention, adopted the Joint Recommendation in 1999.²² Article 2 of the Joint Recommendation concerns the determination of whether a mark is well-known mark in a member state; it provides:

- (1) [Factors for Consideration]
 - (a) In determining whether a mark is a well-known mark, the competent authority shall take into account any

¹⁶ *Id.*

¹⁷ WIPO IP Handbook, para. 5.83.

¹⁸ *Id.*

¹⁹ Paris Convention, art. *6bis*.

²⁰ LEE, *supra* note 6, at 20-21.

²¹ Paris Convention, art. *6bis*.

²² Joint Recommendation, Preface.

circumstances from which it may be inferred that the mark is well known.²³

(b) In particular, the competent authority shall consider information submitted to it with respect to factors from which it may be inferred that the mark is, or is not, well known, including, but not limited to, information concerning the following:²⁴

1. the degree of knowledge or recognition of the mark in the relevant sector of the public;²⁵
2. the duration, extent and geographical area of any use of the mark;²⁶
3. the duration, extent and geographical area of any promotion of the mark, including advertising or publicity and the presentation, at fairs or exhibitions, of the goods and/or services to which the mark applies;
4. the duration and geographical area of any registrations, and/or any applications for registration, of the mark, to the extent that they reflect use or recognition of the mark;
5. the record of successful enforcement of rights in the mark, in particular, the extent to which the mark was recognized as well known by competent authorities;²⁷

²³ The foreign mark owner bears the burden of prove. Explanatory Notes to the Joint Recommendation [hereinafter Explanatory Notes], para. 2.1.

²⁴ The six factors are merely examples of the criteria which, “if submitted, must be considered by a competent authority.” *Id.* at para. 2.2. However, the authority must not insist on any particular criteria, and the “non-fulfillment of any particular criterion cannot itself lead to the conclusion that a given mark is not well-known. *Id.*”

²⁵ Paragraph 2.3 of the Explanatory Notes emphasizes: “[t]he degree of knowledge or recognition of a mark can be determined through consumer *surveys and opinion polls*. The point under consideration recognizes such methods, *without setting any standard for methods to be used or quantitative results to be obtained.*” (emphasis added) *Id.* at para. 2.3.

²⁶ Paragraph 2.4 of the Explanatory Notes noted that actual use in the locality in question should not be required as indicated in Article 2(3)(a)(i). *Id.* at para. 2.4. It also pointed out the use in neighboring territories may be relevant in establishing knowledge of the mark in a given state. *Id.* Internet was specifically said to be included in the term “use.” *Id.* at para. 2.5.

²⁷ Enforcement was said to be “construed broadly, also covering opposition procedures in which the owner of a well-known mark has prevented the registration of a conflicting mark.” *Id.* at para. 2.8.

6. the value associated with the mark.²⁸

Article 2(2) defines “relevant sector of the public” as the following:

- (a) Relevant sectors of the public shall include, but shall not necessarily be limited to:
 - (i) actual and/or potential consumers of the type of goods and/or services to which the mark applies;²⁹
 - (ii) persons involved in channels of distribution of the type of goods and/or services to which the mark applies;
 - (iii) business circles dealing with the type of goods and/or services to which the mark applies.³⁰
- (b) Where a mark is determined to be well known in at least one relevant sector of the public in a Member State, the mark shall be considered by the Member State to be a well-known mark.³¹
- (c) Where a mark is determined to be known in at least one relevant sector of the public in a Member State, the mark

²⁸ Paragraph 2.9 of the Explanatory Notes suggests that value associated with a mark may be an indicator in determining whether the mark is well-known, but no particular method of trademark evaluation should be adopted. *Id.* at para. 2.9.

²⁹ Paragraph 2.12 of the Explanatory Notes noted that consumer should be understood in a “wide sense.” “Groups of actual and/or potential consumers may be identified with the help of parameters such as the target group for the goods and services in relation to which the mark is used or the group actual purchasers.” *Id.* at para. 2.12.

³⁰ Paragraph 2.14 of the Explanatory Notes provided that “[t]he business circles which deal with the goods and/or services to which a mark applies are in general constituted by importers, wholesalers, licensees or franchisees interested and prepared to deal in the goods or services to which the mark applies.” *Id.* at para. 2.14.

³¹ The rationale for limiting well-knownness to the relevant sector is:

[M]arks are often used in relation to goods or services which are directed to certain sectors of the public... An extensive definition of the sector of the public which should have knowledge of the mark would not further the purpose of international protection of well-known marks, namely to prohibit use or registration of such marks by unauthorized parties with the intention of either passing off their goods or services as those of the real owner of the mark, or selling the right to the owner of the well-known mark.

Id. at para. 2.15.

may be considered by the Member State to be a well-known mark.³²

- (d) A Member State may determine that a mark is a well-known mark, even if the mark is not well known or, if the Member States applies subparagraph (c), known, in any relevant sector of the public of the Member State.³³

Article 2(3) emphasizes the factors which shall *not* be required as the following:

- (a) A Member State shall not require, as a condition for determining whether a mark is a well-known mark:
 - (i) that the mark has been used in, or that the mark has been registered or that an application for registration of the mark has been filed in or in respect of, the Member State;
 - (ii) that the mark is well known in, or that the mark has been registered or that an application for registration of the mark has been filed in or in respect of, any jurisdiction other than the Member State; or
 - (iii) that the mark is well known by the public at large in the Member State.
- (b) Notwithstanding subparagraph (a)(ii), a Member State may, for the purpose of applying paragraph (2)(d), require that the mark be well known in one or more jurisdictions other than the Member State.

Article 3(2) of the Joint Recommendation provides member states with the authority to consider bad faith in determining whether a mark is well-known.³⁴ It reads: “(2) [Consideration of Bad Faith] Bad faith may be considered as one factor among others in assessing competing interests in applying Part II of these Provisions.”³⁵

³² This provision was to make sure that member states are free to protect “marks which are merely known by a relevant sector of the public.” *Id.* at para. 2.16.

³³ Paragraph (2)(d) clarifies that paragraph 2(b) merely sets up a minimum standard, and that members are “free to afford protection to marks that are... well known only outside the State in which the protection is sought.” *Id.* at para. 2.17.

³⁴ Joint Recommendation, art. 3(2).

³⁵ Paragraph 3.3 of the Explanatory Notes recognizes that well-known mark controversy often involves the element of bad faith, and therefore often the option for member states to

Article 2(1)(c) of the Joint Recommendation emphasizes that the factors are non-exhaustive and the application of one does not preclude the usage of another; it reads.³⁶

The above factors, which are guidelines to assist the competent authority to determine whether the mark is a well-known mark, are not pre-conditions for reaching that determination. Rather, the determination in each case will depend upon the particular circumstances of that case. In some cases all of the factors may be relevant. In other cases some of the factors may be relevant. In still other cases none of the factors may be relevant, and the decision may be based on additional factors that are not listed in subparagraph (b) Such additional factors may be relevant, alone, or in combination with one or more of the factors listed in subparagraph (b)...

1. Rigid Benchmark Percentage of Well-Knownness Disfavored

In setting up the threshold of fame/reputation required to enjoy protection under Article 6*bis* of the Paris Convention, a benchmark percentage based on survey evidence seems to be an easy solution, given that the level of well-knownness is theoretically objective. Indeed, such approach was proposed during the first session of the WIPO Committee of Experts on Well-Known Marks held in November 1995, but was rejected by member states in favor of a more flexible, factor-based approach.³⁷ The Delegation of Canada in the Expert Committee stated that “any rigid, quantitative or qualitative approach, dependent upon knowledge by a fixed percentage of a particular sector, or

take bad faith into consideration in balancing the interests of the parties. Explanatory Notes, para. 3.3.

³⁶ Joint Recommendation, art. 2(1)(c). The preference for a more flexible non-exhaustive factor list can also be found in the Preface of the Joint Recommendation, which found:

If Member States judge it to be in their interests so to proceed, a more flexible approach may be taken towards the harmonization of industrial property principles and rules, and coordination of administration, so that results can be achieved and applied more rapidly, ensuring earlier practical benefits for administrators and users of the industrial property system.

Joint Recommendation, Preface.

³⁷ Report, WIPO Committee of Experts on Well-Known Marks [hereinafter WIPO Expert Report I], WKM/CE/I/2, para 67. The report stated: “[a]fter a full discussion on the question whether a certain percentage should be established in respect of the public (or the relevant sector of the public) to which the mark should be known, the Chairman concluded that there was no support for the setting of such a percentage.” *Id.*

dependent upon a minimum financial value” should not be favored because the question of well-knownness is essentially an issue of fact and “each case must be assessed on its own merits.”³⁸

When used to show a specific percentage of well-knownness, survey evidence is subject to potential bias because more often than not, information is collected for the purpose of impending or foreseeable litigation.³⁹ In addition, survey evidence unavoidably involves inaccuracies due to its inherent methodological difficulties in assembling meaningful, accurate and admissible evidence.⁴⁰ The universe of the survey is defined as “relevant sector of the public” under Article 2(2). Such definition by itself does not present a bright-line range of people. As a result, credibility of the assumption can easily be attacked. Nevertheless, survey evidence is very persuasive and effective in establishing the degree of well-knownness when it is properly conducted and not used as the sole element to establish well-knownness.⁴¹ Several jurisdictions rely heavily on survey evidence in proving the required degree of well-knownness, and have developed certain minimum percentages of fame/reputation consequently.⁴² For example, approximately forty percent of the relevant public is required to be a well-known mark in Germany.⁴³

Since hard-line survey evidence may be too arbitrary to be taken as a universal rule, a more flexible standard should be adopted.⁴⁴ The most common standard is the “substantial segment of the public” test.⁴⁵ Dr.

³⁸ *Id.* at para 15.

³⁹ Patrick M. Bible, *Defining and Quantifying Dilution under the Federal Trademark Dilution Act of 1995: Using Survey Evidence to Show Actual Dilution*, 70 U. COLO. L. REV. 296, 318 (1999) (citing the following comment from Judge Posner: “any experts are willing for a generous (and sometimes for a modest) fee to bend their science in the direction from which their fee is coming.”). See also SHARI SEIDMAN DIAMOND, REFERENCE GUIDE TO SURVEY RESEARCH, REFERENCE MANUAL ON SCIENTIFIC EVIDENCE, FEDERAL JUDICIAL CENTER (2d ed. 2000), available at http://www.au.af.mil/au/awc/awcgate/fjc/survey_rese_ref.pdf (explaining that bias may occur in the process of framing the survey questions, using of interviewers, modifying/rephrasing questions after pretests, etc.).

⁴⁰ Bible, *supra* note 39, at 316-18.

⁴¹ E.g., *McDonald’s Corp. v. Joburgers Drive-Inn Restaurant (Pty) Ltd.*, 1997 (1) SA 1 (Supreme Court of South Africa 1996) (pages numbered according to <http://www.saflii.org.za/za/cases/ZASCA/1996/82.html>) (hereinafter, *Joburgers* case).

⁴² Mostert, *supra* note 12, at 275.

⁴³ *Id.*

⁴⁴ *Id.*

⁴⁵ *Id.* E.g., *Anheuser-Busch Inc. v Budejovicky Budvar NP*, [2000] EWCA (Civ) 30 (Eng.); Indian Trade Marks Act (1999), § 2(zg), defining well-known mark as “in relation to any goods or services, means a mark which has become so to the substantial segment of the public ...” *Id.*, available at http://www.wipo.int/wipolex/en/text.jsp?file_id=128108; Grupo

Mostert suggests that a “substantial segment of the public... need not permeate the whole country but that within a particular country a high degree of recognition among the relevant sector of the public in any one location or region, or [to] a lesser degree of recognition in a number of locations or regions across the country, should be sufficient.” Similarly, the Ninth Circuit in *Grupo Gigante SA De CV v. Dallo & Co., Inc.* indicated that “substantial segment of the public” denotes a degree of recognition more than the requirement for secondary meaning, but less than the requirement for dilution protection for famous marks.⁴⁶ The level of fame required to be protected as famous mark will be discussed later in this article. It is sufficient to note here that a higher degree of well-knownness is required for a famous mark because it enjoys the protection of dilution. A mark can be diluted through blurring and tarnishment; both causes of action do not require a plaintiff to prove confusion and the protection of dilution covers dissimilar goods and services.⁴⁷ Professor McCarthy further suggested that “substantial percentage” should mean “50% of the relevant group.”⁴⁸ He reasoned that “knowledge by more than half is an appropriate level to qualify for the “well-known” marks exception from the normal rule of territoriality of marks.”⁴⁹

2. The Subjective and Objective Factors: Bad Faith as a Reason for Rejecting of Rigid Benchmark Percentage of Well-Knownness

The factors provided under the Joint Recommendation can be divided into two categories, objective, the six non-exhaustive factors in Article 2(1)(b), and subjective, bad faith under Article 3(2). The relationships of the two will be discussed later in this article. At this juncture, it is worth noting that Article 6*bis* of the Paris Convention emphasizes that there should be no time limit on the cancellation of a well-known mark if it is adopted in bad faith.⁵⁰

When viewed together with the bad faith element in establishing the well-knownness of a mark, it is not appropriate to set a more-than-fifty

Gigante SA De CV v. Dallo & Co., Inc., 391 F.3d 1088 (9th Cir. 2004). See also Amir H. Khoury, *Well-Known and Famous Trademarks in Israel: TRIPS from Manhattan to the Dawn of a New Millennium!*, 12 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 992, 1001-02 (2002).

⁴⁶ *Grupo Gigante SA De CV v. Dallo & Co., Inc.*, 391 F.3d 1088, 1088 (9th Cir. 2004). “Secondary meaning” was defined as “a mark’s actual ability to trigger in consumers’ minds a link between a product or service and the source of that product or service. That is, a mark has secondary meaning ‘when, in the minds of the public, the primary significance of a mark is to identify the source of the product rather than the product itself.’” *Id.* at 1095-96.

⁴⁷ MCCARTHY § 24:104.

⁴⁸ MCCARTHY § 29:4.

⁴⁹ *Id.*

⁵⁰ Paris Convention, art. 6*bis*(3).

percent “substantiality.” Since “bad faith” is commonly present when a foreign well-known mark owners’ mark is used by the local mark user in target markets, the element was commonly used to “balance the interests of the parties,” especially when the determination was made by non-specialist judges.⁵¹ In addition, it was the concern of the member states that an analysis concentrated on facts should be reviewed on a case by case basis.⁵² Contrary to Professor McCarthy’s suggestion, the nature of bad faith as an equitable consideration, and the call for a more flexible approach in assessing the degree of well-knownness, the “substantial percentage” in “relevant sector of the public” should not be limited to any set percentage.⁵³ As long as the percentage of recognition is between the requirement of secondary meaning and famous marks, courts should have the ability to weigh evidence of bad faith with the objective evidence in order to determine the degree of well-knownness.

III. Determining the Zone of Well-knownness

A. The Upper Limit: Fame/Reputation that Entitles a Famous Mark to Protection against Dilution

1. Article 16 of the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS)

Article 16 of the TRIPS Agreement is another important source of modern well-known mark jurisprudence that builds on Article *6bis* of the Paris Convention. Article 16 of TRIPS is said to expand Article *6bis* of the Paris Convention;⁵⁴ the Article provides:

1. The owner of a registered trademark shall have the exclusive right to prevent all third parties not having the owner's consent from using in the course of trade identical or similar signs for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion. In case of the use of an identical sign for identical goods or services, a likelihood of confusion shall be presumed. The rights described above shall not prejudice any existing prior rights, nor shall they affect the possibility of Members making rights available on the basis of use.

⁵¹ Explanatory Notes, para. 3.3; WIPO Expert Report I, *supra* note 37, at para 43

⁵² WIPO Expert Report I, *supra* note 37, at paras 15, 55-56.

⁵³ MCCARTHY § 29:4.

⁵⁴ FREDERICK W. MOSTERT, FAMOUS AND WELL-KNOWN MARKS: AN INTERNATIONAL ANALYSIS 16 (Butterworths, 1997) (hereinafter, FAMOUS AND WELL-KNOWN MARKS).

2. Article 6bis of the Paris Convention (1967) shall apply, *mutatis mutandis*, to services. In determining whether a trademark is well-known, Members shall take account of the knowledge of the trademark in the relevant sector of the public, including knowledge in the Member concerned which has been obtained as a result of the promotion of the trademark.
3. Article 6bis of the Paris Convention (1967) shall apply, *mutatis mutandis*, to goods or services which are not similar to those in respect of which a trademark is registered, provided that use of that trademark in relation to those goods or services would indicate a connection between those goods or services and the owner of the registered trademark and provided that the interests of the owner of the registered trademark are likely to be damaged by such use.

Article 16.2 first extends protection under Article 6bis of the Paris Convention to services.⁵⁵ It then limits well-knownness to “relevant sector of the public” to whom the goods or services attach.⁵⁶ The relevant sector of the public refers to the public within a specific country/jurisdiction, not consumers internationally.⁵⁷

On the other hand, Article 16.3 extends the protection under Article 6bis of the Paris Convention to “dissimilar” goods or services, as long as the use of the mark “would indicate a connection between those goods or services” and the mark owner is likely to suffer from damage from such usage.⁵⁸ No confusion is required here under Article 16.3 of TRIPS Agreement.⁵⁹

It is obvious that Article 16 of the TRIPS Agreement affords foreign mark owners more protection than Article 6bis of the Paris Convention, but no extra or higher degree of fame/reputation is required under the wording of the Agreement.⁶⁰ Nor is any separate approach of proving fame/reputation promulgated. The differences between the protection of well-known marks

⁵⁵ TRIPS, art. 16.2.

⁵⁶ *Id.*

⁵⁷ LEE, *supra* note 6, at 25 (*citing* Annette Kur, Trademark Provisions of the TRIPS Agreement, in From GATT to TRIPS 1254 (Friedrich-Karl Beier & Gerhard Schrickler eds., 1996), *reprinted in* The International Intellectual Property System: Commentary and Materials (Frederick Abbott at el ed., 1999)).

⁵⁸ TRIPS, art. 16.3. It is to be noted that as the text suggested, to be protected under Article 16(3), a mark needs to be registered.

⁵⁹ The lack of requirement on confusion led to debate about whether this Article obligate WTO members to protect marks against dilution. LEE, *supra* note 6, at 25-26.

⁶⁰ Article 16, TRIPS.

and famous marks lie in the degree of fame/reputation; i.e., both are subject to the same analysis of well-knownness. This article is of the view that if marks are to be protected without the proof of confusion, a higher degree of consumer recognition is needed. Such concept was discussed in the first session of WIPO Committee of Experts on Well-Known Marks in 1995.⁶¹ The participants pointed to Article 16.3 of the TRIPS Agreement and noted that extended protection of well-known marks used by local mark users with regard to dissimilar goods or services was available for a “special category of well-known mark, namely *marks of high renown or famous marks ...*” (emphasis added)⁶² This distinction is made under national laws. For example, in the United States, “famous mark” is relevant to anti-dilution laws, which is deemed as a “lofty status of very strong and widely recognized mark.”⁶³ One rationale of protecting “famous marks” with the anti-dilution laws is said to be:

[I]f customers or prospective customers see the plaintiff's famous mark used by other persons to identify other sources for many different goods and services, then the ability of the famous mark to clearly identify and distinguish only one source might be “diluted” or weakened. This diminution of the strength of the famous mark could occur even though no confusion as to source, sponsorship, affiliation or connection has occurred.⁶⁴

2. Rationale for Setting the Upper Limit as the Fame/Reputation of a Famous Mark

Generally, “famous marks,” as discussed earlier, are defined as those that are “known to a large section of the general public with a broad reputation that extends to various goods or services.”⁶⁵ Bad faith is a subjective element used by the court or relevant authorities to balance the interest of the parties.⁶⁶ When a mark is “known to a large section of the general public with a broad reputation that extends to various goods or services,” objective evidence such as that under Article 2(1)(b) is readily available for the foreign mark owners. If the objective evidence alone is unable to prove by

⁶¹ WIPO Expert Report I, *supra* note 37, at para 81.

⁶² *Id.*

⁶³ MCCARTHY §29.61.

⁶⁴ MCCARTHY §29.69.

⁶⁵ MOSTERT, FAMOUS AND WELL-KNOWN MARKS, *supra* note 54, at 20 (*citing* International Association for the Protection of Industrial Property (“AIPPI”), Question 100: Protection of Unregistered but Well-Known Trademarks (Article *6bis*, Paris Convention) and Protection of Highly Renowned Trademarks, Summary Reports (Volume 1) 1990 Barcelona Executive Committee Conference, 89)

⁶⁶ Explanatory Note, para. 3.3.

preponderance of the evidence that the mark is famous, granting the mark the protection of dilution claims may “swallow up all competition (and give the) exclusive right that led to the rule against a trade mark ‘right-in-gross.’”⁶⁷

Although “a highly precise, strict differentiation between ‘famous’ and ‘well-known’ marks is not possible as these concepts are relative,”⁶⁸ bad faith should not be the determinative factor establishing that a mark is “famous.” While courts mention bad faith in famous as well as well-known mark cases, in famous mark cases subjective evidence is used in the determination of confusion rather than the degree of fame/reputation.⁶⁹

B. The Lower Limit: Consumer Recognition that Amounts to Secondary Meaning

The Ninth Circuit of the United States pointed out in *Grupo Gigante* that well-knownness of a mark should not be lower than the fame/reputation required in establishing secondary meaning.⁷⁰ Secondary meaning is the “acquired distinctiveness” which qualifies a non-inherently distinctive mark to be protected under trademark laws.⁷¹ Although certain designation lacks the capacity of being indicia of origin, distinctiveness is acquired through consumer’s usage of such designation as a trademark to identify and distinguish a single commercial source.⁷² The determination of whether a mark has acquired secondary meaning, like the question of whether a mark is well-known, is essentially a question of fact. A non-exhaustive factor-list below is helpful in proving a famous mark: “(1) the length and manner of its use, (2) the nature and extent of advertising and promotion of the mark, and (3) the efforts made to promote a conscious connection, in the public’s mind, between that mark and a single source.”⁷³ In short, secondary meaning is the “drawing power” and “commercial magnetism” in the minds of the consuming public, and the law of secondary meaning is the “law’s recognition of the psychological effect of trade symbols upon the buyer’s mind.”⁷⁴

⁶⁷ MCCARTHY §24.67.

⁶⁸ MOSTERT, FAMOUS AND WELL-KNOWN MARKS, *supra* note 54, at 21.

⁶⁹ *E.g. Joburger case, infra* Part VI(a).

⁷⁰ *Grupo Gigante SA De CV*, 391 F.3d at 1088.

⁷¹ MCCARTHY § 15:1.

⁷² *Id.* See also LOUIS ALTMAN AND MALLA POLLACK, CALLMANN ON UNFAIR COMPETITION, TRADEMARKS AND MONOPOLIES [hereinafter, CALLMANN] § 20:29 (4th Edition 2011).

⁷³ *Id.*

⁷⁴ MCCARTHY § 15:5.

If the mark does not have the “drawing power” and “commercial magnetism” in the relevant consuming public, it does not even qualify as a trademark. The criterion of consumer recognition for the establishment of secondary meaning is not a demanding one. The designation merely functions as an indicator of origin in the minds of its consumers. The factor list mentioned above does not include any subjective element. Unlike the law on well-known marks, which often involves bad faith trademark pirating,⁷⁵ the law of secondary meaning does not involve the assessment of subsequent user’s intent to take advantage of the consumer recognition established by a prior user because there was no “consumer recognition” to begin with. Consequently, in assessing whether the mark has the necessary “drawing power” and “commercial magnetism” among the relevant consuming public, only objective evidence should be taken into consideration.

IV. Bad Faith and the Well-Known Mark Doctrine

Article 3(2) of the Joint Recommendation points out that bad faith may be considered as one of the elements in establishing the well-knownness of a mark.⁷⁶ The following section discusses the interrelation between bad faith and the objective factors in Article 2(1)(b) of the Joint Recommendation on establishing the well-knownness of a mark.

A. Proving Bad Faith

Bad faith often refers to “dishonesty of belief or purpose.”⁷⁷ In the context of well-known marks, “[b]ad faith will normally exist when the person who registers or uses the conflicting mark knew of the well-known mark and presumably intended to profit from the possible confusion between that mark and the one he has registered or used.”⁷⁸ In the context of proving likelihood of confusion, bad faith denotes “an attempt by a junior user of a mark to exploit the good will and reputation of a senior user with the intent to sow confusion between the two companies’ products.”⁷⁹ Since bad faith probes a subjective state of mind, it is rarely proven by direct evidence.⁸⁰

⁷⁵ WIPO Expert Report I, *supra* note 37, at para 43.

⁷⁶ Joint Recommendation, art. 3(2).

⁷⁷ BLACK’S LAW DICTIONARY, Bad Faith (9th ed. 2009).

⁷⁸ BODENHAUSEN, *supra* note 5, at 93.

⁷⁹ MCCARTHY § 23:113. It is to be noted that bad faith courts sometimes may find bad faith in the absence of allegation from the plaintiff; this is probably the result of the equitable nature of bad faith. *See* MOSTERT, FAMOUS AND WELL-KNOWN MARKS, *supra* note 54, at 42 (*citing* John Walker & Sons Ltd v. Henry Ost and Co Ltd, [1970] R.P.C. 489, 503).

⁸⁰ “Direct evidence” is defined as “[e]vidence that is based on personal knowledge or observation and that, if true, proves a fact without inference or presumption.” BLACK’S LAW

The intent of the local mark user is most likely to be inferred from circumstantial evidence.⁸¹ It is said that “the actions of defendant speak louder than his words denying any intent to deceive people.”⁸²

Courts generally focus on two categories of evidence to prove a local mark user’s intention to take advantage of foreign mark owner’s reputation in the local market.⁸³ The two types of circumstantial evidence are access and substantial similarity between the foreign and local marks.⁸⁴ Evidence showing local mark user’s prior access or contact with the foreign mark owner draws “[a] compelling inference of knowledge on the part of the defendant where some prior business relationship existed between the plaintiff and the defendant, for example, where the defendant acted as licensee, franchisee, importer, distributor, agent or employee of the plaintiff.”⁸⁵ Access can also be presumed when the foreign mark is so famous in the target market that knowledge of the local mark user is presumed.⁸⁶ Such knowledge can also be inferred when the foreign mark is well-known in a relevant business sector or trade circle.⁸⁷

DICTIONARY, Direct Evidence (9th ed. 2009). It is nevertheless possible to establish intention of the local mark user through direct evidence. *See* MOSTERT, FAMOUS AND WELL-KNOWN MARKS, *supra* note 54, at 37-38 n.32.

⁸¹ “Circumstantial evidence” is defined as “[e]vidence based on inference and not on personal knowledge or observation. BLACK’S LAW DICTIONARY, Circumstantial Evidence (9th ed. 2009).

⁸² MCCARTHY § 23:113.

⁸³ MOSTERT, FAMOUS AND WELL-KNOWN MARKS, *supra* note 54, at 37-38.

⁸⁴ *Id.* at 38.

⁸⁵ *Id.* (citing CHARLES GIELEN AND L. WICHERS HOETH, MERKENRECHT 217 (W.E.J. Tjeenk Willink 1992)).

