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A Patent Primer for the Communications Lawyer

RANDY LIPSITZ, MARY W. RICHARDSON, AND AARON M. FRANKEL

Imagine, if you will, that you have just successfully launched your new website or added new exciting features to your existing website. Your static media has become interactive with streaming media, e-commerce, click-throughs, visitor tracking capabilities, and other new cutting-edge technology. And then—zap, bam, boom, pow! Next thing you know, you are defending against a charge of willful patent infringement brought by a company deep in the heart of Texas that you never heard of and can’t find anything about, and you don’t even have an office in the Lone Star State. What happened and why?

What happened is that you (and you are not alone) were not aware that many aspects of the Internet, such as advertising, marketing techniques, and sales procedures, may be protected by patents. Neither your software vendor nor your website designer warned you about the problems. You are left alone to defend your rights in a foreign jurisdiction at huge expense with maximum exposure.

Examples of these types of Internet-related patents are listed in the table on page 22.

To understand how such patents can impact your new website or your addition of new features to your existing website, it is helpful to understand the basics of patent law (basis of U.S. patent law, parameters of patent’s protection, and the patent document); how patents compare to other forms of intellectual property (such as trade secrets, copyrights, and trademarks); the criteria for obtaining a patent (e.g., patentable subject matter, conditions and requirements for patentability, technical disclosure requirements, one-year filing deadline, and prosecution); the rise of Internet-associated patents (typically called

business method patents); the changing patent law landscape (e.g., recent Supreme Court decisions and proposed legislative reforms); and the risks of patent infringement.

Basis of U.S. Patent Law

To understand patents and their growing importance in the communications industry, it is necessary to place them in their proper context. An understanding of the basis of U.S. patent law will be helpful in this regard. The U.S. Constitution, which declares that “Congress shall have the power . . . to promote the progress of science and useful arts, by securing for limited times to . . . inventors the exclusive right to their . . . discoveries,” provides the basis for our patent system.¹ Current patent law, based upon the Patent Act of 1952, is found at 35 U.S.C. § 101 et seq.

Parameters of Patent’s Protection

Patents, although they are the most difficult property rights to obtain, are considered by some to be the most valuable class of intellectual property. Patents confer what is essentially a government-granted monopoly for a specified term of years that precludes others from exploiting even independently conceived inventions as long as they constitute or are equivalent to an invention described in one or more of the patent’s claims. Theoretically, the grant of patent rights

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Randy Lipsitz (rlipsitz@kramerlevin.com) is a partner and Mary W. Richardson (mrichardson@kramerlevin.com) and Aaron M. Frankel (afrankel@kramerlevin.com) are associates at Kramer Levin Naftalis & Frankel LLP in New York City. All three are registered patent attorneys.

The State of the Forum

RICHARD M. GOEHLER

As we approach the end of another ABA year, I am pleased to report that the state of the Forum is very good. Our programs are receiving excellent evaluations and enjoying record attendance, our publications are substantive and timely, and our membership is growing. Thanks to all of you who have volunteered your time, attended programs, written articles, and participated in these Forum activities.

For the twenty-seventh consecutive year, on Sunday, April 13, 2008, the Forum jointly presented with the National Association of Broadcasters and the Federal Communications Bar Association the “Representing Your Local Broadcaster” program in Las Vegas in connection with the start of the annual NAB Convention. Congratulations and thanks go out to our program chair, Guylyn Cummins, and our financial sponsors, Dow Lohnes, PLLC, Shepard Mullin Richter & Hampton, LLP, Wilkinson Barker Knauer, LLP, and Wiley Rein, LLP, for another outstanding program this year. For those who were not able to attend, the Las Vegas conference addressed major issues facing our industry from a unique perspective suggested by the book, *A Wrinkle In Time*. The program included excellent panel presentations on subjects such as content regulation, First Amendment and newsgathering, and making the transition to digital and beyond – DTV, HD radio and online/mobile content. Jerry Fritz and Dick Wiley also moderated a spirited luncheon program on the FCC and public interest. While in Las Vegas, our Women in Communications Law Committee hosted another successful breakfast program and the Forum Governing Committee met and tackled an aggressive business agenda. Highlighting that agenda was a detailed report by Seth Berlin updating the Governing Committee on the status of the



Richard M. Goehler

planning for our inaugural National First Amendment & Media Law Moot Court Competition for minority law students. Be on the lookout for more details on this very important new initiative for the Forum. We very much appreciate the work of Seth, his colleague Jeanette Bead and their planning committee on this new program.

We have continued to build on the early successes of our teleseminar conference initiative. On June 5, 2008, Kevin Goering led an outstanding panel discussion on the topic of “Emerging Issues in Prior Restraint and Commercial Injunctions on Both Sides of the Atlantic.” Kevin’s panel included Saul Shapiro of New York City, Natalie Spears of Chicago, Josh Koltun of San Francisco, and Kevin Bays of London, England. This panel expertly analyzed and discussed the practical issues involved in injunction suits and prior restraints in a variety of settings.

On June 26, Jonathan Avila led our Forum program, “Ivory Towers and Free Speech: Student Speech Rights in the University Environment,” at the National Conference for the Minority Lawyer in San Jose, California. The panel focused on the conflict between intellectual inquiry and freedom of speech in student and student-sponsored speech that may challenge or offend the sensibilities of other members of the university community.

For those of you who are planning to be in New York City in August for the ABA Annual Meeting, please be on the lookout for – and plan to attend – two programs which the Forum is co-sponsoring. The first, on August 7, “How to Cross-Market Our Clients Across Multimedia Platforms: Branding The Entertainment, New Media, Art and Sports Industries.” The next day, on August 8, we are co-sponsoring a program on “Text and Mobile Marketing in a

Wired World.” Each of these programs looks to be extremely substantive and well worth the attendance and support of our members.

Planning is just now getting underway for next year’s Annual Conference. The dates for the annual conference are February 5–7, 2009, which will be held for the first time at the Westin Kierland Resort & Spa in Scottsdale, Arizona. Please mark your calendars now to hold these dates. More details to follow as the planning committee continues its work.

Finally, we are working on our leadership succession, and we look forward to welcoming Guylyn Cummins to the office of Forum Chair in August. 

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The Copyright Act's Preemption of Right of Publicity Claims

JAMES M. CHADWICK AND ROXANA VATANPARAST

The statutory or common law of most states permits claims for misappropriation of one's name or likeness for commercial purposes. Such claims are often referred to as "right of publicity" claims. Although historically treated as a species of the tort of invasion of privacy, such claims are now generally recognized as involving a form of intellectual property, particularly in connection with celebrities who assert not a "right to be left alone" but rather the right to control and profit from the use of their names and images. Such claims may conflict with federal copyright law, particularly with respect to the use of photographs, video, and sound recordings. This is true in particular when the party asserting a right of publicity claim does not hold the copyright to the work at issue.

The Copyright Act contains an express preemption clause, which provides that it preempts conflicting state law to the extent that a state law grants rights equivalent to those granted by the Copyright Act. However, because the Copyright Act does not define *equivalent rights*, there is ambiguity with respect to when the Copyright Act preempts state right of publicity claims. The current split in court decisions, even within the same jurisdiction, reflects this ambiguity.

The courts nominally apply an abstract, two-part test in determining whether right of publicity claims will be preempted. In reality, however, decisions appear to turn on more pragmatic

factors. Recognition that these pragmatic factors may be determinative is important for anyone considering or litigating a right of publicity claim.

General Preemption Principles

The Constitution's Supremacy Clause provides that when state laws conflict with the objectives of federal laws or the Constitution, federal law will control.¹ Federal law preempts state law when (1) Congress expresses a clear intent to preempt state law within a statute; (2) it is clear, despite the absence of explicit preemptive language, that Congress has intended, by legislating comprehensively, to occupy an entire field of regulation; or (3) compliance with both state and federal law is impossible, or the state law stands as an obstacle to execution of congressional purposes and goals.²

Judicial Treatment of the Interaction Between the Right of Publicity and the Copyright Act

Interests Protected by the Right of Publicity

Misappropriation of name or likeness is a state statutory or common law tort. Although state laws vary, they generally provide a cause of action for the use of an individual's name, image, identity, or likeness by another, without permission, for commercial purposes.³ For example, California's right of publicity statute prohibits the use of "another's name, voice, signature, photograph, or likeness, in any manner, on or in products, merchandise, or goods, or for purposes of advertising or selling, or soliciting purchases . . . without such person's prior consent. . . ."⁴

Interests Protected by the Copyright Act

Section 102 of the federal Copyright Act protects "original works of authorship fixed in any tangible medium of expression . . . from which they can be perceived, reproduced, or otherwise communicated, either directly or with

the aid of a machine of device."⁵ A work is fixed in a tangible medium of expression "when its embodiment in a copy or phonorecord, by or under the authority of the author, is sufficiently permanent or stable to permit it to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration."⁶ Section 106 grants copyright owners the exclusive rights to reproduce their copyrighted work, to prepare derivative works, to distribute copies, to perform the work, and to publicly display the work.⁷ Photographs, movies, video and audio recordings, and other works that may include a person's image or voice are protected by copyright.⁸

Express Preemption of State Laws That Grant Equivalent Rights

Section 301 of the Copyright Act provides thus:

On and after January 1, 1978, all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106 in works of authorship that are fixed in a tangible medium of expression and come within the subject matter of copyright as specified by sections 102 and 103, whether created before or after that date and whether published or unpublished, are governed exclusively by this title. Thereafter, no person is entitled to any such right or equivalent right in any such work under the common law or statutes of any State.⁹

Congress created § 301(a) "for the principal purpose of eliminating the dual system of state and federal law and replacing it with a unified federal system."¹⁰

Inconsistent Application of Copyright Preemption to Right of Publicity Claims

The test adopted by the courts for determining whether state law claims are preempted by the Copyright Act is fairly uniform: (1) whether the subject matter of

James M. Chadwick (jchadwick@sheppardmullin.com) is a partner in the Silicon Valley office of Sheppard, Mullin, Richter & Hampton LLP, where he specializes in intellectual property law, communications and media law, and entertainment law. Roxana Vatanparast (roxanav41@gmail.com) recently graduated from U.C. Hastings College of the Law. Starting this fall, she will be an associate in the Intellectual Property Practice Group at Sheppard Mullin Richter & Hampton LLP.

the state law claim falls within the subject matter of copyright under § 102 of the Copyright Act and (2) whether the rights asserted under state law are equivalent to rights created by § 601 of the Copyright Act.¹¹ However, both elements of this test present problems and have been the subject of inconsistent interpretations.

Judicial Interpretation of the Subject Matter of Right of Publicity Claims

Courts have struggled in defining whether the subject matter of a right of publicity claim is a person's likeness or voice, i.e., their "persona," or rather the movie, video, photograph, or sound recording containing the person's likeness or voice.¹²

Many courts have held that the use of an individual's persona, not the work in which the persona is depicted, is at issue in a right of publicity claim and that a

The courts have taken a more pragmatic approach to determining when right of publicity claims will be preempted.

right of publicity claim is not preempted because a persona cannot be copyrighted and thus the subject matter element of the usual test is not met.¹³ This is the position adopted by two influential treatises.¹⁴ Other courts, however, have focused on the work in which a person's likeness or voice is used.¹⁵

Neither approach is entirely satisfactory. If the subject matter of a right of publicity claim is an individual's non-copyrightable persona, then no right of publicity claim would ever be subject to preemption. Yet courts have frequently found such claims to be preempted. On the other hand, it is certainly possible that a persona depicted in a copyrighted work could be exploited for commercial purposes in a manner that would support a legitimate claim for misappropriation.

Judicial Interpretation of Equivalent Rights

Section 301 does not define what it means for a right asserted in a state law action to be equivalent to one of the rights provided in the Copyright Act. Courts

have generally applied the equivalent rights element in one of two ways: a state law right is equivalent to a right protected by copyright law if either (1) no additional element beyond exercise of one of the rights protected by the Copyright Act is required to violate the state law (the "extra element" test), or (2) the state law is violated simply by the exercise of a right protected by the Copyright Act.¹⁶

However, neither of these tests provides a clear or logically consistent basis for determining whether or when right of publicity claims should be preempted.¹⁷ And in practice, courts tend to conflate the discussion of the equivalent rights element with the analysis of the subject matter element.¹⁸

In fact, although nominally applying the two-part subject matter and equivalent rights test, the courts have in fact taken a different, more pragmatic approach to determining when right of publicity claims will be preempted by the Copyright Act.

Actual Distinctions on Which Preemption Typically Depends

Courts have reached differing conclusions with respect to whether right of publicity claims are preempted by copyright law. However, a few general trends can be identified. First, right of publicity claims are neither consistently preempted nor uniformly allowed; rather, whether a claim is preempted is determined based on the nature of each individual claim. Second, to the extent that the only interest sought to be enforced through a right of publicity claim is the right to control the otherwise authorized reproduction or distribution of copyrighted works (as opposed to the use of a work for advertising purposes or the unauthorized distribution of a work), most courts have found that right of publicity claims are preempted by copyright law. Third, if a celebrity's name, voice, or likeness is used independently of any copyrighted work, a right of publicity claim probably will not be preempted.

A comparison of pairs of cases, often from the same jurisdictions, that reach different conclusions illustrates where most courts will draw the line.

Laws and Downing

For example, compare *Laws v. Sony Music Entertainment, Inc.*,¹⁹ with *Downing v. Abercrombie & Fitch*.²⁰ In *Laws*, the Ninth Circuit held that a right

of publicity claim by a performer based on the authorized use of part of a copyrighted song in another song was preempted. The performer had transferred the copyright for her song to a record producer. The record producer licensed the song for sampling, with attribution, in another song. The performer claimed that the use violated her right of publicity. The court said, "Although California law recognizes an assertable interest in the publicity associated with one's voice, we think it is clear that federal copyright law preempts a claim alleging misappropriation of one's voice when the entirety of the allegedly misappropriated vocal performance is contained within a copyrighted medium."²¹

On the other hand, in *Downing*, the Ninth Circuit held that a right of publicity claim based on the use of plaintiffs' images and names in a product catalog distributed by Abercrombie & Fitch was not preempted. Abercrombie purchased the rights to a photograph of several famous surfers from the photographer. It used the photograph and the names of the surfers in a product catalog to promote a line of clothing with a surfing theme. The court noted thus:

The photograph itself, as a pictorial work of authorship, is subject matter protected by the Copyright Act. See 17 U.S.C. § 101. . . .

However, it is not the publication of the photograph itself, as a creative work of authorship, that is the basis for Appellants' claims, but rather, it is the use of the Appellants' likenesses and their names pictured in the published photograph.²²

The Ninth Circuit subsequently distinguished the *Downing* case as follows:

Abercrombie went well beyond mere republication of the photograph. Without obtaining plaintiffs' consent to use their names and images, it also offered t-shirts exactly like those worn by the plaintiffs in the photo. We noted that the photograph itself was within the subject matter protected by the Copyright Act. But Abercrombie had not merely published the photograph. Rather, it published the photo in connection with a broad surf-themed advertising campaign, identified the plaintiffs-surfers by name, and offered for

sale the same t-shirts worn by the plaintiffs in the photo. By doing so, it had suggested that the surfers had endorsed Abercrombie's t-shirts.²³

Daboub and Brown

Similarly, compare *Daboub v. Gibbons*²⁴ with *Brown v. Ames*,²⁵ both from the Fifth Circuit. In *Daboub*, the Fifth Circuit held that a right of publicity claim based on the performance and recording by the band ZZ Top of a song written, performed, and recorded by another band many years earlier was preempted. The court found that plaintiffs' right of publicity claims "center[ed] on the improper copying of the song, an interest clearly protected by the Copyright Act."²⁶

On the other hand, in *Brown*, the Fifth Circuit held that a right of publicity claim by musicians based on the use of their names and likenesses on CDs and cassettes containing their copyrighted songs and on catalogues and posters promoting the CDs and cassettes was not preempted. The court noted thus:

[T]he tort of misappropriation of name or likeness protects a person's persona. A persona does not fall within the subject matter of copyright. It does not consist of "a 'writing' of an 'author' within the meaning of the Copyright Clause of the Constitution." Furthermore . . . appellees' names and likenesses do not become copyrightable simply because they are used to identify the source of a copyrighted work. Therefore, their misappropriation claims do not fit the terms of § 301 preemption.²⁷

The Court distinguished its prior decision in *Daboub* as follows:

In *Daboub*, the plaintiffs alleged that ZZ Top had both infringed their copyright in and misappropriated one of their songs, and this Court held that section 301 of the Copyright Act preempted the state law misappropriation claim. The crucial difference between the two cases is that in *Daboub* the basis of the misappropriation claim, as well as the copyright infringement claim, was the song itself, bringing it within section 301's ambit, whereas here the basis of the misappropriation claim was defendants' use of plaintiffs' names and/or likenesses.²⁸

Baltimore Orioles and Toney

A similar contrast can be seen between *Baltimore Orioles v. Major League Baseball Players Ass'n*²⁹ and *Toney v. L'Oreal USA, Inc.*³⁰ In *Baltimore Orioles*, the Seventh Circuit held that baseball players' rights of publicity did not allow them to control the videotaping and broadcast of baseball games. Even though the court concluded that the baseball games themselves were not copyrightable, once they were fixed in the tangible medium of videotape, they fell within the subject matter of the Copyright Act; and the rights asserted by the players to control the distribution or display of the video were equivalent to rights protected by the act.

