

# 2014 Intellectual Property Law Conference

Presented by:  
The State Bar of  
Nevada Intellectual  
Property Law Section

November 14, 2014  
9 a.m. – 5:05 p.m.

Thomas and Mack  
Moot Court - UNLV  
Las Vegas, NV



7 CLE Hours

600 E. Charleston Blvd. Las Vegas, NV 89104 702-382-2200

9456 Double R Blvd. Suite B Reno, NV 89521 775-329-4100

**Intellectual Property Law Conference**  
**Friday, November 14, 2013**  
**William S. Boyd School of Law at UNLV**

Agenda

<u>TIME</u>	<u>TOPIC</u>	<u>SPEAKERS</u>	<u>NOTES</u>
9:00am – 10:30 am	Overview of Franchise Law	Matthew J. Kreutzer	
10:30 am – 10:40am	<i>Break</i>		
10:40am – 12:10pm	Drafting Licensing Agreements	Paul Jorgensen	
12:10pm – 12:20pm	<i>Break (Transit to TAM building)</i>		
12:20pm – 1:05 pm	<i>Lunch Served (TAM building)</i>		
1:05pm – 1:15pm	<i>Break (Transit to separate tracks)</i>		
<b><u>PATENT TRACK</u></b> <i>(Law School Room – Room 105)</i>			
01:15 pm – 02:15 pm	State of the law for patentable subject matter under 35 U.S.C. 101 after the Alice/CLS bank decision	Dick Schulze	
02:15 pm – 03:15 pm	Current Issues in Functional Claiming	Juergen (“Jay”) Krause-Polstorff	
03:15 pm – 03:25 pm	<i>Break</i>		
03:25 pm – 04:25 pm	Patent Litigation and dealing with fair, reasonable, and non-discriminatory terms of standards organization.	David C. Van Dyke	
<b><u>TRADEMARK/COPYRIGHT TRACK</u></b> <i>(Moot Court Building)</i>			
01:15 pm – 02:15 pm	Year in Review: Copyright	Prof. Marketta Trimble	
02:15 pm – 03:15 pm	Year in Review: Trademark	Prof. Mary LaFrance	
03:15 pm – 03:25 pm	<i>Break</i>		
03:25 pm – 04:25 pm	Enforcing U.S. copyrights outside the U.S. through comparative "take down" systems	Prof. Justin Hughes	

4:25 pm – 4:35pm	<i>Break</i>		
<b><u>COMBINED SESSION</u></b> <i>(Moot Court Building)</i>			
4:35 pm – 5:35pm	Panel Discussion on Non-traditional IP Issues	Anat Levy Steven Pacitti Linda Norcross Kimberly Stein	

# BIOGRAPHIES

**DAVID VAN DYKE** concentrates his practice in civil litigation with a primary emphasis on commercial and intellectual property disputes in addition to product and professional liability matters. He has substantial trial experience with the litigation of matters in both federal and state courts. Mr. Van Dyke represents both domestic and international clients in a range of commercial disputes. In addition to his work in commercial litigation, Mr. Van Dyke has experience in the defense of high profile product liability cases involving chemicals. This experience includes injury actions related to exposure to toxic substances as well as liability cases involving explosions and fires. Mr. Van Dyke handles burn injury cases resulting from the ignition and explosion of various chemicals, including calcium stearate, ethanol, gasoline and natural gas among others. He has represented product manufacturers in fire trials involving cause and origin as well as fire/smoke spread.

**PROFESSOR JUSTIN HUGHES** teaches intellectual property and international trade courses at Loyola Law School in Los Angeles, California. Before becoming a professor at Loyola, Hughes worked for President Obama's administration as a Senior Advisor to the Undersecretary of Commerce for Intellectual Property. He also served as the chairman of the Technicolor/Thomson Foundation for Film and Television Heritage from 2005 to 2009.

**PAUL JORGENSEN** is the founder and principal of the Jorgensen Law Firm. He is admitted to practice in Nevada, the District of Columbia and Maryland. He is experienced in intellectual property, and previously managed a large, worldwide portfolio of trademarks, copyrights, domain names and trade secrets. He also designed and managed profitable licensing programs while with a major D.C. firm.

Jorgensen graduated from Georgetown University Law Center and Lewis and Clark College in Portland. He frequently lectures and speaks to others in his field and those outside the practice of law.

**MATTHEW KREUTZER** concentrates his practice in franchising, with an emphasis in transactional franchise law and franchise litigation. He has spent more than 15 years working with individuals and companies on issues relating to the franchise relationship.

Experienced in all facets of franchise law, Mr. Kreutzer assists both start-up and mature franchisors with developing, protecting and licensing their franchise and distribution systems. As part of this practice, he counsels companies regarding the laws and regulations pertaining to franchising nationwide and assists them in creating their contracts, Franchise Disclosure Documents, and other critical operational documents. He also responds to state administrative inquiries and investigations, and obtains exemptions and interpretive opinions from regulatory agencies. With his background in franchise litigation, Mr. Kreutzer understands the risks inherent in the relationship and works with his clients to limit those risks so that those franchisors can focus on brand and system growth.



**PROFESSOR MARY LAFRANCE** is an IGT Professor of Intellectual Property at UNLV's Boyd School of Law. Professor LaFrance graduated from Duke University School of Law and also earned a Master of Arts degree in Philosophy from Duke. She joined the UNLV faculty in 1999 after working for Florida State College of Law. She also worked for a Washington D.C. Law firm for three years and clerked for a U.S. Court of Appeals judge.

**ANAT LEVY** has twenty-seven years as an entertainment and intellectual property attorney experience. He has worked at a large firm and as in-house counsel for major studios. Mr. Levy has run own firm since 2000 representing distributors, producers, post-production, on-line companies and talent in all aspects of business and entertainment transactional work. He also handled four multi-million dollar business and consumer class action litigation cases and co-founded a production company that has optioned two television series to networks and acquired and developed a slate of projects. He has extensive entertainment arbitration and mediation experience. Mr. Levy was admitted to practice law in California and Nevada.

**LINDA MARIE NORCROSS**, is a graduate of William S. Boyd School of Law's Class of 2004. A Member at Howard & Howard's Las Vegas Office, Ms. Norcross specializes in the protection and enforcement of trademark rights.

She advises clients on all facets of trademark prosecution and enforcement, both foreign and domestic, including trademark selection strategy, clearance, proper trademark use, registration and renewals at the state and federal levels. In addition to trademark matters, Ms. Norcross also counsels clients on a variety of transactions with an entertainment overlap. She has successfully negotiated slot machine licenses, spokesmodel agreements, television production agreements, and rights of publicity licenses, as well as conducted due diligence to clear related rights owned by third parties. She has represented nightclub operators, celebrity chefs, resort hotel casinos, reality television personalities, and screenwriters, as well as large companies seeking to license celebrity/artist-owned trademarks, rights of publicity and copyrights.

**DICK SCHULZE** is Of Counsel at Holland and Hart's Reno office. He prosecutes and writes patent applications in areas of computer architecture, large database structures, electronic test equipment, medical electronics, lasers and optics, robotics, software and mechanical technology. Before joining Holland and Hart Schulze was IP Counsel for Hewlett-Packard in Palo Alto, California. Schulze served in the U.S. Air Force as a military attorney; he was active for five years and was on reserve for 25 years. He retired at the rank of Colonel in 1997.

**STEVEN PACITTI'S** practice focuses on general business and commercial contracts and transactions, intellectual property, sports, entertainment, business entities, real estate, estate and tax planning. In addition to acting as outside general counsel to his commercial and business clients, he has developed a sophisticated concentration in sports and entertainment transactions. He has negotiated and prepared licensing agreements for high-profile clients and organizations, such as George St-Pierre, Shaquille O'Neal, Hulk Hogan and Andre Agassi.

Mr. Pacitti represented the Pure Management Group in its successful quest to bring Pussycat Dolls Lounge, Dick's Last Resort, Lucky Strike and LAX to Las Vegas. He negotiates celebrity

appearances for various nightclubs and entertainment venues and was instrumental in finalizing agreements with Mariah Carey, Nicky Hilton, Adam "DJ AM" Goldstein, Nick Lachey and many others. In addition, he has negotiated license agreements with the Ultimate Fighting Championship (UFC), World Extreme Cagefighting (WEC), the Professional Bull Riders Tour (PBR), World Series of Poker, Planet Hollywood as well as, Elvis Presley Enterprises and the Frank Sinatra Estate.

**KIMBERLY STEIN** concentrates her practice on securities, gaming, entertainment and intellectual property law. Ms. Stein represents a range of clients from an international nightclub company to entertainers and social media celebrities to gaming companies. Prior to joining Howard & Howard, Ms. Stein served as Chief of Enforcement of the Nevada Securities Division. Ms. Stein has also served as General Counsel to Sona Mobile, a gaming software company and was a partner in a local Las Vegas law firm, where she provided both transactional and litigation services to similar companies, including drafting licensing agreements, reviewing website content and agreements, filing trademark applications copyright infringement matters and handling employer-employee matters.

Ms. Stein's experience in the gaming industry, which spans over 15 years, began prior to her becoming a lawyer. Over the course of her career, Ms. Stein has worked for various companies, including Mikohn Gaming, Sun International Resorts, Casino Data Systems, Alliance Bally Gaming and First Interstate Bank of Nevada. A long-term Las Vegas resident, Ms. Stein earned her undergraduate degree and MBA from UNLV before obtaining her J.D. from Boston University. She is also active in the community as a member of the UNLV Foundation's Annual Giving Council, an Advisory Board Member of Nevada H.A.N.D. and a Regional Trustee of Olive Crest, Las Vegas Chapter.

**PROFESSOR MARKETA TRIMBLE** is an associate professor at the Boyd School of Law. She joined UNLV after completing her second doctoral degree at Stanford University. She has done extensive research on IP issues. She teaches courses in patents, trademarks and trade secrets.



# OVERVIEW OF FRANCHISE LAW

**Matthew J. Kreutzer**  
**Howard & Howard PLLC**  
November 14, 2014

# Overview – What We'll Discuss

- **Brief history of franchising**
- **Legislative action**
- **What is a franchise?**
- **Types of laws that govern franchises**
  - **Disclosure Laws**
  - **Registration Laws**
  - **Relationship Laws**
- **Summary of federal and state franchise laws**
- **Practice tips for franchise transactions**





# Franchising – A Brief Business and Legislative History

# A Brief History of Franchising

- **Became common as a business model in the middle of the twentieth century.**
- **The establishment of the interstate highway system led to a perceived need by travelers for consistent, reliable experiences on the road with familiar brands.**
- **During the fifties and sixties, restaurant and motel companies rushed to meet these needs, and franchise companies like Holiday Inn, McDonald's, and Howard Johnson's became some of the most recognizable names in the country.**

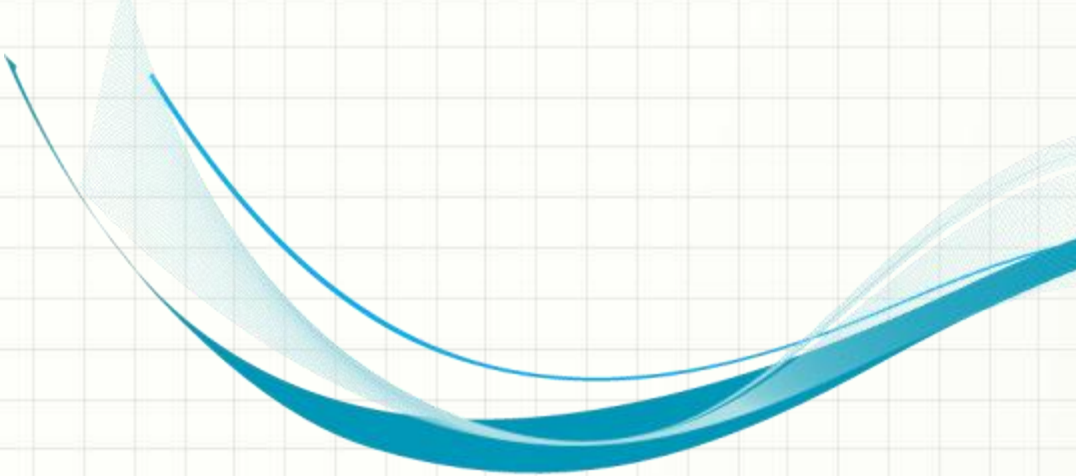
# Franchising – Legislative History

- In the early seventies, the California legislature found that “California franchisees have suffered substantial losses where the franchisor . . . has not provided full and complete information regarding the franchisor-franchisee relationship.”
- Responding to this problem, California became the first state to enact laws to regulate franchising, passing the “California Franchise Investment Law” or “CFIL” (California Corp. Code §31000 et seq.)

# Franchising – Legislative History

- **In 1979, Congress followed suit by passing a law empowering the Federal Trade Commission (“FTC”) to administer and regulate franchising. See 16 C.F.R. § 436 (1979). This is the “Franchise Rule.”**
  - Franchise Rule governs **all** operators selling franchises within the United States.
- **Several other states followed the example set by Congress and California and enacted their own state franchising laws**





# What is a Franchise?

# What is a Franchise?

- **Under the Federal Trade Commission's Franchise Rule (16 C.F.R. § 436 et seq.), a franchise is a contract or agreement between two or more persons in which:**
  - **Trademark.** The business involves distribution of goods or services substantially associated with the franchisor's trademark or trade name;
  - **Required Payment.** The franchisee pays at least \$540 within the first six months for the right to enter into a franchise agreement, including a payment for goods and services; and
  - **Significant Control or Assistance.** The franchisor exercises significant control over, or provides significant assistance in, franchisee's method of operation)
- **State definitions vary**

# What is a Franchise?

- **All three of the definitional elements must be met before a business opportunity will be considered a “franchise”**
- **The name which the parties give to their relationship is not determinative as to whether the relationship is or is not a franchise**
  - As a result, contractual language stating that the agreement “does not create a franchise relationship” is ineffectual to ensure that result

# What is a Franchise?

- **“Required Payment” element may be present where:**
  - A distributor is required to purchase supplies or inventory from the licensor (but *does not* include purchase of inventory at a bona fide wholesale price”)
  - The licensee is found to have made an “unrecoverable investment” in the business



# What is a Franchise?

## Examples of “Significant Control” and “Significant Assistance”

- Significant Control:
  - site design / appearance requirements
  - hours of operation
  - production techniques
  - personnel policies
  - promotional campaigns requiring franchisee participation
  - restrictions on customers / territorial restrictions
- Significant Assistance:
  - formal sales, repair, or business training programs
  - management, marketing, or personnel advice
  - selecting site locations
  - furnishing systemwide networks and website
  - furnishing a detailed operating manual



# Types of Franchise Laws

# What is a Disclosure Law?

- Disclosure laws require franchisors to prepare a “Franchise Disclosure Document” (or “FDD”), which is similar to a securities disclosure, and provide that document to prospective franchisees
- The contents of the FDD generally are governed by a combination of state and federal laws, which have been refined into a uniform set of rules circulated by the North American Securities Administrators Association ([www.nasaa.org](http://www.nasaa.org)).
- In general, an FDD must be given to a prospect 14 calendar days before the franchisor receives any payment, or requires the franchisee to sign any contract, relating to the franchise.

# What is a Registration Law?

- **“Registration” means that, before a franchisor can sell in a the state, it must file its Franchise Disclosure Document with the applicable regulatory authority**
- **The regulator will review and, in some instances, comment on the FDD and require the franchisor to make changes.**
- **Registration must be renewed annually. If a franchisor is not registered in a jurisdiction that requires registration, it cannot sell franchises in that jurisdiction.**



# What is a Relationship Law?

- **Governs elements of the franchisee-franchisor relationship**
- **For example, among other things, some relationship laws:**
  - Limit the circumstances under which a franchisor can terminate or refuse to renew the franchise contract;
  - Prevent, or provide protections against, unequal treatment between franchisees;
  - Protect the rights of franchisees to form independent associations; or
  - Require the franchisor to buy back inventory previously sold to the franchisee



# Federal and State Franchise Laws

# FTC's Franchise Rule

- **Governs all franchisors operating anywhere in the United States and its territories**
  - Purpose is to prevent fraud in the franchise relationship
- **Disclosure law only**
  - There is NO national registration requirement. The FTC will only review an FDD after receiving complaint(s), and even then will only do so rarely.
  - As a result, if offer / sale is made in non-registration states, the FDD will not first be reviewed by a governmental entity
- **No federal relationship law**

# FTC's Franchise Rule

- **Must furnish FDD to all prospective franchisees 14 calendar days before signing a binding agreement or accepting payment**
  - F/K/A “Uniform Franchise Offering Circular” or “UFOC”
    - Amended Franchise Rule (July 1, 2008)
- **“Plain English Rule” – no legalese or technical jargon permitted in the FDD**
- **FDD must be updated once a year (within 120 days of franchisor's fiscal year end); more frequently upon the occurrence of a material change to the information disclosed in the FDD**

# FTC's Franchise Rule

- **The Franchise Rule does not provide individuals with the right to sue franchisors for violation of the Franchise Rule**
- **Common law fraud claims or “unfair trade practices” claims can be brought based on misrepresentations in FDD or noncompliance with the Franchise Rule**
- **Nevada: N.R.S. § 41.600 gives private right of action for victims of “consumer fraud,” which includes “deceptive trade practices.”**
  - **“Deceptive trade practices” are defined in N.R.S. §§ 598.0915 -.0925, inclusive. They include a party’s offering an investment opportunity and failing “to comply with any law or regulation for the marketing of securities or other investments.”**



# Franchise Registration States

- **14 states have franchise registration and disclosure laws.**
  - Oregon has a disclosure law only (no registration requirement)
- **Broadly speaking, a state's registration or disclosure law may be implicated where:**
  - The franchisor is located within that state;
  - The prospective franchisee lives in that state; or
  - The contemplated franchise will be located in that state

# Franchise Registration States

- **Before any offer of a franchise is made, franchisor must register the offering with the state**
- **Registration lasts for one year; in some cases, expires within 90-120 days after the franchisor's fiscal year end. In other cases, expires one year after registration.**
- **Certain exemptions apply per statute (but federal law differs)**

# Franchise Registration States

- **A “franchisor” must furnish a disclosure document to all prospective franchisees before signing a binding agreement or accepting payment**
  - “Franchisor” is a person who offers franchises
    - Includes subfranchisors and area representatives / regional developers
- **Unlawful to offer to sell a franchise with a document that contains an “untrue statement of material fact” or to make a material omission**
- **Potential civil and *criminal* liability for knowing violations**

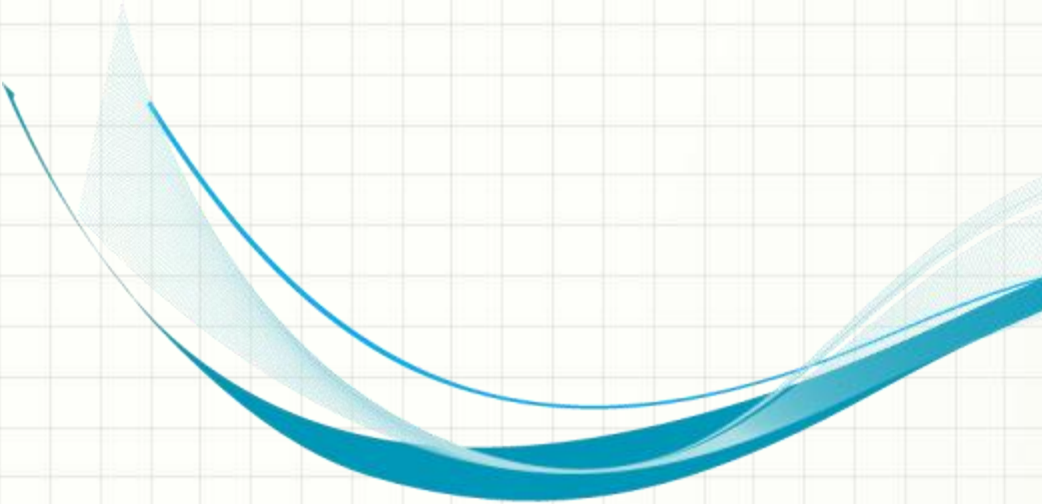
# Franchise Registration States

- **Aggrieved individuals can sue for damages resulting from violation; if violation was willful, can seek rescission of franchise contract**
  - Many state registration / disclosure laws authorize franchisees located in the state to sue in their own state court
    - Contractual forum selection clauses overridden
- **Joint and several civil liability for every person who “controls” franchisor, officers, directors, and “employees who materially aid” the franchisor in committing the violation**
  - Unless they lacked knowledge or reason to know

# Franchise Registration States

- California
- Hawaii
- Illinois
- Indiana
- Maryland
- Michigan
- Minnesota
- New York
- North Dakota
- Rhode Island
- South Dakota
- Virginia
- Washington
- Wisconsin





# Practice Tips

# Practice Tips: Transactional Franchise Issues

**What should you do when a prospective franchisee asks you for advice?**

- **Does a state's registration law apply?**
  - Where is the franchisee domiciled?
  - Where is the franchisor headquartered?
  - Where will the franchisee's business be located?
  - Where is the offer made / accepted?
- **Registration states: verify that the franchise is registered**
  - California, Minnesota, Virginia, Washington and Wisconsin: online databases
- **Keep in mind that franchise contracts are one-sided as of necessity**
  - System stability demands that franchisor retain strong controls
  - Similar to a commercial lease

# Practice Tips: Transactional Franchise Issues

**Obtain and review the Franchise Disclosure Document and franchise agreement**

**The proposed franchise agreement will be included; disclosures in the FDD should match the terms in the contract**

- Item 17: Tabular summary of key contract terms
- **Item 1: History of the company (how long has it been in business?)**
- **Item 2: History of the key officers and employees**
- **Item 3: Litigation history**
- **Items 5, 6, and 7: Fee and investment information**

# Practice Tips: Transactional Franchise Issues

## The Franchise Disclosure Document, cont'd.

- **Item 8: Restrictions on sources of products and services**
  - Is franchisor exclusive supplier? Or does it name third party sources?
- **Item 10: Financing offered by Franchisor**
- **Item 11: Assistance offered by Franchisor**
  - Prior to opening (including training program)
  - After opening
- **Item 12: Territory**
  - Is one offered?
  - Consider carve-outs

# Practice Tips: Transactional Franchise Issues

## The Franchise Disclosure Document, cont'd.

- **Item 13: Trademark**
  - Registered vs. not registered
  - Indemnification; defense of franchisee's use of marks
- **Item 14: Patents and copyrights**
  - Registered vs. not registered
- **Item 15: Obligation to Participate in Operations**
  - Active vs. passive ownership



# Practice Tips: Transactional Franchise Issues

## The Franchise Disclosure Document, cont'd.

- **Item 19: Financial Performance Representations**
  - All franchisors are *permitted* but not *required* to make FPRs
  - Some franchisors don't make them. If they do, the FPRs MUST be included in Item 19
  - Providing FPRs not contained in Item 19 = presumptive violation of Franchise Rule
- **Item 20: System / franchisee information**
  - Number of outlets, company-owned and franchisee-owned
  - Growth / shrinkage over last 3 years
  - Names / contact information for existing franchisees

# Practice Tips: Transactional Franchise Issues

**What should you do when a client asks you to help them franchise their business?**

- **Know your limitations; franchise disclosure and registration requirements are complex and demand experience to comply**
  - Potential ethical minefield for “dabbling” attorneys
    - *Nebraska v. Orr*, 759 N.W.2d 702 (Neb. 2009): Attorney with limited experience in franchising suspended for drafting non-compliant disclosure document



**QUESTIONS?**

# Resources

- **FTC's Franchise Rule:**
  - [www.ftc.gov/bcp/franchise/netfran.shtm](http://www.ftc.gov/bcp/franchise/netfran.shtm)
- **FDD Franchise guidelines (registration states – North American Securities Admin. Association)**
  - [www.nasaa.org](http://www.nasaa.org)
- **Matt's franchise blog, *Forward Franchising***
  - [www.forwardfranchising.com](http://www.forwardfranchising.com)

# Drafting Effective IP Licenses

Paul C. Jorgensen

**THE JORGENSEN LAW FIRM PLLC**  
INTELLECTUAL PROPERTY AND CONTRACT LAW



## Seminar Goals

- ◆ Understand preparation steps
- ◆ Draft license agreements for clarity and success
- ◆ Include and understand the key IP license provisions



## Preparation

- ◆ Understand IP
- ◆ Know your audience

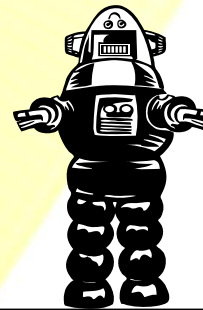
## Understanding the IP

- ◆ What is the IP?
- ◆ How does it function?
- ◆ How is it protected by law?



## Patent Facts Needed

- ✓ Owner
- ✓ Type of patent
- ✓ Chain of title issues
- ✓ Registration status and duration of registration
- ✓ Registration number
- ✓ Description and limitations
- ✓ Scope
- ✓ Current or planned use
- ✓ Other licenses of the same patent



5

## Trademark Facts Needed

- ✓ Owner
- ✓ Chain of title issues
- ✓ Form of Trademark
- ✓ Registration status and duration of registration
- ✓ Registration number
- ✓ Current or planned use
- ✓ Use standards
- ✓ Other current licenses



6

## Copyright Facts Needed

- ✓ Author, successor holder
- ✓ Nature of work
- ✓ Chain of title and work for hire issues
- ✓ Registration status and duration of registration
- ✓ Registration number
- ✓ Current uses of individual copyrights
- ✓ Special copyrights



7

## Trade Secret Facts Needed

- ✓ Type
- ✓ Current status
- ✓ Security protocols and safeguards
- ✓ Third party uses



## Potential Goals

◆ Benefitting economically



◆ Increasing demand



◆ Avoiding disputes



◆ Reinforcing relationships



◆ Using property better



## What Rights are Being Conveyed?



## What is the Scope of the Rights Conveyed?



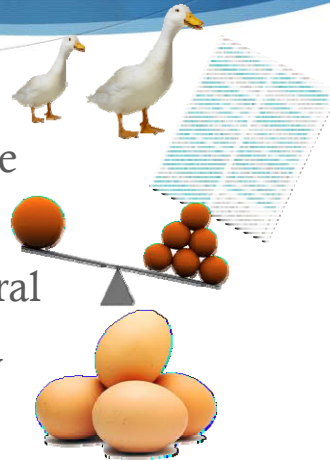
**Your writing  
will survive  
you**

**Clear, unambiguous and  
functional for:**

- **Licensor**
- **Licensee**
- **Administrators**
- **Court, arbitrator,  
mediator**

## Write to Court Standards

- ◆ Ordinary meanings
- ◆ Every word in license
- ◆ Specifics more important than general
- ◆ Presume consistency



## Form Warnings

- ◆ Who wrote?
- ◆ How are facts/goals different?
- ◆ When written?
- ◆ Use create patchwork?
- ◆ Understand everything?





## Write Well



## Avoid Shall

Licensee shall maintain confidentiality at all times. Neither party shall disclose confidential information provided to it, as the receiving party, by the other party, as the disclosing party. If a receiving party shall become bankrupt, that party shall notify the other party of the status of confidential information in its possession. The disclosing party shall be allowed to determine the dispensation of that confidential information.



## Avoid Passive Voice

Use of the IP shall be paid for by Licensee. Payments shall be received monthly. If, for any reason, royalties shall be deemed excessive and therefore unreasonable, such royalties shall be recalculated to be more reasonable.

What is reasonable?

How?

Who recalculates?

Who deems excessive?

- Who uses?
- Who provides?
- What are payments for?
- How much?
- Who pays?
- To whom?
- When?
- How often?



17

Write  
Without  
Legalese

WITNESSETH

Whereas

Provided that

Herein, therein,  
hereinbefore,  
etc.



18

## Term

- ◆ Position upfront
- ◆ Duration
  - ◆ Consider IP and expectations
  - ◆ Precise Effective Date and end dates
- ◆ Avoid auto renewals
- ◆ No termination details



19

## Licensor's Obligations

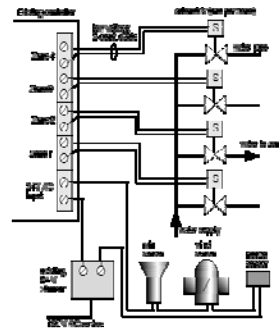
- ◆ Gather each in a single section
- ◆ Objective and measurable
- ◆ Consistently stated
- ◆ Chronological



20

## Grant: Element 1

- ◆ Clearly identify IP
  - ◆ Account for IP complexity
  - ◆ Watch secret info
  - ◆ Attach description
  - ◆ If in development
    - ◆ Attach development agreement or SOW
    - ◆ Discuss improvements



21

## Grant: Element 2

- ◆ What can be done with Property?
  - ◆ Appropriate and sufficient
- ◆ Not transferring ownership
- ◆ Ownership
  - ◆ IP brought to relationship
  - ◆ IP developed independently
  - ◆ IP developed jointly
- ◆ Future, unknown technology
- ◆ IP defense protocol



22

## Grant: Element 3

- ◆ Where can activity be done?
  - ◆ Territory
  - ◆ Field
  - ◆ Specific location or purpose



23

## Grant: Element 4

- ◆ Character of grant
  - ◆ Exclusive/non-exclusive
  - ◆ Assignable/non-assignable
  - ◆ Most favorable
  - ◆ Revocable
  - ◆ Superseded
- ◆ Rights reserved



24

## Licensee's Obligations

### Services/Deliverables

- ◆ Objective/measurable
- ◆ If complex: separate statement of work (SOW)



25

## Licensee's Obligations: Payments

### What should licensee pay?

- ◆ Licensor: Amount of money that will give return on investment in R&D of IP
- ◆ Licensee:
  - ◆ Charge for goods/services based on IP
  - ◆ Other costs
  - ◆ Duration of market



26



## Licensee's Obligations: Payments

- ◆ Lump Sum
  - ◆ Up front or milestones
  - ◆ Advances on royalties
- ◆ Use for predictability and reducing commercial risk



27

## Licensee's Obligations: Payments

- ◆ Royalties
  - ◆ Ongoing
  - ◆ Tied to gross or net sales
- ◆ Can be
  - ◆ Set and held
  - ◆ Capped
  - ◆ Minimum
  - ◆ Combined with lump sums



28

## Licensee's Obligations: Other Consideration

### Cross-Licensing

- ◆ Exchange of license grants
- ◆ Covenant not to sue
  - ◆ Accept no royalties
  - ◆ Revenues from other agreements/sources



29

## Licensee's Obligations: Quality Control



- ◆ Essential!
- ◆ Specificity depends on IP and relationship
- ◆ Include:
  - ◆ Method and measurement
  - ◆ Recordkeeping
  - ◆ Frequency
  - ◆ Consequences

30



## Confidentiality

- ◆ No lists, everything **CONFIDENTIAL**
- ◆ Exceptions
  - ◆ Publicly known before
  - ◆ Publicly known after
  - ◆ Had before
  - ◆ Obtained from 3P
  - ◆ Independently developed
  - ◆ Required to disclose
- ◆ Specify uses
- ◆ Specify security protocols
- ◆ Impose liability for loss
- ◆ Return on demand and termination
- ◆ Survival

31

## Warranties

- ◆ Effect: creates reliance and risk
- ◆ Ask
  - ◆ Industry standard?
  - ◆ Deal standard?
- ◆ Draft
  - ◆ Degree of control over IP/goods/services
  - ◆ Safe duration



32

## Typical Warranties

- ◆ Corporate: capacity
- ◆ Ownership
  - ◆ IP owned
  - ◆ Not encumbered
  - ◆ Valid/subsisting
  - ◆ Not infringing
- ◆ Performance
  - ◆ Licensor: IP
    - ◆ Perform within parameters
    - ◆ Fitness for purpose
- ◆ Licensee
  - ◆ Commercially reasonable efforts to deliver timely
  - ◆ Fitness for purpose
  - ◆ No workmanship defects
  - ◆ Reliability
  - ◆ Not infringing
  - ◆ Functionality
  - ◆ Compatibility

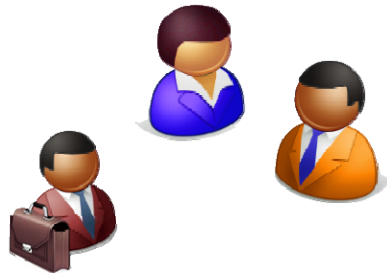
33

## Warranty Qualifiers

- ◆ Knowledge
- ◆ Materiality
- ◆ Time
- ◆ Specific situations
- ◆ Notice to eliminate implied from
  - ◆ Sale of goods
  - ◆ Ambiguity
  - ◆ Conduct of parties

34

## Indemnification



- ◆ Risk to the party in the best position to control
- ◆ Third party, not claims between the parties

35

## Indemnification

- ◆ No boilerplate
- ◆ Broad, non-technical language
- ◆ Any prohibitions?
- ◆ Core
  - ◆ Indemnify and defend
  - ◆ 3d party claims unrelated
  - ◆ 3d party claims from breaches
- ◆ Licensor: Claims related to IP
- ◆ Licensee: Claims related to actions
- ◆ Specify triggering requirements

36

## Indemnification

- ◆ Who will control/pay for defense
- ◆ Add special indemnifications
- ◆ Consider dollar limits
- ◆ Specify costs/damages covered
- ◆ Include remedies
- ◆ Carve-outs
  - ◆ Indemnitee created
  - ◆ Modified IP
  - ◆ Geographical limits
- ◆ Survival

37

## Limitation of Liability

- ◆ Separate from indemnification
- ◆ Include
  - ◆ Reasonable limit on liability
  - ◆ Waive consequential, punitive
- ◆ Specifically limit application
  - ◆ Indemnification
  - ◆ Confidentiality
  - ◆ Gross negligence



38



## Termination

- ◆ Objective, measurable and not dependent
- ◆ List
  - ◆ Unilateral terminations with notice or none allowed
  - ◆ Eventualities making continuing impossible or repeated failures
  - ◆ Repeated failures in development
  - ◆ Failures central to purpose
- ◆ Avoid cause/no cause



39

## Post-Termination



- ◆ Obligations that stop and continue
- ◆ Reporting
- ◆ Financial
- ◆ Confidential return/destroy
- ◆ Assistance
- ◆ Work product return
- ◆ Special contingencies

40

## Choice of Law/Venue/Jurisdiction

- ◆ Choice of Law
  - ◆ Logic of action, owner
  - ◆ Benefit/disadvantage
  - ◆ Reliably apply chosen law?
- ◆ Venue
  - ◆ Will court find proper?
  - ◆ Apply to license or breach?
  - ◆ Apply to disputes concerning IP?
- ◆ Jurisdiction
  - ◆ Sufficient connection
  - ◆ Basis of venue or independent basis?



41

## Dispute Resolution

- ◆ Knowledge of and experience with IP and license type
- ◆ Choose method that works for parties, IP and industry
  - ◆ Company policy
  - ◆ Save money
  - ◆ Industry standard
  - ◆ Realistic



42

## Force Majeure

- ◆ Lists invite exceptions
- ◆ Beyond reasonable control of either party
- ◆ Affected party must
  - ◆ Notify
  - ◆ Allow other to mitigate
  - ◆ Resume at end



43

## Non-Compete



- ◆ What to protect?
- ◆ Reasonable
  - ◆ Narrow time/geography
  - ◆ Protects legitimate interest
  - ◆ No undue hardship
  - ◆ Not injurious to public

44

Paul C. Jorgensen

pcj@jorgensenfirm.com



**THE JORGENSEN LAW FIRM PLLC**  
INTELLECTUAL PROPERTY AND CONTRACT LAW



Drafting Effective  
IP Licenses

Paul C. Jorgensen

**THE JORGENSEN LAW FIRM PLLC**  
INTELLECTUAL PROPERTY AND CONTRACT LAW



# ***Drafting Effective IP Licenses***

## ***Drafting Reference Guide***



***November 14, 2014***

Paul C. Jorgensen

**THE JORGENSEN LAW FIRM PLLC**  
INTELLECTUAL PROPERTY AND CONTRACT LAW

[WWW.JORGENSENFIRM.COM](http://WWW.JORGENSENFIRM.COM)

## Term

### Bad Provisions

**14. TERMINATION; EFFECT OF TERMINATION.** The initial term of this License shall be for one (1) month from the date hereof, and shall thereafter continue until terminated upon the earliest date to occur of (i) Licensee's death; (ii) such date as Licensee voluntarily terminates service, by written notice to the Company; or (iii) the date upon which the Company terminates Licensee's service hereunder, which the Company may do at any time with or without cause. Upon termination of this License for any reason, the Company will, subject to the provisions of Section 2, Exhibit A and Exhibit B, pay Licensee all of Licensee's reasonable accrued and unpaid consulting fees which are undisputed, and all of Licensee's accrued and unpaid expenses, if any, provided, as to a given expense, Licensee has submitted commercially customary support documentation to the Company therefor. Termination of the License shall not relieve Licensee of Licensee's other continuing obligations hereunder.

**6.5. Term.** This License starts on the Effective Date and continues for a period of 12 months (a "Term"). This License will renew automatically for additional 12-month periods (each a "Term") unless earlier terminated as provided in this License.

*1. The term of this License and the Parties' obligations under this License are deemed to have commenced on the latter of the dates signed below (the "Execution Date") and shall continue, unless terminated earlier under the terms of the License, until the Project is completed in its entirety and Interior Architect has fulfilled all of its obligations under the License including those that would reasonably and naturally continue to survive beyond Project completion (the "Term").*

### Practice Tips:

- Put Term early in license.
- Clearly label as Term.
- State start of Term as unambiguous date or defined "Effective Date."
- State the duration of the relationship clearly.
- State end of Term as date or objective, measurable, and time certain.
- Avoid auto renewals unless you also include an option to opt out at a time as close as possible to the end of the terms.
- Do not include termination details here.

### Good Provision

1. Term. This License begins on the Effective Date and ends, unless earlier terminated under the terms of this License, on December 30, 2009 ("Term").



## ***Licensor's Obligations***

### **For the Grant**

#### ***Bad Provision***

4.1 Customer may hereby use the Properties. Customer acknowledges that Acme and its licensors own all right, title and interest (including all Intellectual Property) in the System, including the System Software and any enhancements thereto (regardless of whether originated by Acme), and that Customer receives no ownership therein by virtue of this License. Customer shall accurately reproduce all Acme trademarks, copyright notices and other proprietary rights logos and legends, on all copies of the System or any accompanying system documentation it reproduces or displays. Customer shall not use its own trademarks, trade names, copyright notice or other proprietary rights legend in connection with the System without Acme's prior written approval of the proposed use.

#### ***Practice Tips:***

- Identify the IP to be licensed.
  
- Define what can be done with the IP.
  - Appropriate and sufficient rights
  - Transferring or licensing
  - Who owns IP before, during and after relationship
  - Anticipate future technologies
  - Specify IP defense protocol
  
- Define where the licensed activity can be done.
  
- Define the character of the grant.

#### ***Good Provisions***

**Our Obligations.** During the Term, we will: a) grant you a non-exclusive, limited license to use the Properties listed on Attachment A on the Goods in the Territory; b) provide you with copies of the applicable Properties; c) provide you with the Guidelines, which we may amend from time to time; and d) review each of your proposed uses of the Properties ("Proposal") and approve or disapprove your Proposal, in our own discretion.

**Our Properties.** The Properties belong to us and your use inures to our benefit. Nothing in this License gives you title or permanent interest in Properties. You may not, during or after the Term, without our prior written consent: a) sublicense or authorize third parties to use the Properties; or b) use anything that is confusingly similar to the Properties. You recognize that unauthorized use of the Properties would cause us irreparable injury, and that we may seek injunctive relief and other legal remedies against any unauthorized use of the Properties.

**Work Product.** We own all completed and incomplete written reports, lists and other documents that you prepare or develop, individually or jointly with us, under this License (collectively, "Work Product"). You will immediately assign to us all rights in and to all Work Product and will execute all documents that we may request to confirm your assignment. You retain ownership of documentation, text, research, templates, notes, graphics, ideas, concepts, client tools, project management tools, and related Intellectual Property that you 1) created or used before performing under this License; or 2) created by you independently during the Term. This section survives License termination.

