



FENWICK & WEST LLP



# Intellectual Property Bulletin

Fenwick & West LLP — Spring 2003



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## Intellectual Property Bulletin

Spring 2003

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## Put It in Writing: Records of Technological and Business Developments Can Come in Handy in a Patent Infringement Suit, Even If the Company Keeping the Records Has No Intention of Filing for a Patent

by [Michael J. Sacksteder \(msacksteder@fenwick.com\)](mailto:msacksteder@fenwick.com)

**Groucho:** Well, your word's good enough for me. Now then, is my word good enough for you?

**Chico:** I should say not.

Groucho and Chico Marx, negotiating a contract in *A Night at the Opera*

When the issue is whether an accused patent infringer came up with an invention before the inventor named on the patent, courts typically prefer Chico's approach to Groucho's. The otherwise unsupported word of even a large number of witnesses is usually insufficient to invalidate an issued patent based on prior sale, public use or invention of the product or method claimed in the patent. Something more tangible is needed, and this requirement can create frustrating scenarios for accused infringers.

Imagine a company's chagrin if it were found to infringe a patent that should have been found invalid as "anticipated"—if only the company could have proven it—because the allegedly infringing company invented the patented technology first and sold or demonstrated it publicly more than a year before the patent's filing date. It happens more often than one might think: An accused infringer's failure to introduce sufficient corroboration of what could be anticipating prior art dooms the accused infringer's invalidity defense to defeat.

A recent example of this scenario occurred in *Juicy Whip, Inc. v. Orange Bang, Inc.*, 292 F.3d 728 (Fed. Cir. 2002), decided in the summer of 2002 by the United States Court of Appeals for the Federal Circuit. Juicy Whip's patent covered a juice drink dispenser of the type found at carnival food stands and department store snack bars. The invention's twist was that the visible, see-through bowl showing what appears to be the drink being dispensed is not the source of the drink at all—it's just there for show. The real drink is mixed from containers of water and syrup hidden under the counter, avoiding the need to clean the bowl and preventing bacterial contamination of the beverages actually sold to customers.

At trial, the accused infringer, Orange Bang, argued that the patent was invalid under section 102(b) of the Patent Act because someone else—namely Orange Bang's owner—had placed such dispensers in public use more than one year before the filing of the patent. No fewer than six witnesses, including Orange Bang's owner, distributors and employees, testified that

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they had either seen or used the patented invention long before that date in such public places as the snack bar at the Staten Island Zoo. The jury believed them and found the patent invalid. But on appeal, the Federal Circuit, which hears all patent appeals in the United States, considered the six witnesses' testimony about as valuable as a bowl full of bacteria-laden Pineapple Cooler because of a lack of corroborating evidence.

The only pieces of documentary evidence of the alleged prior public use that Orange Bang introduced were a diagram drawn years after the fact in the deposition of one of the witnesses, and an invoice for the glass bowls used in one of the allegedly anticipating dispensers, which contained no description of how the bowls were used. Relying heavily on a 110-year-old case in which the Supreme Court refused to invalidate a patent in spite of the testimony of no fewer than 24 apparently disinterested witnesses as to the prior public display of a patented type of barbed wire, the Federal Circuit noted that courts have "historically looked with disfavor upon finding anticipation with only oral testimony." In *Juicy Whip*, it did not help that "[n]one of the six witnesses can be said to be disinterested."

The need for strong (generally written) corroboration can be traced to the architecture of the country's patent laws. Under the Patent Act, an issued patent is presumed valid and cannot be proven invalid without clear and convincing evidence of the facts underlying the invalidity contention. The unsupported testimony of witnesses interested in the outcome seldom rises to this high level of proof.

Even if the alleged prior inventor is to all appearances a disinterested third party with no stake in the outcome of the litigation, there must be some corroboration of the alleged prior inventor's testimony. Such witnesses, according to the 1999 Federal Circuit opinion *Finnegan Corp. v. International Trade Commission*, 180 F.3d 1354 (Fed. Cir. 1999), "can be expected to derive a sense of professional or personal accomplishment in being the first in the field" and thus cannot be fully trusted without some further evidence to corroborate their testimony.