Toney addressed a right of publicity claim by a model who had agreed to the use of her photograph in advertising and promoting hair care products for a limited period. A successor to ownership of the product line used the photograph beyond the agreed time. The Seventh Circuit held that the claim was not preempted. The court noted thus:

Applying the facts of this case to the requirements for preemption, we find that Toney's identity is not fixed in a tangible medium of expression. There is no "work of authorship" at issue in Toney's right of publicity claim. A person's likeness—her persona—is not authored and it is not fixed. The fact that an image of the person might be fixed in a copyrightable photograph does not change this. . . . Unlike copyright law, "commercial purpose" is an element required by the [state right of publicity statute]. . . . Clearly the defendants used Toney's likeness without her consent for their commercial advantage. The fact that the photograph itself could be copyrighted, and that defendants owned the copyright to the photograph that was used, is irrelevant to the IRPA claim. The basis of a right of publicity claim concerns the message—whether the plaintiff endorses, or appears to endorse the product in question.³¹

AMCIPP Division and The Romantics

Recent cases have continued this pattern of reaching different conclusions under apparently comparable circumstances. For example, in *Brown v. AMCIPop Division*,³² an Illinois appellate court recently affirmed the denial of a motion

to dismiss claims made by singer James Brown (subsequently deceased) against stock photography agency Corbis for licensing photographs of him for use by others. Brown did not dispute that Corbis held or had properly licensed the copyrights to the photographs. Nonetheless, it held that because it was "possible that the photos as displayed on Corbis's Internet Web page can be interpreted as tangible, the Publicity Act as applied here would not preempt copyrights."³³ The court did not explain why the photos being in some tangible form precluded copyright preemption (an odd conclusion, given that works are not subject to copyright protection unless fixed in a tangible medium). Nor did it explain its statement that the Illinois Publicity Act "would not preempt copyrights" when, in fact, the issue presented was precisely the contrary, i.e., whether the Copyright Act preempted Brown's right of publicity claim. This decision is troubling because it could prevent a photographer from licensing a photograph of a celebrity to anyone.

On the other hand, in *The Romantics v. Activision Publishing, Inc.*,³⁴ a federal court in Michigan held that the use of the song "What I Like About You" in the highly successful Guitar Hero video game could not support a right of publicity claim. Plaintiffs, members of the band that originally recorded the song, did not dispute that they were not the copyright holders nor that the video game producer had obtained a license to use the song from the music publisher that owned the copyright. The court held that "[p]laintiffs' 'identity' claims to the sound of the Song are essentially claims regarding the licensing of a copyrighted work, falling squarely within the 'subject matter' of the Copyright Act."³⁵

Thus, these two recent cases involving the conveyance of apparently valid copyright licenses reached entirely different conclusions.

Making Sense of It All

The cases described above do not turn on subject matter (i.e., whether the work at issue is copyrightable or is, at least, the kind of work to which the Copyright Act applies). Each of the cases rejecting preemption involved works (photographs depicting plaintiffs) that were within the subject matter of the Copyright Act.

Nor do the cases turn on any equivalency of the rights protected by

copyright and by the right of publicity. Particularly in the *Downing*, *Toney*, and *Brown* cases, the right of publicity claim indisputably overlapped and interfered with the exercise of rights provided by the Copyright Act, i.e., the right to reproduce and display a copyrighted work.

Rather, in cases involving copyrighted works that include some aspect of an individual's persona, it appears that preemption usually turns on the specific use made of the copyrighted work. The common elements of the cases finding that there is no preemption are as follows: (1) some use of the work beyond merely selling or distributing copies of the work itself, particularly the use of

It is difficult to predict whether a right of publicity claim will be preempted by the Copyright Act.

the image or work for purposes of advertising and promotion; and (2) an implication of endorsement by or association with the person depicted, particularly if he or she is a celebrity.³⁶

In addition, courts have often considered, either explicitly or implicitly, whether the case involves the authorized use of a copyrighted work.

A Pragmatic Test for Preemption

The right of publicity often conflicts not only with the Copyright Act's grant of affirmative rights to copyright holders and the public but also with the purposes of copyright protection.³⁷ The failure of courts to preempt the right of publicity in appropriate circumstances is harmful to copyright holders, licensees, and the public. It may deprive copyright holders of rights expressly granted by the Copyright Act and thereby limit the value of their works. It also disrupts the legitimate expectations of licensees, who have used works in reliance on licenses granted by copyright holders. Moreover, inconsistent and unpredictable application of federal preemption creates uncertainty for everyone involved: celebrities, copyright holders, and licensees. This results, conversely, in increased litigation because those who use copyrighted works cannot

predict the consequences of a particular course of conduct and adjust their conduct accordingly and because the parties involved in a dispute cannot confidently predict the outcome and reach a resolution based on realistic expectations.

It is obviously impossible to establish any test that will produce a predictable result in all cases. This is particularly true because the right of publicity embraces several aspects of an individual's persona, i.e., name, image, voice, and "style," each of which may be treated quite differently under copyright law.

However, a clear safe harbor from certain right of publicity claims should be established so that those who comply with the requirements of the Copyright Act can be assured that they will not be subjected to liability under unpredictable interpretations of state law. At a minimum, right of publicity claims should be preempted unless the use at issue (1) goes beyond the reproduction, display, distribution, or sale of a copyrighted or copyrightable work containing a person's name, likeness, or voice, for example a photograph, movie, or audio recording; and (2) states or implies the endorsement of products or services. Unless these elements are present, a right of publicity claim is the equivalent of a copyright claim and should be preempted. If the work at issue is reproduced, displayed, distributed, or sold by a copyright holder or licensee and does not suggest any endorsement, there should be no liability even if an individual's persona is used for a commercial purpose.

Whether or not the courts expressly embrace such a test, practitioners should recognize that it is being applied. Preemption should be considered in all cases in which right of publicity claims do not meet these criteria.

Conclusion

The Copyright Act preempts inconsistent state law claims. However, right of publicity claims are neither uniformly preempted nor uniformly exempt from preemption. The nominal test for preemption of right of publicity claims has produced a confusing and inconsistent body of law. At present, it is difficult to predict whether a right of publicity claim will be preempted by the Copyright Act. Whether representing claimants or defendants, practitioners need to consider the possibility of preemption

in any case asserting a right of publicity claim. In doing so, they should focus on the pragmatic factors that the courts have employed in determining whether right of publicity claims are preempted rather than the abstract principles nominally employed in conducting the preemption analysis. **G**

Endnotes

1. U.S. CONST. art. VI, § 1, cl. 2.
2. *See, e.g., Capital Cities Inc. v. Crisp*, 467 U.S. 691, 698–99 (1984).
3. *See, e.g., Rogers v. Grimaldi*, 875 F.2d 994, 1003–04 (2d Cir. 1989); *Fleet v. CBS, Inc.*, 50 Cal. App. 4th 1911, 1918 (1996).
4. CAL. CIV. CODE § 3344 (West 2007).
5. 17 U.S.C. § 102(a) (2007).
6. 17 U.S.C. § 101 (2007).
7. 17 U.S.C. § 106 (2007).
8. 17 U.S.C. § 102 (2007).
9. 17 U.S.C. § 301(a).
10. P. Stephen Fardy, *Feet of Clay: How the Right of Publicity Exception Undermines Copyright Act Preemption*, TEX. INTELL. PROP. L.J. 443, 445–46 (Spring 2004).
11. *See, e.g., Laws v. Sony Music Entm't, Inc.*, 448 F.3d 1134, 1137–38 (9th Cir. 2006); *Brown v. Ames*, 201 F.3d 654, 657 (5th Cir. 2000); *NBA v. Motorola, Inc.*, 105 F.3d 841, 848 (2d Cir. 1997).
12. Jennifer E. Rothman, *Copyright Preemption and the Right of Publicity*, 36 U.C. DAVIS L. REV. 199, 233–34 (Nov. 2002).
13. *See, e.g., Downing v. Abercrombie & Fitch*, 265 F.3d 994, 1003–05 (9th Cir. 2001); *Toney v. L'Oreal USA, Inc.*, 406 F.3d 905, 910 (7th Cir. 2005).
14. D. NIMMER, NIMMER ON COPYRIGHT § 1.01[B][1][c] (1999); MCCARTHY, RIGHTS OF PUBLICITY AND PRIVACY § 11.13[C] (1997).
15. *See, e.g., Laws*, 448 F.3d at 1142 (“[Plaintiff’s] state tort action challenges control of the artistic work itself and could hardly be more closely related to the subject matter of the Copyright Act.”); *Fleet v. CBS, Inc.*, 50 Cal. App. 4th 1911, 1920–21, (1996) (“Here, in contrast, it was not merely appellants’ likenesses which were captured on film—it was their dramatic performances which are, as we have seen, copyrightable.”).
16. Rothman, *supra* note 12, at 227–28.
17. *Id.* at 229, 231.
18. *See, e.g., Downing*, 265 F.3d at 1004–05; *KNB Enters. v. Matthews*, 78 Cal. App. 4th 362 (2000).
19. *Laws*, 448 F.3d at 1134.
20. *Downing*, 265 F.3d at 994.
21. *Laws*, 448 F.3d at 1141.
22. *Downing*, 265 F.3d at 1004.

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Hong Kong Media Law: A Guide for Journalists and Media Professionals

KYU HO YOUNG

Hong Kong stands out as a fascinating laboratory of press freedom in Asia. No Asian country can compete with the former British colony as a subject of tremendous interest for the application and evolution of international media law. This is because Hong Kong, now the Special Administrative Region (SAR) of China, raises a question: Will Hong Kong's "one country, two systems" arrangement with China guarantee a vociferous press of the kind that characterized the British Hong Kong?

The media law in Hong Kong goes beyond this unending question because we live in a world of transnational media. As U.S. media lawyer Richard Winfield observed, "Globalization comes to media law."¹ Over the years, Hong Kong has made the list of major jurisdictions covered in media law-related books.² Recently, media professionals have been seeking a comprehensive media law book on Hong Kong.

Hong Kong Media Law is a timely effort to meet the growing demand for information on media law and regulation in the former British colony. The book, by Professor Doreen Weisenhaus at the University of Hong Kong, is truly the first of its kind in the recent past. Another Hong Kong media law book was published in English in the early 1970s.³ But the value of that "little book" was negligible because the scope of topics it covered was narrow, and its discussion of statutory and case law was mostly sketchy.

Weisenhaus's book is a singularly important addition to the increasing body of country-specific media law books

Kyu Ho Young (youm@uoregon.edu), the Jonathan Marshall First Amendment Chair at the University of Oregon School of Journalism and Communication, has published extensively about media law, most recently "The Right of Reply and Freedom of the Press," George Washington Law Review (2008). He has also reviewed a number of books on libel and media law.

in Asia. The Asian Media Information and Communication Centre (AMIC) in Singapore has published English-language media law books on ten Asian countries since the early 1990s. Two Chinese legal scholars and an American journalism professor wrote press law books on China and on South Korea in the mid-1990s.⁴

Hong Kong Media Law covers all of the key topics in the area of communication law. Some of the topics are familiar to U.S. communication law practitioners: defamation, privacy, copyright, free press versus fair trial, access to information, broadcasting law, and obscenity. Others are specific to Hong Kong and China. One chapter is about Hong Kong's legal system; another is about Chinese media law and regulation.

Four chapters of Weisenhaus's book have been contributed by Jill Cottrell of the University of Hong Kong and Yan Mei Ning of Hong Kong Baptist University.

The first two chapters by Weisenhaus are a background on Hong Kong's media, law, and court system. The "Legal System" chapter is a must-read for those with a limited knowledge of Hong Kong law. Hong Kong media law will be better understood within the context of its general law and other sources of law.

Weisenhaus's chapters on court reporting, freedom of information (FOI), privacy, and official secrets are detailed and contextual. Her FOI discussion notes a gap between the law on the books and the law as it is practiced in action. Hong Kong journalists are skeptical about the administrative Code on Access to Information. The Hong Kong government boasted 90 percent compliance with requests for government records from 1995 to 2005. But the Hong Kong Journalists Association found in 1999 that only one-third of its own requests were granted.⁵

As a whole, the book is descriptive. Yet, it is sometimes evaluative. In

***Hong Kong Media Law:
A Guide for Journalists and
Media Professionals***

Doreen Weisenhaus with contributions by Jill Cottrell and Yan Mei Ning

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Hong Kong (2007)
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criticizing the Law Reform Commission's (LRC) selectivity in its 2006 privacy proposals, Weisenhaus wonders why the LRC has ignored U.S. law on public interest and other defenses while recognizing civil liability for privacy torts. She considers Hong Kong's approach to privacy to be based on the restrictive European concept of dignity, not on the American notion of liberty.

The precarious situation facing the news media in Hong Kong is highlighted when Weisenhaus analyzes its official secrets law and the failed national security proposals of 2002–2003. Given the political nature of sedition, subversion, and related crimes, Weisenhaus's cautionary note is convincing: "The 'one country, two systems' formula is untested in this context [when China's security is at stake] and the boundaries in which the media can safely operate have yet to be fully drawn."⁶

The "Reporting on the Mainland" chapter is full of practical advice to international journalists. As in most other chapters, Weisenhaus surveys the history and background of Chinese laws and regulations. Her checklist on reporting on state secrets and her to-do list for journalists when detained in China will help foreign journalists avoid troubles.

Obscenity, indecency, and online regulation are treated in less depth and detail. Although U.S. law is rarely noted, Hong Kong seems to be

somewhat similar to the United States in its obscenity law. For example, the Control of Obscene and Indecent Articles Ordinance allows “public good” as a defense when an obscene or indecent article is published “in the interests of science, literature, art, or learning, or any other object of general concern.” It is not clear whether this Hong Kong law has borrowed from the third prong of the U.S. Supreme Court’s obscenity test in *Miller v. California*.⁷

Some readers might find it insufficient that the book devotes only a single chapter to the treatment of Hong Kong broadcast law. In general, though, Ning’s examination of the structural and content regulation of broadcasting media is comprehensive. However, the Hong Kong rules on impartiality and fairness in news broadcasting might merit a comparative study given that impartiality and fairness are the “most troublesome” of the broadcast content regulations around the world.⁸ For example, the right of reply rules under the Hong Kong broadcasting codes might be compared with the “personal attack rule” of the now abolished Fairness Doctrine of the United States⁹ or with the Israeli Fairness Doctrine law,¹⁰ which was directly imported from American law in the early 1980s.

Although the book centers on Hong Kong media law, Weisenhaus, Cottrell, and Ning make efforts to inject a comparative perspective. United Kingdom law and court cases are extensively referenced. This is hardly a surprise. Many Hong Kong laws have their genesis in British laws given that Hong Kong is a former colony of England. The laws of Australia, Canada, Germany, New Zealand, and South Africa are mentioned. European Court of Human Rights cases are also noted in several places.

Those keen to learn about the actual or perceived relevancy of U.S. law to Hong Kong will find the book disappointing. Its discussion of or citation to American law is limited. Indeed, not a single landmark case of the U.S. Supreme Court is cited. Only four U.S. district court decisions are briefly mentioned in relation to copyright law on deep linking and framing. If the book’s relative lack of attention to U.S. media law is an indication, Dean Rodney Smolla’s proposition regarding the value of American free speech jurisprudence to the rest of the world¹¹ hardly resonates with Hong Kong.

In fact, the book’s limited discussion of American law is so overly general that it is misleading. For example, Cottrell argues in her “Defamation” chapter: “In the United States, public figures of all sorts cannot sue unless they can prove some knowledge that the statement was false.”¹² The “actual malice” standard of *New York Times v. Sullivan*¹³ is decidedly more complex and complicated: actual malice can be proved by showing reckless disregard on the part of the defamer. Indeed, the actual malice rule more often hinges on reckless disregard than on knowing falsity. Also, it is far from settled in U.S. libel law whether a public figure must prove actual malice even when the defamatory speech has to do with purely private matters.¹⁴

Despite these minor flaws, *Hong Kong Media Law* will be valuable to working journalists and media lawyers. Its contents thoughtfully address the legal issues that confront journalists. And the book’s utility is not necessarily confined to reporters, editors, and news directors. The scholarly merit of the book is substantial. To those who research Hong Kong media law, the book’s collection of various primary and secondary source materials will be immensely useful. Included in the book’s four appendixes of ninety-three pages are the excerpts of major media statutes and regulations, information on how to search public records of courts, and the Code on Access to Information. Thus, media law scholars interested in Hong Kong media law will want to include this book in their libraries. 

Endnotes

1. Richard N. Winfield, *Globalization Comes to Media Law*, 1 J. INT’L MEDIA & ENTM’T L. 109 (2006).
2. See, e.g., PETER F. CARTER-RUCK & HARVEY STARTE, CARTER-RUCK ON LIBEL AND SLANDER (5th ed. 1997); INTERNATIONAL PRIVACY, PUBLICITY, AND PERSONALITY LAWS (Michael Henry ed., 2001); INTERNATIONAL LIBEL & PRIVACY HANDBOOK (Charles J. Glasser Jr. ed., 2006).
3. See JAMES C.Y. SHEN, THE LAW AND MASS MEDIA IN HONG KONG (1972).
4. See H.L. FU & RICHARD CULLEN, MEDIA LAW IN THE PRC [People’s Republic of China] (1996); KYU HO YOUNG, PRESS LAW IN SOUTH KOREA (1996).
5. Doreen Weisenhaus, *Access to Information*, in DOREEN WEISENHAUS, HONG KONG

MEDIA LAW: A GUIDE FOR JOURNALISTS AND MEDIA PROFESSIONALS 92 (2007).

6. Doreen Weisenhaus, *Official Secrets and Sedition*, in WEISENHAUS, *supra* note 5, at 144.

7. 413 U.S. 15 (1973). The third prong of the *Miller* test states that a work, taken as a whole, is not considered to be obscene if it has “serious literary, artistic, political, or scientific value.” *Id.* at 23.

8. SYDNEY W. HEAD, WORLD BROADCASTING SYSTEMS: A COMPARATIVE ANALYSIS 174 (1985).

9. 47 C.F.R. § 73.1910 (repealed 1987).

10. See Guy E. Carmi, *Comparative Notions of Fairness: Comparative Perspectives on the Fairness Doctrine with Special Emphasis on Israel and the United States*, 4 VA. SPORTS & ENTM’T L.J. 275 (2005).

11. RODNEY A. SMOLLA, FREE SPEECH IN AN OPEN SOCIETY 347 (1992).

12. Jill Cottrell, *Defamation*, in WEISENHAUS, *supra* note 5, at 34.

13. 376 U.S. 254 (1964).

