

# Bright Ideas

A publication of the Intellectual Property Law Section  
of the New York State Bar Association

## Message from the Chair

Whew—we have been BUSY! As I sat down to write this Message and went through my emails and calendar, I'm even more proud to be the Chair of such a vibrant and progressive Section.

One area where we continue to be ahead of the pack is diversity. Bill Samuels (Co-Chair of the Trademark Law and Membership Committees) and I attended the Section Leaders Conference, where we proudly accepted yet another NYSBA Section Diversity Champion award on behalf of the Section. The Section continues to be a leader within NYSBA on diversity and continues to be recognized for it. Our Diversity Initiative is led by former Section Chair Joyce Creidy, along with former Section Secretary Sheila Francis and former Section Fellow and Co-Chair of the Young Lawyers Committee Nyasha Foy.



**Kelly M. Slavitt**

The Section's 11th Annual Women in IP event, held on June 5, featured discussion of topics including "Strategies for Success," "How the IP Field has Changed," "Developing a Client Base," "Mentoring Relationships," and "Achieving a Balance between Home and Work." Pryor Cashman LLP hosted the event and sponsored the cocktail hour, while Thomson Reuters/Thomson CompuMark sponsored the always popular dessert reception. You can read more about the speakers and their remarks on page 26. The event continues to be sold-out every year, perhaps due in part to the raffle of fantastic prizes donated by the great women who attend this event.

In association with New York Law School's Institute for Information Law and Policy, on July 9 the Section's Diversity Initiative sponsored "Building Bridges: Developing Your IP Network with the NYSBA IP Law Section."

The program featured a panel of IP law practitioners from various industries and career stages who discussed IP law practice generally and specifically how involvement with the NYSBA enhanced their practice or grew their network. The event focused on encouraging diversity within the legal profession by providing networking and mentorship opportunities for students who are interested in learning more about potential careers in IP as well as for young attorneys interested in becoming more involved in the Section.

The panel was moderated by Nyasha Foy, Co-Chair of the Section's Diversity Initiative and Graduate Fellow at the NYLS Institute for Information Law and Policy. Panelists were Robert Doerfler, Trademark Counsel, Harley-Davidson Motor Company; Anil George, Vice President and Senior IP Counsel at NBA Properties, Inc.; Brooke Erdos Singer, Partner at Davis & Gilbert LLP; and Margaret Walker, Associate General and IP Counsel at Xerox Corporation. The event was very well attended by in-house and outside counsel, young lawyers, and law students.

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The In-House Initiative, a new initiative begun during my chairmanship designed to recognize the growing importance of in-house counsel and to increase membership and participation in the Section, had its successful kickoff event on June 25, as described on page 25. The In-House Initiative is led by former Trademark Law Committee Co-Chair Chehrazade Chemcham of Colgate-Palmolive and Sarah Crutcher of the National Football League.

The second new initiative of my chairmanship—renewing the focus on the Section’s seventeen committees—continues to go extremely well. In these smaller settings, as compared with the large Annual and Fall Meetings and medium-sized special events such as Women in IP and our many Roundtables, new members and potential members have more of an opportunity to meet Section members who share the same specialty. Each month a committee hosts the Executive Committee meeting and updates the group on relevant topics as well as events being planned. In July we were hosted by the NBA, where life-sized Lego NBA players and basketball memorabilia provided an atypical environment for our meeting.

The Section awarded this year’s Miriam Maccoby Netter Fellowship to Volunteer Lawyers for the Arts, which chose Charles Chen as its Intellectual Property Law Fellow. You can read more about Charles on page 25.

As the Section increases its influence and reach globally, we have been entering into partnerships with other IP groups. The first was the SIPO/U.S. Bar Liaison Council (SIPO is the China State Intellectual Property Office). On June 3, the Section sponsored the lunch during a symposium hosted by Cardozo Law School and NYIPLA. Part 1 of the program dealt with China issues, including patent prosecution issues regarding CN Articles 26.3 and 33, employment-related inventions, and a Q&A with SIPO officials and the All China Patent Agent Association on China patent law and practice. Part 2, on U.S. issues, included panels on the implications of *Tivo v. Echostar*, the patentability of DNA, and AIA prioritized examination requirements. The lunch was attended by SIPO Commissioner Tian Lipu, with Section Representation by our Section’s founder Rory Radding of Edwards Wildman.

The second partnership is with the U.S. Bar-EPO Liaison Council. The Council, which has operated for

many years, consists of U.S. representatives of various Intellectual Property Associations and representatives of the European Patent Office. The Council’s goals include serving as a forum for the exchange of ideas and information between Council delegates and the EPO; collecting, summarizing, and disseminating to Council delegates information relating to U.S. applicants seeking patent protection in the EPO; advising the EPO of observations and experiences of U.S. applicants and their representatives on seeking patent protection with the EPO; and seeking information from the EPO regarding its observations and experiences concerning U.S.-origin patent applications. Section Executive Committee member Phil Furgang of Furgang & Adwar LLP will be the Section’s liaison.

Our next major event is our annual Fall Meeting October 17-20 at The Sagamore on Lake George. Marc Lieberstein of Kilpatrick Stockton, David Bassett of Wilmer Hale, and Itai Maytal of Miller Korzenik Sommers have put together a fantastic program, “The Globalization of IP Law.” Panel topics will include whether IP owners have effective tools to stop illegal IP copying in China; an inside-outside look at social media; the pros and cons of international arbitration for IP enforcement; developments in anti-counterfeiting in Latin America; IP law developments in the Middle East; an international perspective on brand valuation; and AIA and EU patent law reform now and its impact on the future. Speakers are from the USPTO, American Express, Osram Sylva- nia, Payless ShoeSource, top international law firms, and countries such as China, Brazil, Mexico, Venezuela, Colombia, Israel, UAE, Netherlands, and France. Make sure you sign up before it sells out.

Please visit [www.nysba.org/IPL](http://www.nysba.org/IPL) for details on upcoming committee roundtables and events. It is constantly being updated as committees finalize events. If you have not yet done so, I encourage you to join a Committee, which you can do through the “Join This Section” link.

Thank you to everyone who took up my invitation in the last issue of *Bright Ideas* to contact me if they wanted to get involved (or more involved). The newly re-formed Membership Committee Co-Chairs Bill Samuels and Robin Silverman thank you too. Keep contacting me at [kelly.slavitt@rb.com](mailto:kelly.slavitt@rb.com), and we’ll keep finding a way to put your interest in the Section to good use!

**Kelly M. Slavitt**

# The Supreme Court Holds Genes Are Patent-Ineligible Products of Nature

By Teige P. Sheehan

## I. Introduction

In June 2013, the U.S. Supreme Court issued its third decision in as many years on judicially created doctrines of patent ineligibility.<sup>1</sup> In *Ass'n for Molecular Pathology v. Myriad Genetics, Inc.*,<sup>2</sup> the Court held that an "isolated" DNA molecule is patent-ineligible if its sequence is the same as a naturally occurring sequence, although a molecule whose sequence does not occur in nature is patent-eligible. This article discusses the *Myriad* decision in the context of recent Supreme Court jurisprudence on the doctrines of patent ineligibility and its possible effects on intellectual property protection in biotechnology and other technology areas.

## II. Summary of *Myriad*

The claims at issue in *Myriad* were to sequences of DNA based on human genes known as BRCA1 and BRCA2 and portions thereof.<sup>3</sup> The patentee (*Myriad*) had identified the location of these genes in the human genome, where a heritable mutation can confer an increased susceptibility to developing breast cancer.<sup>4</sup> By patenting the sequences, *Myriad* was able to exclude others from offering genetic tests to patients and clients to determine whether they carried the susceptible mutation, in competition with *Myriad*'s own proprietary tests.<sup>5</sup>

Several plaintiffs sued *Myriad* in the Southern District of New York seeking a declaration that the claims are invalid.<sup>6</sup> Among their contentions was that DNA sequences that can be found in nature, such as within human genes, should be excluded from patent eligibility because they are products of nature.<sup>7</sup> *Myriad* disagreed, contending that because it specifically claimed "isolated" DNA, in keeping with U.S.P.T.O. guidelines,<sup>8</sup> the claimed subject matter was not a product of nature because such molecules do not naturally exist in an isolated form.<sup>9</sup> The district court held for the plaintiffs, finding the claims invalid as being impermissibly drawn to patent-ineligible subject matter.<sup>10</sup>

The Federal Circuit reversed, holding that isolated DNA molecules are chemically distinct from sequences of nucleotides found within genes and therefore were products not of nature but of human manufacture.<sup>11</sup> The plaintiffs petitioned for certiorari to the Supreme Court, which granted the petition, vacated the holding, and remanded the case to the Federal Circuit in light of its holding in another patent-eligibility case it had handed down in the interim, *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*<sup>12</sup> On remand, the Federal Circuit again found

the claims to isolated DNA to be valid, and the plaintiffs again were granted review by the Supreme Court.<sup>13</sup>

In a unanimous decision, the Court held that "a naturally occurring DNA segment is a product of nature and not patent eligible merely because it has been isolated."<sup>14</sup> In reaching its decision, the Court addressed the requirements of 35 U.S.C. § 101<sup>15</sup> and the exceptions from patent eligibility it had carved from that section, stating that it had "long held that this provision contains an important implicit exception[:] Laws of nature, natural phenomena, and abstract ideas are not patentable."<sup>16</sup> In turn, it held that isolated DNA molecules are "products of nature" and therefore fall "squarely within the law of nature exception," at least insofar as the same sequence occurs naturally.<sup>17</sup>

However, the Court also found that some of the claimed subject matter at issue may be patent-eligible. Specifically, *Myriad* had also claimed BRCA1 and BRCA2 sequences in the form of a synthetic type of DNA molecule known as cDNA.<sup>18</sup> The sequence of nucleotides in a cDNA molecule often differs from that of naturally occurring genomic DNA in that interspersed throughout a sequence of genomic DNA are portions called introns that are removed in the creation of cDNA.<sup>19</sup> Therefore, notwithstanding its prohibition on patenting isolated genes, the Court held that cDNA is not categorically excluded from patent eligibility.<sup>20</sup> Rather, the patent eligibility of a given cDNA molecule will depend on whether its sequence matches that of a naturally occurring DNA or, alternatively, reflects the removal of an intronic sequence.<sup>21</sup>

An important aspect of this portion of the holding—that a cDNA molecule is ineligible for patenting if its sequence matches that of a naturally occurring molecule such as genomic DNA—is that the test for whether a DNA molecule is patent-eligible is not merely whether or not it is synthetic. All cDNA molecules are, by definition, synthetic, yet the Court ruled that some are not patent-eligible. Rather, whether assembled in a laboratory, nucleotide by nucleotide (which is the practical embodiment of a claim to an "isolated" gene) or plucked from within a cell and shorn of all other associated genetic materials, proteins, and other molecules with which it is naturally associated (which, in fact, is not how genes are actually "isolated" for genetic testing),<sup>22</sup> a DNA molecule with a naturally occurring sequence is not patent eligible.<sup>23</sup> By the same token, the Court noted that molecules of recombinant DNA, whose sequence is cobbled together from disparate sources of material and thus is artificial, remains eligible for patenting.<sup>24</sup>

### III. Impact of *Myriad* in Light of *Prometheus* and *Bilski*

In many respects, the direct, practical consequences of *Myriad* have yet to be determined. Although there are estimated to be several thousand patents in force that claim endogenous human gene sequences, many are expected to begin expiring in the not too distant future.<sup>25</sup> The claims invalidated by the *Myriad* decision itself would have expired in 2015 in any event.<sup>26</sup> Furthermore, since the advent of gene patenting in the 1980s,<sup>27</sup> public disclosure of unpatented human gene sequences in publicly available databases already profoundly minimized the patentable scope of new claims to human gene sequences, having deprived them of novelty.<sup>28</sup> Nevertheless, the U.S.P.T.O. issued preliminary guidance to its examiners to comply with *Myriad* by rejecting “product claims drawn solely to naturally occurring nucleic acids or fragments thereof.”<sup>29</sup>

The patent-eligibility of methods of using gene sequences was not before the Court.<sup>30</sup> Underscoring this is the fact that, after *Myriad* was handed down, the patentee proceeded to assert other claims, drawn to methods of using BRCA1 and BRCA2 sequences in performing genetic testing.<sup>31</sup> Thus, conclusions that the Supreme Court’s *Myriad* decision would unleash a multitude of new providers of genetic testing for breast cancer susceptibility, and thereby drive down the price of such tests, may have been premature, as such claims were not even before the Court.<sup>32</sup> From that perspective, it may appear that the direct effect of the decision on the field of diagnostic genetic testing—and on the related, nascent field of personalized medicine, which is thought to hold such promise—may be quite small because companies’ patent portfolios do not rely exclusively on claims to compositions of isolated DNA.<sup>33</sup>