## Licensee's Obligations

### Practice Tips:

- Spell out obligations clearly in the document or, if more complex and prone to change, in an attachment to the document that can easily be amended.
- Clearly identify payment type and frequency

### Good Provision

**Your Obligations.** During the Term, you will: a) use the Properties only on the Goods and only in the Territory; b) submit to us each Proposal for our prior approval at least ten business days before you intend to use those Properties; c) conform your use of the Properties to the Guidelines; d) use only the Proposals that we approve; and e) pay us the Fee specified on Attachment D.

**Payments.** You will pay to us, quarterly during the Term, a royalty of ten percent your net receipts of the Product, equal to gross sales minus cancellations, returns, bad debt, and royalties paid to organizations as part of marketing. You will provide to us, with each payment, a report showing gross receipts in the previous quarter, minus the allowed costs and expenses.

- Spell out quality control obligations

### Good Provisions

The Products will conform to the Samples and will use the Properties only as we approve, and will be manufactured, packaged and labeled in conformity with applicable U.S. federal, state and local laws, rules and regulations. You will provide to us, on our reasonable request, samples of the Products ("Samples") for our quality review. If we notify you that the Samples do not conform to the Recipes or our quality standards for the Products, as set out in Attachment C and periodically updated by us from time to time, you must take immediate steps to correct that non-conformance.

Permit us, with reasonable notice, to: a) inspect and copy, at your offices and during normal working hours, accounting and financial records relating to us and this Agreement; b) inspect your manufacturing facilities; and c) obtain samples of the Products ("Samples") to ensure that the Products meet our quality standards. You must modify any Products that we find deficient.

## Confidentiality

### **Bad Provisions**

7. Licensor shall provide Licensee with customer lists and recipes which are confidential. Licensee shall not give these documents to anyone else, and will use them to provide the Goods during the Term.

9.4. During the term of this License, Owner and Supplier shall exchange such technical data and other information to the extent such exchange is reasonably necessary for each to perform its obligations hereunder, or to the further extent that the Parties mutually consider it beneficial to do so. For the purposes of this License, "Proprietary Information" is defined as any information, data, or material, each page of which is conspicuously marked with an appropriate legend indicating its proprietary nature.

### **Practice Tips:**

- Avoid listing what is confidential or defining as confidential only things that are marked "confidential;" make everything confidential that the parties exchange during the Term.
- Create a list of what is not confidential.
- State generally or specifically what the receiving party can and should do with the confidential information.
- Require the receiving party to use a level of security.
- Require the receiving party to return or destroy the Confidential Information on demand and on termination.
- Survival.

### **Good Provision**

a. Acknowledge that all information that we provide to you is proprietary and confidential ("Confidential Information"). You will 1) maintain the confidentiality of the Confidential Information during and after the Term; 2) keep all Confidential Information in a secure place; 3) not use Confidential Information for any purpose other than performing under this License; 4) not disclose Confidential Information to any third party without obtaining our prior written permission; and 5) return to us all Confidential Information, including all copies, when we request and on License termination. Confidential Information does not include information that you can show that you knew before it was disclosed to you; that was in the public domain through no breach of this License or other wrongful act; that was rightfully received from a third party without breach of this License; or that we approved for release.

b. During and for five years after termination of the License, you will 1) keep Confidential Information secret using at least the measures that you use to protect your own confidential information; 2) not disclose, make accessible or communicate Confidential Information to any third party; 3) not use Confidential Information for personal or third party benefit; 4) notify us immediately when you become aware of Confidential Information loss, unauthorized disclosure or legal disclosure requirement; 5) not reverse engineer, disassemble or decompile prototypes, software or other tangible objects that embody Confidential Information.

c. On License termination, you will stop using all Confidential Information, and return to us or destroy, at our request, all Confidential Information originals and copies.

## **Warranties**

### **Bad Provision**

14. Programmer represents and warrants that 1) the Services provided to Customer hereunder will conform substantially to specifications set forth in the applicable Services Documentation, as may be amended from time to time at Programmer's sole discretion; and 2) the Software will conform substantially to the applicable Software Documentation, as may be amended from time to time at Programmer's sole discretion, when delivered and for a period of ninety (90) calendar days thereafter ("Warranty Period").

### **Practice Tips:**

- Warranty only those things that your client can control.
- Request warranties about which your client is most concerned but be prepared to be specific (e.g., how a product should function).
- Strive to include at least commercially reasonable efforts to deliver the goods or services in a timely manner, fitness for the intended purpose, and non-violation of third party rights.
- Provide any warranty disclaimers (especially for implied warranties) clearly and prominently.
- No need to warranty compliance with law unless there is a specific law that the parties wish to reflect in the license.

### **Good Provision**

a. ACME warrants that 1) ACME owns the Software and the Content and may license the Software and the Content to you; 2) ACME will provide the Units to you free of defects in material and workmanship for a commercially reasonable period of time; 3) the Software, the Content and the Units, to ACME's best knowledge, do not infringe any third party's intellectual property, trade secret, privacy or publicity rights; 4) the Units are delivered to you with good, free and clear title; 5) the Software will perform and function without reproducible material errors or defects that materially impair the Software's operation or function, which do not include errors or defects caused by, or arising as a result of, your willful misconduct or negligence. ACME will use commercially reasonable efforts to correct all material errors that you report to ACME. If ACME is unable to correct any material error within 90 days after receiving your report, you may terminate this Agreement.

b. The Software and Content are provided "as is." Except as expressly stated above, ACME expressly disclaims any and all warranties related to the Software and Content, including, without limitation, express or implied warranties of merchantability, fitness for a particular purpose, or title.

## **Indemnification**

### **Bad Provisions**

18. **INDEMNIFICATION.** Licensee will indemnify and hold the Company and its affiliates and their successors and respective officers, directors, employees, and agents, harmless, and will defend the Company against any and all loss, liability, damage, claims, demands or suits and related costs and expenses to persons or IP that arise, directly or indirectly, from (i) infringement and/or disclosure of any confidential information or proprietary rights of third parties utilized by Licensee in performing the Services, (ii) acts or omissions of Licensee, (iii) an alleged failure by Licensee to satisfy Licensee's tax or withholding obligations, (iv) breach of any term or condition of this License by Licensee, or (v) any claims by Licensee's employees or subcontractors, if applicable.

21. Licensee shall protect, defend, indemnify, save and hold harmless Licensor, and its managing agent, and any tenant or occupant of the Building and any fee owner or ground or underlying lessors of the Building, against and from any and all claims, demands, fines, suits, actions, proceedings, orders, decrees and judgments of any kinds or nature by or in favor of, anyone whomsoever, and against and from any and all costs, damages and expenses, including life, bodily or personal injury or IP damage arising, directly or indirectly, out of, or from, or on account of, any accident or other occurrence in, upon, at or from the Premises, or occasioned in whole or in part through the use and occupancy of the Premises, or by any act or omission of Licensee, or any employee, agents, contractors or invitees of Licensee in, upon, at or from the Premises or its appurtenances or any part of the Building.

### **Practice Tips:**

- Recognize the purpose and limits of an indemnification provision.
- Avoid unnecessary complexity or attempts to solve for all risks.
- Unless this is an M&A, indemnification applies to third party claims, not claims between the parties.
- Start from each party assuming responsibility for its own business.
- Include that each party is responsible for third party actions and damages that it creates as a result of breaching obligations and warranties in the license.
- Share equally unless one side is prohibited by law from indemnifying the other.
- Add optional or special indemnifications or limits (e.g., product liability).

### **Good Provision**

Each party ("Indemnifying Party") will indemnify and defend the other party, and its respective officers, directors, employees, agents, heirs, successors in interest, and affiliated entities (each an "Indemnified Party") from and against any and all liabilities, losses, damages, claims, and expenses, including reasonable legal fees, that may be incurred or suffered by an Indemnified Party arising out of third party claims related to the Indemnifying Party's a) obligations under this License; b) material breach of this License; or c) untrue representations and warranties in this License, unless that liability, loss, damage, claim or expense is attributable to the Indemnified Party's gross negligence or willful misconduct. This Section survives License termination.

## ***Limitation of Liability***

### ***Bad Provision***

10. Limitation of Liability. In no event shall either party be liable for special, incidental or consequential damages of any kind or nature, including without limitation lost profits, arising out of, related to or in connection with this License, regardless of the nature of the claim raised, whether in contract, tort or otherwise, even if the party is aware of the possibility of such damages. In no event shall either party be liable for lost profits resulting from an alleged breach of this License even if, under applicable law, such lost profits would not be considered special or consequential damages.

### ***Practice Tips:***

- Set a reasonable limit on damages
- Waive incidental, consequential, indirect and punitive damages.
- Set limits: does not apply to indemnification, breach of confidentiality, gross negligence
- Alternative: liquidated damages.

### ***Good Provision***

12. Except for a party's indemnification obligations under this License or for damages resulting from a party's gross negligence or intentional misconduct: a) Acme's aggregate liability to you for direct damages that arise out of Acme's failure to perform under this License is limited to three times the average monthly fee that you pay under this License; b) neither party will be liable to the other party for any special, indirect, incidental, or consequential damages or loss of profits arising out of this License, even if those damages were foreseeable or if the other party has been advised of the possibility of those damages; and c) each party has a duty to mitigate damages for which the other party is responsible.



## Termination

### **Bad Provisions**

10.2. Except as it relates to Proprietary Information, this License shall terminate with respect to the Project when any one or more of the following events occur, without further obligation or liability between the Parties; and/or a) mutual agreement of the Parties; and/or b) failure of the Parties to enter into a subcontract for the work contemplated in the Subcontractor's proposals or as determined from time to time as appropriate as a result of not meeting all of the conditions set forth in Article 3 hereof, or the Parties fail to reach agreement on the terms and conditions of a subcontract within a reasonable time not to exceed sixty (60) days from the date of presentation of a subcontract to Subcontractor for review; and/or c) the expiration of one (1) year from the date of this License unless the License is modified by the Parties in writing; and/or d) either Party reasonably determines that the other Party has failed to carry out its material obligations hereunder.

8. Licensor may terminate this License, with or without cause, at any time during the term hereof. In the event of termination, Licensor shall not be liable for any expenditure made by Licensee in reliance on this License.

### **Practice Tips:**

- Keep separate from term provision.
- Reflect the mutual understanding of the parties about events that warrant termination.
- Include core termination events (breach without cure, business failures, negative goodwill).
- Include special termination events that are central to the purpose of the license.
- Do not include post-termination obligations here.

### **Good Provision**

Either party may immediately terminate this License, with written notice to the other party, if the other party: 1) breaches this License and fails to cure that breach within 30 days of receiving written notice from the non-breaching party; 2) terminates or suspends its business; 3) becomes subject to bankruptcy or insolvency proceeding under Federal or state statute; 4) becomes insolvent or subject to direct control by a trustee, receiver or similar authority; 5) has wound up or liquidated, voluntarily or otherwise; or 6) is involved in misconduct that the other party reasonably believe is likely to damage their Intellectual Property or goodwill.

## **Post-Termination**

### **Bad Provision**

Unless the parties otherwise agree, termination of a Schedule does not result in the termination of the Master License or any other Schedule, but termination of the Master License results in the termination of all Schedules. In the event of termination of this Master License or any Schedule pursuant to Sections 5, 7.1, 7.2 or 7.3, or in the event of termination or suspension of Services under Sections 4.1 or 4.3 (a) Provider will cease all Services under the applicable Schedule(s); (b) Owner will pay Provider's invoices for Services performed and expenses incurred under the applicable Schedule(s) up to the termination date.

### **Practice Tips:**

- Include a checklist of actions each party must take when the license ends.
- Include obligations and actions that stop and those that continue on termination.
- Include a discussion of what happens to confidential information and work in progress.
- Include final reporting requirements about items in development, use, or sales.
- Include final accounting requirements and payments.
- List obligations in chronological order.

### **Good Provision**

On termination for any reason:

1. Acme will a) provide CXX with a complete, electronic copy of all Monster master file data, data quality concern data, archived data, training materials, technical documentation, and other materials relevant to the operation of Monster; b) provide CXX or CXX's designated processor with assistance that is reasonably required to transition Monster and the Program; c) provide CXX with all Store records, including contracts, applications and documentation of any audits or other outstanding issues; and d) refund to Stores the prorated portion of Store User Fees as of the end of the Service, as CXX directs.

2. CXX will confirm to Acme in writing when CXX receives the above-listed information and confirms that the Stores received their refunds. When Acme gets this confirmation from CXX, Acme will delete all Program-related data from its production and testing environments. Acme may retain an archive copy of the Program-related data for use exclusively in dispute resolution.

## Choice of Law and Venue

### **Bad Provisions**

18. **Governing Law; Jurisdiction.** The parties agree that this License will be governed by and construed under the internal laws of the State of California, as applicable to agreements made and to be performed in such state, without regard to principles of conflicts of law. The parties agree that any dispute arising in connection with the interpretation or validity of, or otherwise arising out of, this License, will be subject to the exclusive jurisdiction of the California State and Federal Courts in and for Santa Clara County, California. The parties hereby agree to submit to the personal and exclusive jurisdiction and venue of such courts and agree that process may be served in the manner provided herein for the giving of notices or otherwise as allowed by applicable law. Each party hereto waives any defense of inconvenient forum to the maintenance of any action so brought and waives any bond, surety, or other security that might be required of any other party with respect thereto. In the event that any action, suit or other proceeding is instituted concerning or arising out of this License or any transaction contemplated hereunder, the prevailing party shall recover all of such party's costs and attorneys' fees incurred in each such action, suit or other proceeding, including any and all appeals or petitions therefrom.

19. General. The validity, interpretation and effect of this License shall be governed by laws of the State where the Project is located. The existence of any claim, dispute or legal proceeding shall not relieve Interior Designer from its obligation to properly perform its Services as set forth herein. In the event of a dispute with respect to amounts payable under an Application for Payment, Owner shall pay all undisputed amounts and Interior Designer shall continue performing any remaining Services hereunder. Neither party shall initiate a legal proceeding, and the applicable statute of limitations shall not commence to run, until the Services is fully performed or until this License is terminated, whichever occurs first.

### **Practice Tips:**

- Use a logical law for interpreting the license: generally where the licensor resides or where the action of the license will occur.
- Use a mutually convenient location to resolve disputes.
- Do not waive or force others to waive jurisdiction in advance.
- Make dispute resolution portion consistent with client's position on litigation and ADR.

### **Good Provision**

This License will be interpreted and enforced under Nevada law without regard to its conflict of law principles. Any litigation arising out of this License will be brought exclusively in the Nevada courts.

## ***Dispute Resolution***

### ***Bad Provision***

The Parties adopt the principal that disputes should be regarded as business problems to be resolved promptly through business-oriented negotiations before resorting to litigation. The parties will therefore first use their good faith efforts to resolve any dispute promptly by negotiation between their respective chief executive officers prior to resorting to litigation hereunder. Each party expressly waives any objections to the jurisdiction of the relevant Court over that party.

### ***Practice Tips:***

- Use a method familiar with the IP and the license.
- Use a method that works for the parties, IP and industry

### ***Good Provision***

The parties will attempt to resolve each dispute related to this License amicably and confidentially. If they cannot resolve a dispute within 60 calendar days after one party notifies the other about the dispute, the parties will submit the dispute to final, binding and confidential arbitration in Denver, Colorado by a single arbitrator member of the Judicial Arbitrator Group (“JAG”) or any JAG successor. The arbitrator’s decision will be conclusive and judgment on the award may be entered in any court having jurisdiction. This section does not prevent a party from seeking equitable, injunctive or emergency relief from a court of competent jurisdiction in Colorado. The parties irrevocably submit to the personal jurisdiction and venue of the state or federal courts in the counties of Boulder or Denver, Colorado. The prevailing party in that action may seek to recover its reasonable legal fees, costs and expenses in addition to any other damages.

## **Force Majeure**

### **Bad Provision**

In the event that either Party's ability to perform its obligations hereunder is interrupted by reason of any cause beyond reasonable control, including but not limited to fire, flood, storm, earthquake or other acts of God, such Party's obligations will be suspended but only for so long as, and to the extent that, said inability to perform exists and without damages, costs or penalties while such cause exists. The Party whose performance is affected by the Force Majeure shall use its best efforts to overcome the event. Notwithstanding the foregoing, the Parties understand and agree that, upon receiving written notice from Acme of the existence of a Force Majeure condition preventing performance, Tenant, without any liability on the part of Tenant, may arrange for the temporary manufacture of the Product by other ways during the period of any such condition preventing Acme's performance. In addition, Tenant may terminate this License immediately upon written notice to Host if the period of such condition preventing Host's performance continues in excess of ninety (90) days.

### **Practice Tips:**

- Avoid listing potential problems
- Require the affected party to notify, allow other to mitigate and resume performance.

### **Good Provision**

A party will not be liable to the other if circumstances beyond that party's reasonable control ("Force Majeure Event") prevent that party from performing under this License, provided the affected party notifies the other party after the Force Majeure Event occurs, allows the other party to mitigate until the affected party resumes performing, and resumes performing when the Force Majeure Event ends.

## ***Non-Compete***

### ***Bad Provision***

On termination of the License hereof, Marshall shall not directly or indirectly provide the services to any third party in Europe for 5 years.

### ***Practice Tips:***

- Determine what you want to protect
- Make it reasonable with respect to time, geography and legitimate interest.
- May not cause undue hardship or be injurious to public.

### ***Good Provision***

You will not, for one year following License termination, use the Work Product for providing services to entities on our competitor list within a four-mile radius of the Territory.



**Other Bad Provisions**

**Attorneys' Fees**

Attorney Fees. In the event that any action, suit or other proceeding is instituted concerning or arising out of this License or any transaction contemplated hereunder, the prevailing party shall recover all of such party's costs and attorney's fees incurred in each such action, suit or other proceeding, including any and all appeals or petitions therefrom.


**Survival**

Survival. The provisions of Section 1 and Sections 4 through 18 hereof shall survive expiration or termination of this License.

**Interpretation**

Interpretation; Construction. The parties have participated jointly in the negotiation and drafting of this License. If an ambiguity or question of intent or interpretation arises, this License shall be construed as if drafted jointly by the parties and no presumption or burden of proof shall arise favoring or disfavoring any party because of the authorship of any provision of this License. The words "include," "includes," and "including" shall be deemed to be followed by "without limitation." Pronouns in masculine, feminine, and neuter genders shall be construed to include any other gender, and words in the singular form shall be construed to include the plural and vice versa, unless the context otherwise requires. The words "this License," "herein," "hereof," "hereby," "hereunder," and words of similar import refer to this License as a whole and not to any particular subdivision unless expressly so limited. Any reference herein to "day" or "days" shall, unless otherwise provided for, mean a calendar day or calendar days.

The State of the Law  
for patentable subject matter  
under 35 U.S.C. §101  
after the *Alice v CLS Bank* decision

HOLLAND&HART 


Herbert R. (Dick) Schulze

Of Counsel, Holland & Hart (Reno)  
herschulze@hollandhart.com  
775-327-3010

J.D. University of Chicago (1970)  
B.S.E.E. MIT (1967)

Admitted in California, Nevada, Colorado, and South Dakota  
and before the USPTO

**DISCLAIMER:** The views expressed herein are my own and don't necessarily  
represent the views of my firm, anyone in my firm, or anyone not in my firm.

HOLLAND&HART 



HOLLAND&HART 

If you don't know where you're going,  
it's a good bet that you won't get there.

So where are we going this afternoon?

- Brief summary of the *other* five Supreme Court patent cases
- State of the law leading up to *Alice*
- The *Alice* opinion
- Post-*Alice* developments

HOLLAND&HART 

## Supreme Court's Busy Term

- *Medtronic, Inc. v Mirowski Family Ventures, LLC* (22 Jan)
- *Highmark Inc. v Allcare Health Management Systems, Inc.* (29 Apr)
- *Octane Fitness, LLC v Icon Health & Fitness, Inc.* (29 Apr)
- *Limelight Networks, Inc. v Akamai Technologies, Inc.* (2 June)
- *Nautilus, Inc. v Biosig Instruments, Inc.* (2 June)
- *Alice Corp. Pty. Ltd. v CLS Bank International* (20 June)

HOLLAND & HART 

## Medtronic v Mirowski

- Mirowski has patents related to pacemakers.
- Medtronic makes medical devices.
- Medtronic has a royalty-bearing license to Mirowski's patents.
- They quarreled about whether certain Medtronic devices infringed.
- Medtronic filed a DJ action.
- Federal Circuit: In a DJ case the accused party has the burden of proving non-infringement.
- Supreme Court: The patentee always has the burden of proving infringement.

HOLLAND & HART 

## Highmark v Allcare

- Highmark won at trial and moved for attorney fees as an “exceptional case” under 35 U.S.C. §285.
- District Court found the case to be “exceptional” and granted the request for attorney fees.
- Federal Circuit reviewed the “exceptional case” finding *de novo* and partly reversed.
- Supreme Court: A trial court’s “exceptional” finding is to be reviewed for abuse of discretion, not *de novo*.

HOLLAND & HART 

## Octane Fitness v Icon Health

- Octane won at trial and moved for attorney fees as an “exceptional case” under 35 U.S.C. §285.
- District Court said a case is only “exceptional” if either
  - (1) it involves material inappropriate conduct or
  - (2) it is objectively baseless and brought in subjective bad faith.
- Federal Circuit affirmed.
- Supreme Court: This impermissibly encumbers the trial court’s discretion. “Exceptional” means uncommon, rare, not ordinary. “Exceptional” case is merely a case that stands out from others.

HOLLAND & HART 

## Limelight v Akamai

- Patent 6,108,703 belongs to MIT, licensed to Akamai.
- Patent covers a method of serving a page, the method comprising:
  - Tagging an object embedded in the page (rewriting the URL of the object so it points to a different server);
  - Serving the page with the modified URL; and
  - Serving the embedded object according to the modified URL.
- Limelight serves the page but doesn't tag. It tells its customers to do the tagging.
- Limelight does not directly infringe because it does not perform all the steps of the method.

HOLLAND & HART 

## Limelight v Akamai

- Federal Circuit:
  - No one entity performs all the steps. No direct infringement.
  - But all the steps are performed.
  - Limelight induces its customers to perform the tagging, and Limelight performs the other steps itself.
  - Limelight is guilty of inducing infringement.
- Supreme Court: There can be no inducement to infringe if there is no direct infringement. Limelight is not a direct infringer and therefore is not guilty of inducing infringement.

HOLLAND & HART 



## Nautilus v Biosig

Prior-art heart-rate monitor detects ECG signals for heart rate. But sometimes EMG signals interfere.

ECG signals are of opposite polarity in left and right hands. EMG signals aren't. The invention uses this to filter out EMG signals.

Claim 1: on each half of a cylindrical bar, a live electrode and a common electrode mounted *in spaced relationship* with each other.

Each hand contacts the electrodes on one half of the bar.

District Court: This is indefinite. There's no way to tell how far to space the electrodes.

HOLLAND & HART 

## Nautilus v Biosig

Federal Circuit: This is definite. It's only indefinite if "not amenable to construction" or "insolubly ambiguous".

Supreme Court: "Insolubly ambiguous" would breed lower-court confusion.

- Definiteness is to be evaluated from the perspective of one skilled in the art at the time the patent application was filed.
- The claims, in light of the specification and prosecution history, must inform those skilled in the art about the scope of the invention with reasonable certainty.

Remanded for reconsideration.

HOLLAND & HART 

## The State of the Law

for patentable subject matter under 35 U.S.C. §101  
after the *Alice v CLS Bank* decision

- State of the law leading up to *Alice*
- The *Alice* opinion
- Post-*Alice* developments

HOLLAND&HART 

## 35 U.S.C. §101

Whoever invents or discovers any new and useful

- process,
- machine,
- manufacture, or
- composition of matter,
- or any new and useful improvement thereof,

may obtain a patent therefor, subject to the conditions  
and requirements of this title.

HOLLAND&HART 

## Neilson v. Harford

Webster's Patent Cases 295, 371 (1841)  
151 E.R. 1266, 8 M. & W. 806,

English Court of Exchequer

HOLLAND&HART 

## George Curtis's Treatise

“A Treatise on the Law of Patents for Useful Inventions  
In the United States of America”

Second edition, 1854

HOLLAND&HART 

## Le Roy v Tatham

55 U.S. (14 How.) 156 (1852)

63 U.S. (22 How.) 132 (1859)

Minnesota Law Review 93:933 (2009)

“Natural Laws and Inevitable Infringement” by Alan L. Durham

A machine that makes lead pipe.

Prior art: pour molten lead into a mold.

Invention lay in discovery that lead can be extruded under heat and pressure.

HOLLAND & HART 

## Samuel Morse



HOLLAND & HART 

## O'Reilly v. Morse

Draft article "O'Reilly v. Morse"  
Latest revision 22 Aug 14

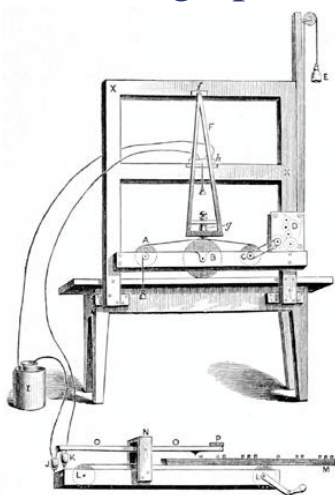
Prof. Adam Mossoff  
George Mason U. School of Law



[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2448363](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2448363)

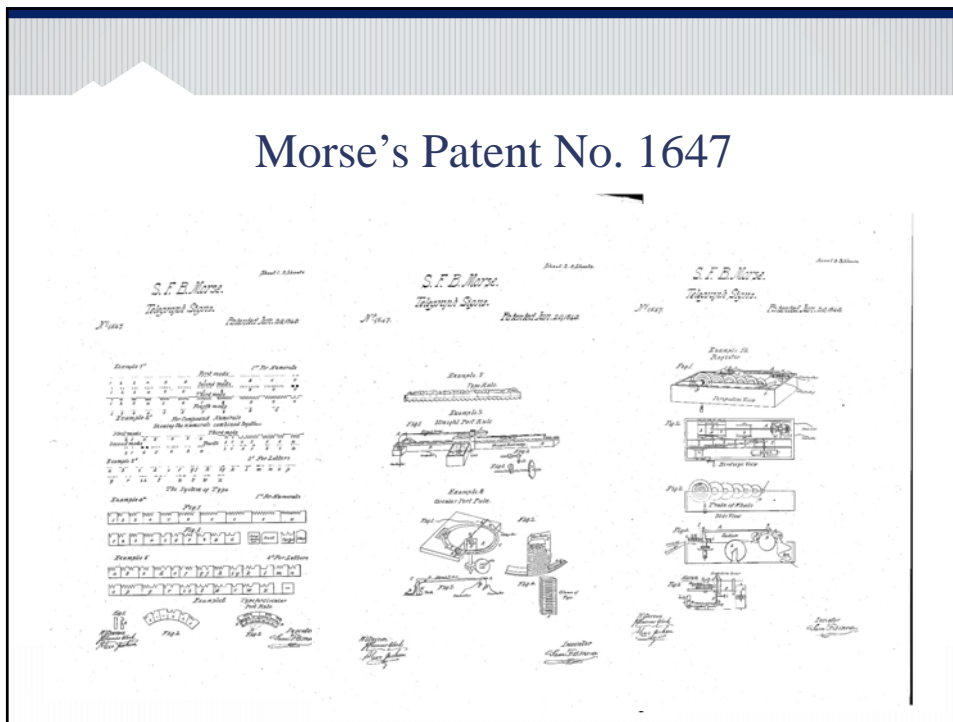
HOLLAND & HART 

## Morse's telegraph in 1836



HOLLAND & HART 

## Morse's Patent No. 1647



## O'Reilly v. Morse

56 U.S. (15 How.) 62 (1854)

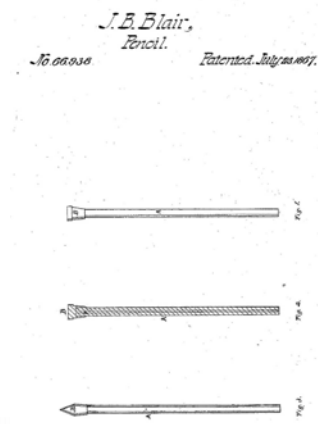
### The infamous Claim 8

I do not propose to limit myself to the specific machinery or parts of machinery described in the foregoing specifications and claims, the essence of my invention being the use of the motive power of the electric or galvanic current, which I call electro-magnetism, however developed, for making or printing intelligible characters, letters, or signs, at any distances, being a new application of that power, of which I claim to be the first inventor or discoverer.



## Rubber-Tip Pencil Co. v Howard

87 U.S. (20 Wall.) 498 (1874)



Claim: an elastic erasive pencil-head with a socket smaller than the diameter of a pencil so that friction would hold the eraser on the end of the pencil.

HOLLAND & HART 

## Funk Brothers Seed Co. v Kalo Inoculant Co.

333 U.S. 127 (1948)

Claim: an inoculant for leguminous plants comprising a plurality of selected cultures of different species of bacteria of the genus *Rhizobium*, one of said cultures being *Rhizobium trifolii* alpha, said cultures being substantially unaffected by each other in respect to their ability to fix nitrogen in the leguminous plant for which they are specific.

HOLLAND & HART 

## Gottschalk v Benson

409 U.S. 63 (1972)

Decimal number is made of digits 0 through 9.

Binary number is made of digits 0 and 1.

For example, decimal 87 in binary is 1010111.

Converting either way is laborious.

BCD converts each decimal digit to 4- digit binary and concatenates.

Decimal 8 in binary is 1000. Decimal 7 in binary is 0111.

So 87 in BCD is 10000111.

HOLLAND&HART 

## Gottschalk v Benson

409 U.S. 63 (1972)

Claim: method of converting BCD to binary comprising:

- (1) Store the BCD in a shift register
- (2) Shift right at least 3 places until a "1" is in second position
- (3) Mask the "1"
- (4) Add "1" to first position
- (5) Shift left by two positions
- (6) Add "1" to first position
- (7) Go back to step (2)

HOLLAND&HART 

## Parker v Flook

437 U.S. 584 (1978)

Claim: a method of updating an alarm limit in catalytic conversion of hydrocarbons, where initially the alarm limit value =  $B0 + K$ :

- Measure the present value PVL of a process variable such as temperature
- Calculate new base B1, where F is a constant between 0 and 1:  
$$B1 = B0 * (1 - F) + PVL * F$$
- $B1 + K$  = updated alarm limit value; and
- adjust the alarm limit to the updated value.

HOLLAND&HART 

## In re Bergy

596 F.2d 952 (CCPA 1979)

Judge Rich: the inquiry in *Parker v. Flook* should have been under §§102 and 103.

HOLLAND&HART 

## Diamond v. Chakrabarty

447 U.S. 303 (1980)

A bacterium from the genus *Pseudomonas* containing therein at least two stable energy-generating plasmids, each of said plasmids providing a separate hydrocarbon degradative pathway.

[“Plasmid” is a hereditary unit physically separate from the chromosomes of a cell.]

HOLLAND&HART 

## Diamond v Diehr

450 U. S. 175 (1981)

A method of operating a rubber-molding press with the aid of a digital computer.

- providing a reaction constant  $C$  for the rubber and a constant  $X$  for the shape of the mold;
- starting a timer when the press is closed;
- continuously measuring the temperature  $Z$  in the mold;
- repetitively calculating the Arrhenius equation to get the cure time; and
- automatically opening the press when the calculated cure time equals the elapsed time.

HOLLAND&HART 

## In re Alappat

33 F.3d 1526 (Fed. Cir. 1994)

A rasterizer for converting a list of data representing a waveform into anti-aliased data to be displayed, comprising:

- (a) means for determining the vert. distance between endpoints of each vector in the list of data;
- (b) means for determining the elevation of a row of pixels spanned by the vector;
- (c) means for normalizing the vert. distance and elevation; and
- (d) means for outputting illumination intensity data as a function of the normalized vert. distance and elevation.

HOLLAND & HART 

## State Street Bank & Trust v. Signature Financial Group

149 F.3d 1368 (Fed. Cir. 1998)

A data processing system comprising:

- a personal computer including a CPU;
- a data disk;
- 1st logic circuit to prepare the data disk to store data;
- 2nd logic circuit to process assets and changes from previous day;
- 3rd logic circuit to process daily income and expenses;
- 4th logic circuit to process daily unrealized gain or loss; and
- 5th logic circuit to process aggregate year-end income, expenses, and capital gain or loss, for the portfolio and each of the funds.

HOLLAND & HART 

## In re Comiskey

554 F.3d 967 (Fed. Cir. 2009)

A method for mandatory arbitration resolution regarding one or more unilateral documents.

1. enrolling a person and a unilateral document in a mandatory arbitration system;
2. incorporating binding arbitration language in the document;
3. requiring a complainant to submit any arbitration request to the mandatory system;
4. conducting the arbitration;
5. providing support to the arbitration resolution; and
6. determining an award in accordance with the mandatory arbitration language.

HOLLAND & HART 

## Bilski v Kappos

561 U.S. 593 (2010)

- initiating transactions between a commodity provider and consumers wherein the consumers buy at a fixed rate corresponding to their risk position,
- identifying market participants having a counter-risk position, and
- initiating transactions between the commodity provider and the market participants at a second fixed rate such that the transactions balance the risk to the consumers.

HOLLAND & HART 

## Mayo Collaborative Services v. Prometheus Laboratories, Inc.

566 U.S. \_\_\_, 132 S.Ct. 1289, 101 USPQ2d 1961 (2012)

A method of optimizing therapeutic efficacy comprising:

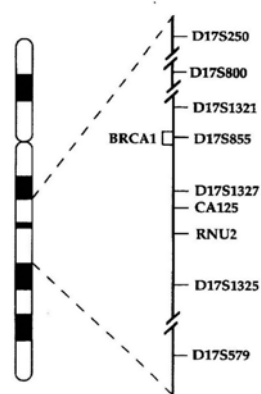
- administering a drug providing 6-thioguanine to a subject having an immune-mediated gastrointestinal disorder; and
- determining the level of 6-thioguanine in the subject, a level less than about 230 pmol indicating a need to increase the amount of the drug, and a level greater than about 400 pmol indicating a need to decrease the amount of the drug.

HOLLAND & HART 

## Association for Molecular Pathology v. Myriad Genetics

569 U.S. \_\_\_ 133 S.Ct. 2107 (2013)

Claim 1: An isolated DNA coding for a BRCA1 polypeptide, said polypeptide having the amino acid sequence set forth in SEQ ID NO:2.



HOLLAND & HART 



## Alice Corporation Pty. Ltd. v CLS Bank International

\_\_\_ U.S. \_\_\_, 134 S.Ct. 2347, 110 USPQ2d 1976 (2014)

A method of exchanging obligations between parties each holding credit and debit records with an institution, comprising:

- a) creating shadow credit and debit records for each party;
- b) obtaining start-of-day balances for each shadow record;
- c) during the day, adjusting the shadow records with transactions that don't result in the shadow debit record being less than the credit record; and
- d) at end of day, instructing the institution to exchange credits or debits accordingly.

HOLLAND & HART 

## Comments on *Alice*

HOLLAND & HART 

## Dennis Crouch in Patently-O

15 Sept 2014

- *Alice* was not decided in a vacuum.
- *Alice* and the three prior cases (*Bilski*, *Mayo*, *Myriad*) do no more than reaffirm 150 years of Supreme Court precedent.
- What is changed is 30 years of Federal Circuit precedent and USPTO practice that allowed claims in which a mere iota of hardware separated the invention from an abstract idea.

HOLLAND&HART 

## Judge Michel in IP Watchdog

10 Aug and 19 Oct 2014

- The Supreme Court is relying on its own *dicta* over 150 years respecting “inventive” concept and other things that Section 103 was intended to sweep away in 1952.
- Consequences are astonishingly worrisome for our prosperity, global competitiveness, technological leadership, job creation, and astounding advances that are being sacrificed.
- The Constitution talks about discoveries. So why are they not eligible for patenting?

HOLLAND&HART 

## Thoughts on Drafting Patent Applications *post-Alice*

HOLLAND & HART 

## PTO Memorandum 1

25 June 2014

Does the claim has limitations that qualify as “significantly more” than an abstract idea?

For example:

- Improvements to another technology or technical field;
- Improvements to the functioning of the computer itself;
- Meaningful limitations beyond generally linking the use of an abstract idea to a particular technological environment.

HOLLAND & HART 

## PTO Memorandum 2

25 June 2014

- Add structure to the claims.
- Recite specific computer components, especially components having a novel function or structure.
- Recite structural elements of a specific technology.
- Actions that amount to more than merely “apply it”.
- Recite computer function that is not well-understood.

HOLLAND & HART 

## PTO Memorandum 3

25 June 2014

Limitations that likely don't qualify:

- Adding the words “apply it” or equivalent;
- Implement it on a computer;
- Requiring no more than a generic computer to perform well-understood, already-known generic computer functions.

HOLLAND & HART 

## Law 360 Articles

July – August

### The Specification 1

- Get technical – include more detail.
- Tell a compelling story – describe the vast amount of work done by the inventor/software engineer – identify the “Eureka!” moment.
- Include detailed technology that enabled the inventor to finally implement, on a computer, what had previously eluded everyone.

HOLLAND&HART 

## Law 360 Articles

July – August

### The Specification 2

- Courts don’t like an invention that can be done in the head
- Emphasize how the computer is integral to the invention.
- Include actual code.
- Describe specific hardware beyond a generic computer.
- Show a technical solution to a technical problem.

HOLLAND&HART 

## Law 360 Articles

July – August

### Claims

- Put the complexity in the claims.
- Improvements in computer technology are still patentable.
- Software that makes the computer run better is patentable.
- Don't be greedy – write claims that are not overbroad.

HOLLAND&HART 

## Post-Alice developments

### PTO Withdraws Allowed Patent Applications

Tristan Gray-Le Croz and Charles Duan,  
*Apply It to the USPTO: Review of the Implementation of  
Alice v. CLS Bank in Patent Examination*  
2014 Patently-O Law Journal 1

HOLLAND&HART 

## Post-*Alice* developments

### Federal Circuit

Ultramercial v. Hulu

Buysafe v. Google

Digitech v. Electronics for Imaging

Planet Bingo v. VKGS

HOLLAND & HART 

## Ultramercial v. Hulu

Fed. Cir. No. \_\_\_\_\_ 14 November 2014

A method of distributing copyrighted subject matter over the Internet, in which rather than paying a fee, the user watches an advertisement.

HOLLAND & HART 



**Buysafe, Inc. v Google, Inc.**  
**Fed. Cir. No. 2013-1575 (3 Sept 2014)**

A method comprising:  
receiving, by a computer application, a request for a performance guaranty service, and  
processing the request, by an application on the same computer, by underwriting the first party to provide the guaranty,  
wherein the computer offers via a computer network the transaction guaranty service that binds a transaction performance guaranty to the online commercial transaction of the first party.

HOLLAND&HART 

**Digitech Image Technologies, LLC. v**  
**Electronics for Imaging, Inc.**  
**Fed. Cir. Nos. 2013-1600 to 2013-1618 (11 July 2014)**

A device profile for describing properties of a device in a digital image reproduction system, comprising:  
first data for describing a device-dependent transformation of color information content of an image to a device-independent color space; and  
second data for describing a device-dependent transformation of spatial information content of the image in said device-independent color space.

HOLLAND&HART 

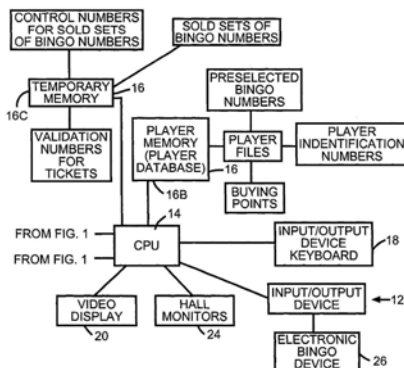
## Planet Bingo, LLC. v VKGS, Inc.