⁸⁶ *See* Article 9(4), Protocol on Harmonization of Norms on Intellectual Property in Mercosur in Matters of Trademarks, Indications of Source and Appellations of Origin (signed Aug. 5, 1995 by Argentina, Brazil, Paraguay, and Uruguay) which obligates member states to prohibit the registration of a trademark “that the applicant *evidently could not fail to have recognized* as belonging to an owner established or domiciled in any of the Party States, or that is susceptible of causing confusion or association” (emphasis added), *available at* http://untreaty.un.org/unts/144078_158780/12/10/5009.pdf.

⁸⁷ Joint Recommendation, art. 2(2). *See also* Paragraph 2.12 of the Explanatory Notes, which explains consumers as relevant market by stating that the expression “‘consumers’ is to be understood in the wide sense of the term, and should not be restricted to those persons who actually and physically consume the product. Paragraph 2.13 of the Explanatory Notes recognizes that “channels of distribution” may differ due to different “nature of goods and services”. Paragraph 2.14 of the Explanatory Notes indicates that business circles in general consist of “importers, wholesaler, licensees, or franchisees interested and prepared to deal in the goods or services or services to which the mark applies.” Moreover, Paragraph 2.15 of the Explanatory Notes emphasized on the importance of not limiting the scope “relevant sector” by reasoning that goods and services are directed to certain market and

Another way to establish bad faith is by drawing an inference through substantial similarity between the foreign and the local marks.⁸⁸ A local mark user's defense that similarities between the marks are the result of coincidence is normally evaluated with hostility, especially when: (1) the mark is arbitrary or inherently distinctive, (2) local mark user has the freedom to choose from a wide range of other trademarks, or (3) explanation given by the local mark user is too elusive to be credible.⁸⁹

It may be helpful to take a brief look copyright law here since the method of proving bad faith is very similar to the law of proving copying under American Copyright law.⁹⁰ There are three tests to prove copying in the United States: the traditional "inverse ratio" test, the Ninth Circuit and the Second Circuit's copying test.⁹¹ All of the tests are attempts to articulate the relationships between evidence of access and substantial similarity in proving copying of an original work. First, the "inverse ratio test" suggests that the greater the proof of access, the less degree of probative similarity between the works needed.⁹² The Ninth Circuit adopted a different test.⁹³ Under its test, copying can be proved by access or substantial similarity, and substantial similarity is further divided in to two tests: extrinsic and intrinsic.⁹⁴ In the extrinsic test, the court examines the similarity between the protectable parts of the work.⁹⁵ If the works are similar under the extrinsic test, the courts then apply the intrinsic test, which involves a subjective

[a]n extensive definition of the sector of the public which should have knowledge of the mark would not further the purpose of international protection of well-known marks, namely to prohibit use or registration of such marks by unauthorized parties with the intention of either passing off their goods or services as those of the real owner of the mark, or selling the right to the owner of the well-known mark.

⁸⁸ *E.g.* Ten-Ichi Co. Ltd. v. Jancar Ltd., [1990] FSR 151, [1989] 2 HKC 330.

⁸⁹ MOSTERT, FAMOUS AND WELL-KNOWN MARKS, *supra* note 54, at 38-39. *See* Orkin Exterminating Co. Inc. v. Pestco of Canada Ltd., 5 C.P.R. (3d) 433 (1985) and Apple Computer Inc. v. Apple Leasing & Industries (Delhi High Court, 4 May 1991) for illustration of the freedom to choose from a wide range of other trademarks. *See also* RH Macy & Co. Inc. v. Trade Accents (Singapore High Court, 27 June 1991) [1992] 1 SLR 581, and Re Omega (Hong Kong High Court, 21 April 1995) [1995] 2 HKC 473, at 478-79 for illustration of elusive explanation given by the local mark user that lost credibility.

⁹⁰ *Cf.* Lee S. Brenner and Sarah L. Cronin, *More or Less*, 34-MAY LALAW 29 (May 2011).

⁹¹ *Id.*, at 29-30.

⁹² HOWARD B. ABRAMS, 2 THE LAW OF COPYRIGHT § 14:12 (2011).

⁹³ Brenner and Cronin, *supra* note 90, at 29-30 (*citing* Kouf v. Walt Disney Pictures Television, 16 F.3d 1042. (9th Cir. 1994)).

⁹⁴ *Id.*, at 29-30

⁹⁵ *Id.*, at 30

comparison of whether an ordinary reasonable audience would find the two works substantially similar in “total concept and fell of the works.”⁹⁶ However, the Second Circuit developed a different approach.⁹⁷ To satisfy the Second Circuit’s copying test, one must prove two prongs: the first is the actual/in fact copying and the second is that the copying is unlawful due to substantial similarity between the protectable elements of the two works.⁹⁸ The first prong is often prove through circumstantial evidence of access and substantial similarity, examined with the unprotected element and said to be probative of copying.⁹⁹

The similarity between the two sets of law is no coincidence because the question of whether a copyright work has been copied is essentially a question of fact that is often proven by circumstantial evidence rather than direct evidence.¹⁰⁰ However, different nature of trademark and copyright laws distinguishes how the evidence is used. Besides protecting trademarks as property rights, the main purpose of trademark law is to protect consumers from confusion¹⁰¹ Trademark law aims to maximize social benefits through encouraging the production of quality products and reducing consumer search costs in identifying goods or services with preferable quality.¹⁰² Copying without creating confusion is thus not the core evil of trademark laws. Copyright laws, on the other hand, protect the original works of authorship that are fixed in any tangible medium of expression. Thus, in order to protect the effort of creativity, actual/in-fact copying is condemned.¹⁰³ The controversy in the copying test discussed above is triggered by lack of consideration of actual copying.¹⁰⁴ In well-known mark jurisprudence, the finding of bad faith is only one piece of evidence showing actual consumer recognition. More often than not, bad faith functions as an equitable cushion for the relevant authority to decide on the degree of well-knownness. On the other hand, bad faith copying in copyright law is the vice

⁹⁶ *Id.* The Ninth Circuit test was criticized for its failure to discuss the in fact/actual copying. *Id.*

⁹⁷ *Id.* (citing *Jorgensen v. Epic/Sony Records*, 351 F. 3d 46, 51 (2d Cir. 2003); *Tienshan, Inc. v. C.C.A. Int'l (N.J.), Inc.*, 895 F. Supp. 651, 656 & n.3 (S.D. N.Y. 1995); *Walker v. Time Life Films, Inc.*, 784 F. 2d 44, 52 (2d Cir. 1986); *Arden v. Columbia Pictures Indus., Inc.*, 908 F. Supp. 1248, 1258 (S.D. N.Y. 1995); *Denker v. Uhry*, 820 F. Supp. 722, 728 (S.D. N.Y. 1992); *Williams v. Crichton*, 84 F. 3d 581, 587 (2d Cir. 1996)).

⁹⁸ *Id.*

⁹⁹ *Id.*

¹⁰⁰ *Id.*, at 29.

¹⁰¹ MCCARTHY § 2.1.

¹⁰² MCCARTHY § 2.3.

¹⁰³ 17 U.S.C. §102(a).

¹⁰⁴ *Brenner and Cronin, supra* note 90, at 30.

the law sets out to prohibit.¹⁰⁵ In addition, while evidence of access and substantial similarity is used to prove a subjective state in well-known mark jurisprudence, the same evidence is used to determine whether the objective act of copying took place in copyright law.

In spite of the differences, when trying to prove bad faith in a well-known mark dispute, methods of proving copying can shed some light.¹⁰⁶ One can use the “inverse ratio” test to argue that the more evidence on access that can be proven, the less similarity is required to show that the local mark user intended to confuse consumers in the target market. One can also use the first prong of the Second Circuit’s copying test to show access or “probative of bad faith.” It is worth noting that proving bad faith may not only lower the requisite degree of well-knownness, it may also provide a motive to confuse consumers.

B. The Effect of Bad Faith as a Factor in Determining the Degree of Well-knownness within the Zone of Well-knownness

When discussing whether bad faith should be a factor in determining the degree of well-knownness during the first session of WIPO Committee of Experts on Well-Known Marks, some said that “bad faith was mainly relevant for the sanctions against unauthorized use of a well-known mark” while others insisted that “bad faith was a strong indication that the mark was to be considered well known.”¹⁰⁷ Eventually they came to a compromised solution that member states should be allowed to adopt bad faith as an element to “balance the interest of the parties.”¹⁰⁸

Bad faith, as envisaged by the Joint Recommendation, is an independent factor that each member state is free to adopt as an equitable gauge upon assessing the degree of well-knownness.¹⁰⁹ Although “bad faith” should not depend on the finding of whether the mark is well-known,¹¹⁰ the finding of

¹⁰⁵ BRUCE P. KELLER, JEFFREY P. CUNARD AND ROBERT SPOO, PRACTISING LAW INSTITUTE: COPYRIGHT LAW, PLIREF-CPYT § 1:1.2.

¹⁰⁶ The Ninth Circuit’s copying test cannot be used in proving bad faith in well-known mark cases excludes unprotectable ideas in its substantial similarity prong.

¹⁰⁷ WIPO Expert Report I, *supra* note 37, at para. 73.

¹⁰⁸ Explanatory Note, para. 3.3.

¹⁰⁹ The structure of the Joint Recommendation implies such interrelation. While all the objective factors are listed in Article 2, the subjective evidence was listed in Article three separately.

¹¹⁰ International Trademark Association’s Amicus Brief for Tungsway Food & Beverage Holdings, Pte Ltd v. PT Istana Pualam Kristal, Case No.12/Kas/HKI-Merek/2005/PN.Niaga.Jkt.Pst Jo. No 68/HKIMerek/2004/PN.NIAGA/JKT.PST (Supreme Court of Indonesia), *available at*

<http://www.inta.org/Advocacy/Documents/INTATungswayIstana.pdf>.

bad faith inevitably affects the degree of well-knownness required to qualify a foreign mark for protection under Article 6*bis* of the Paris Convention.¹¹¹

The interrelation of bad faith and objective factors under Article 2 of the Joint Recommendation inevitably results in uncertainty about how much fame is required to qualify a mark for the protection under Article 6*bis* of the Paris Convention. Such uncertainty should be tolerated because the issue is essentially a question of fact. Although the degree of consumer recognition at a certain point in time cannot be proven unequivocally through objective evidence, bad faith functions as an intermediary factor alleviating the possible injustice created by the insufficiency of objective evidence. In such instances, bad faith either lowers the degree of requisite well-knownness or motivates the court to limit its determination of well-knownness to the narrowest relevant sector of the public a court can find. No matter how the bad faith element affects the degree of well-knownness, it is worth noting that a foreign mark owner should be able to prove through objective evidence that its mark qualifies for protection as a mark, meaning that the objective evidence of well-knownness should fall somewhere in the zone of well-knownness defined earlier.

C. Rationale of Bad Faith as a Factor to Determine the Degree of Well-knownness

The first reason for using bad faith as an element in proving the degree of well-knownness is necessity. A local mark owner's intention to take advantage of a foreign mark owner's reputation in the target market is the theme of many well-known mark controversies.¹¹² The inclusion of bad faith as an element was therefore a necessary and practical solution to resolve such well-known mark controversies.¹¹³

The second rationale given to include bad faith in determining the degree of well-knownness is that courts should have the equitable power to weigh the interests of the parties when objective evidence fails to resolve the issue definitively. Since Article 6*bis* of the Paris Convention and Article 16 of TRIPS did not establish a minimum degree of well-knownness, it is up to the relevant authorities to decide what is worth protecting within each member's own jurisdiction.¹¹⁴ Relevant authorities should be allowed the equitable discretion to weigh bad faith in determining whether the mark at issue is well-known as long as the foreign mark owner can prove through objective

¹¹¹ In other words, there is, inherently, a range of percentage of fame that courts are willing to recognize as well-known. The effect of bad faith often pushes such range to the lower end, although it does not affect the objective evidence of fame in a particular market.

¹¹² WIPO Expert Report I, *supra* note 37, at para. 43.

¹¹³ *Id.*

¹¹⁴ Paris Convention, art. 6*bis*; TRIPS, art. 16.

evidence that the fame/reputation is within the zone of well-knownness. After all, bad faith trademark pirating was the evil the first WIPO Expert Committee was trying to stop.¹¹⁵

The third reason to consider bad faith in proving the degree of well-knownness is that it offsets the unfairness resulting from the rigid application of objective evidence. As mentioned earlier, objective evidence often involves the use of survey evidence, which usually involves assumptions subject to bias.¹¹⁶ Even though the assumptions and method of conducting the survey are carefully considered, it should rarely be the sole evidence in proving well-knownness. Also, it is not hard to imagine that some members of the Paris Convention may lack the resources to analyze comprehensive survey evidence.

The last rationale is that having an equitable element actually makes the application of objective standards clearer. This article previously argued that bad faith may be deemed as an indication of why courts limit relevant sector of the public so that it is easier for foreign mark owners to establish the requisite degree of well-knownness in the target market.¹¹⁷ The “relevant sector of public” can never be precisely delineated because the concept of “potential purchasers” itself depends on a court’s line-drawing power. One could use bad faith as an indicator to predict whether the relevant authorities are likely to narrow the scope of the relevant sector of public.

V. Case Study – How Bad Faith Affects the Degree of Well-knownness

A. South Africa: *McDonald’s* Case—A High Level of Consumer Recognition and Bad Faith

¹¹⁵ WIPO Expert Report I, *supra* note 37, at para. 43.

¹¹⁶ *See Supra* Part III(b)(2). *See also* DAVID F. HERR, ANN. MANUAL COMPLEX LIT. § 11.493 (4th ed.). To lay the foundation for the survey evidence, the population needs to be properly chosen and defined; the sample chosen needs to be representative of that population; the data gathered needs to be accurately reported; and the data needs to be analyzed in accordance with accepted statistical principles. *Id.* After the survey evidence is admitted, courts would then look into:

[W]hether the questions asked were clear and not leading; whether the survey was conducted by qualified persons following proper interview procedures; and whether the process was conducted so as to ensure objectivity (e.g., determine if the survey was conducted in anticipation of litigation and by persons connected with the parties or counsel or by persons aware of its purpose in the litigation).

Id.

¹¹⁷ *Supra* Part V(b).

In *McDonald's Corporation v. Joburgers Drive-Inn Restaurant (PTY)*, the Supreme Court of South Africa held that McDonald's had established well-knownness in the trademarks MCMUFFINS and BIG MAC.¹¹⁸ There was a local fast food franchise owned by Mr. Sombonos, operating under the name Chicken Licken.¹¹⁹ At the time of the lawsuit, the restaurant had 175 stores in South Africa and claimed to be the biggest fried chicken fast food franchise in the world which did not have its origins in the United States.¹²⁰ Prior to the instant lawsuit against McDonald, Chicken Licken had successfully expunged the slogan "[i]t's finger lickin' good" registered by the local owner of Kentucky Fried Chicken.¹²¹ McDonald's had registered its large portfolio of fifty-two trademarks in South Africa in 1968, 1974, 1979, 1980, 1984 and 1985.¹²² However, the applications were subject to non-use cancellation.¹²³ McDonald's claimed that non-use should be excused because it was due to the sanctions the United States imposed on South Africa, and it intended to use as soon the "political circumstances made it possible."¹²⁴

Prior to the trademark application of MCMUFFINS and BIG MAC, Joburgers (owned by Mr. Sombono) published a newspaper article which stated "Big Macs may soon be eaten all over South Africa, but not because American hamburger giant McDonald's is entering the market."¹²⁵ This publication clearly established Mr. Sombono's knowledge of the well-knownness of McDonald's trademark portfolio, his intention to confuse the public, and, perhaps his determination to educate South Africans that MCMUFFINS and BIG MAC were his products, rather than McDonald's. In addition, after the inception of the law suit, Mr. Sombono acquired a local restaurant whose owner used the mark MacDonalD's prior to the time that the

¹¹⁸ *McDonald's Corp. v. Joburgers Drive-Inn Restaurant (Pty) Ltd.*, 1997 (1) SA 1 (Supreme Court of South Africa 1996).

¹¹⁹ *Id.* at 3-4. The lawsuit also involved another defendant, DAX Prop CC ("DAX"). *Id.* at 11. DAX is a franchisee of Chicken Licken. *Id.* Upon the commencement of lawsuit, Mr. Sombono acquired Asian Dawn, which owns the mark MACDONALDS and had been using the mark in relation to restaurant service in Durban, hoping to establish priority. Fearing being convicted contempt of Court, Mr. Sombono sold Asian Dawn to DAX, which later apply for the registration of MACDONALDS and was incorporated into the instant suit. See Louis J. van Wyk, Spoor and Fishèr, Pretoria, *South Africa, Defense of McDonald's Trademark in South Africa* (Nov. 27, 2011, 12:33 PM) (pages numbered according to print-out of <http://law.wustl.edu/Library/cdroms/IBL/License/Wyk.htm>).

¹²⁰ Wyk, *supra* note 119, at 4.

¹²¹ This action occurred prior to South Africa's adoption of Article 6bis of the Paris Convention.

¹²² Wyk, *supra* note 119, at 2.

¹²³ *Id.* at 3.

¹²⁴ *Id.* at 2.

¹²⁵ *Id.* at 5.

international restaurant chain gained its reputation in South Africa. The Court later used this evidence to say that Joburgers and DAX “have gone to considerable trouble and expense to obtain control over the McDonald’s marks” which indicated their recognition of the well-knownness of the McDonald’s marks.¹²⁶

The Court held that the marks at issue were protected by Section 35 of the South African Trade Marks Act.¹²⁷ The section incorporates the well-known mark doctrine under Article 6*bis* of the Paris Convention; it allows an unregistered well-known foreign mark owner to prohibit uses of the mark that “constitutes, or the essential part of which constitutes, a reproduction, imitation or translation of the well-known trade mark” in relation to identical or similar goods or services where such use is likely to cause deception or confusion.¹²⁸ In discerning the relevant public for the determination of well-knownness, McDonald’s argued that like the common law acts of passing off action, the reputation must extend to a substantial number of persons of the public in the trade in question. The defendants, on the other hand, argued that the well-known in the statute requires a large part of the population as a whole.¹²⁹ The Court reasoned that the purpose of the article is to extend the common law doctrine of passing off protection to the foreign well-known mark owners who have not used their marks in South Africa, and it ruled that the statute requires foreign mark owners to show that a “substantial number of the class of persons who would have an interest in the goods or services of the foreign trademark proprietor, would know the foreign trademark proprietor, and would be confused by its use by someone else in relation to the relevant goods and/or services.”¹³⁰

The Court reviewed the following evidence: 1) McDonald’s world-wide advertisement scheme, including sponsorship of 1990 Soccer World Cup and 1984 Olympics, implying the spill-over of the fame into South Africa.¹³¹ 2) McDonald’s receipt of requests from 242 South Africans expressing their desire to enter into franchise agreement; among them were prominent companies.¹³² 3) Two market surveys which contained a universe of 202 white adult males and females aged sixteen years and over living in houses in

¹²⁶ *Joburger* case, at 46-48

¹²⁷ *Id.* at 18-19.

¹²⁸ *Id.* at 18-19. This section went into force on May 1, 1995, which significantly changed the landscape of the lawsuit. *Id.* at 13.

¹²⁹ *Id.* at 35.

¹³⁰ *See also id.* at 35-37.

¹³¹ *Id.* at 44-46.

¹³² *Id.* at 46, 48-49.

higher income suburbs.¹³³ Among the universe, “[a] large majority of respondents were aware of the name MCDONALD’S and/or the MCDONALD’S logos/trademarks (77%). More than half had heard of MCDONALD’S and knew the logos/trademarks too (57%)”.¹³⁴ After reviewing this evidence, the Court ruled that McDonald’s had successfully demonstrated its well-knownness in South Africa and was entitled to enjoin Mr. Sombonos from using the trademarks MCMUFFINS and BIG MAC.

McDonald’s was able to prove 57 percent consumer recognition of BIG MAC and MCMUFFINS within relevant sector of the public, defined as “white adult males and females aged sixteen years and over living in houses in higher income suburbs.”¹³⁵ When used together with the brand MCDONALD’S, consumer recognition rose to 77 percent.¹³⁶ Besides the survey evidence, McDonald’s was also able to show objective factors under Article 2(b) of the Explanatory Notes. Advertising efforts could be proven by the World Cup sponsorship, and knowledge could be proven by the 242 South African requests expressing a desire to enter into franchise agreements with McDonald’s. The overwhelming objective evidence clearly suggested that the mark MCDONALD’S qualified as a famous mark, which is “known to a large section of the general public with a broad reputation that extends to various goods.”¹³⁷

Bad faith in this case was proven by direct evidence including Mr. Sombono’s publication of his advertisement which was meant to “educate” South Africans about the origin of MCDONALD’S.¹³⁸ Such evidence was a powerful admission of McDonald’s fame/reputation. The Court noted:

Quite obviously Joburgers and Dax both consider that the McDonald’s mark is a valuable asset, worth a great deal of trouble,

¹³³ *Id.* at 50. The Court in this case for the first time acknowledged that survey evidence may be the only practical way of measuring the perceptions of people. *Id.* at 55-60. As long as the survey is properly back checked and the other party is given full opportunity to examine the results and methods of the survey, it should be admissible in cases like this. However, instead of survey for the specific recognition of the marks MCMUFFINS and BIG MAC, the Court seemed to equate the recognition of MCDONALD’S trademark at large with the recognition of MCMUFFINS and BIG MAC. This may imply that when the Court recognized bad faith to confuse local customers, the South African courts may be more lenient in examining the survey evidence. For the purpose of this article, we assumed that this does not affect the outcome of the survey.

¹³⁴ *Id.* at 57. Another survey was very similarly defined and rendered in very similar result. *Id.* at 54.-55.

¹³⁵ *Id.* at 57.

¹³⁶ *Id.*

¹³⁷ MOSTERT, FAMOUS AND WELL-KNOWN MARKS, *supra* note 54, at 20.

¹³⁸ Wyk, *supra* note 119, at 5.

expense and risk to secure. They have not given any explanation for this attitude. If one assumes that they intend to trade under the name McDonald's or MacDonalds, there is only one possible explanation, namely that in their view the McDonald's marks enjoy a high reputation in this country.¹³⁹

Since the overwhelming objective evidence clearly established well-knownness in the relevant sector of the public, bad faith did not necessarily need to function as an equitable element to alleviate the insufficiency of law in punishing wrongful behavior. Nevertheless, the South African Supreme Court used bad faith as a powerful and persuasive factor in proving the well-knownness of McDonald's marks. This case demonstrates the Court's animosity towards Mr. Sombono's behavior, namely, trademark pirating.¹⁴⁰ Although the Court did not specifically rule on the matters, the argument that "Mr. Sombono's taking advantage of McDonald's reputation in South African should be go unpunished" was definitely one consideration in the mind of the South African Judges.

B. Singapore: *Amanresorts* Case—A High Level of Consumer Recognition in a Niche Market and Bad Faith

In *Amanresorts Ltd v. Novelty Pte Ltd.*, the High Court of Singapore ruled that Amanresorts has established well-knownness in Singapore.¹⁴¹ The plaintiff, Amanresorts, was the proprietor of various trademarks worldwide with the prefix AMAN, including the one at issue, AMANUSA, which is one of Amanresort's hotels in Bali.¹⁴² The defendant, Novelty Pte Ltd. ("Novelty") was a local real estate developer.¹⁴³ Novelty was developing a residential project ("Project") also named AMANUSA which consists of 36 three-story terrace houses with Balinese themes.¹⁴⁴

1. Facts

Amanresort Group was founded in the mid-1980s in the business of operating luxurious hotels and long-term apartments around the world, bearing names with the suffix AMAN.¹⁴⁵ AMANUSA is a registered trademark in Brunei, Hong Kong, Indonesia, Malaysia, Myanmar and the

¹³⁹ *Joburger* case, at 48.

¹⁴⁰ WIPO Expert Report I, *supra* note 37, at para. 43.

¹⁴¹ *Amanresorts Ltd v. Novelty Pte Ltd*, [2008] Part 1 Case 8 [HCSg] (High Court of Singapore 2007), *available at* [http://www.ipsufactoj.com/highcourt/2008/Part01/hct2008\(01\)-008.htm](http://www.ipsufactoj.com/highcourt/2008/Part01/hct2008(01)-008.htm).

¹⁴² *Id.* at para. 1.

¹⁴³ *Id.* at para. 2.

¹⁴⁴ *Id.* at para. 16.

¹⁴⁵ *Id.* at para. 5.

Philippines.¹⁴⁶ “Aman” means “peace” in Bahasa Indonesian and “nusa” means “island.”¹⁴⁷ Aman Nusa is not grammatically correct to denote as a peaceful island, which would be read as Nusa Aman.¹⁴⁸ The prior Singaporean AMANUSA registration lapsed in 2001.¹⁴⁹ Both the hotel and the long-term apartment developments of the Amanresort Group cater to the upper end of the market, emphasizing privacy and impeccable service.¹⁵⁰ In 2006, worldwide sales were around 86 million USD, with promotional and marketing expenses around 1.9 million USD.¹⁵¹ Marketing was done largely through online newspapers and credit card associations, focusing on the potential customers who are likely to consume Amanresort’s goods or services.¹⁵² The High Court emphasized Amanresorts’ reputation for quality rather than quantity by noting the fact that Amanresorts owned 18 resorts worldwide, but offered only 626 rooms.¹⁵³

The above evidence showing international fame/reputation was linked to the evidence showing fame/reputation in local Singaporean market through the following evidence: Amanresorts had received many requests from local Singaporean developers for using the brand name AMAN in return for a branding fee.¹⁵⁴ Amanresorts has an International Corporate Officer and International Reservations Office in Singapore.¹⁵⁵ Amanresorts also showed that there were more than 35,000 Singaporeans visiting Bali annually for the year 2003 to 2005, and some 1382 Singaporeans visited the AMANUSA resort in Bali between 1995 and 2005.¹⁵⁶

The bad faith element was proven by the elaborate scheme that Novelty claimed itself engaging in. They claimed that they did not know of the AMANUSA mark and selected the name based on the Bali theme chosen for the Project, and they claimed that they did not conduct further investigation on the Defendant’s prior usage because the name was approved by the

¹⁴⁶ *Id.*

¹⁴⁷ *Id.* at para. 15.

¹⁴⁸ *Id.*

¹⁴⁹ *Id.* at para. 5.

¹⁵⁰ *Id.*

¹⁵¹ *Id.* at para 10.

¹⁵² *Id.*

¹⁵³ *Id.* at para. 12.

¹⁵⁴ *Id.* at para. 50

¹⁵⁵ *Id.* at para. 5. Amanresorts’ sales revenue showed that more than 30% of its revenue was attributable to the International Reservation Office in Singapore. *Id.* para 56. However, the Court did not put too much weight on this evidence in proving goodwill, since Amanresorts cannot prove that what portion of the Singaporean consumers did the sales derive from. *Id.*

¹⁵⁶ *Id.* para. at 13.

housing authority.¹⁵⁷ This claim was quickly dismissed by the High Court judge, who said that it was too much of a coincidence for Novelty to have expressed the idea of “peaceful island” in the same way, used Balinese theme, and stressed on privacy.¹⁵⁸

Claims were made under common law doctrine of passing-off and section 55(3)(a) of the Singaporean Trade Marks Act. The Court of Appeal affirmed the High Court’s decision holding Novelty liable under both claims.¹⁵⁹ The following legal analysis focuses on the opinion of the Court of Appeals, which is the highest court in Singapore.