And yet, it remains possible that the claims newly asserted by *Myriad* may ultimately be invalidated as well. In part of its holding that was not presented to the Supreme Court in *Myriad*, the Federal Circuit held that some diagnostic method claims, to “comparing” and “analyzing” an individual’s genetic sequences to reference sequences of BRCA1 and BRCA2, were ineligible for patenting, falling within the exclusion of “abstract mental processes.”<sup>34</sup> In so holding, the court quoted the Supreme Court’s 2010 decision in *Bilski v. Kappos*,<sup>35</sup> in which the Court held that “the prohibition against abstract ideas cannot be circumvented by attempting to limit the use of [a] formula to a particular technological environment.”<sup>36</sup>

In last year’s *Prometheus* decision, on which the initial remand of *Myriad* to the Federal Circuit was predicated,<sup>37</sup> the Court held that methods drawn to determining a safe but effective dose of a particular medicine to administer to a patient was patent-ineligible because it fell within the exclusion from eligibility of laws of nature.<sup>38</sup> In de-

scribing how to determine whether a method is excluded from patent eligibility under this exception, the Court stated that an “inventive concept” that is something more than a “well-understood, routine, conventional activity previously engaged in by scientists who work in the field” must be included in a claim reciting a natural law in order for it to be patent-eligible.<sup>39</sup> In turn, the Federal Circuit held that the “challenged method claims [in the *Myriad* case] were indistinguishable from the claims” held to be patent ineligible in *Prometheus* and therefore excluded from patent eligibility themselves.<sup>40</sup> Thus, to the degree that claims to genetic testing methods may be considered drawn to “abstract mental processes” in view of *Bilski*, or to “laws of nature” without an “inventive concept” in view of *Prometheus*, they may well be found invalid for failing to satisfy the patent eligibility requirements of section 101,<sup>41</sup> notwithstanding the Court’s dicta in *Myriad* that eligibility of “applications of knowledge about the BRCA1 and BRCA2 genes” had not been challenged in that case.<sup>42</sup>

In another respect, however, the decision that at least certain cDNA molecules remain patent-eligible would seem to provide patent applicants and litigants with an argument that the requirement of something more than “routine, conventional activity” for patent eligibility articulated by the Court in *Prometheus* is a limited one.<sup>43</sup> The process for synthesizing cDNA is certainly a “routine, conventional activity” by molecular biologists, provided that some of the endogenous sequence it is based upon is known.<sup>44</sup> And in a broader sense, the differences between cDNA and the naturally occurring molecule that its sequence is directly derived from, referred to as mRNA, may be no greater than differences between endogenous genes and synthetic copies thereof from the perspective of chemical structure if not function.<sup>45</sup> Thus, cDNA molecules can be eligible for patenting, even though they are made by using patent-ineligible DNA molecules in a “routine, conventional” way,<sup>46</sup> which would seem to cabin the holding in *Prometheus* that something more is necessary for patent eligibility.

### IV. Beyond Genes

The Court may have believed that it was crafting a compromise by allowing some cDNA molecules to retain patent-eligible status while excluding isolated genomic DNA.<sup>47</sup> cDNA has long been recognized as a particularly valuable type of DNA because it codes for therapeutic proteins yet lacks the introns present in genomic DNA, making it shorter and easier to manipulate and use.<sup>48</sup> However, at least with regard to the potential for future therapeutic usefulness of portions of genomic DNA from which cDNA cannot be derived, the decision may have been shortsighted. It is believed that only a very small percentage of the human genome encodes exons, with introns, sequences between genes, and other sequences

from which cDNA cannot be produced constituting the remainder.<sup>49</sup> Although the vast proportion of the genome does not encode proteins, it has other functions related to regulating protein expression in ways that are continuing to be investigated, with potential diagnostic and therapeutic applications.<sup>50</sup> Thus, an over-emphasis on the historically significant value status of cDNA may have come at the expense of recognizing new and future applications of other genetic molecules.

Furthermore, although on its face *Myriad* may appear limited to genetic material, its rationale may be just as easily applied to other molecules that are discovered in nature but “isolated” and purified from naturally occurring contaminants and associated molecules or to synthetic replicas of such molecules (e.g., a bactericide produced by a mold, a protein produced by an animal that has therapeutic properties or by a plant that affects vegetable longevity, a chemical produced by a plant that can function as a drug, or a compound found in crude oil that functions as a lubricant).<sup>51</sup> For example, in a letter addressed to the U.S. Attorney General and Solicitor General when *Myriad* was on remand to the Federal Circuit, a number of “industrial, environmental, food and agricultural biotechnology companies” warned against a ruling that would overturn the more than 100-year-old policy of the U.S.P.T.O. of granting patents on “new and useful preparations of naturally-sourced chemicals; fungal, bacterial, or algal cultures; enzyme preparations; and other isolated, purified, or modified biological products,” which would create “significant uncertainty” as to patent strength and value in their industries.<sup>52</sup>

Indeed, there are many U.S. court decisions holding that naturally occurring molecules, in addition to DNA, that are isolated and purified can be patented, including the porcine enzyme chymosin,<sup>53</sup> vitamin B-12,<sup>54</sup> prostaglandins,<sup>55</sup> a compound produced by strawberries that is responsible for their flavor (2-methyl-2-pentenoic acid),<sup>56</sup> and adrenaline.<sup>57</sup> However, there are also numerous cases where patent protection for molecules that were purified from natural sources was denied, including a synthetic replica of a naturally occurring dye (alizarine),<sup>58</sup> purified tungsten,<sup>59</sup> cellulose,<sup>60</sup> vanadium,<sup>61</sup> uranium,<sup>62</sup> and ultramarine.<sup>63</sup>

During oral argument in *Myriad*, Justice Alito, at least, appeared to wrestle with this issue. He stated his understanding that the exclusion from patent eligibility for products of nature was “hornbook law”<sup>64</sup>—a characterization that may be considered overly assured, at least with regard to purified or isolated products, considering the seemingly contradictory precedents cited above. But Justice Alito also asked why isolated DNA ought to be excluded from patent eligibility if a medicinal compound isolated from a plant is patent-eligible.<sup>65</sup> Although counsel responded that functional alteration is required

for patent eligibility of isolated natural products and that isolating DNA does not alter its function<sup>66</sup>—a dubious contention in and of itself—this line of reasoning did not make its way into the written decision. Thus, it remains unclear whether *Myriad* will be brought to bear on other isolated natural products.<sup>67</sup> In at least one case a patent challenger has asked the Federal Circuit to invalidate claims to human embryonic stem cells on the basis that they are drawn to patent-ineligible products of nature under *Myriad*.<sup>68</sup>

In fact, the Court did not cite the varied, if somewhat aged, case law cited above on whether isolated molecules fall within the “products of nature” exclusion, although the district court did cite some of it in its ruling.<sup>69</sup> The omission may be because most of the decisions were not issued by the Supreme Court, which elected to rely on its own precedents, although there are Supreme Court cases from the nineteenth century denying patent protection to molecules that were purified from natural sources.<sup>70</sup>

The legal foundation for the prevailing policy of considering isolated genes to be patent eligible is commonly believed to be traceable to a 1911 decision by then district court judge Learned Hand, *Parke-Davis & Co. v. H.K. Mulford Co.*<sup>71</sup> Although characterized as dicta, and from a trial court no less,<sup>72</sup> Judge Hand’s conclusion in that case that adrenalin purified from adrenal glands can be patented<sup>73</sup> is regarded as a seminal case on the general question of whether molecules purified from natural sources can be patented.<sup>74</sup>

The *Myriad* Court referred instead, however, to its own precedents in *Funk Bros. Seed Co. v. Kalo Inoculant Co.*, in which it had held that combinations of naturally occurring strains of bacteria for use as agricultural inoculants are not patent eligible,<sup>75</sup> and *Diamond v. Chakrabarty*, in which it had held that genetically modified bacteria are patent eligible,<sup>76</sup> although neither case dealt directly with the question of whether isolated, naturally occurring molecules fall within the “product of nature” exception to patent eligibility. The Court found that the patentee’s claims were more akin to the patent-ineligible claims in *Funk Bros.* than to the patent-eligible claims in *Chakrabarty*.<sup>77</sup> In this way, it reiterated the “products of nature” exclusion and also may have pulled into the exclusion a broader category of products isolated from natural sources, intentionally or otherwise.

## V. The Specter of Preemption

What is the purpose of the doctrines of exclusion from patent eligibility? Why did the Court in *Myriad* consider it important to categorically exclude isolated genes from the realm of patents? The ostensible answer is an apparent concern that overreach of patenting may impede, rather than promote, the “Progress of Science and

useful Arts,” the constitutional purpose underlying the patent regime.<sup>78</sup> Much as the Court stated in *Bilski*<sup>79</sup> and *Prometheus*<sup>80</sup> that patents should not go so far as to “pre-empt” the use of a natural law lest such preemption have the counterproductive effect of inhibiting innovation,<sup>81</sup> here the Court expressed its belief that patents should not “tie up” the “basic tools of scientific and technological work” and thereby “inhibit future innovation.”<sup>82</sup>

But is this concern justified here? And is the Court the appropriate body to make that determination? For example, Myriad’s policy was that it “allowed scientists to conduct research studies on BRCA1 and BRCA2 freely, the result of which has been the publication of over” 8,000 research papers on them, “representing the work of over 18,000 scientists.”<sup>83</sup> This continued study of the patented genes by basic researchers throughout the life of the patents is in keeping with evidence that basic science researchers are generally unencumbered by concerns that their work may infringe third-party patent rights.<sup>84</sup> Among the reasons accounting for this general lack of “preemptive effect” of patents on basic research is that basic researchers simply infringe on patents, either because they are unaware of them or because they consider their conduct to fall within a “research exemption” from infringement liability.<sup>85</sup> For their part, industrial patent holders tolerate infringement of their patent rights by basic researchers in part because the “small prospective gains,” coupled with “bad publicity” from bringing suit against such defendants and universities, discourage them from doing so, whereas permitting such infringement “can increase the value of the patented technology.”<sup>86</sup> If the Court were so concerned with patents impeding progress, it is curious that it did not address the strong evidence that gene patents actually do not preempt scientific progress and, in fact, promote it. Indeed, the Court’s 1980 *Chakrabarty* decision,<sup>87</sup> conferring patent-eligibility status on genetically modified bacteria, is widely credited with enabling a strong U.S. biotechnology industry to flourish.<sup>88</sup>

There are, however, those whose activities have been curtailed because of third-party gene patents. Specifically, patent holders, such as the patentee in *Myriad*, have enforced their patents against clinical laboratories that offer fee-for-service genetic diagnostic testing covered by claims to genetic sequences, which has caused the laboratories to stop offering testing and to forgo their own research.<sup>89</sup> Thus, gene patents do in fact have a preemptive effect. But whether this effect goes beyond the preemption patents generally are designed to effect—e.g., by enabling patentees to exclude competitors<sup>90</sup>—and has a more profound effect on squelching scientific inquiry in general is less clear.

The Court may not be in the best position to resolve this question, and its reinvigorated focus on section 101 may be ill-conceived.<sup>91</sup> Chief Judge Randall R. Rader of

the Federal Circuit, speaking at the Annual Meeting of the Intellectual Property Law Section in January 2013, stated that the Supreme Court was exerting undue judicial activism in its section 101 jurisprudence.<sup>92</sup> Discussing *Prometheus*, he noted that the exclusion from patent eligibility of natural phenomena was judicially created and unnecessary.<sup>93</sup> Elsewhere, Judge Rader has lamented the extent to which courts have strayed from the course laid out in *Chakrabarty*, wherein the Court stated that its task in interpreting section 101 was a “narrow one of determining what Congress meant by the words it used in the statute; once that is done our powers are exhausted,”<sup>94</sup> as a reason for the disorienting proliferation of section 101 case law.<sup>95</sup>

As it had in *Prometheus*,<sup>96</sup> the Court stated that a proper balance was needed to foster a patent regime that provides incentives to drive innovation and that “all inventions at some level embody, use, reflect, rest upon, or apply laws of nature, natural phenomena, or abstract ideas, and too broad an interpretation of this exclusionary principle could eviscerate patent law.”<sup>97</sup> Perhaps, however, Congress is in a better position to determine whether the doctrines of exclusion from patent eligibility are a needed and beneficial way to promote scientific progress and to craft policy accordingly.<sup>98</sup> For example, if it were determined that gene patents may have a net effect of promoting scientific progress, provided proper safeguards for basic research are in place, Congress could codify an appropriately targeted version of the common law “research exemption” to patent infringement.<sup>99</sup> Or perhaps health care or consumer protection legislation could be brought to bear to assure availability and affordability of medical diagnostics and treatment, while allowing patentees to profit reasonably from their investments in research and development,<sup>100</sup> matters the patent laws generally are not designed to address.