Once some corroborating evidence is introduced, courts apply an eight-factor test endorsed by the Federal Circuit to determine whether that corroboration is sufficient to constitute clear and convincing evidence. The corroborating evidence may be circumstantial, and it may conceivably even be the oral testimony of another witness. However, courts generally look askance at such evidence in the absence of some kind of contemporaneous written documentation, especially in light of the "ubiquitous paper trail of virtually all commercial activity" that the Federal Circuit, in *Juicy Whip*, says exists in modern times: "It is rare indeed that some physical record . . . does not exist."

The trick, then, is to make sure that this "ubiquitous paper trail" actually does exist with regard to activities that may someday land one's company in court for infringing someone else's patent. That is admittedly a broad field for documentation. The Supreme Court has

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stated that “anything under the sun that is made by man” falls within the subject matter of patent protection, and in the past few years, the Patent and Trademark Office has granted a slew of patents for everything from the most complex semiconductor circuitry to methods for selling products on the Internet. In view of this trend, the potential prior art is often something that others believed was so well known or commonplace as to not merit any documentation.

Nevertheless, care and precautions can help minimize the chances that the type of disastrous outcome discussed above will occur. The key is to thoroughly document any new idea or direction the company takes—even if it does not seem like something one would typically consider a traditional scientific or technological invention. Even a novel but relatively simple method of doing business may be subject to patent protection.

The documentation should, to the extent possible, include at least the following pieces of crucial information:

- A description of the idea, in the greatest amount of detail possible. Courts sometimes find a failure of corroboration of an alleged anticipating invention when a single, key element of the patented invention is missing from the corroborating documentation.
- When the idea was “conceived”—that is, when it was fully formed in the mind of the person who thought of it—and when it was “reduced to practice,” or made into a working embodiment. These two dates (sometimes they are the same date) are crucial in arguments over priority of invention.
- Evidence of diligence in taking the idea from conception to reduction to practice. This information affects whether the first person to conceive of a patentable idea is treated as the inventor when someone else is first to reduce the idea to practice.
- Evidence clearly establishing the earliest date on which the invention was sold publicly, was in public use and/or was known to members of the public.
- The identity of every person who was involved in all of the acts listed above.

Much of this information is routinely kept when the intention is to file a patent application on the technology in question. But it’s also important to keep such records even if a patent is unlikely to be sought. One company, IBM, reduced this concept to an art form many years ago. For decades, IBM published descriptions of inventions its engineers had made, but that were not quite worth the trouble of patenting, in a series of “Technical Disclosure Bulletins.” These defensive publications enabled Big Blue to deter infringement suits by later inventors of similar technologies and incidentally created a vast treasure trove of prior art for other parties to use in defense against infringement suits.

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It is not necessary, however, to go to such an extreme. Less ambitious forms of documentation can be equally effective. Such documentation includes thorough engineering notebooks, preferably contemporaneously attested to by another person; detailed descriptions of product attributes and business methods; and sufficient records to prove when the products were first placed before the public and what exactly was shown. Maintaining such records could prevent a great deal of grief in cases when a prior inventor's word is not good enough for the court.

## Federal Trademark Dilution Law: The New Landscape

by [Karen M. Kitterman](mailto:kkitterman@fenwick.com) (kkitterman@fenwick.com)

The Supreme Court recently decided its first Federal Trademark Dilution Act (FTDA) case, *Moseley v. V Secret Catalogue, Inc.*, 123 S. Ct. 1115 (2003). The decision settled an issue that had split the circuit courts for years: whether establishing an FTDA violation requires a showing of actual dilution or a mere likelihood of dilution. Dilution law seeks to prevent the diminution of a famous trademark's value through another's commercial use of the same or a similar mark. That somewhat abstract harm suggests that the less concrete likelihood-of-dilution standard would more logically apply.