2. Passing-off Claim

We shall examine the common law passing-off action first. The Court of Appeal agreed with the High Court and upheld Amanresorts’ claim of passing-off.¹⁶⁰ To succeed in a passing-off action in Singapore, one must prove three elements: goodwill, misrepresentation, and damage.¹⁶¹ Goodwill is defined as the “benefit and advantage of the good name, reputation, and connection of a business.... [*goodwill*] is worth nothing unless it has a power of attraction sufficient to bring customers home to the source from which it emanates.”¹⁶² The difference between having goodwill and being well-known is that goodwill requires the trade name to have an “attractive force” for consumers among the relevant sector of public.¹⁶³ The Court stated that “[a] desire to become a customer.... without the ability to actually be one, cannot ordinarily form the basis of goodwill.” From this definition, it seems that the fame/reputation required for goodwill also falls between that required for secondary meaning and dilution. Therefore, for the purpose of this article, the interrelation between bad faith and goodwill will also be taken into consideration.

¹⁵⁷ *Id.* para. at 23-26.

¹⁵⁸ *Id.* para. at 62.

¹⁵⁹ *Novelty Pte Ltd v. Amanresorts Ltd and Another*, [2009] SGCA 13, [2009] 3 SLR(R) 216 (Singapore Court of Appeal 31 March 2009), available at <http://www.commonlii.org/sg/cases/SGCA/2009/13.html>. For a brief introduction of the case, see Mirandah Connecting Asia, *Singapore Court of Appeal Affirms Protection of Well Known Marks in Novelty Pte. Ltd. v. Aman Resorts Ltd.*, Jul. 2, 2010, <http://www.mirandah.com/ja/categories/item/111-singapore-court-of-appeal-affirms-protection-of-well-known-marks-in-novelty-pte-ltd-v-aman-resorts-ltd.html>.

¹⁶⁰ The Court of Appeal is the highest court in Singapore. Supreme Court, Singapore, *Our Courts*, available at <http://app.supremecourt.gov.sg/default.aspx?pgID=43>.

¹⁶¹ Novelty, [2009] SGCA 13, para. 37.

¹⁶² *Id.*

¹⁶³ *Id.* at para. 60. The Court took an English case *Anheuser-Busch Inc v. Budejovicky Nudvar NP*, [1984] FSR 413 as an example. There, the American beer producer was held not to have goodwill in England because the beer was not physically available there at the time. See Novelty, [2009] SGCA 13, para. 61.

In terms of the business in respect of which goodwill in the AMAN names exist, the Court ruled that Amanresort's goodwill only covers hotels and resorts, not luxury residential developments.¹⁶⁴ It then acknowledged that goodwill can exist in Singapore even though the goods and/or services themselves do not exist in Singapore.¹⁶⁵ The Court ruled that goodwill existed among Amanresorts' "actual and potential customers in Singapore."¹⁶⁶ Due to Amanresort's efforts in keeping its ultra-luxurious villa business private and off-mainstream, its potential customers were held to be of a limited population.¹⁶⁷ The Court defined actual and potential customers as (1) well-heeled Singaporeans who visited Amanresorts or had been a target of the Amanresorts' selective marketing campaign,¹⁶⁸ (2) "potential customers who may be unable to stay at an Aman resort today, but he may nonetheless have been exposed to the AMAN names and thus aspire to visit one of the Aman resorts someday should his financial position improve" ("once-in-a-lifetime guests"),¹⁶⁹ and (3) those who are in high-end travel and resort industry.¹⁷⁰

The Court held that to prove misrepresentation under a common law passing off action, one must prove both misrepresentation and the likelihood of confusion.¹⁷¹ In setting up who would be the subjects of the confusion test, the Court held that it should be those whom the goodwill attached to, because only those people can link the misrepresentation back to the foundation of a passing off claim.¹⁷² The Court then turned its attention to

¹⁶⁴ *Id.* at para. 65.

¹⁶⁵ *Id.* at para. 48. The Court refused to uphold the goodwill in Amanresorts' 20 domain names, stating that domain name and web sites *per se* are purely technical matter which does not influence the extent of exposure of the AMAN names. It held that only hits originated in Singapore are sufficient evidence and Amanresorts was unable to produce such evidences. *Id.* at paras. 52-55. In addition, the Court discredit the survey evidence in the instance case submitted by Novelty because it was made through questionnaires to people who visit Novelty's show house; the content of which was not verified in anyway. *Id.* at para. 58. The Court indicated that for survey evidence to take on more weight, it should be submitted in the form of expert witness. *Id.*

¹⁶⁶ *Id.* at para. 44.

¹⁶⁷ *Id.* at para 49. The advertising scheme employed by Amanresorts targeted at the rich; for example, the American Express Centurion and Platinum members. *Id.* at para. 51.

¹⁶⁸ *Id.* at para. 58.

¹⁶⁹ *Id.* at para. 64.

¹⁷⁰ *Id.* at para. 66.

¹⁷¹ *Id.* at para. 77.

¹⁷² *Id.* at para 73. The Court justified this rule by saying that those who Amanresort's good attached to had access to defendant's mark because Novelty had made the Project available to the general public, including those public to whom Amanresorts' goodwill attach to. *Id.* at para 76.

confusion.¹⁷³ It presented the question of confusion as whether “the average reasonable person, with characteristics reflective of the relevant section of the public as identified under the examination of goodwill, is likely to be confused by defendant’s misrepresentation.”¹⁷⁴ The Court upheld the claim of misrepresentation under the theory that services was closely related and the fact that modern business often expand to related fields, making the dividing line between purely residential developments and luxury hotel or resort developments no longer pronounced.¹⁷⁵

In terms of damage, the Court held that Amanresorts successfully proved the likelihood of damage in the form of “(a) tarnishment of the goodwill attached to the ‘Aman’ names due to the difference in quality between the Aman resorts and the Project, and (b) restriction on [Novelty’s] expansion into the residential accommodation business in Singapore.”¹⁷⁶

3. Claim under Trade Mark Act

The Court then turned to the claim under Section 55 of the Trade Marks Act., which prohibits any use of a foreign trademark that “would indicate a connection between those goods or services and the proprietor, and is likely to damage the interests of a proprietor.”¹⁷⁷ Well-known trade mark is defined in section 2(1) of the Trade Marks Act as:

¹⁷³ *Id.* at para. 77.

¹⁷⁴ *Id.* at para. 80. d

¹⁷⁵ *Id.* at para. 85.

¹⁷⁶ *Id.* at para. 132.

¹⁷⁷ *Id.* at para. 66; Singaporean Trade Marks Act, ch. 332 (1999), § 55(3)(a), available at <http://www.ipos.gov.sg/NR/rdonlyres/138E6C9D-983E-4D81-8BC6-7F0848DC9CE1/1785/TradeMarksAct.pdf>. Relevant portion of § 55 provides:

(1) A well known trade mark shall be entitled to protection under this section –
(a) whether or not the trade mark has been registered in Singapore, or an application for the registration of the trade mark has been made to the Registrar; and (b) whether or not the proprietor of the trade mark carries on business, or has any goodwill, in Singapore...

...

(3) ... the proprietor of a well known trade mark shall be entitled to restrain by injunction the use in Singapore, in the course of trade and without the proprietor’s consent, of any trade mark which, or an essential part of which, is identical with or similar to the proprietor’s trade mark, in relation to any goods or services, where the use of the trade mark – (a) would indicate a connection between those goods or services and the proprietor, and is likely to damage the interests of the proprietor; or (b) if the proprietor’s trade mark is well known to the public at large in Singapore – (i) would cause dilution in an unfair manner of the distinctive character of the proprietor’s trade mark; or (ii) would take unfair advantage of the distinctive character of the proprietor’s trade mark.

(a) any registered trade mark that is well known in Singapore; or (b) any unregistered trade mark that is well known in Singapore and that belongs to a person who – (i) is a national of a Convention country; or (ii) is domiciled in, or has a real and effective industrial or commercial establishment in, a Convention country, whether or not that person carries on business, or has any goodwill, in Singapore.¹⁷⁸

Sections 2(7), (8) and (9) provide further clarification on “well-knownness” in Singapore:

(7) Subject to subsection (8), in deciding, for the purposes of this Act, whether a trade mark is well known in Singapore, it shall be relevant to take into account any matter from which it may be inferred that the trade mark is well known, including such of the following matters as may be relevant:¹⁷⁹ (a) the degree to which the trade mark is known to or recognised by any relevant sector of the public in Singapore; (b) the duration, extent and geographical area of – (i) any use of the trade mark; or (ii) any promotion of the trade mark, including any advertising of, any publicity given to, or any presentation at any fair or exhibition of, the goods or services to which the trade mark is applied; (c) any registration or application for the registration of the trade mark in any country or territory in which the trade mark is used or recognised, and the duration of such registration or application; (d) any successful enforcement of any right in the trade mark in any country or territory, and the extent to which the trade mark was recognised as well known by the competent authorities of that country or territory; (e) any value associated with the trade mark.¹⁸⁰

(8) Where it is determined that a trade mark is well known to any relevant sector of the public in Singapore, the trade mark shall be deemed to be well known in Singapore.¹⁸¹

¹⁷⁸ Singaporean Trade Marks Act, § 2(1).

¹⁷⁹ Singaporean Trade Marks Act, § 2(7).

¹⁸⁰ *Id.* These elements were taken from Article 2(1) of the Joint Recommendation. *See* Novelty, [2009] SGCA 13, para. 137. As the Joint Recommendation, it was said that “[t]he factors set out in s 2(7) are guidelines and not pre-conditions for determining whether a mark in question is a well-known trade mark. They “do not preclude the consideration of other matters not listed therein which may be found to be relevant in a particular case, whether by themselves or in combination with the listed factors.” *Id.* at para. 69.

¹⁸¹ Singaporean Trade Marks Act, § 2(8).

(9) In subsections (7) and (8), “relevant sector of the public in Singapore” includes any of the following: (a) all actual consumers and potential consumers in Singapore of the goods or services to which the trade mark is applied; (b) all persons in Singapore involved in the distribution of the goods or services to which the trade mark is applied; (c) all businesses and companies in Singapore dealing in the goods or services to which the trade mark is applied.¹⁸²

The Court stated that the relevant sector of the public in Singapore in Section 2(9) referred to actual and/or potential consumers of the type of goods and/or services to which the mark is applied.¹⁸³ Since AMAN names were well-known among relevant sectors of public in Singapore, it was deemed well-known in Singapore under section 2(8).¹⁸⁴ For one to claim protection under the well-known mark provision, section 55(3)(a), one needs to prove the likelihood of confusion by creating a connection between goods and services of the parties.¹⁸⁵ In holding that Novelty’s Project was likely to damage Amanresorts’ interests because there was a connection between the goods or services between the parties, the Court acknowledged that the test is similar to a passing-off action, but that no goodwill requirement is needed.¹⁸⁶ The Court then held that since the cause of action under section 55(3)(a) of the Trade Mark Act worked the same as the claim of passing-off in this situation, the claim under section 55(3)(a) of the Trade Mark Act was upheld on the same reasoning.¹⁸⁷

4. Analysis

This case illustrates a mark of which reputation was in a relatively narrow niche market. The Singaporean courts narrow the “relevant sector of the public” to actual and potential consumers under both the analysis of goodwill and section 55(3)(a) of the Trade Mark Act. The Court made it

¹⁸² Singaporean Trade Marks Act, § 2(9). These factors are essentially the same as the factors in Article 2(2) of the Joint Recommendation.

¹⁸³ Novelty, [2009] SGCA 13, para. 150. The term consumer was held to be understood in the wide sense, rather than those who actually consume certain products. *Id.* at para 150. The Court mentioned that that sections 2(8) and (9) could not be interpreted as meaning having recognition among general public at large because marks well known to the public at large in Singapore are afforded with wider protection under sections 55(3)(b) and 55(4)(b). *Id.*

¹⁸⁴ *Id.* at para. 154.

¹⁸⁵ *Id.* at para. 234. The dilution and unfair advantage claims under section 55(3)(b) was held to be applicable only to mark that are “well known to the public at large in Singapore.” *Id.* at para. 229.

¹⁸⁶ *Id.* at para. 234.

¹⁸⁷ *Id.*

clear that for protection affordable to famous mark under section 55(3)(b) of the Trade Mark Act, fame/recognition in the niche market is not enough.¹⁸⁸ The most influential objective evidence of the fame/reputation in this case were the requests from local Singaporean developers and International Corporate Officer and the International Reservations Office in Singapore. This was supported by other evidence of the mark's long use and international recognition.¹⁸⁹

Bad faith was not explicitly used for the establishment of well-knownness. In analyzing motive to misrepresent, the High Court judge mentioned:

[T]he defendant's architect was inspired by the Amanusa resort which he must have read about or seen pictures of in the course of his work or research and that he tried to replicate the ambience of a Balinese resort and, at the same time, pay the sincerest form of compliment by copying the famous name.¹⁹⁰

The High Court and the Court of Appeal did not point out the interrelation of bad faith and the degree of well-knownness explicitly because the judges were confident in the establishment of well-knownness by narrowing the relevant sector of the public. However, the High Court judge's statements definitely showed that he was affected by the underlying inference that "the foreign mark must have been well-known or well-received so that the local mark user adopted such mark and concept with the intention of maximizing their profits." This is precisely the situation that triggers the protection of well-known marks.¹⁹¹

By narrowing the scope of the relevant sector of the public to (1) Singaporeans who visited Amanresorts or had been a target of the Amanresorts' selective marketing campaign,¹⁹² (2) once-in-a-lifetime guests¹⁹³, and (3) those who are in high-end travel and resort industry,¹⁹⁴ it became increasingly technical and costly to use survey evidence to prove the degree of well-knownness because the universe of the survey is hard to identify. By using other objective factors rather than survey evidence, courts have more leeway to determine whether the mark is well-known. Bad faith, then, served as a subconscious reason for the courts' recognition of well-

¹⁸⁸ *Id.* at para. 229.

¹⁸⁹ *Amanresorts*, [2008] Part 1 Case 8 [HCSg], paras. 5, 13, 50, 56.

¹⁹⁰ *Id.* at para. 62.

¹⁹¹ WIPO Expert Report I, *supra* note 37, at para. 43.

¹⁹² *Novelty*, [2009] SGCA 13, para. 58.

¹⁹³ *Id.* at para. 64.

¹⁹⁴ *Id.* at para. 66.

knownness; i.e., that such tasteless squatting on the trademark of another should not be unpunished.

C. United States: *Grupo Gigante v. Dallo*—A Medium Level of Consumer Recognition in a Niche Market and an Inference of Bad Faith

In *Grupo Gigante SA DE CV v. Dallo & Co., Inc.*, the plaintiff had operated a large chain of grocery store in Mexico since 1962 under the mark GIGANTE.¹⁹⁵ The defendants were a small grocery store chain in San Diego operated since 1991 under the name of GIGANTE MARKET.¹⁹⁶ American courts have always struggled with the question of whether the well-known mark doctrine as envisaged under Article 6bis of the Paris Convention is recognized by the Lanham Act.¹⁹⁷ This case is important because the Ninth Circuit recognized the well-known mark exception to the territoriality principle in equity by stating that “[w]hen foreign use of a mark achieves a certain level of fame for that mark within the United States, the territoriality principle no longer serves to deny priority to the earlier foreign user.”¹⁹⁸

In determining the standard needed to achieve the level of well-knownness, the Court stated that it must be more than secondary meaning, but less than the fame requisite for dilution protection of famous marks.¹⁹⁹ The Court elaborated its version of the well-known mark exception: the plaintiff needed to prove “by a preponderance of evidence, that a *substantial* percentage of consumers in the relevant market are familiar with the foreign mark.”²⁰⁰ The relevant American market was defined as “the geographic area where the defendant uses the allegedly infringing mark.”²⁰¹ The Court then provided some pointers for the determination of well-knownness; it stated that “[i]n making this determination, the court should consider such factors as the intentional copying of the mark by the defendant, and whether customers of the American firm are likely to think they are patronizing the

¹⁹⁵ *Grupo Gigante SA DE CV v. Dallo & Co., Inc.*, 391 F.3d 1088, 1091 (9th Cir. 2004).

¹⁹⁶ *Id.*

¹⁹⁷ See Anne Gilson LaLonde, *Don't I know you from Somewhere? Protection in the United States of Foreign Trademarks that are Well Known but not Used There*, 89 TRADEMARK REP. 1379 (Nov-Dec 2008).

¹⁹⁸ *Grupo Gigante SA DE CV*, 391 F.3d at 1093.

¹⁹⁹ *Id.* at 1098, 1106 (Graber, J., concurring). For definition and proving secondary meaning, see MCCARTHY § 19.4. The District Court pointed out the relevant factors in determining whether a descriptive trademark has acquired secondary meaning include: (1) survey evidence; (2) direct consumer testimony; (3) exclusivity, manner and length of use of mark; (4) amount and manner of advertising; (5) amount of sales and number of customers; (6) established place in market; and (7) proof of intentional copying by defendant. *Grupo Gigante SA De CV v. Dallo & Co., Inc.*, 119 F. Supp. 2d 1083 (C.D. Cal. 2000).

²⁰⁰ *Grupo Gigante SA DE CV*, 391 F.3d at 1098.

²⁰¹ *Id.*

same firm that uses the mark in another country.”²⁰² The Court remanded the case to the district court to determine fame/reputation beyond that required for secondary meaning.²⁰³ Ultimately, since the Mexican mark owner had known the existence of the defendants’ marks across the border for years before initiating any objections, the Court rejected plaintiff’s claim on grounds of laches and estoppel.²⁰⁴

Objective evidence produced in the *Grupo Gigante* case involved a survey which was based on a universe of “78 people in San Diego County who were ‘Spanish-speaking, and had recently purchased Mexican-style food at a supermarket or other food store.’”²⁰⁵ Among the 78 people, 24 of them recognize defendant’s GIGANTE MARKET mark.²⁰⁶ The evidence was subjected to contest and was remanded for further consideration.²⁰⁷ Other objective evidence included: (1) the fact that the plaintiff’s market GIGANTE was very close to the US-Mexican borders and that there were large Hispanic populations in the San Diego area where defendants operated its GIGANTE MARKET grocery store.²⁰⁸ (2) Plaintiffs had been operating the GIGANTE markets for a long period of time (since 1962) in Mexico and had 100 stores in Mexico by the time the defendants opened its GIGANTE MARKET grocery store in San Diego.²⁰⁹

The bad faith issue was remanded for further findings,²¹⁰ but it seems that an intention to take advantage of consumer confusion existed at the time of adopting the mark and could be implied from the scale of the plaintiff’s business operations and the close geographic connection between the two marks at issue.²¹¹ The Ninth Circuit made it clear that intentional copying

²⁰² *Id.*

²⁰³ *Id.*

²⁰⁴ *Id.* at 1101-06.

²⁰⁵ *Id.* at 1107 (Graber, J., concurring).

²⁰⁶ *Id.* Judge Graber in his concurring opinion attacked the sufficiency of the survey evidence and suggested that since GIGANTE attempts to serve both Hispanic and non-Hispanic population, the universe (relevant sector of the public) of the survey should not be limited to Spanish-speaking population, but rather all the potential customers from the San Diego County. *Id.* at 1106-09 (Graber, J., concurring). He also criticized the majority in suggesting such percentage (around 30 percent, subjected to drop since 1991, when the survey was conducted) of awareness could constitute “substantial percentage of consumers.” *Id.*

²⁰⁷ *Id.* at 1098.

²⁰⁸ *Id.* at 1091.

²⁰⁹ *Id.* at 1092.

²¹⁰ *Id.* at 1098.

²¹¹ *Id.*

should be one of the factors in determining whether the mark qualifies as a well-known mark.²¹²

This case demonstrates a borderline scenario where neither evidence of bad faith nor objective evidence of consumer recognition were very strong. Disregarding the laches and estoppel issue, this article analyzes the interrelation of bad faith and well-knownness with the available evidence because the remanded further proceedings never took place. It was clear that the Ninth Circuit thought bad faith taking advantage of the foreign owner's mark was a factor for determining whether a mark qualifies for well-known mark protection.²¹³ It is unclear what the Court would do if the plaintiff had successfully demonstrated bad faith. However, as argued by Judge Graber, the court is likely to limit consumers to actual or potential GIGANTE shoppers.²¹⁴ Once the narrow universe is defined, plaintiff could buttress it with evidence such as the large percentage of people who travel between Mexico and Southern California, and plaintiff's longstanding use. Bad faith may then function to push the percentage requirement to the lower end of the zone of well-knownness, or serve as a motive to narrow the relevant sector of public to the narrowest possible.

D. *United States: ITC Ltd. v. Punchgini, Inc.*—A Low Level of Consumer Recognition and Bad Faith

In *ITC Ltd. v. Punchgini, Inc.*, 482 F.3d 135 (2d Cir. 2007), the plaintiff was the owner of the BUKHARA mark for restaurant services in New Deli, Singapore, Kathmandu, and Ajman.²¹⁵ A former employee of BUKHARA opened two restaurants in New York under the name of BUKHARA GRILL.²¹⁶ As mentioned earlier, whether the well-known mark exception has been incorporated into the Lanham Act is an ongoing debate in the United States.²¹⁷ The Second Circuit took a different stance than the Ninth Circuit. It examined the text of the Lanham Act § 44(b) and (h) and found no conclusive evidence of Congress' intent to incorporate the well-known mark exception into the Lanham Act.²¹⁸ Failing to find a cause of action under

²¹² *Id.*

²¹³ *Id.* It is worth noting here that proving “by preponderance of the evidence” that a “substantial percentage” of consumers in the relevant American market recognize the mark does not mean that the plaintiff must produce evidences of fame/reputation over 51 percent of the relevant public. *Id.* On the other hand, it means that whatever “substantial” percentage required, it should be proved “by preponderance of the evidence.” *Id.*

²¹⁴ *Id.* at 1106-09 (Graber, J., concurring).

²¹⁵ *ITC Ltd. v. Punchgini, Inc.*, 482 F.3d 135, 143 (2d Cir. 2007).

²¹⁶ *Id.* at 144.

²¹⁷ See Anne Gilson, *supra* note 197.

²¹⁸ *Id.* at 142, 156-165.

federal law, the Court certified the question of whether an unregistered and unused well-known mark enjoys priority to the New York Court of Appeals.²¹⁹

The New York Court of Appeals answered that the action for misappropriation exists under law of tort.²²⁰ It concluded that “when a business, through renown in New York, possesses goodwill constituting property or commercial advantage in this state, that goodwill is protected from misappropriation under New York unfair competition law. This is so whether the business is domestic or foreign.”²²¹ Under New York law, misappropriation exists when there is bad faith copying of a foreign mark and when New Yorkers “primarily associate” the foreign plaintiff’s mark with the mark used or proposed to be used by the defendant.²²²

After receiving the opinion of the New York Court of Appeal, the Second Circuit in a later opinion refused to entertain the foreign BUKHARA’s claim under the theory that the mark had not obtained secondary meaning, even though deliberate copying was found.²²³ The foreign BUKHARA owner was only able to produce evidence showing that “a significant number of defendants’ customers are Indian or ‘well-traveled [people who] know what authentic Indian food tastes like.”²²⁴ Since all the evidence was related to the copying and bad faith of the defendant, rather than the goodwill of the plaintiff, the Second Circuit held that the plaintiff failed to prove his claim of misappropriation under New York law because “such evidence is no proof that defendants’ potential customers were even aware of the existence of ITC’s Bukhara.”²²⁵

Disregarding the issue of whether the Lanham Act encompasses the well-known mark protection, this case demonstrates that when a mark does not muster the fame/reputation required for secondary meaning, it does not matter whether the local mark user intended to take advantage of the fame/reputation of the foreign mark owner in the target market. Here, the foreign BUKHARA owner was unable to produce any objective evidence of

²¹⁹ *Id.* at 166-69.

²²⁰ ITC Ltd. v. Punchgini, Inc., 880 N.E.2d 852, 859 (N.Y. 2007).

²²¹ *Id.*

²²² *Id.* at 860.

²²³ ITC Ltd. v. Punchgini, Inc., 518 F.3d 159 (2d Cir. 2008). Secondary meaning was said to be proven by “(1) advertising expenditures, (2) consumer studies linking the mark to a source, (3) unsolicited media coverage of the product, (4) sales success, (5) attempts to plagiarize the mark, and (6) length and exclusivity of the mark’s use.” *Id.* at 162.

²²⁴ *Id.* at 163.

²²⁵ *Id.* at 164.

its fame/reputation in the relevant sector of the public in New York.²²⁶ All it was able to prove was the bad faith adoption, proven through prior access and its volume of sale abroad.²²⁷ Even though the Court recognize the well-known mark doctrine, it is unlikely that the plaintiff could have proven the requisite fame/reputation within the relevant sector of the public. Since BUKHARA could not be used to “identify the source of the product rather than the product itself,”²²⁸ bad faith does not affect the finding that the mark is not well-known in the given target market.

VI. Summary of Analysis

As discussed earlier in Part II(b)(1), the degree of well-knownness is a question of fact and the only sensible guideline is perhaps a non-exclusive factor list. Article 2 of the Joint Recommendation provides a good guideline on what the factors can be considered.²²⁹ The Joint Recommendation also allows bad faith as a factor in determining the degree of well-knownness.²³⁰ However, the document failed to explain the interrelation between the objective factors and bad faith. This article proposes that the following analytical tools be used in determining the interrelation between objective and subjective evidence.

First, bad faith should only affect the degree of well-knownness when objective evidence alone can prove the degree of recognition beyond that required for secondary meaning. The mark needs to at least have the ability to function as a source identifier for its product. The American BUKHARA case illustrated the situation where a plaintiff failed to prove the level of consumer recognition requisite to establish secondary meaning. Bad faith would not be able to help plaintiff’s case in such situation.²³¹

Second, in the event that a mark is known to a large section of the general public with a broad reputation that extends to various goods or services, such that the mark enjoys the protection from dilution, the mark is definitely well-known. In such situation, the presence of bad faith is not necessarily crucial in establishing the well-knownness of a mark, although it can be a very persuasive proof of the mark’s fame. The South African

²²⁶ *Id.* at 162. The Court referred to the relevant market as “potential customers for defendants’ New York restaurant.” This article is of the view that if the claim was to be made under the well-known mark doctrine, relevant sector of the public should be “actual and potential customers of the *plaintiff*’s New York restaurant.”

²²⁷ *Id.* at 162-63.

²²⁸ *Id.* at 161 (*quoting* *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 766 n. 4, (1992)).

²²⁹ Joint Recommendation, art. 2.

²³⁰ Joint Recommendation, art. 3(2).

²³¹ *See supra*, Part VI(d).