A related issue is the Court’s difficulty with, and shortcomings in addressing, the technical details of *Myriad*.<sup>101</sup> Of particular note was a one-paragraph concurring opinion by Justice Scalia, in which he declared that he was “unable to affirm those details on [his] own knowledge or even [his] own belief” yet felt sufficiently informed to concur in the judgment.<sup>102</sup> Some have opined that such a statement sends a poor message to lower courts and juries, who wrestle mightily with complex technical issues in patent litigation.<sup>103</sup> In this regard, it is interesting to note that Judge Hand, in the *Parke-Davis* case that is credited with establishing the legal foundation that eventually culminated in rendering gene patents eligible for patenting, also noted “the extraordinary condition of the law which makes it possible for a man without any knowledge of even the rudiments of chemistry to pass upon such questions” as were before him.<sup>104</sup> In that respect, Justice Scalia’s concurrence has brought us full circle.

## Endnotes

1. The Court had ruled on patent eligibility issues in June 2010 (in *Bilski v. Kappos*, 130 S. Ct. 3218) and in March 2012 (in *Mayo Collaborative Servs. v. Prometheus Laboratories, Inc.*, 132 S. Ct. 1289).
2. 133 S. Ct. 2107.
3. *Id.* at 2113.
4. *Id.* at 2118, n.6.
5. *Id.* at 2113.
6. *Id.* at 2114.
7. *Id.*
8. “A patent on a gene covers the isolated and purified gene but does not cover the gene as it occurs in nature \* \* \* DNA compounds having naturally occurring sequences are eligible for patenting when isolated from their natural state and purified....” Utility Examination Guidelines, 66 Fed. Reg. 1092, 1094.
9. *Id.* at 2118.
10. *Id.* at 2114.
11. *Id.*
12. 132 S. Ct. 1289. See Teige P. Sheehan, *Mayo v. Prometheus: The Overlap Between Patent Eligibility and Patentability*, 21 BRIGHT IDEAS No. 2 (Fall 2012), at 3, 6.
13. 133 S. Ct. at 2114.
14. 133 S. Ct. at 2111.
15. “Whoever invents or discovers any new and useful... composition of matter, or any new and useful improvement therefor, may obtain a patent therefor, subject to the conditions and requirements of” the Patent Act. 133 S. Ct. at 2116 (quoting 35 U.S.C. § 101).
16. 133 S. Ct. at 2116 (internal quotation marks omitted).
17. *Id.* at 2117. Note that the transferrable nature of the Court’s analysis between, here, “products of nature” and “laws of nature” as excluded from patent eligibility is not uncommon in its § 101 jurisprudence, which occasionally goes so far as to characterize in one opinion an invention as falling within one exception, then subsequently classifying that holding as pertaining to another exception. Sheehan, *supra* note 12, at 3, 6 & n.14.
18. 133 S. Ct. at 2119.
19. *Id.* at 2112.
20. *Id.* at 2119.
21. *Id.*
22. Brief of Professor Christopher M. Holman as Amicus Curiae Supporting Neither Party at 6, 689 F.3d 1303 (Fed. Cir. 2012) (Appeal No. 2010-1406); Posting by Kevin E. Noonan to Patent Docs, <http://www.patentdocs.org/2012/07/scientist-law-professor-files-amicus-brief-in-myrriad-case.html> (July 11, 2012).
23. 133 S. Ct. at 2118, 2119.
24. *Id.* at 2120.
25. Gregory D. Graff, Devon Phillips, Zhen Lei, Sooyoung Oh, Carol Nottenburgh, & Philip G. Pardey, *Not Quite a Myriad of Gene Patents*, 31 NATURE BIOTECHNOLOGY 404 (2013); Posting by Kevin E. Noonan to Patent Docs, <http://www.patentdocs.org/2013/05/the-myrriad-case-and-gene-patents-much-ado-about-nothing.html> (May 14, 2013).
26. *Stakeholder Reactions Varied on Impact of Supreme Court’s Myriad DNA Decision*, [2013] 86 Pat. Trademark & Copyright J. (BNA) No. 2119, at 402 (June 21, 2013).
27. *Ass’n for Molecular Pathology v. U.S. Patent & Trademark Office*, 689 F.3d 1303, 1333 (Fed. Cir. 2012).
28. 35 U.S.C. § 102.
29. Letter from Andrew H. Hirshfeld, Dep’y Comm’r Patent Examination Policy, U.S.P.T.O., to Patent Examining Corps, dated June 13, 2013, available at <http://patentdocs.typepad.com/files/uspto-myrriad-memorandum.pdf>.
30. 133 S. Ct. at 2119–20.
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# Battle for the Bridge to the ITC: Licensing Investments as a Means to Establish a Domestic Industry for NPEs

By Ryan N. Herrington

## I. Introduction

As litigation costs continue to soar, in which forum do so-called “patent trolls” and other non-practicing entities (NPEs) focus their litigation efforts in order to receive relatively quick resolutions and powerful remedies? The answer is the United States International Trade Commission (ITC). The ITC conducts investigations under Section 337 of the Tariff Act of 1930 (19 U.S.C. § 1337) whereby “allegations of certain unfair trade practices in import trade” are examined.<sup>1</sup> Specifically, the ITC routinely adjudicates cases involving imports that allegedly “infringe intellectual property rights.”<sup>2</sup>

The ITC has become a viable alternative to the district courts, particularly for NPEs, based, in part, on recent Commission opinions. In order to establish a domestic industry, and therefore, standing before the ITC, NPEs routinely rely on the exploitation of the asserted patent(s) through licensing activity. However, NPEs typically face certain issues when attempting to demonstrate a nexus between licensing investments and the asserted patent(s). This article explores some of these issues.

## II. Trolls and NPEs to the ITC

**Troll.** The word conjures images ranging from goblins living under bridges to the famous fuzzy hair dolls first made popular in the 1960s. However, to some of the world’s biggest technology-forward corporations, the mere mention of the word troll elicits fear if not respect. Patent trolls, defined here as individuals or companies that purchase patents solely for purposes of litigating, have become increasingly active both at the district court level and now, with help from recent rulings, at the ITC.<sup>3</sup> The pejorative term for an NPE (i.e., a patent owner that does not practice the patent(s) it owns) was first coined in a 1990s business educational video in which an unsuspecting victim has his patent stolen from the patent office by a troll.<sup>4</sup> While all patent trolls are NPEs, not all NPEs are patent trolls. For example, universities and other research institutions, as well as other private companies, may never practice their patents, but these institutions would not correctly be classified as patent trolls. Recently, the ITC released a paper in which it identified two distinct categories of NPEs. The ITC classified as “Category 1 NPEs” entities that do not practice the asserted patents, such as inventors who focus on research and development and not on manufacturing and/or research institutions such as universities or laboratories.<sup>5</sup> Classified as “Category 2 NPEs” were entities that do not manufacture

products that practice the asserted patents but instead focus on purchasing and asserting patents.<sup>6</sup> The latter category more closely aligns with the classic patent troll definition. In any event, patent trolls and/or NPEs have historically been active participants in patent litigation, especially at the district court level. However, based on recent ITC opinions, NPEs increasingly may turn to the ITC.

## III. Domestic Industry at the ITC

The ITC conducts section 337 investigations pursuant to a governing statute, 19 U.S.C. § 1337, that declares unlawful unfair methods of competition and unfair acts in the importation of articles into the United States the “threat or effect of which is to destroy or substantially injure a domestic industry, prevent the establishment of such an industry, or restrain or monopolize trade and commerce in the United States.”<sup>7</sup> A complainant must establish or be in the process of establishing a domestic industry in order to have standing at the ITC. In practice, the ITC applies a two-part test consisting of a technical prong and an economic prong in determining whether the “domestic industry” requirement has been met. Under the economic prong, a domestic industry “shall be considered to exist if there is in the United States, with respect to the articles protected by the patent, copyright, trademark, mask work or design concerned—(a) significant investment in plant and equipment; (b) significant employment of labor or capital; or (c) substantial investment in its exploitation, including engineering, research and development, or licensing.”<sup>8</sup> For NPEs, the first two parts of the economic domestic industry requirement are usually irrelevant, as NPEs do not manufacture products and typically maintain lean operations. However, under the third criteria, NPEs routinely attempt to establish domestic industries based on investments in the exploitation of the asserted patent(s), including through licensing. In fact, a 2011 Commission Opinion clarified how NPEs may attempt to establish a domestic industry based on licensing investments alone.

### A. Commission Opinion Investigation No. 337-TA-694

In its opinion in Investigation No. 337-TA-694, the Commission set out three requirements that a complainant should consider in order to demonstrate that it has made investments in licensing activities: (a) evidence of a nexus between its investment and the asserted patent(s); (b) evidence of a nexus between investment and licens-

ing; and (c) evidence that its investment occurred in the United States.<sup>9</sup> After determining the extent to which the complainant's investments meet these three requirements, the investments are then evaluated to determine whether they are "substantial."<sup>10</sup> Unlike the "domestic industry" requirement discussed earlier, a complainant's licensing investments should satisfy all three requirements before substantiality is considered.<sup>11</sup>

For the first requirement the Commission asks the complainant to establish a nexus between any licensing investments and the asserted patent(s). This may, in some cases, be difficult to accomplish, especially if the complainant's licensing activities are associated with both asserted and unasserted patents. Where the complainant is relying on investments in its patent portfolio, the Commission suggests factors to consider when attempting to determine the strength of the nexus to the asserted patent(s). For example, a complainant could present evidence demonstrating that investments were focused on the asserted patents among the group of patents in the portfolio.<sup>12</sup> In addition, the strength of the nexus could be determined if certain licensees of the asserted patents practice "an article protected by" the asserted patents.<sup>13</sup> The Commission also may consider other factors such as (1) the number of patents in the portfolio; (2) the relative value contributed by the asserted patent(s) to the portfolio; (3) the prominence of the asserted patent(s) in licensing discussions, negotiations, and any resulting license agreement; and (4) the scope of technology covered by the portfolio compared to the scope of the asserted patent(s).<sup>14</sup>

As a reflection of the relative value contributed by the asserted patent in the portfolio, a complainant may attempt to show that the patent was discussed during the licensing negotiation process, was successfully litigated previously by the complainant, relates to a technology standard, is a base or pioneering patent, or is infringed or practiced in the United States, or that the market recognizes its value in some other way.<sup>15</sup>

In sum, based on the Commission's "strength of the nexus" factors, a complainant might conclude that the smaller its patent portfolio, the stronger the nexus to the asserted patent(s). A complainant also might infer that the more prominent an asserted patent(s) is in licensing negotiations, the stronger the nexus to any investments surrounding a patent portfolio. Further, a complainant might argue that a stronger nexus exists if the scope of technology of the asserted patent(s) is similar to the scope of the entire patent portfolio.

The second requirement is that the complainant must demonstrate that its activities relate to licensing.<sup>16</sup> While some activities may be solely related to licensing, others may serve multiple purposes. As such, in order to establish a strong nexus to licensing activities, a complainant may attempt to tie investments to licensing activities.

Finally, the third requirement is that a complainant must establish that the licensing activities occurred in the United States.<sup>17</sup> Here, the Commission examines the extent to which a complainant's licensing operations reside in the United States; if the complainant's licensing operations are performed and directed in the United States, it is likely that the required nexus will be strong.

Assuming a complainant meets all three requirements, the Commission also has offered guidance as to how a complainant can demonstrate that its investments are substantial. While the complainant's showing as to one or more of the foregoing requirements may be relatively weak, a complainant still may establish that its investments are substantial by demonstrating that its expenses are large.<sup>18</sup> However, what counts as large may vary depending on the nature of the industry and the resources of the complainant. Thus, the Commission put forth additional factors to consider, including (1) the existence of other types of "exploitation" of the asserted patent such as research, development, or engineering; (2) the existence of license-related ancillary activities such as ensuring compliance with license agreements and providing training or technical support to its licensees; (3) whether complainant's licensing activities are continuing; and (4) whether complainant's licensing activities are among those that are referenced favorably in the legislative history of section 337(a)(3)(C).<sup>19</sup> A complainant also may point to its return on licensing investment.