14. See *Dun & Bradstreet, Inc. v. Greenmoss Builders, Inc.*, 472 U.S. 749 (1983).

Copyright Act and Right of Publicity Claims

(Continued from page 6)

23. *Laws*, 448 F.3d at 1141.
24. 42 F.3d 285 (5th Cir. 1995).
25. 201 F.3d 654 (5th Cir. 2000).
26. *Daboub*, 42 F.3d at 289.
27. *Brown*, 201 F.3d at 658 (citations omitted).
28. *Id.* (citation omitted).
29. 805 F.2d 663 (7th Cir. 1986).
30. 406 F.3d 905 (7th Cir. 2005).
31. *Toney*, 406 F.3d at 910.
32. 873 N.E.2d 954 (2007).
33. *Id.* at 963.
34. 532 F. Supp. 2d 884 (E.D. Mich. 2008).
35. *Id.* at 888–89.
36. The *Brown* decision appears to depart from this pattern, allowing a right of publicity claim to proceed even though Corbis’s conduct amounted to no more than conveying the copyright work itself and there was no evidence of any implication of endorsement. However, the superficial and confused reasoning of that decision suggests that it is, and will remain, an outlier that does not reflect or establish a trend in the law.
37. Rothman, *supra* note 12, at 204.

Regulation of Foreign Direct Investment in the Chinese Telecom Industry

CHEN ZHANG

If you spent New Year's Eve 2003 in China, it was hard to miss a newly released movie called *Cell Phone*. The film focused on the clever host of a television program who was juggling his relationship with his wife and his relationship with his mistress, only to find the effort futile because of cell phones—too much communication by everybody, everywhere, and at any time. The movie was a big hit, garnering box office receipts of 93 million RMB yuan (approximately U.S. \$13 million dollars at the exchange rate at the time).¹ The real winners from the movie, however, were the Chinese telecom carriers, which sent messages to over 100 million cell phone subscribers to advertise the film.²

Measured by mobile phone subscribers, China is the largest telecom market in the world. By March 2007, there were 480 million mobile phone subscribers and 370 million fixed-line or landline users in China. Every month, another 6.5 million mobile users and 1.06 million landline users are added. The largest mobile carrier in the world measured by number of users is China Mobile, which boasted 392 million users as of March 2008. In 2007, China Mobile's profit jumped 24.4 percent, to U.S. \$12.43 billion.³

In addition, China's telecom companies also are making great leaps forward in the services they provide. China hopes to offer high-quality broadband Web access on cell phones for visitors to the 2008 Olympics and is likely to roll out 3G cellular technology later in 2008. As of the writing of this article, China Mobile is negotiating with Apple Inc. to introduce the iPhone into China.⁴

The wireless boom presents just a small snapshot into China's vibrant telecom landscape. Late last year,

Chinese Huawei teamed up with Bain Capital Partners in an attempted \$2.2 billion takeover bid for U.S. networking pioneer 3Com Corp., a Marlborough, Massachusetts, company whose products include systems to protect against computer hackers. However, in February 2008, the Committee on Foreign Investment in the United States blocked the deal, citing national security.⁵ This landscape raises particularly interesting questions about what international telecommunications companies have been doing in China and what regulations govern foreign investment in the Chinese telecom industry.

Foreign Telecom Investment

Western telecom companies have been making inroads into China for a number of years, and several now have a significant presence. British Telecom (BT) claimed to be the first to enter the Chinese market after China joined the World Trade Organization (WTO) in 2001 when it joined with a privately owned Chinese telecom service provider, 21 ViaNet (China) Inc., in a cooperative relationship.⁶ In fact, however, BT began operations in China in 1995 and now has three offices in Beijing and Shanghai, employing about forty people. Its business caters to multinational operations that need globally networked services such as virtual private networks (VPNs). BT also has partnered with China Netcom, one of the top four Chinese telecom operators, to provide multiprotocol label switching (MPLS), an important technology used for the provision of fixed and mobile services on a converged network. Within three years, BT expects annual revenues from China to hit U.S. \$250 million.⁷

In 2000, U.S. telecom operator AT&T launched Shanghai Symphony Telecom, a joint venture with Shanghai Telecom and Shanghai Information Investment. Now called Unisiti, the company offers VPNs, Broadband IP, collocation, and other services. Although AT&T's revenue in China

grew by approximately 20 percent as recently as 2005, company executives have characterized overall performance as disappointing and blamed regulatory limitations on the scope of its business.⁸

Other international telecoms also have taken steps to enter the Chinese market. Vodafone Group PLC, a British company, has an equity stake in China Mobile; and Spanish telecommunications operator Telefónica, S.A., has bought into China Netcom. South Korea's SK Telecom (SKT) signed a deal with China Unicom under which Unicom will issue U.S. \$1 billion in convertible bonds to SKT. China Telecom is now left as the only Chinese telecom operator that has yet to partner with a foreign operator.

Smaller and more specialized U.S. companies also are diving in to China. Intervoice, Inc., which provides converged voice and information solutions, has been selling and supporting its converged communications products in the Chinese market since 2001. "The company [originally] developed its business in China by selectively partnering with local and regional sales and distribution leaders such as Alliance Digital and IT Apps. As a result, Intervoice currently supports customers across a variety of sectors in the region, including insurance, logistics, manufacturing, telecommunications and government." More recently, Intervoice has been "increasing investment in China by establishing dedicated sales and support personnel through its [existing] partnership with Alliance Digital."⁹

Finally, U.S. companies also are finding their way into China through a more traditional, capitalist approach—acquisition. In 2006, Nevada-based Crawford Lake Mining purchased Jinan Yinquan Technology Co., Ltd., a telecommunications technology company located in the Shandong Province of the People's Republic of China. Crawford Lake Mining, formerly an exploration stage company, then renamed itself China VoIP & Digital Telecom to "better reflect its new business strategy."¹⁰

Chen Zhang (czhang@washtradelaw.com) is an associate in the Washington, D.C., office of Washington Trade Counsel LLC, where he specializes in international investment law and immigration law.

According to its SEC filings, China VoIP & Digital Telecom has a cooperative relationship with China Tie Tong, one of China's largest six carriers licensed to provide basic telecommunications services.¹¹ Moreover, China VoIP & Digital Telecom's client base includes Zhejiang Geely Group, the only private enterprise among the top ten Chinese automobile producers.¹² China VoIP & Digital helped Geely install its Voice over Internet Protocol (VoIP) communication network.

Similarly, U.S. private-equity firms Silver Lake Partners and TPG, Inc., recently snapped up and took private New Jersey-based Avaya, Inc. Avaya is a prominent player in the arena of VoIP

A foreign enterprise must form a joint venture with a Chinese business partner to provide telecom services in China.

and sells VoIP installation and system integration to various Chinese industries through approximately two dozen reseller partners in China.¹³

Regulation of Foreign Direct Investment

China officially joined the WTO on December 11, 2001. Within six years of entry, or as of December 11, 2007, China eliminated all geographical limitation on foreign investment in basic telecommunications services.¹⁴ Geographical limitations that had existed were phased out over time, over five years for cellular and data services and over two years for paging and value-added (the approximate equivalent of "enhanced") services.¹⁵ However, there are, and always will be, limitations on the equity stake for foreign investment, which currently stand at 49 percent for basic services, except wireless paging services, and 50 percent for value-added services and wireless paging services.¹⁶ A foreign enterprise therefore must form a joint venture with a Chinese business partner to do business in China.

A foreign company's investment in telecommunications services in China is affected by a multitude of Chinese

laws and regulations. A few important ones are the Joint Venture Corporate Law, Ordinance of Implementing the Joint Venture Corporate Law, Guiding Provisions on Foreign Investment and Guiding Catalogue of Foreign-Invested Industries, Regulations of Proportion of Registered Capital to Total Investment in the Joint Ventures, Regulations of Foreign Investors Investing in China and Regulations of Foreign Investor's M&A of Domestic Companies, Telecommunications Regulations, Rules on Foreign-Invested Telecommunication Companies, and Measures for Managing Internet Information Services. Although the detailed requirements of all of these laws and regulations are beyond the scope of this article, the vast majority focus on regulating the foreign investment; there are few specific regulations that apply to both the Chinese and foreign telecom service providers.

In addition, a foreign telecom investor seeking to provide basic or cross-province enhanced services must obtain approval from the Ministry of Information Industry (MII), the Chinese cabinet level regulatory body that effectively serves as the equivalent of the Federal Communications Commission (FCC).¹⁷ Approval may be obtained from the local telecommunications bureau of the province, autonomous region, or municipality to provide value-added services within that area.¹⁸ A prerequisite to approval includes meeting certain capital requirements, which are 2 billion RMB yuan (approximately U.S. \$285,918,513 at today's exchange rates) for national basic services, 200 million RMB yuan (approximately U.S. \$28,591,851) for provincial basic services, 10 million RMB yuan (approximately U.S. \$1,429,593) for national value-added services, and 1 million RMB yuan (approximately U.S. \$142,959) for provincial value-added services.¹⁹ The capital requirements also can be met by acquiring a portion of the local telecommunications company in China.²⁰

There are four phases involved in obtaining approval from MII, as set forth in the regulations adopted to implement the Regulatory Provisions of Foreign Investment in Telecommunications Enterprises issued by the State Council.²¹ First, the Chinese investors must submit a project proposal and/or feasibility study, with supporting documents, to MII or appropriate provincial authorities.²² Assuming

there are no issues to be addressed, the investors will then receive an Evaluation Letter for Foreign Investment in Telecom Service Operations. At that point, the applicants must submit to the relevant authorities of foreign economy and trade (the provincial or municipal foreign economy and trade commission) the articles of incorporation for the joint venture, its by-laws, and other documentation.²³ If all documentation is in order, the foreign economy and trade authorities then issue a Permit of Formation of Foreign-Invested Telecom Companies.²⁴ As the third step, the applicants return to MII or the provincial telecom bureau to apply for the Operation License of Telecom Services.²⁵ Lastly, the applicants register the joint venture with the Industry and Commerce Administration,²⁶ at which point they may begin to do business.

As of April 2005, MII had received at least twenty-two formal applications for foreign investment in the Chinese telecom market. All of these applications were for value-added services.²⁷ This number has presumably been increasing, but reliable data is not publicly available for more recent years. U.S. businesses that have had their applications granted include ESPN, Microsoft, and eBay International. Microsoft, for example, partners with a Chinese entity to operate msn.com.cn, MSN Messenger, Hotmail, and MSN Mobile in China.

These companies were granted licenses to provide enhanced telecommunications services, but not basic services. The lack of foreign investment in basic telecommunications services may result from the high investment threshold for entering the basic services market and the partnership requirement, but at this time the motivation behind the lack of entry is not entirely clear. If cost is the primary barrier to entry, other options would seem to be available.

For example, what about becoming a reseller rather than an initial provider of basic services? There is no Chinese equivalent of the Open Access doctrine embodied in the United States' 1990 Telecommunications Act,²⁸ which raises the question: Why would China Telecom or China Netcom lease their public switched telephone network (PSTN) to resellers? On the other hand, a deal may be negotiated with these companies to lease their networks if it benefits both parties.

Another option would be to attempt to do in China what Vonage is doing in the United States. MII classifies VoIP as basic services. Therefore, arguably, a company with a license to provide basic telecommunications services could offer VoIP to Chinese consumers.

Regulations Relating to Specific Services

Enterprise Qualification Certification

One of the more interesting open questions at this time is whether a company seeking to provide VoIP installation for one enterprise, rather than to individual consumers, must obtain the basic telecommunications service license that requires a 2 billion RMB yuan capital investment? Technically, if VoIP installation enables the enterprise to engage in external communications, the service provider is providing basic telecom services and therefore needs to obtain the basic license. However, if the service to be provided merely involves installing a VPN or VoIP network for an enterprise and the network is used only internally, then the service should not be considered telecommunications services requiring a basic license. Just as in the United States, equipment installation for internal uses is considered system integration or network consolidation in China as long as the call carried on the IP telephony network is not terminated on a PSTN.

Nevertheless, enterprises engaged in system integration may wish to obtain telecommunications information network system integration enterprise qualification certification. Although the certification is not a threshold license to conduct system integration, it is an extremely helpful credential for a company to have when preparing to bid for telecom projects.

There are three classes of enterprises each with slightly different requirements for certification. Approval from the telecommunications administration at the provincial level is required for second- or third-class certification; authority to issue first-class certification is reserved by MII. All certificate applicants must meet four criteria. First, applicants must be legally established, independent corporate people that have obtained an operating license or preregistration document issued by the Industrial and Commercial

Administration. Second, the applicant must be a specialist in conducting businesses of telecommunications information network system integration. Third, the applicant must have a permanent place of business of a size commensurate with its staffing level. And, finally, the applicant must meet a class-specific requirement. Among the requirements for Class A applicants are registered capital of 10 million RMB yuan and completion, within the last two years, of two projects valued at 30 million RMB yuan each or four projects valued at 15 million RMB yuan each.²⁹ There is no entry-level certification for conducting system integration.

International Telecom Gateways

A company seeking to install a switch in China that connects to the Internet and terminates in another country most likely will be subject to at least one additional regulation: Examination and Approval of Establishment and Adjustment of International Telecom Gateway. This regulation provides specific conditions that must be met prior to setting up an international telecom gateway. Only state-owned telecommunications service providers are allowed to establish international gateways under the regulation. Therefore, a foreign entity will have to begin by leasing the gateway from a state-owned provider.

Telecommunication Service Norms and Standards

In March 2005, MII issued Telecommunication Service Operation Norms and Standards (Telecom Operating Standards), setting forth various standards governing the provision of all telecom services.³⁰ The Telecom Operating Standards provide minimum standards for both customer service and quality.³¹ Local telecom bureaus supervise the implementation of these standards within their jurisdictions.³² Of course, an individual service provider may develop its own, higher standards.³³ Similar to the tariff requirement in the United States,³⁴ Chinese telecom service providers also must publish the service categories, terms of service, fees, and service scope and file those items with the local service authority. In addition, any service provider must notify customers thirty days in advance of ceasing to offer any particular service.³⁵ Penalties for failing to comply

with the Telecom Operating Standards can range from 10,000 to 30,000 RMB yuan (approximately U.S. \$3,500 to U.S. \$10,500).³⁶

Entering China's Telecom Market

Opportunities to enter the Chinese telecom market are endless, as are the potential strategies that different players may employ. For equipment manufacturers, 3G licenses remain an area of potential entry into the marketplace.³⁷ Call center installation in China also presents a feasible model in the relatively unregulated area of system integration. In addition, acquiring a promising Chinese telecom equipment company is a worthwhile strategy.

For mobile virtual network operators or cell phone operators, a mere reselling or roaming agreement with a Chinese partner without physical presence in China does not trigger the MII regulatory regime. According to China's Accession Protocol of Services to the WTO, there are no restrictions on providing offshore telecommunications services.³⁸ As a result, a reseller agreement could be negotiated with China Mobile (if the U.S. market penetration demands that level of attention) or other carriers.

Another avenue of opportunity could be partnering with China Netcom or China Telecom, the only two entities operating PSTNs, to provide private-line services to Chinese businesses having multiple offices in China. Although this business model faces challenges, including that it would be subject to the regulatory regime discussed above, it also provides significant opportunities. Alternatively, installing a PSTN is not prohibited in China, although you must team up with a Chinese company while retaining minority equity.

VoIP also is an extremely promising area in China if you can cross the \$2 billion hurdle and be happy with a minority equity stake. To avoid the investment amount and equity hurdle, value-added services remain an option.

Comparing the operating margins of various companies explains investor interest in China: those of China Telcom (22.05 percent, 2006 quarterly), China Netcom (22.14 percent, 2007), and China Mobile (30.79 percent, 2007 quarterly) are significantly higher than those of Verizon (16.67 percent, 2007), AT&T (17.16 percent, 2007),

and Qwest (12.56 percent, 2007). For this reason, even with the presumably heavy regulations, international telecom investment in China seems to be headed in only one direction—up. 

Endnotes

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2. *Id.*

3. FINANCIAL HIGHLIGHTS OF CHINA MOBILE LIMITED (Apr. 25, 2008), at www.chinamobiletd.com/.

4. Gregg Keizer, *China Mobil Fights iPhone's Revenue Sharing*, COMPUTERWORLD, Apr. 15, 2008, available at www.pcworld.com/businesscenter/article/144576/china_mobile_fights_iphones_revenue_sharing.html.

5. See Hiawatha Bray, *3Com Corporation's New CEO Signals Change in Focus to the Chinese Market*, TECH ONLINE EDITION, May 2, 2008, available at <http://www-tech.mit.edu/V128/N23/3com.html>.

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9. Clients of the Intervice—IT Apps partnership include Industrial and Commercial Bank of China, Bank of China, China Construction Bank, Agricultural Bank of China, Hua Xia Bank, Shenzhen Development Bank, and China Everbright Bank. See *Intervice Increases Investment in China*, BUS. WIRE, Oct. 24, 2006, at www.thefreelibrary.com/Intervice+Increases+Investment+in+China-a0153993601.

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13. Huashen Tiancheng huo Avaya zhongguo shou ge bai jin he zuo huo ban renzheng [Huashen Tiancheng Awarded the First Platinum Partner Certificate] (Apr. 4, 2007), at www.avaya.com.cn/corporate/pressroom/2007/P070404.asp.

14. WORLD TRADE ORGANIZATION, REPORT OF THE WORKING PARTY ON THE ACCESSION OF CHINA, ADDENDUM, SCHEDULE CLII—THE PEOPLE'S REPUBLIC OF CHINA, PART II—SCHEDULE OF SPECIFIC COMMITMENTS ON SERVICES LIST OF ARTICLE II MFN EXEMPTIONS.

15. *Value-added services* refers to the services provided by third parties, other than end users and basic service providers, through application-based platforms.

16. See *supra* note 14.

17. Pemier Zhu Rongji, Waishang touzi dianxin qiye guanli guiding [Regulatory Provisions of Foreign Investment in Telecommunications Enterprises] (State Council Order Dec. 11, 2001) art. 11 (P.R.C.), available at www.mii.gov.cn/col/col521/index.html.