McDonald's case demonstrated such situation.²³² The Court emphasized the bad faith adoption of the mark and used it as evidence of McDonald's fame/reputation. It should be noted that although McDonald's mark was held to be famous, the marks BIG MAC and MCMUFFIN were not necessarily "famous" when used in the absence of the brand McDonald's.

Thirdly, where objective evidence on degree of well-knownness falls between that to establish secondary meaning and the claim of dilution, bad faith serves as a mediating factor for the court to decide on the degree of well-knownness. One technique courts use is to limit the scope of the "relevant sector of the public." With the presence of bad faith, courts are more likely to narrow the relevant sector of the public, so that it is easier for the foreign mark owner to prove well-knownness. Within this range, a benchmark percentage of well-knownness should not be the conclusive evidence in determining the degree of well-knownness because courts should preserve the power to take bad faith as circumstantial evidence of fame if the facts and equity permit.

The Singaporean *Amanresort* case and the American *Grupo Gigante* case illustrate such a relationship. Recognizing the bad faith adoption of the mark, the Singaporean Court restricted the relevant sector to those who have an interest in the foreign mark.²³³ After limiting the relevant sector to the narrowest possible, it was easy for the Singaporean Supreme Court to say that a substantial number of those who are interested (actual and potential consumers) in the AMAN services recognize the AMAN mark. In the American *Grupo Gigante* case, although the precise issue of bad faith was remanded, the inferences of bad faith can be glimpsed from the facts and may be supposed to limit the relevant sector of public or shift the requisite degree of well-knownness to the lower end of the spectrum.

Lastly, while a local mark user's adoption of a foreign mark owner's mark is very persuasive evidence in proving that the mark is well-known among a certain sector of the public, the absence of which to a certain extent signifies that the mark is not well recognized in the target market. In other words, if local mark user without bad faith adopted a mark that is confusingly similar to a foreign mark, then the foreign mark is likely not well-known enough in the target jurisdiction to subject it to the protection of Article 6bis of the Paris Convention. In this sense, bad faith signals the strength of a foreign mark owner's case.

VII. Conclusion

²³² See *supra*, Part VI(a).

²³³ See *supra*, Part VI(b)(c).

The element of bad faith plays a subtle but powerful role in the determination of the requisite degree of well-knownness in infringement cases. Its importance is not to be ignored because the act of taking advantage of foreign mark owner's fame/reputation in a target market is precisely the unfairness Article 6*bis* of the Paris Convention was tries to stop.²³⁴ Since trademark law is the tool used by most countries to punish such act, consideration of bad faith must square with the fundamental principles of trademark law. Therefore, the lower limit of the zone of well-knownness, the recognition of secondary meaning, should be complied with.²³⁵ On the other hand, the higher limit, fame/reputation for the protection of famous mark for dilution, is a new creation by both international and domestic laws. The broad protection and the danger of the expansion of dilution law make it an unsuitable tool for courts to exercise their equitable power.²³⁶ The Joint Recommendation should specify this zone of well-knownness where bad faith, as an independent factor, plays an important role. Within the zone of well-knownness, laws on the degree of well-knownness should be flexible enough so that courts can analyze different factual scenarios in punishing bad faith trademark pirating. The court may use the function of zone of well-knownness either as a justification for pushing the requisite degree of well-knownness to the lower end or for limiting the relevant sector of public to make it easier for the foreign mark owner to prove it has a well-known mark. Either way, a rigid benchmark percentage or the sole use of objective evidence defeat the purpose of the law and should not be adopted.

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²³⁴ WIPO Expert Report I, *supra* note 37, at para. 43.

²³⁵ *See supra*, Part IV(b).

²³⁶ *See supra*, Part IV(a).

PATENT-ELIGIBILITY AFTER *BILSKI*: REVISITING THE SUPREME COURT'S *PROMETHEUS* DECISION

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ABSTRACT

The Supreme Court decided *Mayo v. Prometheus* on March 20, 2102, addressing the patent-eligibility of the claimed processes under 35 U.S.C. § 101. This Article otherwise provides an alternative perspective of the justification other than the *Prometheus* Court's reasoning but likewise conclude the unpatentability of the method claims is dispute.

In addition to the Court's comparison of certain controlling precedents with *Prometheus*'s claimed processes, this Article analyzes some other prior case law and argues that the structure of the claimed processes here is nearly identical to the claims in *Labcorp* and *Grams*. In spite of the concurring opinion this Article shares with the Court's analysis in transformation prong of the machine-or-transformation test, this Article attempts to point out one of the questions left open in *Bilski* and remained unanswered post-*Prometheus*, namely the priority in applying the machine-or-transformation test and other rules in determining patent-eligibility under § 101. Finally, to further reinforce the reasons to negate the patent-eligibility of the claimed processes, this Article reads the *Bilski* decision more closely and proposes a rule to determine the patent-eligibility under § 101, in light of *Bilski*, that the machine-or-transformation test merely viewed as a "clue" must be governed by the preemption analysis to determine *Prometheus*'s claimed process methods.

Keywords: Machine-or-transformation test, preemption analysis, *Bilski*, diagnostic methods, patent-eligibility

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I. Introduction

On June 20, 2011, the Supreme Court granted Mayo Collaborative Services and Mayo Clinic Rochester (Mayo)'s petition for writ of *certiorari* of Appeals for the Federal Circuit in *Prometheus Lab. Inc. v. Mayo Collaborative Serv.*, and then decided on March 20, 2012. Mayo centralizes its question in petition is whether the Prometheus Laboratories, Inc. (Prometheus)'s claimed processes describing the correlation between the concentration of certain thiopurine metabolites in the blood and the ineffectiveness and harm that the drug dosage may cause are patent-eligible that apply natural laws.

This Article proceeds in three parts. Part I summarizes the Supreme Court's findings of Prometheus's claimed processes have not add enough to the correlations to transform these unpatentable natural laws into patentable applications of those laws. Comparing with the Supreme Court's reasoning in *Mayo Collaborative Serv. v. Prometheus Lab. Inc.*, Part II and III both read the Supreme Court's opinion in *Bilski v. Kappos* from other perspectives than the Court in *Prometheus* perceived in two aspects. First, Prometheus's claimed methods are merely natural phenomena analogous to *Lab. Corp. of Am. Holdings v. Metabolite Labs., Inc.*, and insignificant extra-solution with *In re Grams*. Second, in light of the Court's *Bilski* opinion, the machine-or-transformation test merely viewed as a "clue" must be governed by the preemption analysis to determine Prometheus's claimed process methods. Part IV further comments on the policy concerns behind the *Prometheus* decision. However, any arguments in this Article supporting either the legal justification or policy concerns do not lead to a different conclusion other than the Supreme Court's decision in *Prometheus*.

II. Summary of the *Prometheus* Decision

Prometheus Laboratories, Inc. (Prometheus) is the sole and exclusive licensee of U.S. Patents 6,355,623 ("the '623 patent") and 6,680,302 ("the '302 patent"), which claim methods for determining the optimal dosage of thiopurine drugs used to treat gastrointestinal and non-gastrointestinal autoimmune diseases. These drugs include 6-mercaptopurine (6-MP) and azathiopurine (AZA), a pro-drug that upon administration to a patient converts to 6-MP, both of which are used to treat inflammatory bowel diseases (IBD).² Prometheus marketed a PROMETHEUS Thiopurine

² Although drugs such as 6-MP and AZA have been used for years to treat autoimmune diseases, non-responsiveness and drug toxicity may complicate treatment in some patients. Accordingly, the patents claim methods that seek to optimize therapeutic efficacy while minimizing toxic side effects. As written, the claimed methods typically include two separately lettered steps: (a) "administering" a drug that provides 6-TG to a subject, and (b) "determining" the levels of the drug's metabolites, 6-TG and/or 6-MMP, in the subject. *See*,

Metabolites test that used the technology covered by the patents in suit. Mayo Collaborative Services and Mayo Clinic Rochester (Mayo) formerly purchased and used Prometheus's test, but in 2004, Mayo announced that it intended to begin using internally at its clinics and selling to other hospitals its own test.³ Mayo's test measured the same metabolites as Prometheus's test, but Mayo's test used different levels to determine toxicity of 6-thioguanine and its nucleotides (6-TG) and 6-methyl-mercaptopurine (6-MMP).⁴ Prometheus then sued Mayo for patent infringement.

The District Court concluded that Mayo's test infringed Prometheus' patents, finding that "the processes claimed by the patents effectively claim natural laws or natural phenomena—namely the correlations between thiopurine metabolite levels and the toxicity and efficacy of thiopurine drug dosages,"⁵ and thus not patent eligible. On appeal, the Federal Circuit reversed, explaining that the processes are patentable under the Circuit's "machine or transformation test." In its reasoning, the steps claiming "'administering a thiopurine drug' to a patient" and "determining the resulting metabolite level" both transform the human body or blood taken from the human body.⁶ Then this case returns to the Federal Circuit on remand from the Supreme Court for further consideration in light of the Court's decision in *Bilski v. Kappos*.⁷ On remand, the Federal Circuit once again held that Prometheus's asserted method claims satisfy the preemption test as well as the transformation prong of the machine-or-transformation test. It reversed the judgment of the District Court and remand to the Federal Circuit with instructions to deny Mayo's motion for summary judgment that the asserted claims are invalid under 35 U.S.C. § 101.⁸ Then, the Supreme Court again granted Mayo's petition for *certiorari*, and found that Prometheus' process is not patent eligible because Prometheus' claims fail to "apply natural laws,"⁹ but only "simply describe [the] natural relations."¹⁰

In the Court's ruling, it first reasoned that "the three additional steps in the claimed processes are not themselves natural laws but neither are they

e.g., '623 patent claim 1. The measured metabolite levels are then compared to pre-determined metabolite levels, "wherein" the measured metabolite levels "indicate a need" to increase or decrease the level of drug to be administered so as to minimize toxicity and maximize treatment efficacy. *See, e.g., Id.*

³ *See Mayo Collaborative Serv. v. Prometheus Lab. Inc.*, 132 S. Ct. 1289, 1291 (2012).

⁴ *See Id.* at 1296.

⁵ *Id.*

⁶ *Id.*

⁷ *See Bilski v. Kappos*, 130 S. Ct. 3218 (2010).

⁸ 35 U.S.C. § 101(2010).

⁹ *Mayo Collaborative Serv.*, 132 S. Ct. at 1297.

¹⁰ *Id.*

sufficient to transform the nature of the claims. The process here recites three steps, an “administering” step (referring to the doctors treating patients with thiopruine drugs), a “determining” step (telling the doctors to decide the level of the metabolites in the blood), and a “wherein” step (explaining the doctors about the relation between the metabolites and the dosage),” to instruct a doctor or a laboratory about the correlations between the efficacy of harm of a thiopurine drug dosage and the level of the relevant metabolites in the blood.¹¹ These additional steps here are merely “well understood, routine, conventional activity engaged in by the scientific community,”¹² but add nothing significant beyond the laws of nature. The Court thus found that the claimed steps “are not sufficient to transform unpatentable natural correlations into patentable applications of those regularities.”¹³ The second reason to further support the Court’s holding is to view “the high level of generality” of the conventional steps known by the persons in the relevant field.¹⁴ The Court found that the claims here are overly broad comparable to the claim in *Benson*¹⁵ that made “no substantial practical application except in connection with a digital computer.”¹⁶ The Court further pointed out that the “determining” step very likely “cover[s] all processes that make use of the correlations after measuring metabolites, including later discovered process that measure metabolite levels in new ways.”¹⁷ The Court addressed its last concern that “even a narrow law of nature can inhibit future research”¹⁸ that simply reinforces the Court’s conclusions that the claimed processes are not patentable.

III. Legal Justification #1: Prometheus’s Claimed Structure Are Analogous to *Labcorp* and *Grams*

Even though I agree with the Federal Circuit’s plain reading of *Bilski*’s holding that “the Court did not disavow the machine-or-transformation test,”¹⁹ its application of machine-or-transformation test in Prometheus’s claims is inapposite with what I conceive. The Circuit again held, as in pre-*Bilski* decision that Prometheus’s asserted method claims in this case not only “recite transformative ‘administering’ and ‘determining’ steps, but also that Prometheus’s claims are drawn not to a law of nature, to a particular

¹¹ *See Id.*

¹² *Mayo Collaborative Serv.*, 132 S. Ct. at 1298.

¹³ *Id.*

¹⁴ *Id.* at 1300.

¹⁵ *Gottschalk v. Benson*, 409 U.S. 63 (1972).

¹⁶ *Mayo Collaborative Serv.*, 132 S. Ct. at 1301.

¹⁷ *Id.* at 1302.

¹⁸ *Id.* at 1303.

¹⁹ *Prometheus Lab. Inc. v. Mayo Collaborative Serv.*, 628 F.3d 1347, 1355 (2010).

application of naturally occurring correlations, and accordingly do not preempt all uses of the recited correlations between metabolite levels and drug efficacy or toxicity.”²⁰

In terms of machine-or-transformation test analysis of Prometheus’s asserted method claims, the Federal Circuit reasoned that “the asserted claims are in effect claims to methods of treatment, which are always transformative when one of a defined group of drugs is administered to the body to ameliorate the effects of an undesired condition.”²¹ This categorical rule does not survive *Bilski*, where the Court recognized that “adopting categorical rules that might have wide-ranging and unforeseen impacts.”²² In light of *Bilski*’s caution, categorical inclusion for “treatment/therapeutic methods” as the present claim phrased in this case should not be allowed, just like categorical exclusion of business methods patented in *Bilski*. Therefore, the Circuit’s categorical inclusion as patentable subject matter under § 101 for all claims reciting “treatment/therapeutic methods” is contrary to *Bilski*.

The Federal Circuit in *Prometheus* further reaffirms the “transformation” in the methods claimed in Prometheus’s patents here, as “the result of the physical administration of a drug to a subject to transform –i.e., treat-the subject, which is itself not a natural process.”²³ The *Prometheus* Circuit cited pre-*Bilski* decision in this Circuit to reaffirm its reasoning that “it is virtually self-evident that a process for a chemical or physical transformation of physical objects or substances is patent-eligible subject matter.”²⁴ In fact, such premise of transformation analysis is incorrect. As *Mayo* argued, nothing is transformed by the administering and determining steps in Prometheus’s claimed methods, outside of the body’s natural biologic response to a previously-invented drug that was well known to physicians decades before Prometheus claimed.

The Supreme Court in *Prometheus* found that the three steps (the ‘administering’ step, the ‘wherein’ clause and the ‘determining’ step) “add nothing specific to the laws of nature other than what is well-understood, routine, conventional activity, previously engaged in by those in the field.”²⁵ In addition to the Court’s finding, there is one more approach to argue the unpatentability viewing some other controlling precedents in analyzing the claimed processes. The structure of Prometheus’s claims is nearly identical

²⁰ *Id.*

²¹ *Id.* at 1356.

²² *Bilski*, 130 S. Ct. at 3229.

²³ *Prometheus Lab. Inc.*, 628 F.3d at 1356.

²⁴ *In re Bilski*, 545 F.3d 943, 962 (Fed. Cir. 2008).

²⁵ *Mayo Collaborative Serv.*, 132 S. Ct. at 1292.

to claim of *Lab. Corp. of Am. Holdings v. Metabolite Labs., Inc.*,²⁶ which recites assaying step (comparable to the “administering” step providing thiopurine drugs for the purpose of treating disease that Prometheus claimed), and correlating step (comparable to the “determining” step measuring the drugs’ metabolite levels for the purpose of assessing the drugs’ dosage during the course of treatment in Prometheus’s claims). The *Labcorp* Court rejected the machine-or-transformation argument because the claim “is not a process for transformation blood or any other matter,” but rather “instructs the user to (1) obtain test results and (2) think about them.”²⁷ Similarly, Prometheus claimed methods are not a process for transformation, either in blood samples or individual patient. Indeed, these claims recite simply the metabolite levels be measured and then doctors to relate the correlations between those levels and patient’s health condition. The Court in *Labcorp* relied on the principles underlying §101 that *Labcorp* claims are not patent-eligible because “to use virtually any natural phenomenon for virtually any useful purpose may well involve the use of empirical information obtained through an unpatented means that might have involved transforming matter.”²⁸ Likewise, the Prometheus’s claims recite a natural phenomenon disguised as some transforming steps involved, contrary to this Circuit’s observation in *Prometheus* that “determining metabolite levels in the clinical samples taken from patients is transformative.” Indeed, the subsequent determining step in Prometheus’s claimed methods is merely a necessary data-gathering step for use of the correlations as Mayo argued. To more extent, even given the integral involvement of the administering and determining steps in Prometheus’s claimed method as “central to the purpose of the claimed process” to determine the transformation prong in machine-or-transformation test,²⁹ the claims that are not truly reciting any transformation, but rather combination of data-gathering step of empirical information and a subsequent mental processing step, just like *Labcorp* claimed, cannot sufficiently circumvent the prohibition against patentability on natural phenomena. Thus, the two steps that Prometheus claims, as a whole, negate the transformative nature, inapposite with this Circuit’s reaffirmed findings of “transformation.”

²⁶ *Lab. Corp. of Am. Holdings v. Metabolite Labs., Inc.*, 548 U.S. 124 (2006). The claims at issue in *Labcorp* covered a method for detecting a vitamin deficiency with two steps: (1) “assaying a body fluid for an elevated level of total homocysteine” and (2) “correlating an elevated level of total homocysteine in said body fluid with a deficiency of cobalamin or folate.”

²⁷ *Id.* at 136.

²⁸ *Id.*

²⁹ *Bilski*, 545 F.3d at 962.

To further reaffirm that the administering and determining steps here are not transformative, but merely insignificant extra-solution activity, I found the claims rejected in *In re Grams*³⁰ are hardly distinguishable from Prometheus's claims in dispute in this case, again contrary to this court's opinions. In *Grams*, the applicant claimed a process that involved (1) performing a clinical test on individuals, and (2) based on the data from that test, determining if an abnormality existed and determining possible causes of any abnormality by using an algorithm. The Circuit distinguished *Grams*' claimed process from Prometheus's claimed methods in two aspects: first, it found that the essence of *Grams* process was "the mathematical algorithm, rather than any transformation of the tested individuals";³¹ second, it noted that "the *Grams* process was unpatentable because 'it was merely an algorithm combined with a data-gathering step.'" ³² These observations, however, are not convincing. Like clinical tests performed on individuals as a data-gathering step combined with a mental processing step in *Grams* process, Prometheus's claims simply recite natural correlations between measured levels and a patient's bodily condition and further recite a mental step of "being warned" that requires no action as far as treatment is concerned. As such, the claimed methods in both *Grams* and *Prometheus* recite merely data-gathering steps along with some other steps amounting to only insignificant extra-solution activities, thus, do not satisfy the transformation prong of machine-or-transformation test.

IV. Legal Justification #2: The Machine-or-Transformation Test as Clue Must be Governed by the Preemption Analysis

The Supreme Court in *Bilski* repeatedly emphasized that the machine-or-transformation test is merely a "useful and important *clue*, an investigative tool for determining whether *some* claimed inventions are processes under § 101."³³ The Court further explained that "[a]dopting the machine-or-transformation test as the sole test for what constitutes a 'process' (as opposed to just a useful and important clue) violations ... statutory interpretation principles."³⁴ The passage, however, merely makes plain that the machine-or-transformation test is not by itself determinative of a claim's patentability under § 101, but remains some questions unanswered such as what does the Court mean by the machine-or-transformation analysis is merely a tool or clue, how and when does the machine-or-transformation test apply in deciding patent-eligibility under § 101, its interrelation with other

³⁰ *In re Grams*, 888 F.2d 835 (Fed. Cir. 1989).

³¹ *Prometheus Lab. Inc.*, 628 F.3d at 1358.

³² *Id.* (citing *Bilski*, 545 F.3d at 963).

³³ *Bilski*, 130 S. Ct. at 3227.

³⁴ *Id.*

tests or rules in determining patentable subject matter, or how could courts deal with situations in which a claim could meet the machine-or-transformation yet still fail to pass muster under § 101. Despite all the ambiguity behind *Bilski*'s decision, the same implications I conceived as the Federal Circuit in *Prometheus*³⁵ that the machine-or-transformation test is a part of the analysis as to whether a claim meets § 101, not by itself outcome determinative.

Here, the *Prometheus* Court simply stated that “simply appending conventional steps, specified at a high level of generality to laws of nature, natural phenomena, and abstract ideas cannot make those laws, phenomena, and ideas patentable,”³⁶ but avoidably specified the priority in applying the machine-or-transformation test and other rules in determining patent-eligibility under § 101, the question remained unanswered in *Bilski*. As the *Bilski* Court addressed that the presence of a machine or transformation can only be applied in patentability as a “clue,” some other principles must remain focus in reviewing any supposed machine-or-transformation test in *Prometheus*'s claims. The Supreme Court in *Bilski* reiterated that “no one can patent ‘laws of nature, natural phenomena, and abstract ideas,’” which are “basic tools of scientific and technological work.”³⁷ In analyzing the claims in *Bilski*, the *Bilski* Court relied on the preemption standard noting that any claim “wholly-preempt[s] subject matter that falls into one of these categories is unpatentable.”³⁸ More specifically, to determine whether claims recite patentable subject matter under § 101, the preemption analysis has always been the fundamental guide. In applying the preemption standard in this case, firstly, it is notable to observe whether *Prometheus*'s claims impermissibly preempt a natural phenomenon, abstract idea, or mental process are not patent-eligible under § 101.³⁹ Secondly, if the transformation involved in *Prometheus*'s claims is merely insignificant extra-solution activity, then it cannot “transform an unpatentable principle into a patentable process.”⁴⁰ Additional steps that are merely for gathering data are one example of insignificant extra-solution activities and therefore do not impart patentability to an otherwise unpatentable principle.⁴¹ In sum, machine-or-transformation test must be closely tied to the governing preemption standard, despite its supplemental benefit of construing the standard as a “clue.”

³⁵ *Prometheus Lab. Inc.*, 628 F.3d at 1355.

³⁶ *Mayo Collaborative Serv.*, 132 S. Ct. at 1292.

³⁷ *Bilski*, 130 S. Ct. at 3253(Stevens, J., concurring).

³⁸ *Id.* at 3230.

³⁹ *See Gottschalk v. Benson*, 409 U.S. 63 (1972).

⁴⁰ *See Diamond v. Diehr*, 450 U.S. 175, 184 (1981).

⁴¹ *See Bilski*, 130 S. Ct. at 3230; *see also Parker v. Flook*, 437 U.S. 584, 589-90 (1970).

Under the governing preemption standard, restated in *Bilski*, Prometheus's claimed method is not patent-eligible under § 101, on the basis that Prometheus claims the mental recognition of naturally-occurring correlations between metabolite levels and efficacy or toxicity, which preempts all uses of the correlations that have long exist as natural phenomena. But, the Federal Circuit again erred in ruling that "Prometheus's asserted method claims recite a patent-eligible application of naturally occurring correlations between metabolite levels and efficacy or toxicity, and thus do not wholly preempt all uses of the recited correlations."⁴² To support such finding, in its reasoning it explained that "other drugs might be administered to optimize the therapeutic efficacy of the claimed treatment."⁴³

The correlations in the Prometheus's claimed methods, undoubtedly, are a natural phenomenon. As the inventors' testimony in *Labcorp* that the "correlating" step simply required "a physician's recognizing that a test that shows an elevated homocysteine level" shows "the patient likely has a cobalmin or folate deficiency."⁴⁴ Likewise, Prometheus' own expert acknowledged that "the key therapeutic aspect of such thiopurine drugs is that they are converted naturally by enzymes within the patient's body to form an agent that is therapeutically active." More specifically, Prometheus's claims recite a "process" which is "no more than an instruction to read some numbers in light of medical knowledge."⁴⁵ As the Court in *Labcorp* observed, that any process can be reduced to a series of steps, but, "aside from the unpatented test, [the steps] embody only the correlation between [drug level] and [bodily condition] that the researchers uncovered" applies equally to the *Labcorp* and Prometheus's claims.⁴⁶ As a result, both sets of claims in *Labcorp* and *Prometheus* preempt all practical use of these correlations that occur naturally within the human body, and thus do not pass the preemption standard.

V. Policy Concerns behind the *Prometheus* Decision

To further support this conclusion of unpatentability, the *Prometheus* Court has repeated "a concern that patent law not inhibit future discovery by improperly tying up the use of laws of nature and the like," similarly, the policy concerns underlying *Bilski* are strongly against this Federal Circuit's reaffirmed holding of patentability in Prometheus's claimed methods in the present case. The *Bilski* Court cautioned that the great challenge of patent law is to strike a proper "balance between protecting inventors" while not

⁴² *Prometheus Lab. Inc. v. Mayo Collaborative Serv.*, 628 F.3d at 1355.

⁴³ *Id.*

⁴⁴ *Lab. Corp. of Am. Holdings v. Metabolite Labs., Inc.*, 548 U.S. at 129.

⁴⁵ *Id.* at 137.

⁴⁶ *Id.*

“granting monopolies” that would chill “creative endeavor and dynamic change.”⁴⁷ The same strike of balance of claims to either “facilitate” or “impede” “legitimate competition and innovation” should be deliberately considered here, especially when the claimed methods involving medical testing may affect the medical field significantly.⁴⁸ As with the business method claimed in *Bilski*, the radically expanded patent protection for natural correlations in Prometheus’ claims would conceivably result in severe consequences that “[therapeutic] decisions, no matter how small, could be potential patent violations.”⁴⁹ Such “constant fear of litigation” to physicians and researchers in medical field requires them to “undertake the costs of searching through patents” whenever making therapeutic decisions or conducting researches, which inevitably block off whole areas of scientific development and public interest.⁵⁰

Interestingly, the Federal Circuit repeatedly phrased Prometheus’ claims as “treatment methods” or “therapeutic methods” throughout its opinion. Also, in its analysis of transformation prong in machine-or-transformation test, it emphasized that “the invention’s purpose to treat the human body is made clear in the specification and the preambles of the asserted claims.”⁵¹ Similarly, in terms of preemption analysis, the Federal Circuit suggested that “other drugs might be administered to optimize the therapeutic efficacy of the claimed treatment.”⁵² Assuming with the quotes above that this Circuit intended to facilitate innovation or competition by granting monopoly of valuable knowledge so as to minimize toxicity and maximize treatment efficacy in some autoimmune diseases, however, such justification may not tilt for its finding of patent-eligibility of Prometheus’ claimed methods because it overlooked public interests. Instead, as Mayo correctly argues, that “a physician who only evaluates the result of the claimed methods, without carrying out the administering and/or determining steps that are present in all the claims, can[] infringe any claim that requires such steps.”⁵³ Additionally, as one of the basic elements in medical research, drawing blood and testing its properties occur thousands of times a day in the labs. In sum, it is practically impossible to prevent a physician or researcher from thinking about the lab results. Accordingly, by “allowing [Prometheus] to patent these fundamental principles would ‘wholly preempt’ the public’s access to the

⁴⁷ *Bilski*, 130 S. Ct. at 3229.

⁴⁸ *Id.* at 3255 (Stevens, J., concurring).

⁴⁹ *Id.* at 3256.

⁵⁰ *Id.*

⁵¹ *Prometheus Lab. Inc.*, 628 F.3d at 1355.