In short, the Commission explained that a domestic industry might be established for an NPE based on investments in the exploitation of the asserted patent(s), including through licensing activity, if a sufficient nexus was established under all three requirements and a demonstration made that the investments were substantial.

## **B. Commission Opinion Investigation No. 337-TA-753**

In its opinion in Investigation No. 337-TA-753, the Commission affirmed the criteria for establishing a domestic industry laid out in the 337-TA-694 opinion. However, the 337-TA-753 opinion further fleshed out how a complainant might demonstrate a strong nexus between its investments and the asserted patent(s). First, the Commission noted that while licensing revenues can be circumstantial evidence used to support a domestic industry, those revenues do not themselves constitute investments.<sup>20</sup> In other words, licensing revenues are likely not a proxy for licensing investment. Further, the Commission clarified that to satisfy a nexus between licensing investments and the asserted patent(s), a complainant might attempt to provide evidence tied specifically to the asserted patent(s) as opposed to licensing investments generally.<sup>21</sup> The proper unit of observation, in other words, is the asserted patent(s), not patent portfolios, patent families, or other groups of patents.

## C. Additional Commission Opinions

Other relatively recent Commission opinions have also shed light on this area. For example, the Commission has found that patent litigation expenses do not automatically qualify as investments in the exploitation of a patent through licensing.<sup>22</sup> In fact, the Federal Circuit affirmed the Commission's determination in the 337-TA-743 matter that certain litigation expenses were not an investment in commercializing patented technology.<sup>23</sup> Instead, a complainant may attempt to demonstrate a nexus by providing evidence that negotiations were in progress before the suit was filed; efforts had been made to license the asserted patent; and/or an established licensing program existed at the time of filing whereby litigation was used as a step toward executing an agreement.<sup>24</sup> Patent acquisition and reexamination expenses comprise mere ownership costs and likely cannot be used to establish a domestic industry.<sup>25</sup> Moreover, pre-complaint licensing investments generally are more relevant to establishing a domestic industry than post-complaint activities.<sup>26</sup>

## IV. NPEs and Domestic Industry

Discussed below are common issues NPEs face when attempting to establish a nexus between the licensing investments and the asserted patent(s) as well as the substantiality of the relevant investments.

### A. Nexus to Asserted Patent

In some cases, NPEs may acquire and hold a wide range of patents related to different technologies and spanning multiple jurisdictions. However, as discussed above, the Commission requires a complainant to establish a nexus between licensing investments and the asserted patent(s). Thus, an NPE likely cannot rely on simply citing generalized patent portfolio licensing expenditures or even general patent families' licensing expenditures but, instead, will likely have to provide evidence of specific efforts to license the asserted patent(s). This is especially important given the size and scope of some NPE patent portfolios. All other things being equal, a smaller number of patents in a portfolio will likely assist in establishing a stronger nexus to the asserted patent(s). But for relatively large or geographically diverse portfolios, simply citing to expenses incurred in connection with efforts involving the portfolio are not likely to be adequate without some effort to tie those expenses to the individual asserted patent(s). This problem is exacerbated for NPEs that license solely on a portfolio-wide basis, and whose licensing activities would likely relate to the entire portfolio. This may create a significant hurdle for an NPE to overcome in attempting to demonstrate a sufficient nexus to the asserted patent(s).

Large and diverse patent portfolios may lead to other issues for NPEs. For example, evidence may be lacking as to whether any of its licensees actually employs the

patented technology. In addition, the asserted patent(s) may never have been explicitly mentioned in any license negotiations. A failure to understand the relative importance of each asserted patent as compared to other, non-accused patents in licensing discussions may result in a weaker nexus. Finally, some NPEs may try to establish the value contributed by the asserted patent(s) to the portfolio by employing economic analyses such as patent citation counts. Such approaches need to be vetted carefully before being relied upon to establish a nexus.

### B. Nexus to Licensing

In meeting the second requirement, NPEs may attempt to establish that many of their activities are licensing in nature. However, a 2011 Federal Trade Commission (FTC) paper suggested that the ITC consider interpreting the domestic industry requirement as not satisfied by "ex post licensing activity solely focused on extracting rents from manufacturers based on products already on the market."<sup>27</sup> The FTC took the position that, based on its interpretation, substantial investment in the exploitation of a patent through licensing activities should encompass "ex ante licensing" that seeks technology transfer and the creation of new products and not "ex post licensing."<sup>28</sup> The Commission also differentiated between a "revenue-driven licensing model targeting existing production" and an "industry-creating, production-driven licensing" model that "Congress meant to encourage."<sup>29</sup> The Commission decided to give less weight to revenue-driven licensing activities.<sup>30</sup> As discussed above, moreover, an NPE's patent litigation expenses do not automatically qualify as investments in the exploitation of a patent through licensing. Thus, NPEs, with business models focused primarily on licensing, may potentially be given less weight when attempting to establish this nexus.

### C. Nexus to the United States

An NPE's geographically diverse patent portfolio may make it difficult to establish a nexus between the asserted patent(s) and the United States. Foreign activity surrounding a patent portfolio, including licensing personnel located at foreign facilities and/or involving foreign patents, may obscure the strength of the U.S. nexus. As such, NPEs likely should attempt to demonstrate that certain licensing investments were not related to activities occurring outside the United States.

### D. Substantiality

Whether an NPE's licensing investments will be considered substantial may depend on the nature of the industry and the complainant's resources. However, no bright-line benchmark is available for NPEs. Instead, NPEs should strive to appropriately allocate licensing expenses to the asserted patent(s). Once allocated, a comparison between those allocated investments and the NPE's overall licensing investments may be considered, as should comparing the NPE's allocated investments to

those of the industry as a whole. In other words, information relating to the context of licensing activities may prove important.

Because pre-complaint licensing investments generally are more relevant to establishing a domestic industry than post-complaint activities, NPEs likely need to be investing in licensing prior to filing the complaint. An NPE may rely on its return on licensing investment as circumstantial evidence of substantiality. This analysis should be tied to the asserted patent(s).

## V. The Future of NPEs and the ITC

Recently, the ITC has paid increased attention to NPEs and to the impact of NPE activity. Many surmised that the explosion of ITC investigations over the past few years was due, at least in part, to increased filings by Category 2 NPEs (i.e., those that fit the classic patent troll definition). However, since the Supreme Court May 2006 decision in *eBay v. MercExchange*, the ITC instituted 301 investigations through the first quarter of 2013, with only 27 (9%) of those complaints being filed by Category 2 NPEs.<sup>31</sup> Category 1 NPEs accounted for only 33 (11%) investigations.<sup>32</sup>

Nonetheless, NPEs may favor ITC actions over federal court litigation. The ITC attempts to provide a relatively expedited docket that allows for quick decisions as well as powerful remedies such as exclusion orders. Even the threat of an exclusion order may encourage a respondent to settle with a NPE for a larger payout than in a district court action in which an injunction is less likely.<sup>33</sup> Other advantages of ITC proceedings for NPEs include the ability to join multiple respondents and to burden respondents with massive discovery requests.<sup>34</sup> These advantages may be especially important in the wake of the America Invents Act and its associated requirements.<sup>35</sup> However, unlike the 26% success rate experienced by NPEs in district court, since *eBay* only four NPEs (two Category 1 NPEs and two Category 2 NPEs) have obtained exclusion orders, with all four NPEs having developed the technology at issue.<sup>36</sup>

### A. The 100-Day Requirement

In a likely response to the perceived increase in NPE activity and the resulting clamor for action from the intellectual property community, the Commission noticed upon institution, in a recent investigation, that the Administrative Law Judge (ALJ) was to assess the economic prong of the domestic industry requirement within 100 days.<sup>37</sup> The complainant in the investigation (337-TA-874, Certain Products Having Laminated Packaging, Laminated Packaging, and Components Thereof) is relying on licensing investments to satisfy the domestic industry requirement.<sup>38</sup> A finding that a domestic industry does not exist would, of course, effectively terminate the investigation. In fact, the ALJ issued an initial deter-

mination that the complainant had failed to establish a domestic industry.<sup>39</sup> A 100-day requirement increases the pressure on both the NPE and the respondent. The NPE must quickly formulate its argument for establishing a domestic industry while having less time to negotiate a settlement. For the respondent, immediately starting the process of gathering evidence to rebut the complainant's contentions is of the first order. In June 2013, the ITC announced a new pilot program under which matters with potentially dispositive issues will be subject to a 100-day deadline for an early ruling on the issue in question.<sup>40</sup> The program will be used to evaluate whether a formal rule change should be proposed.<sup>41</sup> The impact of this pilot program remains to be seen.

### B. The Strategic Role of an Economic Expert

The extent to which an NPE can establish a domestic industry based solely on licensing investments has become a contentious issue. Therefore, seasoned intellectual property counsel as well as an economic expert knowledgeable about and experienced in ITC investigations can prove invaluable. Well-defined theories and expert opinions on the nuances of the "domestic industry" requirement can prove fruitful to both complainant and respondent. Economic experts can analyze the record evidence to assess whether a relevant nexus exists between the asserted patent(s) and licensing investments occurring in the United States and can opine on whether those activities meet the threshold of substantiality.

## VI. Conclusion

Trolls. NPEs. For a few years, these entities have captured the attention of the intellectual property community. However, awareness of these entities has now spread, as evidenced by President Barack Obama's June 2013 executive orders and suggested legislative proposals and the recent proposal of a FTC probe. Moving forward, NPEs will continue to try to construct a bridge to the ITC by relying on licensing investments, while respondents will continue to attempt to thwart such efforts. Both sides will need well-versed counsel and economic experts. In the end, only time will tell if NPEs will continue to find safe harbor at the ITC under a bridge built solely on licensing activities. Meanwhile, the battle for that bridge will continue.

## Endnotes

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8. 19 U.S.C. §1337, at [http://www.usitc.gov/intellectual\\_property/documents/statute.pdf](http://www.usitc.gov/intellectual_property/documents/statute.pdf) (last visited June 11, 2013) (emphasis added).
9. See *Certain Multimedia Display and Navigation Devices and Systems, Components Thereof, and Products Containing Same*, Inv. No. 337-TA-694, Comm’n Op (Aug. 8, 2011).
10. *Id.*
11. *Id.*
12. *Id.*
13. *Id.*
14. *Id.*
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16. *Id.*
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23. See *Motiva, LLC v. Int’l Trade Comm’n* (2012-1252) (Fed. Cir. 2013).
24. See *Certain Coaxial Cable Connectors and Components Thereof and Products Containing Same*, Inv. No. 337-TA-650, Comm’n Op (Apr. 14, 2010).
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27. “The Evolving IP Marketplace, Aligning Patent Notice and Remedies with Competition,” FTC (Mar. 2011).
28. *Id.*
29. See *Certain Liquid Crystal Display Devices and Systems, Components Thereof, and Products Containing Same*, Inv. No. 337-TA-694, Comm’n Op (Aug. 8, 2011).
30. See *Certain Multimedia Display and Navigation Devices and Systems, Components Thereof, and Products Containing Same*, Inv. No. 337-TA-694, Comm’n Op (Aug. 8, 2011). See also *Certain Liquid Crystal Display Devices, Including Monitors, Televisions, and Modules, and Components Thereof*, Inv. No. 337-TA-741/749, Comm’n Op (July 6, 2012).
31. “Facts and Trends Regarding USITC Section 337 Investigations,” prepared by the U.S. International Trade Commission, at [http://www.usitc.gov/press\\_room/documents/featured\\_news/337facts.pdf](http://www.usitc.gov/press_room/documents/featured_news/337facts.pdf) (last visited June 11, 2013).
32. *Id.* A PricewaterhouseCoopers’ 2013 Patent Litigation Study found that the median damages awarded to NPEs, albeit not at the ITC, from 2007 through 2012 equaled \$7.2 million as opposed to \$3.8 million for practicing entities. However, over the same time period, NPEs’ success rates had fallen to 26% as compared to success rates of 38% for practicing entities. See PRICEWATERHOUSECOOPERS 2013 PATENT LITIGATION STUDY, 1995-2012.
33. “Why Patent Assertion Entities are Transitioning to ITC,” at <http://www.law360.com/articles/407767/why-patent-assertion-entities-are-transitioning-to-itc> (last visited June 11, 2013).
34. *Id.* The ITC has recently amended rules regarding discovery with the “intended effect” of reducing expensive, inefficient, unjustified, or unnecessary discovery practices. See International Trade Commission 19 C.F.R. Part 210 Rules of Adjudication and Enforcement, 78 Fed. Reg. 98 (May 21, 2013).
35. “ITC is a More Desirable Venue in the Wake of AIA,” at <http://www.law360.com/articles/412698/itc-is-a-more-desirable-venue-in-the-wake-of-aia> (last visited June 11, 2013). Interestingly, while Congress seemingly targeted NPEs with the passage of this act, the consequence may be an increased NPE caseload for the ITC. See Sara Jeruss, Robin Feldman, and Joshua Walker, *The America Invents Act 500: Effects of Patent Monetization Entities on US Litigation*, 11 DUKE L. & TECH. REV. 357 (2012).
36. “Facts and Trends Regarding USITC Section 337 Investigations,” prepared by the U.S. International Trade Commission, at [http://www.usitc.gov/press\\_room/documents/featured\\_news/337facts.pdf](http://www.usitc.gov/press_room/documents/featured_news/337facts.pdf) (last visited June 11, 2013). Note that “success” as defined by PricewaterhouseCoopers “includes instances where a liability and damages/permanent injunction (if included) decision was made in favor of the patent holder.” See PRICEWATERHOUSECOOPERS 2013 PATENT LITIGATION STUDY, 1995-2012.
37. “ITC Gets Creative to Limit NPE Access under Section 337,” at <http://www.law360.com/articles/429549/itc-gets-creative-to-limit-npe-access-under-section-337> (last visited June 11, 2013).
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40. “ITC Aims to Lessen Patent Litigation with Earlier Rulings,” at <http://www.law360.com/ip/articles/452661/itc-aims-to-lessen-patent-litigation-with-earlier-rulings> (last visited June 25, 2013).
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# Fast-Tracking Green Patent Applications