The Supreme Court, however, unanimously held that actual dilution must be shown to establish an FTDA violation. It reasoned that state antidilution statutes, like several provisions in the federal Lanham Act, repeatedly refer to a likelihood of harm, not a completed harm. *Moseley* at 1124. In contrast, the FTDA prohibits use of a mark or name that "causes dilution of the distinctive quality" of the famous mark. *Id.* (quoting 15 U.S.C. § 1125(c)(1)). That wording, the Supreme Court concluded, "unambiguously requires a showing of actual dilution, rather than a likelihood of dilution." *Id.*

The Supreme Court, however, gave little guidance on how to show actual dilution. It cautioned that, at least where two marks are not identical, a consumer's mentally associating a junior user's mark with a famous mark will not by itself prove dilution. Such an association does not necessarily reduce the famous mark's capacity to identify the goods of its owner, so it alone cannot establish dilution. *Id.* at 1124-25.

Direct evidence of dilution, such as consumer survey evidence, is unnecessary where dilution can be reliably proved through circumstantial evidence. The Supreme Court's only example of a circumstantial case, however, was "the obvious" one where "the junior and senior marks are identical." *Id.* at 1125. Not all violating marks are identical to the famous marks they dilute. Consequently, direct evidence will be necessary to establish dilution in many cases.

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Consumer surveys are the typical means plaintiffs employ to obtain direct dilution evidence. To be effective, the surveys should focus on dilution as the FTDA defines it: “the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of [either] the presence or absence of . . . competition between the owner of the famous mark and the other parties, or . . . likelihood of [consumer] confusion, mistake, or deception.” 15 U.S.C. §1127. Plaintiffs typically hire survey experts to help draft effective questions and gather consumer responses, making obtaining survey evidence costly.

While obtaining evidence can be costly and challenging, the *Moseley* decision’s evidentiary burdens are actually lighter than they might initially appear. While actual dilution is an element of an FTDA violation, showing actual dilution is not always a prerequisite for relief, because the FTDA also provides for preventative injunctions to stop dilution *before* it occurs. Justice Kennedy took pains to highlight that fact in his concurring opinion, in which he agreed that actual dilution is required for an FTDA violation but noted that the FTDA also provides for injunctive relief to prevent harm before it occurs. *Moseley* at 1126 (Kennedy, J., concurring). Thus, while establishing that an FTDA violation requires evidence of actual dilution, the FTDA’s injunctive relief provisions give famous mark owners power to prevent dilution before their marks are harmed.

This important distinction was easily obscured by the Supreme Court’s focus on the facts before it. The Supreme Court was reviewing a Sixth Circuit decision, which had affirmed an injunction prohibiting Victor and Cathy Moseley from *continuing* to use the “Victor’s Little Secret” name for their lingerie and adult novelties store in Elizabethtown, Kentucky. The respondents owned the VICTORIA’S SECRET trademark, operated 750 Victoria’s Secret lingerie stores and annually distributed 400 million Victoria’s Secret lingerie catalogs.

The *Moseley* record, however, showed that petitioners’ store advertisement, under its original “Victor’s Secret” name, had caused only one person to make a mental association with the VICTORIA’S SECRET mark. That advertisement had not, however, caused the person to form a different impression of respondents’ VICTORIA’S SECRET store. From those facts, the Supreme Court found “a complete absence of evidence” of actual dilution. *Moseley* at 1125. Had the respondents sought to *prevent* an FTDA violation before the petitioners commenced use or expanded use of their name, however, showing actual dilution would have been unnecessary. To gain a preventative injunction, the respondents simply would have had to show likelihood of success on the merits if the “Victor’s Secret” name were used commercially, or if an existing use were to have been expanded. Either way, a tailored consumer survey might well have provided the evidence necessary for relief.