⁵² *Id.*

⁵³ *Id.* at 1358.

‘basic tools of scientific and technological work,’”⁵⁴ it would conceivably lead to “chill on creative endeavor and dynamic change” which was not the intent of Congress.⁵⁵

VI. Conclusion

In conclusion, the *Prometheus* Court did not make a new wave of change in the law of § 101 after *Bilski*. Rather, in determining whether a claimed method is patent-eligible, the Court in *Prometheus* simply adopted the machine-or-transformation test and preemption analysis in case law but failed to clarify the interrelation between the machine-or-transformation test and other rules in deciding the patent-eligibility under § 101, the question left open in *Bilski*. Although the *Prometheus* Court considered the controlling precedents to further reinforce its conclusion and therefore noted that the conventional steps in the claimed processes here are not sufficient to transform the nature of the claims into a patent-eligible application of such a law, the Court did not specify how specified of a claim required to satisfy the transformation prong of the machine-or-transformation test. Still, there has been no bright line separating the patent-eligibility and non-patent-eligibility in determining whether the transformation prong has been met. So, we will have to wait and see what lower courts do with the unanswered questions after the Court’s *Prometheus* decision.

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⁵⁴ *Bilski*, 130 S. Ct. at 3253.

⁵⁵ *Id.* at 3228-29.

THE PRACTICE OF PREVENTIVE PROCEEDING AND PRESERVATION OF EVIDENCE IN INTELLECTUAL PROPERTY CIVIL ACTIONS

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ABSTRACT

An action relating to intellectual property rights (IPRs) usually mixes legal issues with technology issues. Such feature results in the difficulties on collecting relevant evidence of IPR infringement. Therefore, the demand on preventive proceeding and preservation of evidence in IP civil actions has been increasing more than ever. This article briefly introduces preventive proceeding and preservation of evidence in the practice of the Intellectual Property Court (IPC).

Keywords: Intellectual property right, preventive proceeding, provisional attachment, preliminary injunction, injunction maintaining the temporary status quo, preservation of evidence, confidentiality preservation order

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I. Introduction

The Intellectual Property Court Organization Act (hereinafter “IPCOA”) and the Intellectual Property Case Adjudication Act (hereinafter “IPCAA”) were enacted in March 2007 and came into effect on July 1, 2007.¹ In compliance with IPCOA, the Intellectual Property Court (hereinafter “IPC”) was established on July 1, 2008. The utmost aim of IPC is to protect intellectual property rights (IPRs) promptly and efficiently through a professional and specialized court. IPC deals with civil, criminal and administrative cases related to IPRs under the Patent Act, the Trademark Act, the Copyright Act, the Optical Disk Act, the Regulations Governing the Protection of Integrated Circuits Configuration, the Trade Secrets Act, the Species of Plants and Seedling Act, and the Fair Trade Act.²

From July 2008 to April 2012, IPC has terminated 1,503 IP civil cases, including 317 copyright cases, 896 patent cases, 231 trademark cases and 59 others. The majority is patent cases which comprise 558 first instance ones and 338 second instance ones.³ An IP action (especially patent) usually mixes legal issues with technology issues. Such feature results in the difficulties on collecting relevant evidence of IPR infringement. Hence, the demand on preventive proceeding and preservation of evidence has been increasing more than ever. This article briefly introduces preventive proceeding and preservation of evidence in the practice of IPC.

II. The Features of IP Civil Actions

The burden of proof in IP civil actions is extremely heavy for IPR holders because of complex and technical characteristics of IPRs. IPR holders would like to prove the existence of infringement through preventive proceeding (including provisional attachment, preliminary injunction, and injunction maintaining the temporary status quo) and preservation of evidence. Therefore, preventive proceeding and preservation of evidence are more frequently applied in IP civil actions than in general civil actions.

However, the right to litigation materials of the IPR holder and the right to trade secrets of the respondent are in confronting positions. In order to

¹ The translations in English, German and Japanese of IPCOA and IPCAA are on the website of IPC, http://ipc.judicial.gov.tw/ipr_english/index.php?option=com_content&view=article&id=98&Itemid=28.

² Article 3 of IPCOA provides the jurisdiction of IPC.

³ Statistics Office of IPC, Table3: Types of the Civil Action Cases Terminated (April 2012).

balance the above conflicting interests, Articles 11-15, 30 and 34-36 of IPCAA provide confidentiality preservation orders.

The following Table 1 is the IPC statistics about preventive proceedings, preservation of evidence and confidentiality preservation orders.⁴

Table 1

State of Termination by Preventive Proceeding, Preservation of Evidence & Confidentiality Preservation Order in the First Instance							
2008 July- 2012 April (Unit: Case Count)							
Type	Newly -filed	Total	State of Termination				Pending Cases
			I	II	III	IV	
A	102	102	18	1	83	0	0
B	15	15	5	1	8	1	0
C	40	39	7	12	17	3 (Note 3)	1
D	193	192	20.5	20	151.5	0	1
E	17	17	5.5	6	5.5	0	0

Note:

1. Type: Type A-Provisional Attachment; Type B-Preliminary Injunction; Type C-Injunction Maintaining the Temporary Status Quo; Type D-Preservation of Evidence; Type E-Confidentiality Preservation Order.
2. State of Termination: I-Approved; II-Withdrawn; III-Dismissed; IV-Other.
3. Approved=Approved+(partially approved and partially dismissed)/2
4. Dismissed=Dismissed+(partially approved and partially dismissed)/2
5. Transfer of Jurisdiction or Conciliation

IPCAA, Implementation Rules of Intellectual Property Case Adjudication Act (hereinafter “the Rules”⁵) and the Code of Civil Procedure shall apply to

⁴ Statistics Office of IPC, Figure 12: Preventive Proceeding, Preservation of Evidence & Confidentiality Preservation Order in the First Instance (April 2012).

⁵ The translation in English of the Rules is on the website of IPC, http://ipc.judicial.gov.tw/ipr_english/index.php?option=com_content&view=article&id=98

the preventive proceeding and preservation of evidence in IP civil actions. Articles 18 and 22 of IPCAA stimulate preservation of evidence and preventive proceeding respectively. The Code of Civil Procedure is applicable merely when there is no provision under IPCAA.

III. The Preventive Proceeding

When filing an application for provisional attachment or preliminary injunction, the applicant shall submit a preliminary showing proving the claim and the ground for provisional attachment or preliminary injunction (Articles 526 and 533 of the Code of Civil Procedure). Even though the legal ground of the provisional attachment process is Article 86 of the Patent Act,⁶ the requirement of the preliminary showing is the same. The financial situation of the respondent, rather than the condition of the tools for the patent infringement or the objects produced by such patent infringement, shall be taken into consideration.⁷ In cases of insufficiency in the preliminary showing, the applicant may represent his willingness to provide a bond or security; yet, if there is no showing, the application shall be dismissed.

In the application for injunction maintaining the temporary status quo, the requirement of the preliminary showing is comparatively strict because of the confliction interests of parties in IP civil action. IP holders have to submit evidence with more strict requirements to prove that (1) the existence of the legal relation in dispute, and (2) the need to maintain the temporary status quo (i.e., the necessity of preservation). According to Article 22, Paragraph 2 of the IPCAA and Article 37, Paragraph 1 of the Rules, there shall be the necessity of preservation if it is necessary to prevent material

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⁶ Article 86 of the Patent Act provides:

Any article used in an act of patent infringement or produced by such an act may, upon the application of the injured party to the court, be provisionally seized to serve as the whole or a part of compensation for the damages as may be awarded by judgment. When the injured party instituted an action claiming for damages under the preceding Article and applying for provisional seizure, the court shall allow procedural relief in accordance with the Code of Civil Procedure.

However, the recent amendment of the Patent Act has been repealed this article in order to revert to the related articles in the Code of Civil Procedure.

⁷ See Supreme Court civil decision No. 2009-Tai-Kang-339; see also Issue # 12 of Civil Procedure, Judicial Yuan, 2009, rendition of yearly IPR law seminar.

harm or imminent danger or other similar circumstances with regard to such legal relation.

With regard to the necessity of preservation, according to Article 37, Paragraph 3 of the Rules, the court shall deliberate on (1) the likelihood of success of the applicant in the principal case in the future, and (2) whether the granting or rejection of the application will cause irreparable harm to the applicant or respondent, the degree of damage to both parties, and impact on public interest.

In the trinity litigation system under the IPCAA, IPC deals with IP civil, criminal and administrative cases. The most critical breakthrough is IPR validity judgments in civil and criminal actions. A judge may decide independently whether the issued IPR shall be cancelled or revoked in a civil or criminal action. There is no need to postpone the civil and criminal proceeding for the decision of an administrative case. Once the invalidity of the IPR is recognized, according to Article 16 of the IPCAA, the IPR holder shall not claim his right in this civil or criminal action.

Moreover, in the application for injunction maintaining the temporary status quo, the respondent may argue the validity of the issued IPR with convincing evidence. While reviewing the likelihood of success in the principal case in the future, according to Article 37, Paragraph 4 of the Rules, the court shall rule against the IPR holder (or applicant) if there is high probability of cancellation or revocation.

Besides, the court shall dismiss the application for injunction maintaining the temporary status quo if the preliminary showing is insufficient. According to Article 22, Paragraph 2 of the IPCAA and Article 37, Paragraph 1 of the Rules, it is not allowed to provide a bond or security whether in lieu of preliminary showing or supplementing the above-mentioned insufficiency. The mechanism taken in IPCAA is wholly different from Articles 538-4, 533, and 526 of the Code of Civil Procedure.

In IPC civil decision No. 2009-Min-Zhuan-Lang-34, the applicant claimed that the products in question infringed claims 1, 2, 3, 6, 11, and 19 of the issued patent, therefore applying for an injunction maintaining the temporary status quo. The respondent contended that those claims aforementioned were lack of obviousness. IPC contemplated the contention on the validity argument of the issued patent and found in favor of the respondent that the patent claims 1, 2, 3, 6, 11, and 19 were all lack of non-obviousness. Accordingly, IPC ruled that it is less likely to build up the necessity for preservation, so that the application was dismissed.

Consequently, the level of proving the necessity of preservation is quite

high to escalate the application for injunction maintaining the temporary status quo as if a principal case. The IPR holder (or applicant) must completely perform his duties of showing; otherwise his application may be dismissed or his IPR may be regarded as invalid, which would likely influence the principal case and the related administrative action in the future.

IV. Preservation of Evidence

The evidence proving the fact of IPR infringement and damages is easily destroyed or hidden, so IPR holders have no mean to prove the existence of infringement and damages. In order to pursue a proper remedy, preservation of evidence is necessary because the IPR holder (or applicant) may encounter the difficulties of presenting evidence in the principal case. Nevertheless, the preservation of evidence might affect the trade secrets owned by the respondent.

How does the court balance the conflict of Interests of parties and keep the fairness of the laws? Since the applicant utilizes the preservation of evidence process, but not the main lawsuit process, to proceed for expert testimony, inspection or perpetuation of documentary evidence, and to probe into the respondent's trade secrets, the applicant has a duty to submit a favorable proof to the court. If he fails to do so, he shall bear the disfavored result that the application is dismissed.

By reviewing the IPC decisions in the preservation of evidence cases, the grounds of denial are as followed:

- Failure to express the explicit ground of the application.
- Failure to express the fact to be proven by such evidence.
- Failure to explain the existence of the subject products.
- Failure to explain if there is any concern that the evidence would be soon destroyed or under extreme difficulty to retrieve.
- Failure to explain that the applicant would possess any legal interest in maintaining the temporary status quo, thus it is necessary in so doing.
- The products in question still exist.
- There are some other methods available to investigate the evidence.
- The evidence is under custody of a governmental agency.
- The applicant has already obtained the products in question which are available for inspection.
- The applicant has already obtained the products in question which has been already sent for inspection.

- It does not comply with the principle of proportionality.

To sum up, the applicant must explicitly express the legal ground of application and the subject fact to be found if such evidence be preserved, for example, the existence of the certain IPR, the actual infringing conduct, the damages that the applicant may have suffered and the extent of such damages. In addition, the applicant has to provide a preliminary showing of the necessity and the ground for preservation of evidence, including:

- To point out what evidence might be destroyed, lost or difficult to be used in the principle case.
- The legal interests that the applicant may have possessed onto certain matter or object for maintaining its temporary status quo.
- There are some other methods available to investigate the evidence.
- The applicant may have suffered the disadvantage if the application is dismissed.
- The respondent may have not suffered the disadvantage if the application is granted.
- To balance, under the principle of proportionality, the competing interests between the legal right to collect evidence and the protection of trade secrets.

V. The Protection of Trade Secrets

Article 2 of the Trade Secrets Act defines the term “trade secret” which means any method, technique, process, formula, program, design, or other information that may be used in the course of production, sales, or operations, and also meet the following requirements: (1) It is not known to people generally involved in the information aforementioned; (2) It has economic value, actual or potential, due to its secretive nature; and (3) Its owner has taken reasonable measures to maintain its secrecy.

In IPC civil decision No. 2009-Min-Mi-Sheng-Shang-Geng-Yi-1, the subject USB HDD concerning the subject 49 items belonged to the applicant and contained accounting data, pay roll data, purchase order system, procurement system, processing system, stock management, system maintenance system and so forth, which may be directly related to the applicant’s daily business operation and may carry a potential and/or actual economic values. The applicant showed that he set up a log-in system to screen the identities and restricted the access of such entry. Therefore, the applicant had adopted reasonable measures for confidentiality, it was considered as the trade secrets of the applicant.

For the protection of trade secrets in IP actions, Article 43 of the IPCOA

provides that no judgments of IPC involving trade secrets of a party or third party shall be disclosed. The IPCAA also take several measures to safeguard trade secrets:

- (1) The trial in camera (Article 9, Paragraph 1 and Articles 24, 34).
- (2) The refusal or otherwise limitations on reviews, transcription or videotaping of litigation materials (Paragraph 2 of Article 9, and Articles 24, 34).
- (3) The discovery of documents and objects for inspection before the order for submitting such documents and objects (Articles 10, 34).
- (4) Confidentiality preservation orders in IP civil, criminal, administrative actions and preventive proceeding (Articles 11 to 15, Paragraph 5, 6 of Article 18, and Articles 30, 34). Articles 35 and 36 impose criminal liability on the violation of confidentiality preservation order to protect trade secrets in IP actions.

Once the confidentiality preservation order is granted, the clerk shall immediately notify the applicant of the order if anyone not subject to the order or prohibition or limitation of review applies for review, transcription or videotaping of the dossier documents according to Article 15, Paragraph 1 of IPCAA. As to documents review after the granting of a confidentiality preservation order, in Supreme Court civil decision No. 2010-Tai-Kang-133, the applicant submitted some materials to prove that he had suffered actual damages from the respondents' infringement. The respondent then requested to review these materials, but the applicant moved for dismissal on the respondents' request and to prohibit the respondents from copying, duplicating and videotaping. Because these materials were closely related to the outcome of the litigation, the Supreme Court considered that it was necessary for the respondents to review the materials for defense. Due to the fact that these materials comprised of very complicated and professional content, it was very difficult to check the correctness in a short time, therefore it was necessary for the respondent to copy, duplicate or videotaping. Furthermore, the court had already granted the confidentiality preservation orders against the respondent. It was enough to protect the applicant's trade secrets. There was no need to place other restrictions on the respondent.

The liability of confidentiality preservation order is lasting until the order is revoked and then become void according to Article 14 of IPCAA. In IPC civil decision No. 2010-Min-Mi-Sheng-Shang-1, the application for revoking the confidentiality preservation order was granted on the ground that both parties had already settled and consent such application.

VI. Conclusion

The goal of IPCOA and IPCAA is to protect IPRs properly, and foster the nation's technological and economic development. The system of provisional attachment, preliminary injunction, injunction maintaining the temporary status quo, preservation of evidence and confidentiality preservation order is to achieve the above goal. The further operation of preventive proceeding and preservation of evidence in IP civil actions is depending on the efforts of IPC, IPR holders, attorneys and researchers.

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**“WILLFUL BLINDNESS” FOR INDUCED
INFRINGEMENT-IMPACTS OF THE U.S. SUPREME
COURT’S *GLOBAL-TECH* CASE ON TAIWANESE
COMPANIES**

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ABSTRACT

For Taiwanese companies doing business in the United States, patent infringement lawsuit has been one of the biggest headaches. Under U.S. patent laws, activities outside of U.S. could also be punished for “induced infringement” under 35 U.S.C. § 271(b). Last year, for the first time, the Supreme Court decided to clarify the scope of knowledge and intent requirement for inducement liability under 35 U.S.C. § 271(b). In *Global-Tech Appliances, Inc. v. SEB, S.A.*, the Supreme Court held that induced infringement under § 271(b) does require knowledge that the induced acts constitute patent infringement. The Supreme Court also ruled that “deliberate indifference” to a known risk that a patent exists does not satisfy the knowledge required by § 271(b). However, the Supreme Court concluded that when the defendant has no actual knowledge, the knowledge requirement could still be inferred by using a “willful blindness” legal standard. Therefore, to avoid induced infringement under this case, whenever a foreign company learns that the features of its own product, or the product features of its non-U.S. customers, may fall within the claims of a specific U.S. patent, they should advise their customers that this product should not be sold, used or imported into the United States. Without an affirmative step to encourage its customer’s infringement activities in the U.S., the foreign company can significantly reduce its risk for induced infringement.

Keywords: American patent law, induced infringement, indirect infringement, inducement, willful blindness

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I. Introduction

For Taiwanese companies doing business in the United States, patent infringement lawsuit has been one of the biggest headaches. Under U.S. patent laws, not only use, manufacture, sale or importation of a patented invention within U.S. could constitute “direct” patent infringement (*see* 35 U.S.C. § 271(a)), activities outside of U.S. could also be punished for “indirect” patent infringement, which includes “induced infringement” under 35 U.S.C. § 271(b)-“whoever actively induces infringement of a patent shall be liable as an infringer.”

As 35 U.S.C. § 271(b) doesn’t require the inducing act to occur within U.S., a foreign company can still indirectly infringe an U.S. patent if it induces another to sell or import infringing products into the United States. As such, many Taiwan business executives are surprised to know that the company has been exposed to the risk of induced infringement claim simply by shipping the accused components/products to a non-U.S. destination for companies who might eventually import these products into U.S.

The key issue, though, is what constitutes “induced infringement” under 35 U.S.C. § 271(b). Unlike direct infringement under 35 U.S.C. § 271(a), which is a strict liability offense where the direct infringer’s knowledge or intent is not required (i.e., the unauthorized use of a patented invention is sufficient for liability), indirect infringement under 35 U.S.C. § 271(b) does require certain level of knowledge and intent. To prevail in a 35 U.S.C. § 271(b) indirect infringement claim, a plaintiff must provide the following evidence: (1) evidence of direct infringement by the direct infringer¹; (2) evidence of the alleged infringer’s “active steps ... taken to encourage direct infringement”²; (3) evidence that proves the alleged infringer knowingly induced direct infringement and possessed specific intent to encourage another’s direct infringement.³ The third element-“knowledge” and “intent”, however, are unclear as to whether inducement merely requires that the alleged inducer intends to induce another to perform an act which turns out to infringe a patent (i.e., the inducer might not be aware of a specific patent that has been infringed), or whether the alleged inducer must also intend to

¹ *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 336, 341 (1961) (“It is settled that if there is no *direct* infringement of a patent there can be no *contributory* infringement.”) (emphasis in original).

² *MGM Studios Inc. v. Grokster, Ltd.* 545 U.S. 913, 936 (2005).

³ Inducement requires “that the alleged infringer knowingly induced infringement and possessed specific intent to encourage another’s infringement.” *See Broadcom Corp. v. Qualcomm Inc.*, 543 F.3d 683, 699 (Fed. Cir. 2008) (quoting *DSU Med. Corp. v. JMS, Co.*, 471 F.3d 1293, 1306); *also see MEMC Elec. Materials Inc. v. Mitsubishi Materials Silicon Corp.*, 420 F.3d 1369, 1378 (Fed. Cir. 2005) (quoting *Minn. Mining & Mfg. Co. v. Chemque, Inc.*, 303 F.3d 1294, 1304-05 (Fed. Cir. 2002)).

persuade another to perform an act that the inducer knows would infringe a specific patent. Two different decisions rendered by the U.S. Court of Appeals for the Federal Circuit (“Federal Circuit”) in the same year caused this confusion.

In *Hewlett-Packard Co. v. Bausch & Lomb Inc.*, a panel of Federal Circuit held that a defendant could be liable as long as the plaintiff could prove that the defendant intended to cause the acts that ultimately turned out to constitute patent infringements (i.e., regardless of whether the defendant knew that his actions would induce patent infringement).⁴ Nevertheless, another panel of Federal Circuit held in *Manville Sales Corp. v. Paramount Sys., Inc.* that “[i]t must be established that the defendant possessed specific intent to encourage another’s infringement and not merely that the defendant had knowledge of the acts alleged to constitute inducement. The plaintiff has the burden of showing that the alleged infringer’s actions induced infringing acts *and* that he knew or should have known his actions would induce actual infringements.”⁵

An en banc Federal Circuit attempted to reconcile these two conflicting opinions in *DSU Med. Corp. v. JSM Co.*,⁶ a case decided in 2006, holding that to be liable under § 271(b), “a defendant must have an affirmative intent to cause direct infringement.”⁷ The Federal Circuit chose to adopt *Manville* standard and ruled that “intent to induce” requires that the defendant “knew or should have known that his actions would induce actual infringements.”⁸

Last year, for the first time, the United States Supreme Court decided to clarify the scope of knowledge and intent requirement for inducement liability under 35 U.S.C. § 271(b). In *Global-Tech Appliances, Inc. v. SEB, S.A.*,⁹ the Supreme Court held that induced infringement under § 271(b) does require knowledge that the induced acts constitute patent infringements.¹⁰ However, the Supreme Court rejected the Federal Circuit’s “deliberate indifference” standard for knowledge requirement, ruling that “deliberate indifference” to a known risk that a patent exists does not satisfy the knowledge required by § 271(b).¹¹ Instead, the Supreme Court concluded that in the absence of defendant’s actual knowledge, this knowledge requirement could be satisfied by evidence of “willful

⁴ See *Hewlett-Packard Co. v. Bausch & Lomb Inc.*, 909 F.2d 1464, 1469 (Fed. Cir. 1990).

⁵ *Manville Sales Corp. v. Paramount Sys., Inc.*, 917 F.2d 544, 554 (Fed. Cir. 1990).

⁶ *DSU Med. Corp. v. JSM Co.*, 471 F.3d 1293 (Fed. Cir. 2006) (en banc).

⁷ *Id.* at 1306.

⁸ *Id.*

⁹ *Global-Tech Appliances, Inc. v. SEB, S.A.*, 131 S. Ct. 2060 (2011).

¹⁰ *Id.* at 2060.

¹¹ *Id.* at 2062

blindness.”¹² In other words, for an alleged infringer to be liable under induced infringement theory, a plaintiff must prove that the alleged infringer either possess actual knowledge of the asserted patent or be willfully blind to the existence of the asserted patent.

II. Factual Background of *Global-Tech Appliances, Inc. v. SEB, S.A.*

SEB is a French company that manufactures home-cooking appliances, which obtained a U.S. Patent (Patent No. 4,995,312) in 1991 for its design of innovative “cool-touch” deep-fat fryer that incorporated a plastic outer shell surrounding a metal frying pot so that the exterior was cool for the user to touch. SEB then began selling the fryer in the U.S. under its T-Fal brand and enjoyed commercial success with the product. A U.S. company, Sunbeam Products (a competitor of SEB), requested that Pentalpha Enterprise, a Hong Kong-based corporation wholly owned by Global-Tech Appliances, develop and supply Sunbeam Products with deep-fat fryer that Sunbeam Products planned to sell in the United States. Instead of designing its own fryer, Pentalpha Enterprise nevertheless purchased a SEB fryer in Hong Kong and copied its “cool - touch” design, changing only aesthetic features of the SEB fryer. Because the SEB fryer Pentalpha purchased was made for sale in Hong Kong, it did not bear any U.S. patent marking. Before selling the fryer to Sunbeam Products, Pentalpha also hired a U.S. patent attorney to conduct “right to use” analysis on its deep fryer; Pentalpha did not, however, notify the attorney that it had copied the “cool-touch” design from SEB fryer. The patent attorney failed to find SEB’s U.S. patent in the course of investigation and ended up issuing an opinion which concluded that Pentalpha’s deep - fat fryer did not infringe any U.S. patent he has found. Pentalpha then sold the fryers to Sunbeam Products, which in turn sold it in the U.S. market at a lower price than SEB. In 1998, SEB sued Sunbeam Products first, alleging that its sales of the Pentalpha fryer infringe SEB’s patent. SEB subsequently brought an action in the U.S. District Court for the Southern District of New York against Pentalpha and its parent company, Global-Tech, for intentionally inducing Sunbeam Product's patent infringement under 35 U.S.C. § 271(b). In the district court level, the jury found that Global-Tech's subsidiary Pentalpha had indeed induced patent infringement and the court thus entered judgment for SEB. Pentalpha appealed to the Federal Circuit.

III. Federal Circuit’s Decision

Following *DSU Med. Corp.*, the Federal Circuit has been using the “knew or should have known” test to decide the requisite mental state of an

¹² *Id.* at 2063.

alleged infringer under § 271(b), which permitted a finding of alleged inducer's knowledge when there is merely a "known risk" that the induced acts will infringe a U.S. patent, even if the alleged inducer doesn't take any affirmative action to shield itself from knowing the infringing activities.¹³ Under this rule, a plaintiff can prevail in its induced infringement claim as long as it proves that the alleged infringer "actually knew" or "should have known" that his actions would induce actual infringements.¹⁴ Accordingly, "a claim for inducement is viable even where the patentee has not produced direct evidence that the accused infringer actually knew of the patents-in-suit." Specifically, the Federal Circuit further ruled that evidence showing defendant's "deliberate indifference" of a known risk that a patent infringement might occur is sufficient to establish constructive knowledge of the patent. In other words, evidence showing defendant's "deliberate indifference" to a known risk that a patent exists is sufficient to prove that the alleged infringer "should have known" his action would induce direct infringement.

IV. Supreme Court's "Willful Blindness" Standard for Induced Infringement

Pentalpha appealed to the U.S. Supreme Court, contending that liability for inducing infringement under 35 U.S.C. § 271(b) requires actual knowledge of the patent, not just a disregard of a known risk.

The Supreme Court rejected the concept that "deliberate indifference" to a known risk that a patent exists satisfies the knowledge requirement, holding that the word "actively" in § 271(b) requires an inducer to take affirmative steps to bring about a known, infringing result. Turning to its prior decision in *Aro Mfg. Co. v. Convertible Top Replacement, Co.*¹⁵ (*Aro II*), the Supreme Court concluded that induced infringement under § 271(b) requires knowledge that the induced act constitutes patent infringement, and, when the defendant has no actual knowledge, the knowledge requirement could still be inferred by using a "willful blindness" legal standard.