18. *Id.* art. 13, available at www.mii.gov.cn/col/col521/index.html. There are five autonomous regions and four municipalities directly under the central government in China. For example, Tibet is an autonomous region, and Beijing is a municipality directly under the central government.

19. *Id.* art. 5(1), (2).

20. Qian Tingshuo (Deputy Director-General), Department of Planning, MII, *Foreign Investment in China's Telecom Market*, CHINA COMM'NS 16 (June 2005).

21. State Council is the administrative body of the Chinese central government. It is chaired by the president and includes the heads of each governmental department and agency. Ministry of Information Industry, Waishang touzi dianxin qiye cheli shenpi [Establishment and Approval of Foreign Investment in Telecommunications

Enterprises], available at <http://xzsk.mii.gov.cn/site>.

22. *Id.*

23. *Id.*

24. *Id.*

25. *Id.*

26. Qian Tingshuo, *supra* note 20.

27. See 47 U.S.C. § 251(c)(3); see also § 251(a)(1) (a requesting carrier can obtain shared access by purchasing telecommunications services at wholesale rates for resale to end users, by leasing unbundled elements of incumbents' networks, and by interconnecting its own facilities with the incumbents' network (referred to collectively as the “open access requirements”).

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29. Minister Wang Xu Dong, Dianxin fuwu guifan [Telecommunications Service Operation Norms and Standards] (Order of Ministry of Information Industry Mar. 13, 2005) art. 4 (P.R.C.), available at www.mii.gov.cn/art/2005/12/17/art_524_1656.html.

30. *Id.* art. 3.

31. *Id.* art. 4.

32. *Id.* art. 5.

33. See 47 U.S.C. § 203(a). The FCC has adopted a policy of excusing nondominant providers of long-distance telephone service from the § 203 filing requirement. See November 25 Report and Order, 7 F. C. C. Rcd 8072 (1992).

34. *Id.* art. 8.

35. *Id.* art. 19.

36. Gongshang shibao: Dalu mingque biaotai fangfang 3G xuke [Industrial & Commercial Times: Mainland Expressly Indicating Issuance of 3G License] (May 26, 2008), available at www.c-fol.net/news/content/9/200805/20080527053532.html (indicating that one license will likely be issued to each of TDSCDMA, WCDMA/HSPA, and cdma2000 EV-DO technologies).

37. WORLD TRADE ORGANIZATION, *supra* note 14.

38. GOOGLE FINANCE, available at <http://finance.google.com>.

Teach Your Children: High School Students and the First Amendment

SETH D. BERLIN AND SINCLAIR STAFFORD

In 2004, the John S. and James L. Knight Foundation surveyed 100,000 high school students, 8,000 teachers, and 500 administrators about their attitudes toward the freedoms protected by the First Amendment.¹ The survey revealed both that students were largely unaware of those protections and that they did not generally appreciate those freedoms' societal value, let alone how their absence fosters authoritarian regimes around the world. Many of them think that the First Amendment goes too far. The survey was repeated in 2006 and 2007 (albeit on a dramatically smaller scale); although some responses reveal a glimmer of hope on students' understanding and appreciation of First Amendment values, on the whole they confirm the extremely disturbing results of the initial survey.

The initial Knight Survey itself was released with significant press attention, generating discussion by both scholars and commentators.² In response to the finding that one in five students believes that Americans should be prohibited from expressing unpopular opinions, Bill Maher authored an op-ed in the *Los Angeles Times*. Noting that it was his "livelihood you're messing with," he chided that the "younger generation is supposed to rage against the machine, not for it; they're supposed to question authority, not question those who question authority."³ Below we—a First Amendment lawyer and a student who just graduated from high school—examine some of the circumstances that lead

to students' limited understanding and appreciation of First Amendment values.

The results of the survey themselves focused on several likely causes: not enough courses actually teaching the value of the individual liberties protected by the Bill of Rights or the role of a free press in ensuring a thriving democratic government; not enough student media outlets; and, remarkably, troubling attitudes toward First Amendment values among many teachers and administrators.

We focus here on what we perceive to be another pervasive cause: schools' response to controversial speech, whether on T-shirts, in newspapers and other student publications, in creative writing assignments, or even in off-campus settings or on the Internet. Rather than embracing the opportunity to teach students how to deal with speech that may be disagreeable, troubling, or even offensive—and in the process preparing them to be full citizens in our democratic society—schools routinely deal with such speech by censoring it and/or punishing the speaker.

Simply put, schools are missing out on a meaningful opportunity to teach students the principles of the First Amendment by example. Our courts, for their part, are deferring to school officials in a growing number of cases, putting First Amendment freedoms at serious risk in school settings.

The Knight Survey

The Knight Survey reveals that high school students generally show little knowledge of, or appreciation for, the First Amendment and the rights it protects. Three-quarters of students polled believe, erroneously, that people may not legally burn the American flag, and about half of them think, erroneously, that the government can censor indecent material on the Internet; the Supreme Court has held that both are constitutionally protected.⁴ Not only do students believe that these types of government censorship are legal, but remarkable

numbers of them actually think that they are a good idea. Roughly 50 percent of students think that newspapers should not be allowed to publish freely without government approval, and 72 percent of students think that the government should forbid its citizens from burning the American flag. Only one-quarter of students polled said that they think about the First Amendment, with close to 40 percent expressly responding that they take First Amendment rights for granted. Even worse, about a third of students overall think that the First Amendment "goes too far."

Students do, however, recognize the importance of First Amendment freedoms, at least to some degree. Eighty-two percent of students professed to having an abstract belief in protecting freedom of speech. Students especially care about free speech subjects that directly relate to them or their interests. For example, 63 percent of students would allow musicians to sing songs with offensive lyrics, and 58 percent would not restrict school newspapers from reporting on controversial issues. Thus, more students would protect freedom for school newspapers than for mass circulation newspapers.

Not surprisingly, student attitudes about the First Amendment can and do improve with increased participation in media activities and classes about the First Amendment, the media's impact on society, and journalism. The Knight Survey confirms that students who have had more classes dealing with First Amendment subjects are more likely to be aware of its protections and to value them.⁵ However, more than 40 percent of respondents had no such class. Similarly, the survey results demonstrate greater awareness and appreciation of freedom of speech and the press among students who participate in a high school media activity. However, 86 percent of respondents said that they do not participate in any media activities at school, and more than one in five schools offer no student media

Seth D. Berlin (sberlin@lskslaw.com) is a partner in the Washington, D.C., office of Levine Sullivan Koch & Schulz, L.L.P. Sinclair Stafford, a former intern with the firm, is a 2008 graduate of the Maret School, an independent school in Washington, D.C., and will attend Tufts University, starting in the fall of 2008. The views expressed in this article are those of the authors and do not necessarily reflect the views of Levine Sullivan Koch & Schulz, its clients, or the Maret School.

at all. Forty percent of those high schools that have no student newspaper had eliminated it within the preceding five years.

Tellingly, the survey suggests that some of the blame for the students' ignorance of the First Amendment and its importance does not rest entirely on their shoulders but instead rests with teachers and school administrators. A disturbingly high number of teachers are ignorant of basic First Amendment freedoms. For example, 40 percent incorrectly believe that Americans may not legally burn the flag. Only 35 percent of teachers believe that students should be

Schools are missing out on a meaningful opportunity to teach students the principles of the First Amendment.

permitted to publish freely, and a significant number of teachers (41 percent) think that the press in America already has too much freedom.

Although perhaps we might expect more from teachers charged with teaching our nation's students, these attitudes are consistent with other measures of adult understanding of the First Amendment. For example, a 2006 survey conducted by the McCormick Tribune Foundation found that more respondents could name all five main characters on *The Simpsons* than could name the five freedoms protected by the First Amendment.⁶

These educational gaps appear to be having long-term effects on our democracy. Other recent studies reveal that as students become young adults, they find little use for news and, in particular, in-depth news coverage that allows for critical thinking about controversial issues.⁷ A similarly disturbing survey found that one in five college students would exchange the right to vote for an iPod.⁸ Yet another recent study published by the Information Society Project at Yale School analyzed more than fifty years of research on the subject and then concluded that public opinion about the First Amendment can actually shape how the Supreme Court rules in First Amendment cases.⁹ As a result, the study's authors called for intensified efforts to educate the public about the

First Amendment, such as by involving students in journalism and political expression using new technologies such as blogs or podcasts.¹⁰

Teaching by Example

In the name of not disrupting the educational process, school administrators and teachers have routinely suppressed or punished speech that might cause controversy. When a Mormon high school student responded to a classmate who asked whether she had ten moms by saying "That's so gay," she was disciplined for having made a demeaning comment about homosexuality while the other student suffered no consequences.¹¹ At a Maryland school, an administrator threatened a student with discipline if she continued reading the Bible during her lunch hour.¹² A student in Reno had to go to court to be able to read a W.H. Auden poem aloud at a statewide competition; the school had prohibited it because it included the words *hell* and *damn*.¹³ Other schools have banned or punished everything from posters for a conservative political club,¹⁴ on the one hand, to posters for the Peace Shirt Coalition¹⁵ or the film *An Inconvenient Truth* featuring Vice President Gore, on the other. At another high school, students were suspended, expelled, and in some cases arrested for organizing and participating in a peaceful protest of the Iraq war.¹⁶

Expressive aspects of student clothing often fare no better. Various schools have prohibited conservative students from protesting a pro-gay rights "Day of Silence" by wearing T-shirts that urge "Be Happy, Not Gay."¹⁷ When nine students from Jena High School wore T-shirts reading "Free the Jena 6," the superintendent banned the shirts.¹⁸ One Florida school refused to publish a yearbook photo of a lesbian student wearing a tux instead of a gown, a decision ultimately backed by the school board.¹⁹ A Rhode Island school refused to publish a yearbook photo of a senior wearing chain mail and holding a "prop" sword (he is a member of the Society for Creative Anachronism, which studies medieval history) until the American Civil Liberties Union sued and the state education commissioner intervened.²⁰

Even apparently patriotic dress has come under fire. In one school, a student faced the threat of suspension for wearing a red, white, and blue necklace to

show her "respect and love for . . . family members . . . serving in the military" because it arguably "violated a dress code banning gang-related items."²¹ In another school, an assistant principal ordered a high school student wearing an American flag in her back pocket—as a protest against the earlier censorship of her friend, who had also worn an American flag accessory—to remove the flag, preparing an incident report that would "remain in her . . . file until six months after graduation."²²

School newspapers are also a prime target of administrators wanting to avoid all manner of controversial topics. These range from the articles at issue in *Hazelwood School District v. Kuhlmeier*,²³ which addressed pregnancy and divorce, to many much more recent examples. In one Florida high school, the principal censored a student column discussing teenage sexuality and urging fellow students not to have sex; it cautioned, "Make sure, when the time comes, you truly want to swipe your v-card, because this purchase is non-refundable."²⁴ Another principal removed from the student newspaper an article describing "the gap in academic performance between white and minority students," reasoning that it could "embarrass" students, even though the school was publicly working to close that gap.²⁵ A number of school officials have also censored articles on gay and lesbian student life.²⁶ One school newspaper was actually disbanded after students published a photo of someone burning the flag.²⁷

When faculty advisors to high school newspapers have tried to use examination of a controversial issue as a "teaching moment," they, too, have often been subject to punishment or discipline. For example, after nineteen years of serving as an Illinois high school newspaper advisor, a teacher was reassigned at the end of the 2007–08 school year after the paper ran articles on drug use. These included a column opposing drug use, an anonymous personal account of a student's experience with drugs, and an article describing its effects on health.²⁸

Concerned about this type of reaction by schools, California Senator Leland Yee (D-San Mateo) proposed legislation to protect adult advisors for student media, citing eight recent cases in California where journalism advisors were dismissed or reassigned based on articles that appeared in school

newspapers.²⁹ Yee explained that he was disturbed by school administrators who “want to squash free thinking, particularly free thinking they don’t agree with” and believes “[t]hat’s not how you educate young people who are going to be the leaders of the next generation.”³⁰ (As this article was going to print, Yee’s bill passed the California legislature.)

Finally, students are increasingly being punished for speech they engage in away from school or on the Internet. Arguably, students may at times go too far in their methods of criticizing their school officials,³¹ sometimes reaching the level of defamation and/or bullying,³² but schools have not shown much tolerance even for students who merely criticize them. A number of students across the country have been disciplined, and in some cases charged criminally, for posting satirical commentary about their school or administrators on Internet sites like MySpace.com.³³ At one Georgia school, a student posted a critical profile about his science teacher on MySpace.com stating that the teacher wrestled alligators and midgits. The student was both suspended and charged with criminal defamation, charges that the district attorney eventually dismissed.³⁴

Admittedly, the most difficult category of speech that school administrators confront is speech that might be interpreted as a threat of violence. Even here, however, it appears that teachers and administrators have overreacted in a number of instances. In one Arizona school, “[s]chool officials suspended a 13-year-old boy for sketching what looked like a gun,” explaining to the boy’s father that following the shootings at Columbine, the boy’s “crude sketch” was “absolutely considered a threat.”³⁵ At an Indiana school, the principal suspended two students for making a movie in which teddy bears are ordered to kill a teacher who had embarrassed the “teddy bear master.”³⁶ Although one may question the students’ sense of humor, no one, including the federal judge who ordered the students returned to school, could reasonably say that such a movie constituted anything but a joke.

To be sure, running a large public high school involves meeting a whole host of challenges. In the First Amendment area, however, teachers and administrators have often shown a profound unwillingness to use discussion of controversial and difficult subjects

as teaching moments, even in circumstances where it would have been consistent with the educational mission of the school. If school authorities do not allow students to discuss controversial but important issues, they cannot expect them to be tolerant or even informed of other viewpoints as they become adult participants in our democracy.

Deference by Courts

Our courts typically serve as the institution charged with preserving individual liberties, but they have become increasingly deferential to schools and administrators on First Amendment issues. Although the primary responsibility for teaching First Amendment values lies with schools, schools often fall short of that responsibility; and the deference shown to them by courts exacerbates that educational void for today’s students.

Taking seriously the Supreme Court’s admonition in *Tinker v. Des Moines Independent Community School District* that students do not “shed their constitutional rights to freedom of speech or expression at the schoolhouse gate,”³⁷ some courts continue to protect students’ First Amendment rights in the school setting.³⁸ One judge enjoined a school from prohibiting slogans supporting gay rights, rejecting the administrators’ claims that this would be disruptive. The court observed that “the claimed interruption and disorder was really much the usual background noise” of a high school.³⁹ Others courts have carefully distinguished between the disruption allegedly caused by student speech and that caused by student reaction to administrators’ decisions to punish the student for that speech.⁴⁰ And, as contemplated by the Supreme Court’s decision in *Morse v. Frederick*,⁴¹ courts have continued to afford greater protection for speech that takes place away from school than for speech on school campuses. In *Morse*, the Court ultimately concluded that the student’s display of a “Bong Hits 4 Jesus” sign was school-related, thereby providing little guidance to lower courts on truly off-campus speech.

Despite these rulings protecting students’ First Amendment rights, in the span of just a few weeks in April and May 2008, four federal appeals courts issued opinions that reflect little regard for high school students’ free speech rights.

In *Morrison v. Board of Education*

of *Boyd County*,⁴² a devoutly Christian student wanted to communicate to other students his belief that homosexuality is a sin. He challenged a school’s interpretation of its antiharassment policy to prohibit such speech, which included training videos that instructed “‘Just because you believe that does not give you permission to say anything about it. It doesn’t require that you do anything. You just respect, you just exist, you continue, you leave it alone. There is not permission for you to point it out to them.’”⁴³ When the next year the school changed its policy to state that “[t]he civil exchange of opinions or debate does not constitute harassment,” the Sixth Circuit affirmed the entry of summary judgment because the student had not suffered any “injury-in-fact” despite his year of enforced silence.⁴⁴

In *Jacobs v. Clark County School District*,⁴⁵ the Ninth Circuit decided, by

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a 2–1 vote, that a school did not violate the First or Fourteenth Amendment rights of a student suspended for wearing a T-shirt expressing her religious beliefs in violation of a uniform school dress code. The school’s code allowed students to wear the school’s logo as well as messages “touting the school’s athletic teams” but prohibited both the religious message worn by Jacobs and a button worn by another student that stated “Say no to uniforms.”⁴⁶ Although the policy therefore clearly favored proschool speech, the Ninth Circuit majority nevertheless concluded that the dress code was a content-neutral regulation subject to intermediate scrutiny and found no constitutional violation.⁴⁷

In *Doninger v. Niehoff*,⁴⁸ the junior class secretary, upset over the rescheduling and possible cancellation of the annual Jamfest (a “battle of the bands” event), wrote a post at home on her blog on livejournal.com. She noted that Jamfest was “cancelled due to [the]

douchebags in the central office” and urged people to e-mail the superintendent to protest that decision. She also reproduced an e-mail that her mother had sent to the superintendent “to get an idea of what to write if you want to write something or call her to piss her off more” (the opinion is silent on what the mother had written).

Finding that this post violated the school’s expectations that students, and especially student leaders, refrain from profanity and work cooperatively with administrators to resolve disputes, the principal required the student to apologize to the superintendent, to show a copy of the post to her mother, and to withdraw her candidacy for senior class secretary. The student agreed to the first two items but refused to honor the third. The principal prohibited her name

School boards must operate “within the Bill of Rights.”

--*West Virginia State Board
of Education v. Barnette*

from being on the ballot and, although she won a plurality of the votes as a write-in candidate, refused to permit her to take office (seating instead the runner-up) or to speak at the school’s commencement ceremony.

In affirming the denial of motion for a preliminary injunction, the Second Circuit found no First Amendment violation. Quoting from *Bethel School District No. 403 v. Fraser*,⁴⁹ which upheld a school’s decision to discipline a lewd speech at a school assembly, the Second Circuit noted that “the First Amendment gives a high school student the classroom right to wear Tinker’s armband, but not Cohen’s jacket.”⁵⁰ It then found that these principles could be extended to Doninger’s blog post because it “created a foreseeable risk of substantial disruption” at the school even though the speech was entirely off-campus and the alleged disruption principally affected administrators.