The *Moseley* decision also casts doubt on whether the FTDA covers a harm known as “dilution by tarnishment,” which occurs when a trademark use harms a plaintiff’s mark by creating a negative association with the mark. For example, the owner of the CANDY LAND mark for children’s games obtained an injunction against the dilution by tarnishment it

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suffered from another's use of "Candyland" in an obscene Web site's domain name. The *Moseley* Supreme Court observed that state antidilution statutes expressly prohibit dilution by blurring and by tarnishment, while the FTDA refers only to the latter. It said that difference "arguably supports a narrower reading of the FTDA." *Id.* at 1124.

The *Moseley* petitioners had not questioned whether the FTDA covers tarnishment, so the Supreme Court's observation is *dicta*. Justice Kennedy's concurring opinion seemed to challenge that *dicta*, however, by asserting that injunctive relief is still available if the respondents present sufficient evidence of either blurring or *tarnishment* on remand. *Id.* at 1126 (Kennedy, J., concurring) (emphasis added).

Now that the Supreme Court has questioned the FTDA's coverage of dilution by tarnishment, famous trademark owners will be wise to include state antidilution tarnishment claims, where available, with any tarnishment claims they bring under the FTDA. Plaintiffs using state antidilution laws should be aware that the FTDA makes a defendant's ownership of a federal trademark registration a complete bar to state and common law antidilution actions. The Trademark Amendments Act of 1999 has made dilution of a famous mark a basis for opposition or cancellation of a federal trademark registration, giving vigilant plaintiffs the means to attack potential bars.

While state antidilution laws are more important in the post-*Moseley* world, dilution by tarnishment and dilution by blurring distinctions may prove primarily semantic. Because the FTDA defines dilution as "the lessening of the capacity of a famous mark to identify and distinguish goods or services," one can argue with some ease that trademark uses traditionally viewed as "tarnishment" fall within that definition. The use of Candyland for an obscene Web site, for example, not only created negative associations for the famous CANDY LAND mark, it simultaneously lessened the capacity of the CANDY LAND mark to identify children's games. Thus, the net practical result of the Supreme Court's tarnishment *dicta* may be that plaintiffs now will word their claims more carefully, to show that negative associations not only tarnish, but also lessen the distinctiveness of famous marks.

Especially in the context of an obscene use of a famous mark, plaintiffs should be aware that while the FTDA's primary remedy is injunctive relief, it also allows for damages, including treble damages, when a defendant has willfully intended to trade on the famous mark's reputation or to dilute it. In detailing what the FTDA covers, it is worthwhile to briefly review its exceptions also. It does not cover noncommercial uses of a mark, uses in news reporting or news commentary or uses in comparative advertising or promotions that identify competing goods or services.

The FTDA also does not protect consumers from confusion because dilution addresses the property right and goodwill associated with a famous mark. While a trademark used on

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competing goods or services can violate the FTDA, plaintiffs should consider thoroughly the wisdom of bringing an FTDA claim against competitors. Proving dilution is usually more difficult than is establishing the likelihood of consumer confusion needed to prevail on a trademark infringement claim.

Thus, old-fashioned trademark infringement is often the more prudent claim to bring against a competitor, even when an FTDA violation concurrently exists. Bringing two claims, of course, is possible, but plaintiffs should consider carefully how they allocate resources. The *Moseley* Supreme Court pointed out that trademark infringement appeared to have been the more appropriate action for the VICTORIA'S SECRET mark owners. They had, in fact, included an infringement claim in their original suit but had not appealed its dismissal on summary judgment. That decision may have ultimately lost them their case.

Choosing causes of action with care is just one of the many practical pointers the *Moseley* decision has brought potential FTDA plaintiffs, who will now be careful also to show actual dilution, as opposed to a likelihood of dilution, when making claims of an FTDA violation. Plaintiffs should not, however, misread the *Moseley* decision to mean that actual harm must be suffered before a court will grant relief, because the FTDA still provides for preventative injunctions before a defendant has commenced use or expanded minimal use of a diluting mark. Either way, plaintiffs will now likely employ survey evidence more often and should take extra care in framing FTDA claims for what has traditionally been called "dilution by tarnishment."