The Supreme Court went further and explained that "willful blindness" standard requires that "(1) the defendant must subjectively believe that there is a high probability that a fact exists; and (2) the defendant must take deliberate actions to avoid learning of that fact."¹⁶ "[A] willfully blind defendant is one who takes deliberate actions to avoid confirming a high probability of wrongdoing and who can almost be said to have actually

¹³ See *DSU Med. Corp.*, 471 F.3d at 1306.

¹⁴ See *SEB S.A. v. Montgomery Ward & Co.*, 594 F.3d 1360, 1375-76 (Fed. Cir. 2010) (citing *DSU Med. Corp.*, 471 F.3d at 1304).

¹⁵ *Aro Mfg. Co. v. Convertible Top Replacement, Co.*, 377 U.S. 476 (1964).

¹⁶ *Global-Tech Appliances, Inc.*, 131 S. Ct. at 2070.

known the critical facts.”¹⁷

The Supreme Court indicated that “willful blindness” requires more than just “reckless” or “negligent.” The Court also emphasized that this standard materially differs from the “deliberate indifference” test used by Federal Circuit, which permitted a finding of knowledge where there is merely a “known risk” that the induced acts are infringing, and even where the inducer takes no affirmative action to prevent itself from knowing the infringing nature of the activities.¹⁸

V. Conclusion and Legal Implications

Under the Federal Circuit’s “deliberate indifference” test, a plaintiff only needs to show that the defendant acts with indifference to a “risk” that a patent exists. Now the standard is much stricter, and thus it’s harder for a plaintiff to prove induced infringement. A plaintiff now must show that the defendant subjectively believed there was a high probability not only that a patent exists, but also that the conduct encouraged/induced by defendant constitutes infringement of that patent. Then a plaintiff must further demonstrate that the defendant took affirmative steps to avoid receiving actual notice of the infringement. Although willful blindness may be proved by circumstantial evidence (as it was in *Global-Tech* itself), the requirement that the defendant has knowledge of the infringement may essentially encourage patentees to provide actual notice to the alleged inducer before the patentees assert induced infringement under § 271(b). Since the standard now is higher, by sending a warning letter, it’s easier for a patentee can to establish evidence for actual notice without the need to find evidence for defendant’s willful blindness.

With this new test, inducement liability will not be found unless the defendant is found to have knowledge (at least “willful blindness”) of both the asserted scope of the claims of the patented invention, and the fact that the acts it induced/encouraged fall within the scope of those claims.

Therefore, to avoid induced infringement under this case, whenever a foreign company learns that the features of its own product, or the product features of its non-U.S. customers, may fall within the claims of a specific U.S. patent, they should advise their customers that this product should not be sold, used or imported into the United States. Without an affirmative step to encourage its customer’s infringement activities in the U.S., the foreign company can significantly reduce its risk for induced infringement.

Cited as:

¹⁷ *Id.* at 2070-71.

¹⁸ *Id.* at 2071.

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EMPIRICAL STUDY ON THE DIGITAL CONVERGENCE STRATEGY AND PATENT ACTIVITY OF TAIWANESE MEDIA GROUPS

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ABSTRACT

This study explores the strategy, innovative approach and patent activity of the UDN Group and the Want Want China Times Group, two of the largest media groups in Taiwan, in the digital convergence era. In the era of digital convergence, drastic changes to industry boundaries and media positioning have exposed media groups to the risk of patent infringement. The groups with larger end-user market will probably become the patentee's target for charging royalties. However, neither of the two groups views patent rights as a strategic asset in either R&D or acquisition. Patent rights are not highly valued by the media industry in Taiwan. Therefore, it is imperative for media groups to consider patent risk and infringement liability when developing new products and services or when outsourcing technology. This study recommends that the leader in content service should monitor closely patents and develop a patent portfolio that focuses on data conversion, and cross-media data transmission and presentation. This type of portfolio may serve as a defensive measure in the short-term and as a patent niche to differentiate itself from other media groups in the long-term.

Keywords: Digital convergence, media, patent, UDN Group, Want Want
China Times Group

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I. Introduction

The development of digital convergence has caused structural changes in the media industry, which have blurred industrial boundaries, as well as altering the positioning and the core of innovation of a media group. The drastic changes in industrial boundaries and media positioning have exposed media groups to the risk of patent infringement. For example, the New York Times and CBS were accused of patent infringement by Helferich Patent Licensing in 2010 and 2011, respectively.² It appears that patent-holders have already targeted media groups. The patent litigations that are common in the information technology industries are spreading to media industries.

Media not only provides content services but also possesses the characteristics of convergence. In the trend of digital convergence, significant change in media market structure becomes visible in Taiwan. Taiwan's media have coped with the impact of digital convergence by adopting cross-media management and group management. The United Daily News Group (hereafter referred to as the UDN Group) has attracted a great deal of attention by combining print media, the Internet, mobile phones and e-books to provide cross-media content services.³ The China Times Group is considered the first and fastest corporation to expand the boundaries of its media business⁴; after it's acquired by the Want Want Group⁵, its business scope is expanding even more aggressively, including newspapers, magazines, cable and broadcast TV stations, as well as information companies (hereafter referred to as the Want Want China Times Group).

What are the patent strategies of Taiwan's media in the digital convergence era? The purpose of the patent system is to encourage, protect and utilize innovative science and technology, and to promote industrial

² See Chantal Tode, *NBA The Latest to Face Patent Infringement Suit over SMS Activities*, MOBILE MARKETER, Jan. 27, 2012, <http://www.mobilemarketer.com/cms/news/legal-privacy/11986.html>; see also M•CAM, *Power Of The Pen: Intellectual Property Analysis of Helferich Patent Licensing*, PATENTLY OBVIOUS, Jan. 23, 2012, <http://www.m-cam.com/patently-obvious/power-pen-intellectual-property-analysis-helferich-patent-licensing>.

³ Sheng-Fen Lin [林聖芬], *Shu Wei Chong Ji Xis De Bao She Jing Ying Guan Cha* [數位衝擊下的報社經營觀察], in 2011 CHU BAN NIAN JIAN XIN WEN CHU BAN YE [2011 出版年鑑新聞出版業] 155, 155-61 (The Executive Yuan's Government Information Office 2011) (in Chinese).

⁴ See Lin, *id.*; see also Bing-Hong Chen [陳炳宏], *Mei Ti Ji Tuan Hua Yu Gi Nei Rong Duo Yuan Zhi Guan Lian Xing Yan Jiu* [媒體集團化與其內容多元之關連性研究], 104 MASS COMMUNICATION RESEARCH 1, 3-4 (2010) (in Chinese).

⁵ A conglomerate manufacturing, distribution and sale of rice crackers, dairy products and beverages, snack foods and other products; see also Want Want Home page, <http://www.want-want.com/en/about/>.

development.⁶ Since patents are a critical factor in the technological and industrial development, in the innovation activities of Taiwan's media, how the strategy of digital convergence of a media group is affected by patents?

This research intends to study how the role of patent is played in the digital convergence strategy of Taiwanese media. As explained by Yin that "a case study is an empirical inquiry that investigates a contemporary phenomenon within its real-life context,"⁷ this case study will describe how digital convergence strategy is developed and implemented in Taiwanese media to explore the role of patents at the group level. This study examines the following three research questions. (1) How patents are considered in the innovation activities or research and development (R&D) of the media group? (2) How patents are considered in technology outsourcing while developing and implementing the digital convergence strategy of the media group? (3) How patents are considered in the merger or acquisition processes while implementing the digital convergence strategy of the media group? Relying on empirical inquiries including in-depth interviews with high-level managers and patent analysis and supplemented with literatures, this study explores the strategy, innovative approach and patent activity of the UDN Group and the Want Want China Times Group in the digital convergence era in order to offer recommendations for building patent portfolios.

II. Literature Review

A. Digital Convergence

The concept of convergence, or the proposition that all modes of communication and information will converge into a digital nexus was raised in the mid-1970s.⁸ Negroponte, the director of the Media Lab at MIT, used a "teething rings" symbol since 1979 which showed three overlapping circles labeled broadcasting, publishing, and computers. The Media Lab foresaw the coming together of these three industries, which were previously completely distinct, and the intersections the richest and most promising areas.⁹ Negroponte's "teething rings" is considered one of the earliest expressions of the idea of convergence.¹⁰ However, telecommunication was missing in Negroponte's "teething rings". Pool used "convergence of modes" to

⁶ Art. 1 of the Taiwan Patent Act (2011).

⁷ ROBERT K. YIN, CASE STUDY RESEARCH DESIGN AND METHODS 13 (Sage Publications 1994).

⁸ Milton Mueller, *Digital Convergence and its Consequences*, 6 JAVNOST-THE PUBLIC 11, 12 (1999), available at <http://javnost-thepublic.org/article/1999/3/2/>.

⁹ STEWART BRAND, THE MEDIA LAB: INVENTING THE FUTURE AT MIT 10-11 (New York, Viking Press 1987).

¹⁰ See Mueller, *supra* note 8, at 12.

describe that a process is blurring the lines between media.¹¹ Convergence of modes is blurring the lines even between point-to-point communications such as the press, telephone, and telegraph, and mass communications such as the press, radio, and television.¹² The force behind the convergence of modes is an electronic revolution. In every medium, no matter it is electrical, like telephone and broadcasting, or traditionally nonelectrical, like printing, symbols in computers and the transmission of those symbols electrically are being used at crucial stages in the process of production and distribution.¹³ Lind summarized the popular image of convergence in which the four industries including information technology, telecom, media and consumer electronics were expected to merge into one big blob “the converging industries.”¹⁴ The old industry barriers were torn down and where everybody would compete with everybody.¹⁵

Dowling, Lechner, & Thielmann defined “convergence” in a strategic management context by distinguishing the dimensions of convergence.¹⁶ From the technology dimension, digitalization and data compression enable the growing integration of functions from formerly separate products or services or the new functions from the emergence of hybrid products. From the needs dimension (demand), functions fulfill needs of customers which can also merge and develop from different areas. From the industry and firm dimension (supply), different activities along or across traditionally separated value chains may be merged by “management creativity” such as the creation of new businesses, acquisition or the constitution of strategic alliances and networks.¹⁷

In addition to scholars’ definitions, the Organization for Economic Co-operation and Development (OECD) and European Commission have observed and defined the scope of convergence for the purposes of policy-and/or regulatory-making. During the time that “information industry” was the leading growth sector of the advanced industrial economy, OECD in 1992 defined convergence as blurring of technical and regulatory boundaries between sectors of economy.¹⁸ Convergence between communications and

¹¹ See ITHIEL DE SOLA POOL, *TECHNOLOGIES OF FREEDOM* 23-54 (Belknap Press 1983).

¹² *See id.*

¹³ *See id.*

¹⁴ See Jonas Lind, *Convergence: History of Term Usage and Lessons for Firm Strategists*, in *PROCEEDINGS OF 15TH BIENNIAL ITS CONFERENCE*, BERLIN (2004).

¹⁵ *See id.*

¹⁶ See Michael Dowling, Christian Lechner & Bodo Thielmann, *Convergence-Innovation and Change of Market Structures between Television and Online Services*, 8 *INT’L J. OF ELECTRONIC MARKETS* 31 (1998).

¹⁷ *See id.*

¹⁸ OECD, *Telecommunications and Broadcasting: Convergence or Collision? No. 29*;

broadcasting was viewed as occurring in three levels: networks, services and cooperation organizations.¹⁹ According to European Commission's Green Paper, the common expression of convergence is that the ability of different network platforms to carry essentially similar kinds of services, or the coming together of consumer devices such as the telephone, television and personal computer.²⁰ Convergence could be seen at three different levels: technology, industry, and services and markets.²¹

Although scholars and organizations use different descriptions or definitions for convergence, there is a common notion that technology is the driving force. Technology-driven convergence is leading to economic or market convergence and regulatory convergence, such as inter-industry merger and relaxation of cross-ownership of media; as convergence process evolved, economic and regulatory convergence reinforces technology convergence.²²

B. Change of Media Market Structure

Driven by technology convergence, publishing is brought in to the electronic environment.²³ Bane et al. suggested that the structure of consumer multimedia industry was changing from three discrete vertical businesses, telephone, television and computer, to five overall horizontal industry segments of multimedia value chain: content, packaging, processing, transmission, and terminal.²⁴ Mueller illustrated the vertical structure of media in 1950, which telephony, telegraphy, broadcasting, motion pictures, publishing, documents, and cash flow were all vertically integrated chains linking a specific kind of content, distribution network, and terminal.²⁵ There were some cross-linkages between these vertical chains.

see also OECD, OECD DIGITAL ECONOMY PAPERS, No. 5 11-14 (OECD Publishing 1992).

¹⁹ *See id.*

²⁰ EUROPEAN COMMISSION, GREEN PAPER ON THE CONVERGENCE OF THE TELECOMMUNICATIONS, MEDIA AND INFORMATION TECHNOLOGY SECTORS, AND THE IMPLICATION FOR REGULATION [COM(97) 623 final-Not published in the Official Journal] (European Commission 1997), *available at* http://europa.eu/legislation_summaries/information_society/internet/124165_en.htm.

²¹ *See id.*

²² *E.g.*, POOL, *supra* note 11; Bruce Garrison & Michel Dupagne, *A Case Study of Media Convergence at Media General's Tampa New Center*, in EXPANDING CONVERGENCE: MEDIA USE IN A CHANGING INFORMATION ENVIRONMENT CONFERENCE, Nov. 6-8, 2003.

²³ *See* POOL, *supra* note 11, at 42.

²⁴ David J. Collins, P. William Bane & Stephen P. Bradley, *Winners and Losers: Industry Structure in the Converging World of Telecommunications, Computing, and Entertainment*, in COMPETING IN THE AGE OF DIGITAL CONVERGENCE 159-200 (David Yoffie ed. 1997).

²⁵ *See* Mueller, *supra* note 8.

However for the most part they operated as separate systems. The segregation of services took place primarily at the input and output terminal. Final distribution to users involved application-specific devices that could neither communicate with devices from other content-carrier chains, nor convert information into and out of other formats.²⁶ Comparing to the three vertical media businesses described by Bane et al which composed of telephone, television and computer, Mueller's illustration further included physical distribution as one of the vertical media businesses.

Mueller also illustrated the five horizontal industry segments of a convergence media environment suggested by Bane et al.²⁷ The vertical structures of traditional media are breaking down, and traditional media is replaced by a converged digital media market composed of five horizontal segments: (1) Content creation and production; (2) Service packaging; (3) Transmission; (4) Software; and (5) Terminals (hereafter refers to the five-horizontal-segments model).²⁸

As scholars identified the five horizontal industry segments and called it the "value structure" of industry, similarly European Commission also illustrated the "value chain" of convergence in which activities, including content supply, tailing and branding, platform and connectivity, delivery, and access control, occur.²⁹ The value chain extends from content creation through content packaging, service provision and final delivery to customers. European Commission also suggested that the value chain is a useful concept for analyzing the behavior of firms and markets in the light of convergence.³⁰

C. Patents as Indicators

Patent for technological innovation is one of the most notable and important intellectual property rights. Patent is a protection and reward by the government to the inventor the exclusive right for a period of time to preclude other persons from practicing the claimed invention without the patentee's prior consent³¹; in exchange, the inventor discloses the invention so that the new knowledge is available to the public. Griliches found a strong relationship between patent numbers and R&D expenditures of corporations, implying that patents are a good indicator of differences in inventive activity across different corporations.³² Especially, in the absence of detailed R&D

²⁶ *See id.*

²⁷ *See id.*

²⁸ *See id.*; *see also* Collins et al., *supra* note 24.

²⁹ *See* EUROPEAN COMMISSION, *supra* note 20, at 1-2.

³⁰ *See id.*

³¹ Article 58-1 of the Taiwan Patent Act (2011).

³² Zvi Griliches, *Patent Statistics as Economic Indicators: A Survey*, 8 J. OF ECONOMIC LITERATURE 1661, 1661-707 (1990), available at <http://www.nber.org/chapters/c8351>.

data, the plentiful and searchable patent data can be used as an indicator of both inventive input and output. Cautiously, Griliches noted that not to over-interpret small and even sizable differences in patent numbers, especially in the time dimension. Nevertheless, patent statistics remain a unique resource for the analysis of the process of technical change.³³

European Commission suggests that a count of patents is one measure of a country's inventive activity and also shows its capacity to exploit knowledge and translate it into potential economic gains. Therefore, indicators based on patent statistics can be used to assess the inventive and innovative performance of a country.³⁴ OECD uses patent as one of the indicators to help addressing science and technology policy issues.³⁵ Scholars use patent analysis methods and the information of patent data, also called patent bibliometrics or patentmetrics, to study innovative ability or competitiveness of countries.³⁶ Empirical studies indicate that patent measures reflect the volume of companies' research activity, and consequently associated with future performance of R&D-intensive companies in the capital market.³⁷

The result of patent analysis or patent mining can be used for competitor monitor, technology assessment, R&D portfolio management, and human source management. The result of patent analysis can also be used to identify and assess potential sources for the external generation of technological knowledge, especially by means of mergers and acquisitions.³⁸

III. Materials and Methods

³³ See *id.*

³⁴ European Commission, *Patent Statistics*, http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Patent_statistics.

³⁵ OECD, OECD work on patent statistics, <http://www.oecd.org/sti/ipr-statistics>.

³⁶ E.g., Chun-Chieh Wang, Dar-Zen Chen & Mu-Hsuan Huang, *Technological Innovative Capacity of Taiwan and South Korea from 1987-2006-A Perspective of Patents*, 5(2) NCCU INTELL. PROP. REV. 31, 31-51 (2007); Mu-Jun Wang [王睦鈞], *Tou Shi Tai Wan Zi Tong Xun Ji Shu Guo Jia Jing Zheng Li* [透視臺灣資通訊技術國家競爭力], 32(7) TAIWAN ECONOMIC RESEARCH MONTHLY 43 43-52 (2009) (in Chinese).

³⁷ See Zhen Deng, Baruch Lev and Francis Narin, *Science & Technology as Predictors of Stock Performance*, 55(3) FINANCIAL ANALYSTS J. 20, 20-32 (1999).

³⁸ E.g., Holer Ernst, *Patent Information for Strategic Technology Management*, 25 WORLD PATENT INFORMATION 233, 233-242 (2003); Po-Ching Lee & Roger Kang, *Cong IC Zhi Zao Ye Zhi Zhuan Li Zhi Biao Tan Qi Ye Chuang Xin Jing Zheng Li* [從IC製造業之專利指標談企業創新競爭力], 208 ACCOUNTING RESEARCH MONTHLY 67, 67-72 (2003) (in Chinese); Po-Ching Lee & Roger Kang, *Ru He Yun Yong Zui You Xiao Lu De Zhi Hui Jin Kuang-Liao Jie Zhuan Li Jia Zhi Chuang Zao Qi Ye Li Ji* [如何運用最有效率的智慧金礦瞭解專利價值創造企業利基], 204 ACCOUNTING RESEARCH MONTHLY 85, 85-92 (2002) (in Chinese).

A. Purposive Sampling

The UDN Group and the Want Want China Times Group were selected as research objects purposively for the following reasons. First, both are founded as traditional newspaper media, and are the top two newspaper groups in Taiwan. Second, both are undergoing transformation through digital convergence but with different approaches worthwhile for a comparative study to explore the role played by patents in the digital convergence strategy at group level.³⁹

B. In-depth Interview

Problem-centered interview⁴⁰ with senior executives were conducted. Owen Lee,⁴¹ director of UDN.com, and Nan-Hong Lin,⁴² general manager of CTV Infotech, were interviewed. Preliminary study was done by collecting and analyzing secondary data of both groups, including company/group profiles from each of the official websites, literatures and news. Preliminary study also included patent search, in order to develop questions and interview guidelines. Interviews were recorded following by postscripts.

C. Converged Media Environment with Four Horizontal Segments

Please refer to Figure 1, which illustrates four horizontal segments of the converged media environment proposed by this study. Modifying the five-horizontal-segments model for the converged media environment, this research uses four-horizontal-segments model to present the value structure of the converged media environment.⁴³ (1) Content: the creation and

³⁹ See YIN, *supra* note 7, at 14. Case study can include both single- and multiple-case studies. While some scholars have used such term as the comparative case method for multiple-case studies, Yin suggests that single- and multiple-case studies are in reality two variants of case study design.

⁴⁰ See Andreas Witzel, *The Problem-centered Interview*, 1(1) FORUM: QUALITATIVE SOCIAL RESEARCH Art. 22 (2000), available at <http://www.qualitative-research.net/index.php/fqs/article/view/1132/2522>.

⁴¹ Interview by research team of this project with Owen Lee, Director, UDN.com, Taipei (Jan. 29, 2011).

⁴² Interview with Nan-Hong Lin, General Manager, CTV Infotech, Taipei (Feb. 25, 2011).

⁴³ Without detailed definitions for the segments, in another article from the same research project, Chen and Tsai used four horizontal segments including content provider, editing and packaging, transmission, and terminal to analyze the converged media value net. See Mei-Ching Chen & Niann-Chung Tsai, *The Study of the Transition of Taiwan Media Group's Value Net under Digital Media Convergence*, in CONVERGENCE IN MEDIA MARKETS, INTERNATIONAL TELECOMMUNICATIONS SOCIETY ASIA-PACIFIC REGIONAL CONFERENCE, Taipei (International Telecommunications Society 2011).

production of content, which may originally be non-digital but eventually be encoded in digital format. In general, content is the material that consumers value for its information, entertainment, or exchange value. For example, movies, television programs, newspaper, book, music, photos, games, and the information on Web.⁴⁴ (2) Platform: On the platform, content is branded, packaged, assembled, and/or bundled into a product or service based on specific business model. The platform is the implementation of business models with software and hardware. The frontend of the platform is the product or service of digital content; the backend of the platform may be referred to “server”. (3) Transmission: Transmission refers to physical structure or carriage for transmit digital data.⁴⁵ It can be wire line or wireless, territorial or non-territorial, to form various fixed and mobile networks with different standards for data transmission. Fixed network includes telephone line system, cable TV systems, or, more generically, optical fiber or co-axial copper cable. Mobile network includes various wireless networks. (4) Terminals: Local devices for input and output of signals and information, e.g. phones, TVs, PCs, tablet PCs, etc, also referred to “client.”⁴⁶ In order to access the product or service provided by the platform, terminals may require downloading application software (‘app’) from the server.

⁴⁴ See Mueller, *supra* note 8; see also Collin, *supra* note 24, at 181.

⁴⁵ See *id.*

⁴⁶ See *id.*

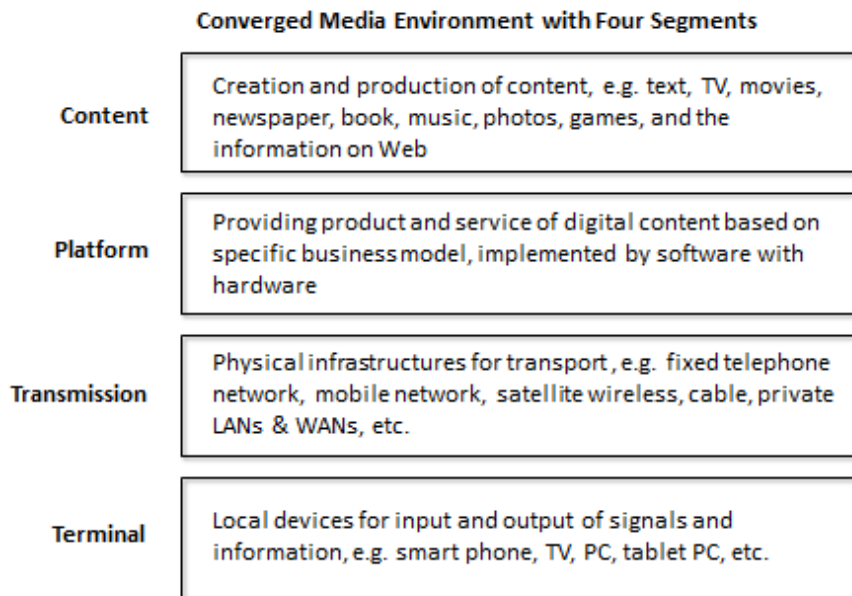


Figure 1: Four horizontal segments of the converged media environment (Modified from Mueller, 1999).

D. Patent Analysis

Patent analysis composes patent search and interpretation for managerial and/or technological purpose.⁴⁷ Patent search was conducted by using on-line patent databases provided by official patent offices in Taiwan (www.tipo.gov.tw), China (www.sipo.gov.cn), and the United States (www.uspto.gov). Each company/subsidiary of both groups was searched for issued patents and patent applications by May, 2012 and search result was analyzed at company level as well as at group level. Quantitative results include number of patents and number of applications for each group. Qualitative results include invention claimed and International Patent Classification (IPC) of each patent and/or application.⁴⁸ Patent strategy for each group was interpreted by analyzing quantitative and qualitative results of patent search as well as answers to ad hoc questions during in-depth interviews.

⁴⁷ See Lee & Kang, *supra* note 38.

⁴⁸ Because search results reveals that there are only few patents, complicated patent indicators such as technology cycle time, citation indicators, etc., are not used in this analysis.

IV. Result and Discussion

A. UDN Group

1. Transformation begins with the Internet

The UDN Group began as newspapers, the “United Daily News”, in the 1951 and expanded to the publishing, communication, advertising and Internet businesses. Its newspapers include the United Daily News, Economic Daily, United Evening News, Upaper, World Journal,⁴⁹ Universal Daily News,⁵⁰ and China Economic News Service. Its publishing and communication enterprises include Linking Publishing, Unitas, Aquarius Publishing, udnDigital, udn.com, udnjob, and Min Sheng Culture & Communication Ltd. As regards the marketing and advertising sector, the group has United Marketing Research Co., North Advertising Business, Central Advertising Business, and Southern Advertising Business. Other logistics sector includes Lei She Color Printing and Tian Li Transportation.⁵¹ In addition, Gold Media, the sub-media group of UDN Group, has core business in exhibitions and events.⁵²

The cross-media transformation of the UDN Group involved two stages, beginning with the Internet and then transforming to digital media gradually. The first stage was the preparation period, which lasted from 2000 to 2007. During the booming of the Internet in 2000, udn.com was established, primarily providing on-line content and services. The second stage, commencing in 2008, was to adopt the strategic module of digital convergence. For the UDN Group, the decrease in profits from newspapers and the trend of digitalization were existing factors in the macro-environment, but the catalyst for stimulating the digital convergence strategy was the financial crisis in the end of 2007. Lee stated:

Although our newspapers were already losing money before 2007, it was still under control. However, as the financial crisis swept across the globe in 2007 and 2008, the whole media business found itself in a catastrophic situation. As a result, the financial crisis was a significant driver as we deliberated digital convergence. We concentrated on strategic planning for six months in 2007. After the resolution was approved by the board in 2008, a drastic transformation had commenced.

⁴⁹ The World Journal is published in New York, Los Angeles, San Francisco, Chicago, Dallas, Vancouver and Toronto and distributed throughout North America (http://www.worldjournal.com/pages/about_us-e).

⁵⁰ The Universal Daily News is published in Thailand.

⁵¹ UDN Group Home Page, <http://www.udngroup.com/2c/index-5.jsp> (in Chinese).