Fed. Cir. No. 2013-1663 (26 Aug 2014)

**Do-It-Yourself** 60  
 General Public Night Session 04/15/99 Validation No. 00194514

2	11	19	27	29	33	36	37
1	2	19	21	28	49	61	75
3	13	15	18	36	42	60	61
13	19	26	34	47	56	59	65
6	11	14	18	39	48	63	66
4	13	14	17	22	26	56	59
16	23	25	35	36	40	54	67
7	18	19	25	27	62	64	67
19	25	50	52	61	62	64	74

**Must have Original Receipt for Verification**  
 This game sheet is for convenience only,  
 all winners will be verified from original receipt.  
 Please compare the numbers on this game sheet to your original receipt.



HOLLAND & HART

## Planet Bingo, LLC. v VKGS, Inc.

Generally, the claims recite:

- storing a player's preferred sets of bingo numbers;
- retrieving one such set upon demand and playing that set;
- while simultaneously tracking the player's sets, tracking player payments, and verifying winning numbers.

Variations include

- display capabilities; and
- options to purchase sets of bingo numbers color space.

HOLLAND & HART

## Post-*Alice* developments

### District Courts

Ten cases, claims held invalid under *Alice*  
Two cases, claims held valid



## Enfish v. Microsoft Caltech v. Hughes

U.S. District Court, Central District of California

Two cases, one day apart.  
Enfish's claims were invalidated under *Alice*.  
Cal Tech's claims survived *Alice*.



## Enfish v. Microsoft 1

U.S. District Court, Central District of California  
No. 2:12-cv-07360, 4 November 2014

*Alice* did not significantly increase the scrutiny that courts must apply to software patents.

It held only that an ineligible abstract idea does not become patentable simply because the claim recites a generic computer.

This opinion gives an excellent summary of the Supreme Court cases discussed above.

HOLLAND&HART 

## Enfish v. Microsoft 2

A method for storing and retrieving data in a computer memory, comprising the steps of:

- configuring the memory according to a logical table including:
  - a plurality of logical rows, each row including an object identification number (OID) to identify the row, each row corresponding to a record of information;
  - a plurality of logical columns intersecting the rows to define a plurality of logical cells, each column including an OID to identify the column; and
- indexing data stored in the table.

HOLLAND&HART 

## Enfish v. Microsoft 3

All of Enfish's claims have a similar purpose: storing, organizing, and retrieving memory in a logical table.

For millennia, humans have used tables to store information (citing a Mesopotamian table from 1259 B.C.).

Tables are a basic and convenient way to organize information, on paper and in computers.

The claims are addressed to the abstract purpose of storing, organizing, and retrieving memory in a logical table. This does not become tangible because it is necessarily limited to computers.

The claims do not contain elements of an inventive concept.

HOLLAND & HART 

## Caltech v. Hughes 1

U.S. District Court, Central District of California  
No. 2:13-cv-07245, 3 November 2014

A method of encoding a signal:

- Obtaining a block of data in the signal;
- Partitioning the block into sub-blocks;
- Encoding the data block a first time including repeating the data in different sub-blocks a different number of times;
- Interleaving the repeated data elements; and
- Encoding the data block a second time using an encoder with a rate close to one.

HOLLAND & HART 

## Caltech v. Hughes 2

U.S. District Court, Central District of California  
No. 2:13-cv-07245, 3 November 2014

The concepts of encoding and decoding are longstanding steps in the process of error correction.

This does not mean that every software invention that uses longstanding concepts is unpatentable.

Caltech's claims contain meaningful limitations that represent sufficiently inventive concepts, such as the irregular repetition of bits and the use of linear transform operations.

HOLLAND & HART 

## Caltech v. Hughes 3

U.S. District Court, Central District of California  
No. 2:13-cv-07245, 3 November 2014

Although many of these limitations are mathematical algorithms, they are narrowly defined and they are tied to a specific error correction process.

Caltech's error correction codes were not conventional activity that humans engaged in before computers, and the codes do not become conventional simply because humans can do math.

HOLLAND & HART 

## Post-*Alice* developments

### Patent Trial and Appeal Board

Linked In v. Av Markets  
PNC Bank v. Secure Access  
Salesforce v. Virtualagility  
U.S. Bancorp v. Solutran

HOLLAND & HART 

## Post-*Alice* developments

### LinkedIn Corp v. Avmarkets, Inc.

No. CBM2013-00025, 10 November 2014

Method of generating sales leads for each of a plurality of sellers of parts via a computer network:  
receiving part numbers for the parts from the sellers,  
listing each part number as a hyperlink on a Web page, and  
generating a part number Web page for any activated hyperlink, the part-number Web page including at least two of title, URL, meta-tag, and text.

HOLLAND & HART 



## Post-Alice developments

PNC Bank v. Secur Access LLC.

No. CBM2014-00100, 9 September 2014

Method of authenticating a Web page:  
transforming received data at host computer by  
inserting an authenticity key to create formatted data,  
and  
returning the formatted data so the key can be  
retrieved and an authenticity stamp retrieved from a  
preferences file.

HOLLAND&HART 

## Post-Alice developments

Salesforce.com v. Virtualagility, Inc.

No. CMB2013-00024, 16 Sept 2014

Claims directed to system for project management. A computer database is created with data representing model entities of a collaborative activity. The entities are arranged in hierarchies. Data respecting the collaborative activity can be shared between different people.

An entity could be customer relationships, a management office, an organization of people. The claimed method associates one entity with another.

HOLLAND&HART 

## Post-Alice developments

U.S. Bancorp v. Solutran, Inc.

No. CMB2014-00076, 7 Aug 2014

A method for processing paper checks comprising:  
electronically receiving data including amount of purchase associated with the check's MICR information, but not a check image, captured at a merchant's point of purchase,  
creating an account for the merchant,  
receiving the paper checks, scanning them, and associating each image with the check's MICR information, and  
comparing by computer the digital images with the data to find matches.

HOLLAND & HART 

# CURRENT ISSUES IN FUNCTIONAL CLAIMING

IP Conference  
Nevada State Bar Annual Meeting  
November 14, 2014  
Jay Krause-Polstorff

# Functional Claiming

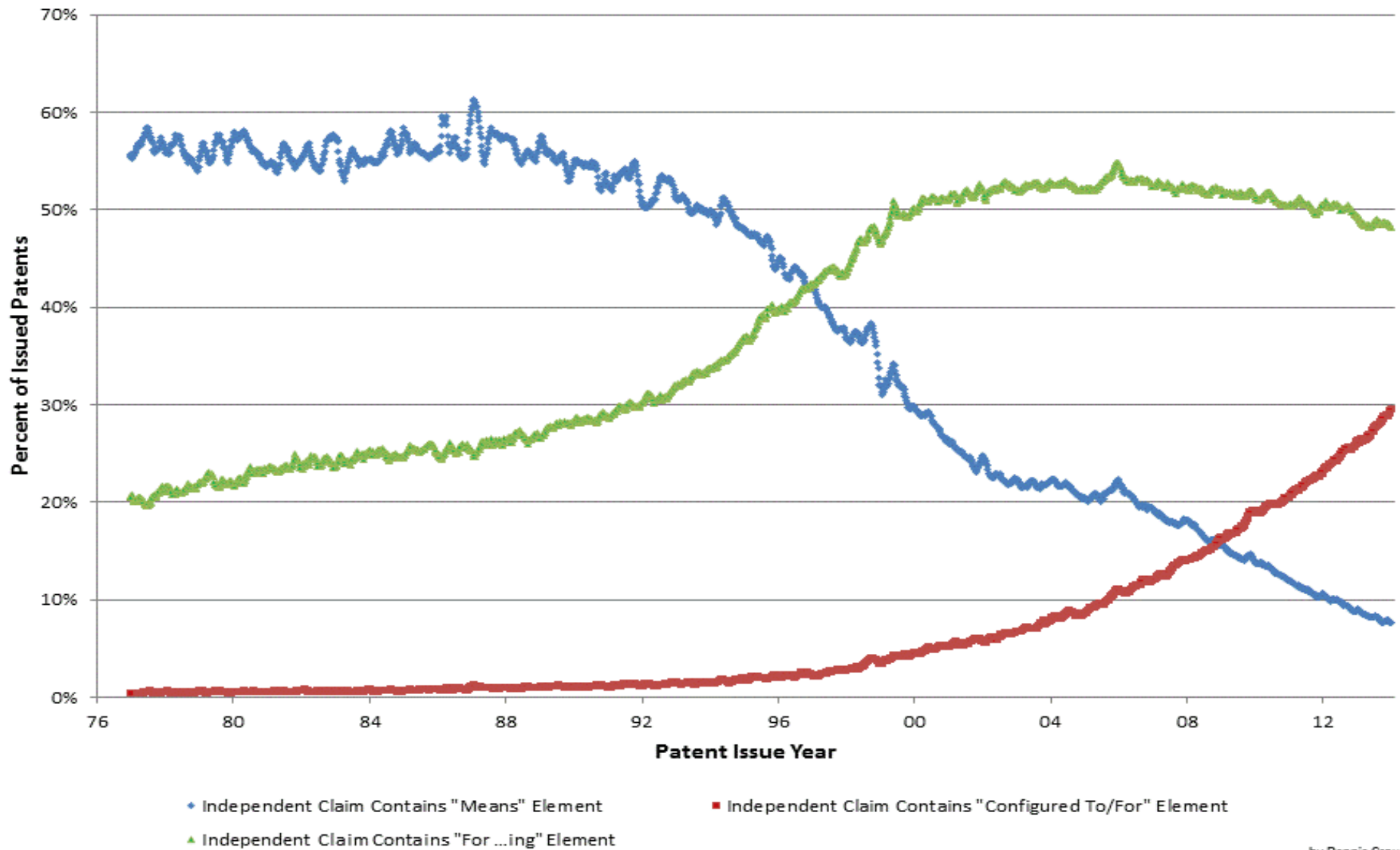
- A claim term is functional when it recites a feature by what it does rather than by what the structure is.
- Current concerns are that functional claiming results in excessive breadth – e.g. software.
- Overlap between 35 U.S.C. §112 and 35 U.S.C. §101 with respect to indefiniteness and abstract ideas impacts functional claiming.
- Functional claiming involves abstracting structure to function.

# Functional Claiming

## Some Problems

- Failure of the enablement or written description in the specification to match the broad scope of the functional claim language.
- Abstracting structure to functional language to a point at which the functional language expresses an idea.
- PTO Examiner may ignore the “functional language” in the apparatus claims.
- Indefiniteness where function is claimed without metrics.
- Unintended conversion of functional language to means + function language.
- PTAB deciding that “purely functional” claiming is not permitted.

## Functional Claim Language in Issued Patents



# Executive Actions announced June 4, 2013

- Tightening Functional Claiming
  - Clarity in Patent Claims
  - Concern about patents with overly broad claims
    - focus on software related claims
  - The PTO is providing new targeted training to its Examiners on the examination of functional claims and has developed strategies to improve claim clarity, such as incorporating glossaries into patent specifications to assist Examiners in the software arts.
  - Source: [http://www.uspto.gov/patents/init\\_events/executive\\_actions.jsp](http://www.uspto.gov/patents/init_events/executive_actions.jsp)

# USPTO Actions

- Glossary Pilot Program for
  - Runs from June 2, 2014 for six months or until PTO accepts 200 no fee petitions to make special (still accepting petitions).
  - Aim is to improve clarity in the specification of software-related applications.
  - Eligible technology areas are Technology Centers 2100, 2400, 2600 or 3600.
  - Expedited processing up to first office action.



# USPTO Actions

- To improve the examination of functional claims, the USPTO is:
  - Improving training of Examiners.
  - Working on additional strategies to improve claim clarity.

# USPTO Actions

- Training Program for all Examiners on functional claiming.
- Broadest Reasonable Interpretation (BRI) and Definiteness of § 112(f) Limitations
  - <http://www.uspto.gov/patents/law/exam/examguide.jsp>
- If § 112(f) is not invoked, then limitations from the specification are *not* imported into the claim, i.e. BRI controls.

# USPTO Actions

- Webpage identifying key PTAB decisions involving functional claiming.
  - [http://www.uspto.gov/ip/boards/bpai/decisions\\_involving\\_functional\\_claiming.jsp](http://www.uspto.gov/ip/boards/bpai/decisions_involving_functional_claiming.jsp)
- Four Precedential Opinions
  - Reviewing of functional claim language under 35 U.S.C. §112.
- Four Informative Opinions
  - Interpreting “processor for” and/or means-plus-function claim language under 35 U.S.C. §112.
- Three Representative AIA Trial Decisions
  - Interpreting functional claim language in trial matters.

# USPTO Actions

- Outreach
  - Software Partnership Meetings
    - [http://www.uspto.gov/patents/init\\_events/software\\_partnership\\_consolidated\\_slides\\_7-22-14.pptx](http://www.uspto.gov/patents/init_events/software_partnership_consolidated_slides_7-22-14.pptx)
  - AIPLA Partnering in Patents
  - Internal Focus Sessions
  - Internal Quality Review
    - Expansion of data collection capabilities to capture data on:
      - Incidence of computer-implemented functional claiming in patent applications.
      - Documentation by Examiners and Applicants of claims invoking 35 U.S.C. § 112(f).
      - Proper handling of such claims during examination.
    - Implemented a procedure to acknowledge Examiners for proper handling of functional claims.

# Federal Court Decisions

General Electric Co. v. Wabash Co.

304 U.S. 364, May 16, 1938

Halliburton Oil Well Cementing Co. v. Walker

329 U.S. 1, November 18, 1946

In Re Swinehart

58 CCPA 1027, No. 8396, April 1, 1971

In Re Schreiber

128 F.3d 1473, Fed. Cir., October 23, 1997

Massachusetts Institute of Technology v. Abacus Software

462 F.3d 1344, Fed. Cir. September 13, 2006

Halliburton Energy Services, Inc. v. M-1, LLC

514 F.3d 1244 Fed. Cir. January 25, 2008

Microprocessor Enhancement Corp. v. Texas Instruments Inc.

520 F.3d 1367, Fed. Cir., April 1, 2008

# Federal Court Decisions

In re Giannelli

739 F.3d 1375, Fed. Cir., January 13, 2014

In re Packard

751 F.3d 1307, Fed. Cir., May 6, 2014

Nautilus, Inc. v. Biosig Instruments, Inc.

134 S. Ct. 2120 , June 2, 2014

Alice Corporation Pty. Ltd. v. CLS Bank International

134 S. Ct. 2347, June 14, 2014

AbbVie Deutschland GmbH & Co. KG v. Janssen Biotech, Inc.

2014 WL 2937477, Fed. Cir., July 1, 2014

Interval Licensing LLC v. AOL, Inc.

2014 WL 4435871 Fed. Cir., September 10, 2014

McRO, Inc., d.b.a. Planet Blue v. Activision Publishing Inc., et al.

No. CV 14-336-GW(FFMx) C. D. Cal. September 22, 2014

Robert Bosch, LLC., v. Snap-On, Inc.

2014-1040, Fed. Cir., October 14, 2014

# General Electric Co. v. Wabash Co.

304 U.S. 364, May 16, 1938

- 25. A filament for electric incandescent lamps or other devices, composed substantially of tungsten and made up mainly of a number of comparatively large grains *of such size and contour as to prevent substantial sagging and offsetting* during a normal or commercially useful life for such a lamp or other device.
- “Claim 25 vividly illustrates the vice of a description in terms of function. ‘As a description of the invention, it is insufficient, and, if allowed, would extend the monopoly beyond the invention.’”
- “[T]he vice of a functional claim exists not only when a claim is ‘wholly’ functional, if that is ever true, but also when the inventor is painstaking when he recites what has already been seen, and then uses conveniently functional language at the exact point of novelty.”
- “A limited use of terms of effects or result, which accurately define the essential qualities of a product to one skilled in the art, may in some instances be permissible and even desirable, but a characteristic essential to novelty may not be distinguished from the old art solely by its tendency to remedy the problems in the art met by the patent.”

# Halliburton Oil Well Cementing Co. v. Walker

329 U.S. 1, November 18, 1946

- 1. In an apparatus for determining the location of an obstruction in a well having therein a string of assembling tubing sections inter-connected with each other by coupling collars, means communicating with said well for creating a pressure impulse in said well, echo receiving means including a pressure responsive device exposed to said well for receiving pressure impulses from the well and for measuring the lapse of time between the creation of the impulse and the arrival at said receiving means of the echo from said obstruction, and *means* associated with said pressure responsive device *for tuning said receiving means to the frequency of echoes from the tubing collars of said tubing sections* to clearly distinguish the echoes from said couplings from each other.
- “The language of the claim thus describes this most crucial element in the 'new' combination in terms of what it will do rather than in terms of its own physical characteristics or its arrangement in the new combination apparatus.”
- MPEP §2114: While features of an apparatus may be recited either structurally or functionally, claims directed to an apparatus must be distinguished from the prior art in terms of *structure rather than function*.



# Halliburton Oil Well Cementing Co. v. Walker

329 U.S. 1, November 18, 1946

- Claim in *Halliburton* uses “means-plus-function”. 35 U.S.C. §112, ¶16 was enacted by Congress in response to the Supreme Court decision.
- An element in a claim for a combination may be expressed as a means or step for performing a specified function without the recital of structure, material, or acts in support thereof, and such claim shall be construed to cover the corresponding structure, material, or acts described in the specification and equivalents thereof. 35 U.S.C. §112, ¶16 . (Pre-AIA).
- ELEMENT IN CLAIM FOR A COMBINATION.—An element in a claim for a combination may be expressed as a means or step for performing a specified function without the recital of structure, material, or acts in support thereof, and such claim shall be construed to cover the corresponding structure, material, or acts described in the specification and equivalents thereof. 35 U.S.C. §112(f). (Post AIA).
- Effectively, no change in language between pre and post AIA.

# In re Swinehart

58 CCPA 1027, No. 8396, April 1, 1971

- 24. A new composition of matter, *transparent to infra-red rays* and resistant to thermal shock, the same being a solidified melt of two components present in proportion approximately eutectic, one of said components being  $\text{BaF}_2$  and the other being  $\text{CaF}_2$ .
- PTO Board found that “Claim 24 stands rejected as improperly functional in that it distinguishes over the unsatisfactory material [prior art] ... merely in the functional term ‘transparent to infrared rays’.”
- “There is nothing intrinsically wrong with the use of such a technique [functional claiming] in drafting patent claims.”
- Claim must satisfy definiteness and enablement requirement.
- “By its own literal terms a claim employing such language [functional claim] covers any and all embodiments which perform the recited function.”

# In re Schreiber

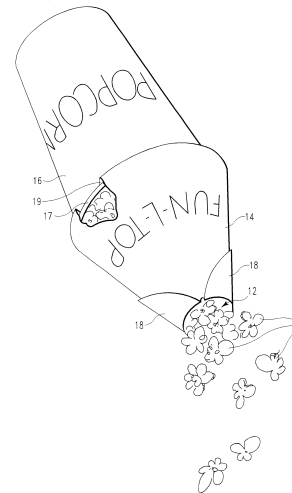
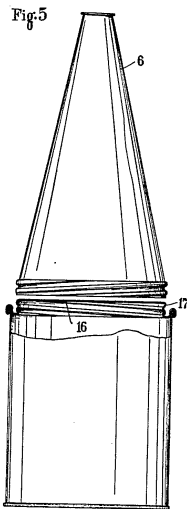
128 F.3d 1473, Fed. Cir., October 23, 1997

1. A dispensing top for passing only several kernels of a popped popcorn at a time from an open-ended container filled with popped popcorn, having a generally conical shape and an opening at each end, *the opening at the reduced end allows several kernels of popped popcorn to pass through at the same time*, and means at the enlarged end of the top to embrace the open end of the container, the taper of the top being uniform and *such as to by itself jam up the popped popcorn before the end of the cone and permit the dispensing of only a few kernels at a shake of a package when the top is mounted on the container.*

# In Re Schreiber

128 F.3d 1473, Fed. Cir., October 23, 1997

- Prior Art:
  - Spout for nozzle-ready canisters that may be tapered inward in a conical fashion.
  - Use is dispensing oil from an oil container.
- All structural limitations were found present in the prior art.



# In re Schreiber

128 F.3d 1473, Fed. Cir., October 23, 1997

- Failure to disclose in the prior art the structure for dispensing popcorn does not overcome the finding of anticipation.
- Prior art structure was only exemplary.
- Prior art opening could inherently meet the claimed recitation.
- “[W]here the Patent Office has reason to believe that a functional limitation asserted to be critical for establishing novelty in the claimed subject matter may, in fact, be an inherent characteristic of the prior art, it possesses the authority to require the applicant to prove that the subject shown to be in the prior art does not possess the characteristic relied on.”  
*In re Schreiber* quoting *In re Swinehart*.

# Massachusetts Institute of Technology v. Abacus Software

462 F.3d 1344, Fed. Cir. September 13, 2006

1. A system for reproducing a color original in a medium using a selected multiplicity of reproduction colorants, the system comprising in serial order:

a. a scanner for producing from said color original a set of three tristimulus appearance signals dependent on the colors in said original;

b. display means connected to the scanner for receiving the appearance signals and *aesthetic correction circuitry for* interactively introducing aesthetically desired alterations into said appearance signals to produce modified appearance signals; and

c. *colorant selection mechanism for* receiving said modified appearance signals and for selecting corresponding reproduction signals representing values of said reproducing colorants to produce in said medium a colorimetrically-matched reproduction.

# Massachusetts Institute of Technology v. Abacus Software

462 F.3d 1344, Fed. Cir. September 13, 2006

- Term “colorant selection mechanism” interpreted as means-plus-function language even though the term “means” is not used as insufficient structure is disclosed.
- Patentee used “mechanism” and “means” as synonyms in the specification.
- “colorant selection” not defined in the specification.
- Term “aesthetic correction circuitry for” not interpreted as means-plus-function language.
- “circuitry” by itself connotes structure.
- A claim term defined solely in functional terms, without more, falls within 35 U.S.C. §112 ¶6.

# Halliburton Energy Services, Inc. v. M-1, LLC

514 F.3d 1244 Fed. Cir., January 25, 2008

1. A method for conducting a drilling operation in a subterranean formation using a *fragile gel* drilling fluid comprising:
  - (a) an invert emulsion base;
  - (b) one or more thinners;
  - (c) one or more emulsifiers; and
  - (d) one or more weighting agents, wherein said operation includes running casing in a borehole.



# Halliburton Energy Services, Inc. v. M-1, LLC

514 F.3d 1244 Fed. Cir., January 25, 2008

- Even though appearing only in the preamble, the term “fragile gel” was used during prosecution to distinguish over prior art.
- Specification defines term “fragile gel” as follows:

A “fragile gel” as used herein is a “gel” that is easily disrupted or thinned, and that liquifies or becomes less gel-like and more liquid-like under stress, such as caused by moving the fluid, but which quickly returns to a gel when the movement or other stress is alleviated or removed, such as when circulation of the fluid is stopped, as for example when drilling is stopped. The “fragileness” of the “fragile gels” of the present invention contributes to the unique and surprising behavior and advantages of the present invention. The gels are so “fragile” that it is believed that they may be disrupted by a mere pressure wave or a compression wave during drilling. They seem to break instantaneously when disturbed, reversing from a gel back into a liquid form with minimum pressure, force and time and with less pressure, force and time than known to be required to convert prior art fluids from a gel-like state into a flowable state.

# Halliburton Energy Services, Inc. v. M-1, LLC

514 F.3d 1244 Fed. Cir., January 25, 2008

- 35 U.S.C. § 112, ¶ 2 requires that the specification of a patent “conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.”
- “The statutory requirement of particularity and distinctness in claims is met only when [the claims] clearly distinguish what is claimed from what went before in the art and clearly circumscribe what is foreclosed from future enterprise.”
- Federal Circuit applied “not amenable to construction” or “insolubly ambiguous” standard.
- “When a claim limitation is defined in purely functional terms, the task of determining whether that limitation is sufficiently definite is a difficult one that is highly dependent on context (e.g., the disclosure in the specification and the knowledge of a person of ordinary skill in the relevant art area).”

# Halliburton Energy Services, Inc. v. M-1, LLC

514 F.3d 1244 Fed. Cir., January 25, 2008

- “The fact that [the patent holder] can articulate a definition supported by the specification ... does not end the inquiry. Even if a claim term’s definition can be reduced to words, the claim is still indefinite if a person of ordinary skill in the art cannot translate the definition into meaningfully precise claim scope.”
- Quantitative metric could have been used to resolve ambiguity.

# Microprocessor Enhancement Corp. v. Texas Instruments Inc.

520 F.3d 1367, Fed. Cir., April 1, 2008

7. A pipelined processor for executing instructions comprising:

a conditional execution decision logic pipeline stage, a[t] least one instruction execution pipeline stage prior to said conditional execution decision logic pipeline stage;

at least one condition code;

.....

the conditional execution decision logic pipeline stage *performing a boolean algebraic evaluation* of the condition code and said conditional execution specifier *and producing an enable-write* with at least two states, true and false;

said enable-write when true enabling and when false *disabling the writing of instruction results* at said write pipeline stage;

.....

the conditional execution decision logic pipeline stage, when specified by the conditional execution specifier, *determining the enable-write using the boolean algebraic evaluation*; ..... .

# Microprocessor Enhancement Corp. v. Texas Instruments Inc.

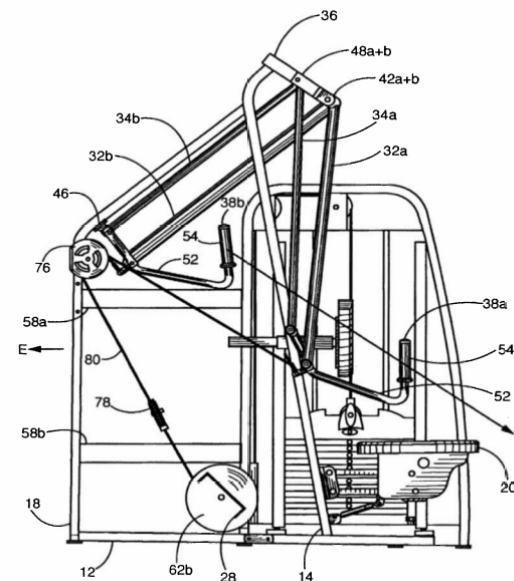
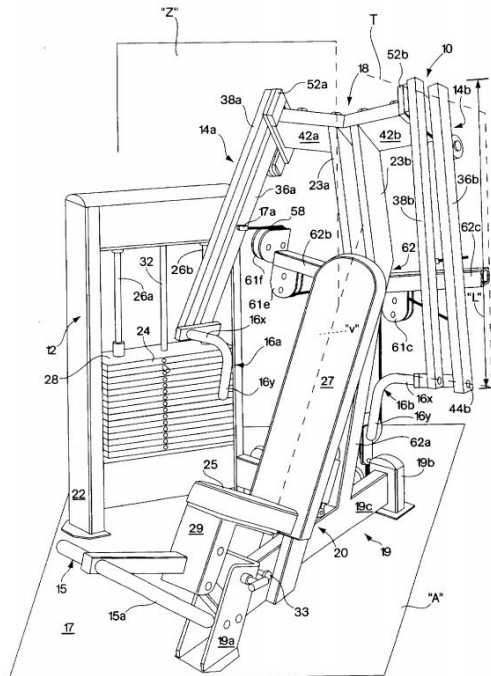
520 F.3d 1367, Fed. Cir., April 1, 2008

- Claim 7 does not cover both an apparatus and a method.
- “[A]pparatus claims are not necessarily indefinite for using functional language.”
- “Functional language may be also be employed to limit claims without using the means-plus-function format.”
- “Claim 7 ... is clearly limited to a pipelined processor possessing the recited structure and capable of performing the recited functions, and is thus not indefinite ...”

# In re Giannelli

739 F.3d 1375, Fed. Cir., January 13, 2014

1. A row exercise machine comprising an input assembly including *a first handle portion adapted to be moved from a first position to a second position by a pulling force exerted by a user on the first handle portion in a rowing motion, the input assembly defining a substantially linear path for the first handle portion from the first position to the second position.*



# In re Giannelli

739 F.3d 1375, Fed. Cir., January 13, 2014

- PTO read out the “adapted to” language in the claim under BRI standard, requiring only that if the chest press (prior art) was capable of being used for pulling in a rowing motion, then it made the rowing machine obvious.
- “Although the phrase can also mean ‘capable of’ or ‘suitable for,’ ... the written description makes clear that ‘adapted to,’ ... has a narrower meaning, viz., that the claimed machine is designed or constructed to be used as a rowing machine whereby a pulling force is exerted on the handles.”
- Functional language cannot be read out of the claims unless it is intended to mean merely “capable of” being adapted to the stated purpose.

# In re Packard

751 F.3d 1307, Fed. Cir., May 6, 2014

- Federal Circuit upheld USPTO decision rejecting “pre-issuance” claims in Packard's patent application as indefinite applying MPEP standard, “unclear.”
- MPEP § 2173.05(e):
  - A claim is indefinite when it contains words or phrases whose meaning is *unclear*.
  - If the scope of a claim would be *reasonably ascertainable* by those skilled in the art, then the claim is not indefinite.



# In re Packard

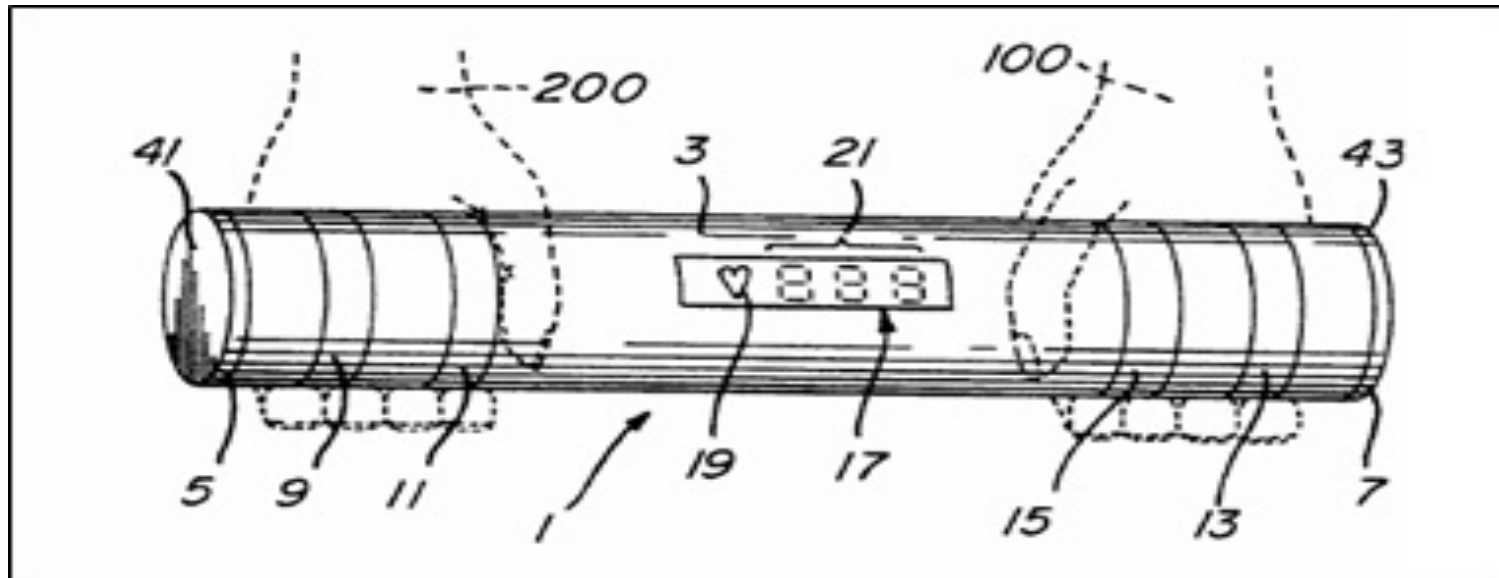
751 F.3d 1307, Fed. Cir., May 6, 2014

- Different standards for issued patents and applications.
- MPEP § 2173.02:  
Patented claims enjoy a presumption of validity and are not given the broadest reasonable interpretation during court proceedings involving infringement and validity, and can be interpreted based on a fully developed prosecution record. Accordingly, when possible, courts construe patented claims in favor of finding a valid interpretation. A court will not find a patented claim indefinite unless it is ‘insolubly ambiguous.’  
In contrast, no presumption of validity attaches before the issuance of a patent. ... In deciding whether a pending claim particularly points out and distinctly claims the subject matter, a lower threshold of ambiguity is applied during prosecution.... applicant has the ability to provide explanation and/or amend the claims to ensure that the meaning of the language is clear and definite prior to issuance.

# Nautilus, Inc. v. Biosig Instruments, Inc.

134 S. Ct. 2120, June 2, 2014

- 1. A heart rate monitor for use by a user in association with an exercise apparatus and/or exercise procedures, comprising:
  - an elongate member ... comprising a first half and a second half;
  - a first live electrode and a first common electrode mounted on said first half in *spaced relationship* with each other;
  - a second live electrode and a second common electrode mounted on said second half in *spaced relationship* with each other...



# Nautilus, Inc. v. Biosig Instruments, Inc.

134 S. Ct. 2120, June 2, 2014

- 35 U.S.C. §112 ¶2: The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.
- Federal Circuit did not find that claims using the term “spaced relationship” suffered from indefiniteness under 35 U.S.C. §112 ¶2 using its test that a claim is indefinite “only when it is ‘not amenable to construction’ or ‘insolubly ambiguous.’”
- The patent’s claim language, specification, and the figures illustrating the “spaced relationship” between the live and common electrodes are telling and provide sufficient clarity to skilled artisans as to the bounds of this term.
- Claims provided inherent parameters sufficient for a skilled artisan to understand the bounds of the term “spaced relationship.”

# Nautilus, Inc. v. Biosig Instruments, Inc.

134 S. Ct. 2120, June 2, 2014

- Supreme Court vacated and remanded saying “[t]he Federal Circuit standard which tolerates some ambiguous claims but not others, does not satisfy the statute’s definiteness requirement.
- “It cannot be sufficient that a court can ascribe *some* meaning to a patent’s claims; the definiteness inquiry trains on the understanding of a skilled artisan at the time of the patent application, not that of a court viewing matters *post hoc*.”
- On remand the Federal Circuit is to apply the Supreme Court’s test for indefiniteness: “[a] patent is invalid for indefiniteness if its claims, read in light of the patent’s specification and prosecution history, fail to inform with *reasonable certainty*, those skilled in the art about the scope of the invention.

# Nautilus, Inc. v. Biosig Instruments, Inc.

134 S. Ct. 2120, June 2, 2014

“To determine the proper office of the definiteness command, therefore, we must reconcile concerns that tug in opposite directions. Cognizant of the competing concerns, *we read §112, ¶2 to require that a patent’s claims, viewed in light of the specification and prosecution history, inform those skilled in the art about the scope of the invention with reasonable certainty. The definiteness requirement, so understood, mandates clarity, while recognizing that absolute precision is unattainable.* The standard we adopt accords with opinions of this Court stating that ‘the certainty which the law requires in patents is not greater than is reasonable, having regard to their subject matter.’”

# Nautilus, Inc. v. Biosig Instruments, Inc.

134 S. Ct. 2120, June 2, 2014

Federal Circuit's standard of "amenable to construction" or "insolubly ambiguous" for 35 U.S.C. §112, ¶2 "*can leave courts and the patent bar at sea without a reliable compass*" and "*breed lower court confusion, for they lack the precision §112, ¶2 demands*. It cannot be sufficient that a court can ascribe some meaning to a patent's claims; the definiteness inquiry trains on the understanding of a skilled artisan at the time of the patent application, not that of a court viewing matters post hoc. To tolerate imprecision just short of that rendering a claim 'insolubly ambiguous' would diminish the definiteness requirement's public-notice function and foster the innovation discouraging 'zone of uncertainty,' ... against which this Court has warned."

Footnote 10: "*Presumption of validity does not alter the degree of clarity that §112, ¶2 demands from patent applicants.*"

# Alice Corp. Pty. Ltd. v. CLS Bank Intern.

134 S. Ct. 2347, June 19, 2014

1. A data processing system to enable the exchange of an obligation between parties, the system comprising:
  - a first party device,
  - a data storage unit having stored therein
    - (a) information about a first account for a first party, independent from a second account maintained by a first exchange institution, and
    - (b) information about a third account for a second party, independent from a fourth account maintained by a second exchange institution;
  - and a computer, coupled to said data storage unit, that is *configured to*
    - (a) receive a transaction from said first party device;

# Alice Corp. Pty. Ltd. v. CLS Bank Intern.

134 S. Ct. 2347, June 19, 2014

(b) electronically adjust said first account and said third account in order to effect an exchange obligation arising from said transaction between said first party and said second party after ensuring that said first party and/or said second party have adequate value in said first account and/or said third account, respectively; and

(c) generate an instruction to said first exchange institution and/or said second exchange institution to adjust said second account and/or said fourth account in accordance with the adjustment of said first account and/or said third account, wherein said instruction being an irrevocable, time invariant obligation placed on said first exchange institution and/or said second exchange institution.



# Alice Corp. Pty. Ltd. v. CLS Bank Intern.

134 S. Ct. 2347, June 19, 2014

- 35 U.S.C. § 101 - Inventions patentable
  - Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.
- Claim 1 above was found patent ineligible under §101 along with all the remaining system, method and media claims.
- “[T]he claims at issue are drawn to the abstract idea of intermediated settlement, and that merely requiring generic computer implementation fails to transform that abstract idea into a patent-eligible invention.”

# Alice Corp. Pty. Ltd. v. CLS Bank Intern.

134 S. Ct. 2347, June 19, 2014

- “This Court has long ‘warn[ed] ... against’ interpreting §101 ‘in ways that make patent eligibility “depend simply on the draftsman’s art.””
- (i) Whether the claims are directed to patent-ineligible matter (e.g., abstract idea) and (ii) whether the claims contain an inventive concept (e.g., “additional features to ensure that the claim is more than a drafting effort designed to monopolize the abstract idea.”).

# AbbVie Deutschland GmbH & Co. KG v. Janssen Biotech, Inc.

2014 WL 2937477, Fed. Cir., July 1, 2014

- 29. A neutralizing isolated human antibody, or antigen-binding portion thereof that *binds to* human IL-12 and *disassociates from* human IL-12 with a  $k_{\text{off}}$  rate constant of  $1 \times 10^{-2} \text{ s}^{-1}$  or less, as determined by surface plasmon resonance.
- Structural distinctions:

	Stelara	J695	Joe-9
Sequence Similarity	50%	90%	90%
CDR Length	Different	Identical	Identical
Epitope Binding Site	Side Binder	Bottom Binder	Bottom Binder
V <sub>H</sub> Family	V <sub>H</sub> 5	V <sub>H</sub> 3	V <sub>H</sub> 3
Light Chain Type	Kappa	Lambda	Lambda

# AbbVie Deutschland GmbH & Co. KG v. Janssen Biotech, Inc.

2014 WL 2937477, Fed. Cir., July 1, 2014

- 35 U.S.C. §112 ¶1: The specification shall contain a written description of the invention, and of the manner and process of making and using it, 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 shall set forth the best mode contemplated by the inventor of carrying out his invention.
- “The  $k_{\text{off}}$  rate is merely a desired result, rather than the actual means for achieving that result.”

# AbbVie Deutschland GmbH & Co. KG v. Janssen Biotech, Inc.

2014 WL 2937477, Fed. Cir., July 1, 2014

- “Functionally defined genus claims can be inherently vulnerable to invalidity challenge for lack of written description, especially in technology fields that are highly unpredictable, where it is difficult to establish a correlation between structure and function for the whole genus or to predict what would be covered by the functionally covered genus.
- “[Invalid] for lack of an adequate written description of the claimed genus ...”