Finally, in *Nuxoll ex rel. Nuxoll v. Indiana Prairie School District No. 204*,⁵¹ although the school permitted observance of a national “Day of Silence,” it prohibited a student from wearing a T-shirt that said “Be Happy, Not Gay” as a protest of homosexuality. Although

the Seventh Circuit ultimately enjoined this action, its approach was extremely dismissive of student speech interests. According to Judge Posner’s opinion, the “contribution that kids can make to the marketplace in ideas and opinion is modest.” Continuing, he wondered “just how close debate by high-school students on sexual preferences really is to the heart of the First Amendment” and questioned whether “the suppression of adolescents’ freedom to debate sexuality is not one of the nation’s pressing problems, or a problem that can be solved by aggressive federal judicial intervention.”⁵² In examining the “benefits side of the First Amendment balance,” Judge Posner, although recognizing that “18-year-olds can now vote,” seriously questioned whether “uninhibited high-school student hallway debate over sexuality—whether carried out in the form of dueling T-shirts, dueling banners, dueling pamphlets, annotated Bibles, or soapbox oratory—[is] an essential preparation for the exercise of the franchise.”⁵³

There is another model, however. Judge Posner recognized it in his 2001 opinion striking down an Indianapolis ordinance limiting access of minors to video games depicting violence. As Judge Posner explained in that earlier opinion,

[n]ow that eighteen-year-olds have the right to vote, it is obvious that they must be allowed the freedom to form their political views on the basis of uncensored speech before they turn eighteen, so that their minds are not a blank when they first exercise the franchise. . . . People are unlikely to become well-functioning, independent-minded adults and responsible citizens if they are raised in an intellectual bubble.⁵⁴

Judge Posner then noted that students are routinely asked to study works ranging from “the *Odyssey*, with its graphic descriptions of Odysseus’s grinding out the eye of Polyphemus with a heated, sharpened stake” to “*War and Peace* with its graphic descriptions of execution by firing squad, death in childbirth, and death from war wounds” to the stories of Edgar Allen Poe, Mary Shelley, and Bram Stoker.⁵⁵ In sum, he recognized that to “shield children right up to the age of 18 from exposure to violent descriptions and images would not only

be quixotic, but deforming; it would leave them unequipped to cope with the world as we know it.”⁵⁶

The same can be said for much other speech that schools would like to avoid. As Justice Brennan explained in *Tinker*,

[t]he vigilant protection of constitutional freedoms is nowhere more vital than in the community of American schools. The classroom is peculiarly the marketplace of ideas. The Nation’s future depends upon leaders trained through wide exposure to the robust exchange of ideas which discovers truth out of a multitude of tongues, (rather) than through any kind of authoritative selection.⁵⁷

Thus, the Court held, “undifferentiated fear or apprehension of disturbance is not enough to overcome the right to freedom of expression”; therefore, school officials must be able to show “more than a mere desire to avoid the discomfort and unpleasantness that always accompany an unpopular viewpoint” before prohibiting or punishing speech.⁵⁸ Similarly, another Seventh Circuit panel explained in *Hodgkins ex rel. Hodgkins v. Peterson*:

The strength of our democracy depends on a citizenry that knows and understands its freedoms, exercises them responsibly, and guards them vigilantly. Young adults . . . are not suddenly granted the full panoply of constitutional rights on the day they attain the age of majority. We not only permit but expect youths to exercise those liberties—to learn to think for themselves, to give voice to their opinions, to hear and evaluate competing points of view—so that they might attain the right to vote at age eighteen with the tools to exercise that right.⁵⁹

As the dissent in the recent *Nuxoll* case notes, “the young adults to whom the majority refers as ‘kids’ and ‘children’ are either already eligible or a few short years away from being eligible to vote, to contract, to marry, to serve in the military, and to be tried as adults in criminal prosecutions.”⁶⁰

Perhaps Justice Jackson put it best in *West Virginia State Board of Education v. Barnette* when he explained that school boards must operate

(Continued on page 33)

MUST READING

The following is a selective bibliography of books and legal periodical articles in communications law published during the first half of 2007. This bibliography was prepared by Patrick Petit, associate law librarian emeritus at the Judge Kathryn J. DuFour Law Library of the Catholic University of America's Columbus School of Law

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Sabin, Bermant & Gould, LLP
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tdienes@law.gwu.edu

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karlene.goller@latimes.com

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tkelley@lksklaw.com

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Kelli L. Sager

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kellisager@dwt.com

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Baker & Hostetler L.L.P.
bsanford@bakerlaw.com

Rodney A. Smolla

University of Richmond
rsmolla@richmond.edu

Mark Stephens

Finers Stephens Innocent
mstephens@fsilaw.co.uk

Daniel M. Waggoner

Davis Wright Tremaine L.L.P.
danwaggoner@dwt.com

Barbara W. Wall

Gannett Co., Inc.
bwall@gannett.com

Solomon B. Watson IV

New York Times Co.
watsons@nytimes.com

Steven J. Wermiel

American University
swermiel@wcl.american.edu

Richard E. Wiley

Wiley Rein LLP
rwiley@wileyrein.com

Kurt Wimmer

Gannett Co., Inc.
kwimmer@gannett.com

PAUL M. SMITH, KATHERINE A. FALLOW, MELISSA MEISTER, AND DUANE POZZA

United States v. Williams

On May 19, 2008, the Supreme Court issued a decision in *United States v. Williams*,¹ which involved a facial overbreadth and vagueness challenge to Section 2252A(a)(3)(B) of the Prosecutorial Remedies and Other Tools to End the Exploitation of Children Today Act of 2003 (the PROTECT Act). That Act penalizes any person who “knowingly . . . advertises, promotes, presents, distributes, or solicits . . . any material or purported material in a manner that reflects the belief, or that is intended to cause another to believe, that the material or purported material is, or contains” either “an obscene visual depiction of a minor engaging in sexually explicit conduct” or a “visual depiction of an actual minor engaging in sexually explicit conduct.”² Thus, unlike the PROTECT Act’s precursor, the Child Pornography Prevention Act of 1996 (CPPA), provisions of which were held to be unconstitutional in the Supreme Court’s *Ashcroft v. Free Speech Coalition* decision,³ Section 2252A(a)(3)(B) is aimed at speech regarding purportedly pornographic materials, rather than the materials themselves.

In an opinion written by Justice Scalia and joined by the Chief Justice and Justices Stevens, Kennedy, Thomas, and Breyer, the Court found that Section 2252A(a)(3)(B) was not substantially overbroad by construing it quite narrowly. The Court found that the statute (a) included a scienter requirement; (b) was clearly aimed solely at “penaliz[ing] speech that accompanies or seeks to induce a transfer of child pornography”; and (c) required for prosecution either that (1) the defendant both subjectively believe that the material to be transferred is actual child pornography and that the speech that accompanies the transfer “must

objectively manifest a belief that the material is [actual] child pornography” or (2) the defendant must intend his speech to cause another to believe that the material to be transferred is actual child pornography.⁴

The Court was clear that Section 2252A(a)(3)(B) did not prohibit the advocacy of child pornography, but only “offers to provide or requests to obtain” child obscenity and child pornography, and that this prohibition was constitutional because “offers to provide or requests to obtain child pornography are categorically excluded from the First Amendment.”⁵ Nor, according to the Court, does the statute ensnare movie distributors because it would be “implausible” that a movie distributor would believe that simulated movie sex contains actual children engaging in actual or simulated sex, or that the distributor would intend its customers to believe such.

The Court saw no basis for concern that Section 2252A(a)(3)(B) could ensnare those who transfer material and “mistakenly believe[] that material is [actual] child pornography,” stating that “[o]ffers to deal in illegal products or otherwise engage in illegal activity do not acquire First Amendment protection when the offers is mistaken about the factual predicate of his offer.”⁶ The Court found Section 2252A(a)(3)(B)’s “pandering and solicitation” provision to be an inchoate crime, an act that looks toward the commission of another crime, and as such, was punishable, like conspiracy and attempt, even if there was no ultimate crime committed. Yet the Court was clear that the statute did not apply to persons who share nonpornographic material, such as a “harmless picture of a child in the bathtub,” even if the defendant mistakenly believed such material was lascivious in nature.⁷ In such cases, the Court held that the “statute has no application.”⁸ Thus, the Court’s construction punishes those who mistakenly believe the material they send is actual child pornography, but only if that belief is reasonable.

The Court dismissed the dissent’s concern that its opinion would make

“an end-run around the First Amendment’s protection of virtual child pornography.”⁹ The Court was clear that simulated child pornography “will be as available as ever, so long as it is offered and sought *as such*.”¹⁰ The Court did concede one example, however, wherein the statute may ensnare otherwise-constitutionally-protected speech – where documentary footage of atrocities such as child rape is filmed and then transferred to someone else. The Court reasoned that one exception did not establish that Section 2252A(a)(3)(B) was *substantially* overbroad and stated that defendants were still free to challenge the statute on an “as applied” basis.

With respect to vagueness, the Court found clear the statute’s requirement “that the defendant hold, and make a statement that reflects, the belief that the material is child pornography; or that he communicate in a manner intended to cause another so to believe.” The Court stated that this requirement was not indeterminate nor subjective, such as a statute that prohibits “annoying” or “indecent” behavior.¹¹

Justices Stevens and Breyer wrote separately, concurring in the judgment but asserting that Section 2252A(a)(3)(B) should be further limited to require an element of lasciviousness in the scienter requirement. Justices Souter and Ginsburg dissented on the ground that the statute was overbroad in that it criminalized speech about material that was constitutionally protected – virtual and simulated child pornography. “In failing to confront the tension between ostensibly protecting the material pandered while approving prosecution of the pandering of that same material,” the dissent believed that the Court was undermining its decisions in both *New York v. Ferber*,¹² and *Free Speech Coalition*.¹³ Specifically, Justices Souter and Ginsburg were concerned that, after the Court’s decision in *Williams*, the government would cease prosecuting defendants for selling child pornography, which requires the government to prove that a real child is pictured, and would instead “prosecute for merely proposing a pornography transaction

Paul M. Smith (psmith@jenner.com) and Katherine A. Fallow (kfallow@jenner.com) are partners in the Washington, D.C., office of Jenner & Block LLP. Melissa A. Meister (mmeister@jenner.com) and Duane Pozza (dpozza@jenner.com) are associates in the firm’s Washington, D.C., office.

manifesting or inducing the belief that a photo is real child pornography, free of any need to demonstrate that any extant underlying photo does show a real child,” thus eliminating the “real-child requirement” established by *Free Speech Coalition*.¹⁴

The First Amendment and Elections

The Supreme Court this past Term addressed four cases on the merits in which plaintiffs challenged features of state or federal election law, relying at least in part on the First Amendment. In keeping with recent trends, the only law that was struck down was one regulating campaign contributions.

In *Davis v. Federal Election Comm’n* (No. 07–320), the Court rejected the so-called “Millionaire’s Amendment” provision in the Bipartisan Campaign Reform Act of 2002. That provision was designed to help level the playing field between candidates for the House of Representatives who are wealthy and may spend unlimited amounts of their own money and opposing candidates who are relying on contributions from others. It allowed candidates to receive contributions up to three times larger per person if an opponent’s expenditures on his or her own behalf exceeded \$350,000.

The Court, in a 5–4 decision written by Justice Alito and joined by the Chief Justice and Justices Scalia, Kennedy and Thomas, held this provision unconstitutional because it raised the contribution limits only for the non-self-financing candidate, meaning that the two campaigns would be subject to disparate legal regimes. Justice Alito reasoned that this disparity operated as a penalty imposed on candidates who chose to exercise their constitutional right, recognized in *Buckley v. Valeo*,¹⁵ to spend large sums of money on their own behalf. The Court therefore applied strict scrutiny, demanding a showing that the law furthers a compelling state interest, and held that the law failed such scrutiny. It held that the law in no way serves any anticorruption purpose, and held that the goal of equalizing electoral opportunities between the rich and the less affluent is not even a legitimate governmental purpose. Justice Stevens dissented, in an opinion joined by Justices Souter, Ginsburg and Breyer, arguing that the law was a legitimate and valid effort by Congress to address

the pernicious effects of allowing unlimited self-financing while regulating contributions from others.

But in three other cases challenging features of state election law not involving contribution limits, the Court rejected the challenges. In two of those, *Washington State Grange v. Washington State Republican Party*,¹⁶ and *Crawford v. Marion County Election Board*,¹⁷ the Court focused on the distinction between facial and as-applied challenges, refusing to hold the laws at issue facially unconstitutional in the absence of compelling evidence of pernicious effects. *Washington State Grange* involved Washington’s new open primary system, under which all candidates for an office appear on a single primary ballot, under whatever party label they may choose, and the top two then run in the general election. The law was said to violate the associational rights of political parties by creating the appearance that they had nominated candidates who chose to identify themselves with a given party label. *Crawford* involved Indiana’s new voter ID law generally requiring voters to show state-issued photo identification at the polls. This law was challenged on the ground that it will deter some voters from participating while serving very little practical purpose.

In each case, the Court emphasized the high burden facing those who bring facial challenges, finding the claimed burdens on constitutional rights insufficient in the absence of direct evidence of how the laws work in practice. For example, Justice Stevens’ plurality opinion for three Justices in *Crawford* expressed great skepticism about a constitutional challenge to a law that may burden voting by a small percentage of voters but imposes little burden on everyone else. Justice Scalia’s opinion for three more Justices went even further, arguing that the burdens on voting created by a given law must be assessed in general terms, without regard to the particular burdens felt by a portion of the electorate.

In the fourth case, *New York State Board of Elections v. Lopez Torres*,¹⁸ the plaintiffs challenged New York’s system for nominating state trial judges, involving election of delegates to a one-day nomination convention just for that office, on the ground that it effectively allowed party bosses to hand-pick the nominees. The Court held that the

Constitution is not violated where state law effectively gives practical control of the nomination process to the leadership of a given party.

Fleeting Expletives

The comedian George Carlin passed away in June at the age of 71, but the debate he sparked about “indecent” words on the airwaves still goes on – and is back in the Supreme Court for the first time in 30 years. At issue in *Federal Communications Commission v. Fox Television Stations, Inc.*, No. 07–582, is the FCC’s authority to regulate the broadcast of so-called “fleeting expletives” in broadcast media. Three decades ago in *FCC v. Pacifica Foundation*,¹⁹ a closely divided Supreme Court upheld the FCC’s indecency finding against a radio station that aired, at two in the afternoon, Carlin’s “Filthy Words,” a twelve-minute monologue full of expletives. But the question now is whether the FCC can find programming indecent when the expletives are not repeated at all.

Prior to and for a period of time following the *Pacifica* decision, the FCC specifically disclaimed enforcement of its indecency regulations against broadcasts containing “fleeting” expletives that were not repeated. But beginning in 2004, the FCC announced that it was reversing its previous policy. In response to a complaint that the singer Bono had used the “F-Word” during NBC’s live broadcast of the Golden Globe Awards, the FCC found the broadcast “indecent” and “profane,” and announced that it would begin finding broadcasters liable for violations of the FCC’s indecency and profanity prohibitions upon broadcast of even isolated expletives. A later decision found that Fox’s broadcasts of the 2002 and 2003 Billboard Music Awards – during which Cher and Nicole Richie each used the “F-Word” once – were indecent under the revised indecency policy.

The Billboard Music Awards decisions were appealed to the Second Circuit, and that court reversed in the decision under review, *Fox Television Stations, Inc. v. FCC*.²⁰ Before the Second Circuit, the parties presented various arguments relating to the extent of First Amendment restrictions on regulation of non-obscene but indecent speech in broadcasting – echoing the arguments made to the Supreme Court in *Pacifica* years ago. A divided panel of the Second Circuit

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A Patent Primer for the Communications Lawyer

(Continued from page 1)

is a quid pro quo for the inventor's disclosure of a detailed description of how to make and use an invention so that after the expiration of the term of the patent, others may make, use, or sell the invention.² The grant of patent rights serves as an incentive for investing time and resources in creating and developing inventions.³ Patents do not grant the patent holder the right to make, use, or sell the invention. Rather, they provide protection against would-be competitors by enabling the patentee to stop others from making, using, importing, selling, or offering to sell the patented invention (or an equitable equivalent) in the United States without permission.⁴ In other words, a patent provides no positive rights, only the power to block others from using the invention.

Patent Document

The actual patent document consists of several defined sections.⁵ The specification provides a brief technical summary of the invention (the "abstract"), which should be understandable to anyone reading the patent, and describes:

1. the technical subject matter to which the invention relates, the specific related problems known in the field to which the invention is directed, and problems that the patentee's invention solves (the "background of the invention");
2. the specific invention as claimed by the patentee, setting out the

exact nature, operation, and purpose of the invention (the "summary of the invention");

3. drawings when necessary to assist in understanding the invention and a brief description of the drawings' contents ("brief description of the drawings"); and
4. a clear and concise explanation of the invention such that a person "of ordinary skill in the art" is capable of practicing the invention without undue experimentation (the "detailed description of the invention").⁶

Because they define the invention, the claims are the most important part of the patent. The Federal Circuit, which acquired exclusive appeals jurisdiction over all patent cases in 1982, has characterized the claims in a patent as providing the "metes and bounds of the right which the patent confers on the patentee to exclude others from making, using, or selling the protected invention."⁷ Put another way, the claims are like the deed to a piece of real estate, precisely defining the boundaries of the scope of the invention. Patents typically include a number of claims, which may be directed to different aspects or variations of the invention and which vary from very general and broad to very specific, narrow descriptions of the invention.

There are two primary types of patents in the United States: utility patents and design patents. Utility patents are granted for a period of twenty years from the date that the patent application is filed⁸ and cover the functional or useful aspects of an invention.⁹ Although granted mostly for new products or processes, patents can also be obtained

for compositions of matter (e.g., drug compounds), business methods, or any improvement or new use of patentable subject matter.