⁵² Golden Media Group Home Page, <http://www.gmg.tw/introduction.html> (in Chinese).

2. Sustainable development in the newspaper business and the future of multimedia

Please refer to Figure 2 illustrating the two-fold mode of digital convergence strategy of the UDN Group; also refer to Figure 3 illustrating the positioning and business scope of the UDN Group in the converged media environment. Since 2008, the UDN Group has been achieving its strategic goal of digital convergence in a two-fold mode: first, sustainable development in the traditional newspaper business; second, the transformation to the future of multimedia. The traditional business model of newspapers is circulation and advertising. However, given the changing business environment, the UDN Group could no longer rely on income from those two revenue streams. Therefore, it adopted the strategy of business diversification by providing peripheral services to support the core newspaper business, such as sponsoring performances by the Cirque du Soleil, the Miller exhibition and an exhibition on mammoths. Following the success of small-scale events, the group began holding large-scale events with excellent results. More than 90% of the UDN Group's events have been profitable; therefore they support the core business. In recent years, the non-operating income from the events held by Gold Media, owned by UDN Group, has surprised competitors and earned their admiration.⁵³ Lee stated:

Our second fold is to transition to the future of multimedia. Actually, the future of multimedia is a question mark, since we have no idea what it will look like in the end. Since the transition is our goal, what kind of multimedia ability does this group lack? We have the ability to generate content, namely words and graphics. We also have personal networks, brands and on-line technology, namely udn.com ... however we lack the ability to use video to generate content or to tell stories. A saying within the company is "use video to tell story." We began to think that there are more than 500 journalists and 200 editors in this group, is it possible to train those 700 to 800 colleagues' way of thinking to switch from 2-D to 3-D and video?

⁵³ See Lin, *supra* note 3.

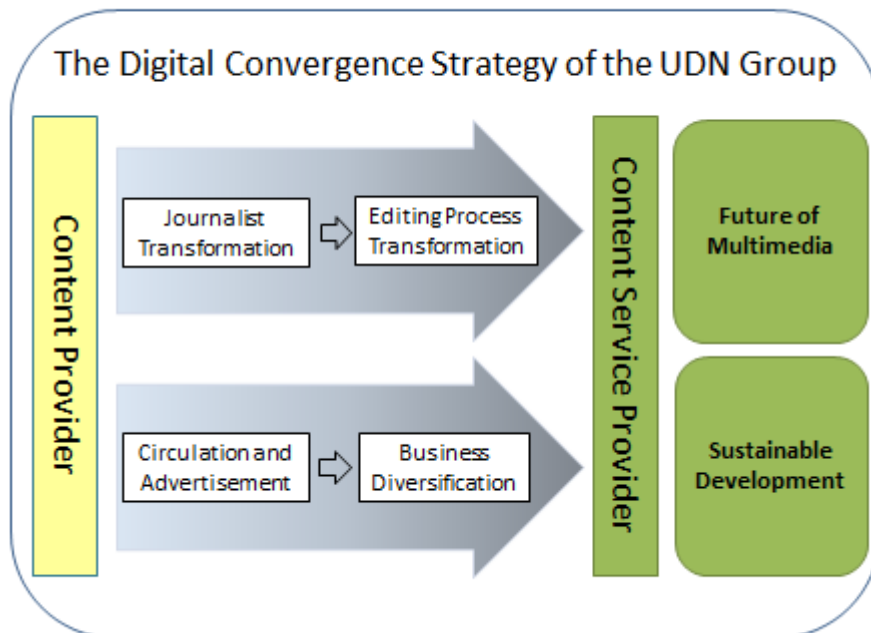


Figure 2: The digital convergence strategy of the UDN Group.

In the trend of cross-media through merger and acquisition, the UDN Group naturally considered acquiring a television station, but after evaluating the high cost of acquisition, it realized that it would be impossible to gain a profitable return on investment. Finally, the decision was made to rely on internal transformation and resource integration to fulfill its goal of multimedia. The first move was journalist transformation. More than 200 journalists were selected for the first group and received one year of training. Employing the stick-and-carrot approach to promote the KIP (Key Performance Indicators) and reward mechanism, by the end of 2009, the UDN Group produced about 80 video clips of news during weekdays, more than the capacity of a TV station; 50-60 clips were produced during the weekends.

The second move was the transformation of the editing process. First, the group established a video department in 2010, to set the operating procedure as a TV station to provide on-line video news, a re-edited tablet newspaper. Second, in 2010, the UDN Group gathered the editing departments of “three newspapers and one doc-com”, the United Daily News, Economic Daily, United Evening News and udn.com, while moving the headquarter to Xizhi

in New Taipei City, to symbolize the complete transformation of the traditional newspaper media into a content provider for multimedia. The UDN Group further declared that it would not only publish newspapers and on-line news, but also provide high quality video news for media devices such as TV, computers, mobile phones, and e-books that could be accessed at any time,⁵⁴ as shown Figure 3. The UDN Group demonstrated itself by broadcasting live the results and commentary of the 2011 presidential election through udn.com.

In content market operation, news is the cornerstone of the UDN Group, which covers a wide range of the horizontal market. Local news is often ignored by traditional TV stations, especially since television stations lack the mobilization and local connections possessed by print journalists. It is hoped that local journalists can act as “video commentators” and talk with anchors, which will show the unique characteristics of the print journalists and distinguish them from TV stations. In the vertical markets, the group operates in specific subject markets such as culture, literature and art through literature and art commentaries and substantial cultural activities on the UDN platform.

⁵⁴ Chen Lang Ren [陳浪仁] & Zheng Chao Yang [鄭朝陽], *Lian He Bao Xi Xin Zong Bu Qi Yong* [聯合報系新總部 啟用], Jan. 21, 2010, <http://blog.udn.com/wenxing/3713283#ixzz1lm9nSIIf> (in Chinese).

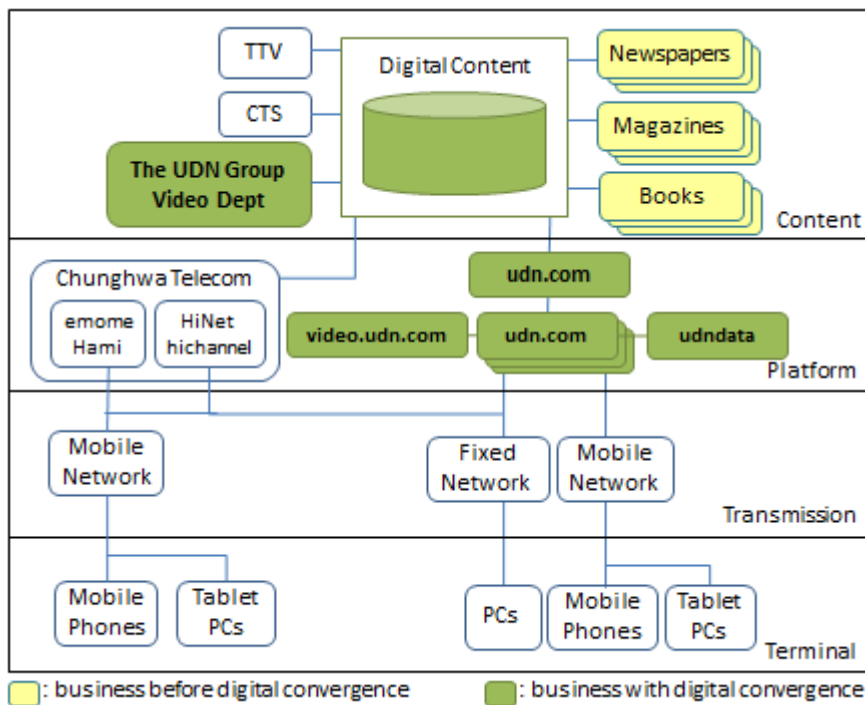


Figure 3: The positioning and business scope of the UDN Group in the converged media environment (Modified from Chen & Tsai, 2011).

3. Industrial co-competition and the positioning of content service providers

Content is the core for traditional newspapers and publishers. After the content has been digitalized, data aggregation and searches are provided by the database. The UDN Group further turned this digitalization ability into another business by assisting other publishers with digitalization and optimization of their traditional print media content, and cooperating with service providers such as Hami Bookstore of Chunghwa Telecom,⁵⁵ as shown in Figure 3. Regardless of whether it is the content or platform market, it has shown that the UDN Group has gradually transformed from “content provider” to “content service provider.” In the trend of digital convergence, the UDN Group’s industrial positioning of competition and cooperation (co-competition) is changing. Taking the development of e-books as example, although the group has three printing publishers, it actually cooperates more with other publishers in the e-book industry. Because each

⁵⁵ See Chen & Tsai, *supra* note 43.

reading devices may involve different technologies and standards, the general publishers are unable to convert all file formats and have neither distribution channel nor experience to sell their digital content. udn.com helps other publishers convert the content and sell it to the end users, including readers, libraries and enterprises.

Taking news as another example: the relationship between udn.com and portal websites such as Yahoo and PChome changed from cooperation to competition. The other example is databases business: udndata was originally the database for the UDN Group's newspapers but it now also provides a platform service for storing content from other magazines and video data from CTS and TTV. In the platform service, the co-opetition among the top three telecom companies is dynamic. Since telecom companies and even mobile phone companies provide platforms, it seems like they are in competitive relationship with UDN in the platform business. However, other companies may not be willing to use the platform provided by telecom companies, therefore UDN's platform service will play an important value-added role by helping other companies use the platform of telecom companies. Lee stated:

From 2000 to 2003, news content was licensed to portal websites free of charge. Although the portal websites claimed that they would share the profits with the news providers, the actual amount of money was rather small. From 2003, the main domestic news websites united and started to charge royalties to the portal websites. From 2003 to 2008, the portal websites bought news from different media, so the portals ended up becoming the main news websites. Frustrated by an unfair situation, from 1/1/2008, UDN ceased providing news to portal websites other than Hinet, since they already have a business relationship.

The relationship with the top three telecom companies is a co-opetition, thus there is no "it must be..." situation. It will be a good niche if they are willing to buy the content or pay for the marketing. Even though they sometimes compete with us, we are still willing to sell them content. Therefore, we will not refuse to cooperate with anyone. We even cooperate with the China Times and Next Media; we sell database to Next Media!

4. udnDigital began to file patent applications

Please see Table 1, the number of patents of media groups in Taiwan, China and the United States. As the patent search result shows, UDN Group does not have any patent in Taiwan, the United States or China. Nevertheless, there are two of the udnDigital's patent applications published.

“Communication apparatus capable of interacting with printed medium” was filed in June 2006; “Mobile communication apparatus capable of serving as a gateway for the A/V playing system” was filed in August 2006. Both of the patent applications were related to utilizing communication networks to transmit images with IPC H04M telephonic communication. Both applications were not allowed for patents.

Taking media as its core, udnDigital was established in 2004. The mission is internally to implement digitalization, and externally to develop convergence services, and media, information and telecommunications products.⁵⁶ The two above-mentioned patent applications present the achievements in research into the utilization of communication devices to transmit and process video data. Despite the rejection of these applications, the filings show that its positioning and mission are complying with the digitalization of UDN Group.

Table 1: The number of patents of media groups in Taiwan, China and the U.S. (Searched by May, 2011).

Media Group	Taiwan	China	U.S.	Total
UDN Group	0	0	0	0
Want Want China Times Group	3	0	0	3

Table 2: Patents of InforTimes of Want Want China Times Group (Searched by May, 2011).

Patent type/ Patent #	Title	IPC	Inventor	Filling Date
				Issue Date
Utility/ I319534	A system for creating keyword hyperlinks which are related to words on the webpage	G06F 017/4 0	Zhang, Zhi-Hong [張志弘] & Cai, You-Jie [蔡有杰]	2005/07/29
				2010/01/11
Utility model/ 157278	High speed information broadcasting ethernet system	G06F 013/4 0	Huang, Wen-Zhi [黃文治]	1990/07/30
				1991/05/01 (2000/07/01 terminated)
Utility	High speed network	H04L	Huang,	1990/01/04

⁵⁶ udnDigital Home Page, <http://www.udndigital.com.tw/udndigital/aboutus.htm> (in Chinese).

model/ 137567	telephone information broadcasting system	012/0 0; G06F 003/0 0	Wen-Zhi [黃文治]	1990/07/01 (2000/05/01 terminated)
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B. Want Want Chine Times Group

1. The formation of a cross-media group

China Times Group, established in the 1950s as a newspaper named “Credit News”, includes the China Times, Commercial Times, China Times Weekly, iGirl, InfoTimes, Chinatimes.com, Chung Tien Television (CtiTV), China Television (CTV), Shang Xun Culture Publishing (CTU), China Times Publishing, Media Sphere Communications, Times International Advertising, Apollo Survey & Research, and CTS Travel Service.⁵⁷ The core of the China Times Group was publishing and news in the early stage. After acquiring CtiTV and CTV, the cross-media group was then formed. Its operational scope includes the Internet, newspaper, TV, publishing, travel, advertising and events.

As the financial crisis swept the world, the China Times Group was acquired by the Want Want Group⁵⁸ in 2008, and is commonly named as the Want Want China Times Group. Moreover, the Want Want China Times Group is planning to acquire China Network Systems (CNS), a cable TV multi-system operator, which has nearly a quarter of cable TV users in Taiwan.⁵⁹ In the media convergence industry, the Want Want China Times Group produces content including publishing, newspaper, e-paper, database and CtiTV and CTV. As regards the transmitter, with the goal of connecting to the end users, it expanded from wireless TV broadcasting to the cable TV system. Please see Figure 4, illustrating the positioning and scope of the Want Want China Times Group in the converged media environment.

⁵⁷ China Times Inc. Home Page,

<http://www.chinatimes.com/vgn/about-us/chinatimes-group-01.htm> (in Chinese).

⁵⁸ Chen Feng Ying [陳鳳英], Lin Ying Qiu [林瑩秋] & You Zi Yan [游子彥], *Zhong Guo Shi Bao Yi Zhu Le* [中國時報易主了], 1049 BUSINESS WEEKLY (2008), available at <http://www.businessweekly.com.tw/webarticle.php?id=34935> (in Chinese).

⁵⁹ Chen Bing Hong [陳炳宏], *Wang Wang Bing Gou An De Si Da Yi Ti* [旺旺併購案的四大議題], Aug. 20, 2011, NEXTMEDIA, available at http://tw.nextmedia.com/applenews/article/art_id/33611007/IssueID/20110820 (in Chinese).

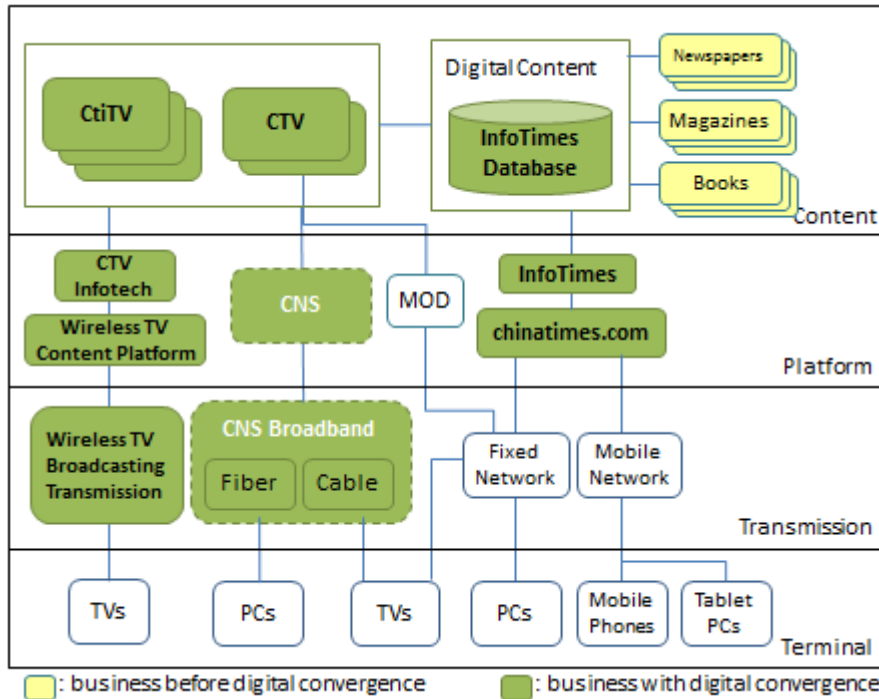


Figure 4: The positioning and business scope of the Want Want China Times Group in the converged media environment (Modified from Chen & Tsai, 2011).

2. Content digitalization and convergence

The start of the group's transformation from print media into e-media was InfoTimes, established in 1989. InfoTimes originally operated financial database collaborating with data sources such as Taiwan Stock Exchange. InfoTimes's product and service then expanded from financial database to www.chinatimes.com and database services and it became an integrating cross-media digital platform for digital content management and digital marketing after it merged with China Times Network Technology in 2008.⁶⁰ In the area of digital content, the Want Want China Times Group provides e-papers and databases. In addition, it has a wealth of video resources since it owns CtiTV and CTV. The content convergence has shown a synergistic effect by the combination of texts from the database and video from TV stations, and cooperation between the news department and the program department within a TV station and even among TV stations. Lin stated:

⁶⁰ InfoTimes Home Page, <http://www.infotimes.com.tw/new2/index.htm> (in Chinese).

Stories are taken from the database. Whenever we (CTV) want to discuss a topic, we always check to if there is an existing story related to the topic. Once the story exists, then a business model appears. We may combine the text from the database with the video from TV stations. Let's say that a popular news program needs stories about old-time celebrities, and CTV has more stories than Cti-Enter. Therefore, Cti-Enter will search the content from us and produce by itself. We can use that piece of work after they finish producing and broadcasting, since we provided the data. This symbiotic relationship enables us to cover each other.

The task of group's digitalization has been carried out by CTV Infotech. CTV Infotech was established in 1999, responded to the intense competition that broadcast TV confronted from satellite TV and cable TV, as well as the rapid pace with which information technology extended the range of influence.⁶¹ CTV Infotech is charged with the mission of informationalization and digitalization, including digital engineering and innovative research within the department, across several departments and even across several TV stations. Take the news department as an example: the document and editing management system developed by CTV Infotech is able to support functions such as interviewing, editing, broadcasting, storing, accessing and drawing. Since video has been digitalized and the files have been formatted, it overcame a restriction that two people could not use the same roll of film simultaneously. Following the management of network rights, all of the work can be completed while sitting in front of a computer.

As to the broadcasting of programs, CTV has already employed the centralized control automatic broadcasting system, so that from the news department to program department can automatically broadcast programs. Among TV stations, CTV and CtiTV have different production processes, but they are expected to use the same standard in order to achieve the group's plan for convergence through a single, large platform. Digitalization can greatly benefit the group's back-stage management. Since the management of production and broadcasting has been enhanced, it is expected to improve the management of video assets. Lin stated:

Therefore, if file formatting has been standardized, then one file can be edited by more than ten people at the same time. During important events such as elections, a torrent of information will pour in. One person is in charge of broadcasting, another is in charge of total arrangement, while a third is in charge of

⁶¹ CTV Home Page, <http://www.ctv.com.tw/opencms/jsp/ctv.jsp> (in Chinese).

documentaries. The division of labor ensures that the work is performed with astonishing speed, wow! The finished products all emerge together.

3. Challenges and perspectives

Given the trend of convergence, from the China Times Group to the Want Want China Times Group, there are many challenges. First is “shift of destiny.” Whenever a management team changes, rule of thumbs changes. Take CTV as an example: it was originally owned by the Kuomintang (KMT) party, then bought by China Times Group, and then owned by Want Want Group after China Times Group sold to Want Want Group. CTV switched from political party-owned to privately-owned, from the video field to the journalism field, from the media industry to the food industry. These ownership changes also brought about changes in the management's decision-making process. Lin stated:

After CTV was sold by the KMT, the torch was first passed to Chien-hsin Yu from China Times Group, so it was media-oriented. We all understood that there is great difference between newspapers and TV. As the company switched from political party-owned to privately-owned, I observed a huge gap. Now, the group is owned by Want Want, which produces food. However, CTV is not the only case in the world. Many high-tech companies end up under the ownership of traditional industries, e.g. Pan American Satellite Corp., a well-known satellite communication company. Thus, these takeovers produce drastic “shift of destiny.”

In the field of media, we start our thinking with an idea called platform. Platform thinking cuts through the industry's game rules, causing major changes. The average person can easily discuss platforms, but will encounter numerous obstacles, such as differences between cable TV law and broadcasting TV law, if they try to execute the concept. [Besides,] in TV broadcasting, CTV is the only listed media company. Since it has so many tasks mixed together, it is hard to integrate.

Second, different types of media are regulated by different laws and regulations. Meanwhile, legal amendments cannot keep pace with the speed of technological development and convergence, which impedes the application of many innovative technologies. CTV Infotech has conducted research projects, such as tele-text, MHP (multimedia home platform) and handheld TV, but the regulations of wireless TV, cable TV and telecommunication may not be consistent. Legal limitations hinder the promotion and application of these technologies. On the other hand,

technical standards are progressing rapidly. If the R&D results are not implemented in time, their results become obsolete, since technology and standard are changing so rapidly.

Nevertheless, CTV Infotech has accumulated engineering and R&D capacity to keep pace with recent technological advances. From B2B to B2C, from set-up-box, digital TV to mobile TV, it sketches out the perspective of a digital life. Lin stated:

We first digitalized internally, and then turned it into a tool for change. We executed digitalization for building contact windows, for creating a B2B inside our own group or an outside B2B. The final goal is B2C ...all of these preparations have a single objective, the acquisition of the largest audience possible.

“Life is convergence”. The most significant aspect of digital convergence is how to make people enjoy information as fast and accurately as possible. A flexible, motivated nation requires citizens who can act quickly and concisely. The information that you receive must be correct, or the wrong decision would be made.

4. InfoTimes and patent activity

Please see Tables 1 and 2. Table 2 shows the patents of Want Want China Times Group. In the Want Want China Times Group, among Taiwan, China and the United States, there are only three Taiwan’s patents granted to InfoTimes, as shown in Tables 1 and 2. All of these three patents are related to electronic data processing, with IPC G06F. In 1990, a year after InfoTimes was established, a utility patent application titled “High speed information broadcasting ethernet system” and a utility model patent application titled “High speed network telephone information broadcasting system” were filed. Both were issued patents but terminated in 2000.

The only patent alive is Pat. No. I319534 “A system for creating keyword hyperlinks which are related to words on the webpage”. It was filed by China Times Network Technology in 2005,⁶² and later assigned to InfoTimes since China Times Network Technology was merged by InfoTimes. After four and half years of examination process, I319534 was issued in 2010. This invention creates a locator system that matches hyperlinks with keywords in the content to place specific advertisements on the webpage to increase the amount of advertising links, in order to attract more visitors to click on the particular advertisement, thus creating

⁶² Besides, China Times Network Technology filed another application titled “Content marketing system and operation method therefor” in 2007, which is not allowed.

advertising revenue. The content provider may perform alternative pre-determined implementation process to reduce the server's burden.

V. Recommendations for Developing Patent Portfolios

A. UDN Group

The UDN Group does not have any patents. The main reason is that newspaper operators' traditional emphasis on copyrights which are directly related to the creation of words and pictures, rather than technological innovation, which is directly related to patent rights. Even if there is technological innovation, long prosecution process reduces the incentive to file patents. Since the UDN Group is transforming itself from a "content provider" to a "content service provider," the core intellectual property should expand from the content it produces to the techniques which produce the content. Therefore, the protection of intellectual property should expand from copyright to patent right.

Content is always the critical intellectual property for the UDN Group; content producers are valuable human assets who can create an endless supply of content. The specialty in telling stories is the UDN Group's core value. In the era of digital convergence, relying on internal transformation and resource integration, the UDN Group has achieved its belief of sustainable development in the traditional newspaper business, and its strategic goal of transforming to multimedia. Its specialty of telling stories is progressing from 2-D content production to digital content production and the platform services. Various forms of digital content, such as real-time video news, news database and e-book, are transmitted through a wide range of communication channels and cross-media devices to present optimized digital content.

Following the popular saying "content is king," the UDN Group not only cooperates with content providers such as TTV and CTS, but also cooperates with publishers that were traditionally considered competitors, thus accepting the changes caused by the digital convergence era. Moreover, "content is like water," it may fill any container, so the UDN Group utilizes a variety of channels and devices to present optimized digital content. The patent filing activity indicates its innovation capacity and result of R&D in the area of data transmission and presentation.

According to the above-mentioned core value and R&D, as to the patent portfolio and patent management, this study recommends that the UDN Group adopt intellectual property management including not only copyrights but also trade secrets and patents to protect its innovative research in cross-media data transmission and presentation. For those technological innovations which are not suitable for trade secret protection, consider filing patents. The value of patent may not be seen immediately; hence it requires

business assessment for patent filings. Besides, defensive publication of its technological innovation is another option which can prevent others from getting patents on the similar technology. Furthermore, these subjects such as cross-media data transmission and presentation should be placed in the scope of patent watch in order to avoid patent infringement. Since e-books and digital content platforms are existing services, the UDN Group should take the related patent risk and infringement liability into consideration while selling products, services or outsourcing technology.

B. Want Want China Times Group

In the Want Want China Times Group, there are three patents granted to InfoTimes. Although two of the information broadcasting system related patents were filed before 1990, it did not file any applications until the third one was filed in 2005 and was issued in 2010. Such patent activity does not reveal specific planning on developing a patent portfolio. The main reason is presumably that the media traditionally deems copyright to be the core of its intellectual property while technology R&D is not the main innovative activity.

The Want Want China Times Group, originating in the newspaper business, has stepped into the operations of content website and TV programs, and is expanding its dominion to the cable TV system. In the era of digital convergence, it grew its content market share through acquisitions. The goals of performing digitalization and development in the internet and platform were reached mainly to satisfy internal needs. It focuses its engineering power on solving configuration issues while outsourcing a variety of new hardware and software, and dealing with numerous problems related to data conversion. Government-sponsored funds are allocated efficiently to subsidize R&D and test projects like MHP and handheld TVs, those technical projects seemed mainly resulting in the enhancement of the R&D capacity but lack the application of patents as one of the output index for R&D. In the era of digital convergence, the Want Want China Times Group is moving from the digitalization stage into convergence stage, where the management of the internal B2B production has achieved the seamless production process, as well as the management of video assets. Moving towards the convergence stage, as to its strategic vision of “life is convergence,” more specific products and services are needed in order to realize its B2C goal and vision.

In the Want Want China Times Group, InfoTimes and CTV Infotech own the main R&D capabilities. Even though they conduct innovative R&D mainly to meet the demands of B2B within the group, they are actually able to accumulate patents as defensive weapons. This study recommends that the Want Want China Times Group may take InfoTimes and CTV Infotech as

the starting point for establishing a patent management system and developing a patent portfolio. In addition, it should take the related patent risk and infringement liability into consideration while outsourcing technologies or products.