# Interval Licensing LLC v. AOL, Inc.

2014 WL 4435871, Fed. Cir., September 10, 2014

7. A content display system for engaging the peripheral attention of a person in the vicinity of a display device located in the same physical location as the content display system, comprising:

data acquisition apparatus that enables acquisition of a set of content data;

display apparatus that *effects selective display* on the display device, *in an unobtrusive manner that does not distract* a user of the display device or an apparatus associated with the display device from a primary interaction with the display device or apparatus, of an image or images generated from the set of content data;

user input apparatus that enables selection by a user of one or more control options during the selective display of the image or images generated from the set of content data; and

a system control device that controls aspects of the operation of the system in accordance with a selected control option;

# Interval Licensing LLC v. AOL, Inc.

2014 WL 4435871, Fed. Cir., September 10, 2014

wherein the set of content data is selected from a plurality of sets of content data, each set being provided by an associated content provider, wherein each associated content provider is located in a different physical location than at least one other content provider and each content provider provides its content data to the content display system independently of each other content provider and without the content data being aggregated at a common physical location remote from the content display system prior to being provided to the content display system, and wherein for each set the respective content provider may provide scheduling instructions tailored to the set of content data to control at least one of the duration, sequencing, and timing of the display of said image or images generated from the set of content data.

# Interval Licensing LLC v. AOL, Inc.

2014 WL 4435871, Fed. Cir., September 10, 2014

- Lack of reasonable certainty standard applied.  
“Fail[s] to inform, with reasonable certainty, those skilled in the art about the scope of the invention.”
- A term of degree is not prohibited *per se* under Nautilus, since the Supreme Court recognized that “absolute precision” is not possible.
  - Claims must give “objective boundaries for those of skill in the art.” This condition is not met if one cannot make an “informed and confident choice” among possible interpretations, so that interpretation depends on “the unpredictable vagaries of any one person’s opinion.”
- “wallpaper” v. “savesaver” embodiment?
- Court refused to narrow “unobtrusive manner” clause to a specific example in the description (“information presented in areas of a display screen that are not used” i.e. pop-up window), despite the invention summary linking this exemplary embodiment to the “unobtrusive manner” language.



# Interval Licensing LLC v. AOL, Inc.

2014 WL 4435871, Fed. Cir., September 10, 2014

- “We decline to cull out a single ‘e.g.’ phrase from a lengthy written description to serve as the exclusive definition of a facially subjective claim term.”
- “Had the phrase been cast as a definition instead of as an example—if the phrase [‘unobtrusive manner’] had been preceded by ‘i.e.’ instead of ‘e.g.’—then it would help provide the clarity that the specification lacks.
- “With this lone example, a skilled artisan is still left to wonder what other forms of display are unobtrusive and non-distracting.”
- “What if a displayed image takes up 20% of the screen space occupied by the primary application with which the user is interacting? Is the image unobtrusive? “
- Metric providing maximum percentage of display that displayed image can occupy and still be “unobtrusive” might have been helpful.

# McRO, Inc., d.b.a. Planet Blue v. Activision Publishing Inc., et al.

No. CV 14-336-GW(FFMx) C. D. Cal. September 22, 2014

14. An apparatus for automatically animating lip synchronization and facial expression of three-dimensional characters comprising:

a computer system;

a first set of rules in said computer system, said *first set of rules defining output morph weight set stream as a function of phoneme sequence and time of said phoneme sequence*;

a timed data file readable by said computer system, said timed data file having phonemes with a plurality of sub-sequences;

means, in said computer system, *for generating* an intermediate stream of output morph weight sets and *a plurality of transition parameters* between two adjacent morph weight sets by evaluating said plurality of sub-sequences against said first set of rules;

means, in said computer system, for generating a final stream of output morph weight sets at a desired frame rate from said intermediate stream of output morph weight sets and said plurality of transition parameters; and

means, in said computer system, for applying said final stream of output morph weight sets to a sequence of animated characters to produce lip synchronization and facial expression control of said animated characters.

# McRO, Inc., d.b.a. Planet Blue v. Activision Publishing Inc., et al.

No. CV 14-336-GW(FFMx) C. D. Cal. September 22, 2014

- Rule 12b(c) motion same standard as Rule 12b(6).
- Previously, an artist manually set the morph weights at certain important key frames and the computer interpolated the frames between the keyframes.
- Rules replace artists but according to patent user must manually set up default correspondence rules that “specify the durational information needed to generate appropriate transitional curves between morph weight sets, such as transition start and end times.”
- “An abstract idea is the extreme case of functional language.”
- “[W]here a claim recites tangible steps, but *the only new part of the claim is an abstract idea*, that may constitute a claim to an abstract idea.”
- Similar to using only functional claiming at the point of novelty.

# Robert Bosch, LLC., v. Snap-On, Inc.

2014-1040, Fed. Cir., October 14, 2014

1. An external diagnostic tester for motor vehicles, the motor vehicles having programmable control units with self-diagnostic means, wherein the control units can be connected to the external diagnostic tester via a diagnostic/test plug in the motor vehicle, the external diagnostic tester comprising, *a program recognition and program loading device*, wherein a program version contained in a connected control unit is queried and recognized by means of the *program recognition device*, and, if the program available in the motor vehicle and recognized via the diagnostic/test plug is not stored there in a latest and most current version, a respective most current version is loaded by the *program loading device* into a program storage device of the pertinent control unit of the motor vehicle, wherein the external diagnostic tester automatically establishes communication with a central data base in order to check the program version and, if necessary, to obtain the current program version that applies for the control unit connected to the diagnostic tester and to store it there.

# Robert Bosch, LLC., v. Snap-On, Inc.

2014-1040, Fed. Cir., October 14, 2014

- Functional Claim elements are interpreted under 35 U.S.C. §112(f).
- A functional claim element is one that recites a functional limitation without “reciting sufficient structure for performing that function” or that fails to “recite sufficiently definite structure.”
- Elements that do not use the word “means” have a strong presumption that they are structural.
- The claim terms “program recognition device” and “program loading device” have no structure other than the “nonce” word “device”.
- Claim terms lack structure so the terms fall under the rules of §112(f).
- “[I]n the limited number of instances that the specification even mentions these claim terms, it offers no further guidance about their structures. Therefore, we conclude that ‘program recognition device’ and ‘program loading device’ are indefinite.”

# Board Decisions

Ex Parte Miyazaki

89 USPQ2d 1207, BPAI, November 19, 2008

Ex Parte Rodriguez

92 USPQ2d 1395, BPAI, October 1, 2009

Ex Parte Lakkala

2013 WL 1341108, PTAB, March 13, 2013

Ex Parte Erol

Appeal No. 2011 - 001143, PTAB, March 13, 2013

Ex Parte Smith

Appeal No. 2012 - 007631, PTAB, March 14, 2013

Ex Parte Ashraf

Appeal No. 2011 - 009994, PTAB, February 20, 2014

Ex Parte Suuronen

Appeal No. 2011 – 008892, PTAB, April 24, 2014

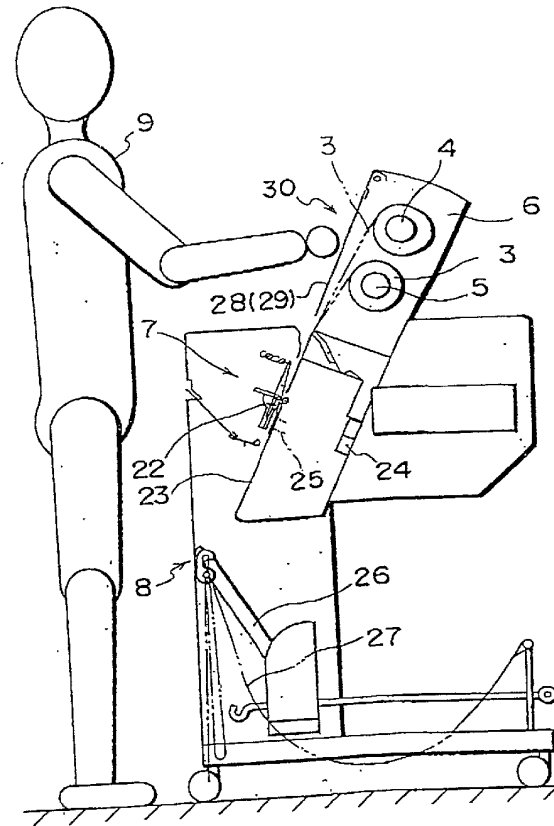
Ex Parte Cutlip

Appeal No. 2011 – 0011658, PTAB, June 2, 2014

# Ex Parte Miyazaki

89 USPQ2d 1207, BPAI, November 19, 2008

15. A large printer comprising:  
a *sheet feeding area operable to feed at least one roll of paper, at least one sheet of paper and at least one stiff carton toward a printing unit at which printing is performed thereon; and*  
a cover member, which covers a first feeding path for the roll of paper from above, and which supports at least one of the sheet of paper and the stiff carton from below to constitute a part of a second feeding path for the sheet of paper, wherein the cover member extends linearly from an upstream portion thereof to a downstream portion thereof in connection with a direction in which at least one of the sheet of paper and the stiff carton is fed at the sheet feeding area, and wherein the cover member is disposed between at least one of the sheet of paper and the stiff carton and the roll of paper at a location in the sheet feeding area at which the roll of paper is in a rolled shape.



# Ex Parte Miyazaki

89 USPQ2d 1207, BPAI, November 19, 2008

- “‘sheet feeding area operable to feed ...’ is a purely functional recitation with no limitation of structure.”
- [T]he Supreme Court’s Halliburton case remains viable for claims having purely functional claim language which is unlimited either by (1) the application of 35 U.S.C. § 112, sixth paragraph, or (2) the additional recitation of structure.”
- “[C]laims 15 and 26, which recite ‘a sheet feeding area operable to feed ...,’ violate the rule set forth in Halliburton, because the claims are not limited by the application of 35 U.S.C. § 112, sixth paragraph, and they do not contain any additional recitation of structure. As such, these claims are unpatentable under 35 U.S.C. § 112, first paragraph, for lack of an enabling disclosure commensurate with the scope of the claims.”
- “Purely functional claim language is now permissible but only under the conditions of 35 U.S.C. § 112, sixth paragraph.”
- “if a claim is amenable to two or more plausible claim constructions, the USPTO is justified in [rejecting the claim as indefinite].”



# Ex Parte Rodriguez

92 USPQ2d 1395, BPAI, October 1, 2009

1. An apparatus comprising:

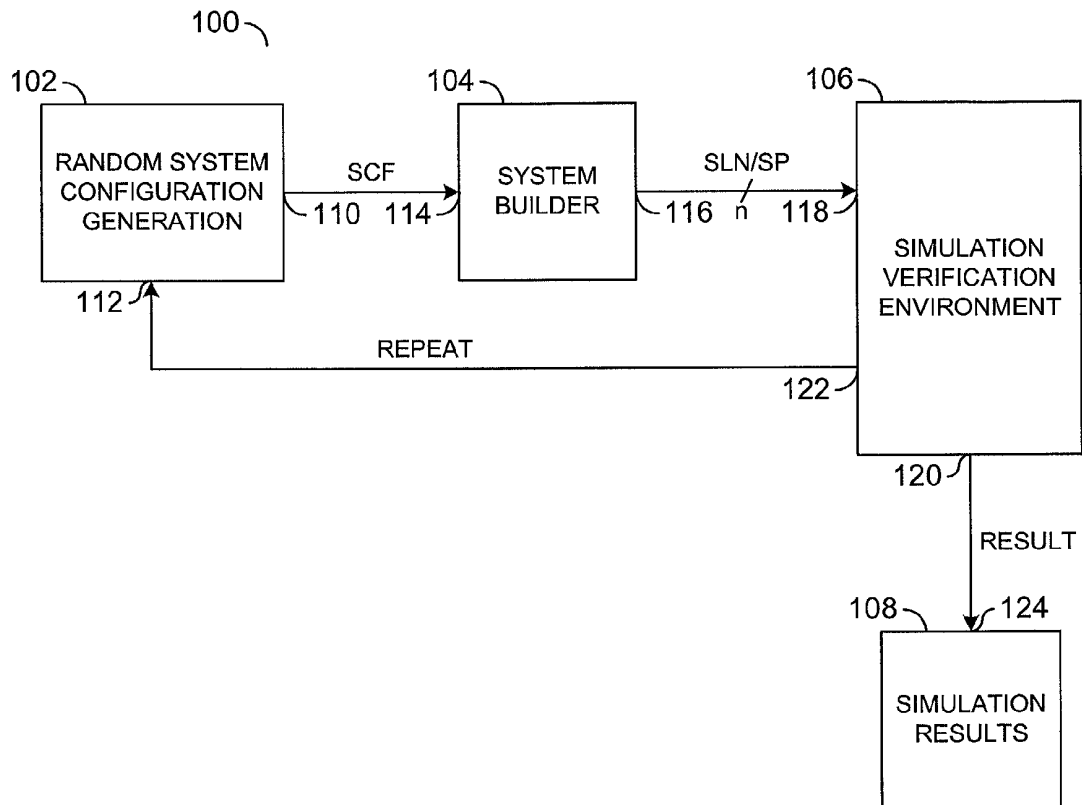
*a system configuration generator configured to generate a random system configuration file of a structurally variable and complex system;*

*a system builder configured to (i) build a system level netlist and (ii) generate system parameters in response to said random system configuration file; and*

*a simulation verification environment configured to verify said structurally variable and complex system in response to said system level netlist, wherein said simulation verification environment is configured to provide automatic random verification of said structurally variable and complex system in response to said random system configuration file.*

# Ex Parte Rodriguez

92 USPQ2d 1395, BPAI, October 1, 2009



# Ex Parte Rodriguez

92 USPQ2d 1395, BPAI, October 1, 2009

- “[C]laim elements are purely functional.”
- “[T]he claims include functional elements which are not limited by the application of 35 U.S.C. § 112, sixth paragraph and do not contain any additional recitation of structure ...”
- The scope of the functional claim language of claim 1 is so broad that it includes all structures or means that can perform the function.” enablement rejection for the scope of the claims.
- Claim 1 also rejected for indefiniteness under an alternative means plus function interpretation for failure to disclose any corresponding structure in the specification.

# Ex Parte Lakkala

2013 WL 1341108, PTAB, March 13, 2013

27. A user device, comprising:

[(a)] a memory device for storing a program; and

[(b)] a processor in communication with the memory device, the *processor is configured with the program to:*

[(i)] control receiving a message of an event at the user device;

[(ii)] control at the user device creation of metadata relating to the event in response to the received message of the event and control storing the created metadata in the memory device;

[(iii)] control collection of content data in response to the received message of the event to generate a content data set relating to the message of the event; and

[(iv)] control adding of the created metadata to the content data set.

# Ex Parte Lakkala

2013 WL 1341108, PTAB, March 13, 2013

- [W]e construe ‘a processor . . . configured . . . to’ perform various control functions, as recited in independent claim 27, as a “means-plus-function” limitation subject to 35 U.S.C. § 112, sixth paragraph, and conclude that the Specification’s failure to disclose an algorithm corresponding to the recited functions renders the claim indefinite under 35 U.S.C. § 112, second paragraph.
- “[W]e conclude that a skilled artisan would not recognize ‘processor’ as the name of a sufficiently definite structure for performing the control functions recited by the ‘processor’ limitation.
- Claim invalid because insufficient corresponding structure was disclosed in the specification for the means-plus-function language.

# Ex Parte Erol

Appeal 2011-001143, PTAB, March 13, 2013

18. A system comprising: a reader adapted to read a machine readable identifier; and

*a processor adapted to:*

determine, from the machine readable identifier, a first object descriptor associated with an object, the first object descriptor specifying one or more features of content within the object;

determine a set of one or more objects from digital media content;

generate an object descriptor for each object in the set of objects, each object descriptor specifying one or more features of content within an object from the set;

identify at least one object descriptor from the object descriptors determined for the set of objects that matches the first object descriptor determined from the machine readable identifier; and

*perform* an action in response to identifying the at least one object descriptor that matches the first object descriptor.

# Ex Parte Erol

Appeal 2011-001143, PTAB, March 13, 2013

- “processor adapted to” invokes §112 ¶6 and is means plus function language.
- “The structure corresponding to a 35 U.S.C. § 112, sixth paragraph, claim limitation for a computer-implemented function must include the algorithm needed to transform the general purpose computer or processor disclosed in the specification into the special purpose computer programmed to perform the disclosed algorithm. Aristocrat, 521 F.3d at 1333.”
- “Specification does not disclose sufficient structure, in the form of a general purpose processor and an algorithm ... as required by Aristocrat Techs. Australia Pty Ltd. v. Int’l Game Tech., 521 F.3d 1328 (Fed. Cir 2008).”
- “[w]e find that the “processor” recited in claim 18 is a non-structural term that would not be recognized by a skilled artisan as the name of a sufficiently definite structure for implementing the “perform” function recited above.”

# Ex Parte Smith

Appeal No. 2012 - 007631, PTAB, March 14, 2013

1. A computer system comprising:  
memory; and  
a processor in communication with the memory, the *processor programmed to*:  
receive, from a user, a first review of an asset;  
store the first review of the asset in association with a user identifier in a memory device;  
receive, from the user, a second review of the asset;  
store the second review in association with the first review and the user identifier in a memory device; and  
generate an opinion timeline for the asset for the user associated with the user identifier.



# Ex Parte Smith

Appeal No. 2012 - 007631, PTAB, March 14, 2014

- “[W]e consider how an ordinarily skilled artisan would understand the term ‘processor’ as used in claim 1. Based on our review of dictionary definitions, we conclude that a skilled artisan would not recognize ‘processor’ as the name of a sufficiently definite structure for generating an opinion timeline and performing the other functions recited by the ‘processor’ limitation. Rather, a person skilled in the art of computer programming would recognize the term ‘processor’ to mean a general purpose computer, a central processing unit (‘CPU’), or a program that translates another program into a form acceptable by the computer being used.”
- “[W]e construe ‘a processor ... programmed to ... generate an opinion timeline for the asset for the user associated with the user identifier’ as recited in independent claim 1, as a ‘means-plus-function’ limitation subject to 35 U.S.C. § 112, sixth paragraph, and conclude that the Specification’s failure to disclose an algorithm corresponding to the recited function renders the claim indefinite under 35 U.S.C. § 112, second paragraph.”

# Ex Parte Ashraf

Appeal 2011 - 009994, PTAB, February 20, 2014

5. A wireless communications assembly, comprising:  
a visitor location register configured to register a visiting mobile subscriber that is visiting a visitor network, the visitor location register being *configured to* access a profile of the visiting mobile subscriber including an indication of any wireless communication features available to the visiting mobile subscriber that is stored on a mobile station used by the mobile subscriber;  
the visitor network being *configured to* locally set up a call between another subscriber and the visiting mobile subscriber by using the accessed visiting mobile subscriber profile from the mobile station.

# Ex Parte Ashraf

Appeal 2011 - 009994, PTAB, February 20, 2014

- “The recitation ‘configured to’ is nonfunctional claim language, which is not entitled to any patentable weight. See *Superior Indus., Inc. v. Masaba, Inc.*, 2014 WL 163046 at \*5 (Fed. Cir. Jan. 16, 2014) (Rader, C.J., concurring) (stating ‘[A] system claim generally covers what the system is, not what the system does...’).”
- Single sentence in a concurring opinion
- *Superior Indus.* is a nonprecedential decision.

# Ex Parte Suuronen

Appeal No. 2011 – 008892, PTAB, April 24, 2014

1. An apparatus comprising:

a firewall *configured to*:

receive data packets over a first network;

classify the received data packets based on the contents of the data packets into packets of a first type which cannot contain a virus and packets of a second type which can contain a virus, wherein classifying the received data packets includes determining whether at least one of the data packets includes content for a real-time audio or video data stream;

forward the data packets of the first type to a destination without testing by a virus scanning engine and without transmission of the data packets to the virus scanning engine; and

forward the data packets of the second type to a virus scanning engine for testing.

# Ex Parte Suuronen

Appeal No. 2011 – 008892, PTAB, April 24, 2014

- “[C]laim 1 is directed to an ‘apparatus’ and merely requires a ‘firewall’ with the intended purpose of being ‘configured to’ classify and forward data packets. The intended purpose of the firewall configured to classify and forward data packets does not limit the scope of the claim because the intended purpose merely defines a context in which the invention operates.”
- Since claim 1 does not positively recite classifying by the firewall or any other element, claim 1 also does not positively recite ‘wherein classifying’ includes ‘determining’ whether the data packets include content for real-time audio or video data stream.

# Ex Parte Cutlip

Appeal No. 2011 – 0011658, PTAB, June 2, 2014

7. A system for creating a modified ontological model of a business process comprising:

*a processor* and a memory configured to provide computer program instructions to the processor;

*a module* to read ontological data from a data source corresponding to sub-process sets of the business process, each sub-process set comprising at least one service;

*a module* to generate a first ontological model from the read ontological data;

*a module* to read performance characteristics for at least one service;

*a module* to read real time or near real time knowledge information regarding resources of a system for executing the business process; and

*a module* to generate a modified ontological model from the read performance characteristics and the real time or near real time system resource knowledge information.

# Ex Parte Cutlip

Appeal No. 2011 – 0011658, PTAB, June 2, 2014

- Claim 7 subject to §101 rejection.
- Examiner: [T]he five “module[s]” recited by claim 7 may be directed solely to software embodiments when given the broadest reasonable meaning of the term “module” in its ordinary usage as it would be understood by one of ordinary skill in the art, taking into account whatever enlightenment by way of definitions or otherwise that may be afforded by the written description contained in the Appellants’ Specification, and as such, reasonably broadly cover software *per se*.
- Claim 7 also recites a processor and a memory.

# Ex Parte Cutlip

Appeal No. 2011 – 0011658, PTAB, June 2, 2014

- “[T]he claimed processor and memory, *very clearly refer to structural elements*, which Appellants’ Specification discloses are used to implement the functionality recited by the claimed modules.
- “[C]omputer program instructions may be provided to a processor of a general purpose computer, special purpose computer, or other programmable data processing apparatus to produce a machine, such that the instructions, which execute via the processor of the computer or other programmable data processing apparatus, create means for implementing the functions/acts specified in the flowchart and/or block diagram block or blocks.”



# Practice Suggestions

- Consider having a glossary in the written description if you have a software related application.
- Weigh inclusion of a glossary to avoid potential indefiniteness against the potential consequences of having a glossary in litigation.
- Avoid purely functional language that is not means-plus-function (statutory exception to Halliburton).
  - Do not use purely functional language such as “configuration generator configured to generate” or “verification environment configured to verify”.
  - Instead consider “means for generating” or “means for verifying” with corresponding structure disclosed in the written description to provide a 35 U.S.C. §112(f) safe harbor.
  - Consider “circuitry for generating” etc. if applicable.
- Consider if purely functional language is being used at the point of novelty.
  - If the purely functional language is being used at the point of novelty, claim the point of novelty with more structure in at least some of the claims.
- If specific features are broadly claimed functionally, is the full scope of the claim described and enabled by the specification?

# Practice Suggestions

- If the independent claim uses broad functional language include dependent claims that recite structure for performing the recited functions.
  - Ensure that specification includes specific structures instead of only “black boxes”.
- Avoid non-standard terms before “configured to” or “adapted to” such as “*colorant selection mechanism*” that may trigger §112.
  - Use standard structural language such as “brake” instead of “stopping mechanism” or functional language that is well known such as “detector” or “detent element”.
- Use “configured to” instead of “adapted to” as the latter may be construed more broadly.
- Avoid unintended invocation of means-plus-function terminology.
- Avoid claiming functions without metrics to measure the functionality – “fragile”.

# Howard & Howard

law for business®

## *Standard Essential Patents & Reasonable and Non-Discriminatory Terms*

Presented by:

David C. Van Dyke

[dvd@h2law.com](mailto:dvd@h2law.com)

(312) 372-4000



**DISCLAIMER:** This presentation does not constitute legal advice or a legal opinion on any matter discussed. This presentation is for educational purposes only. If you have a specific legal question, please consult with an attorney of your own choice.

## Howard & Howard Attorneys

Founded in 1869, Howard & Howard is a full-service law firm with a national and international practice that provides specialized legal services to businesses and business owners. The firm has offices in Michigan (Metropolitan Detroit and Ann Arbor); Illinois (Chicago and Peoria); and Las Vegas, Nevada.

More than one third of our lawyers had business careers before choosing to become lawyers, which means we have more lawyers with **first-hand business experience** than other firms our size. In fact, we operate our firm as a business. That perspective is valuable to our clients--coming from business makes working for business second nature to us. This is what sets Howard & Howard apart from a generalist law firm, and what elevates us to the level of trusted legal and business advisor for each client. We understand what you need for your business: **responsive, results-oriented advisors**.

Areas of Practice:



Mergers & Acquisitions



Commercial Litigation



Intellectual Property

## Office Locations



**ANN ARBOR, MI**  
One North Main Building, Suite 410  
101 North Main Street  
Ann Arbor, MI 48104-1475  
Phone: (734) 222-1483



**CHICAGO, IL**  
200 South Michigan Ave  
Suite 1100  
Chicago, IL 60604-2461  
Phone: (312) 372-4000



**LAS VEGAS, NV**  
Wells Fargo Tower, Suite 1000  
3800 Howard Hughes Parkway  
Las Vegas, NV 89169-5980  
Phone: (702) 257-1483



**PEORIA, IL**  
One Technology Plaza, Suite 600  
211 Fulton Street  
Peoria, IL 61602-1350  
Phone: (309) 672-1483



**ROYAL OAK, MI**  
450 West Fourth Street  
Royal Oak, MI 48067-2557  
Phone: (248) 645-1483

## Overview

- Standard Essential Patents
- (Fair) Reasonable and Non-Discriminatory Rate (“RAND” or “FRAND”)
- Recent Developments
- Impact & Opportunities
- Q&A

# Standard Essential Patents

- **Standard Setting Organizations:**
  - Develop industry standards
  
- **Industry Standards:**
  - Allow interoperability
  - End competition between competing technologies
  - Bestow market monopoly on SEPs

# RAND/FRAND License Terms

- (Fair) Reasonable and Non-Discriminatory License Terms
- SSO participants commit to license patents on RAND/FRAND terms
- RAND Requirements:
  - Cap the market power conferred by SSOs
  - Balance interests of patentees (innovators) and licensees (implementers)
  - Prevent hold-up by SEP holder
  - Encourage innovation because adoption as a SEP ensures return on innovative efforts

## RAND Disputes

- Early RAND Disputes
  - Disputes focused on the standard setting process
  - *Unocal, Qualcomm, Rambus, N-Data*
- Later RAND Disputes
  - Strategic use of SEP
  - Enforcement of FRAND/RAND commitments

## Recent RAND Rulings

- ***Apple Inc. v. Motorola, Inc.* (N.D. Ill., June 2012)**
  - Judge Posner, sitting by designation
  - Finds that Apple, as an implementer, is a third-party beneficiary to SSO promise
  - Injunctions inconsistent with SEP purpose
  - Damages should be measured based on *ex ante* value, not *ex post* market holdup
  - No evidence that damages royalty of 0.9% - 1.125% consistent with FRAND

## Recent RAND Rulings

- *Microsoft Corp. v. Motorola, Inc.* (W.D. Wash., April 2013)
  - FRAND requires good faith offer from the SEP holder
  - FRAND determined by “modified” *Georgia-Pacific* analysis
  - FRAND determination:
    - Separate from value of the standard
    - Relative to other patents in the standard
    - Relative to other standards in the product
    - Taking into account alternatives technologies, comparable licenses, and royalty stacking
  - FRAND rate: H.264 (0.555 cents); 802.11 (3.471 cents)

## Recent RAND Rulings

- *RealTek Semi., Corp. v. LSI Corp.* (N.D. Cal., May 2013)
  - SEP holder must offer FRAND license before seeking injunction
  - Court enjoined enforcement of an ITC exclusion order
  - Jury verdict
    - FRAND rate (2 patents) = 0.19% of total sales price for WiFi chip
    - Estimated to be 0.19 to 0.33 cents per chip
    - Realtek awarded monetary damages for defending ITC case on a breach of contract claim

## Recent RAND Rulings

- *In re Innovatio IP Ventures, LLC* (N.D. Ill. Jul. 26, 2013)
  - First case to determine if a patent (claim) is essential
  - Defendant (*not patentee*) bears the burden of establishing a RAND commitment with respect to each patent claim
  - Each patent claim needs to be evaluated for “essentiality”
  
- *In re Innovatio IP Ventures, LLC*, (N.D. Ill. Oct. 3, 2013)
  - *Innovatio II* focused on determining a royalty rate
  - What is the “smallest saleable unit”?
  - Net profit can be a “ceiling” for a RAND royalty rate
  - RAND rate for 19 SEPs = \$0.0956 per Wi-Fi chip

## Litigation Considerations

- Prior to filing:
  - Disclosure to SSO
  - Pre-suit license negotiations
  - Remedy:
    - Injunctions for SEPs should be rare
    - Royalty rate



## Injunctions

- Injunctive relief in cases “involving [FRAND]-encumbered SEPs, where infringement is based on implementation of standardized technology, has the potential to cause substantial harm to U.S. competition, consumers and innovation.”
  - FTC Statement on the Public Interest, Certain Wireless Communication Devices, ITC Inv. No. 337-TA-745 (June 6, 2012).
- “An exclusion order may still be an appropriate remedy in some circumstances, such as where the putative licensee is unable or refuses to take a FRAND license and is acting outside the scope of the patent holder’s commitment to license on FRAND terms.”
  - Aug. 3, 2013, Letter from Ambassador Froman regarding “Disapproval of the U.S. International Trade Commission’s Determination in the Matter of Certain Electronic Devices, Including Wireless Communication Devices, Portable Music and Data Processing Devices, and Tablet Computers, Investigation No. 337-TA-794.”

## Litigation Considerations

- Reciprocity limited to SEPs for same standard
- Defensive discovery tactics
- SEPs may have been overvalued
- Appropriate remedy
  - Unenforceability – Disclosure v. Licensing
  - Damages – RAND rate

## Litigation Challenges

- FRAND offer v. FRAND license?
- What is an “unwilling licensee”?
- Standards with alternatives?
- Royalty base?
- Remedy?

## Q&A

# Copyright Update

**Marketa Trimble**

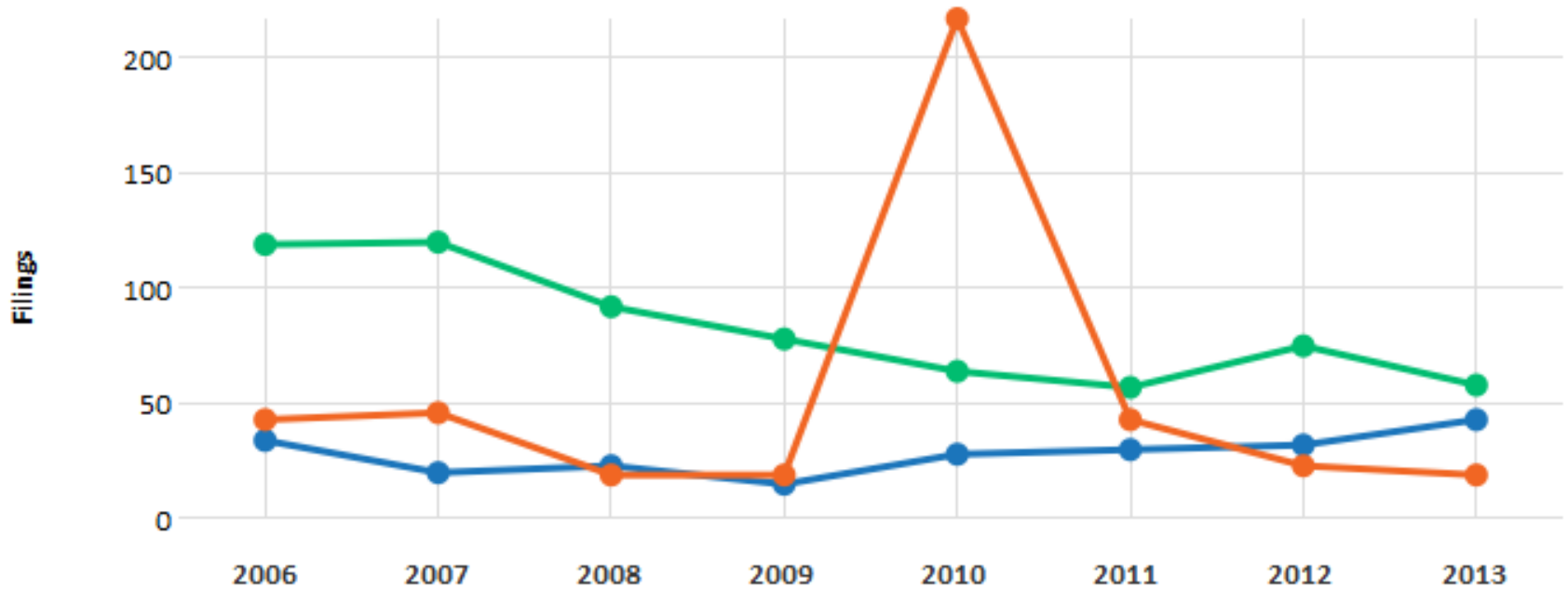
Associate Professor of Law  
William S. Boyd School of Law

Nevada Bar Intellectual Property Law Section  
Intellectual Property Law Conference  
November 14, 2014

- 1. Statistical Update**
- 2. Supreme Court Decisions and Other Significant Copyright Decisions in the Last Year**
- 3. Pending Legislation**
- 4. Pending Initiatives of the U.S. Copyright Office**
- 5. Cross-Border Enforcement**

# 1. Statistical Update

## Patent, Trademark, and Copyright Cases Filed in the U.S. District Court for the District of Nevada in 2006 – 2013

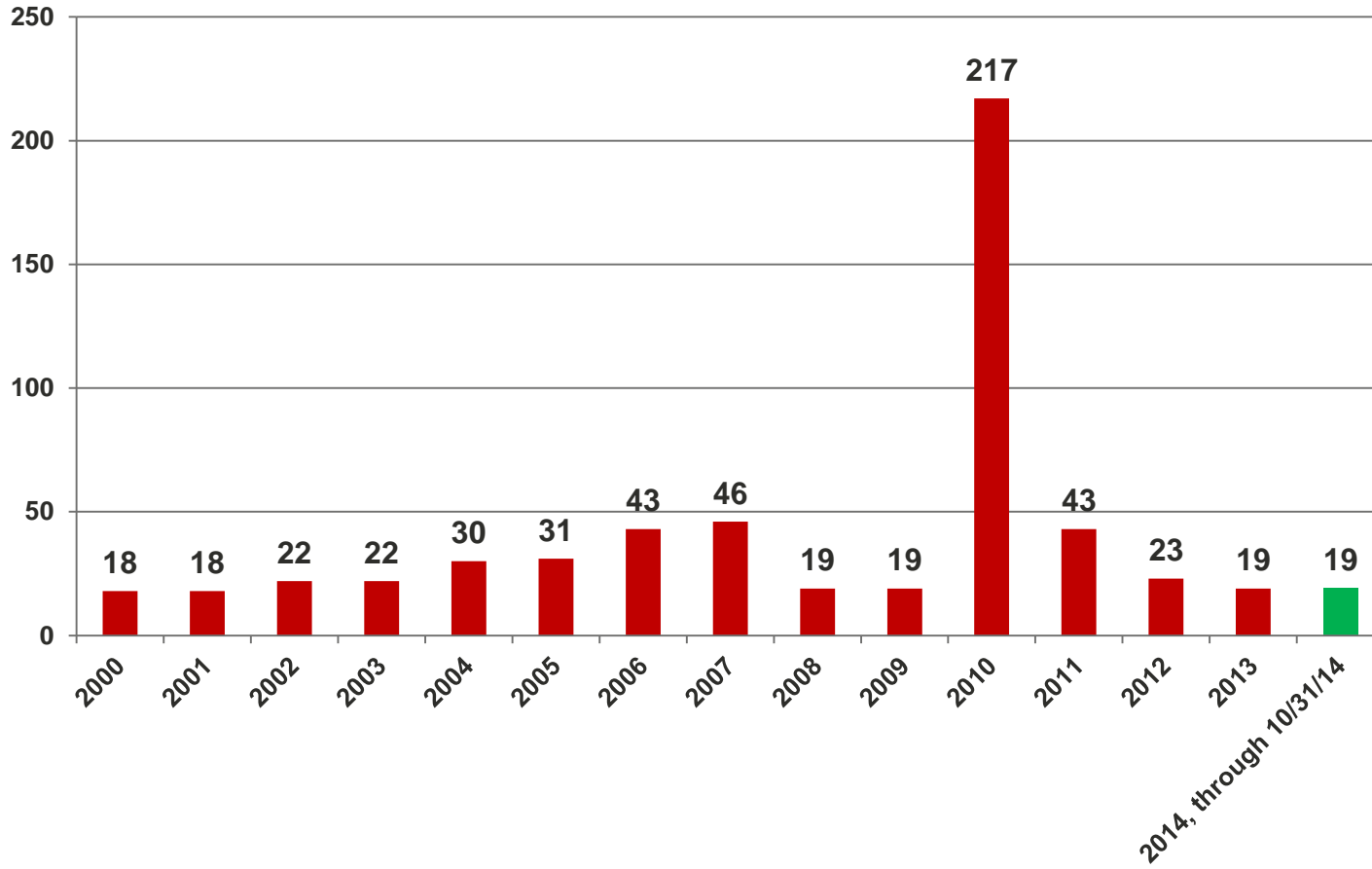


Graph and table by Lex Machina, <https://lexmachina.com/>

Patent	34	20	23	15	28	30	32	43
Trademark	119	120	92	78	64	57	75	58
Copyright	43	46	19	19	217	43	23	19

## 1. Statistical Update

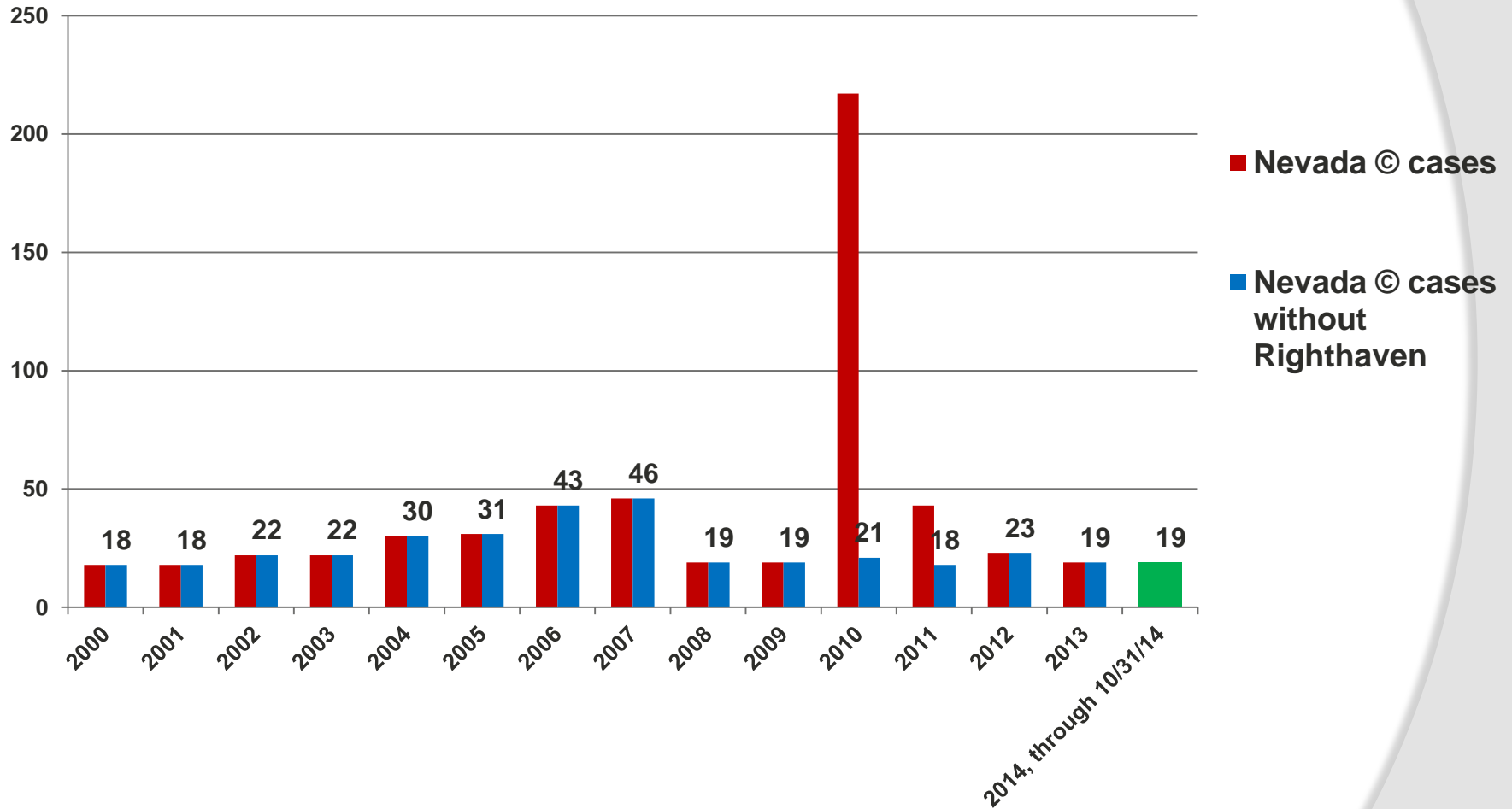
### Copyright Cases Filed in the U.S. District Court for the District of Nevada January 1, 2000 – October 31, 2014