By Antoine Dechezleprêtre and Eric Lane

## I. Introduction

Promoting environmentally friendly innovation has become a key priority in national and international environmental policy. Intellectual property (IP) regimes, particularly patent laws, are perhaps the most important of the regulatory vehicles that promote technological innovation. For this reason, a number of national IP offices have instituted measures to fast-track “green” patent applications. The first such program was established by the UK in May 2009, followed in the same year by Australia, Israel, Japan, South Korea, and the United States. More recently, Canada (in March 2011) and Brazil and China (in 2012) launched similar programs. Under these programs, the time needed to obtain a patent can be reduced significantly—from several years to just a few months.

This article presents the main findings of two papers recently published by the authors about green patent fast-track programs. The first study (Dechezleprêtre, 2013), published by the International Centre for Trade and Sustainable Development (ICTSD),<sup>1</sup> provides the first empirical analysis of these fast-track procedures, based on data from Australia, Canada, Israel, Japan, South Korea, the UK, and the United States. The second paper (Lane, 2012), published in the *Berkeley Technology Law Journal* (BTLJ),<sup>2</sup> analyzes the rules governing the various programs in terms of eligibility requirements and process parameters and recommends that the programs be harmonized to make their rules uniform across all national IP offices.

## II. Overview of the Programs

To best understand and analyze the programs, it is helpful to separate out the two major categories of program rules: eligibility requirements and process requirements.

### A. Eligibility Requirements

Eligibility requirements determine which patent applications may participate in the fast-track programs. In particular, subject-matter eligibility defines the categories of green technology that qualify for accelerated examination. The type of technology for which accelerated examination can be requested differs widely across patent offices. In Australia, Canada, and the UK, all environmentally friendly inventions are eligible. The applicant must submit a letter explaining why the invention has environmental benefits. However, Brazil, China, Japan, and the United States place some restrictions on the technologies permitted. For example, only energy-saving and carbon-saving technologies are allowed in Japan. South Korea has the most stringent requirements, including a

framework of specific enumerated technology classes. In South Korea, technologies (in particular renewable energy) generally are eligible only if the invention is funded or accredited by the government or given “green certification” by relevant government environmental laws. The Israeli program also defines subject matter eligibility by strictly enumerated technology classes, although it does not have a funding or certification requirement.

### B. Process Requirements

Process requirements are non-subject matter restrictions, such as limitations on the number and type of claims permitted and parameters such as fees and costs. These requirements vary considerably among programs. While IP Australia and the Canadian Intellectual Property Office (CIPO) allow an unlimited number of claims, for many applicants charges per claim, as imposed by the Japan Patent Office (JPO), for example, may make the cost of larger claim sets prohibitive. Similarly, IP Australia and CIPO are relatively liberal as to unity of invention (the requirement that a patent application relate to only one invention or to a group of closely related inventions), while the JPO is stricter in this regard. Most programs charge no additional fee for accelerated examination, but some offices require that applicants conduct a prior art search and a comparison of the claimed invention with the closest prior art. This effectively transfers part of the patent office’s work to the patent applicant.

### C. Results

Since 2009, accelerated examination under the various programs has been requested for over 5,000 patent applications. The United States Patent and Trademark Office (USPTO) received the highest number of requests (3,533), followed by the UK Intellectual Property Office (UKIPO) with 776 and the Korean Intellectual Property Office (KIPO) with 604 (see Table below).

**Table: Participation in Fast-Track Programs**

Country	Starting Date	Number of Requests (as of August 2012)	As a Percentage of Eligible Patents
UK	May 2009	776	20.91%
Australia	September 2009	43	0.76%
South Korea	October 2009	604	1.88%
Japan	November 2009	220	1.48%
U.S.	December 2009*	3533	8.22%
Israel	December 2009	78	13.13%
Canada	March 2011	67	1.64%

\* Note: The USPTO program was temporary and closed after the 3,500th application was received.

The evidence shows that fast-track procedures reduce the time from filing to grant by several years compared to ordinary examination. The time to grant is cut by between 42 percent and 75 percent across fast-track programs, with the shortest time to grant delivered by the UK.

For most programs, a very small share of eligible patent applications was submitted under the accelerated procedures: between one and two percent in Australia, Canada, Japan, and South Korea. Percentages were substantially higher in the UK (20%), Israel (13%), and the United States (8%). This low participation rate may seem surprising, as a fast-track examination process offers several advantages, such as facilitating licensing and making it easier to raise private capital and enforce a granted right against infringers. There are, however, some disadvantages in accelerating the granting of patents. To begin with, accelerated examination may increase costs for patent applicants, especially where they are required to conduct a search report on the prior art (for example, at the JPO) and submit comments that could have ramifications for litigation.

Another problem with fast-track programs is the wide variability in their rules—both in terms of eligibility and formal process requirements. Applicants seeking to participate in several of the programs must analyze a number of different rules, determine whether their invention meets each program's eligibility requirements, and draft different claim sets and arguments for each program. As a result, deciding whether and how to use such programs can be costly and time-consuming.

Moreover, it is not always in the applicant's best interest to have a patent published or granted as soon as possible. Although inventors may want to file a first ("priority") application right away (because, until they do, they have nothing but secrecy to protect them from imitators), they also may have legitimate reasons for delaying the grant of a patent.

These disadvantages explain why only a small percentage of eligible patent applications are submitted to fast-track programs. Once a patent application is filed, infringers will be opposed on the basis of the application date and not the grant date. Most applicants therefore have an incentive to wait until the examination is conducted under the regular procedure. As a consequence, patent applicants would have an interest in using fast-track programs only under specific circumstances (such as suspicion of infringement, to raise capital, or to secure commercial partnerships).

An important advantage of a long examination period is that it delays the costs associated with the grant of the patent. It also gives patent applicants time to determine whether the patent will be commercially viable

before requesting the grant in the first place. Another major benefit of delayed examination is that it allows applicants to adjust the patent application—in particular the list of claims—during the examination process. If granted too early, the patent claims might not perfectly match the final version of the invention, thus facilitating circumvention.

Since patent applications must be disclosed when the patent is granted, an early grant occurring before the end of the 18-month period after which patent applications are normally published could increase the risk of competitors being able to quickly design competing technology. Our interviews with patent attorneys revealed, however, that this is unlikely to be an issue in practice. Most requests for accelerated examination occur before this 18-month period—a further indication that applicants do not view early publication as a serious issue.

#### **D. Types of Technology**

Technologies relating to climate change, particularly to renewable energy, comprise the vast majority of fast-tracked patents, with some variations across countries. In the United States the majority of fast-track requests involve wind power technology, while carbon capture and storage are popular in Australia and Canada. Other environmental technologies—such as recycling or pollution-control technologies—represent around 20 percent of patent applications except in Israel, where 30 percent of applications cover water-saving technologies.

Fast-tracked patent applications seem to involve technologies of significantly higher value than other green technology-related patent applications filed at the same time but for which accelerated examination was not requested. Patent applications processed under the fast-track procedures are filed in more countries on average and are also more likely to be filed in all major patent offices (the European Patent Office (EPO), the JPO, and the USPTO). This suggests that applicants tend to request accelerated examination for patent applications involving high-value inventions that may be attracting early commercial interest from potential business partners.

#### **E. Program Users**

The vast majority of participants in fast-track programs are domestic applicants, with only small percentages applying to fast-track programs from abroad. This suggests that foreign applicants may be unaware of the programs and that applicants may only want to expedite the first application, which is usually filed in their home country. Harmonization of the programs would likely boost participation—particularly across borders.

Compared to companies that do not request accelerated examination, fast-track users tend to have smaller revenues and faster-growing assets. Fast-track programs,

therefore, seem to be particularly appealing to start-up companies in the green technology sector that are currently raising capital but still generating low revenues.

### III. Next Steps

Using forward citations as a measure of knowledge spillovers, we find that within the same period, fast-track patents receive more than twice as many citations as patents of similar value filed through the traditional route. This indicates that fast-track programs have accelerated the diffusion of technological knowledge in green technologies in the short run (i.e., during the first years following publication of the patents). Given the urgency of addressing environmental challenges, this is encouraging. Whether the effect will be the same in the long run remains to be seen.

The high participation rate in the UK shows there is a clear demand for fast-track programs, even if only a minority of applicants has an interest in using them. How might participation be enhanced at other patent offices?

Given the burden on applicants to understand and satisfy a disparate set of expedited examination program rules, we believe a standardized global system of green technology fast-track requirements would be a major boost to participation in such programs. A harmonized system would provide a single set of rules that would apply to all IP offices offering expedited examination for green patent applications. A balanced system would couple broad subject-matter eligibility requirements (to

include as many useful green technologies as possible) with reasonable process restrictions (to keep examiners' workloads manageable), thereby maintaining sufficiently high-speed examination. In a harmonized system, the applicant need only prepare one submission to apply for accelerated examination in any number of participating offices. By eliminating a substantial burden on applicants, a standardized, balanced international system of expedited examination would encourage greater participation in green technology fast-track programs. It also would reduce the time to grant for a larger number of green patents, thereby fostering development and diffusion of green technologies.

### Endnotes

1. Antoine Dechezleprêtre, "Fast-tracking Green Patent Applications: An Empirical Analysis," ICTSD Programme on Innovation, Technology and Intellectual Property; Issue Paper No. 37, International Centre for Trade and Sustainable Development, Geneva, Switzerland (2013).
2. Eric Lane, "Building the global green patent highway: a proposal for international harmonization of green technology fast track programs," *BERKELEY TECH. L. J.* 27:3 (2012).

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# Bloggers, Journalists, Reporting, and Privilege

By Ronald D. Coleman

## I. Introduction

Are bloggers journalists? Does it matter?

The question has become more ripe in recent months in view of the scandals involving leaks of government secrets and the resulting renewed focus on whether journalists can be forced to disclose confidential sources and other newsgathering material. The legal status of bloggers is among the more controversial questions in connection with defining who is, and who is not, a journalist. From a strict legal point of view, the fulcrum of the question is what rights and privileges are afforded to journalists that may or may not encompass publication by bloggers. No single legal right is so dependent on the status and definition of a journalist as the “reporter’s privilege.”

In a notable recent New Jersey decision,<sup>1</sup> a Superior Court judge ruled that a blogger acting as a journalist was protected by that state’s journalist’s shield law. That law provides, in relevant part, as follows:<sup>2</sup>

[A] person engaged on, engaged in, connected with, or employed by news media for the purpose of gathering, procuring, transmitting, compiling, editing or disseminating news for the general public or on whose behalf news is so gathered, procured, transmitted, compiled, edited or disseminated has a privilege to refuse to disclose, in any legal or quasilegal proceeding or before any investigative body, including, but not limited to, any court, grand jury, petit jury, administrative agency, the Legislature or legislative committee, or elsewhere...

a. “News media” means newspapers, magazines, press associations, news agencies, wire services, radio, television or other similar printed, photographic, mechanical or electronic means of disseminating news to the general public.