Design patents cover "any new, original, and ornamental design for an article of manufacture,"¹⁰ i.e., the aesthetic features of an invention. Because design patents do not cover the functional or useful features of the article, they only provide the owner with the right to exclude others from making, using, or selling the same product with the same aesthetic design. For example, Apple can use its design patent to exclude competitors from copying the design and appearance of the semitransparent case of its iMac computer,¹¹ but not its functionality (although that functionality is likely covered by other forms of intellectual property). Design patents are granted for a term of fourteen years from the date of issuance.¹²

Patents Versus Other Forms of IP

While patents generally seek to protect new and useful inventions, trade secrets, copyrights, and trademarks protect other aspects of intellectual property.

Trade Secrets

The subject matter that can be protected as a trade secret is generally broader than that protected by a patent because trade secrets include any technical or commercial information, such as formulas, patterns, physical devices, ideas, processes, compilations of information (e.g., customer lists or business and marketing plans), or other information that is used as part of a company's business, is maintained as a business secret, and affords an advantage over competitors that do not know about or use it.¹³ Trade secret protection can last indefinitely as long as the secrecy of the technical or commercial information is maintained.¹⁴ One of the most familiar examples of a trade secret formula is the Coca-Cola, which the Coca-Cola Company has gone to great lengths to protect, including ensuring that the formula is kept locked in a bank vault that can only be opened by resolution of the company's board of directors and making sure that no one individual knows every step in the formula. Although trade secrets are an important form of intellectual property, they are the least protectable. First, although trade secrets in theory can be protected indefinitely against

Patent No.	Date of Grant	Description of Patent
5,794,210	08/11/98	Method for rewarding customers who receive online advertisements (the Attention Brokerage patent)
5,960,411	09/28/99	"1-Click" method for expediting online orders, which allows repeat customers to bypass address and credit card data entry
6,073,241	06/06/00	Operation of banner advertisements
6,157,946	12/05/00	Use of pop-up advertising windows

improper taking (e.g., by theft, fraud, breach of contract, or illegal surveillance), such protection is available only as long as the secrets are not disclosed to the public through, for example, the sale of products that can be reverse engineered.¹⁵ Second, a company cannot preclude competitors from using trade secrets that have been independently discovered or developed (e.g., by developing a formula that tastes like Coca-Cola).¹⁶ Finally, it is difficult to prove that trade secrets have been improperly acquired.

Unlike the situation with patents, copyrights, and trademarks, there are no federal civil laws governing trade secrets.¹⁷ But every state has common law or a statute, frequently modeled on the Uniform Trade Secrets Act, prohibiting the theft or disclosure of trade secrets, and allowing a trade secret owner to obtain an injunction against further disclosure or use of the secrets and to collect damages for any economic injury suffered as a result of the improper acquisition and use of the trade secret.¹⁸

Patents and trade secrets each have advantages and disadvantages with regard to protecting a business's innovative technology. Obtaining a patent for an invention gives the patentee the right to absolutely exclude anyone from making, selling, or using the invention for a specified period of time (regardless if it is independently developed), at the end of which anyone can practice the invention.¹⁹ Although an invention can be maintained as a trade secret indefinitely as long as it is not publicly disclosed, the invention's owner must take steps to maintain its secrecy; and it can be used at any time by anyone who independently develops the same invention.²⁰

Copyrights

Copyright law protects original literary, artistic, or other creative works; and such protection usually lasts during the author's life plus seventy years (or some 95 to 120 years for works made for hire).²¹ Copyrights protect works of authorship ranging from traditional expressive works, such as books, music, and films, to such commercial and functional works as computer programs, instruction manuals, product catalogs, and product labels. Unlike patents, copyrights do not protect ideas, processes, or procedures—only their particular expression.²² For example, a patent could protect a process for streaming video over the Internet,

while a copyright could only protect a particular software implementation of the process. There is, however, some overlap between copyright and design patents to the extent that an article of manufacture embodies a copyrightable design distinct from the article itself. For example, the carved ornamental woodwork of a bed—including leaf-and-flower motifs, foliate scrolls, a serpentine decoration, and a seashell motif—may be protected by copyrights, while the frame of the bed is protected by a design patent.²³

A copyright arises when an original work is fixed in a tangible medium of expression, such as when it is written, recorded, photographed, or compiled on a disk or chip.²⁴ Although a copyright owner may prevent others from copying, distributing, publicly performing or displaying, or making a derivative work of the original work, copyright protection has significant limitations. Unlike patents, copyrights do not protect against independent creation and can be circumvented by reverse engineering.²⁵ For example, copyrights in software can be circumvented using “clean room” techniques; i.e., a “dirty team” decompiles the software to derive a description of its operations, and a separate clean team is given access to this description, but not the software, and then prepares an independent code based on this functional description.

Trademarks

Trademark law protects indications of the commercial source of products or services and such marks do not expire (if the appropriate steps are taken to maintain rights).²⁶ A trademark is a word, phrase, symbol, design, or device—such as an alphanumeric combination (e.g., 7-Eleven for convenience stores), color (e.g., pink for Owens-Corning's fiberglass insulation); sound (e.g., the distinctive roar of a Harley-Davidson motorcycle); or smell—used to identify and distinguish one company's products from another's. A trademark identifying a service rather than a product is called a service mark.²⁷ Creating and maintaining trademarks requires special attention because they establish goodwill for a company's goods and services as the public learns to associate the marks with a single source and quality; and they cannot be bought, sold, or licensed without consideration of the underlying business.

Unlike patents, the benefits of which can only be obtained when a patent is

applied for and ultimately issued by the U.S. Patent and Trademark Office (USPTO), trademark rights can be obtained by use or registration.²⁸ A business that creates a name, logo, or even a color and uses it on its goods or packaging obtains rights in that trademark and can enforce its rights, provided that consumers are not confused as a result of its use. Creation of trademark rights by registration, on the other hand, requires that a business register its trademark with the appropriate government office, e.g., the USPTO. The owner of a registered trademark may bring suit for trademark infringement to prevent unauthorized use of the trademark or any other related mark that creates a likelihood of confusion between the two marks. Because registration of a trademark is not required to sue for infringement, the owner of a common law trademark may also commence legal proceedings; however, an unregistered mark may only be protectable within the geographical area of its use or in geographical areas of reasonable future expansion.²⁹

Trademark rights, unlike patent rights, must be protected through actual lawful use of the trademark.

Trademark rights, unlike patent rights, must be protected through actual lawful use of the trademark. These rights will cease if the mark is not actively used for a period of time, i.e., three to five years in most jurisdictions.³⁰ After a trademark is registered, failure either to actively use the mark in the lawful course of trade or to enforce its registration in the case of infringement may lead to a cancellation proceeding being filed against the registration to force removal of the trademark from the register on the grounds of “non-use.”³¹ Thus, a company may obtain patent protection for its invention only for a specific number of years but can protect its name as a trademark indefinitely.

Criteria for Obtaining a Patent

Patents do not arise automatically; inventors must file an application for a patent with the USPTO affirmatively claiming the invention. The application must

follow a specific format (as discussed below) and the claims must be carefully crafted to ensure that the full scope of the invention is properly claimed. The inventor must also file an oath or declaration, pay a filing fee, and submit any prior art references of which the inventor is aware to the USPTO to be considered in examining the patent application. It is strongly advisable to consult a patent attorney about preparing a patent application and, in particular, about the proper drafting of the claims.

At the time of filing, inventors must disclose the best mode they know for making and using the claimed invention.

There are various statutory requirements for obtaining a patent, including (i) patentable subject matter; (ii) patentability requirements, such as utility, novelty, and nonobviousness; and (iii) technical disclosure requirements.

Patentable Subject Matter

The first criterion that a patent applicant must meet is to show that the subject matter of the invention for which a patent is sought is patentable.³² The patent statutes allow a patent applicant to obtain patent protection for any “new and useful process [such as a process of manufacture or a method of use], machine [such as a lawn mower, which has moving parts], manufacture [an article without moving parts, such as a hammer], or composition of matter, or any new and useful improvement thereof. . . .”³³ The U.S. Supreme Court has interpreted this broad language to “include anything under the sun that is made by man.”³⁴ Patent protection is not available for things not made by man, such as the “laws of nature, physical phenomena, and abstract ideas” because “[s]uch discoveries are ‘manifestations of . . . nature, free to all men and reserved exclusively to none.’”³⁵ Thus, “Einstein could not patent his celebrated law that $E=mc^2$; nor could Newton have patented the law of gravity.”³⁶ An idea or algorithm may be patentable,

however, if it is embedded in a process. For example, an applicant could obtain a patent for a process for compressing digital music that is essentially using a computer to carry out a mathematical compression algorithm.

Courts have recently taken an interest in examining the boundaries of the patentable subject matter requirement. Although it appeared in 2005 that the Supreme Court was going to address the issue of patentable subject matter in *Laboratory Corp. of America Holdings v. Metabolite Laboratories, Inc.*, the Court dismissed the petition on procedural grounds.³⁷ The Federal Circuit has subsequently taken up this issue in three cases. In *In re Nuijten*, the court held that a signal not embodied in a tangible media or memory did not fall within § 101’s four classes of patentable subject matter.³⁸ In *In re Comiskey*, the court held that although claims directed to a method for mandatory arbitration resolution (i.e., a business method) that combined the use of machines with a mental process were patentable under § 101, two claims in which the claimed subject matter amounted to no more than a “mental process” were not.³⁹ The Federal Circuit recently decided to hear the appeal en banc in the third case, *Ex parte Bilski*, in which the Board of Patent Appeals & Interferences (BPAI) affirmed a patent examiner’s § 101 rejection of application claims directed to a method for hedging consumption risk for trading commodities.⁴⁰ The Federal Circuit requested that the parties file supplemental briefs addressing several specific patentability issues.⁴¹

Conditions and Requirements

Whether a patent can be obtained for an invention that encompasses patentable subject matter depends on whether the invention meets the other “conditions and requirements” of the Patent Act,⁴² i.e., the invention must be useful, new, and nonobvious.

Utility

Because the Constitution requires that Congress promote the “useful arts and sciences,” § 101 also includes a utility requirement for nondesign patents.⁴³ This requirement is usually easily satisfied because to be useful an invention must simply be capable of achieving at least one of its stated purposes.⁴⁴ The utility requirement has other limits, i.e.,

“[a]n invention need not be the best or the only way to accomplish a certain result, and it need only be useful to some extent and in certain applications.”⁴⁵

Congress has also defined certain subject matter as lacking utility per se. Specifically, § 101 excludes any invention that is illegal, immoral, contrary to public policy, or directed to “devices deemed to be scientifically impossible, such as perpetual motion machines.”⁴⁶ For example, until 1977, gambling machines were held to lack utility,⁴⁷ and the exclusion still applies to methods of counterfeiting currency, which are only useful in committing a crime or fraud.⁴⁸

Novelty

Even when an invention encompasses proper subject matter and is useful, patent law still requires that the subject matter be novel. The novelty requirement is embodied in § 102 and prevents a patent applicant from obtaining a patent if the invention is found in identical form in any single prior art reference (i.e., the invention has been “anticipated”).⁴⁹ The term *prior art* consists of the body of common knowledge that is already known to people of ordinary skill in the relevant technology and includes written materials such as earlier patents, scholarly articles, product literature, and other kinds of printed publications, as well as nonwritten materials such as products in the market.⁵⁰ This section also contains other statutory bars to patenting an invention, such as if it was commercially exploited (i.e., “on sale”) or “in public use” for more than one year before the date of application for a U.S. patent or if the inventor filed a foreign application for the same invention more than one year before filing the corresponding U.S. application.

Nonobviousness

Even if an invention encompasses proper subject matter and is useful and novel, patent law also requires that an invention meet a nonobviousness requirement.⁵¹ Section 103 states that

[a] patent may not be obtained . . . if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains.⁵²

Unlike the novelty inquiry under § 102, the nonobviousness inquiry does not focus on a single prior art reference; rather, it examines the totality of the prior art. More than forty years ago, the Supreme Court set forth the considerations for determining whether an invention was obvious in *Graham v. John Deere Co.*⁵³ Specifically, the nonobviousness inquiry requires consideration of the following factors: (1) the scope and content of relevant prior art, (2) the differences between the claimed invention and the relevant prior art, and (3) the level of ordinary skill in the relevant art.⁵⁴ Even if the invention appears obvious in light of the three *Graham* factors, secondary considerations—such as a long-felt but unsatisfied need for the claimed invention, failure of others who have tried to solve the problem solved by the invention, unexpected results of the claimed invention, and commercial success of the claimed invention—may compel a nonobviousness finding.⁵⁵

Technical Disclosure Requirements

The first paragraph of § 112, relating to the sufficiency of the patent disclosure, provides technical disclosure requirements:

The specification shall contain a [i] written description of the invention, and of the manner and process of making and using it, [ii] in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and [iii] shall set forth the best mode contemplated by the inventor of carrying out his invention.⁵⁶

Three separate patentability requirements are embodied in this paragraph: written description, enablement, and best mode.

The written description requirement ensures that a patent applicant claims only the invented subject matter that is disclosed in the patent application's specification. This requirement has some flexibility, however, because "every nuance of the claims [need not be] explicitly described in the specification" as long as a person of ordinary skill in the art "would have understood the inventor to [have been] in possession of the claimed invention at the time" the patent application was filed.⁵⁷

Satisfying the second patentability requirement, i.e., enablement, requires that the patent teach a person of ordinary skill in the art how to make and use "the claimed invention without undue experimentation."⁵⁸ However, because a patent is directed to a person of ordinary skill in the art, the disclosure need not teach what is already known to the skilled artisan. Moreover, satisfaction of the enablement requirement does not mean that there can be no experimentation; some experimentation may be required to practice the invention as long as the level of experimentation is not "undue."⁵⁹

The last aspect of the mandates in the first paragraph of § 112 is the best mode requirement. This inquiry focuses on the inventor's knowledge at the time the patent application is filed with the USPTO. Specifically, at the time of filing, inventors must disclose the best mode they know for making and using the claimed invention. Thus, inventors cannot disclose an inferior mode of practicing the invention to the public while concealing the best mode for their own personal use. The policy underlying this requirement is the quid pro quo relationship between the public and the inventor.⁶⁰

One-Year Filing Deadline

As discussed above, a patent gives an inventor (or the inventor's assignee, which is usually the company employing the inventor) the right to prevent others from making, using, or selling the invention for a specified period of time. Consulting a patent attorney about preparing a patent application earlier rather than later is advisable in order to avoid one-year filing deadline pitfalls.

An inventor must file a patent application within one year of disclosing the invention in a printed publication, demonstrating the invention, or offering the invention for sale.⁶¹ Failure to do so results in a forfeiture of patent rights. An inventor coming up on a one-year deadline may file a provisional application (with a lower filing fee and fewer formal requirements, e.g., no claims are required) as a one-year placeholder.⁶² The inventor has one year within which to convert the provisional application into a full nonprovisional application, or the invention will be deemed abandoned.⁶³ Even if an employee or a third party (such as a vendor) to whom an

invention has been disclosed has signed a nondisclosure agreement, a provisional or nonprovisional patent application should still be filed within one year of such disclosure as a prophylactic measure to avoid any statutory bars.

Prosecution

After the patent application is filed, it is then reviewed by the USPTO—a process known as patent prosecution. During this process, a patent examiner reviews the claims and determines whether the claims should be accepted or rejected for failure to comply with one or more of the patentability requirements, and the patent applicant (or the applicant's attorney) is given an opportunity to try to overcome the examiner's rejections (e.g., by amending the claims).

Patent applicants must be careful during the prosecution process that argument about or amendments made to the claims do not cause the issued patent to be narrowly construed. A complete record of the correspondence between the patent office and the applicant or applicant's attorney (referred to as the "file history" or "file wrapper") during the prosecution process is maintained by the patent office; and what is said about the invention claimed during patent prosecution can, and frequently does, become an issue during patent litigation. Employing a skilled patent attorney during prosecution of the patent application should allow the patent applicant to avoid these pitfalls.

At the end of the prosecution process, the USPTO will either allow the application and a patent will issue; or the application will finally be rejected, in which case the applicant will have several options that may be pursued (e.g., filing an appeal).

Rise of Business Method Patents

Traditionally, communications and entertainment companies only had to worry about patents directed to communication technology, such as a new type of printing press or movie camera. Today, companies must also be aware of business method patents, a phenomenon that has emerged in the last decade or so and has taken on particular significance in connection with the Internet.

For example, as soon as Netflix obtained a patent for its online DVD rental model in April 2006, it sued Blockbuster, which had launched its own

online rental service about a year before, for patent infringement, arguing that Blockbuster knew of the pending patent application at the time it “willfully and deliberately” initiated its rental service.⁶⁴ Netflix and Blockbuster finally settled their lawsuit in June 2007.

Similarly, IBM obtained a patent entitled “Method for Presenting Advertising in an Interactive Service”⁶⁵ and sued Amazon.com for patent infringement. However, because IBM’s patent arguably covers online advertising, it has implications for any media company that engages in Internet advertising.