Data by Lex Machina, <https://lexmachina.com/>

# 1. Statistical Update

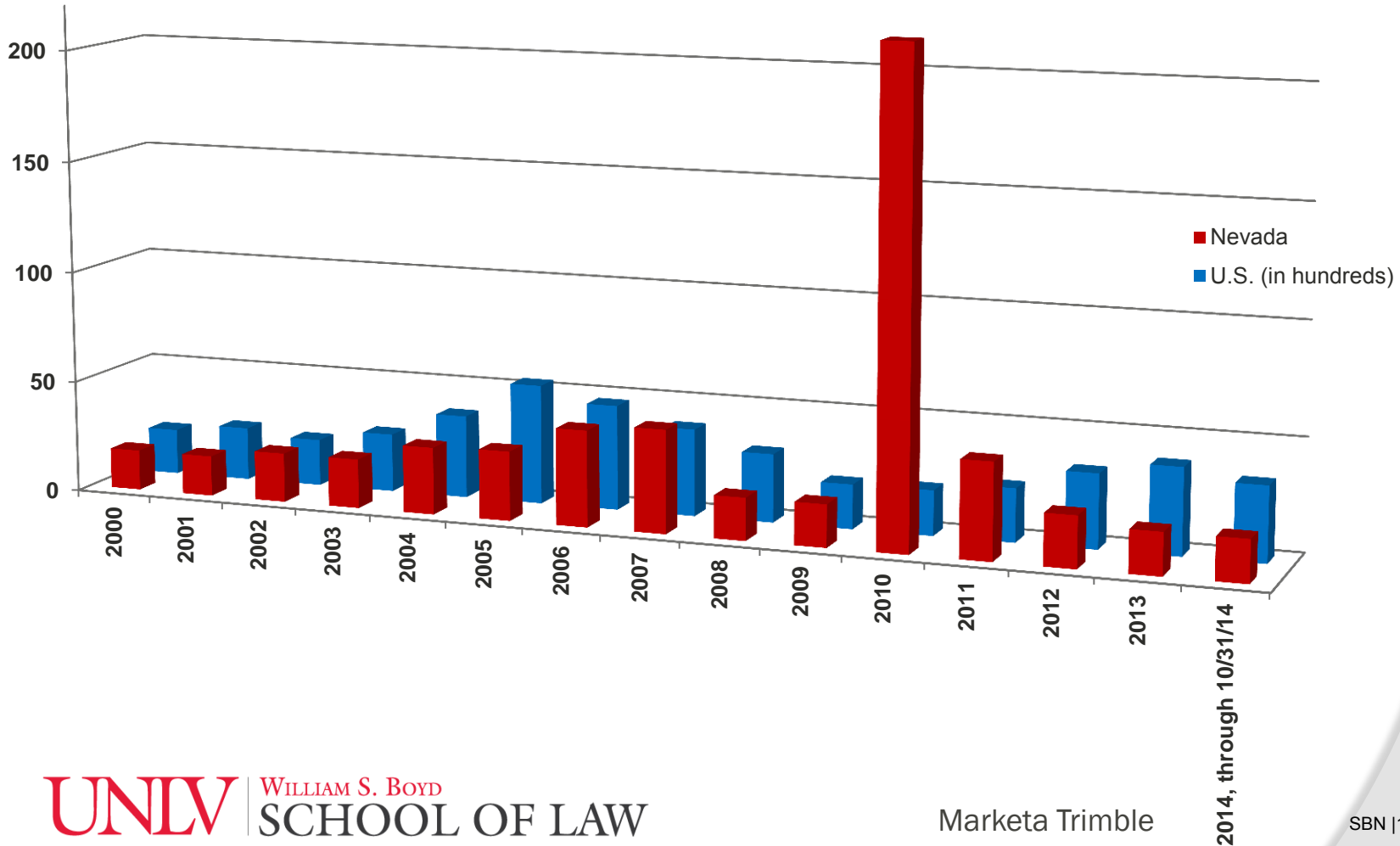
## Copyright Cases (with and without Righthaven) Filed in the U.S. District Court for the District of Nevada January 1, 2000 – October 31, 2014



Data by Lex Machina, <https://lexmachina.com/>

# 1. Statistical Update

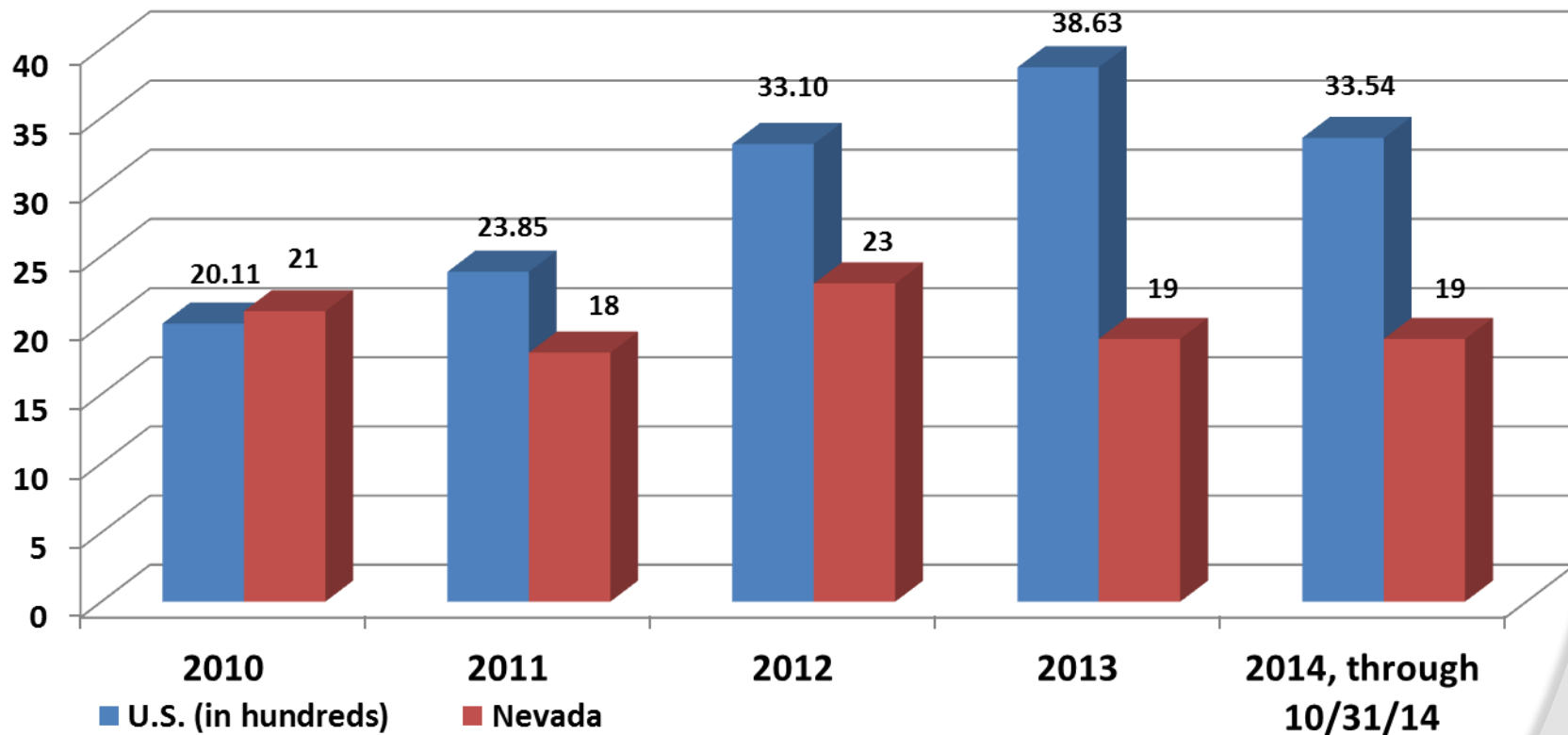
## Copyright Cases Filed in all U.S. District Courts and the U.S. District Court for the District of Nevada January 1, 2000 – October 31, 2014





## 1. Statistical Update

### Copyright Cases Filed in U.S. Federal District Courts and in the U.S. Federal District Court for the District of Nevada (without Righthaven) January 1, 2010 - October 31, 2014



## 2. Supreme Court Decisions and Other Significant Copyright Decisions in the Last Year

### **Petrella v. MGM, 134 S.Ct. 1962 (2014)**

- Laches v. the statute of limitations
- Laches v. continuing infringement
- Potential effect of laches on injunctive relief

## 2. Supreme Court Decisions and Other Significant Copyright Decisions in the Last Year

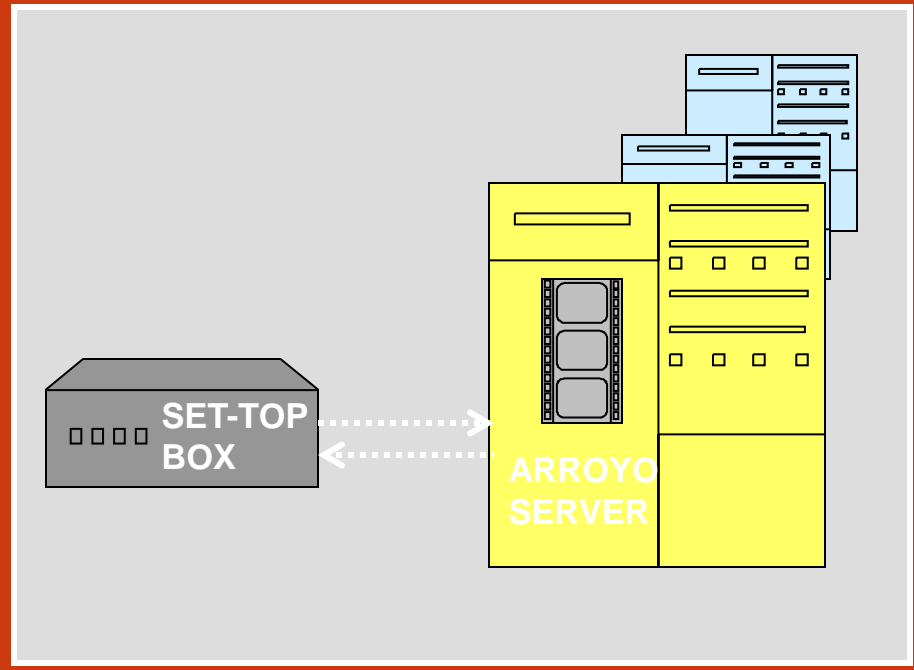
### **ABC v. Aereo, Inc., 134 S.Ct. 2498 (2014)**

- **Right to perform publicly**
  - **Is Aereo “performing?”**
    - **v. only a provider of equipment**
  - **Is Aereo performing “publicly?”**
    - **The Transmit Clause**
- **Aereo as a cable TV provider?**
  - **An application for a compulsory license under 17 U.S.C. §111**
- **Effect on cloud computing?**



- Copying initiated by consumer pushing “record” on device/remote to device
- Copy made and stored on tape or hard drive in consumer’s home (level of consumer control varies)
- Performance of time-shifted copy originates from tape or set-top hard drive

- Copying initiated by consumer pushing “record” on device/remote to device
- Copy made and stored on remote server controlled by Cablevision
- A separate copy is made and stored for each consumer who presses “record”—each consumer has her own “hard drive” on the server
- Performance of time-shifted copy originates from remote server controlled by Cablevision



## RS-DVR

SBN |201



## 2. Supreme Court Decisions and Other Significant Copyright Decisions in the Last Year

### **Oracle America, Inc. v. Google, Inc., 750 F.3d 1339 (Fed. Cir. 2014)**

- **Copyrightability of an “application programming interface” (“API”)**
- **Declaring codes v. the “merger doctrine”**
- **Declaring codes v. “short phrases”**
- **API v. “scènes à faire”**
- **API packages v. “method of operation”**
- **“Interoperability exception”**

## 2. Supreme Court Decisions and Other Significant Copyright Decisions in the Last Year

### **Authors Guild, Inc. v. HathiTrust, 755 F.3d 87 (2d Cir. 2014)**

- **Fair use v.**
  - **Full-text search**
    - **“quintessentially transformative use”**
  - **Access to the Print-Disabled**
  - **Archival copies**

## 2. Supreme Court Decisions and Other Significant Copyright Decisions in the Last Year

### **Authors Guild, Inc. v. Google, 954 F.Supp.2d 282 (S.D.N.Y. 2013)**

- **Google Book Project v. public display of scanned texts on the Internet**
- **“Snippets” display v. fair use**

## 2. Supreme Court Decisions and Other Significant Copyright Decisions in the Last Year

### **White v. West Publishing, 12 Civ. 1340 (JSR) (S.D.N.Y. 2014)**

- **Full texts of attorneys' briefs reproduced on West and Lexis v. fair use**
- **Transformative use**



## 2. Supreme Court Decisions and Other Significant Copyright Decisions in the Last Year

### **Klinger v. Conan Doyle Estate, Ltd., 755 F.3d 496 (7th Cir. 2014)**

- **Leslie S. Klinger co-edited the anthology *A Study in Sherlock: Stories Inspired by the Sherlock Holmes Canon* (2011)**
- **Klinger planned a sequel entitled *In the Company of Sherlock Holmes***
- **Klinger filed a declaratory judgment suit**
- **Actual controversy existed**
- **Klinger free to use material in Sherlock Holmes stories and novels that are no longer under copyright**

## 2. Supreme Court Decisions and Other Significant Copyright Decisions in the Last Year

### **Garcia v. Google, ... (9th Cir. July 11, 2014)**

- **Performer's protectible interest in the performance**
- **No work for hire**
- **Implied license to use the performer's work**
- **Preliminary injunction**

## 2. Supreme Court Decisions and Other Significant Copyright Decisions in the Last Year

### **AF Holdings, LLC v. Does 1-1058, 752 F.3d 990 (DC Cir. 2014)**

- **1,058 alleged copyright infringers**
- **Alleged illegal sharing of a copyrighted pornographic film**
- **Discovery sought from the ISPs unduly burdensome**
- **Joinder of the unknown individuals as defendants was improper**

### 3. Pending Legislation

- “Unlocking Consumer Choice and Wireless Competition Act,” H.R. 1123
- “Public Access to Public Science Act,” H.R. 3157
- “Free Market Royalty Act,” H.R. 3219
- “Affordable College Textbook Act,” H.R. 3538
- “Next Generation Television Marketplace Act,” H.R. 3720
- “Songwriter Equity Act of 2014,” H.R. 4079
- “American Royalties Act of 2014,” H.R. 4103
- “Electronic Books Opening Opportunity for Knowledge Act of 2014,” H.R. 4259
- “Learning Opportunities With Creation of Open Source Textbooks,” H.R. 4455
- “Respecting Senior Performers as Essential Cultural Treasures Act,” H.R. 4772
- “Satellite Television Access Reauthorization Act of 2014,” H.R. 5036
- “You Own Devices Act,” H.R. 5586
- “Consumer Choice in Online Video Act,” S. 1680

## 4. Pending Initiatives of the U.S. Copyright Office

### ➤ **Forthcoming Reports and Studies:**

- Orphan works/mass digitization
- Making available report
- Music licensing report

### ➤ **Issues of Focus:**

- Orphan Works
- Exceptions & Limitations  
(incl. fair use, libraries, preservation, statutory licenses for satellite and cable distribution)
- Resale Royalty Right
- Effective technological protection measures (TPMs)
- Online service provider liability
- Remedies

## 5. Cross-Border Enforcement

- **Litigating multiple-country copyrights in a single court**
  - London Film Productions Ltd. v. Intercontinental Communications, Inc., 580 F.Supp. 47 (S.D.N.Y. 1984)
  - Lucasfilm Ltd. v. Ainsworth, [2011] UKSC 39
  
- **Online enforcement**
  
- **Extraterritorial profits**
  - Los Angeles News Service v. Reuters Television Int'l, Ltd., 340 F.3d 926 (9th Cir. 2003)
  
- **Choice-of-law rule for copyright ownership**
  - Itar-Tass Russ. News Agency v. Russ. Kurier Inc., 153 F.3d 82 (2d Cir. 1998)
  - Cour de Cassation [Cass.] [Supreme court for judicial matters], 1e civ., April 10, 2013, Bull. civ. I, No. 11-12508 and 11-12509 (Fr.)

# Copyright Update

**Marketa Trimble**

Associate Professor of Law  
William S. Boyd School of Law

SSRN: <http://ssrn.com/author=635886>

UNLV Scholarly Commons: <http://law.unlv.edu/trimble-sc-pub>  
<http://law.unlv.edu/IntellectualPropertyLaw>

## Trademarks Year in Review 2014

Mary LaFrance

IGT Professor of Intellectual Property Law

William S. Boyd School of Law

University of Nevada, Las Vegas

## False Advertising

Two Supreme Court decisions --

- *Lexmark Int'l, Inc. v. Static Control Components*, 134 S.Ct. 1377 (2014)
- *Pom Wonderful LLC v. Coca Cola Co.*, 134 S.Ct. 2228 (2014)



## Lexmark v. Static Control

Who has standing to bring Lanham Act 43(a) false advertising claims, 15 U.S.C. 1125(a)(1)(B)?

- 43(a): “any person who . . . is likely to be damaged by such act”
- Supreme Court: A party has standing if it (1) suffers an injury to a commercial interest in sales or business reputation that is (2) proximately caused by the defendant’s misrepresentations.
- Court applies “zone of interest” test.
- Rejects rule of 7<sup>th</sup>, 9<sup>th</sup>, and 10<sup>th</sup> Circuits limiting standing to direct competitors, as well as 6<sup>th</sup> Circuit’s “reasonable interest” rule, which is too vague.

## Facts

- Lexmark toner cartridges have a microchip that enables recognition by Lexmark printers.
- SC replicated the microchips and sold them to remanufacturers.
- Lexmark told remanufacturers that SC’s microchips were infringing.
- SC alleged Lexmark’s false statements injured its business and reputation.
- Problem: The remanufacturers, and not SC, were Lexmark’s direct competitors.

## (1) Zone of Interests

- Interests protected by Lanham Act include “protect[ing] persons engaged in . . . commerce against unfair competition.”
- Because consumers are not engaged in commerce, they are outside the zone of interests and lack standing, even if the consumer is a business.
- “Even a business misled by a supplier into purchasing an inferior product” lacks standing.

## (2) Proximate Causation

- Harm alleged must also have a sufficiently close connection to the conduct the statute prohibits.
- A business (SC) is proximately harmed by another party’s (Lexmark’s) false statements to consumers about that business, even if the parties are not competitors.
- If the injured company goes out of business, its landlord may also be harmed, but there is no proximate causation.

## Proximate Causation Shown in 2 Ways

(1) Lexmark's attempt to damage its competitors (the remanufacturers) also damaged SC because the statements were about SC.

- Analogy: Carmaker falsely states that competitor buys defective airbags. Manufacturer of airbags has cause of action because false statements were directed at its products.

## Proximate Causation Shown in 2 Ways

(2) SC's microchips were necessary for the remanufacturers' cartridges, and had no other use.

- 1:1 relationship between remanufactured cartridges sold and SC microchips sold.
- Therefore, harm to remanufacturers was harm to SC.
- "relatively unique circumstances"

## Example of No Proximate Causation

- If Lexmark's false statements disparaged some other aspect of the remanufacturers' cartridges, putting them out of business, SC would not have a cause of action even though it would have lost sales as a result.

## POM Wonderful v. Coca-Cola

- Supreme Court: Food, Drug, and Cosmetics Act provisions and FDA regulations are not a safe harbor against false advertising claims based on misleading food and beverage names and labels.
- No FDCA preemption of the Lanham Act.
- FDA regulations are a floor, not a ceiling, on truthful disclosure.

## Facts

- Coca-Cola's label described juice product as "Pomegranate Blueberry" even though it contained 0.3% pomegranate juice and 0.2% blueberry juice.
- FDA regulations allow blended juice beverage to be named after a juice that is present but does not predominate.

## Rationales

- FDCA and Lanham Act are complementary.
- FDCA expressly preempts certain state laws, but is silent on federal laws.
- Lanham Act remedies give competitors strong incentives to pursue claims.
- Competitors may in some respects be better consumer watchdogs than federal regulators.
- Unlike drug labels, food and beverage labels are not preapproved by FDA. Preemption of 43(a) claims would give food/beverage companies free rein to deceive unless/until FDA took action.

## Uncertainty

- How should Coca-Cola label its juice product now?
- What about images on labels (e.g., fruit)?
- Legal uncertainty may be good for consumers.
- Many other problematic terms on labels, e.g.:
  - Natural
  - Light
  - Low Carb
  - Low Fat
  - No Sugar Added

## State Laws on Deceptive Labels

- Scope of state law preemption unclear.
  - State laws against “false or misleading” labels not preempted.
  - States laws adopting same standards as FDCA are not preempted.
- Although consumers lack standing under section 43(a), consumers sometimes have standing under analogous state laws (e.g., California).

## 2(a) Rejections: First Amendment Issues?

- *Blackhorse v. Pro-Football, Inc.* (TTAB 2014)
  - Redskins mark cancelled (again) as disparaging.
  - Appealing to E.D.Va. instead of CAFC.
- *In re Geller* (CAFC 2014)
  - PTO and TTAB rejected STOP ISLAMIZATION OF AMERICA as disparaging.
  - 2(a) rejection upheld.
  - Cert. petition filed 8/11/2014. *Geller v USPTO*.

## Contributory Liability

- No contributory liability for cybersquatting: *Petroleum Nasional Berhad v. GoDaddy.com*, 737 F.3d 546 (9<sup>th</sup> Cir. Dec. 4, 2013).
- Rejects D.Ct. decisions to the contrary.
- Rationales:
  - Statutory language and legislative history don't support holding registrars liable.
  - ACPA created new cause of action distinct from traditional trademark remedies.
  - Registrar liability would not advance goals of statute.

## Preliminary Injunctions

- *Herb Reed Enters., LLC v. Florida Ent't Mgt.*, 736 F.3d 1239 (9<sup>th</sup> Cir. Dec. 2, 2013).
- Party seeking PI in trademark case must show irreparable harm is likely if PI not granted.
- Can no longer presume likelihood of irreparable harm based solely on likelihood of success on merits.
- Based on *eBay v. MercExchange* (S.Ct. 2006) (perm. inj.) and *Winter v. NRDC* (S.Ct. 2008) (prelim. inj.)

## Trademark End-Run around *Kirtsaeng*

- *Kirtsaeng v. John Wiley & Sons* (S.Ct. 2013) held that first sale rule allows importation and domestic resale of lawful foreign-made copies without U.S. copyright owner's consent.
- In 2014, John Wiley & Sons asked U.S. Customs to block importation of its textbooks as "materially different" gray market goods.
- Easy to create material differences due to low threshold for gray market goods.



#

*Online Copyright and Trademark Enforcement Abroad*

Professor Justin Hughes

#

Intellectual Property Law Conference  
Nevada Bar Association's Intellectual Property Section  
Thomas and Mack Moot Court  
University of Nevada – Las Vegas Boyd School of Law  
14 November 2014

#

This session will explore some of the enforcement challenges US copyright and trademark holders face when they find online infringements hosted in other countries. While large American companies and US trade associations pursue litigation abroad to shut down infringement-based business models, smaller IP owners – whether individuals or medium-sized companies – often have a simpler and more immediate goal: to get infringing materials offline as soon as practical. Sometimes this can often be done without the need for local counsel, but requires an understanding of how “notice and take down” works in different jurisdictions.

We will first review some background on the development and current functioning of the notice and take down system in U.S. copyright law – 17 U.S.C. 512, added in 1998 as part of the Digital Millennium Copyright Act (DMCA). Most developed economies follow the DMCA approach in creating “safe harbors” for internet service providers who respond to IP owners providing notice of infringements; we will review some of those provisions (such as the EU’s Electronic Commerce Directive). But only some countries provide express statutory or regulatory mechanism on the kind of “notice” needed to prompt a web host, search engine, or other ISP/OSP to disable access to infringing material. During the course of the session, we will explore applicable laws from Australia, Canada, China, the member states of the European Union, and Korea. As time permits, we may discuss additional jurisdictions. Our review of these laws will include discussion of differences in coverage (copyright, trademark, and other ‘information torts’), differing views on what counts as prompt or expeditious ‘takedown,’ and broader global enforcement trends for copyright and trademark rights.

ONLINE COPYRIGHTS AND TRADEMARKS ENFORCEMENT ABROAD –  
UNDERSTANDING THE SIMILARITIES AND DIFFERENCE BETWEEN  
US LAW AND OTHER KEY MARKETS

Professor Justin Hughes

*Intellectual Property (IP) Seminar  
IP Section of the State Bar of Nevada  
14 November 2014*

1. *United States*

Selected provisions of U.S. DIGITAL MILLENNIUM COPYRIGHT ACT (1998), 17 U.S.C. § 512.  
[Sec.512.pdf]

2. *Australia*

Section 3A of the AUSTRALIAN COPYRIGHT REGULATIONS (1969) *as amended*, made under  
the AUSTRALIAN COPYRIGHT ACT (1968), *as amended*.

3. *China*

People's Republic of China REGULATIONS FOR THE PROTECTION OF THE RIGHT OF  
COMMUNICATION THROUGH INFORMATION NETWORK (July 2006)

4. *European Union*

EU DIRECTIVE ON ELECTRONIC COMMERCE, Directive 2000/31/EC of the European  
Parliament and the Council of 8 June 2000 [particularly articles 12 – 15]

THE MULTATULI PROJECT, ISP NOTICE & TAKE DOWN, Lecture by Sjoera Nas, *Bits of  
Freedom*, SANE, 1 October 2004

Unofficial translation of Article Article 6.I.5 of the Law No. 2004-575 of June 21,2004 on  
confidence in the digital economy (FRANCE), followed by original Articles 1-6 of Loi no  
2004-575 du 21 juin 2004 pour la confiance dans l'économie numérique (1) [LCEN] (Of  
course, participants in the program are not expected to read this French original, but we  
will walk through Article 6.I.5 .]

5. *Korea*

Sun-Young Moon & Daeup Kim, *The Three Strikes Policy in Korean Copyright Act 2009: Safe or  
Out?*, 6 WASHINGTON J. OF LAW, TECH. & ARTS (2011)

####

**U.S. Copyright Act** [from Cornell's Legal Information Institute, <http://www4.law.cornell.edu/uscode/17/512.html>]

## **Sec. 512. - Limitations on liability relating to material online**

### **(a) Transitory Digital Network Communications. -**

A service provider shall not be liable for monetary relief, or, except as provided in subsection (j), for injunctive or other equitable relief, for infringement of copyright by reason of the provider's transmitting, routing, or providing connections for, material through a system or network controlled or operated by or for the service provider, or by reason of the intermediate and transient storage of that material in the course of such transmitting, routing, or providing connections, if -

#### **(1)**

the transmission of the material was initiated by or at the direction of a person other than the service provider;

#### **(2)**

the transmission, routing, provision of connections, or storage is carried out through an automatic technical process without selection of the material by the service provider;

#### **(3)**

the service provider does not select the recipients of the material except as an automatic response to the request of another person;

#### **(4)**

no copy of the material made by the service provider in the course of such intermediate or transient storage is maintained on the system or network in a manner ordinarily accessible to anyone other than anticipated recipients, and no such copy is maintained on the system or network in a manner ordinarily accessible to such anticipated recipients for a longer period than is reasonably necessary for the transmission, routing, or provision of connections; and

#### **(5)**

the material is transmitted through the system or network without modification of its content.

### **(b) System Caching. -**

#### **(1) Limitation on liability. -**

A service provider shall not be liable for monetary relief, or, except as provided in subsection (j), for injunctive or other equitable relief, for infringement of copyright by reason of the intermediate and temporary storage of material on a system or network controlled or operated by or for the service provider in a case in which -

**(A)**

the material is made available online by a person other than the service provider;

**(B)**

the material is transmitted from the person described in subparagraph (A) through the system or network to a person other than the person described in subparagraph (A) at the direction of that other person; and

**(C)**

the storage is carried out through an automatic technical process for the purpose of making the material available to users of the system or network who, after the material is transmitted as described in subparagraph (B), request access to the material from the person described in subparagraph (A),

if the conditions set forth in paragraph (2) are met.

**(2) Conditions. -**

The conditions referred to in paragraph (1) are that -

**(A)**

the material described in paragraph (1) is transmitted to the subsequent users described in paragraph (1)(C) without modification to its content from the manner in which the material was transmitted from the person described in paragraph (1)(A);

**(B)**

the service provider described in paragraph (1) complies with rules concerning the refreshing, reloading, or other updating of the material when specified by the person making the material available online in accordance with a generally accepted industry standard data communications protocol for the system or network through which that person makes the material available, except that this subparagraph applies only if those rules are not used by the person described in paragraph (1)(A) to prevent or unreasonably impair the intermediate storage to which this subsection applies;

**(C)**

the service provider does not interfere with the ability of technology associated with the material to return to the person described in paragraph (1)(A) the information that would have been available to that person if the material had been obtained by the subsequent users described in paragraph (1)(C) directly from that person, except that this subparagraph applies only if that technology -

**(i)**

does not significantly interfere with the performance of the provider's system or network or with the intermediate storage of the material;

**(ii)**

is consistent with generally accepted industry standard communications protocols; and

**(iii)**

does not extract information from the provider's system or network other than the information that would have been available to the person described in paragraph (1)(A) if the subsequent users had gained access to the material directly from that person;

**(D)**

if the person described in paragraph (1)(A) has in effect a condition that a person must meet prior to having access to the material, such as a condition based on payment of a fee or provision of a password or other information, the service provider permits access to the stored material in significant part only to users of its system or network that have met those conditions and only in accordance with those conditions; and

**(E)**

if the person described in paragraph (1)(A) makes that material available online without the authorization of the copyright owner of the material, the service provider responds expeditiously to remove, or disable access to, the material that is claimed to be infringing upon notification of claimed infringement as described in subsection (c)(3), except that this subparagraph applies only if -

**(i)**

the material has previously been removed from the originating site or access to it has been disabled, or a court has ordered that the material be removed from the originating site or that access to the material on the originating site be disabled; and

**(ii)**

the party giving the notification includes in the notification a statement confirming that the material has been removed from the originating site or access to it has been disabled or that a court has ordered that the material be removed from the originating site or that access to the material on the originating site be disabled.

**(c) Information Residing on Systems or Networks At Direction of Users. -**

**(1) In general. -**

A service provider shall not be liable for monetary relief, or, except as provided in subsection (j), for injunctive or other equitable relief, for infringement of copyright by reason of the storage at the direction of a user of material that resides on a system or network controlled or operated by or for the service provider, if the service provider -

- (A)**
  - (i)**

does not have actual knowledge that the material or an activity using the material on the system or network is infringing;
  - (ii)**

in the absence of such actual knowledge, is not aware of facts or circumstances from which infringing activity is apparent; or
  - (iii)**

upon obtaining such knowledge or awareness, acts expeditiously to remove, or disable access to, the material;
- (B)**

does not receive a financial benefit directly attributable to the infringing activity, in a case in which the service provider has the right and ability to control such activity; and
- (C)**

upon notification of claimed infringement as described in paragraph (3), responds expeditiously to remove, or disable access to, the material that is claimed to be infringing or to be the subject of infringing activity.

**(2) Designated agent. -**

The limitations on liability established in this subsection apply to a service provider only if the service provider has designated an agent to receive notifications of claimed infringement described in paragraph (3), by making available through its service, including on its website in a location accessible to the public, and by providing to the Copyright Office, substantially the following information:

- (A)**

the name, address, phone number, and electronic mail address of the agent.
- (B)**

other contact information which the Register of Copyrights may deem appropriate.

The Register of Copyrights shall maintain a current directory of agents available to the public for inspection, including through the Internet, in both electronic and hard copy formats, and may require payment of a fee by service providers to cover the costs of maintaining the directory.

**(3) Elements of notification. -**

- (A)**

To be effective under this subsection, a notification of claimed infringement must be a written communication provided to the designated agent of a service provider that includes substantially the following:

**(i)** A physical or electronic signature of a person authorized to act on behalf of the owner of an exclusive right that is allegedly infringed.

**(ii)** Identification of the copyrighted work claimed to have been infringed, or, if multiple copyrighted works at a single online site are covered by a single notification, a representative list of such works at that site.

**(iii)** Identification of the material that is claimed to be infringing or to be the subject of infringing activity and that is to be removed or access to which is to be disabled, and information reasonably sufficient to permit the service provider to locate the material.

**(iv)** Information reasonably sufficient to permit the service provider to contact the complaining party, such as an address, telephone number, and, if available, an electronic mail address at which the complaining party may be contacted.

**(v)** A statement that the complaining party has a good faith belief that use of the material in the manner complained of is not authorized by the copyright owner, its agent, or the law.

**(vi)** A statement that the information in the notification is accurate, and under penalty of perjury, that the complaining party is authorized to act on behalf of the owner of an exclusive right that is allegedly infringed.

**(B)**

**(i)** Subject to clause (ii), a notification from a copyright owner or from a person authorized to act on behalf of the copyright owner that fails to comply substantially with the provisions of subparagraph (A) shall not be considered under paragraph (1)(A) in determining whether a service provider has actual knowledge or is aware of facts or circumstances from which infringing activity is apparent.

**(ii)** In a case in which the notification that is provided to the service provider's designated agent fails to comply substantially with all the provisions of subparagraph (A) but substantially complies with clauses (ii), (iii), and (iv) of subparagraph (A), clause (i) of this subparagraph applies only if the service provider promptly attempts to contact the person making the notification or takes other

reasonable steps to assist in the receipt of notification that substantially complies with all the provisions of subparagraph (A).

**(d) Information Location Tools. -**

A service provider shall not be liable for monetary relief, or, except as provided in subsection (j), for injunctive or other equitable relief, for infringement of copyright by reason of the provider referring or linking users to an online location containing infringing material or infringing activity, by using information location tools, including a directory, index, reference, pointer, or hypertext link, if the service provider -

**(1)**

**(A)**

does not have actual knowledge that the material or activity is infringing;

**(B)**

in the absence of such actual knowledge, is not aware of facts or circumstances from which infringing activity is apparent; or

**(C)**

upon obtaining such knowledge or awareness, acts expeditiously to remove, or disable access to, the material;

**(2)**

does not receive a financial benefit directly attributable to the infringing activity, in a case in which the service provider has the right and ability to control such activity; and

**(3)**

upon notification of claimed infringement as described in subsection (c)(3), responds expeditiously to remove, or disable access to, the material that is claimed to be infringing or to be the subject of infringing activity, except that, for purposes of this paragraph, the information described in subsection (c)(3)(A)(iii) shall be identification of the reference or link, to material or activity claimed to be infringing, that is to be removed or access to which is to be disabled, and information reasonably sufficient to permit the service provider to locate that reference or link.

**(e) Limitation on Liability of Nonprofit Educational Institutions. -**

**(1)**

When a public or other nonprofit institution of higher education is a service provider, and when a faculty member or graduate student who is an employee of such institution is performing a teaching or research function, for the purposes of subsections (a) and (b) such faculty member or graduate student shall be considered to be a person other than the institution, and for the purposes of subsections (c) and (d) such faculty member's or graduate student's knowledge or awareness of his or her infringing activities shall not be attributed to the institution, if -



**(A)**

such faculty member's or graduate student's infringing activities do not involve the provision of online access to instructional materials that are or were required or recommended, within the preceding 3-year period, for a course taught at the institution by such faculty member or graduate student;

**(B)**

the institution has not, within the preceding 3-year period, received more than two notifications described in subsection (c)(3) of claimed infringement by such faculty member or graduate student, and such notifications of claimed infringement were not actionable under subsection (f); and

**(C)**

the institution provides to all users of its system or network informational materials that accurately describe, and promote compliance with, the laws of the United States relating to copyright.

**(2)**

For the purposes of this subsection, the limitations on injunctive relief contained in subsections (j)(2) and (j)(3), but not those in (j)(1), shall apply.

**(f) Misrepresentations.** -

Any person who knowingly materially misrepresents under this section -

**(1)**

that material or activity is infringing, or

**(2)**

that material or activity was removed or disabled by mistake or misidentification,

shall be liable for any damages, including costs and attorneys' fees, incurred by the alleged infringer, by any copyright owner or copyright owner's authorized licensee, or by a service provider, who is injured by such misrepresentation, as the result of the service provider relying upon such misrepresentation in removing or disabling access to the material or activity claimed to be infringing, or in replacing the removed material or ceasing to disable access to it.

**(g) Replacement of Removed or Disabled Material and Limitation on Other Liability.** -

**(1) No liability for taking down generally.** -

Subject to paragraph (2), a service provider shall not be liable to any person for any claim based on the service provider's good faith disabling of access to, or removal of, material or activity claimed to be infringing or based on facts or circumstances from which infringing activity is apparent, regardless of whether the material or activity is ultimately determined to be infringing.

**(2) Exception. -**

Paragraph (1) shall not apply with respect to material residing at the direction of a subscriber of the service provider on a system or network controlled or operated by or for the service provider that is removed, or to which access is disabled by the service provider, pursuant to a notice provided under subsection (c)(1)(C), unless the service provider -

**(A)**

takes reasonable steps promptly to notify the subscriber that it has removed or disabled access to the material;

**(B)**

upon receipt of a counter notification described in paragraph (3), promptly provides the person who provided the notification under subsection (c)(1)(C) with a copy of the counter notification, and informs that person that it will replace the removed material or cease disabling access to it in 10 business days; and

**(C)**

replaces the removed material and ceases disabling access to it not less than 10, nor more than 14, business days following receipt of the counter notice, unless its designated agent first receives notice from the person who submitted the notification under subsection (c)(1)(C) that such person has filed an action seeking a court order to restrain the subscriber from engaging in infringing activity relating to the material on the service provider's system or network.

**(3) Contents of counter notification. -**

To be effective under this subsection, a counter notification must be a written communication provided to the service provider's designated agent that includes substantially the following:

**(A)**

A physical or electronic signature of the subscriber.

**(B)**

Identification of the material that has been removed or to which access has been disabled and the location at which the material appeared before it was removed or access to it was disabled.

**(C)**

A statement under penalty of perjury that the subscriber has a good faith belief that the material was removed or disabled as a result of mistake or misidentification of the material to be removed or disabled.

**(D)**

The subscriber's name, address, and telephone number, and a statement that the subscriber consents to the jurisdiction of Federal District Court for the judicial district in which the address is located, or if the

subscriber's address is outside of the United States, for any judicial district in which the service provider may be found, and that the subscriber will accept service of process from the person who provided notification under subsection (c)(1)(C) or an agent of such person.

**(4) Limitation on other liability. -**

A service provider's compliance with paragraph (2) shall not subject the service provider to liability for copyright infringement with respect to the material identified in the notice provided under subsection (c)(1)(C).

**(h) Subpoena To Identify Infringer. -**

**(1) Request. -**

A copyright owner or a person authorized to act on the owner's behalf may request the clerk of any United States district court to issue a subpoena to a service provider for identification of an alleged infringer in accordance with this subsection.