Interpreting this statute and a number of appellate decisions that had analyzed its application to online publications, the court found that while Internet message boards do not qualify for protection under New Jersey’s shield law, under the circumstances presented a blog could and, in that case, did qualify. The court based this conclusion on its findings that (notwithstanding its uneven quality) (i) the blog provided the public with reporting relating to Union County governance and politics not covered, or not covered as thoroughly, by traditional media, and (ii) notwithstanding the blogger’s lack of affiliation with a recognized traditional news outlet, her reporting

involved recognized journalistic information-gathering techniques, constituting a sufficient “connection to the news media” as contemplated by the statute.<sup>3</sup> The court also found support for the conclusion that the blogger’s activities were “similar” to the enumerated news outlets in the evidence that her blog disseminated news and had “wide readership” of 500-600 unique users per day.<sup>4</sup> Given that the information she sought to protect from disclosure under the shield law was itself information gathered in connection with these protected activities, the court deemed her blog-based reporting protected by the New Jersey statute.<sup>5</sup>

The New York “Shield Law,” codified as Civil Rights Law § 79-h, also provides an absolute privilege against forced disclosure of materials obtained or received in confidence by a “professional journalist or newscaster,” including the identity of sources on which press reports are based.<sup>6</sup> The original statute defined a professional journalist as someone who works in the chain of newsgathering and publication “for gain or livelihood.”<sup>7</sup> In 1981, the statute was amended, and the term “professional journalist” was revised to include “not only those working for traditional news media (newspapers, magazines, and broadcast media), but those working for any ‘professional medium or agency which has as one of its regular functions the processing and researching of news intended for dissemination to the public,’ as well.”<sup>8</sup>

The limitation of the Shield Law’s protections to a narrowly defined class of “professional” journalists may appear archaic now, even though it is in fact typical.<sup>9</sup> The statutory definition is wordy because the very concept of the journalism “profession” was a conceit. There are no formal qualifications, licenses, or training required to be a journalist. The statute therefore focuses on what this category of persons does—and significantly, where, i.e., mainly at “real” journalistic enterprises that would be familiar to our grandparents and probably theirs as well: newspapers, wire services, magazines, broadcasters.<sup>10</sup>

Today, in light of the Internet, the employment-based definition of “journalist” seems problematic, but until fairly recently it seemed pretty sensible. Decrying what sometimes seems like the cancerous growth of malicious online defamation cloaked by the anonymity that is unique to the Internet, I wrote in 2006:

During the entire previous history of humanity until just a few minutes ago, elites—who usually had the stability of society, for good or for bad, as a central goal, as elites will—controlled the medium and the message. And the result was indeed a high degree of stability. You

could not easily ruin a man's life by communicating something false or scurrilous, though if you did it could hardly be undone. And little saw the light of day in print—be it by the hand of a scribe painstaking scratching out sacred writ, as the product of the crudest printing presses or over the air of the oligopoly broadcasters—without being weighed and vetted—no, not always, maybe not even mostly, for truth or neutrality, but at least for cost and usually for effect.

This sense of accountability flowed from the fact of accountability, often in its literal sense. Your quills could be blunted, your press smashed, and in a more enlightened era and place, your assets and good name put at risk through legal process. There was a high cost of entry to the market of expression, and that cost was, especially in unfree societies (as is still the case), often far greater than any true economic assessment; but once borne, this cost provided a counterweight—not a perfect one, but a real one—to the inclination to take no consideration of what costs others might bear as a result of your expression....

In the old days, cranks and complainers and scandalmongers [lacking such accountability] used to peddle [their] wares via stolen reams of photocopy paper or purple mimeograph printouts. Mailed anonymously or pinned up on storefronts they were easily enough recognized as the rantings of marginal people; once pulled down and crumpled up, they were gone forever, and usually rightfully so.<sup>11</sup>

That was true when the Shield Law was enacted and when it was amended in 1981. But a lot has changed since 1981. You remember the state of blogging and the Internet in 1981, don't you? Here's a reminder: "The IBM PC, Commodore 64 and the ZX81 were among personal computers to hit the shelves in 1981. The first IBM PC had a 4.7Mhz processor and the cheapest model had 16K of memory. Disk drives were an optional extra but each 5.25inch disk could hold 160K of data...."<sup>12</sup> There was no blogging because there was no Internet—well, not for you and me, although in 1981, following in the footsteps of ARPANET, the City University of New York established BITNET to provide electronic mail, listserv servers, and file transfers to member academic institutions.<sup>13</sup> This was not exactly Facebook. Indeed, as anyone who did legal research on a Westlaw "Walt" terminal in the

1980s will recall, it would be four more years before connection speeds on these Internet precursors would reach a blazing 56Kbps.<sup>14</sup> Even then any serious multi-database search run online entitled the lawyer running it to a leisurely dinner while the result seemingly walked out to Minnesota, where Westlaw's servers live, clunked and chunked through the state of the art computers, and then ambled back to New York, squeezing its way, one character at a time (thank God for sans-serif type!), through an electronic pinhole, if it didn't get flagged down for speeding in Ohio on the way.

## II. The Press, the Powerful, and the Proposed Federal Shield Law

That Internet experience was still a dream in 1981. In that year former Assemblyman "Chuck" Schumer began his first term in Congress<sup>15</sup> and his legendary love affair with the establishment press—which in 1981, was the only press that mattered. Senator Schumer's relationship with the traditional press is widely acknowledged. It is a standing joke in Washington: "What's the most dangerous place on Capitol Hill? Between Chuck Schumer and a television camera."<sup>16</sup> Senator Schumer has sought to repay the attention those cameras lavish on him, prompting President Obama to joke once that Schumer brought the press to a banquet as his "loved ones."<sup>17</sup>

One manifestation of this love was Senator Schumer's introduction of an amendment to a 2009 Senate bill that proposed to create a federal reporter's shield law much like the New York Shield Law. It was an amendment that, when he first got to Congress in 1981, might have made perfect sense but in 2009 could hardly be justified on principled grounds: like the original New York law, it required that to benefit from the privilege a journalist had to be a "professional" journalist, i.e., one who was paid to report by a traditional press entity.<sup>18</sup> As a blogger for the Berkman Center for Internet & Society at Harvard wrote, in what was at once an accurate analysis of the amendment and a dose of what can charitably be called naïve earnestness:

This language is in fact more restrictive than its House counterpart, which only limits the shield to those who gather or disseminate news "for a substantial portion of [their] livelihood or for substantial financial gain." The Judiciary Committee's "salaried employee... or independent contractor" language on its own would be sufficient to deprive most non-traditional journalists of protection. But the requirement that the hosting entity both disseminate information by electronic means and operate a publishing, broadcasting, or news service of some kind ices it....

Of course, a cynical fellow might suggest that perhaps the Senate isn't so concerned about people getting "the most up-to-date, accurate information." But I think it's far more likely that citizen journalists just aren't on the radar of your average senator....<sup>19</sup>

"Cynical fellows," however, were not hard to find. One opined:

Why on Earth did Schumer do this? Schumer's spokespeople were not available for comment. But I've been taking a look at the matter, and from my vantage point, what seems to be at work here is an effort to find common ground between a Justice Department that does not want to expend its resources extending blanket protection to all journalistic entities, and powerful corporate media interests who don't want to expend their dwindling resources keeping their reporters out of the stir. Schumer's amendment creates this common ground by putting up a big sign that reads: NO BLOGGER OR CITIZEN JOURNALIST WELCOME.

Keep in mind: big media has been extensively lobbying for federal shield law protection for some time now. On September 9, over 70 news organizations sent a letter to Senator Pat Leahy (D-Vt.), asking him to not water down the bill, which was wending its way through his Senate Judiciary Committee. Good news for them—the changes that Schumer made to the bill won't affect them in the least....

I looked into the idea that Schumer's amendment was influenced by lobbyists and, indeed, a cursory examination of Schumer's funding sources reveals that he is the go-to Senator when big media wants to make a donation in return for a favor.<sup>20</sup>

No one knows for sure if the cynical view of the matter was the correct one; the bill may have simply reflected Senator Schumer's longstanding discomfort with the Internet. According to one source, Schumer opposed placing DARPA—the successor to ARPA, which eventually became the Internet as we know it now—into the public domain, describing it as a "waste of the taxpayers' money."<sup>21</sup> Later he sponsored the unsuccessful PROTECT IP Act, also known as PIPA,<sup>22</sup> which failed as a result of critics' vigorous opposition to it as a grant of unprecedented power to government to unilaterally protect the

rights of intellectual property stakeholders.<sup>23</sup> Whatever the case, the federal shield bill went nowhere, derailed by the Wikileaks controversy.

But the year of Senator's Schumer's "professional journalists only need apply" amendment was also the year an equal and opposite amendment to New York's Shield Law was proposed by State Senator Thomas K. Duane and Assemblywoman Linda B. Rosenthal.<sup>24</sup> One commentator observed that rather than *adding* bloggers to an already awkward statute, it would make more sense simply to eliminate the fiction of "professional journalism":

Lucy A. Dalglish, executive director of the Reporters Committee for Freedom of the Press, an organization in Arlington, Va., that defends First Amendment rights of journalists, said she was sympathetic with the bill's mission, but she said that using the word "blog" in the language of the proposal might be too broad....

"Blogging is a technology and a method of delivery," Ms. Dalglish said in a phone interview. "Some people are doing valuable journalism when they blog. Others do not. What you are trying to protect is the journalism function, not the technology or the platform."<sup>25</sup>

Dalglish hit on a point that many had been making for years. In an echo of Wittgenstein's axiom that philosophy is properly seen not as a theory "but an activity,"<sup>26</sup> Dalglish argued that only a person who is **doing journalism** is a journalist—regardless of job description, rate of pay, or motivation. A similar conclusion was reached in an award-winning student law review article that questioned the posited distinctions between traditional journalistic outlets and bloggers who perform journalistic functions:

A federal shield law for reporters and citizen journalists would benefit the public by protecting whistleblowers and encouraging anonymous sources to reveal information to responsible disseminators of the news. Because the purpose of the privilege is to help the flow of information to the public, Congress should pass a federal shield reporter's shield law that protects traditional and citizen journalists. The privilege should not simply cover members of the traditional press, for "[t]he First Amendment does not guarantee the press a constitutional right... not available to the public generally." Congress should combine the traditional definition of a reporter associated with a media entity with an intent-based inquiry based on the function of journal-

ism to create a federal reporter's shield law to enhance the First Amendment and encourage the free flow of information in our democracy.<sup>27</sup>

The Duane-Rosenthal amendment did not pass in 2009<sup>28</sup> for reasons I have been unable to determine. It is still rattling around Albany, but it is, by all indications, going nowhere.<sup>29</sup>

### III. Defining Journalists: Not "Who" or "How" but "What"

The concept that journalism is an activity, not a status, does not lead all commentators to the conclusion that bloggers should be included in press shield laws. Rather, it calls into question the wisdom of press shield laws. Perhaps the most prominent proponent of this view is law professor Glenn Reynolds, one of the most influential bloggers.<sup>30</sup> He argues:<sup>31</sup>

Ordinarily, people are required to respond to subpoenas by providing information....

Journalists, however, claim a special status: They argue that complying with subpoenas in ways that would identify their sources might make people less likely to confide in them in the future. There are two problems with this argument: The first is that the Constitution doesn't require it. The second is that we're all journalists now.

The Constitution merely protects the freedom of speech and publication—not the freedom to keep secrets, which is what journalists are asking for when they seek special privileges of non-disclosure....

The other problem with journalist shield laws is that journalism isn't a profession; it's an activity, one now engaged in by many. With the proliferation of blogs, podcasts, YouTube videos and the like, anyone can be a journalist. But if anyone could assert a journalistic privilege not to disclose sources, the work of the courts would be far tougher.

Efforts to limit the privilege to "professional" journalists, on the other hand, quickly transform into a sort of guild or licensing system for the press—ironically, something that the First Amendment clearly prohibits.

Reynolds is not alone in this view; even some journalists agree with it. One editorial page editor wrote back in

2005 that it is "contradictory that a free and independent press, which is supposed to be the 'watchdog of the government,' would be, in effect, licensed by that government.... The First Amendment was not drafted for the benefit of an elite few; it was meant to protect the rights of all Americans to express themselves in a robust, cantankerous exchange of opinions. In case you hadn't noticed, 'the press' is rapidly becoming 'the people.'"<sup>32</sup>

More recent commentators have made the same point, especially in light of the growth of popular journalism and in response to news in recent months that the White House, under criticism for its surveillance of Associated Press reporters in connection with leak investigations, has asked Senator Schumer to revive his federal reporter's shield law bill.<sup>33</sup> For example, the *Washington Times* opined that a shield law for the media "gives the government the chance to decide who does, and who does not, qualify for this privilege. In that respect, a media shield law represents a diminution of liberty. Free speech is something that belongs to everyone."<sup>34</sup>

On the other hand, Christopher Daly, a journalism professor and former AP reporter, opposed the legislation on the ground that "a proper reading of the First Amendment makes a shield law superfluous,"<sup>35</sup> though he cited the U.S. Supreme Court's decision in *Branzburg v. Hayes*, which, he acknowledged, held otherwise. "The practice of journalism includes both a news-gathering function and a news-disseminating function," Daly insisted.