Courts first clarified that business methods are patentable in 1998. Prior to that time, courts generally considered business methods to be an exception to patentable subject matter under § 101.⁶⁶ The focus of the exception was the concept that ideas per se could not be patented and that business methods were nothing more than ideas.⁶⁷ In 1998, the Federal Circuit issued its landmark decision in *State Street Bank & Trust Co. v. Signature Financial Group*, in which the court rejected the exception, declaring that it had never been invoked by the Federal Circuit to hold an invention unpatentable, and held that if a business method ultimately yields a “useful, concrete, and tangible result,” such as an operable business system, it complies with the requirement of statutory usefulness.⁶⁸ The *State Street* decision opened the “proverbial floodgates” for these types of patents.⁶⁹

The *State Street* decision also fueled a debate, both in the literature and before Congress, between those who supported the newly patentable business methods and those who were opposed to the new class of patents.⁷⁰ The controversy resulted in the USPTO’s creating a new class for business method patents (Class 705) and setting out new requirements for evaluating such patents.⁷¹

The controversy over the patentability of business methods caught the public’s attention when Amazon.com sued Barnesandnoble.com, its main competitor at that time for Internet-based book and media retailing, for infringing its patent covering a method for Internet commerce involving the storage of customer information, such as addresses and credit card numbers, in a vendor’s database.⁷² When a repeat user logged into the system, items could be purchased from the vendor using a single

Noteworthy Business Matter Patents Related to the Internet

- U.S. Patent Nos. 5,933,811 and 5,937,392 have been issued to DoubleClick Inc. for methods of delivering advertising over the Internet.
- Walt Disney Co., the second-largest U.S. media company, and OpenTV settled a patent infringement lawsuit in 2004 over an interactive TV system that Disney employed during broadcasts of shows such as Sunday Night Football and Monday Night Football and Who Wants to Be a Millionaire. Disney agreed to pay royalties to OpenTV, which owns the three patents at issue in the lawsuit,^a all of which pertain to integrating Web resources into interactive TV programming.^b
- Google paid Yahoo! 2.7 million shares of stock (valued at over \$260 million) to settle a lawsuit involving some of Yahoo!’s online search engine advertising patents.^c
- BTG, a London-based intellectual property licensing company with over 3,500 patents, sued Amazon, Barnes & Noble, Netflix, and other Internet enterprises for infringing patents related to user tracking and marketing methods. In early 2005, BTG filed suit against Microsoft and Apple Computer for infringement of Internet software update patents.^d
- Intertainer, Inc., a technology licensing company, sued Apple, Google, and Napster for infringing its patent^e covering the commercial distribution of audio and video over the Internet.^f
- In October 2006, IBM sued Amazon.com for infringement of several patents, including U.S. Patent No. 7,072,849, entitled “Method for

Presenting Advertising in an Interactive Service.”^g The lawsuit was settled in May 2007, when Amazon agreed to pay IBM an undisclosed sum in return for a long-term patent cross-license agreement.^h

- On December 17, 2007, XM Satellite Radio announced that it had settled a patent infringement suit brought against it by Universal Music Group in connection with XM’s portable Inno device, which can store and record music from satellite radio.ⁱ
- Internet market research company NetRatings Inc., whose Web analytics tool collects information about Web surfers’ habits, recently reached a licensing agreement and settlement in the infringement suit it brought against WhenU.com Inc., which focuses on targeted advertising, i.e., delivering ads based on certain preferences or context.^j
- Shares in TiVo Inc. posted close to a 29 percent gain on January 31, 2008, after it was announced that the DVR (digital video recorder) manufacturer had won a patent infringement suit against satellite television company EchoStar Communications. The Federal Circuit affirmed a lower court ruling determining that EchoStar’s DVRs infringed TiVo’s patented “time warp” technology, and upheld the damage award of nearly \$74 million.^k
- Paid Search Engine Tools LLC, a patent-holding company, filed suit against Google and Microsoft on February 12, 2008, alleging that the companies’ paid advertisement

mouse click without having to reenter address and credit card data.⁷³ The district court’s granting of a preliminary injunction against Barnesandnoble.com’s use of its “Express Lane” shopping feature allowing users to “Buy [a product] now with just 1 click!” just added further fuel to those critical of patenting business methods, who considered this to be an obvious concept.⁷⁴ Although

the Federal Circuit did not uphold the preliminary injunction, it concluded that there was likely infringement on the part of Barnesandnoble.com.⁷⁵

Although Amazon.com’s one-click business method patent may not be of particular interest to the communications industry, other Internet-related business method lawsuits are noteworthy (see sidebar on pages 26-27). They demonstrate

services (AdWords and AdCenter, respectively) infringed a patent for technology providing search engine keyword bidders with information to optimize their use of paid search engines. Paid Search Engine Tools previously sued Yahoo! in September 2007 alleging that unspecified Yahoo! products and services infringed the same patent.¹

Endnotes

a. Enhanced Video Programming System and Method for Incorporating and Displaying Retrieved Integrated Internet Information Segments, U.S. Patent Nos. 5,774,664, 5,778,181, 6,018,768 (respectively issued June 30, 1998; July 7, 1998; Jan. 25, 2000).

b. Susan Decker, *Disney, OpenTV Settle Patent Suit*, OAKLAND TRIB., available at http://findarticles.com/p/articles/mi_qn4176/is_20040708/ai_n14579191/print.

c. Verne Kopytoff, *Google Settles 2 Disputes over Patent Infringement*, S.F. CHRON., Aug. 10, 2004, at C1, cited in Moss & Frankel, *supra* note 69, at 6.

d. Scarlet Pruitt, *BTG Hits Amazon, Netflix and Others with Patent Suit*, INFOWORLD, Sept. 15, 2004, cited in Moss & Frankel, *supra* note 69, at 6.

e. Digital Entertainment Service Platform, U.S. Patent No. 6,925,469 (issued Aug. 2, 2005).

f. John Markoff & Miguel Helft, *Patent Lawsuit Names Leading Technology Firms*, N.Y. TIMES (Jan. 3, 2007), available at www.nytimes.com/2007/01/03/technology/03patent.html?_r=1&oref=slogin&page_wanted=print.

g. Jesse Greenspan, *IBM Calls Out Amazon for Violating Its Patents*, IP L. 360 (Oct. 24, 2006); DAVID BERLIND, WHY IBM'S PATENT SUIT AGAINST AMAZON COULD BE BAD NEWS FOR THE ENTIRE WEB, available at <http://blogs.zdnet.com/BTL/?p=3848>.

h. Elaine Chow, *Amazon, IBM Settle Internet Patent Dispute*, IP L. 360 (May 9, 2007).

i. *XM Settles Patent Lawsuit with Universal Music*, C/NET NEWS, available at www.news.com/2102-1027_3-6223235.html?tag=st.util.print. The patent that XM Satellite Radio's device was alleged to infringe is Electronic Music/Media Distribution System, U.S. Patent No. 7,209,892 (issued Apr. 24, 2007).

j. Elizabeth Landau, *NetRatings Agrees to Patent License with WhenU*, IP L. 360 (Jan. 9, 2008).

k. *TiVo Wins DVR Patent Lawsuit Against EchoStar Communications*, TELECOMM. INDUSTRY NEWS, available at www.teleclick.ca/2008/02/tivo-wins-dvr-patent-lawsuit-against-echostar-communications/.

l. Ryan Davis, *Google, Microsoft Face Patent Suit over Ads*, IP L. 360 (Feb. 15, 2008). The patent at issue in both the Yahoo! and Google/Microsoft litigation is Paid Search Engine Bid Management, U.S. Patent No. 7,043,450 (issued May 9, 2006).

that several rather commonplace methods of Internet-based advertising and consumer transactions have been, or are, the subject of pending patent infringement claims.

Changing Patent Law Landscape

Interpretation and application of patent law in the United States is in a state of flux, not only because the Supreme

Court has handed down a number of decisions reversing long-standing Federal Circuit precedent, but also because Congress is actively engaged in considering radical patent reforms. These new precedents and many aspects of the suggested patent reforms will be especially relevant for business method and Internet patents. In fact, the lower courts' implementation of the recent Supreme Court decisions is already having an effect on such patents.

The reaction of all three branches of government is likely due in part to the development over recent years of a cottage industry of patent owner-friendly federal courts. Forum shopping has become an art form. These courts have special procedural rules for patent cases that generally put the cases on a fast track, making it expensive and difficult for alleged infringers to defend against the patent owners. Ten years ago, the Eastern District of Texas had very few patent cases; today, after adopting rules favoring patent plaintiffs, some say it is the busiest patent district court in the nation.⁷⁶ These patent cases put tens, if not hundreds of millions, of dollars at risk for the parties and help drive the local economy through forced legal tourism (which may be the motivation behind the rule changes because the plaintiff generally selects the venue).

Supreme Court Sets New Precedent

From the time the Federal Circuit came into existence in 1982, the Supreme Court has rarely delved into the patent law. However, "since Chief Justice John Roberts was elevated to the Court in September 2005," the Court has accepted and reviewed "an atypically high number of patent cases," most likely because of "his interest in cases involving technology issues and intellectual property."⁷⁷ These decisions have significantly altered the way in which patents must be treated by the lower courts, and many commentators are of the opinion that they have shifted the balance "in favor of those challenging the patent rights of others."⁷⁸

The Supreme Court decision that has had the most pervasive impact on obtaining, enforcing, and defending against patents is *KSR International Co. v. Teleflex Inc.*⁷⁹ This case instantly "made it more difficult[,] in the first instance, for an inventor to obtain a patent from the [USPTO], and, at the same

time, easier for [] alleged infringer[s] to challenge the validity of an issued patent on obviousness grounds."⁸⁰ In this case,

[t]he Teleflex patent at issue . . . covered an adjustable vehicle gas pedal control with an attached pedal position sensor. Prior art patents taught each part [of the invention] individually, but none seemed to clearly suggest combining the two components. . . . [T]he Court held that mounting an available sensor on a fixed pivot point of the prior art pedal was a design step well within the grasp of a person of ordinary skill in the relevant art and that the benefit of doing so would be obvious.⁸¹

The *KSR* decision criticized the rule developed and rigidly applied by the Federal Circuit "that obviousness may be found only where there is a specific 'teaching, suggestion, or motivation' in the prior art to combine prior art references, and, instead, held that '[a] court must ask whether the improvement is more than the predictable use of prior-art elements according to their established functions.'"⁸²

Numerous Federal Circuit and district court decisions, and literally hundreds of Board of Patent Appeals and Interferences decisions, citing *KSR*, have already impacted the issuance of patents, as well as the validity of issued patents. For example, in the five months after *KSR* was decided, the Federal Circuit issued nine precedential decisions assessing the obviousness of an invention, six holding the invention to be obvious, two holding the invention to be nonobvious, and one vacating the district court's decision and remanding for further consideration.⁸³ Six months after *KSR* was decided, the USPTO published its "Examination Guidelines for Determining Obviousness Under 35 U.S.C. §103 in View of the Supreme Court Decision in *KSR International Co. v. Teleflex Inc.*"⁸⁴ The USPTO Technology Center on Business Methods recently issued *KSR Training Examples* for rejecting applications for business method patents on obviousness grounds.⁸⁵

In *eBay Inc. v. MercExchange, LLC*,⁸⁶ the Supreme Court "took away from patent holders the previously almost automatic right to enjoin an infringer from continuing to use a patented invention after infringement had been shown at

trial.”⁸⁷ In the original decision in 2003, the district court awarded MercExchange damages, but no injunction, after it found that eBay’s “Buy it Now” feature infringed two MercExchange patents allowing shoppers to purchase items without first participating in an auction.⁸⁸ When MercExchange appealed, the Federal Circuit ruled that an injunction was warranted, basing its decision on the theory that injunctions should be denied in patent cases only under exceptional circumstances.⁸⁹ The Supreme Court reversed, holding “that trial judges should apply the traditional permanent injunction four-factor balancing test” in patent cases to determine if a post-infringement verdict injunction should be granted.⁹⁰

Subsequent district court decisions applying *eBay* have held that nonpracticing patentees (e.g., licensing entities

Implementation by the lower courts of recent Supreme Court decisions is already having an effect.

and companies that buy patents to use them to sue other companies) are generally not entitled to injunctive relief. For example, in *z4 Technologies, Inc. v. Microsoft Corp.*,⁹¹ *Finisar Corp. v. DirecTV Group, Inc.*,⁹² and *Paice LLC v. Toyota Motor Corp.*,⁹³ as well as the remanded case of *MercExchange, LLC v. eBay, Inc.*,⁹⁴ the district court denied plaintiff’s request for a permanent injunction, based largely on findings that there was no irreparable harm and that remedies at law (i.e., damages) would provide adequate compensation. It is of interest to note that in each of those cases, the patentee was not a competitor and had exhibited a willingness to license its patents elsewhere.⁹⁵

“A little more than a year ago, in January 2007, the Court in *MedImmune, Inc. v. Genentech, Inc.*,⁹⁶ [] was asked to consider the parameters under which an existing licensee under a particular patent could challenge that patent” in a declaratory judgment action. Under then-existing Federal Circuit precedent,⁹⁷ “a licensee was generally required to forfeit the license to obtain standing to challenge the validity of [the] patent,”

which MedImmune had not done because it was still paying royalties and thus was not facing “a reasonable apprehension of suit.” Under the old rule, before commencing a suit to challenge a patent, “licensees [either] had to stop using the licensed technology” or continue using the technology and stop making payments, thereby risking “the possibility of having to pay enhanced damages and the patentee’s attorneys fees should they ultimately not prevail—a powerful disincentive to challenge a patent.”⁹⁸

The Supreme Court rejected this rule, holding that a sufficient “case or controversy” exists to allow a case to proceed even when a licensee continues to make royalty payments under the license agreement.⁹⁹ In a footnote, the Supreme Court criticized the Federal Circuit’s “reasonable apprehension of suit” test,¹⁰⁰ stating that the test to be applied is whether “under all the circumstances, . . . there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.”¹⁰¹ Post-*MedImmune* decisions have typically focused on implementing this “new” test, and alleged infringers are now experiencing greater success in maintaining declaratory judgment actions against patentees.¹⁰²

Proposed Reforms

Patent law reform caught Congress’s attention after the publication of two studies, one by the Federal Trade Commission¹⁰³ and the other by the National Academy of Sciences,¹⁰⁴ which outlined shortcomings of the current patent system and proposed remedial changes. A bill containing some of the most sweeping changes to U.S. patent law in more than fifty years (i.e., since the Patent Act of 1952) was introduced in the House of Representatives in June 2005,¹⁰⁵ and substitute bills proposing various modifications were introduced in July 2005¹⁰⁶ and October 2005;¹⁰⁷ however, no action was taken on any of the bills. Bills were introduced in both houses of Congress in 2006;¹⁰⁸ and although hearings were held on patent reform,¹⁰⁹ no action was taken on the proposed bills.

Congress again turned its attention to patent reform in April 2007, when identical bills, H.R. 1908 and S. 1145, were introduced in both houses of Congress.¹¹⁰ Some of the major patent law changes proposed include:

- changing from a first-to-invent system to a first-inventor-to-file system;
- changing the method for apportioning damages (i.e., calculating a reasonable royalty);
- heightening standards for finding willful infringement;
- expanding the prior user rights defense;
- establishing a post-grant opposition proceeding in the USPTO;
- changing the procedure for reexamination of patents;
- requiring publication of all patent applications eighteen months after filing;
- providing for pre-issuance submission to the USPTO of prior art by third parties;
- limiting where patent actions can be brought to curtail the practice, discussed above, of forum shopping by plaintiffs seeking venues with pro-patent holder rules and procedures (e.g., Texas);
- allowing interlocutory appeals to the Federal Circuit on claim construction determinations; and
- codifying inequitable conduct law.¹¹¹

These bills prompted a great deal of written commentary,¹¹² testimony from a number of prominent industry leaders,¹¹³ and letters from Federal Circuit Chief Judge Paul R. Michel,¹¹⁴ the Departments of Commerce and Justice,¹¹⁵ industry coalitions,¹¹⁶ and members of Congress.¹¹⁷ Each of the bills has been amended several times so that they no longer have identical provisions.¹¹⁸

On September 7, 2007, the House of Representatives passed H.R. 1908, including significant amendments deleting expansion of prior user rights, diluting the requirement for publishing all patent applications after eighteen months, inserting new language on inequitable conduct, inserting language making tax methods unpatentable, adopting new language on venues for patent suits, and rewriting some of the language on the controversial apportionment of damages provision.¹¹⁹ Although S. 1145—with significant amendments on apportioning damages, expanding prior user rights, and repealing inter partes reexamination—was reported out of the Senate Judiciary Committee, no further action was taken on the bill in 2007.¹²⁰

Interest in the passage of patent reform legislation resurfaced this year with the publication of the Senate Judiciary Committee's draft report on S. 1145 on January 31, 2008.¹²¹ But the controversy over various provisions of the proposed bills continues, fueled by the publication of a white paper by two former USPTO officials that labels some of the proposed changes as "problematic,"¹²² a study released by the Biotechnology Industry Organization charging that there is a lack of empirical data supporting such reforms,¹²³ administration opposition to proposed changes in the apportionment of damages,¹²⁴ and continued industry opposition.¹²⁵

Generally, most of the controversy over the bills' provisions has been voiced by pharmaceutical, biotech, and certain other industries, which rely heavily on their patent portfolios and claim that some of the proposed reforms will weaken patent protection; and high technology industries and financial services firms, which are less dependent on patent protection for their own innovations and support the proposed reforms asserting that they will reduce frivolous infringement lawsuits.¹²⁶

What is clear, however, is that whatever form the patent reform legislation ultimately passed by Congress takes, it will have a significant impact on issued patents as well as pending and future patent applications.

Risks of Patent Infringement

Companies that use or license various forms of technology in conducting their business run the risk of being targeted by patent holders (both those who actively practice their inventions and those pejoratively referred to as "patent trolls,"¹²⁷ who purchase patents and then seek out potential infringers to sue) as potential defendants in an infringement lawsuit. The typical way that a company finds out it has been so targeted is when it receives a cease-and-desist letter. To constitute actual notice of infringement, the recipient of the letter must be "informed of the identity of the patent and the activity that is believed to be an infringement, accompanied by a proposal to abate the infringement, whether by license or otherwise."¹²⁸

Such letters usually target the "deep-pocket" media company rather than the company's "shallow-pocket" software vendor or website designer. Any

infringement indemnification from the vendor or designer is only as good as the company behind it (and that company's financial resources). Patent plaintiffs are increasingly being funded by venture capital groups, which view these cases as potentially lucrative investments.