VI. Conclusion

As the internet flourishes, the print media faces the hardship of a decline in circulation and advertisement. On the other hand, they are exploring the new business models of e-media. Following the financial crisis, the industry has fallen into the depth of depression. As for the UDN Group and China Times Group that both originated from the newspaper industry, the financial crisis was a significant turning point. The UDN Group determined to step towards to the digital convergence with internal transformation and resource integration. It has become a cross-channel and cross-device content service provider through two approaches, namely, through the sustainable development of the traditional newspaper business and the transformation into a multimedia corporation. The China Times Group faced with a change of management following its purchase by the Want Want Group. The Want Want China Times Group is stepping into cable TV multi-system operation to expand its dominion of digital convergence value network through acquisitions. With digitalization, it has accomplished the seamless process and improved efficiency in the back-stage management, which has demonstrated a synergistic effect in content convergence.

In the era of digital media convergence, none of the two groups view patent right as a strategic asset in their R&D or acquisition. There are four possible causes. First, in the media industry, traditional newspaper operators usually pay more attention to copyrights which are directly related to the creation of words and pictures, rather than patent rights which are directly related to technological innovation. Second, the R&D is intended mainly to meet the groups' internal requirements. They may lack an in-depth understanding of patent rights, which leads to the mistaken interpretation that there is no need to acquire patent protection for the internal use of innovative technologies. Third, even though there are R&D results, they file patent applications in a haphazard manner, and key abilities, such as patent search and patentability analysis, are still in the early stages for the groups, so they may fail to acquire patent rights. Fourth, the time for patent prosecution may be relatively longer than the life cycle for product/service in e-media; therefore, the media group may not see the benefit to acquire patents for its innovation.

While the business model of digital media convergence is becoming concrete, the barriers among traditional media and the industrial co-opetition relationships are gradually changing as well. Due to the variation of the

industrial barriers and the positioning of media, competition between media groups are no longer limited by the traditional media business. Patent war has spread from the information communication industry to the media industry. Along with this phenomenon, the groups with larger end-user market will probably become the patentee's target for charging royalties. In contrast, patent rights are not highly valued in the media industry. They do not have much experience dealing with patent-related issues and also lack patent assets as the defensive bargaining power and lack the resources required for fighting a patent war.

Moreover, a patent management system is needed. In particular, the digital content services are flourishing in the era of digital convergence; therefore traditional copyrights can employ technological applications and value-added content to create a larger market. The dominant content provider will no longer limit itself to merely providing content, but become aware of the improvement of its technology capacities. Regardless of whether it is market or technology considerations, media groups are exposed to a higher risk of patent infringement than before. Since there are two sides to every coin, media groups may obtain technological support and patent bargaining power through licensing. Therefore, it is vital to take patent risk and infringement liability into consideration when developing new product and service or outsourcing technology. This study recommends that the leader in content service should perform patent watch and develop patent portfolio on data conversion, as well as cross-media data transmission and presentation. Such a portfolio may serve as a defensive measure in the short-term and as a patent niche to differentiate itself from other media groups in the long-term.

Cited as:

Bluebook Style: Po-Ching Lee, *Empirical Study on the Digital Convergence Strategy and Patent Activity of Taiwanese Media Groups*, 1 NTUT J. of INTELL. PROP. L. & MGMT. 121 (2012).

APA Style: Lee, P.-C. (2012). Empirical study on the digital convergence strategy and patent activity of Taiwanese media groups. *NTUT Journal of Intellectual Property Law & Management*, 1(1), 121-146.

**RESEARCHING U.S. INTELLECTUAL PROPERTY LAW
IN THE DIGITAL AGE: HOW ONLINE RESEARCH ON
WESTLAW CAN ENHANCE YOUR RESULTS**

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ABSTRACT

Given today's advanced technology and ease of communication, Intellectual Property (IP) law has become significantly vital in protecting IP owner's property from unauthorized access or use. The aim of this paper is to educate researchers outside the U.S. on how to do research on American Intellectual Property and analysis in order to gain at least a modicum of understanding, and dispel the myth of online legal research being a difficult task for users familiar with print resources.

Keywords: Legal research, intellectual property, Westlaw

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I. Introduction

When we talk about Intellectual Property (IP), we are referring to concepts like patents, copyrights, trademarks and an owner's intangible assets, i.e. design and idea respectively.

Legal research is not merely a search for information, but it involves several stages, such as collecting empirical information, in-depth critical analysis and comprehensive understanding. Many publications like Blaustein (1969),¹ Kelso (1965),² and Rombauer (1973)³ have stressed that legal research is fundamental for students and lawyers in their profession. Hence, we should take legal research instruction seriously and seek to master it whether online or in the library. This is made easier with the online legal research service Westlaw.

With the use of Westlaw, users can have access to an extensive collection of IP law-related material. These include secondary materials such as legal encyclopedias, treatises and practice guides, periodicals, law reviews or journals, and primary materials such as statutes and cases.

II. Foundations of American Legal System

For researchers to approach the American jurisdiction, it is fundamental to digest the components of the structure of the American legal system. As shown in Gionfriddo (2007), whose paper suggested that before a researcher can identify and pool together the relevant authority into an analytical framework, understanding of the nature and hierarchy of authority in the American legal system is prerequisite.⁴

The United States of America is a federal union consisting of 50 independent states, each with its own constitution. Statutes are contained in statutory codes at the federal and state levels. Statutes are primary source of law. However, statutes do not cover all circumstances, and every case has its own particular issue and the US court has the power to interpret the statutes if a dispute arises. The judge will take into account previous cases as a guide, in deciding how they interpret the statute and the reasoning.⁵ Hence, the court's conclusion for each case may serve as precedent, which is often binding and always important to subsequent court decisions. Ruggero Aldisert, the judge of the United States Court of Appeals for the Third

¹ See Albert P. Blaustein, *On Legal Writing*, 18 CLEV. MARSHALL L. REV. 237 (1969).

² See CHARLES D. KELSO, A PROGRAMMED INTRODUCTION TO THE STUDY OF LAW (Bobbs-Merrill 1965).

³ See MARJORIE DICK. ROMBAUER, LEGAL PROBLEM SOLVING: ANALYSIS, RESEARCH, AND WRITING (West 1973).

⁴ See Jane Kent Gionfriddo, *Thinking Like a Lawyer: The Heuristics of Case Synthesis*, 40 TEX. TECH L. REV. 1, 4 (2007).

⁵ See BLACK'S LAW DICTIONARY (9th ed. 2009) (interpreting "stare decisis").

Circuit, stated that “precedent is the basic ingredient of the common-law tradition. It is a narrow rule that emerges from a specific fact situation.”⁶

Aldisert has also defined precedent as:

[T]he rule of the case creates a binding legal precept. A judicial precedent attaches a specific legal consequence to a detailed set of facts in an adjudged case or judicial decision, which is then considered as furnishing the rule for the determination of a subsequent case involving identical or similar material facts and arising in the same court or a lower court in the judicial hierarchy.⁷

As mentioned above, they may serve as authorities at which are often binding. Hence, it drives how decisions are made in future cases.⁸ Consequently, it could be said that the common law is comprised of the opinions of courts. As such, for lawyers or students, who would like to produce a persuasive argument, it is recommended to approach the case law databases first in their research, which gives a more conclusive and judicially interpreted view of the law.

A. Sources of law

Laws are made at three basic levels: federal, state and local. Operating at each of these are three sources of law: legislatures, judges and executive officers.⁹

These government bodies belong to one of the three branches of government which are 1) The Legislative Branch which produces statutes; 2) The Judicial Branch which produces judicial decisions; and 3) The Executive Branch which issues orders, regulations and administrative opinions. All of these types of law, and how to research them, are discussed in detail below.

III. Tools for Legal Research in the U.S.

Wren and Wren (1988) wrote one of the first articles in giving legal research instruction.¹⁰ Their paper emphasized on the word bibliography, which obviously becomes a so-called Bibliographic Method of Research.

⁶ See RUGGERO J. ALDISERT, *OPINION WRITING* (2d ed. 2009).

⁷ See *Allegheny Gen. Hosp. v. N.L.R.B.*, 608 F.2d 965, 969-970 (3rd Cir. 1979).

⁸ See *INTERNATIONAL ENCYCLOPEDIA OF THE SOCIAL SCIENCES* (David L Sills ed., Macmillan 1968) (defining “Law”); see also *Encyclopedia.com*, <http://www.encyclopedia.com> (last visited June 1, 2012) (checking “Law”).

⁹ See STEPHEN ELIAS & SUSAN LEVINKIND, *LEGAL RESEARCH: HOW TO FIND & UNDERSTAND THE LAW* 22.

¹⁰ See Christopher G. Wren & Jill Robinson Wren, *The Teaching of Legal Research*, 80 *LAW LIBR. J.* 7, 47 (1988).

Bibliographic resources in the law are broadly divided into two categories. Primary sources refer to publication of code, statutes, court opinions and decision. Secondary sources refer to those resources that further explain the Primary sources. Both Primary and Secondary Sources are available on Westlaw.

Users can find IP resources within Westlaw in two simple ways. Firstly, users are able to choose “Intellectual Property” directly from a list of material called “Topical Practice Area”. Users can further narrow your search by choosing the more specific sources. Alternatively, at the top of the main page, there is a tab for Intellectual Property.

A. Secondary Sources

1. Keywords

The main idea is “keyword”. This may sound too obvious. However, this is where researchers often go wrong and struggle where no useful information is found. To do a good search you need to think and analyze the subject that you are researching.¹¹

The process of legal research involves the proficiency of defining the legal matters, having access to law resources, and the aptitude to relate and apply what is being discovered. Hence, researchers should always bear in mind what they are trying to achieve.

To start off with your research, think about all the terms and words that might possibly assist you in finding the material that you need. You should avoid simply digging out the fact-pattern keywords and go directly to statutes or case.¹² It might be a waste of time eventually if those words have not been actually used in the statutes or cases that you are looking for.

Wren and Wren suggest that researchers must have a good understanding of the statutes or cases to form its models to make up an argument.¹³ However, it is not always the fact that researcher could understand the statutes or cases simply by reading through cases and statutes.

2. Legal Encyclopedias, Treatises and Practice Guides

Consequently, if researchers are unfamiliar with the area of Intellectual Property law, it is suggested to use Secondary resources such as Legal encyclopedias, Treatises, Practice Guide to comprehend your topics and have a broader overview of the area. These sources mentioned not only provide comprehensive footnotes citing the most prominent cases and authorities

¹¹ See Scott P. Stolley, *Shortcomings of Technology: The Corruption of Legal Research*, 46(no. 4) FOR THE DEFENSE 39, 40 (2004).

¹² See Michael J. Lynch, *An Impossible Task but Everybody Has to Do It-Teaching Legal Research in Law Schools*, 89 LAW LIBR. J. 415 (1997).

¹³ See Wren & Wren, *surpa* note 10, at 47.

discussing these theories, these materials help you to locate valuable information such as professional law vocabularies or procedures commonly used in that area. The content will also link you to the journals and law review articles for further searching.

If you know very little about the topic you are researching, it is recommended to consult a Legal Encyclopedia to develop terms for searching other tools, or to obtain references to primary or secondary materials. The two major legal encyclopedias are: *American Jurisprudence 2d* (AMJUR) and *Corpus Juris Secundum* (CJS).

Identifying a good legal treatise and getting the background and context often give the most successful legal research. Treatises are defined as the monographs that give comprehensive guides to discrete areas of law.

Westlaw provides research tools to make your research faster and easier, such as links from cases and statutes to the full text of treatises on Westlaw which cite them. Browsing of Tables of Contents is recommended as a starting point of the research, which you'll be able to browse to specific point of law that's most interesting and helpful to your research. Westlaw also provide the advantage of natural language and terms & connectors searching though out all content including Key Numbers. Many treatises are also available as citing reference in KeyCite.

A library of treatises is also available online on Westlaw. These are conveniently grouped for specific practice area such as IP (eg. IP-TP) and can also be found in the Directory.

Practice guides are in-depth resources that provide step-by-step procedures, legal interpretations and analyses of the law. They also provide sample pleadings and transaction forms for your reference. Practice Guides are well-written and well-organized; give researchers a better understanding of the procedural and substantive law, as well as the hands-on instructions necessary to file before deadline. To sum up, practice guides explain what to do, when to do it, and how to do it.

3. Annotated Law Reports, Law Reviews, and Periodicals

In order to conduct case law research, it is advisable to include of relevant American Law Reports, Law Reviews and Journal articles. Each of these sources has a slightly different focus, and reference to each can be very useful to gain a more understanding of the research issue.

American Law Reports (ALR-IP) are annotated law reports written by attorneys and contain annotation covering timely or contemporary issues. A typical annotation discusses a leading case, summarizes related cases on a particular legal issue or fact situation. As such, an ALR can address issues with much more specificity than treatises. An ALR annotation typically contains an article outline, references to law review articles and other analytical materials which allow you to get an in-depth understanding.

In searching for annotated law reports, it is preferable to use the online searchable databases rather than the current print version. This is because searching in the print version would require sorting through various indexes and pocket parts to these indexes. A well constructed search through an electronic version of ALR, available on Westlaw under a database called ALR-IP and will retrieve all relevant documents in IP law.

Law reviews articles are often written by law professors, unlike legal encyclopedias, the contents are selective and exclusive. However, there may be some times that particular issues might not be covered under those articles; if that is the case then you will have to turn to an alternative searching tool. Recent periodical articles often offer review and analysis of current decisions, new laws, and recent legal problems. Thus, a relevant article can provide useful information for relevant laws that have recently changed. They can also warn the practitioner of new legal pitfalls, and recommend new strategies in approaching legal problems. Thus, running a quick search through an article database for recent articles that are on point is highly recommended.

Most intellectual property journals are indexed in the weekly editions of the Current Index to Legal Periodicals (CILP) and more than 1,000 law reviews and journals are available under the database Intellectual Property-Law Reviews, Texts & Bar Journals (IP-TP) on Westlaw which give researcher access to a wealth of information.

B. Primary Sources

1. Statutes

As discussed above, effective legal research can begin by reading secondary sources. When reading these secondary sources, the researcher should always be on the lookout for statutory references.

Federal statutes from the United States Code Annotated (USCA) that relate to intellectual property rights are contained in the Federal Intellectual Property-U.S. Code Annotated database (FIP-USCA). Corresponding federal regulations are contained in the Federal Intellectual Property-Code of Federal Regulations database (FIP-CFR).

USCA will annotate statutes with case citations, helping the researcher to find case law.

The annotated codes are extremely useful for these annotations, as attorneys and law students can quickly scan these case annotations to locate cases for further research. Each annotation will include a case citation with which the case can be retrieved from Westlaw.

Secondary sources will often cite Public Laws as published in the Statutes at Large, particularly when citing to new legislation and the researcher will need to convert the citation to a United States Code cite in

order to perform effective and current research and find the text of the statute as codified. The statute at large table will enable the researcher to pinpoint exactly where the statutory provisions became codified.

On the other hand, researchers will frequently be asked to retrieve a statute by its so-called popular name, such as Lanham Act under the area of IP law. The Lanham Act also known as the Trademark Act 1946. When you need to find out what the name of a statute is, the best resource you can turn to is a popular name table. The Acts cited by the USCA Popular Name Table (USCA-POP) will steer the researcher to the correct name of the statute.

a. Citation

The easiest way to retrieve a specific document when researchers have the citation is to use the Find Services. A typical citation to the U.S.C.A. looks like this: 17 U.S.C.A 107. This is a reference to U.S. Code Annotated, Title 17, section 107 (which happens to be the fair use provisions of copyright).¹⁴

The Find services allow the users to retrieve a specific document as if the researchers have the citation in hands. Documents can also be located using one of the two search methods (Terms & Connectors and Natural Language) for searching full text materials.

2. Case Law Research

Here we advised that legal research should start off with an examination of secondary sources and then review carefully all controlling statutes and regulations. However, as legal research must involve detailed analysis and requires some lateral thinking to identify all the topics needed to comprehensive research of a particular area which can be time consuming.

a. West American Digest System

Judges write opinions. These are also called decisions, or orders or rulings. They are also called cases. All these terms refer to the same thing: a writing of the court. Judicial decisions are published in sets called “reporters”. There is a team of editors from West providing case citations and summaries of cases discussing legal points (digests). West Digests arrange their points of law case summaries by a topic, subject and key numbers classification system.

The Key Numbers are part of the West Digest System. West has taken law as a subject and divided into over 700 subject areas, called topics.¹⁵

¹⁴ See THE BOSTON COLLEGE LAW LIBRARY, LEGAL RESEARCH GUIDE #1 READING LEGAL CITATIONS (2004), http://www.bc.edu/content/dam/files/schools/law_sites/library/pdf/researchguides/citations.pdf.

¹⁵ See Doug Batey, Westlaw Changes Topics and Key Numbers for LLCs and Corporations (June 2, 2011), <http://www.llclawmonitor.com/2011/06/articles/legal-research/westlaw-changes-topics-and-key-numbers-for-llcs-and-corporations/>.

These subjects are then further divided it into subtopics, which are subdivided into what are called “Key Numbers”. There are over 100,000 individual Key Numbers used in the arrangement. A topic and subtopic together comprise a Key Number.

Key Number editors assign a key number for every point of law found in an opinion. In West Digests the topic and Key Number for Patent 291 look like the example below.

The Key Number, 291k refers to the subject Patent. 291k162k represents “Contemporaneous construction of inventor” under Patent. West gathered points of law concerning Contemporaneous construction of inventor under the 291k162 label.

The editors then write a paragraph summarizing the point of law represented by the Key Number. These paragraphs, along with the Key Numbers are superimposed upon each opinion. The Key Number along with its paragraph of text is called a headnote. Each headnote is given a headnote number, a topic, Key Number, and sometimes a statute, court rule, or regulation citation. Headnotes are listed immediately before the beginning of the opinion.

Westlaw organizes all IP cases into the Federal Intellectual Property-Cases (FIP-CS) database.

3. Natural Language

For case research, researchers are recommended to select Natural Language as the searching method. Natural Language allows you to enter a description of your legal issue in plain English. Researchers can type in whatever comes to mind and there is always a search result, as Westlaw will identify legal phrases in your description (such as novelty and statutory bars, fair use, disclosure and enablement), removes common terms (such as *is* and *for*), and generate variations of terms (such as infringed, infringing and infringement).

For Asian researchers, there are sometimes work or terms that we might use words which are not commonly used at the articles from U.S. You can add your own related terms to a description or you can add terms suggested by the Westlaw thesaurus. For example, we are searching trade secrets regarding workers of the company, if we use the thesaurus we might find out that workers can also be known as employee and thus we can add it to our search in order to retrieve more related articles.

4. Terms & Connectors

On the other hand, a more precise searching can be done using Terms & Connectors. This search engine would limit the keywords entered by the researcher, by using field limitation. Terms & Connectors searching provides user of Westlaw with forum to construct highly detailed and specific searches, leading to very focused results. For example:

“ti(McCarthy) & Website (web internet /s site page) /p copyright /s infringing!”

This search would limit itself to the title field of the case which is the name of the parties and it would use the connectors to retrieve cases with certain words and phrases appearing in certain word order as typed in by the researcher.

5. KeyCite

KeyCite is a powerful citation research service. It is useful whether you are beginning, expanding or updating your research. It provides the history of a case, statute, regulation, or administrative decision to help determine whether it is good law and to retrieve citing references.

This raises the importance of tracking whether the authorities are current and still valid at the point of checking. KeyCite also provides citing references from numerous analytical materials such as American Law Reports; and patents issued by the U.S. Patent and Trademark Office which cited your authority for a specific point of law.

KeyCite includes graphics such as status flags, depth of treatment stars, and quotation marks that enable you to focus your research on the citing references which will carry more weight. You can find the KeyCite status icons under KeyCite at the top of the page in Westlaw.

IV. Methodology

Whether online or print, the primary strategy of legal research is to identify and analyze the significant facts that raise the legal issue.¹⁶ Researchers are then suggested to increase their understanding by reviewing one or more analytical sources and determine relevant authorities related to the issue and at the end run a quick search to see whether they are up to date.

The problem for many researchers is how to begin. With today’s advanced technology, information has now been digitized. This saves us enormous time in flipping through the pages of law books and finding the right article or case.

As shown in Sanford N. Greenberg (2007),¹⁷ online research has tremendously overridden the use of print as it provides a quick and easy way of accessing content. Whilst traditional print sources provide the same information but it is extremely time consuming to find articles. On the other

¹⁶ See STEVEN M. BARKAN, ROY M. MERSKY & DONALD J. DUNN, *ASSIGNMENTS TO FUNDAMENTALS OF LEGAL RESEARCH AND LEGAL RESEARCH ILLUSTRATED* (9th ed. 2009).

¹⁷ See Sanford N. Greenberg, *Legal Research Training: Preparing Students for a Rapidly Changing Research Environment*, 13 *LEGAL WRITING: J. LEGAL WRITING INST.* 241 (2007).

hand, by entering keywords in online search engines such as Google Scholar¹⁸ and Science Direct, it can give you an effective way to filter to just the law related publications. Moreover, using specialist law databases like Westlaw provides subject specific function and advantages.

Nevertheless, do not be overwhelmed by the potential of online research. If an inefficient methodology and approach is adopted, it could lose its advantages. Researchers need to employ an effective research strategy with a clear understanding of how to use Westlaw, in order to achieve the best results.

Take the following potential trademark issue as an example:

Bolton LLC, owns “A’moe du Chocolat” the famous trademark for chocolates since 1950, and has nationally advertised its chocolates to be the world finest chocolates from France. Amy Jacoby is marketing and selling candies manufactured locally called “A’moe Jay Candies” which has the similar packaging to “A’moe du Chocolat.” Bolton LLC wants to know if they have a claim against Amy Jacoby.

A. Identify Issues

First, we should identify the issues and analyze the facts. With no difficulty, we should be able to highlight the key facts as below:

1. Bolton owns “A’moe du Chocolat” trademark for chocolates
2. Established since 1950 and advertised internationally
3. Amy Jacoby is selling candies called “A’moe Jay Candies”
4. Similar packaging

B. Formulate legal issue

Second, we should formulate the legal issues presented in the above case. For example, does Amy Jacoby’s conduct constitute trademark infringement? If yes, then are there any defenses available to her?

C. Research

We can consult a treatise for a better understanding regarding trademark law. McCarthy on Trademark and Unfair Competition (MCCARTHY) is an example of a treatise. They are expert in areas of providing advice on protecting trademarks and registration; explain the law in details and give clear analysis on legal cases. Hence, for any researcher on trademark, approaching one of the treatises for research is a very good starting point for research.

¹⁸ See Anurag Acharya, *Finding the Laws That Govern Us*, THE GOOGLE OFFICIAL BLOG, Nov. 18, 2009, <http://googleblog.blogspot.com/2009/11/finding-laws-that-govern-us.html>.

Use the Table of Contents under McCarthy¹⁹ to locate the relevant section. The table serves as a quick reference point of which areas you are trying to look at. It also allows you to further narrow down your research by using the subheadings. From here, we are able to locate the section addressing dilution of trademarks. Researchers are then able to learn about the topic and identify relevant law using footnotes references.

The Lanham Act has often been cited under McCarthy, if you have an on-point statutory citation, you can turn to the USCA database and find the corresponding annotated code for your research.

Once you have a legal issue defined, you can turn to ALR in order to understand how the courts have handled that issue. You can run a keyword search to locate ALR annotations. In constructing such a search, take advantage of the fact that the titles of the reports in the ALR are usually a good description of the subject matter covered. Thus a title search including key terms will retrieve relevant documents without being over broad like an index search. A title search should include a combination of relevant terms grouped by similar topics:

“ti(trademark parody dilution) & infring! & similar /s pack! label”

Then depending on your needs, it gives you the choice of finding relevant cases and closely related materials.²⁰ Remember to check if the materials are up to date, which is extremely important to case-based arguments.

KeyCite the materials you found in your research to make sure they are current and still are good law. By entering the citation, you can quickly link to the relevant content and KeyCite flags allow you to check the status of a section at a glance. Researchers can easily determine whether there are problems with the cases, statutes, or other primary and secondary sources cited.

V. Conclusion

The universe of legal research resources can be a daunting prospect given the specificity of research requirements. Researchers may feel that they are looking for the proverbial ‘needle in the haystack.’ This can be the case when using traditional legal research methodologies using printed law books, treatises and law reports. The challenges involved in cross-referencing all these hard copy resources should not be underestimated. It is surprising then

¹⁹ MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION (4th ed.).

²⁰ Westlaw eLearning Center Home Page,
http://www.westlearning.com/rc2/my_catalog.asp?cid=14&pid=0#.

that in the digital age, where the majority of these resources have been included in online legal research services like Westlaw, that some researchers still cling to the comfort blanket and familiarity of hard copy materials.

Online legal research has, as this article has explained, many advantages over traditional legal research methods, including helping to structure your research by providing tools such as Key Numbers and linkages between citations in content to help users quickly transition from source to source and to work through the issues in turn; providing certainty of your results through features like KeyCite, which clearly define the current status of laws, and judicial decisions, and often more critically, speed (the ability to quickly narrow down your search to the resources which contain the results you need).

The overriding benefit for researchers from all the features and functionalities of online legal research services like Westlaw is confidence. Users can be confident that they get comprehensive results, they can be confident that the content is up-to-date, they get the confidence of analytical content that backs up the interpretations they make of the law, and confidence that they can get informed of any important changes after they complete their research which may impact on their conclusions.

In this day and age in the resilient and fast growing markets throughout Asia especially, where the phrase *'time is money'* really does hold true, the advantages of legal research over traditional methods really are hard to ignore.

Cited as:

Bluebook Style: Chloe Lau, *Researching U.S. Intellectual Property Law in the Digital Age: How Online Research on Westlaw Can Enhance Your Results*, 1 NTUT J. of INTELL. PROP. L. & MGMT. 147 (2012).

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TABLE OF CONTENTS

<u>Author, Title</u>	<u>Page</u>
Ping-Hsun Chen , <i>Should We Have Federal Circuit Law for Reviewing JMOL Motions Arising from Patent Law Cases?</i>	1
Kuan-Hsun Chiu , <i>The Duty of Confidentiality Shall be Preserved in Patent Prosecution to Foster a More Effective and Efficient Patent System</i>	25
Lung-Sheng Chen , <i>Enhancing the Quality of Software Patents by Open Review</i>	41
Ai-Tang Irene Chang , <i>Whether a Trademark Qualifies as a Well-Known Mark?-Application of Bad Faith in Determining the Degree of Well-Knownness</i>	53
Wan-Ling Cheng , <i>Patent-eligibility after Bilski: Revisiting the Supreme Court's Prometheus Decision</i>	94
Huei-Ju Tsai , <i>The Practice of Preventive Proceeding and Preservation of Evidence in Intellectual Property Civil Actions</i>	105
Yuan-Chen Chiang , <i>"Willful Blindness" for Induced Infringement-Impacts of the U.S. Supreme Court's Global-Tech Case on Taiwanese Companies</i>	114
Po-Ching Lee , <i>Empirical Study on the Digital Convergence Strategy and Patent Activity of Taiwanese Media Groups</i>	121
Chloe Lau , <i>Researching U.S. Intellectual Property Law in the Digital Age: How Online Research on Westlaw Can Enhance Your Results</i>	147