Neither one is of much use without the other. That is, if journalists are free to disseminate news but not to gather it, they will have nothing of value to share with the people. Conversely, if they are free to gather news but not to disseminate it, the people will again be thwarted in their ability to learn the things they need to know to govern themselves. Thus, journalists must be free to gather news (by reporting) and to disseminate news (by printing, broadcasting or posting).

Because journalists typically cannot bring important investigative stories to light without promising their sources confidentiality, he stated, they must be allowed to honor that commitment. He added:

It is perfectly predictable that those in power (from either party) will reflexively attempt to control the flow of information to the people. One attractive mechanism for doing that is to force journalists to name their confidential sources and then to go after the sources and punish them. If I were a tyrant seeking to use the limited powers of government to create unlimited personal power, that is one of the ways I would go about it.

That is exactly what Thomas Jefferson and his supporters among the Founders foresaw and sought to prevent. One of the remedies they came up with was an absolute guarantee of press freedom. That's why I believe we journalists do not need to ask Congress to bestow such protections on the practice of journalism. Indeed, we should be wary of inviting Congress to legislate about the press at all, because once legislators start writing laws, it is exceedingly difficult to get them to stop. Today, they may say they are proposing to do us a favor by granting us a shield. Tomorrow, having established the precedent, they may decide to improve that law by "clarifying" just who is a journalist. Before long, Congress might decide to license journalists or protect confidential sources in the Executive branch but deny such protection to their own staffers. There would be no end to it.

Not everyone agrees with Daly.<sup>36</sup> More generally, however, while Daly did not use the "journalism is an activity, not a station" formula, his argument implies that no legislature should be permitted to define who is a journalist—or, axiomatically, to deprive a journalist of whatever protection he is entitled to by fiat. Indeed, as Daly noted in another post responding to the National Security Agency leak first reported by Glenn Greenwald:<sup>37</sup>

[T]he entire [journalism] industry was based on content created by people with an ax to grind. Often, they were political activists (like Sam Adams or Tom Paine) or surrogates for office-holders (like James Callender).

The idea that a journalist should be defined as a full-time, professional fact-gatherer who has no political allegiances is not only unrealistic, but it is already a historical artifact.

As another recent commentator noted in the telling title of his column, "The Value of a New Media Shield Law Depends on Your Definition of 'Media.'"<sup>38</sup>

#### IV. The Standoff

Clearly, certain elites continue to resist an understanding of the genuine journalistic value of non-traditional media while displaying what is actually a counterintuitive fetish for ascribing higher journalistic value to people who profit financially. Thus, Senator Lindsey Graham asks: "[I]f classified information is leaked out on a personal website or [by] some blogger, do they have the same First Amendments rights as somebody who

gets paid [in] traditional journalism?"<sup>39</sup> In fact, Senator Schumer's new shield law bill does not make this distinction. Rather, it would apply anyone who "regularly" gathers and disseminates news:

COVERED PERSON—The term "covered person"—

(A) means a person who—

(i) with the primary intent to investigate events and procure material in order to disseminate to the public news or information concerning local, national, or international events or other matters of public interest, regularly gathers, prepares, collects, photographs, records, writes, edits, reports or publishes on such matters by—

(I) conducting interviews;

(II) making direct observation of events; or

(III) collecting, reviewing, or analyzing original writings, statements, communications, reports, memoranda, records, transcripts, documents, photographs, recordings, tapes, materials, data, or other information whether in paper, electronic, or other form;

(ii) has such intent at the inception of the process of gathering the news or information sought; and

(iii) obtains the news or information sought in order to disseminate the news or information by means of print (including newspapers, books, wire services, news agencies, or magazines), broadcasting (including dissemination through networks, cable, satellite carriers, broadcast stations, or a channel or programming service for any such media), mechanical, photographic, electronic, or other means.<sup>40</sup>

This is a broad definition of a "covered person"—to the extent, of course, it is not eviscerated in practice by the bill's qualifications, exceptions, and limitations on its protection for "covered persons."<sup>41</sup>

Notwithstanding Senator Schumer's evident, if qualified, acceptance of a modern definition of the journalistic enterprise, however, other members of the Senate are still stuck on a more traditional conception. In addition to the view of Senator Lindsey Graham, noted above, Senator Richard Durbin of Illinois wrote the following in a July 2013 op-ed:

Journalists should have reasonable legal protections to do their important work. But not every blogger, tweeter or Facebook user is a “journalist.” While social media allows tens of millions of people to share information publicly, it does not entitle them to special legal protections to ignore requests for documents or information from grand juries, judges or other law enforcement personnel.

A journalist gathers information for a media outlet that disseminates the information through a broadly defined “medium”—including newspaper, nonfiction book, wire service, magazine, news website, television, radio or motion picture—for public use. This broad definition covers every form of legitimate journalism.<sup>42</sup>

To Senator Durbin, there is journalism, and there is “legitimate” journalism—the latter defined by affiliation with traditional media (“motion picture”?) that he describes as being produced “for public use”—as opposed to social media, which, by his own definition, “allows tens of millions of people to share information publicly.”

Durbin’s “public use” versus “tens of millions of people sharing information” distinction is not only an obvious factual contradiction. It is one that, if challenged legally, arguably would be deemed unconstitutional, or at least arbitrary and capricious. It also reminds one perusing the New Jersey blogger decision discussed above that application of even the broadest shield laws by sympathetic courts turns on fairly arbitrary line-drawing. This is so not only with respect to defining what kind of “affiliation,” if any, a journalist seeking shield protection must have with a “news organization”—a fundamentally indefensible position. It also raises questions about how to apply the vaunted “what you do, not who you are” standard. Senator Durbin scoffs at tens of millions of Twitter users passing along some datum as unworthy of protection, but a New Jersey court finds 500-600 unique website visitors a day to be an adequate basis for finding a journalistic enterprise.

As long as courts utilize arbitrary quantitative criteria for qualifying as a journalist based on popularity, whether in terms of circulation, listenership, unique visitors, or otherwise—standards that are empirically and conceptually unexamined—the application of journalist shield laws will raise unexamined, and troubling, doctrinal and constitutional questions. At the very least, the use of such criteria will, as critics maintain, nearly always result in a practical bias respecting the application of the shield in favor of larger media outlets, even if formal affiliation is not required. And this will be true regardless of the accuracy, quality, or other purported indicia of “legitimacy” in journalism, including the subjective

intent of the writer or publisher, as demonstrated by the published work in question.

## V. Conclusion

Regardless of whether Professor Daly is right as to whether there is, or should be, a penumbral journalistic privilege emanating from the First Amendment, his formulation is probably the most useful one. It provides solid ground for the argument, hinted at in the arguably radical approach of commentators such as Glenn Reynolds, that legislation that extends membership in the Fourth Estate and any appurtenant legal privilege to an elite, presumably favored, class of old-media stakeholders is itself likely a violation of the First Amendment.

Ultimately, as the NSA scandal and the Wikileaks controversies demonstrate, much of the debate is itself arguably hurtling toward irrelevance. Today, those who possess confidential information have little use for media interlocutors, digital or otherwise. They publish the secrets with which they have been entrusted on their own, utilizing famous media outlets or journalists merely as leverage to garner publicity for their initial rollout of secrets. In an era that has little use for privacy and exalts narcissism, and where former politicians masquerade on “the news” as journalists, confidentiality itself is arguably becoming as antique a concept as press passes, journalistic “ethics,” and editorial responsibility.

Are bloggers journalists? If it matters at all now, it is doubtful that it will for much longer. To the extent the government can and will bring its destructive investigative and prosecutorial powers to bear on those who do not work for supposedly “legitimate” or “real media” outlets, while those who do are exempt from such treatment, there is, in 2013, no principled argument to support such a distinction. Nor is there a cogent ground for such a counterproductive policy, which will produce only more direct leakers, exiles, and media stars out of those who have erroneously been trusted with secrets.

## Endnotes

1. *In re January 11, 2013 Subpoena by the Grand Jury of Union County, New Jersey* (Sup. Ct. of New Jersey, Union County, Criminal Div., Docket No. 13-001, Apr. 12, 2013), <http://unioncountywatchdog.org/docs/Renna%20is%20a%20Journalist.pdf> (hereinafter “*Union County*”).
2. N.J.S.A. 2A:84A-21, et seq.
3. *Union County* at 15-17.
4. *Id.* at 18.
5. *Id.* at 19-20.
6. Laura Handman, Peter Karanjia, Bryan Tallevi and Elissa Krall, “New York—Privilege Compendium; I. Introduction: History and Background,” Reporters Committee for Freedom of the Press, <http://www.rcfp.org/new-york-privilege-compendium/i-introduction-history-background>.
7. Civil Rights Law § 79-h(a)(6).
8. *Id.*

9. "Protecting the New Media: Application of the Journalist's Privilege to Bloggers," 120 HARV. L. REV. 996, 1002 (2007) ("Although a blogger has little chance of prevailing under a shield law protecting only 'newspapers,' most shield laws include definitional language that leaves open the question whether bloggers are covered. Most commonly, statutes require that the claimant be affiliated with—or in some cases be affiliated with a medium similar to—one of several enumerated news media, usually including 'newspaper,' but also usually including 'magazine,' 'journal,' or 'periodical.'").
10. Civil Rights Law § 79-h reads: (a) Definitions. As used in this section, the following definitions shall apply:
  - (1) "Newspaper" shall mean a paper that is printed and distributed ordinarily not less frequently than once a week, and has done so for at least one year, and that contains news, articles of opinion (as editorials), features, advertising, or other matter regarded as of current interest, has a paid circulation and has been entered at United States post-office as second-class matter.
  - (2) "Magazine" shall mean a publication containing news which is published and distributed periodically, and has done so for at least one year, has a paid circulation and has been entered at a United States post-office as second-class matter.
  - (3) "News agency" shall mean a commercial organization that collects and supplies news to subscribing newspapers, magazines, periodicals and news broadcasters.
  - (4) "Press association" shall mean an association of newspapers and/or magazines formed to gather and distribute news to its members.
  - (5) "Wire service" shall mean a news agency that sends out syndicated news copy by wire to subscribing newspapers, magazines, periodicals or news broadcasters.
  - (6) "'Professional journalist" shall mean one who, for gain or livelihood, is engaged in gathering, preparing, collecting, writing, editing, filming, taping or photographing of news intended for a newspaper, magazine, news agency, press association or wire service or other professional medium or agency which has as one of its regular functions the processing and researching of news intended for dissemination to the public; such person shall be someone performing said function either as a regular employee or as one otherwise professionally affiliated for gain or livelihood with such medium of communication.
  - (7) "Newscaster" shall mean a person who, for gain or livelihood, is engaged in analyzing, commenting on or broadcasting, news by radio or television transmission.
  - (8) "News" shall mean written, oral, pictorial, photographic, or electronically recorded information or communication concerning local, national or worldwide events or other matters of public concern or public interest or affecting the public welfare....
  - (f) The privilege contained within this section shall apply to supervisory or employer third person or organization having authority over the person described in this section.
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14. *Id.*
15. "About Chuck," Senator Charles E. Schumer official website, <http://www.schumer.senate.gov/About%20Chuck/biography.htm>.
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bill's many hedges and exceptions, doubted that this extent was truly as broad as advertised, especially in light of the many hedges and exceptions in the bill as currently written:

The act will go a long way toward establishing a government-sanctioned journalistic class. There will be, on the one hand, approved reporters who are immune to certain kinds of governmental inquiry, and, on the other hand, everyone else, those less exalted citizens who, faced with the same governmental inquiry, would just have to suck it up. The act is a classic restraint of trade, protecting favored journalists from the pressure of competitors who lack the proper credential...

By the time Schumer's 2009 bill died, Obama's Justice Department had managed to weaken the journalistic privilege with special exceptions, allowing judges to approve the release of private records to prosecutors and to compel reporters to testify about leaks that endanger national security.