**(2) Contents of request. -**

The request may be made by filing with the clerk -

**(A)**

a copy of a notification described in subsection (c)(3)(A);

**(B)**

a proposed subpoena; and

**(C)**

a sworn declaration to the effect that the purpose for which the subpoena is sought is to obtain the identity of an alleged infringer and that such information will only be used for the purpose of protecting rights under this title.

**(3) Contents of subpoena. -**

The subpoena shall authorize and order the service provider receiving the notification and the subpoena to expeditiously disclose to the copyright owner or person authorized by the copyright owner information sufficient to identify the alleged infringer of the material described in the notification to the extent such information is available to the service provider.

**(4) Basis for granting subpoena. -**

If the notification filed satisfies the provisions of subsection (c)(3)(A), the proposed subpoena is in proper form, and the accompanying declaration is properly executed, the clerk shall expeditiously issue and sign the proposed subpoena and return it to the requester for delivery to the service provider.

**(5) Actions of service provider receiving subpoena. -**

Upon receipt of the issued subpoena, either accompanying or subsequent to the receipt of a notification described in subsection (c)(3)(A), the service provider shall expeditiously disclose to the copyright owner or person authorized by the copyright owner the information required by the subpoena, notwithstanding any

other provision of law and regardless of whether the service provider responds to the notification.

**(6) Rules applicable to subpoena. -**

Unless otherwise provided by this section or by applicable rules of the court, the procedure for issuance and delivery of the subpoena, and the remedies for noncompliance with the subpoena, shall be governed to the greatest extent practicable by those provisions of the Federal Rules of Civil Procedure governing the issuance, service, and enforcement of a subpoena duces tecum.

**(i) Conditions for Eligibility. -**

**(1) Accommodation of technology. -**

The limitations on liability established by this section shall apply to a service provider only if the service provider -

**(A)**

has adopted and reasonably implemented, and informs subscribers and account holders of the service provider's system or network of, a policy that provides for the termination in appropriate circumstances of subscribers and account holders of the service provider's system or network who are repeat infringers; and

**(B)**

accommodates and does not interfere with standard technical measures.

**(2) Definition. -**

As used in this subsection, the term "standard technical measures" means technical measures that are used by copyright owners to identify or protect copyrighted works and -

**(A)**

have been developed pursuant to a broad consensus of copyright owners and service providers in an open, fair, voluntary, multi-industry standards process;

**(B)**

are available to any person on reasonable and nondiscriminatory terms; and

**(C)**

do not impose substantial costs on service providers or substantial burdens on their systems or networks.

**(j) Injunctions. -**

The following rules shall apply in the case of any application for an injunction under section 502 against a service provider that is not subject to monetary remedies under this section:

**(1) Scope of relief. -**

**(A)**

With respect to conduct other than that which qualifies for the limitation on remedies set forth in subsection (a), the court may grant injunctive relief with respect to a service provider only in one or more of the following forms:

**(i)**

An order restraining the service provider from providing access to infringing material or activity residing at a particular online site on the provider's system or network.

**(ii)**

An order restraining the service provider from providing access to a subscriber or account holder of the service provider's system or network who is engaging in infringing activity and is identified in the order, by terminating the accounts of the subscriber or account holder that are specified in the order.

**(iii)**

Such other injunctive relief as the court may consider necessary to prevent or restrain infringement of copyrighted material specified in the order of the court at a particular online location, if such relief is the least burdensome to the service provider among the forms of relief comparably effective for that purpose.

**(B)**

If the service provider qualifies for the limitation on remedies described in subsection (a), the court may only grant injunctive relief in one or both of the following forms:

**(i)**

An order restraining the service provider from providing access to a subscriber or account holder of the service provider's system or network who is using the provider's service to engage in infringing activity and is identified in the order, by terminating the accounts of the subscriber or account holder that are specified in the order.

**(ii)**

An order restraining the service provider from providing access, by taking reasonable steps specified in the order to block access, to a specific, identified, online location outside the United States.

**(2) Considerations. -**

The court, in considering the relevant criteria for injunctive relief under applicable law, shall consider -

**(A)**

whether such an injunction, either alone or in combination with other such injunctions issued against the same service provider under this

subsection, would significantly burden either the provider or the operation of the provider's system or network;

**(B)**

the magnitude of the harm likely to be suffered by the copyright owner in the digital network environment if steps are not taken to prevent or restrain the infringement;

**(C)**

whether implementation of such an injunction would be technically feasible and effective, and would not interfere with access to noninfringing material at other online locations; and

**(D)**

whether other less burdensome and comparably effective means of preventing or restraining access to the infringing material are available.

**(3) Notice and ex parte orders. -**

Injunctive relief under this subsection shall be available only after notice to the service provider and an opportunity for the service provider to appear are provided, except for orders ensuring the preservation of evidence or other orders having no material adverse effect on the operation of the service provider's communications network.

**(k) Definitions. -**

**(1) Service provider. -**

**(A)**

As used in subsection (a), the term "service provider" means an entity offering the transmission, routing, or providing of connections for digital online communications, between or among points specified by a user, of material of the user's choosing, without modification to the content of the material as sent or received.

**(B)**

As used in this section, other than subsection (a), the term "service provider" means a provider of online services or network access, or the operator of facilities therefor, and includes an entity described in subparagraph (A).

**(2) Monetary relief. -**

As used in this section, the term "monetary relief" means damages, costs, attorneys' fees, and any other form of monetary payment.

**(l) Other Defenses Not Affected. -**

The failure of a service provider's conduct to qualify for limitation of liability under this section shall not bear adversely upon the consideration of a defense by the service provider that the service provider's conduct is not infringing under this title or any other defense.

**(m)** Protection of Privacy. -

Nothing in this section shall be construed to condition the applicability of subsections (a) through (d) on –

**(1)**

a service provider monitoring its service or affirmatively seeking facts indicating infringing activity, except to the extent consistent with a standard technical measure complying with the provisions of subsection (i); or

**(2)**

a service provider gaining access to, removing, or disabling access to material in cases in which such conduct is prohibited by law.

**(n)** Construction. -

Subsections (a), (b), (c), and (d) describe separate and distinct functions for purposes of applying this section. Whether a service provider qualifies for the limitation on liability in any one of those subsections shall be based solely on the criteria in that subsection, and shall not affect a determination of whether that service provider qualifies for the limitations on liability under any other such subsection.

From

## Australian Copyright Regulations 1969

Statutory Rules No. 58, 1969 as amended

made under the

*Australia Copyright Act 1968*

Available at [http://www.austlii.edu.au/au/legis/cth/consol\\_reg/cr1969242/](http://www.austlii.edu.au/au/legis/cth/consol_reg/cr1969242/)

### Part 3A—Limitation on remedies available against carriage service providers

Note: Subsection 116AG(1) of the Act provides that a carriage service provider must satisfy the relevant conditions set out in Subdivision D of Division 2AA of Part V of the Act before the limitations on remedies in section 116AG of the Act apply.

#### Division 3A.1—Preliminary

##### 20A Definitions for Part 3A

(1) In this Part:

**action** has the same meaning as in Part V of the Act.

**agent**, of an owner of the copyright in copyright material, means a person authorised to act for the owner for the purpose of Division 2AA of Part V of the Act and this Part.

**designated representative**, for a carriage service provider, means the person designated under regulation 20C to receive notifications and notices under this Part for the carriage service provider.

**owner**, in relation to the copyright in copyright material, includes an exclusive licensee of the copyright in the material.

**system or network**, in relation to a carriage service provider, means a system or network controlled or operated by or for the carriage service provider.

**user**, in relation to copyright material stored on a carriage service provider's system or network, means the person who directed the carriage service provider to store the copyright material on its system or network.

(2) A word or expression used in this Part and in Division 2AA of Part V of the Act has the same meaning in this Part as it has in that Division.

Note: The following words and expressions are defined in Division 2AA of Part V of the Act—see section 116AB:

    caching  
    copyright material  
    industry code.



## 20B Industry code (Act s 116AB)

For subparagraph (a)(i) of the definition of *industry code* in section 116AB of the Act, the following requirements are prescribed in relation to an industry code to which condition 2 of item 1 of the table in subsection 116AH(1) of the Act applies:

- (a) the industry code must be developed through an open voluntary process by a broad consensus of copyright owners and carriage service providers;
- (b) the industry code must include a provision to the effect that *standard technical measures* are technical measures that:
  - (i) are used to protect and identify copyright material; and
  - (ii) are accepted under the industry code or developed in accordance with a process set out in the industry code; and
  - (iii) are available on non-discriminatory terms; and
  - (iv) do not impose substantial costs on carriage service providers or substantial burdens on their systems or networks.

## 20C Designated representative

- (1) A carriage service provider must designate a person to be the representative of the carriage service provider (a *designated representative*) to receive notifications and notices issued under this Part for the carriage service provider.
- (2) The carriage service provider must publish a notice in a reasonably prominent location on its website setting out the following information:
  - (a) the title of the position of the designated representative;
  - (b) sufficient information to allow a person to contact the designated representative, including:
    - (i) an electronic mail address; and
    - (ii) a postal address; and
  - (iii) if available, a telephone number or fax number, or both.

## 20D Requirements for notifications and notices issued under this Part

- (1) A notification, notice or counter-notice issued under this Part must:
  - (a) be in accordance with, or substantially in accordance with, the form prescribed by this Part; and
  - (b) be issued by post or electronic communication to the carriage service provider's designated representative.
- (2) The requirement for a person's signature on a notification, notice or counter-notice is taken to have been met in relation to a notification, notice or counter-notice that is issued by electronic communication if:
  - (a) a method is used to identify the person and to indicate the person's approval of the information and statements contained in the communicated notification, notice or counter-notice; and
  - (b) the method used was as reliable as was appropriate for the purpose of communicating the information and statements contained in the notification, notice or counter-notice.

## Division 3A.2—Conditions—cached copyright material

## 20E Notification in relation to Category B activity

- (1) For condition 3 of item 3 of the table in subsection 116AH(1) of the Act, the form of notification set out in Part 1 of Schedule 10 is prescribed.
- (2) The notification must be made by the owner, or an agent of the owner, of the copyright in cached copyright material on a carriage service provider's system or network that has been removed, or to which access has been disabled, at the originating site.

## Division 3A.3—Conditions—copyright material found to be infringing by an Australian court

### 20F Notice in relation to Category C and D activities

- (1) For condition 2 of item 4 (Category C activities), and condition 2 of item 5 (Category D activities), of the table in subsection 116AH(1) of the Act, the form of notice set out in Part 2 of Schedule 10 is prescribed.
- (2) A notice under subregulation (1) must:
  - (a) if the notice relates to a Category C activity—be made by the owner, or an agent of the owner, of the copyright in the copyright material residing on a carriage service provider's system or network that has been found to be infringing by an Australian court; or
  - (b) if the notice relates to a Category D activity—be made by the owner, or an agent of the owner, of the copyright in the copyright material that has been found to be infringing by an Australian court, and to which a reference is provided by the carriage service provider on its system or network.

## Division 3A.4—Conditions—takedown of copyright material following notice from copyright owner

### 20G Application of Division 3A.4

For condition 3 of item 4 (Category C activities) of the table in subsection 116AH(1) of the Act, this Division prescribes the procedure to be followed in relation to copyright material residing on a carriage service provider's system or network if:

- (a) the owner, or an agent of the owner, of the copyright in the material believes, on reasonable grounds, that the material is infringing; and
- (b) the owner or agent wishes the carriage service provider to remove or disable access to the material.

### 20H Definitions for Division 3A.4

In this Division:

***counter-notice*** means a notice issued under regulation 20K.

***notice of claimed infringement*** means a notice issued under regulation 20I.

***working day***, in a place, means a day that is not:

- (a) a public holiday or a bank holiday in that place; or
- (b) a Saturday or a Sunday.

## 20I Notice of claimed infringement

- (1) The owner, or an agent of the owner, of the copyright in the copyright material must issue a notice of claimed infringement in relation to the copyright material to the carriage service provider's designated representative.
- (2) A notice of claimed infringement must be in accordance with, or substantially in accordance with, the form set out in Part 3 of Schedule 10.

## 20J Takedown procedure

- (1) If a carriage service provider receives a notice of claimed infringement under regulation 20I, the carriage service provider must expeditiously remove, or disable access to, the copyright material specified in the notice and residing on its system or network.
- (2) As soon as practicable after removing, or disabling access to, copyright material under subregulation (1), the carriage service provider must send to the user who directed the carriage service provider to store the copyright material on its system or network:
  - (a) a copy of the notice of claimed infringement; and
  - (b) a notice stating:
    - (i) that the copyright material has been removed, or access to it has been disabled; and
    - (ii) that the user may, within 3 months after receiving the copy of the notice of claimed infringement, issue a counter-notice in accordance with regulation 20K of the *Copyright Regulations 1969* to the carriage service provider's designated representative disputing the claims in the notice of claimed infringement.

Note: The carriage service provider need not take any further action in relation to the copyright material unless the carriage service provider receives a counter-notice from the user under regulation 20K.

- (3) A carriage service provider is taken to have complied with subregulation (2) if:
  - (a) the carriage service provider has taken reasonable steps to identify the user but has been unable to do so; or
  - (b) the carriage service provider sends the documents to the user as required by subregulation (2) but they are not received by the user.

## 20K Counter-notice

- (1) If a user receives a copy of a notice of claimed infringement from a carriage service provider under regulation 20J, the user may issue a counter-notice to the carriage service provider's designated representative disputing the claims set out in the notice.

Note: If the user does not issue a counter-notice to the carriage service provider's designated representative, the carriage service provider is not required to take any further action in relation to the notice of claimed infringement.

- (2) A counter-notice must:
  - (a) be in accordance with, or substantially in accordance with, the Form set out in Part 4 of Schedule 10; and
  - (b) be issued within 3 months after the user receives the copy of the notice of claimed infringement.

## 20L Copy of counter-notice to be sent to copyright owner

- (1) If a carriage service provider receives a counter-notice from a user under regulation 20K in response to a notice of claimed infringement, the carriage service provider must, as soon as practicable after receiving the counter-notice, send to the copyright owner or agent who issued the notice of claimed infringement:
  - (a) a copy of the counter-notice; and
  - (b) a notice stating that if the owner or agent does not, within 10 working days after the date the notice was sent, bring an action seeking a court order to restrain the activity that is claimed to be infringing, the carriage service provider will restore, or enable access to, the copyright material on its system or network.
- (2) If the counter-notice is from a user who is an individual, the copy of the counter-notice and the notice under paragraph (1)(b) sent to the copyright owner or agent under subregulation (1) may disclose information that could identify the user if the disclosure is consistent with the *Telecommunications Act 1997* and the *Privacy Act 1988*.

## 20M Restoring copyright material

- (1) A carriage service provider must comply with this regulation if:
  - (a) the carriage service provider sends a copy of a counter-notice issued by a user and a notice to the copyright owner or agent under regulation 20L in relation to a notice of claimed infringement issued by the copyright owner or agent; and
  - (b) either:
    - (i) the owner or agent does not, within 10 working days after those documents were sent, notify the carriage service provider's designated representative that the owner or agent has brought an action seeking a court order to restrain the activity that is claimed to be infringing; or
    - (ii) the carriage service provider is notified that an action for infringement of the copyright in the copyright material has been discontinued or was unsuccessful.
- (2) The carriage service provider must restore, or enable access to, the copyright material on its system or network:
  - (a) if the carriage service provider is not notified by the copyright owner or agent of the matter mentioned in subparagraph (1)(b)(i) within the period mentioned in that subparagraph—as soon as practicable after the end of that period; or
  - (b) if the carriage service provider is notified of the matter mentioned in subparagraph (1)(b)(ii)—as soon as practicable after receiving the notification.

Note: The carriage service provider is not required to have regard to a notification from the copyright owner or agent of a kind mentioned in subparagraph (1)(b)(i) if it is received more than 10 working days after the documents were sent to the owner or agent under regulation 20L.

## Division 3A.5—Conditions—procedure following takedown of copyright material other than following notice by copyright owner

### 20N Application of Division 3A.5

- (1) For condition 3 of item 4 (Category C activities) of the table in

subsection 116AH(1) of the Act and subject to subregulation (2), this Division prescribes the procedure to be followed in relation to copyright material residing on a carriage service provider's system or network if the carriage service provider:

- (a) becomes aware that the material is infringing; or
- (b) becomes aware of facts or circumstances that make it apparent that the material is likely to be infringing.

Note: The carriage service provider must act expeditiously to remove or disable access to copyright material residing on its system or network if the carriage service provider becomes aware of a matter mentioned in paragraph (1)(a) or (b) in relation to the material—see condition 2A of item 4 of the table in subsection 116AH(1) of the Act.

- (2) This Division does not apply if the carriage service provider becomes aware of a matter mentioned in paragraph (1)(a) or (b) in relation to copyright material residing on the carriage service provider's system or network as a result of receiving a notice of claimed infringement under Division 3A.4, or any other notification, from the owner, or an agent of the owner, of the copyright in the material.

Note: The procedure prescribed in Division 3A.4 applies if the carriage service provider receives a notice of claimed infringement in relation to the copyright material from the owner, or an agent of the owner, of the copyright in the material.

#### 20P Notice to user

- (1) As soon as practicable after removing, or disabling access to, the copyright material under condition 2A of item 4 of the table in subsection 116AH(1) of the Act, the carriage service provider must send to the user who directed the carriage service provider to store the copyright material on its system or network a notice stating:
  - (a) that the copyright material has been removed, or access to it has been disabled; and
  - (b) the grounds for removing, or disabling access to, the copyright material; and
  - (c) that the user may, within 3 months after receiving the notice, issue a counter-notice in accordance with regulation 20Q of the *Copyright Regulations 1969* to the carriage service provider's designated representative disputing the grounds for removing, or disabling access to, the copyright material and requesting the carriage service provider to restore, or enable access to, the copyright material on the carriage service provider's system or network.
- (2) A carriage service provider is taken to have complied with subregulation (1) if:
  - (a) the carriage service provider has taken reasonable steps to identify the user but has been unable to do so; or
  - (b) the carriage service provider sends the notice to the user as required by subregulation (1) but it is not received by the user.

#### 20Q Counter-notice

- (1) If a user receives a notice from a carriage service provider under regulation 20P, the user may issue a counter-notice to the carriage service provider's designated representative disputing the grounds for removing, or disabling access to, the copyright material and requesting the carriage service provider to restore, or enable access to, the copyright material on the carriage service provider's system or

network.

Note: If the user does not issue a counter-notice to the carriage service provider's designated representative, the carriage service provider is not required to take any further action in relation to the copyright material.

- (2) A counter-notice must:
- (a) be in accordance with, or substantially in accordance with, the Form set out in Part 5 of Schedule 10; and
  - (b) be issued within 3 months after the user receives the notice under regulation 20P.

#### 20R Restoring copyright material

If:

- (a) a carriage service provider receives a counter-notice in relation to copyright material under regulation 20Q; and
- (b) on the basis of the information and statements in the counter-notice, the carriage service provider is satisfied that the copyright material is not, or is not likely to be, infringing, the carriage service provider must, as soon as practicable after receiving the counter-notice, restore, or enable access to, the copyright material on its system or network.

#### Division 3A.6—Conditions—takedown of reference to copyright material following notice from copyright owner

##### 20S Application of Division 3A.6

For condition 3 of item 5 (Category D activities) of the table in subsection 116AH(1) of the Act, this Division prescribes the procedure to be followed in relation to a reference to copyright material that is provided by a carriage service provider on its system or network if:

- (a) the owner, or an agent of the owner, of the copyright in the material believes, on reasonable grounds, that the material is infringing; and
- (b) the owner or agent wishes the carriage service provider to remove or disable access to the reference to the material.

##### 20T Notice of claimed infringement

- (1) The owner, or an agent of the owner, of the copyright in the copyright material to which the reference is provided must issue a notice of claimed infringement to the carriage service provider's designated representative.
- (2) A notice of claimed infringement must be in accordance with, or substantially in accordance with, the form set out in Part 6 of Schedule 10.

##### 20U Takedown procedure

If a carriage service provider receives a notice of claimed infringement under regulation 20T, the carriage service provider must expeditiously remove, or disable access to, the reference to the copyright material specified in the notice and provided by the carriage service provider on its system or network.

#### Division 3A.7—Civil remedies

##### 20V Action taken to comply with a condition

A carriage service provider is not liable for damages or any other civil remedy as a result of action taken in good faith by the carriage service provider to comply with any of the following conditions:

- (a) condition 3 of item 3 (Category B activities) of the table in subsection 116AH(1) of the Act;
- (b) condition 2, 2A or 3 of item 4 (Category C activities) of the table in subsection 116AH(1) of the Act;
- (c) condition 2, 2A or 3 of item 5 (Category D activities) of the table in subsection 116AH(1) of the Act.

Note: See also Divisions 3A.2, 3A.3, 3A.4, 3A.5 and 3A.6 of this Part in relation to these conditions.

#### **20W Failure to restore or enable access to copyright material**

- (1) This regulation applies to a carriage service provider who is required to comply with regulation 20M or 20R in relation to particular copyright material.
- (2) If the carriage service provider fails to restore, or enable access to, the copyright material on its system or network as required by regulation 20M or 20R, the carriage service provider may be liable for damages or any other civil remedy in an action taken by a user or third party affected by the failure.
- (3) However, the carriage service provider is not liable for damages or any other civil remedy in an action taken by the owner of the copyright in the copyright material because of the carriage service provider's failure to restore, or enable access to, the copyright material in accordance with regulation 20M or 20R.

#### **20X Misrepresentations in notifications and notices**

- (1) A person who issues a notification, notice or counter-notice under this Part, for the purpose of satisfying a condition in Subdivision D of Division 2AA of Part V of the Act, must not knowingly make a material misrepresentation in that notification, notice or counter-notice.
- (2) For subregulation (1), a person knowingly makes a material misrepresentation in a notification, notice or counter-notice if the person does not take reasonable steps to ensure the accuracy of the information and statements included in the notification, notice or counter-notice.
- (3) A person who suffers loss or damage because of a material misrepresentation made knowingly in a notification, notice or counter-notice may bring an action for a civil remedy against the person who issued the notification, notice or counter-notice.

###

# Regulations for the Protection of the Right of Communication through Information Network

**Article 1** These Regulations have been formulated under the Copyright Law of the People's Republic of China (hereinafter referred to as the Copyright Law) with a view to protecting the right of communication through information network enjoyed by copyright owners, performers and producers of sound recordings and video recordings (hereinafter collectively referred to as the right owners) and to encouraging creation and communication of works conducive to the building of a socialist society that is advanced ethically and materially.

**Article 2** The right of communication through information network enjoyed by a right owner shall be protected under the Copyright Law and these Regulations. Any organization or person that makes any other person's works, performances, sound recordings or video recordings available to the public through information network shall obtain permission from, and pay remuneration to, the right owner unless otherwise provided for in the laws or administrative regulations.

**Article 3** Works, performances, sound recordings or video recordings the provision of which is prohibited under the law shall not be protected under these Regulations.

In exercising the right of communication through information network, a copyright owner shall not contravene the Constitution, laws and administrative regulations, nor cause prejudice to the public interests.

**Article 4** A right owner may adopt technological measures to protect his right of communication through information network.

Any organization or person shall not intentionally circumvent or sabotage technological measures; nor shall it or he intentionally manufacture, import or offer to the public any device or part used primarily for circumventing or sabotaging technological measures; nor shall it or he intentionally provide others with any technical service designed for circumventing or sabotaging technological measures, except the circumvention permissible under the laws and adminis-

trative regulations.

**Article 5** Without the permission from the right owner, no organization or person shall do the following:

(1) intentionally removing or altering the electronic rights management information of works, performances, sound recordings or video recordings made available to the public through information network, except removal or alteration unavoidable for technical reasons; or

(2) making available to the public, through information network, works, performances, sound recordings or video recordings of which one knows or has reasonable grounds to know the rights management information has been removed or altered without the permission from the right owners.

**Article 6** In the following circumstances, another person's work may be made available through information network without the permission from, and without payment of the remuneration to, the copyright owners:

(1) appropriate quotation from a published work in works made available to the public for the purpose of presenting or commenting on the work, or explaining a point;

(2) unavoidable representation of, or quotation from, a published work in works made available to the public for the purpose of reporting the current events;

(3) making available to a small number of teachers or scientific researchers a small number of published works for the purpose of classroom teaching or scientific research;

(4) making available to the public published works by a State organ within a justifiable scope for the purpose of performing its official duties;

(5) making available to an ethnic community within the territory of China of the translation of a published work of a Chinese citizen, legal entity or other organisation from Han language into the ethnic language;

(6) making available to the blind published works in a form perceivable to them for non-profit purposes;

(7) making available to the public articles published via the information network on current political or economic top-



ics; and

(8) making available to the public speeches delivered at public gatherings;

**Article 7** A library, archive, memorial hall, museum and art gallery may make available to their service recipients, through information network, on its premises a legitimately published digital work in their collection and any work reproduced according to law in a digital form for the purpose of display or preservation of the edition of the work, without the permission from, and without payment of the remuneration to, the copyright owner. These institutions shall not seek any direct or indirect financial benefits from such activity, unless the parties concerned have agreed otherwise.

The works reproduced in a digital form for the purpose of display or preservation of the edition thereof as provided for in the preceding paragraph shall be the works that have been damaged, are on the verge of damage, lost or stolen, or works the existing storage format of which has become obsolete, and works that are not available in the market or are available at a price markedly higher than the labeled price.

**Article 8** For the purpose of implementing the nine-year compulsory educational program or the national educational plan through information network, extracts of published works, short literary works, musical works, single works of fine art, or photographic works may be used for preparing courseware or a distant educational establishment that has prepared or legitimately obtained the courseware may make them accessible to the registered students through information network, without the permission from the copyright owners, provided that the copyright owners are paid the remuneration.

**Article 9** In order to alleviate poverty, a published work of a Chinese citizen, legal entity or any other organization on such topics as planting and breeding, disease prevention and elimination, disaster prevention and reduction and any work that meets the cultural needs may be made available free of charge to people in the rural areas through information network. The network service provider shall, before making available of these works, make public the works to be made available and the authors thereof and the standard of remuneration to be paid. The network service provider shall not make a work available if the copyright owner refuses to provide it within thirty days from the date of the publication; where the copyright owner has no objection after thirty days from the date of the publication, the network service

provider may make the work available, and pays the remuneration to the copyright owner according to the publicized standard. Where the copyright owner refuses to have his work made available after the network service provider has already made the work available, the the network service provider shall promptly remove the work of the copyright owner, and pays the copyright owner the remuneration for the period when the work was made available on the network according to the publicized standard of remuneration.

Anyone who makes a work available in accordance with the preceding paragraph shall not seek any financial benefit directly or indirectly therefrom.

**Article 10** Where works are made available to the public through information network without the permission from the copyright owners under these Regulations, the following provisions shall also be complied with:

(1) works which the author declares in advance that the making available thereof is not permitted shall not be made available except in the circumstances as provided for in Articles 6(1) to (6) and 7;

(2) the title of the work and the name of the author shall be indicated;

(3) remuneration shall be paid under these Regulations;

(4) technological measures shall be adopted to prevent a copyright owner's work from being made available to anyone other than the subscriber as provided for in Articles 7, 8 and 9 of these Regulations, and to prevent any reproducing act of the subscriber as provided for in Article 7 of these Regulations from substantially impairing the interests of copyright owner; and

(5) the other rights enjoyed by the copyright owner under the law shall not be infringed.

**Article 11** Making available through information network others' performances, sound recordings or video recordings shall be in compliance with the provisions of Articles 6 to 10 of these Regulations.

**Article 12** Under any of the following circumstances, technological measures may be circumvented, provided that the technologies, devices, or parts used for circumventing the technological measures shall not be made available to any other person, and the circumvention shall not cause prejudice to the other rights enjoyed by the right owners under the law:

(1) making available through information network a published work, performance, sound or video recording to a small number of teachers or scientific researchers for the

purpose of classroom teaching or scientific research, provided that such work, performance, sound recording or video recording is accessible only on information network;

(2) making available to the blind through information network a published literary work, for non-profit purposes, in a particular form perceivable to them, provided that such work is accessible only on information network.

(3) a State organ's performing its official duty according to the administrative or judicial procedures; or

(4) testing for the security of a computer and a computer system or network on information network.

**Article 13** In order to investigate and handle an act infringing the right of making available through information network, the copyright administrative department may require the network service provider to provide such information as the name or appellation, means of contact, network address of the subscriber suspected of infringement.

**Article 14** Where a right owner believes that a work, performance, sound recording or video recording involved in the service provided by a network service provider of information storage space, searching or linking services has infringed his right of communication through information network, or that his electronic right management information on such work has been removed or altered, he may notify the network service provider in writing, requesting it to remove, or disconnect the link to, the work, performance, sound recording or video recording. The notification shall include the following:

(1) the name (appellation), means of contact and address of the right owner;

(2) the title and network address of the infringing work, performance, sound recording or video recording which is requested to be removed or to which the link is requested to be disconnected; and

(3) the primary proof of the infringement.

The right owner shall be accountable for the authenticity of the notification

**Article 15** The network service provider shall, upon receipt of the notification from a right owner, promptly removes, or disconnects the link to, the work, performance, sound recording or video recording suspected of infringement, and at the same time communicates the notification to the subscriber who provides the work, performance, sound recording or video recording; where the notification is impossible to be communicated due to the unclear network address, the network service provider shall also make known

the content of the notification on the information network.

**Article 16** The subscriber may, upon receipt of the notification from the network service provider, explain the case to the network service provider in writing, requesting it to replace, or restore the link to, the removed work, performance, sound recording or video recording if he considers that the work, performance, sound recording or video recording provided by him is non-infringing. Such written explanation shall include the following:

(1) the name (appellation), means of contact and address of the subscriber;

(2) the title and network address of the work, performance, sound recording or video recording the replacement of which has been requested; and

(3) the primary proof of non-infringement.

The subscriber shall be accountable for the authenticity of the explanation.

**Article 17** The network service provider shall, upon receipt of the written explanation from the subscriber, promptly replace, or may restore the link to, the removed work, performance, sound recording or video recording, and also communicate to the right owner a copy of the written explanation made by the subscriber. The right owner shall not notify the network service provider again to remove, or to disconnect the link to, the work, performance, sound recording or video recording.

**Article 18** Any organization or person which contravenes the provisions of these Regulations by committing any of the following acts of infringement shall, depending on the circumstances, be civilly liable for ceasing the infringement, eliminating the adverse effects, making apology, or paying for the damages; where prejudice is caused to the public interests, the copyright administrative department may order the person to cease the infringement, confiscate illegal income, and may also impose a fine of no more than RMB100,000 yuan; where the circumstances are serious, the said department may, in addition, confiscate the equipment, such as computers used mainly to provide the network services; and where a crime is constituted, the criminal liabilities shall be imposed under the law:

(1) making available, without the permission from the right owners, to the public through information network their works, performances, sound recordings or video recordings;

(2) intentionally circumventing or sabotaging technological measures;

(3) intentionally removing or altering, without the permis-

sion from the right owners, the electronic rights management information of their works, performances, sound recordings or video recordings made available to the public through information network; or making available to the public through information network work, performances, sound recordings or video recordings the electronic rights management information of which one knows, or has the reasonable grounds to know, has been removed or altered without the permission from the right owners;

(4) exceeding the prescribed scope when making available to the rural areas through information network works, performances, sound recordings or video recordings for the purpose of alleviating poverty, or failing to pay the remuneration according to the publicised standards, or failing to promptly remove the works, performances, sound recordings or video recordings when the right owners object to such use; or

(5) making available to the public through information network another person's works, performances, sound recordings or video recordings without indicating the titles of these works, performances, sound recordings or video recordings, or the name (appellation) of the author, performer or producer of the sound recordings or video recordings; or without paying the remuneration, or without adopting technological measures, according to these Regulations, to prevent those other than the subscribers from obtaining the works, performances, sound recordings or video recordings, or without preventing any reproducing acts of the subscriber from substantially impairing the rights owner' interests.

**Article 19** Where an organization or person that contravenes the provisions of these Regulations by committing any of the following acts of infringement, the copyright administrative department may give a warning, confiscate the illegal income and devices or parts used mainly for circumventing or sabotaging the technological measures; where the circumstances are serious, the said department may confiscate the equipment, such as computers used mainly to provide the network service, and may also impose a fine of no more than RMB100,000 yuan; and where a crime is constituted, criminal liabilities shall be imposed under the law:

(1) intentionally manufacturing, importing, or offering to the public devices or parts used mainly for circumventing or sabotaging technological measures; intentionally providing others with the technological services designed for circumventing or sabotaging the technological measures;

(2) seeking financial benefits from making others' works,

performances, sound recordings or video recordings available to the public through information network; or

(3) failing to make known to the public the titles of the works, performances, sound recordings or video recordings, the names (appellations) of the authors, the performers and failing to the producers of sound recordings or video recordings, and to publish the remuneration standard before making available to the rural areas through information network these works, performances, sound recordings or video recordings for the purpose of alleviating poverty.

**Article 20** A network service provider that provides network automatic access service at the direction of its subscribers, or provides service for automatic transmission of works, performances, sound recordings or video recordings provided by its subscribers, and meets the following conditions shall not be liable for damages:

(1) the network service provider neither chooses nor alters the transmitted works, performances, sound recordings or video recordings; and

(2) the network service provider makes the works, performances, sound recordings or video recordings available to the designated recipients, and prevents those other than the designated recipients from receiving them.

**Article 21** A network service provider that provides the service of automatic storage for works, performances, sound recordings or video recordings obtained from another network service provider in order to improve the efficiency of network transmission, and automatically provides them to its subscribers according to the technological arrangement, and meets the following conditions shall not be liable for damages:

(1) it does not alter the automatically stored works, performances, sound recordings or video recordings;

(2) such storage does not affect the access of the initial network service provider that provides the works, performances, sound recordings or video recordings to the information about the subscribers' access to the works, performances, sound recordings or video recordings;

(3) it alters, removes, or disables the access to, the works, performances, sound recordings and video recordings according to the technological arrangement when the initial network service provider alters, removes, or disables the access to them.

**Article 22** A network service provider that provides its subscribers with network storage space for them to make works, performances, sound recordings or video recordings

available to the public, and meets the following conditions shall not be liable for damages:

(1) it clearly indicates that the network storage space is provided to its subscribers and discloses the name, person to contact, and network address of the network service provider;

(2) it does not alter the works, performances, sound recordings or video recordings provided by its subscribers;

(3) it does not know or has no reasonable grounds to know that the works, performances, sound recordings or video recordings provided by its subscribers infringe any other persons' rights;

(4) it does not seek financial benefits directly from the works, performances, sound recordings or video recordings provided by its subscribers;

(5) it promptly removes, according to these Regulations, the works, performances, sound recordings or video recordings alleged of infringement by the right owner upon receipt of notification.

**Article 23** Where a network service provider that provides searching or linking service to its subscribers, disconnects the link to the infringing works, performances, sound recordings or video recordings upon receipt of the right owner's notification according to these Regulations, it shall not be liable for damages; where it knows or has reasonable grounds to know that the linked works, performances, sound recordings or video recordings infringe another person's right, it shall be jointly liable for the infringement.

**Article 24** Where a network service provider, by mistake, removes, or disconnect the link to, works, performances, sound recordings or video recordings due to notification from the right owner and thus causes injury to its subscribers, the right owner shall be liable for the damages.

**Article 25** Where a network service provider, without justifiable reasons, refuses to provide or delays providing, information, such as the name (appellation), means of contact or network address of a subscriber suspected of infringement, the copyright administrative department may give a warning; where the circumstances are serious, the said department may confiscate the equipment, such as computers used mainly for providing the network services.

**Article 26** For the purpose of these Regulations, the following expressions shall have the meanings hereunder assigned to them:

The "right of communication through information network" means a right of communicating a work, performance,

sound recording or video recording to the public, by wire or by wireless means in such a way that members of the public may access to these works from a place and at a time individually chosen by them.

The "technological measures" means the technologies, devices or parts that effectively prevent or restrict the activities of browsing and reading works, watching performances, enjoying sound recordings or video recordings, or making available to the public works, performances, sound recordings or video recordings through information network without the permission from the right owners.

The "electronic rights management information" means information which identifies works and authors of the works, performances and the performers, sound recordings or video recordings and the producers, or information about the ownership, terms and conditions for use of the works, performances, sound recordings or video recordings, and the numbers or codes that represent such information.

**Article 27** These Regulations shall enter into force on 1 July 2006. ■

美国 JBS 联合公司 (前身为美国联合饲料公司 United Feeds, Inc.) 成立于 1956 年, 主要从事动物营养饲料的开发和生产、家畜饲养以及谷物的生产和销售。

美国 JBS 联合公司的主要产品有:

- 兽医用药, 牲畜用维生素, 医用饲料添加剂, 牲畜用矿物质;
- 牲畜饲料, 牲畜食用糠料, 非医用饲料添加剂, 牲畜用的备料, 牲畜食用维生素, 牲畜食用矿物质。

在此特别提醒您购买时请认准我司拥有之如下注册商标, 谨防假冒。



美国 JBS 联合公司的上述商标均已在中国注册, 商标注册证号分别为: 1254300, 1179746, 1218328, 1179745, 1240242, 1181743。

 美国 JBS 联合公司 (JBS United, Inc.)  
 4310 W. State Road 38, Sheridan, IN 46069 USA  
 Tel: (800) 503-6288 Fax: (317) 758-9016  
 Website: www.jbsunited.com

## I

(Acts whose publication is obligatory)

**DIRECTIVE 2000/31/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL**

**of 8 June 2000**

**on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market (Directive on electronic commerce)**

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Articles 47(2), 55 and 95 thereof,

Having regard to the proposal from the Commission<sup>(1)</sup>,

Having regard to the opinion of the Economic and Social Committee<sup>(2)</sup>,

Acting in accordance with the procedure laid down in Article 251 of the Treaty<sup>(3)</sup>,

Whereas:

- (1) The European Union is seeking to forge ever closer links between the States and peoples of Europe, to ensure economic and social progress; in accordance with Article 14(2) of the Treaty, the internal market comprises an area without internal frontiers in which the free movements of goods, services and the freedom of establishment are ensured; the development of information society services within the area without internal frontiers is vital to eliminating the barriers which divide the European peoples.
- (2) The development of electronic commerce within the information society offers significant employment opportunities in the Community, particularly in small and medium-sized enterprises, and will stimulate economic growth and investment in innovation by European companies, and can also enhance the competitiveness of European industry, provided that everyone has access to the Internet.

- (3) Community law and the characteristics of the Community legal order are a vital asset to enable European citizens and operators to take full advantage, without consideration of borders, of the opportunities afforded by electronic commerce; this Directive therefore has the purpose of ensuring a high level of Community legal integration in order to establish a real area without internal borders for information society services.

- (4) It is important to ensure that electronic commerce could fully benefit from the internal market and therefore that, as with Council Directive 89/552/EEC of 3 October 1989 on the coordination of certain provisions laid down by law, regulation or administrative action in Member States concerning the pursuit of television broadcasting activities<sup>(4)</sup>, a high level of Community integration is achieved.

- (5) The development of information society services within the Community is hampered by a number of legal obstacles to the proper functioning of the internal market which make less attractive the exercise of the freedom of establishment and the freedom to provide services; these obstacles arise from divergences in legislation and from the legal uncertainty as to which national rules apply to such services; in the absence of coordination and adjustment of legislation in the relevant areas, obstacles might be justified in the light of the case-law of the Court of Justice of the European Communities; legal uncertainty exists with regard to the extent to which Member States may control services originating from another Member State.

<sup>(1)</sup> OJ C 30, 5.2.1999, p. 4.

<sup>(2)</sup> OJ C 169, 16.6.1999, p. 36.

<sup>(3)</sup> Opinion of the European Parliament of 6 May 1999 (OJ C 279, 1.10.1999, p. 389), Council common position of 28 February 2000 (OJ C 128, 8.5.2000, p. 32) and Decision of the European Parliament of 4 May 2000 (not yet published in the Official Journal).

<sup>(4)</sup> OJ L 298, 17.10.1989, p. 23. Directive as amended by Directive 97/36/EC of the European Parliament and of the Council (OJ L 202, 30.7.1997, p. 60).