## Quick Updates

### Trade Secrets—Insured's False Sense of Security

Are losses resulting from the misappropriation of a company's trade secrets by an employee covered by the company's insurance policy? Not if the insurance policy expressly limits the definition of "covered property" to money, securities and "tangible property" other than money or securities that have intrinsic value. This was the conclusion recently reached by the United States Court of Appeals for the Ninth Circuit in *Avery Dennison Corp. v. Allendale Mutual Insurance Co.*, 310 F.3d 1114 (9th Cir. 2002). In that case, Avery Dennison claimed under its insurance policy when one of its employees sold its trade secrets to a competitor. Relying on the language quoted above, Allendale denied the claim on the basis that trade secrets are intangible property. The district court that heard a subsequent breach of contract action brought by Avery Dennison agreed with Allendale's position and dismissed the case on summary judgment. The Ninth Circuit affirmed the dismissal. In its opinion, the court pointed out that the trade secrets for which Avery Dennison sought insurance coverage had to be distinguished from the sheets of paper on which some of the secrets were recorded, because as tangible property, the sheets of paper themselves did not possess the intrinsic value upon which Avery Dennison's claim was based. Moreover, the trade secrets had not

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been the subject of the crime or tort of conversion, which is what would have happened with tangible property. Rather, Avery Dennison's loss represented a diminution in the value of the trade secrets that it still possessed but had now been shared with a competitor. The court stated: "The lost value is in the exclusivity of the knowledge represented by those secrets. That is not a loss to tangible property." Companies believing their insurance policies to cover losses stemming from trade secret misappropriation should review the policy language that describes insured property carefully. Even if the policy does not expressly exclude trade secrets, there is no coverage if the insured property is limited to tangible property.

### **The Madrid Protocol**

On November 2, 2002, the United States passed the Madrid Protocol Implementation Act and moved one step closer to ratifying the Madrid Protocol, a treaty implementing a system for the international registration of trademarks. As required by the Act, the United States Patent and Trademark Office (USPTO) issued its first set of proposed Madrid Protocol regulations for comment this March and expects to receive comments and hold hearings on the proposed regulations.

The Protocol should not be confused with the Madrid Agreement, to which the United States is not a party. It does not replace the Agreement, but rather works in parallel, as part of the Madrid System of international trademark registration. Although the Protocol and Agreement have the same goals and provide for similar benefits and international registration processes, the Protocol yields certain advantages, making it popular with countries like the United States, the United Kingdom, and Japan. For example, the Protocol allows the "International Registration" or "IR" to be based on a registration or application, rather than a registration alone; it broadens the range of potential applicants who may apply for an IR in a particular country; it allows each national office to charge individual fees rather than to pay a set fee established by WIPO's International Bureau (IB), the international organization managing the IR registry; and, most importantly, it allows for transformation of an IR into corresponding national applications, should an IR ever be successfully challenged. While it will not be possible for U.S. applicants to obtain trademark protection in Agreement countries, because the United States is not a party to the Agreement, it is still important for U.S. applicants to understand the distinction between the Protocol and the Agreement, because applicants will likely be encountering Agreement-controlled or Agreement/Protocol-controlled IRs when registering applications.

The Protocol will not replace the national trademark registration system in the United States; rather it will set up an additional system that allows applicants to file one application to seek international trademark protection in some or all of the Protocol countries. There are currently 57 Protocol countries, and that number is increasing on a monthly basis.

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In the United States, applicants will be able to apply for an IR if they are nationals of, domiciled in or have a “real and effective presence” in the United States and have a current U.S. registration or application on which to base their IR. This national registration or application is called the “basic registration” or “basic application.” Because it is based on an existing mark, the IR mark applied for must be identical to the basic one, and the IR goods must be identical to or a subset of the basic goods.

The USPTO is responsible for setting up the Protocol system in the United States. However, it is not entirely responsible for the examination of IRs. This involves a complicated three-step process involving different entities including the USPTO, IB and countries designated for protection.