Those exceptions will likely remain in the current bill, which means it could not have inhibited the Justice Department from doing what it did to the AP and its phone records. The Free Flow of Information Act is, in other words, completely beside the point. But if it passes now it will not be without effects, most of them pernicious.

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The Intellectual Property Law Section extends its gratitude to the following for their significant sponsorship over the past year:

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# Section Activities and Notices



Diane Plaut and Ted Davis

## Trademark Law and Litigation Committees

On May 15 the **Trademark Law and Litigation Committees** co-sponsored a roundtable on the current state of the law surrounding preliminary and permanent injunctions in trademark cases. The panel included Ted Davis, partner at Kilpatrick, Townsend & Stockton, and Diane Plaut, Director and Senior Counsel for Intellectual Property at Diageo, plc, who both spoke on the historical requirements for securing injunctive relief and how the law has evolved, especially in the Second Circuit. The critical takeaway was that where courts previously presumed irreparable harm where a plaintiff demonstrated a likelihood of confusion, that presumption no longer exists; rather, the plaintiff must prove irreparable harm. This change affects the likelihood of obtaining a preliminary injunction in trademark cases, the cost-benefit analysis of seeking such injunctions, and potentially litigation strategy in general.

—Bill Samuels

## In-House Initiative

A very successful kickoff event for the Section's new **In-House Initiative**, co-chaired by Chehrazade Chemcham and Sarah Crutcher, took place on June 25, 2013. Hosted by Davis & Gilbert LLP, the event started with a CLE program on "Social Media Risks and How To Mitigate Them" and ended with a cocktail reception. The event was organized for and attended by in-house attorneys only. Section Chair Kelly Slavitt started the In-House Initiative with the goal of increasing the membership and participation of in-house attorneys in the Section.

The program was moderated and presented by Joseph J. Lewczak, a Davis & Gilbert partner. The speakers were Elisheva M. Jasie, Vice President, Assistant

General Counsel, Coty Inc.; Maria Politis Moutsatsos, Vice President, Assistant General Counsel & Manager of Cross-Agency Initiatives, Interpublic Group; and Michael B. Sapherstein, Vice President, Deputy General Counsel of Marvel Entertainment. A wide array of IP and advertising topics relating to business presence on social media platforms were covered, including relevant IP and advertising case law; the impact of right of publicity law on the use of individuals' names, images, and likenesses on social media platforms; copyright infringement and DMCA protection; clearance of trademarks for use on social media; the use of Twitter hashtags; Twitter squatting; trademark hijacking on Twitter and other platforms; Twitter handles and vanity URLs; FTC endorsement and testimonial guidelines for social media; social media disclosures, and NAD cases involving social media.

The Section would like to thank Brooke Singer, a Davis & Gilbert partner and chair of the Section's new **Advertising Committee**, for her invaluable assistance in organizing the event.

—Chehrazade Chemcham

## Miriam Maccoby Netter Fellowship

The recipient of this year's \$5,000 Miriam Maccoby Netter Fellowship, awarded by the Grant Review Committee of The New York Bar Foundation, is **Volunteer**

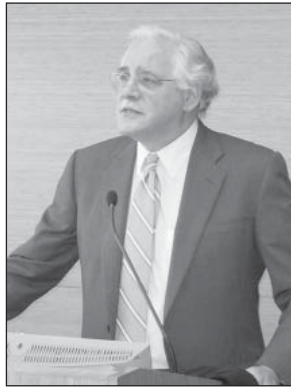
**Lawyers for the Arts (VLA)**. VLA selected Charles Chen as its Intellectual Property Law Fellow. Charles received his J.D. and LL.M. from the University of New Hampshire School of Law in 2012. He will participate in interviewing, evaluating, and researching art-related legal matters that affect VLA's clients, including copyright, trademark, and patent law questions. He will also participate in client consultations and draft memoranda for placement of those matters on VLA's case list to facilitate clients obtaining ongoing pro bono representation by law firms. In addition, Charles will participate in the research and development of the educational programming VLA offers to artists and attorneys on core and cutting-edge art-related legal topics that touch upon various intellectual property matters. Congratulations to Charles and to VLA. We look forward to publishing a report on his experience in the Winter issue.



Charles Chen

## 11th Annual Women in Intellectual Property Law

On June 5, 2013, the Section presented the 11th Annual **Women in Intellectual Property Law** event, hosted by Pryor Cashman LLP. Attendees were welcomed by Ronald H. Shechtman, Managing Partner at Pryor Cashman, and Section Chair Kelly Slavitt of Reckitt Benckiser LLC.



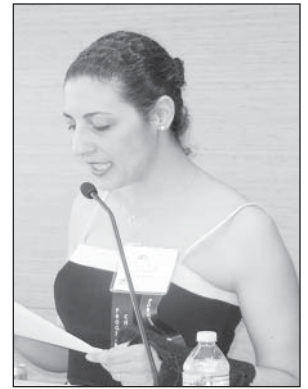
Program Chair Joyce Creidy of Thomson Reuters set the theme for the event by quoting Mahatma Gandhi: "Your habits become your values; Your values become your destiny." The first speaker, Vanessa Hew, partner at Duane Morris LLP, emphasized the importance of being ready to take risks and of not being afraid to make mistakes. Maria Fernandez of IBM System Technology Group shared how her readiness to take risks in her legal career and stepping out of her comfort zone exposed her to opportunities to which she otherwise would not have been exposed. She also recommended mastering the networking skill and highlighted the benefits of Big Data provided by LinkedIn, suggesting that everyone maintain an updated LinkedIn profile.



Alyssa Harvey Dawson of Harman International Industries, Inc. encouraged everyone to define themselves by establishing the agenda for their life. Although Ms. Harvey Dawson always wanted to be an intellectual property lawyer, it took her some time to get there. Her persistence in executing her plan, and her resistance to pressure to alter it, ultimately helped her reach her goal of becoming an IP lawyer. She

discussed how important it is to take on challenging projects and assignments and to keep learning and acquiring new skills without being afraid to fail.

The final speaker, Dyan Finguerra-DuCharme, a partner in Pryor Cashman LLP, suggested that the key to success in one's legal career is taking control over it. She highlighted how important it is to have mentors and sponsors but to not rely exclusively on them to advance one's career. She also discussed the option of going to part-time and other flexible work arrangements, illustrating with her own story how beneficial it can be (if done right).



The evening ended with a dessert and coffee reception sponsored by Thomson Reuters/Thomson CompuMark and a prize drawing. Winners received beautiful gift baskets from Revlon; perfume and beauty products from Coty; a Brooks Brothers gift certificate; a Coach bag; a Tory Burch wallet; DVDs from HBO's Series *Game of Thrones*; a basket of products from Reckitt Benckiser; a sound system from Harman International Industries; a gift certificate from Physique 57; and a Singer sewing machine.



This year's Women in IP event was yet another extremely inspiring and encouraging evening where accomplished IP lawyers—and wonderful women—made attendees think about what they are doing for their own careers and for their personal lives.

—Natasha Azava





# Welcome New Members

David B. Adler  
Ufuoma Barbara Akpotaire  
Samantha Anderson  
Karen E. Andrews  
Natallia Azava  
Ryan Barrett  
Seamus Barrett  
Gizem Basbug  
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NEW YORK STATE BAR ASSOCIATION

***SAVE THE DATES***

**INTELLECTUAL PROPERTY LAW SECTION**

**FALL MEETING**

**October 17-20, 2013**

**The Sagamore  
Bolton Landing, NY**

# **MEMBERSHIP APPLICATION**

## **New York State Bar Association**

### **INTELLECTUAL PROPERTY LAW SECTION**

Membership in the New York State Bar Association's Intellectual Property Law Section is a valuable way to:

- enhance professional skills;
- keep up-to-date with important developments in the legal profession;
- join colleagues in exciting Section events.

#### **OPPORTUNITIES FOR EDUCATION**

The Intellectual Property Law Section offers both the experienced and novice practitioner excellent opportunities to enhance their practical and legal knowledge and expertise. Through Section activities, including conferences on intellectual property (an annual Winter event), members may examine vital legal developments in intellectual property law. The Section's Web site provides current information regarding Section events and offers "members only" access to current issues of *Bright Ideas* and current Committee bulletins providing updates on intellectual property law. The Section sponsors continuing legal education (CLE) credit-bearing programs for Section members at reduced rates. Recent programs offered by the Section related to computer software and biotechnology protection, conducting intellectual property audits, and practical considerations in trade secret law. Now, with Mandatory Continuing Legal Education (MCLE) requirements, Intellectual Property Law Section membership is more valuable than ever before! The Section also sponsors joint programs with Law Schools including an annual writing contest for law students wherein the winning articles appear in an issue of *Bright Ideas*.

#### **OPPORTUNITIES FOR PROFESSIONAL DEVELOPMENT**

Intellectual Property Law Section committees address unique issues facing attorneys, the profession and the public. The Section offers opportunities to serve on committees such as Copyright Law; Diversity Initiative; Ethics; Greentech; International IP Law; Internet & Technology Law; Legislative/Amicus; Litigation; Patent Law; Pro Bono and Public Interest; Trademark Law; Trade Secrets; Transactional Law; and Young Lawyers.

Committees allow you to network with other attorneys from across the state and give you the opportunity to research issues and influence the laws that can affect your practice. Committees are also an outstanding way to achieve professional development and recognition. Law students are automatically members of the Young Lawyers Committee. Section members may join more than one committee.

#### **A VOICE IN THE ASSOCIATION**

The Intellectual Property Law Section takes positions on major professional issues that affect practitioners and advocates those positions within the New York State Bar Association, the legislature, and the public.

**See page 30 to become a member of the Intellectual Property Law Section**

## COMMITTEE ASSIGNMENT REQUEST

Please designate, from the list below, those committees in which you wish to participate. For a list of Committee Chairs and their e-mail addresses, please refer to page 31 of this issue.

- |  |   |
|--|---|
| <input type="checkbox"/> Advertising Law (IPS3000)                         | <input type="checkbox"/> Litigation (IPS2500)                   |
| <input type="checkbox"/> Copyright Law (IPS1100)                           | <input type="checkbox"/> Membership (IPS1040)                   |
| <input type="checkbox"/> Diversity Initiative (IPS2400)                    | <input type="checkbox"/> Patent Law (IPS1300)                   |
| <input type="checkbox"/> Ethics (IPS2600)                                  | <input type="checkbox"/> Pro Bono and Public Interest (IPS2700) |
| <input type="checkbox"/> Greentech (IPS2800)                               | <input type="checkbox"/> Trademark Law (IPS1600)                |
| <input type="checkbox"/> In-House Initiative (IPS2900)                     | <input type="checkbox"/> Trade Secrets (IPS1500)                |
| <input type="checkbox"/> International Intellectual Property Law (IPS2200) | <input type="checkbox"/> Transactional Law (IPS1400)            |
| <input type="checkbox"/> Internet and Technology Law (IPS1800)             | <input type="checkbox"/> Young Lawyers (IPS1700)                |
| <input type="checkbox"/> Legislative/ Amicus (IPS2300)                     |   |

Please e-mail your committee selection(s) to [IntellectualProperty@nysba.org](mailto:IntellectualProperty@nysba.org)

\* \* \*

To be eligible for membership in the Intellectual Property Law Section, you first **must** be a member of the NYSBA.

- ☐ As a member of the NYSBA, I enclose my payment of \$30 for Intellectual Property Law Section dues. (Law student rate: \$15)
- ☐ I wish to become a member of the NYSBA and the Intellectual Property Law Section. I enclose both an Association and Section application with my payment.
- ☐ Please send me a NYSBA application. No payment is enclosed.

Name \_\_\_\_\_

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*Please return payment and application to:*

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**<http://www.nysba.org/membership>**

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## Submission of Articles

Anyone wishing to submit an article, announcement, practice tip, etc., for publication in an upcoming issue of *Bright Ideas* is encouraged to do so. Articles should be works of original authorship on any topic relating to intellectual property. Submissions may be of any length.

Submissions should preferably be sent by e-mail to Jonathan Bloom, Editor-in-Chief, at the address indicated on this page. Submissions for the Winter 2013 issue must be received by October 1, 2013.

### Accommodations for Persons with Disabilities:

NYSBA welcomes participation by individuals with disabilities. NYSBA is committed to complying with all applicable laws that prohibit discrimination against individuals on the basis of disability in the full and equal enjoyment of its goods, services, programs, activities, facilities, privileges, advantages, or accommodations. To request auxiliary aids or services or if you have any questions regarding accessibility, please contact the Bar Center at (518) 463-3200.

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ISSN 1530-3934 (print) ISSN 1933-8392 (online)

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