- (6) In the light of Community objectives, of Articles 43 and 49 of the Treaty and of secondary Community law, these obstacles should be eliminated by coordinating certain national laws and by clarifying certain legal concepts at Community level to the extent necessary for the proper functioning of the internal market; by dealing only with certain specific matters which give rise to problems for the internal market, this Directive is fully consistent with the need to respect the principle of subsidiarity as set out in Article 5 of the Treaty.
- (7) In order to ensure legal certainty and consumer confidence, this Directive must lay down a clear and general framework to cover certain legal aspects of electronic commerce in the internal market.
- (8) The objective of this Directive is to create a legal framework to ensure the free movement of information society services between Member States and not to harmonise the field of criminal law as such.
- (9) The free movement of information society services can in many cases be a specific reflection in Community law of a more general principle, namely freedom of expression as enshrined in Article 10(1) of the Convention for the Protection of Human Rights and Fundamental Freedoms, which has been ratified by all the Member States; for this reason, directives covering the supply of information society services must ensure that this activity may be engaged in freely in the light of that Article, subject only to the restrictions laid down in paragraph 2 of that Article and in Article 46(1) of the Treaty; this Directive is not intended to affect national fundamental rules and principles relating to freedom of expression.
- (10) In accordance with the principle of proportionality, the measures provided for in this Directive are strictly limited to the minimum needed to achieve the objective of the proper functioning of the internal market; where action at Community level is necessary, and in order to guarantee an area which is truly without internal frontiers as far as electronic commerce is concerned, the Directive must ensure a high level of protection of objectives of general interest, in particular the protection of minors and human dignity, consumer protection and the protection of public health; according to Article 152 of the Treaty, the protection of public health is an essential component of other Community policies.
- (11) This Directive is without prejudice to the level of protection for, in particular, public health and consumer interests, as established by Community acts; amongst others, Council Directive 93/13/EEC of 5 April 1993 on unfair terms in consumer contracts<sup>(1)</sup> and Directive 97/7/EC of the European Parliament and of the Council of 20 May 1997 on the protection of consumers in respect of distance contracts<sup>(2)</sup> form a vital element for protecting consumers in contractual matters; those Directives also apply in their entirety to information society services; that same Community acquis, which is fully applicable to information society services, also embraces in particular Council Directive 84/450/EEC of 10 September 1984 concerning misleading and comparative advertising<sup>(3)</sup>, Council Directive 87/102/EEC of 22 December 1986 for the approximation of the laws, regulations and administrative provisions of the Member States concerning consumer credit<sup>(4)</sup>, Council Directive 93/22/EEC of 10 May 1993 on investment services in the securities field<sup>(5)</sup>, Council Directive 90/314/EEC of 13 June 1990 on package travel, package holidays and package tours<sup>(6)</sup>, Directive 98/6/EC of the European Parliament and of the Council of 16 February 1998 on consumer production in the indication of prices of products offered to consumers<sup>(7)</sup>, Council Directive 92/59/EEC of 29 June 1992 on general product safety<sup>(8)</sup>, Directive 94/47/EC of the European Parliament and of the Council of 26 October 1994 on the protection of purchasers in respect of certain aspects on contracts relating to the purchase of the right to use immovable properties on a timeshare basis<sup>(9)</sup>, Directive 98/27/EC of the European Parliament and of the Council of 19 May 1998 on injunctions for the protection of consumers' interests<sup>(10)</sup>, Council Directive 85/374/EEC of 25 July 1985 on the approximation of the laws, regulations and administrative provisions concerning liability for defective products<sup>(11)</sup>, Directive 1999/44/EC of the European Parliament and of the Council of 25 May 1999 on certain aspects of the sale of consumer goods and associated guarantees<sup>(12)</sup>, the future Directive of the European Parliament and of the Council concerning the distance marketing of consumer financial services and Council Directive 92/28/EEC of 31 March 1992 on the advertising of medicinal products<sup>(13)</sup>; this Directive
- 
- <sup>(1)</sup> OJ L 95, 21.4.1993, p. 29.  
<sup>(2)</sup> OJ L 144, 4.6.1999, p. 19.  
<sup>(3)</sup> OJ L 250, 19.9.1984, p. 17. Directive as amended by Directive 97/55/EC of the European Parliament and of the Council (OJ L 290, 23.10.1997, p. 18).  
<sup>(4)</sup> OJ L 42, 12.2.1987, p. 48. Directive as last amended by Directive 98/7/EC of the European Parliament and of the Council (OJ L 101, 1.4.1998, p. 17).  
<sup>(5)</sup> OJ L 141, 11.6.1993, p. 27. Directive as last amended by Directive 97/9/EC of the European Parliament and of the Council (OJ L 84, 26.3.1997, p. 22).  
<sup>(6)</sup> OJ L 158, 23.6.1990, p. 59.  
<sup>(7)</sup> OJ L 80, 18.3.1998, p. 27.  
<sup>(8)</sup> OJ L 228, 11.8.1992, p. 24.  
<sup>(9)</sup> OJ L 280, 29.10.1994, p. 83.  
<sup>(10)</sup> OJ L 166, 11.6.1998, p. 51. Directive as amended by Directive 1999/44/EC (OJ L 171, 7.7.1999, p. 12).  
<sup>(11)</sup> OJ L 210, 7.8.1985, p. 29. Directive as amended by Directive 1999/34/EC (OJ L 141, 4.6.1999, p. 20).  
<sup>(12)</sup> OJ L 171, 7.7.1999, p. 12.  
<sup>(13)</sup> OJ L 113, 30.4.1992, p. 13.

- should be without prejudice to Directive 98/43/EC of the European Parliament and of the Council of 6 July 1998 on the approximation of the laws, regulations and administrative provisions of the Member States relating to the advertising and sponsorship of tobacco products<sup>(1)</sup> adopted within the framework of the internal market, or to directives on the protection of public health; this Directive complements information requirements established by the abovementioned Directives and in particular Directive 97/7/EC.
- (12) It is necessary to exclude certain activities from the scope of this Directive, on the grounds that the freedom to provide services in these fields cannot, at this stage, be guaranteed under the Treaty or existing secondary legislation; excluding these activities does not preclude any instruments which might prove necessary for the proper functioning of the internal market; taxation, particularly value added tax imposed on a large number of the services covered by this Directive, must be excluded from the scope of this Directive.
- (13) This Directive does not aim to establish rules on fiscal obligations nor does it pre-empt the drawing up of Community instruments concerning fiscal aspects of electronic commerce.
- (14) The protection of individuals with regard to the processing of personal data is solely governed by Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data<sup>(2)</sup> and Directive 97/66/EC of the European Parliament and of the Council of 15 December 1997 concerning the processing of personal data and the protection of privacy in the telecommunications sector<sup>(3)</sup> which are fully applicable to information society services; these Directives already establish a Community legal framework in the field of personal data and therefore it is not necessary to cover this issue in this Directive in order to ensure the smooth functioning of the internal market, in particular the free movement of personal data between Member States; the implementation and application of this Directive should be made in full compliance with the principles relating to the protection of personal data, in particular as regards unsolicited commercial communication and the liability of intermediaries; this Directive cannot prevent the anonymous use of open networks such as the Internet.
- (15) The confidentiality of communications is guaranteed by Article 5 Directive 97/66/EC; in accordance with that Directive, Member States must prohibit any kind of interception or surveillance of such communications by others than the senders and receivers, except when legally authorised.
- (16) The exclusion of gambling activities from the scope of application of this Directive covers only games of chance, lotteries and betting transactions, which involve wagering a stake with monetary value; this does not cover promotional competitions or games where the purpose is to encourage the sale of goods or services and where payments, if they arise, serve only to acquire the promoted goods or services.
- (17) The definition of information society services already exists in Community law in Directive 98/34/EC of the European Parliament and of the Council of 22 June 1998 laying down a procedure for the provision of information in the field of technical standards and regulations and of rules on information society services<sup>(4)</sup> and in Directive 98/84/EC of the European Parliament and of the Council of 20 November 1998 on the legal protection of services based on, or consisting of, conditional access<sup>(5)</sup>; this definition covers any service normally provided for remuneration, at a distance, by means of electronic equipment for the processing (including digital compression) and storage of data, and at the individual request of a recipient of a service; those services referred to in the indicative list in Annex V to Directive 98/34/EC which do not imply data processing and storage are not covered by this definition.
- (18) Information society services span a wide range of economic activities which take place on-line; these activities can, in particular, consist of selling goods on-line; activities such as the delivery of goods as such or the provision of services off-line are not covered; information society services are not solely restricted to services giving rise to on-line contracting but also, in so far as they represent an economic activity, extend to services which are not remunerated by those who receive them, such as those offering on-line information or commercial communications, or those providing tools allowing for search, access and retrieval of data; information society services also include services consisting of the transmission of information via a communication network, in providing access to a communication network or in hosting information provided by a recipient of the service; television broadcasting within the meaning of Directive EEC/89/552 and radio broadcasting are not information society services because they are not provided at individual request; by contrast, services which are transmitted point to point, such as video-on-demand or the provision of commercial communications by electronic mail are information society services; the use of electronic mail or equivalent individual communications for instance by natural persons acting outside their trade, business or profession including their use for the conclusion of contracts between such persons is not an information society service; the contractual relationship between an

(1) OJ L 213, 30.7.1998, p. 9.

(2) OJ L 281, 23.11.1995, p. 31.

(3) OJ L 24, 30.1.1998, p. 1.

(4) OJ L 204, 21.7.1998, p. 37. Directive as amended by Directive 98/48/EC (OJ L 217, 5.8.1998, p. 18).

(5) OJ L 320, 28.11.1998, p. 54.

employee and his employer is not an information society service; activities which by their very nature cannot be carried out at a distance and by electronic means, such as the statutory auditing of company accounts or medical advice requiring the physical examination of a patient are not information society services.

- (19) The place at which a service provider is established should be determined in conformity with the case-law of the Court of Justice according to which the concept of establishment involves the actual pursuit of an economic activity through a fixed establishment for an indefinite period; this requirement is also fulfilled where a company is constituted for a given period; the place of establishment of a company providing services via an Internet website is not the place at which the technology supporting its website is located or the place at which its website is accessible but the place where it pursues its economic activity; in cases where a provider has several places of establishment it is important to determine from which place of establishment the service concerned is provided; in cases where it is difficult to determine from which of several places of establishment a given service is provided, this is the place where the provider has the centre of his activities relating to this particular service.
- (20) The definition of 'recipient of a service' covers all types of usage of information society services, both by persons who provide information on open networks such as the Internet and by persons who seek information on the Internet for private or professional reasons.
- (21) The scope of the coordinated field is without prejudice to future Community harmonisation relating to information society services and to future legislation adopted at national level in accordance with Community law; the coordinated field covers only requirements relating to on-line activities such as on-line information, on-line advertising, on-line shopping, on-line contracting and does not concern Member States' legal requirements relating to goods such as safety standards, labelling obligations, or liability for goods, or Member States' requirements relating to the delivery or the transport of goods, including the distribution of medicinal products; the coordinated field does not cover the exercise of rights of pre-emption by public authorities concerning certain goods such as works of art.
- (22) Information society services should be supervised at the source of the activity, in order to ensure an effective protection of public interest objectives; to that end, it is necessary to ensure that the competent authority provides such protection not only for the citizens of its own country but for all Community citizens; in order to improve mutual trust between Member States, it is essential to state clearly this responsibility on the part of the Member State where the services originate; moreover, in order to effectively guarantee freedom to provide services and legal certainty for suppliers and recipients of services, such information society services should in principle be subject to the law of the Member State in which the service provider is established.
- (23) This Directive neither aims to establish additional rules on private international law relating to conflicts of law nor does it deal with the jurisdiction of Courts; provisions of the applicable law designated by rules of private international law must not restrict the freedom to provide information society services as established in this Directive.
- (24) In the context of this Directive, notwithstanding the rule on the control at source of information society services, it is legitimate under the conditions established in this Directive for Member States to take measures to restrict the free movement of information society services.
- (25) National courts, including civil courts, dealing with private law disputes can take measures to derogate from the freedom to provide information society services in conformity with conditions established in this Directive.
- (26) Member States, in conformity with conditions established in this Directive, may apply their national rules on criminal law and criminal proceedings with a view to taking all investigative and other measures necessary for the detection and prosecution of criminal offences, without there being a need to notify such measures to the Commission.
- (27) This Directive, together with the future Directive of the European Parliament and of the Council concerning the distance marketing of consumer financial services, contributes to the creating of a legal framework for the on-line provision of financial services; this Directive does not pre-empt future initiatives in the area of financial services in particular with regard to the harmonisation of rules of conduct in this field; the possibility for Member States, established in this Directive, under certain circumstances of restricting the freedom to provide information society services in order to protect consumers also covers measures in the area of financial services in particular measures aiming at protecting investors.



- (28) The Member States' obligation not to subject access to the activity of an information society service provider to prior authorisation does not concern postal services covered by Directive 97/67/EC of the European Parliament and of the Council of 15 December 1997 on common rules for the development of the internal market of Community postal services and the improvement of quality of service<sup>(1)</sup> consisting of the physical delivery of a printed electronic mail message and does not affect voluntary accreditation systems, in particular for providers of electronic signature certification service.
- (29) Commercial communications are essential for the financing of information society services and for developing a wide variety of new, charge-free services; in the interests of consumer protection and fair trading, commercial communications, including discounts, promotional offers and promotional competitions or games, must meet a number of transparency requirements; these requirements are without prejudice to Directive 97/7/EC; this Directive should not affect existing Directives on commercial communications, in particular Directive 98/43/EC.
- (30) The sending of unsolicited commercial communications by electronic mail may be undesirable for consumers and information society service providers and may disrupt the smooth functioning of interactive networks; the question of consent by recipient of certain forms of unsolicited commercial communications is not addressed by this Directive, but has already been addressed, in particular, by Directive 97/7/EC and by Directive 97/66/EC; in Member States which authorise unsolicited commercial communications by electronic mail, the setting up of appropriate industry filtering initiatives should be encouraged and facilitated; in addition it is necessary that in any event unsolicited commercial communities are clearly identifiable as such in order to improve transparency and to facilitate the functioning of such industry initiatives; unsolicited commercial communications by electronic mail should not result in additional communication costs for the recipient.
- (31) Member States which allow the sending of unsolicited commercial communications by electronic mail without prior consent of the recipient by service providers established in their territory have to ensure that the service providers consult regularly and respect the opt-out registers in which natural persons not wishing to receive such commercial communications can register themselves.
- (32) In order to remove barriers to the development of cross-border services within the Community which members of the regulated professions might offer on the Internet, it is necessary that compliance be guaranteed at Community level with professional rules aiming, in particular, to protect consumers or public health; codes of conduct at Community level would be the best means of determining the rules on professional ethics applicable to commercial communication; the drawing-up or, where appropriate, the adaptation of such rules should be encouraged without prejudice to the autonomy of professional bodies and associations.
- (33) This Directive complements Community law and national law relating to regulated professions maintaining a coherent set of applicable rules in this field.
- (34) Each Member State is to amend its legislation containing requirements, and in particular requirements as to form, which are likely to curb the use of contracts by electronic means; the examination of the legislation requiring such adjustment should be systematic and should cover all the necessary stages and acts of the contractual process, including the filing of the contract; the result of this amendment should be to make contracts concluded electronically workable; the legal effect of electronic signatures is dealt with by Directive 1999/93/EC of the European Parliament and of the Council of 13 December 1999 on a Community framework for electronic signatures<sup>(2)</sup>; the acknowledgement of receipt by a service provider may take the form of the on-line provision of the service paid for.
- (35) This Directive does not affect Member States' possibility of maintaining or establishing general or specific legal requirements for contracts which can be fulfilled by electronic means, in particular requirements concerning secure electronic signatures.
- (36) Member States may maintain restrictions for the use of electronic contracts with regard to contracts requiring by law the involvement of courts, public authorities, or professions exercising public authority; this possibility also covers contracts which require the involvement of courts, public authorities, or professions exercising public authority in order to have an effect with regard to third parties as well as contracts requiring by law certification or attestation by a notary.
- (37) Member States' obligation to remove obstacles to the use of electronic contracts concerns only obstacles resulting from legal requirements and not practical obstacles resulting from the impossibility of using electronic means in certain cases.

(1) OJ L 15, 21.1.1998, p. 14.

(2) OJ L 13, 19.1.2000, p. 12.

- (38) Member States' obligation to remove obstacles to the use of electronic contracts is to be implemented in conformity with legal requirements for contracts enshrined in Community law.
- (39) The exceptions to the provisions concerning the contracts concluded exclusively by electronic mail or by equivalent individual communications provided for by this Directive, in relation to information to be provided and the placing of orders, should not enable, as a result, the by-passing of those provisions by providers of information society services.
- (40) Both existing and emerging disparities in Member States' legislation and case-law concerning liability of service providers acting as intermediaries prevent the smooth functioning of the internal market, in particular by impairing the development of cross-border services and producing distortions of competition; service providers have a duty to act, under certain circumstances, with a view to preventing or stopping illegal activities; this Directive should constitute the appropriate basis for the development of rapid and reliable procedures for removing and disabling access to illegal information; such mechanisms could be developed on the basis of voluntary agreements between all parties concerned and should be encouraged by Member States; it is in the interest of all parties involved in the provision of information society services to adopt and implement such procedures; the provisions of this Directive relating to liability should not preclude the development and effective operation, by the different interested parties, of technical systems of protection and identification and of technical surveillance instruments made possible by digital technology within the limits laid down by Directives 95/46/EC and 97/66/EC.
- (41) This Directive strikes a balance between the different interests at stake and establishes principles upon which industry agreements and standards can be based.
- (42) The exemptions from liability established in this Directive cover only cases where the activity of the information society service provider is limited to the technical process of operating and giving access to a communication network over which information made available by third parties is transmitted or temporarily stored, for the sole purpose of making the transmission more efficient; this activity is of a mere technical, automatic and passive nature, which implies that the information society service provider has neither knowledge of nor control over the information which is transmitted or stored.
- (43) A service provider can benefit from the exemptions for 'mere conduit' and for 'caching' when he is in no way involved with the information transmitted; this requires among other things that he does not modify the information that he transmits; this requirement does not cover manipulations of a technical nature which take place in the course of the transmission as they do not alter the integrity of the information contained in the transmission.
- (44) A service provider who deliberately collaborates with one of the recipients of his service in order to undertake illegal acts goes beyond the activities of 'mere conduit' or 'caching' and as a result cannot benefit from the liability exemptions established for these activities.
- (45) The limitations of the liability of intermediary service providers established in this Directive do not affect the possibility of injunctions of different kinds; such injunctions can in particular consist of orders by courts or administrative authorities requiring the termination or prevention of any infringement, including the removal of illegal information or the disabling of access to it.
- (46) In order to benefit from a limitation of liability, the provider of an information society service, consisting of the storage of information, upon obtaining actual knowledge or awareness of illegal activities has to act expeditiously to remove or to disable access to the information concerned; the removal or disabling of access has to be undertaken in the observance of the principle of freedom of expression and of procedures established for this purpose at national level; this Directive does not affect Member States' possibility of establishing specific requirements which must be fulfilled expeditiously prior to the removal or disabling of information.
- (47) Member States are prevented from imposing a monitoring obligation on service providers only with respect to obligations of a general nature; this does not concern monitoring obligations in a specific case and, in particular, does not affect orders by national authorities in accordance with national legislation.
- (48) This Directive does not affect the possibility for Member States of requiring service providers, who host information provided by recipients of their service, to apply duties of care, which can reasonably be expected from them and which are specified by national law, in order to detect and prevent certain types of illegal activities.
- (49) Member States and the Commission are to encourage the drawing-up of codes of conduct; this is not to impair the voluntary nature of such codes and the possibility for interested parties of deciding freely whether to adhere to such codes.

- (50) It is important that the proposed directive on the harmonisation of certain aspects of copyright and related rights in the information society and this Directive come into force within a similar time scale with a view to establishing a clear framework of rules relevant to the issue of liability of intermediaries for copyright and relating rights infringements at Community level.
- (51) Each Member State should be required, where necessary, to amend any legislation which is liable to hamper the use of schemes for the out-of-court settlement of disputes through electronic channels; the result of this amendment must be to make the functioning of such schemes genuinely and effectively possible in law and in practice, even across borders.
- (52) The effective exercise of the freedoms of the internal market makes it necessary to guarantee victims effective access to means of settling disputes; damage which may arise in connection with information society services is characterised both by its rapidity and by its geographical extent; in view of this specific character and the need to ensure that national authorities do not endanger the mutual confidence which they should have in one another, this Directive requests Member States to ensure that appropriate court actions are available; Member States should examine the need to provide access to judicial procedures by appropriate electronic means.
- (53) Directive 98/27/EC, which is applicable to information society services, provides a mechanism relating to actions for an injunction aimed at the protection of the collective interests of consumers; this mechanism will contribute to the free movement of information society services by ensuring a high level of consumer protection.
- (54) The sanctions provided for under this Directive are without prejudice to any other sanction or remedy provided under national law; Member States are not obliged to provide criminal sanctions for infringement of national provisions adopted pursuant to this Directive.
- (55) This Directive does not affect the law applicable to contractual obligations relating to consumer contracts; accordingly, this Directive cannot have the result of depriving the consumer of the protection afforded to him by the mandatory rules relating to contractual obligations of the law of the Member State in which he has his habitual residence.
- (56) As regards the derogation contained in this Directive regarding contractual obligations concerning contracts concluded by consumers, those obligations should be interpreted as including information on the essential elements of the content of the contract, including consumer rights, which have a determining influence on the decision to contract.
- (57) The Court of Justice has consistently held that a Member State retains the right to take measures against a service provider that is established in another Member State but directs all or most of his activity to the territory of the first Member State if the choice of establishment was made with a view to evading the legislation that would have applied to the provider had he been established on the territory of the first Member State.
- (58) This Directive should not apply to services supplied by service providers established in a third country; in view of the global dimension of electronic commerce, it is, however, appropriate to ensure that the Community rules are consistent with international rules; this Directive is without prejudice to the results of discussions within international organisations (amongst others WTO, OECD, Uncitral) on legal issues.
- (59) Despite the global nature of electronic communications, coordination of national regulatory measures at European Union level is necessary in order to avoid fragmentation of the internal market, and for the establishment of an appropriate European regulatory framework; such coordination should also contribute to the establishment of a common and strong negotiating position in international forums.
- (60) In order to allow the unhampered development of electronic commerce, the legal framework must be clear and simple, predictable and consistent with the rules applicable at international level so that it does not adversely affect the competitiveness of European industry or impede innovation in that sector.
- (61) If the market is actually to operate by electronic means in the context of globalisation, the European Union and the major non-European areas need to consult each other with a view to making laws and procedures compatible.
- (62) Cooperation with third countries should be strengthened in the area of electronic commerce, in particular with applicant countries, the developing countries and the European Union's other trading partners.

(63) The adoption of this Directive will not prevent the Member States from taking into account the various social, societal and cultural implications which are inherent in the advent of the information society; in particular it should not hinder measures which Member States might adopt in conformity with Community law to achieve social, cultural and democratic goals taking into account their linguistic diversity, national and regional specificities as well as their cultural heritage, and to ensure and maintain public access to the widest possible range of information society services; in any case, the development of the information society is to ensure that Community citizens can have access to the cultural European heritage provided in the digital environment.

(64) Electronic communication offers the Member States an excellent means of providing public services in the cultural, educational and linguistic fields.

(65) The Council, in its resolution of 19 January 1999 on the consumer dimension of the information society<sup>(1)</sup>, stressed that the protection of consumers deserved special attention in this field; the Commission will examine the degree to which existing consumer protection rules provide insufficient protection in the context of the information society and will identify, where necessary, the deficiencies of this legislation and those issues which could require additional measures; if need be, the Commission should make specific additional proposals to resolve such deficiencies that will thereby have been identified,

HAVE ADOPTED THIS DIRECTIVE:

## CHAPTER I

### GENERAL PROVISIONS

#### Article 1

#### Objective and scope

1. This Directive seeks to contribute to the proper functioning of the internal market by ensuring the free movement of information society services between the Member States.

2. This Directive approximates, to the extent necessary for the achievement of the objective set out in paragraph 1, certain national provisions on information society services relating to the internal market, the establishment of service providers,

commercial communications, electronic contracts, the liability of intermediaries, codes of conduct, out-of-court dispute settlements, court actions and cooperation between Member States.

3. This Directive complements Community law applicable to information society services without prejudice to the level of protection for, in particular, public health and consumer interests, as established by Community acts and national legislation implementing them in so far as this does not restrict the freedom to provide information society services.

4. This Directive does not establish additional rules on private international law nor does it deal with the jurisdiction of Courts.

5. This Directive shall not apply to:

- (a) the field of taxation;
- (b) questions relating to information society services covered by Directives 95/46/EC and 97/66/EC;
- (c) questions relating to agreements or practices governed by cartel law;
- (d) the following activities of information society services:
  - the activities of notaries or equivalent professions to the extent that they involve a direct and specific connection with the exercise of public authority,
  - the representation of a client and defence of his interests before the courts,
  - gambling activities which involve wagering a stake with monetary value in games of chance, including lotteries and betting transactions.

6. This Directive does not affect measures taken at Community or national level, in the respect of Community law, in order to promote cultural and linguistic diversity and to ensure the defence of pluralism.

#### Article 2

#### Definitions

For the purpose of this Directive, the following terms shall bear the following meanings:

- (a) 'information society services': services within the meaning of Article 1(2) of Directive 98/34/EC as amended by Directive 98/48/EC;

<sup>(1)</sup> OJ C 23, 28.1.1999, p. 1.



- (b) 'service provider': any natural or legal person providing an information society service;
- (c) 'established service provider': a service provider who effectively pursues an economic activity using a fixed establishment for an indefinite period. The presence and use of the technical means and technologies required to provide the service do not, in themselves, constitute an establishment of the provider;
- (d) 'recipient of the service': any natural or legal person who, for professional ends or otherwise, uses an information society service, in particular for the purposes of seeking information or making it accessible;
- (e) 'consumer': any natural person who is acting for purposes which are outside his or her trade, business or profession;
- (f) 'commercial communication': any form of communication designed to promote, directly or indirectly, the goods, services or image of a company, organisation or person pursuing a commercial, industrial or craft activity or exercising a regulated profession. The following do not in themselves constitute commercial communications:
- information allowing direct access to the activity of the company, organisation or person, in particular a domain name or an electronic-mail address,
  - communications relating to the goods, services or image of the company, organisation or person compiled in an independent manner, particularly when this is without financial consideration;
- (g) 'regulated profession': any profession within the meaning of either Article 1(d) of Council Directive 89/48/EEC of 21 December 1988 on a general system for the recognition of higher-education diplomas awarded on completion of professional education and training of at least three-years' duration<sup>(1)</sup> or of Article 1(f) of Council Directive 92/51/EEC of 18 June 1992 on a second general system for the recognition of professional education and training to supplement Directive 89/48/EEC<sup>(2)</sup>;
- (h) 'coordinated field': requirements laid down in Member States' legal systems applicable to information society service providers or information society services, regardless of whether they are of a general nature or specifically designed for them.
- (i) The coordinated field concerns requirements with which the service provider has to comply in respect of:
- the taking up of the activity of an information society service, such as requirements concerning qualifications, authorisation or notification,
  - the pursuit of the activity of an information society service, such as requirements concerning the behaviour of the service provider, requirements regarding the quality or content of the service including those applicable to advertising and contracts, or requirements concerning the liability of the service provider;
- (ii) The coordinated field does not cover requirements such as:
- requirements applicable to goods as such,
  - requirements applicable to the delivery of goods,
  - requirements applicable to services not provided by electronic means.

### Article 3

#### Internal market

1. Each Member State shall ensure that the information society services provided by a service provider established on its territory comply with the national provisions applicable in the Member State in question which fall within the coordinated field.
2. Member States may not, for reasons falling within the coordinated field, restrict the freedom to provide information society services from another Member State.
3. Paragraphs 1 and 2 shall not apply to the fields referred to in the Annex.
4. Member States may take measures to derogate from paragraph 2 in respect of a given information society service if the following conditions are fulfilled:
  - (a) the measures shall be:
    - (i) necessary for one of the following reasons:
      - public policy, in particular the prevention, investigation, detection and prosecution of criminal offences, including the protection of minors and the fight against any incitement to hatred on grounds of race, sex, religion or nationality, and violations of human dignity concerning individual persons,
      - the protection of public health,

<sup>(1)</sup> OJ L 19, 24.1.1989, p. 16.

<sup>(2)</sup> OJ L 209, 24.7.1992, p. 25. Directive as last amended by Commission Directive 97/38/EC (OJ L 184, 12.7.1997, p. 31).

- public security, including the safeguarding of national security and defence,
  - the protection of consumers, including investors;
- (ii) taken against a given information society service which prejudices the objectives referred to in point (i) or which presents a serious and grave risk of prejudice to those objectives;
- (iii) proportionate to those objectives;
- (b) before taking the measures in question and without prejudice to court proceedings, including preliminary proceedings and acts carried out in the framework of a criminal investigation, the Member State has:
- asked the Member State referred to in paragraph 1 to take measures and the latter did not take such measures, or they were inadequate,
  - notified the Commission and the Member State referred to in paragraph 1 of its intention to take such measures.

5. Member States may, in the case of urgency, derogate from the conditions stipulated in paragraph 4(b). Where this is the case, the measures shall be notified in the shortest possible time to the Commission and to the Member State referred to in paragraph 1, indicating the reasons for which the Member State considers that there is urgency.

6. Without prejudice to the Member State's possibility of proceeding with the measures in question, the Commission shall examine the compatibility of the notified measures with Community law in the shortest possible time; where it comes to the conclusion that the measure is incompatible with Community law, the Commission shall ask the Member State in question to refrain from taking any proposed measures or urgently to put an end to the measures in question.

## CHAPTER II

### PRINCIPLES

#### **Section 1: Establishment and information requirements**

##### *Article 4*

#### **Principle excluding prior authorisation**

1. Member States shall ensure that the taking up and pursuit of the activity of an information society service provider may not be made subject to prior authorisation or any other requirement having equivalent effect.

Nevada Bar Association IP Seminar/Page 37 of 73

2. Paragraph 1 shall be without prejudice to authorisation schemes which are not specifically and exclusively targeted at information society services, or which are covered by Directive 97/13/EC of the European Parliament and of the Council of 10 April 1997 on a common framework for general authorisations and individual licences in the field of telecommunications services<sup>(1)</sup>.

##### *Article 5*

#### **General information to be provided**

1. In addition to other information requirements established by Community law, Member States shall ensure that the service provider shall render easily, directly and permanently accessible to the recipients of the service and competent authorities, at least the following information:

- (a) the name of the service provider;
- (b) the geographic address at which the service provider is established;
- (c) the details of the service provider, including his electronic mail address, which allow him to be contacted rapidly and communicated with in a direct and effective manner;
- (d) where the service provider is registered in a trade or similar public register, the trade register in which the service provider is entered and his registration number, or equivalent means of identification in that register;
- (e) where the activity is subject to an authorisation scheme, the particulars of the relevant supervisory authority;
- (f) as concerns the regulated professions:
  - any professional body or similar institution with which the service provider is registered,
  - the professional title and the Member State where it has been granted,
  - a reference to the applicable professional rules in the Member State of establishment and the means to access them;

- (g) where the service provider undertakes an activity that is subject to VAT, the identification number referred to in Article 22(1) of the sixth Council Directive 77/388/EEC of 17 May 1977 on the harmonisation of the laws of the Member States relating to turnover taxes — Common system of value added tax: uniform basis of assessment<sup>(2)</sup>.

<sup>(1)</sup> OJ L 117, 7.5.1997, p. 15.

<sup>(2)</sup> OJ L 145, 13.6.1977, p. 1. Directive as last amended by Directive 1999/85/EC (OJ L 277, 28.10.1999, p. 34).

2. In addition to other information requirements established by Community law, Member States shall at least ensure that, where information society services refer to prices, these are to be indicated clearly and unambiguously and, in particular, must indicate whether they are inclusive of tax and delivery costs.

### **Section 2: Commercial communications**

#### *Article 6*

#### **Information to be provided**

In addition to other information requirements established by Community law, Member States shall ensure that commercial communications which are part of, or constitute, an information society service comply at least with the following conditions:

- (a) the commercial communication shall be clearly identifiable as such;
- (b) the natural or legal person on whose behalf the commercial communication is made shall be clearly identifiable;
- (c) promotional offers, such as discounts, premiums and gifts, where permitted in the Member State where the service provider is established, shall be clearly identifiable as such, and the conditions which are to be met to qualify for them shall be easily accessible and be presented clearly and unambiguously;
- (d) promotional competitions or games, where permitted in the Member State where the service provider is established, shall be clearly identifiable as such, and the conditions for participation shall be easily accessible and be presented clearly and unambiguously.

#### *Article 7*

#### **Unsolicited commercial communication**

1. In addition to other requirements established by Community law, Member States which permit unsolicited commercial communication by electronic mail shall ensure that such commercial communication by a service provider established in their territory shall be identifiable clearly and unambiguously as such as soon as it is received by the recipient.

2. Without prejudice to Directive 97/7/EC and Directive 97/66/EC, Member States shall take measures to ensure that service providers undertaking unsolicited commercial communications by electronic mail consult regularly and respect the opt-out registers in which natural persons not wishing to receive such commercial communications can register themselves.

#### *Article 8*

#### **Regulated professions**

1. Member States shall ensure that the use of commercial communications which are part of, or constitute, an information society service provided by a member of a regulated profession is permitted subject to compliance with the professional rules regarding, in particular, the independence, dignity and honour of the profession, professional secrecy and fairness towards clients and other members of the profession.

2. Without prejudice to the autonomy of professional bodies and associations, Member States and the Commission shall encourage professional associations and bodies to establish codes of conduct at Community level in order to determine the types of information that can be given for the purposes of commercial communication in conformity with the rules referred to in paragraph 1

3. When drawing up proposals for Community initiatives which may become necessary to ensure the proper functioning of the Internal Market with regard to the information referred to in paragraph 2, the Commission shall take due account of codes of conduct applicable at Community level and shall act in close cooperation with the relevant professional associations and bodies.

4. This Directive shall apply in addition to Community Directives concerning access to, and the exercise of, activities of the regulated professions.

### **Section 3: Contracts concluded by electronic means**

#### *Article 9*

#### **Treatment of contracts**

1. Member States shall ensure that their legal system allows contracts to be concluded by electronic means. Member States shall in particular ensure that the legal requirements applicable to the contractual process neither create obstacles for the use of electronic contracts nor result in such contracts being deprived of legal effectiveness and validity on account of their having been made by electronic means.

2. Member States may lay down that paragraph 1 shall not apply to all or certain contracts falling into one of the following categories:

- (a) contracts that create or transfer rights in real estate, except for rental rights;

- (b) contracts requiring by law the involvement of courts, public authorities or professions exercising public authority;
- (c) contracts of suretyship granted and on collateral securities furnished by persons acting for purposes outside their trade, business or profession;
- (d) contracts governed by family law or by the law of succession.

3. Member States shall indicate to the Commission the categories referred to in paragraph 2 to which they do not apply paragraph 1. Member States shall submit to the Commission every five years a report on the application of paragraph 2 explaining the reasons why they consider it necessary to maintain the category referred to in paragraph 2(b) to which they do not apply paragraph 1.

#### Article 10

##### Information to be provided

1. In addition to other information requirements established by Community law, Member States shall ensure, except when otherwise agreed by parties who are not consumers, that at least the following information is given by the service provider clearly, comprehensibly and unambiguously and prior to the order being placed by the recipient of the service:

- (a) the different technical steps to follow to conclude the contract;
- (b) whether or not the concluded contract will be filed by the service provider and whether it will be accessible;
- (c) the technical means for identifying and correcting input errors prior to the placing of the order;
- (d) the languages offered for the conclusion of the contract.

2. Member States shall ensure that, except when otherwise agreed by parties who are not consumers, the service provider indicates any relevant codes of conduct to which he subscribes and information on how those codes can be consulted electronically.

3. Contract terms and general conditions provided to the recipient must be made available in a way that allows him to store and reproduce them.

4. Paragraphs 1 and 2 shall not apply to contracts concluded exclusively by exchange of electronic mail or by equivalent individual communications.

#### Article 11

##### Placing of the order

1. Member States shall ensure, except when otherwise agreed by parties who are not consumers, that in cases where the recipient of the service places his order through technological means, the following principles apply:

- the service provider has to acknowledge the receipt of the recipient's order without undue delay and by electronic means,
- the order and the acknowledgement of receipt are deemed to be received when the parties to whom they are addressed are able to access them.

2. Member States shall ensure that, except when otherwise agreed by parties who are not consumers, the service provider makes available to the recipient of the service appropriate, effective and accessible technical means allowing him to identify and correct input errors, prior to the placing of the order.

3. Paragraph 1, first indent, and paragraph 2 shall not apply to contracts concluded exclusively by exchange of electronic mail or by equivalent individual communications.

#### Section 4: Liability of intermediary service providers

#### Article 12

##### 'Mere conduit'

1. Where an information society service is provided that consists of the transmission in a communication network of information provided by a recipient of the service, or the provision of access to a communication network, Member States shall ensure that the service provider is not liable for the information transmitted, on condition that the provider:

- (a) does not initiate the transmission;
- (b) does not select the receiver of the transmission; and
- (c) does not select or modify the information contained in the transmission.

2. The acts of transmission and of provision of access referred to in paragraph 1 include the automatic, intermediate and transient storage of the information transmitted in so far as this takes place for the sole purpose of carrying out the transmission in the communication network, and provided that the information is not stored for any period longer than is reasonably necessary for the transmission.



3. This Article shall not affect the possibility for a court or administrative authority, in accordance with Member States' legal systems, of requiring the service provider to terminate or prevent an infringement.

#### Article 13

#### 'Caching'

1. Where an information society service is provided that consists of the transmission in a communication network of information provided by a recipient of the service, Member States shall ensure that the service provider is not liable for the automatic, intermediate and temporary storage of that information, performed for the sole purpose of making more efficient the information's onward transmission to other recipients of the service upon their request, on condition that:

- (a) the provider does not modify the information;
- (b) the provider complies with conditions on access to the information;
- (c) the provider complies with rules regarding the updating of the information, specified in a manner widely recognised and used by industry;
- (d) the provider does not interfere with the lawful use of technology, widely recognised and used by industry, to obtain data on the use of the information; and
- (e) the provider acts expeditiously to remove or to disable access to the information it has stored upon obtaining actual knowledge of the fact that the information at the initial source of the transmission has been removed from the network, or access to it has been disabled, or that a court or an administrative authority has ordered such removal or disablement.

2. This Article shall not affect the possibility for a court or administrative authority, in accordance with Member States' legal systems, of requiring the service provider to terminate or prevent an infringement.

#### Article 14

#### Hosting

1. Where an information society service is provided that consists of the storage of information provided by a recipient of the service, Member States shall ensure that the service provider is not liable for the information stored at the request of a recipient of the service, on condition that:

- (a) the provider does not have actual knowledge of illegal activity or information and, as regards claims for damages, is not aware of facts or circumstances from which the illegal activity or information is apparent; or

(b) the provider, upon obtaining such knowledge or awareness, acts expeditiously to remove or to disable access to the information.

2. Paragraph 1 shall not apply when the recipient of the service is acting under the authority or the control of the provider.

3. This Article shall not affect the possibility for a court or administrative authority, in accordance with Member States' legal systems, of requiring the service provider to terminate or prevent an infringement, nor does it affect the possibility for Member States of establishing procedures governing the removal or disabling of access to information.

#### Article 15

#### No general obligation to monitor

1. Member States shall not impose a general obligation on providers, when providing the services covered by Articles 12, 13 and 14, to monitor the information which they transmit or store, nor a general obligation actively to seek facts or circumstances indicating illegal activity.

2. Member States may establish obligations for information society service providers promptly to inform the competent public authorities of alleged illegal activities undertaken or information provided by recipients of their service or obligations to communicate to the competent authorities, at their request, information enabling the identification of recipients of their service with whom they have storage agreements.