Once granted, an IR does not provide supranational protection; rather it only protects in the countries to which the IR is extended. In turn, each of these designated countries will individually determine the level of protection granted to the IR. Thus, it is not uncommon for an IR to be fully protected in one country, partially protected in another and not protected at all in a third. An IR is, therefore, best described as a single application that contains a bundle of individual national rights.

An IR is valid for 10 years, is renewable and enjoys the same protection as any other national registration in each of its designated countries. Unlike a national registration, however, the IR remains dependent on its basic registration or application for the first 5 years of its life. This means that any changes, such as an amendment or cancellation, to the basic registration or application will also affect the IR.

The Madrid Protocol establishes a new system that should simplify the registration and maintenance process for U.S. applicants seeking international trademark protection. Whether the system will be a success remains to be seen.

### **The Digital Millennium Copyright Act Gets Inky**

In an opinion that may have a major impact on remanufacturing companies and makers of aftermarket parts, the U.S. District Court for the Eastern District of Kentucky enjoined Static Control Components from making, selling and distributing microchips that allow reconditioned printer cartridges to be used in Lexmark International's printers. *Lexmark Int'l v. Static Control Components*, Civ. No. 02-571-KSF, 2003 U.S. Dist. Lexis 3734 (E.D. Ky. Feb. 27, 2003). Significantly, the court found that Lexmark was likely to prevail on its claim that Static Control's microchips violate Section 1201(a)(2) of the Digital Millennium Copyright Act (DMCA) by circumventing an authentication procedure that enables the reconditioned cartridges to function.

For certain printers, Lexmark offers two types of toner cartridges: regular and “Prebate.” A regular cartridge may be reconditioned in the secondary market and reused without

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restriction. Consumers also have the option of purchasing Prebate cartridges at a discount. In exchange for the lower price, the consumer must accept the terms of a shrink-wrap agreement that requires the consumer to return the cartridge to Lexmark for remanufacturing and recycling. (Essentially, Lexmark has engaged in price discrimination to maximize the market for its products).

Lexmark built in a technological safeguard to prevent customers from simply reusing Prebate cartridges. In order to print at all, two programs must be activated. The printer engine resides on the printer itself and controls various operations of the printer. The toner loading program resides within a microchip attached to the Lexmark cartridge and controls operations with respect to the cartridge. However, neither program will function unless a special authentication sequence is successfully executed. Thus, third-party cartridges and remanufactured Prebate cartridges cannot be used in these Lexmark printers.

To enable its remanufactured cartridges to operate on Lexmark printers, Static Control manufactured the SMARTEK microchip to mimic the authentication sequence. When Lexmark learned that its Prebate cartridges were being fitted with the SMARTEK microchip and used in its printers, it moved for a preliminary injunction, alleging copyright infringement and violation of Section 1201(a)(2) of the DMCA. The court found that Lexmark was likely to succeed on its claims and granted Lexmark's motion.

To prevail on its DMCA claim, Lexmark had to show a likelihood of success on one of three independent tests for liability under Section 1201(a)(2): (i) the accused device is primarily designed to circumvent a technological measure that protects access to a copyrighted work; (ii) the device has only a limited purpose other than circumvention; or, (iii) the device is marketed with knowledge of its use for circumvention. In fact, the court found that Lexmark had demonstrated that the SMARTEK microchips satisfied all three independent tests for liability. According to the court, the first test was satisfied because the SMARTEK chip circumvents the authentication sequence—a technological measure that controls access to the copyrighted toner loading and printer engine programs. As to the second test, the court based its finding on Static Control's acknowledgement that the SMARTEK chips have no commercial purpose other than to circumvent the authentication sequence. Finally, the court found that the third test was satisfied because Static Control marketed the SMARTEK chip as being capable of circumventing the Lexmark's access control protections.