Although each case is different, a cease-and-desist letter should not be ignored because its sender is most likely prepared to file a lawsuit. Continued infringement of the patent identified in a cease-and-desist letter can be considered willful infringement if the company is found to infringe, leading to the imposition of not only enhanced damages (up to treble) for any sales after receipt of the letter¹²⁹ but also possibly the attorney fees of the patent owner.¹³⁰

Upon receipt of such a letter, the recipient may have an opportunity to commence a declaratory judgment action to avoid being sued in a patent owner-friendly jurisdiction. As noted above, the Supreme Court recently made it easier to commence a patent declaratory judgment action.¹³¹

One of the most effective defenses against a charge of willful infringement is an opinion letter from competent patent counsel. Although the Federal Circuit recently abandoned the "affirmative duty" standard (which required an alleged infringer to investigate potential infringement and verify that a company's activities did not infringe) and established an "objective recklessness" test for determining willful infringement that does not require obtaining an opinion of counsel,¹³² the need for such opinion letters has not been eliminated. Whether a businessperson has acted reasonably in response to a cease-and-desist letter is still an inherently subjective analysis depending on all relevant circumstances.¹³³ Preparation of an opinion letter involves interpreting the scope of the patent claims, comparing the claims to the allegedly infringing product, analyzing the relevant patent law, and summarizing the opinion (i.e., whether the allegedly infringing product infringes the patent and/or whether the patent is invalid),¹³⁴ thus, only competent patent counsel should prepare such a letter. Opinions prepared by engineers, businesspeople, or non-patent counsel may be found insufficient to prevent a finding of willfulness.

Patent infringement may also be avoided by designing around (i.e., developing alternatives to a patented

invention) a patent's claims that cover the alleged infringer's products or processes.¹³⁵ Patent counsel can assist in performing the analysis necessary to determine how to design around the patented product or process.¹³⁶

Patent infringement litigation can be very costly. A recent survey by the American Intellectual Property Law Association indicates that such litigation can cost an average of \$2.6 million where \$1 million to \$25 million is at risk, and an average of \$5.5 million where more than \$25 million is at risk.¹³⁷ The cost of discovery alone can average \$3,340,000 in litigations where greater than \$25,000,000 is at risk.¹³⁸ Therefore, another option that a recipient of a cease-and-desist letter may want to consider is licensing the allegedly infringed patent. Consulting patent counsel in connection with the negotiation of such a license (or even cross-licensing) is advisable.

One possible means of dealing with the costs of patent infringement litigation, as well as the risk of paying damages for any alleged infringement, is to purchase a patent insurance policy because most general liability insurance policies do not provide such coverage.¹³⁹ Although there are various types of insurance available providing coverage for intellectual property claims,¹⁴⁰ such insurance is difficult to obtain and is not inexpensive: deductibles in the United States are usually 20 percent of the amount of the policy, and coinsurers often require policyholders to share between 10 percent and 20 percent of the risk.¹⁴¹ Although some of the cheaper defensive insurance policies (i.e., those that take effect when the policyholder is sued for patent infringement) only cover legal expenses, most policies cover damages and defense costs, with premiums running between 2 percent and 5 percent of the insured amount.¹⁴² Determining whether obtaining such insurance makes sense requires that a company be able to value the intellectual property at issue, assess how likely litigation may be, and decide whether the company can absorb litigation costs.¹⁴³ This is another task in which patent counsel can assist.

Conclusion

Although patent law is evolving, it is clear that patents are pervasive and will take on an increasingly significant role in the communications industry.

Businesses that use patents to protect their ideas and take care to avoid the patents of others will have a significant competitive advantage. Businesses that ignore patents will lose the ability to thwart competitors or, worse, find themselves defendants in costly patent infringement suits. 

Endnotes

1. U.S. CONST. art. I, § 8, cl. 8 (original capitalization omitted).
2. *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257, 262 (1979).
3. *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 229 (1964); *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 599–600 (Fed. Cir. 1985).
4. *See* 35 U.S.C. § 154.
5. *See* MANUAL OF PATENT EXAMINING PROCEDURE § 608.01 (8th ed., 2007) [hereinafter MPEP].
6. *See* 37 C.F.R. § 1.72; MPEP, *supra* note 5, § 608.01(b).
7. *Hoechst-Roussel Pharms. v. Lehman*, 109 F.3d 756, 758 (Fed. Cir. 1997) (citing *Corning Glass Works v. Sumitomo Elec. U.S.A., Inc.*, 868 F.2d 1251 (Fed. Cir. 1989)).
8. The patent term for patent applications filed before June 8, 1995, and for patents in force on June 8, 1995, is the longer of twenty years from the filing date or seventeen years from the issue date. The change in patent term for applications filed on or after June 8, 1995, which was effected by the passage of the General Agreement on Tariffs and Trade (GATT) in 1994, was instituted “to harmonize the term provision of United States patent law with that of our leading trading partners which grant a patent term of 20 years from the date of filing of the patent application.” *Merck & Co. v. Kessler*, 80 F.3d 1543, 1547 (Fed. Cir. 1996), *cert. denied sub nom.*, *Organon, Inc. v. Kessler*, 519 U.S. 1101 (1997); *see* 35 U.S.C. § 154(a)(2), as added by Uruguay Round Agreements Act § 532(a)(1), Pub. L. No. 103–465, 108 Stat. 4809, 4984 (Dec. 8, 1994).
9. DONALD S. CHISUM, CHISUM ON PATENTS § 1.01 (2007).
10. 35 U.S.C. § 171.
11. U.S. Pat. No. 413,105 (issued Aug. 24, 1999).
12. 35 U.S.C. § 173.
13. ROGER M. MILGRIM, MILGRIM ON TRADE SECRETS § 1.01[1] (2007).
14. *See id.* § 1.03.
15. *Id.* § 1.05[2].
16. *Id.* § 7.02[1][a].
17. *Id.* § 1.01[2][1].
18. *Id.* § 1.01[2][a].

19. CHISUM, *supra* note 9, § 19.04[3][d].
20. MILGRIM, *supra* note 13, § 7.02[1][a].
21. 17 U.S.C. §§ 102, 302.
22. 1 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 6:3 (4th ed. 2007).
23. *See Amni Innovation Corp. v. Anthony Calif., Inc.*, 439 F.3d 1365, 1367–68 (Fed. Cir. 2006).
24. BRUCE P. KELLER & JEFFREY P. CURNARD, COPYRIGHT LAW §§ 1:2:5–1:2:6 (2007).
25. *Sony Computer Entm’t, Inc. v. Connectix Corp.*, 203 F.3d 596, 602–03 (9th Cir. 2000).
26. 1 MCCARTHY, *supra* note 22, § 3.1; 3 *id.* §§ 17:5–17:9, 19:134.
27. 1 MCCARTHY, *supra* note 22, *Id.* § 3.1.
28. The ™ symbol may be used when trademark rights are claimed in relation to a mark but the mark has not been registered with the USPTO. However, the ® symbol is used when the mark has been appropriately registered.
29. 5 MCCARTHY, *supra* note 22, §§ 27:14, 27:16, 26:27, 26:33.
30. 3 MCCARTHY, *supra* note 22, §§ 17:9–17:13.
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34. *Diamond v. Chakrabarty*, 447 U.S. 303, 309 (1980).
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 53. 383 U.S. 1 (1966).
 54. *Id.* at 17.
 55. *See id.* at 17–18, 35–36.
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 57. USPTO Guidelines for Examination of Patent Applications Under the 35 U.S.C. 112, ¶ 1, “Written Description” Requirement, 66 Fed. Reg. (Jan. 5, 2001); *see In re Alton*, 76 F.3d 1168, 1175 (Fed. Cir. 1996).
 58. *Minn. Mining & Mfg. Co. v. Chemque, Inc.*, 303 F.3d 1294, 1301, 64 U.S.P.Q.2d 1270, 1278 (Fed. Cir. 2002).
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 61. *See* 35 U.S.C. § 102.
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 67. *See Hotel Sec. Checking Co. v. Lorraine Co.*, 160 F. 467 (2d Cir. 1908).
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115. Letter from John J. Sullivan, General Counsel, Department of Commerce, to Howard L. Berman, Representative (May 16, 2007) (providing the USPTO’s views on H.R. 1908 provisions and suggesting additional revisions); Letter from Richard A. Hertling, Principal Deputy Assistant Attorney General, Department of Justice, to Patrick Leahy, Senator (June 20, 2007) (expressing reservations about some provisions, as well as concern that the government will be at a disadvantage in defending itself against infringement allegations relating to inventions that it began using long before the patentee but for which it did not seek a patent itself).

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118. Patent Reform Act of 2007, Amendment in the Nature of a Substitute to H.R. 1908, 110th Cong. (July 16, 2007) (adding amendments regarding inequitable conduct, venue, best mode modification, study on prior user rights every seven years, and study on first-to-file every seven years; adding court discretion regarding damages; and making tax planning methods not patentable); Patent Reform Act of 2007, H.R. 1908, 110th Cong. (Aug. 2, 2007); Patent Reform Act of 2007, S. 1145 Manager’s Amendment in the Nature of a Substitute to S. 1145, 110th Cong. (July 19, 2007) (adding amendments regarding willful infringement damages, inequitable conduct, authority of the USPTO director to accept late filings, limitation on damages, and other remedies with respect to patents for methods in compliance with check-imaging methods and USPTO funding).

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123. ANN MILLS & PATTI TERESKERZ, BIOTECHNOLOGY INDUS. ORG., PROPOSED PATENT REFORM LEGISLATION: LIMITATIONS OF EMPIRICAL DATA USED TO INFORM THE PUBLIC POLICY DEBATE (Jan. 30, 2008).

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125. See Letter from fourteen unions, including the Patent Office Professional Association and United Steelworkers, to the Senate (Feb. 6, 2008) (expressing concern that the changes to the method for calculating damages for infringement, changes to the post-grant procedures, and changes to whose pending patent applications are

published prior to the grant of a patent will weaken patent protection); Letter from Electric Frontier Foundation (a nonprofit digital rights advocacy group) to Patrick Leahy and Arlen Specter, Senators (Feb. 4, 2008) (asserting that the post-grant review proposal is "an inadequate substitute for re-examination" and would be more expensive than the current reexamination process).

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130. 35 U.S.C. § 285.

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132. *In re Seagate Tech., LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007) (en banc).

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High School Students and the First Amendment

(Continued from page 16)

within the limits of the Bill of Rights. That they are educating the young for citizenship is reason for scrupulous protection of Constitutional freedoms of the individual, if we are not to strangle the free mind and its source and teach youth to discount important principles of our government as mere platitudes.⁶¹

Conclusion

It is probably obvious that we do not agree with what many of the students said in the examples above. And we acknowledge that, especially in a high school setting, controversial speech can turn into harassment, bullying, or threats, all of which are properly unprotected. But we do think that schools are

missing out on teaching a vital lesson: that our nation was founded by a country of dissenters, both religious and political, and that we can survive—and prosper—when we acknowledge, air, and discuss our divergent viewpoints, either to learn from each other or at least to learn to agree to disagree. ■

Endnotes

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3. Bill Maher, *Kids Say the Darndest, Most Stalinist Things*, L.A. TIMES, Feb. 18, 2005, www.latimes.com/news/custom/showcase/la-oe-maher18feb18.story.

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5. For example, more students who are involved in media activities report personally thinking about the First Amendment (51 percent) than students who are not involved in any media activities (42 percent). Similarly, the survey shows that students who have taken more classes dealing with the First Amendment, the media, or journalism are more likely to think that newspapers should publish freely; and more students who have participated in their school newspaper believe that student papers should be free to report on controversial issues than do those who have not participated.

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38. See, e.g., *Pinard v. Clatskanie Sch. Dist. 6J*, 467 F.3d 755 (9th Cir. 2006) (suspension of student athletes who signed petition requesting resignation of verbally abusive basketball coach violated First Amendment); *Gillman ex rel. Gillman v. Sch. Bd. for Holmes County, Fla.*, No. 08-00034 (N.D. Fla. May 15, 2008) (ruling that students could not be prohibited from wearing slogans that support gay rights); *Layshock v. Hermitage Sch. Dist.*, 496 F. Supp. 2d 587 (W.D. Pa. 2007), *appeal pending*, No. 07-4465 (3d Cir.); *Latour v. Riverside Beaver Sch. Dist.*, No. Civ. A. 05-1076, 2005 WL 2106562 (W.D. Pa. Aug. 24, 2005) (enjoining school from punishing student for rap song lyrics he composed); *Smith v. Novato Unified Sch. Dist.*, 59 Cal. Rptr. 3d 508, 150 Cal. App. 4th 1439 (Cal. Ct. App. 2007) (censorship of student's opinion editorial on illegal immigration in school newspaper violated First Amendment), *cert. denied*, 128 S. Ct. 1256 (2008).

39. See, e.g., *Gillman*, No. 08-00034.

40. See, e.g., *Latour*, 2005 WL 2106562, at *2 (distinguishing between disruption caused by student's lyrics and that caused by student reaction to administrators' decision to punish student).

41. 127 S. Ct. 2618 (2007).

42. 521 F.3d 602 (6th Cir. 2008).

43. *Id.* at 606.

44. *Id.* at 608. The panel had originally decided the case two-to-one in the student's favor; but on a petition for rehearing/rehearing en banc, one judge switched sides, and the case was decided two-to-one against the student. It is hard to imagine that the absence of any injury was so clear as to warrant an affirmance of summary judgment where the case was a sufficiently close call for the judge with the swing vote.

45. 526 F.3d 419 (9th Cir. 2008).

46. *Id.* at 442, 443 n.1, n.3 (Thomas, J., dissenting).

47. *Id.* at 441–42; *see also* Blau v. Fort Thomas Public Sch. Dist., 401 F.3d 381 (6th Cir. 2005) (no constitutional violation from Highlands middle school dress code that included prohibition on tops with writing on them and “logos larger than the size of a quarter . . . except ‘Highlands’ logos or other ‘Highlands Spirit Wear’”).

48. 527 F.3d 41 (2d Cir. 2008).

49. 478 U.S. 675 (1986).

50. *Id.* at 682–83 (referencing *Tinker v. Des Moines Indep. Cmty. Sch. Dist.*, 393 U.S. 503 (1969); *Cohen v. Calif.*, 403 U.S. 15 (1971)).

51. 523 F.3d 668 (7th Cir. 2008); *see also* Harper *ex rel.* Harper v. Poway Unified Sch. Dist., 445 F.3d 1166 (9th Cir. 2006), *reh’g en banc denied*, 455 F.3d 1052 (9th Cir. 2006).

52. *Nuxoll*, 523 F.3d at 671–73.

53. *Id.* at 671.

54. *Am. Amusement Mach. Ass’n v. Kendrick*, 244 F.3d 572, 577 (7th Cir. 2001); *see also id.* (“The murderous fanaticism displayed by young German soldiers in World War II, alumni of the Hitler Jugend, illustrates the danger of allowing government to control the access of children to information and opinion.”).

55. *Id.* at 577.

56. *Id.*

57. *Tinker v. Des Moines Indep. Cmty. Sch. Dist.*, 393 U.S. 503, 512 (1969) (quoting *Keyishian v. Bd. of Regents*, 385 U.S. 589 (1967)) (citations omitted).

58. *Id.* at 508–09.

59. 355 F.3d 1048, 1055 (7th Cir. 2004) (citation omitted).

60. *Nuxoll ex rel. Nuxoll v. Ind. Prairie Sch. Dist. No. 204*, 523 F.3d 668, 678 (7th Cir. 2008) (Rovner, J., dissenting).

61. 319 U.S. 624, 637 (1943).

Courtside

(Continued from page 21)

sidestepped the First Amendment issues, however, concluding instead that the FCC had failed to provide a reasoned analysis under the Administrative Procedure Act (APA) for its change in policy on fleeting expletives. The Supreme Court granted review of that decision on March 17, 2008.

The narrow issue framed by the Second Circuit is whether FCC’s rationale for changing its policy can survive the deferential review that courts traditionally give to regulatory agencies under the APA. Among other things, the Second Circuit concluded that the FCC’s position that a single expletive may be sufficiently harmful to viewers as to be “indecent” in some contexts, but not others, was irrational. Judge Leval, dissenting, concluded that the emphasis on the context of the expletive was not irrational, but rather “an attempt on the part of the Commission over the years to reconcile conflicting values through standards which take account of context.”²¹ Indeed, the FCC argued that the context in which the single expletive is uttered is a legitimate basis for regulation grounded in the *Pacifica* holding itself.

Lurking behind this dispute are substantial First Amendment questions. In *Pacifica*, the Court narrowly held that indecent speech that is not obscene under First Amendment jurisprudence may be regulated in the context of broadcasting – and subsequent cases have made clear that this rule applies to broadcast media alone among other media, in part because

it is “uniquely pervasive” and accessible to children.²² The Second Circuit’s opinion includes extensive dicta suggesting that *Pacifica*’s rationale for permitting regulation of indecency in broadcasting has been eroded, or at least cannot be extended beyond regulation of Carlin’s twelve minutes of “Filthy Words” to allow regulation of merely fleeting words. But whether the Supreme Court will address the First Amendment in this case is unclear – even if the FCC prevails, it is arguable that the Supreme Court could remand for further consideration of the First Amendment question. *FCC v. Fox Television* may not be the last word in the continuing debate over “filthy” words. □

Endnotes

1. 128 S.Ct. 1830 (2008).
2. 18 U.S.C. § 2252A(a)(3)(B).
3. 535 U.S. 234 (2002).
4. 128 S.Ct. at 1839–1840.
5. *Id.* at 1842.
6. *Id.* at 1842–43.
7. *Id.* at 1843.
8. *Id.*
9. *Id.* at 1844.
10. *Id.*
11. *Id.* at 1846.
12. 458 U.S. 747 (1982).
13. *Id.* at 1849 (Souter, J., dissenting).
14. *Id.* at 1853 (Souter, J., dissenting).
15. 424 U.S. 1 (1976) (*per curiam*).
16. 128 S.Ct. 1184 (2008).
17. 128 S.Ct. 1610 (2008).
18. 128 S.Ct. 791 (2008).
19. 438 U.S. 726 (1978).
20. 489 F.3d 444 (2d Cir. 2007).
21. *Id.* at 471 (Leval, J., dissenting).
22. *Pacifica*, 438 U.S. at 748.



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