Significantly, the court found that Static Control's actions did not fall within the reverse engineering exemptions under Section 1201(f)(2) and (3). These sections allow a person to develop a circumvention device "solely for the purpose of enabling interoperability of an independently created computer program with other programs." The SMARTEK chips contained infringing copies of the toner loading program, rather than independently created computer programs.

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The court also expressly rejected Static Control's contention that the DMCA was only intended to protect copyrighted works from digital piracy. Looking to the plain language of the statute, the court held that Section 1201(a)(2) broadly prohibits trafficking in devices that circumvent measures that control access to a copyrighted work. Thus, "the right to protect against unauthorized access is a right separate and distinct from the right to protect against infringement."

Static Control has applied to the Copyright Office for an exemption from the prohibitions under the DMCA. This petition was granted and the Copyright Office will consider the request under DMCA Hearings.

**To Share, or Not to Share, That Is the Question: Patent Policies for Jedec Standards**

In *Rambus, Inc. v. Infineon Technologies, AG*, 318 F.3d 1081 (Fed. Cir. 2003), the United States Court of Appeals for the Federal Circuit considered a company's obligation to disclose its patent rights to an industry standards organization.

Rambus develops and licenses memory technologies for companies that make semiconductor memory devices. In 2000, Rambus sued Infineon for infringement of four of Rambus's patents. Infineon counterclaimed for fraud, alleging that Rambus had committed fraud by not disclosing certain patents and patent applications to the Joint Electron Devices Engineering Council ("JEDEC"). Infineon asserted that as a JEDEC member, Rambus remained silent in the face of a duty to disclose patents and patent applications related to JEDEC standards for synchronous dynamic random access memory ("SDRAM") and double data rate-SDRAM ("DDR-SDRAM").

The trial court granted judgment as a matter of law of noninfringement of Rambus's patents, and the jury found that Rambus had committed fraud. The trial judge reversed the fraud verdict regarding DDR-SDRAM but upheld the fraud verdict as it related to SDRAM. Both sides appealed.

In considering the fraud verdicts, the Federal Circuit determined, under the specific circumstances of the case, the extent to which Rambus had a duty to disclose its patents and patent applications to JEDEC. In analyzing whether the undisclosed patents and applications were sufficiently related to the standard to trigger a duty to disclose under JEDEC's vaguely enunciated patent policy, the court focused on the claims of the patents and applications, rather than the typically broader subject matter in the written description of the patent specification, and held that "Rambus's duty to disclose extended only to claims in patents or applications that reasonably might be necessary to practice the standard." The court stated that a broader duty would create a situation in which "any patent or application having a vague relationship to the standard would have to be disclosed," even if the standard could be practiced without a license.

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The court then considered when the duty to disclose arose under JEDEC's policy. The court held that, at most, such a duty would not be triggered until work formally began on a proposed standard. The court also noted that because the JEDEC policy created a duty of disclosure only for "patents or pending patents," a company's mere intentions to file or amend applications to seek new claims in the future would not fall under JEDEC's duty to disclose.

The court then determined that because Rambus withdrew from JEDEC before applying for the claims of its asserted SDRAM patents, Rambus had no duty to disclose those patents to JEDEC. The court also determined that other undisclosed Rambus SDRAM patent claims that existed before Rambus withdrew from JEDEC were not necessary to practice the SDRAM standard. Thus, Rambus had no duty to disclose the other patents either. Finally, the court upheld the trial court's ruling that Rambus had no duty to disclose patents or applications related to the DDR-SDRAM standard because Rambus withdrew from JEDEC before formal consideration of that standard.

In its opinion, the Federal Circuit noted a "staggering lack of defining details" in JEDEC's patent policy and stated that JEDEC could have expanded the duty of disclosure for Rambus and other members by clearly drafting a broader disclosure policy: "When direct competitors participate in an open standards committee, their work necessitates a written patent policy with clear guidance on the committee's intellectual property position."

The Federal Circuit also vacated the trial court's finding of noninfringement because the trial court had incorrectly construed the asserted patent claims.

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## Intellectual Property Bulletin Editorial Staff

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