#### CHAPTER III

#### IMPLEMENTATION

#### Article 16

#### Codes of conduct

1. Member States and the Commission shall encourage:

- (a) the drawing up of codes of conduct at Community level, by trade, professional and consumer associations or organisations, designed to contribute to the proper implementation of Articles 5 to 15;
- (b) the voluntary transmission of draft codes of conduct at national or Community level to the Commission;
- (c) the accessibility of these codes of conduct in the Community languages by electronic means;

- (d) the communication to the Member States and the Commission, by trade, professional and consumer associations or organisations, of their assessment of the application of their codes of conduct and their impact upon practices, habits or customs relating to electronic commerce;
- (e) the drawing up of codes of conduct regarding the protection of minors and human dignity.

2. Member States and the Commission shall encourage the involvement of associations or organisations representing consumers in the drafting and implementation of codes of conduct affecting their interests and drawn up in accordance with paragraph 1(a). Where appropriate, to take account of their specific needs, associations representing the visually impaired and disabled should be consulted.

#### Article 17

#### Out-of-court dispute settlement

1. Member States shall ensure that, in the event of disagreement between an information society service provider and the recipient of the service, their legislation does not hamper the use of out-of-court schemes, available under national law, for dispute settlement, including appropriate electronic means.
2. Member States shall encourage bodies responsible for the out-of-court settlement of, in particular, consumer disputes to operate in a way which provides adequate procedural guarantees for the parties concerned.
3. Member States shall encourage bodies responsible for out-of-court dispute settlement to inform the Commission of the significant decisions they take regarding information society services and to transmit any other information on the practices, usages or customs relating to electronic commerce.

#### Article 18

#### Court actions

1. Member States shall ensure that court actions available under national law concerning information society services' activities allow for the rapid adoption of measures, including interim measures, designed to terminate any alleged infringement and to prevent any further impairment of the interests involved.
2. The Annex to Directive 98/27/EC shall be supplemented as follows:

'11. Directive 2000/31/EC of the European Parliament and of the Council of 8 June 2000 on certain legal aspects Nevada Bar Association IP Seminar/Page 41 of 73

on information society services, in particular electronic commerce, in the internal market (Directive on electronic commerce) (OJ L 178, 17.7.2000, p. 1).'

#### Article 19

#### Cooperation

1. Member States shall have adequate means of supervision and investigation necessary to implement this Directive effectively and shall ensure that service providers supply them with the requisite information.
2. Member States shall cooperate with other Member States; they shall, to that end, appoint one or several contact points, whose details they shall communicate to the other Member States and to the Commission.
3. Member States shall, as quickly as possible, and in conformity with national law, provide the assistance and information requested by other Member States or by the Commission, including by appropriate electronic means.
4. Member States shall establish contact points which shall be accessible at least by electronic means and from which recipients and service providers may:
- obtain general information on contractual rights and obligations as well as on the complaint and redress mechanisms available in the event of disputes, including practical aspects involved in the use of such mechanisms;
  - obtain the details of authorities, associations or organisations from which they may obtain further information or practical assistance.

5. Member States shall encourage the communication to the Commission of any significant administrative or judicial decisions taken in their territory regarding disputes relating to information society services and practices, usages and customs relating to electronic commerce. The Commission shall communicate these decisions to the other Member States.

#### Article 20

#### Sanctions

Member States shall determine the sanctions applicable to infringements of national provisions adopted pursuant to this Directive and shall take all measures necessary to ensure that they are enforced. The sanctions they provide for shall be effective, proportionate and dissuasive.

## CHAPTER IV

## Article 22

## FINAL PROVISIONS

**Transposition**

## Article 21

1. Member States shall bring into force the laws, regulations and administrative provisions necessary to comply with this Directive before 17 January 2002. They shall forthwith inform the Commission thereof.

**Re-examination**

2. When Member States adopt the measures referred to in paragraph 1, these shall contain a reference to this Directive or shall be accompanied by such reference at the time of their official publication. The methods of making such reference shall be laid down by Member States.

1. Before 17 July 2003, and thereafter every two years, the Commission shall submit to the European Parliament, the Council and the Economic and Social Committee a report on the application of this Directive, accompanied, where necessary, by proposals for adapting it to legal, technical and economic developments in the field of information society services, in particular with respect to crime prevention, the protection of minors, consumer protection and to the proper functioning of the internal market.

## Article 23

**Entry into force**

This Directive shall enter into force on the day of its publication in the *Official Journal of the European Communities*.

## Article 24

**Addressees**

2. In examining the need for an adaptation of this Directive, the report shall in particular analyse the need for proposals concerning the liability of providers of hyperlinks and location tool services, 'notice and take down' procedures and the attribution of liability following the taking down of content. The report shall also analyse the need for additional conditions for the exemption from liability, provided for in Articles 12 and 13, in the light of technical developments, and the possibility of applying the internal market principles to unsolicited commercial communications by electronic mail.

This Directive is addressed to the Member States.

Done at Luxembourg, 8 June 2000.

*For the European Parliament*

*For the Council*

*The President*

*The President*

N. FONTAINE

G. d'OLIVEIRA MARTINS

## ANNEX

**DEROGATIONS FROM ARTICLE 3**

As provided for in Article 3(3), Article 3(1) and (2) do not apply to:

- copyright, neighbouring rights, rights referred to in Directive 87/54/EEC<sup>(1)</sup> and Directive 96/9/EC<sup>(2)</sup> as well as industrial property rights,
- the emission of electronic money by institutions in respect of which Member States have applied one of the derogations provided for in Article 8(1) of Directive 2000/46/EC<sup>(3)</sup>,
- Article 44(2) of Directive 85/611/EEC<sup>(4)</sup>,
- Article 30 and Title IV of Directive 92/49/EEC<sup>(5)</sup>, Title IV of Directive 92/96/EEC<sup>(6)</sup>, Articles 7 and 8 of Directive 88/357/EEC<sup>(7)</sup> and Article 4 of Directive 90/619/EEC<sup>(8)</sup>,
- the freedom of the parties to choose the law applicable to their contract,
- contractual obligations concerning consumer contacts,
- formal validity of contracts creating or transferring rights in real estate where such contracts are subject to mandatory formal requirements of the law of the Member State where the real estate is situated,
- the permissibility of unsolicited commercial communications by electronic mail.

---

<sup>(1)</sup> OJ L 24, 27.1.1987, p. 36.

<sup>(2)</sup> OJ L 77, 27.3.1996, p. 20.

<sup>(3)</sup> Not yet published in the Official Journal.

<sup>(4)</sup> OJ L 375, 31.12.1985, p. 3. Directive as last amended by Directive 95/26/EC (OJ L 168, 18.7.1995, p. 7).

<sup>(5)</sup> OJ L 228, 11.8.1992, p. 1. Directive as last amended by Directive 95/26/EC.

<sup>(6)</sup> OJ L 360, 9.12.1992, p. 2. Directive as last amended by Directive 95/26/EC.

<sup>(7)</sup> OJ L 172, 4.7.1988, p. 1. Directive as last amended by Directive 92/49/EC.

<sup>(8)</sup> OJ L 330, 29.11.1990, p. 50. Directive as last amended by Directive 92/96/EC.

# The Multatuli Project

## ISP Notice & take down

Lecture by Sjoera Nas, Bits of Freedom\*  
SANE, 1 October 2004

Revised article, 27 October 2004\*\*

Under the European E-Commerce directive internet hosting providers risk liability for apparently illegal content from their customers. Once they are notified, they should take immediate action to block or remove the content. How serious are providers in the Netherlands about their responsibility for the online freedom of speech? Should providers first ask their customer to respond to an allegation, or does 'immediate' mean they have to first shoot and ask questions later? What if the complaint about an alleged infringement lacks legal grounds?

### LEGAL BACKGROUND

The general legal framework in Europe for provider liability is the European directive on electronic commerce.[1] The directive was adopted in 2000 and is legally binding since 17 January 2002. In Articles 12 to 14 three kinds of providers are described, with their respective liabilities. In case of mere conduit (access provisioning) and caching, providers are exempted from any liability. In the case of hosting, providers are only exempted if they have no actual knowledge of 'apparent' illegal content and, if so, act expeditiously to remove the content.

This vague European liability-rule was to a great extent inspired by a court case instigated in 1995 by the religious sect Scientology against the Dutch author Karin Spaink and 20 providers that hosted copies of her home-page. In 2003, 8 years after the first allegation, the Appellate Court of The Hague rejected all claims and ruled that freedom of expression should prevail upon copyrights. Currently the case is with the Supreme Court, but a ruling is not to be expected before 2006.[2]

Spaink had published the Fishman Affidavit on her home-page. This affidavit, a court-testimony from a former member, contained many quotes from documents that the church wanted to keep secret. When Scientology threatened to sue her and XS4ALL, many other people put mirrors on their home-pages. In interim injunction proceedings in 1996, the court of The Hague declared all Scientology's claims against XS4ALL, Karin Spaink and the other defendants to be unfounded. Scientology appealed, but lost once again in 1999. However, this 1999 decision included a separate declaratory judgement stating that providers could be held liable if three conditions are met; first, the provider is notified; secondly, the notification leaves no reasonable doubt about the infringement of (copy-)rights; and thirdly, the provider does not take down or block the material.

Besides the E-commerce directive and national jurisprudence, provider liability is also determined in some countries by the penal code, which might contain sanctions for helping to distribute texts that are considered obscene or in violation of good taste. Finally, the general terms and conditions of providers are decisive on how they deal with allegations of infringing content and what the user rights are in such cases.

## **COMPARISON WITH THE USA**

In the United States, there is a safe harbour provision for providers confronted with allegations of copyright infringement. In the 1998 Digital Millennium Copyright Act, section 512 stipulates that all categories of service providers qualify for the safe harbour provisions, access, caching, hosting and service as search engines.[3]

The legal safe harbour consists of 5 elements.

- a complaint must identify himself and the infringements exactly
- plaintiff and the customer must act 'in good faith', on penalty for perjury.
- the provider must block the material upon receipt of the complaint and inform the customer
- materials must be put-back in 10, maximum 14 business days after a counter notice
- identification data can only be obtained with a subpoena

Compared with these Safe Harbour provisions, the European legislation leaves plenty of room for doubt and misguided judgement by providers. There are no criteria to validate complaints and counter notices and there are no arrangements for the hand-over of customer data, besides general privacy principles that do allow voluntary hand-over. More-over there is no obligation in Europe to inform the customer and there are no legal guarantees to protect the freedom of speech.

Though a put-back procedure is not the ideal solution, since it leaves room for fanatics like Scientology to shut-down website and instigate long legal procedures, at least it gives some kind of guarantee to internet users their counter claim is taken seriously.

## **LIBERTY EXPERIMENT**

In July and November 2003, 3 researchers from the Oxford Centre for Socio-Legal Studies conducted a small experiment with notice and takedown, to see if the different legal regime made any difference in practice.[4] They found a very appropriate article from the famous philosopher/economist John Stuart Mill, On Liberty, dating from 1869. They published a part of the second chapter, about freedom of speech, on a homepage in the USA and a homepage in the UK, with a clear indication that the text dates from 1869 and belongs to the public domain.

Then they sent a fake complaint to the 2 major ISPs, on behalf of the (non-existent) John Stuart Mill Heritage Foundation, using a free and anonymous Hotmail address. The result was shocking. The UK provider removed the homepage within 24 hours. The US provider on the other hand, insisted their plaintiff would declare to act in good faith. Maybe, they write, if they had proceeded with this last, fraudulent, step, this provider would have also taken down the material, since there was no indication at all the complaints department had looked at the home-page. They were just following procedure. For the scientists this was enough proof the different legal approach in the USA made it a lot harder to take down a website.

## **THE TAKE DOWN TEST**

To investigate notice & take down procedures on a larger scale, Bits of Freedom organised a similar experiment this summer, on a much larger scale, involving 10 Dutch ISPs.

We picked 3 free dial-up ISPs (Freeler, Tiscali and Wanadoo), 3 paid access providers (Demon, Planet Internet and XS4ALL), 3 hosting providers (iFast, Ladot/Active 24 and Yourhosting) and 1 cable internet provider (UPC/Chello). [5]

A text was uploaded from the famous author Multatuli (Eduard Douwes Dekker), dating from 1871. The text is about democracy, and begins with the story of the sheep. The sheep chase away a tyrant, only to find themselves in need of specialists to represent them, and they end up inviting the tyrant back, disguised as 'Specialist'. The text clearly states in the opening line that the work dates from 1871, and was reprinted in 1981. At the bottom of the text there is a line stating 'this works belongs to the public domain', right after the final conclusion from Multatuli: 'It is certain that my goddess, Reason, is not satisfied with such childish and criminal tricks'.[appendix 1]

First the customer was invented, and given the name 'Johan de Ruyter'. When in 1860 Multatuli published his most famous work Max Havelaar, exposing the abuse of free labour in the Dutch Indies, he was cheated out of his copyrights by his first publisher, Johan de Ruyter. Only years after the first publication, was Multatuli able to regain his copyrights, and publish a revised edition. In 3 cases, we were unable to create the fictional character Johan de Ruyter, and used the real identity of Mr. B. de Kler. [6]

Secondly, a fake society was created to act as copyright holder, the E.D. Dekkers society. Representing this society was a 'legal advisor', Mr. Johan Droogleever. His name alludes to the name of Droogstoppel, one of the main characters in Max Havelaar. A few weeks after the text were brought online, Mr. Droogleever started to send complaints to the providers from his Hotmail account.

In the set-up of this experiment, the customer would not respond if the ISP would ask for a reply, in order to test what ISPs do if they have to take a decision themselves.

The letter from Droogleever says:[7]

*E.D. Dekkers society  
Rotterdam*

*To whom it concerns,*

*I am writing to you as the legal representative of the E.D. Dekkers society. The society owns the copyright of all the published works of E.D. Dekkers. I hereby notify you that you are hosting material (published via a so-called home-page) which infringes on our copyrights.*

*The address of the website is <different per provider>*

*Use nor distribution of this material has been authorised by the E.D. Dekkers society. Hence I have to conclude that this publication constitutes an infringement of the copyrights of the society.*

*Under the European E-Commerce directive you as a hosting provider are liable for unlawful content if you don't act immediately after you have been notified of this fact. I trust you will take all necessary measures upon receipt of this notification to end this and all future infringements of our intellectual property rights.*

*Thank you for your courtesy and anticipated co-operation,  
Mr. J. Droogleever (legal advisor E.D. Dekkers society)  
johandroogleever@hotmail.com*

## THE RESULTS

The first ISP to act 'expeditiously' was Tiscali, one of the largest access providers in Europe. One day after having received the complaint, Tiscali replaced the home-page by a 'Notice', referring to the general terms and conditions. Droogleever was told Tiscali gives customers 48 hours to remove the content. The customer never received the full complaint.[8]

Wanadoo, another large pan-European access provider, also acted fast, and warned their customer immediately about the complaint, and gave him 24 hours to remove the content, adding that the customer 'had without permission placed a text' on his home-page. The customer never received the full complaint. Wanadoo somehow forgot to remove the home-page. Only after Droogleever sent a second complaint, 10 days later, did Wanadoo immediately remove the site. [9]

The first hosting ISP that received the complaint, Yourhosting, even outdid Tiscali and Wanadoo, and removed the website within 3 hours. They did call and e-mail the customer, and confirmed the take down to Droogleever. They took all the arguments for granted, and reported to the customer on the phone that the infringement was 'a fact'. In their e-mail they said 'We are obliged to do this after we have been notified of an alleged criminal act.' In their zealotry to comply, to Droogleever they added a very surprising line: "Normally we only take materials off-line if we receive a written notification with proof, but in this case we have made an exception." [10]

The second hosting ISP (LaDot, renamed in Active24 during the complaints round), lost the first complaint, perhaps due to the name change, but immediately after the second complaint e-mails the customer and warns him to notify the ISP if he has permission to publish the material, or remove the content within 28 hours. Droogleever also receives an acknowledgement that LaDot has informed the customer and if the customer says that he has no permission, he will be given 'reasonable time to remove the material'. However, if the customer were to say he had permission, Droogleever is advised to contact the police or start a civil case, because LaDot is unable to decide in copyright matters. 3 days later the website is removed.[11]

The third hosting ISP (iFast) was only added to the experiment at a very late stage. They received the first complaint on 28 September. A few hours later, the 'Managing Director' sent the full address details of their customer to Droogleever, including year of birth, telephone number and private e-mail address, assuring Droogleever 'further measures' would be taken, but also requesting Droogleever to contact the customer directly. So we did. The next day, Droogleever sent the complaint to the customer, with CC to the Managing Director. 24 hours later, Droogleever sent a new complaint to iFast, insisting take down should happen within 12 hours, or legal steps would be taken. iFast complied, and removed the site the next morning.[12]

Planet Internet [13] and Demon [14] both sent an auto-reply to the general abuse-address, with reference to a special procedure for copyright-related complaints. Their 'questionnaire' is more or less identical, and based on the original developed by XS4ALL in 1999-2000, during the legal struggle with Scientology about provider liability. This questionnaire basically asks the plaintiff to identify himself, describe the alleged infringement as accurately as possible, add available proof, and indemnify the provider from any liability for acting upon the request to take down.



We sent the questionnaire back to the providers, adding the fake address of Blaak 1 in Rotterdam, and the telephone number of Rotterdam City Hall. We didn't add any new argument, just restated the E.D. Dekkers society owned all the copyrights. Both providers warned their customer to remove the homepage within 48 hours after having received the questionnaire. Obviously, they never even looked at the home-page, or bothered to read the questionnaire, let alone verify the identity of the plaintiff.

The only 3 providers that did not take down the material are XS4ALL, UPC and Freeler. Freeler never bothered to dignify the complaints sent to abuse@freeler.nl with an answer, and only sent 2 auto-replies to new complaints sent to info@freeler.nl, and only indicated it would take at least 5 working days to deal with the e-mail.

UPC sent a clear reply to Mr. Droogleever: [15]

-----  
*Dear Sir,*

*It is insufficiently clear for us that you represent the E.D. Dekkers society. Also because you send your complaint via a free and anonymous hotmail-address we cannot verify sufficiently that you act on behalf of the above mentioned copyright holder.*

*If you can present us several verifications indicating this society really exists and you are acting on behalf of them, we can decide to maybe process your complaint.*

*We trust we have informed you sufficiently,*

*Best wishes,  
Chello abuse*

-----

In order to test UPC once more, we created a new (free) account with another provider based in The Netherlands; office@droogleever.xtdnet.nl. 2 new complaints from this address remained unanswered. Likely because Chello thought they had dealt sufficiently with the matter, but it would have been nice if they had answered the new mails with the same answer as before.

XS4ALL finally, was the only provider in this test that demonstrated it had looked at the page and saw the 2 references indicating copyright had expired a long time ago. Following procedure, they did send a questionnaire, and asked an attorney to send a answer to the questionnaire to Droogleever explaining the year of death of Eduard Douwes Dekker.[16]

Thorough as that looks, XS4ALL didn't answer the first 2 complaints sent to abuse@xs4all.nl. Like all other providers tested for this experiment, XS4ALL doesn't have any indication on the home-page or contact-page about complaints or notice and take down procedure.

## **SUMMARY OF RESULTS: 70% TAKE DOWN**

Out of 10 providers, only UPC demonstrated distrust about the origin of the complaint (the free and unverifiable hotmail address), and only XS4ALL gave evidence they had actually looked at the page, and were aware of the fact the author had died in 1887, 117 years ago.

3 hosting providers and 4 access providers removed the text without even looking at the website, or demonstrating any clue about copyright basics. This leads to a take down 'success' of 70 percent.

2 providers don't reply at all to e-mails sent to their official abuse e-mail address, Freeler and XS4ALL. We understand these addresses receive many e-mails, but they could at least be answered with an auto-reply indicating the proper procedure to file different kinds of complaints.

1 provider (iFast) forwarded all the personal details about their customer to our fake plaintiff, something Droogleever never asked for. Besides violating freedom of speech, they also seriously breached the privacy of their customer.

In all of the cases except for XS4ALL, the customer was informed before the takedown, but only in a few cases followed by the full complaint of Droogleever. In the set-up of our test, the customer never replied, leaving it entirely up to the ISP to decide about the rightfulness of the complaint. In most regular cases we expect the customer would reply or voluntarily take down the material if enough time was given. In 3 cases, the time to respond to the allegation was too short (with the 3 hours given by Yourhosting as the worst example).

## **CONCLUSIONS**

It only takes a Hotmail account to bring a website down, and freedom of speech stands no chance in front of the cowboy-style private ISP justice.

These are two very alarming conclusions of this test. Internet service providers never asked for the huge responsibilities forced upon them by the European Directive on e-commerce to decide about the content of their customers, but they don't seem to realise how crucial their judgements are. Different from classical printers or editors, on-line it only takes one simple command to block access and thus remove materials completely. In the Netherlands judges might order to remove a magazine or book from the stands or bookstores, but this seldom happens, and can only happen in courts, subjected to public scrutiny and the possibility to appeal.

Providers have a major social and ethical responsibility as guardians of the freedom of expression and freedom of speech. They should translate that into a balanced procedure, managed by qualified staff with basic copyright knowledge. Superficially, the European legislation on liability of providers creates a balance between liability and freedom of speech. In theory, providers should find themselves caught between a rock and a hard place, and find a balanced manner to address both liabilities (towards the plaintiff and towards their customer). But in practice, liability for wrongful take down is not translated in adequate penalties or appeal procedures for customers. Deleting the works of a customer seems a decision that can be dealt with light-heartedly.

Maybe to their defence Dutch providers will point out customers have plenty of other places to go in the highly competitive global ISP hosting world. But such an argument would deny the existence of fundamental rights, laid down

for example in the European Convention on Human Rights, guaranteeing, besides privacy and freedom of expression, fair process and equal treatment in equal circumstances. More specifically, in the Netherlands the constitution explicitly functions 'vertically', meaning citizens can appeal to their basic rights against other citizens, including companies.

Providers do act as judges, and no matter how many other hosting providers could provide digital asylum to a customer, they have to respect fundamental rights within their own territory.

Finally, of the 3 providers that showed formal procedure with a questionnaire, only 1 actually verified the nature of the complaint and rejected it clearly. In the other two cases, the paper procedure remains worthless. This demonstrates the acute need for legal guarantees surrounding notice and take down procedure, including penalties for wrongful take down.

If these are the results of a very straightforward copyright case, how do ISPs deal with allegations of discrimination, slander or extremist political or religious expression? There are no statistics about the amount of content-related complaints providers receive, nor any statistics about the resulting actions, including hand-over of identification data and take down. We have to seriously fear the results.

The researchers from the Oxford Centre for Socio-Legal Studies that conducted the Liberty experiment tried to compile some statistics by surveying Dutch ISPs, with the help of the Dutch ISPA NLIP. Only five (33%) out of 15 members responded to the survey, and ten (67%) were not willing to participate, even though the researchers "made clear that the intention of the research is not to put the blame on ISPs for removing content in an inappropriate way, but rather to get a clearer picture of what the problems are for ISPs." The conclusion the researchers draw is "Either ISPs perceive the NTD issue as unimportant, or they fear that intensified public discussion, and transparency, could harm their business. We assume that the latter is the more likely explanation, given the failure of Rightswatch and the lack of legal clarity in Europe." [17]

## **RECOMMENDATIONS**

Quoting from the Liberty study: "The quandary for the ISP is whether to strictly investigate all claims of legal infringement, which is higher cost to itself in legal and forensic resources, or to adopt a more self-serving, cheaper and easier regime. To save costs and liabilities, the ISP may remove content immediately upon notice in order to protect itself against liability or to satisfy content consumers. The ISP is encouraged to become a censorship body, to avoid liability when they choose to take down the information from a website upon receipt of a claim." [18]

The results of the very limited Liberty experiment and this test demonstrate the need for a legal safe harbour provision for ISPs. Providers should be obliged to give their customers a reasonable time to respond, with a minimum of 3 working days. While waiting for the answer, materials should not be removed. In case of no response, the ISP should only block in case of immediate danger, unmistakable unlawfulness or proven financial damages (for example by major copyright holders). In case of a motivated reply by the customer, the case should be referred to court, with indemnity for the ISP for any wrongfulness that might result from leaving the materials online (and accessible) during such a legal procedure.

Secondly, this test shows a penalty for perjury is not enough. There should also be a penalty for providers in case of wrongful takedown. The provider has its own

responsibility to validate complaints, possibly with the help of external expertise. In any environment that engages with the freedom of speech and expression, fair process should be guaranteed. If small providers cannot afford in-house legal expertise, they should bundle forces and help create a general legal ISP hotline. But currently there is no legal or moral incentive to invest in this kind of due process.

The Dutch ministry of justice started talks with the ISPA, hotlines, police and copyright holders a year and half ago about instituting such a first-line legal judgement. But this has not yet resulted in anything, because nobody wants to bear the financial costs. Meanwhile the discussion is taking place behind closed doors, without any participation from civil society. We have to fear the results of such negotiations for transparency and accountability.

Practically, to address the results of this test, a 1 day training course in legal basics for all ISP staff dealing with complaints would be a good start.

Thirdly, all providers should have a clear notice and take down policy, accessible from their home-page. None of the tested providers gave any indication how to complain and how to respond. Many providers refer to their general terms and conditions. They usually have phrases allowing the provider to do anything he thinks suitable, including terminating the account without any prior warning. After the recent verdict from the Dutch Supreme Court in the case of XS4ALL against Abfab, property rights of the network seem to prevail above freedom of speech rights, but it remains to be seen how valid such hidden or grey provisions are when tested against basic consumer rights.

Finally, for the sake of transparency and accountability it would be a good idea to publish yearly statistics about notice and take down. Given the lack of interest to collaborate voluntarily, maybe the National Regulatory Authority (OPTA) could use its legal authority to demand these numbers.

=====

\*Sjoera Nas (1969) works for Bits of Freedom, a not-for-profit organisation based in Amsterdam advocating digital rights. She is editor of EDRI-gram, a bi-weekly newsletter about digital rights in Europe. From 1998 until 2002 she worked for internet provider XS4ALL. As public affairs officer, she was responsible for the policy with regards to principal issues, like freedom of speech and privacy. She is still connected to XS4ALL as member of the advisory board and does consultancy on privacy and public affairs. In the research, XS4ALL was not given a different treatment from the other providers.

Earlier, Sjoera Nas published an article about the daily practice of ISPs dealing with complaints in 2003, in the OSCE book Spread the Word, 'The future of freedom of expression on-line - why ISP self-regulation is a bad idea'.

\*\*The revisions in this article are minor English language corrections and a correction of footnote 4, regarding the broader context of the Liberty Online study.

This paper, the presentation and the earlier article are available on-line at <http://www.bof.nl/takedown/>

## NOTES

1. Directive 2000/31/EC of the European Parliament and of the Council of 8 June 2000 on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market (Directive on electronic commerce)  
[http://europa.eu.int/smartapi/cgi/sga\\_doc?smartapi!celexapi!prod!CELEXnumdoc&lg=en&numdoc=32000L0031&model=guichett](http://europa.eu.int/smartapi/cgi/sga_doc?smartapi!celexapi!prod!CELEXnumdoc&lg=en&numdoc=32000L0031&model=guichett)

2. XS4ALL offers an overview of the Scientology case and all the verdicts in English  
<http://www.xs4all.nl/uk/news/overview/scientology3.html>

3. DMCA section 512

[http://assembler.law.cornell.edu/uscode/html/uscode17/usc\\_sec\\_17\\_00000512----000-.html](http://assembler.law.cornell.edu/uscode/html/uscode17/usc_sec_17_00000512----000-.html)

This section identifies 4 categories of service providers:

-Conduit Communications include the transmission and routing of information, such as an email or Internet service provider, which store the material only temporarily on their networks. [Sec. 512(a)]

-System Caching refers to the temporary copies of data that are made by service providers in providing the various services that require such copying in order to transfer data. [Sec. 512(b)]

-Storage Systems refers to services which allow users to store information on their networks, such as a web hosting service or a chat room. [Sec. 512(c)]

-Information Location Tools refer to services such as search engines, directories, or pages of recommended web sites which provide links to the allegedly infringing material. [Sec. 512(d)]

4. Christian Ahlert, Chris Marsden and Chester Yung, How 'Liberty' disappeared from Cyberspace, Oxford 2004, <http://pcmlp.socleg.ox.ac.uk/liberty.pdf>

The small test was conducted by the researchers in the context of a broader study funded by the European Commission about codes of conduct in all digital content-related industries: from gaming to mobile services and from broadcasting and the film industry to the more traditional press councils for printed media. The Liberty study does not form part of the final report.

Self-regulation of digital media converging on the Internet - Industry codes of conduct in sectoral analysis (April 2004),  
<http://pcmlp.socleg.ox.ac.uk/IAPCODEfinal.pdf>

5. Overview of the tested URLs

<u>Free dial-up</u> <a href="http://www.j.deruyter.freeler.nl">http://www.j.deruyter.freeler.nl</a> <a href="http://home.tiscali.nl/jderuyter">http://home.tiscali.nl/jderuyter</a> <a href="http://home.wanadoo.nl/johanderuyter">http://home.wanadoo.nl/johanderuyter</a>	<u>Cable</u> <a href="http://members.chello.nl/k.waals/">http://members.chello.nl/k.waals/</a>
<u>Paid internet access</u> <a href="http://www.jderuyter.demon.nl/">http://www.jderuyter.demon.nl/</a> <a href="http://www.xs4all.nl/~jruiyter">http://www.xs4all.nl/~jruiyter</a> <a href="http://home.planet.nl/~bdekler">http://home.planet.nl/~bdekler</a>	<u>Hosting</u> <a href="http://www.johan-de-ruyter.nl">http://www.johan-de-ruyter.nl</a> <a href="http://www.ivodekler.nl">http://www.ivodekler.nl</a> <a href="http://www.bdekler.nl">http://www.bdekler.nl</a>

6. This was the case with 2 hosting providers because they demanded a passport copy for the the domain registration. Planet Internet only allowed for automatic transfer of the subscription fee and thus needed a real bank account. Finally, in

order to test UPC, an existing customer kindly allowed us to use her home-page, since it was too expensive to open up a new year-account only for this test.

7. The e-mails were sent in Dutch. The Dutch version of the letter is:

*E.D. Dekkers Genootschap  
Rotterdam*

*L.S.,*

*Ik schrijf u als juridisch vertegenwoordiger van het E.D. Dekkers genootschap. Het genootschap is auteursrechthebbende van alle gepubliceerde werken van E.D. Dekkers. Ik stel u hierbij in kennis van het feit dat u een werk host (gepubliceerd via een zogenaamde homepage) dat inbreuk maakt op onze auteursrechten.*

*Het adres van de website is <PER PROVIDER>*

*Gebruik noch verspreiding van dit materiaal is op enigerlei wijze geautoriseerd door het E.D. Dekkers genootschap. Daarom stel ik vast dat deze publicatie inbreuk maakt op het auteursrecht van het genootschap.*

*Onder de Europese richtlijn inzake elektronische handel bent u als hostingprovider aansprakelijk voor onrechtmatige content als u niet onmiddellijk ingrijpt nadat u van dit feit in kennis bent gesteld. Ik vertrouw er dan ook op dat u na ontvangst van deze notificatie alle noodzakelijke maatregelen neemt om deze en verdere mogelijke inbreuken op onze intellectuele eigendomsrechten te beeindigen.*

*Onder dankzegging voor uw aandacht en medewerking,*

*Hoogachtend,*

*Mr. J. Droogleever (juridisch adviseur E.D. Dekkers genootschap)  
johandroogleever@hotmail.com*

8. Tiscali to Droogleever:

Geachte heer Droogleever,

Tiscali neemt overtredingen van de netiquette zeer ernstig op. Het abuse en security team zal niet aarzelen op te treden als blijkt dat een van onze abonnees illegale content op zijn of haar homepage heeft staan.

Wij hebben onze abonnee in kwestie op de hoogste gesteld, en geven hem/haar 48 uur de tijd om de content te verwijderen. Is de content na het verstrijken van deze termijn onverhoopt nog online, dan gaan wij over tot verwijdering ervan.

Met vriendelijke groet,

9. Wanadoo to Droogleever:

From: abuse@wanadoo.nl

To: johandroogleever@hotmail.com

Subject: Re: herhaalde waarschuwing inbreuk auteursrecht

Date: Fri, 24 Sep 2004 10:30:43 +0200 (CEST)

Geachte mevrouw, mijnheer,

De teskt [SIC] is verwijderd.

Met vriendelijke groet,

Wanadoo abuseteam

Wanadoo, 10 jaar internetervaring

#### 10. Yourhosting to their customer:

Onderstaand bericht ontvingen wij heden middag, waarop wij uw index.html hebben hernoemt.[SIC]

Wij zijn hiertoe verplicht nadat wij op de hoogte zijn gesteld van een mogelijk strafbaar feit, ik hoop op uw begrip en volledige medewerking.

Met vriendelijke groet,  
(followed by the integral complaint)

#### and to Droogleever:

Geachte heer Droogleever,

De genoemde passages zijn offline gehaald, tevens hebben wij contact opgenomen met onze klant hierover.

Normaal gesproken doen wij dit in dit soort gevallen alleen bij geschreven melding met bewijsstukken, echter maken wij in dit geval een uitzondering.

Met vriendelijke groet,

#### 11. LaDot to their customer:

Geachte heer, mevrouw de Kler,

Wij verzoeken u vriendelijk aan te tonen dat u gerechtigd bent de door u gepubliceerde informatie op uw website te plaatsen.

Indien u niet beschikt over de toestemming verzoeken wij u vriendelijk de informatie voor dinsdag 17.00 uur te verwijderen.

Wij vertrouwen erop u hiermee voldoende te hebben geïnformeerd.

Active 24: Powerful Hosting, Surprisingly Easy

#### and to Droogleever:

Geachte heer Droogleever,

Wij hebben uw email ontvangen.

Wij zullen contact opnemen met de eigenaar van de website en deze vragen of hij toestemming heeft om het gepubliceerde te publiceren.

Indien hij aangeeft dat hij geen toestemming heeft zullen wij hem een redelijke termijnstellen om het gepubliceerde te verwijderen.

Indien hij aangeeft wel toestemming te hebben dient u aangifte te doen bij de politie en eventueel een civiele zaak te beginnen bij de rechtbank.

Wij kunnen helaas niet bepalen wie wel of geen gelijk heeft bij auteursrecht zaken.

Wij vertrouwen erop u hiermee voorlopig voldoende te hebben geïnformeerd.

Active 24: Powerful Hosting, Surprisingly Easy

#### 12. iFast to Droogleever:

Beste,

Dit domein is door mij in opdracht door de heer de Ruyter geregistreerd.

Zijn gegevens zijn:

-----

Uw naam:

Dhr. De Ruyter

Adres:

Koningin Emmakade 151

Postcode:

2518JK

Plaats:

Den Haag

Land:

Nederland

Geboorte datum:

14091958

Email:

j.deruyter@zonnet.nl

Telefoon:

0205241229

-----

Ik zorg dat verdere maatregelen worden genomen. Maar ik wil ook graag dat u de heer De Ruyter op deze feiten wijst.

### 13. Planet Internet to their customer:

Geachte heer/mevrouw,

Wij willen u erop attenderen dat het volgende misbruik vanaf uw account is gepleegd:

- Het onderhouden van een website bij Planet Internet met materiaal waarop copyright berust (plaatjes, muziekbestanden, teksten, films, games). U wordt verzocht dit materiaal voor 27 september 2004 van uw site te verwijderen, daar wij u anders de toegang tot uw homepage zullen ontzeggen en de pagina's zullen verwijderen.

U kunt uitsluitend op dit bericht reageren door op "reply" of "antwoorden" te klikken, of door uw reactie te sturen aan [abuse@planet.nl](mailto:abuse@planet.nl). Vergeet hierbij niet om uw gebruikersnaam en/of klantnummer te vermelden. Gaarne vernemen wij van u de stand van zaken.

Met vriendelijke groeten,

### 14. Demon to their customer:

Geachte klant,

Wij hebben een klacht gehad over uw homepage, <http://www.jderuyter.demon.nl/> Het E.D. Dekkers Genootschap claimt de rechten van de tekst van E.D. Dekkers die op uw homepage geplaatst is.



Volgens onze voorwaarden dient u ervoor te zorgen dat u de rechten heeft van copyrighted materiaal dat u publiceert (zie <http://www.demon.nl/support/homepages/voorwaarden.html>). Ik verzoek u mij vandaag of morgen of een beargumenteerde verklaring te geven dat u met het publiceren van de tekst geen rechten van derden schendt, of de tekst van uw homepage te verwijderen.

Met vriendelijke groet/kind regards,

15. The text from UPC in Dutch:

Geachte heer Droogleever,

Het is voor ons onvoldoende duidelijk dat u optreedt namens het E.D. Dekkers genootschap. Mede omdat u uw klacht stuurt via een gratis en anoniem hotmail-adres kunnen wij niet voldoende verifiëren dat u handelt namens de bovengenoemde auteursrechthebbende partij.

Indien u ons meerdere vormen van verificatie kunt overhandigen waarin duidelijk gemaakt wordt dat dit genootschap officieel bestaat en dat u uit hun naam handelt kunnen wij besluiten om uw klacht eventueel in behandeling te nemen. Wij vertrouwen erop u hiermee voldoende te hebben geïnformeerd.

16. XS4ALL asked a lawyer to respond to Droogleever, after they had received the questionnaire:

Geachte heer Droogleever,

Cliente, XS4ALL Internet B.V., heeft mij verzocht te reageren op uw e-mail van 27 september jl. en de vandaag ontvangen ingevulde questionnaire.

Zoals u waarschijnlijk bekend is, vervalt het auteursrecht op een werk door verloop van 70 jaren, te rekenen vanaf 1 januari van het jaar volgend op het sterfjaar van de maker (artikel 37 Auteurswet). Voorzover mij bekend is de heer Dekker gestorven in 1887 en zijn de auteursrechten op zijn werk vervallen. XS4ALL is derhalve niet gehouden enige actie met betrekking tot de door u genoemde URL te ondernemen.

Ik vertrouw erop u met het voorgaande voldoende te hebben geïnformeerd.  
<name legal firm>

17. Christian Ahlert, Chris Marsden and Chester Yung, How 'Liberty' disappeared from Cyberspace, page 15.

18. Idem, page 7-8.

Unofficial translation of Article 6.I.5 of the

France -

## Law No. 2004-575 of June 21, 2004 on confidence in the digital economy

**LOI n° 2004-575 du 21 juin 2004 pour la confiance dans l'économie numérique (1) [LCEN]**  
Available at <http://www.wipo.int/wipolex/en/details.jsp?id=12761>

\* \* \* \*

5. Knowledge of the disputed facts is presumed to be acquired by the persons designated in 2 above when they are notified the following elements:

- + the date of the notification;
- + If the Notifier is a natural person: his surname, first names, profession, domicile, nationality, date and place of birth; If the applicant is a legal entity: its form, its name, its headquarters and the organ that represents it legally;
- + name and address of the recipient or, if it is a legal person, its name and its headquarters.
- + the description of the disputed facts and their precise location;
- + the reasons for which the content should be removed, including the reference to legal provisions and the justifications for facts;
- + the copy of the correspondence addressed to the author or the Publisher of information or contentious activities asking their interruption, removal or modification, or the justification for what the author or Publisher could be contacted.

####

# LOIS

## LOI n° 2004-575 du 21 juin 2004 pour la confiance dans l'économie numérique (1)

NOR : ECOX0200175L

L'Assemblée nationale et le Sénat ont adopté,  
Vu la décision du Conseil constitutionnel n° 2004-496 DC du 10 juin 2004 ;  
Le Président de la République promulgue la loi dont la teneur suit :

### TITRE I<sup>er</sup>

#### DE LA LIBERTÉ DE COMMUNICATION EN LIGNE

##### CHAPITRE I<sup>er</sup>

#### La communication au public en ligne

##### Article 1<sup>er</sup>

I. – L'article 1<sup>er</sup> de la loi n° 86-1067 du 30 septembre 1986 relative à la liberté de communication est ainsi rédigé :

« Art. 1<sup>er</sup>. – La communication au public par voie électronique est libre.

« L'exercice de cette liberté ne peut être limité que dans la mesure requise, d'une part, par le respect de la dignité de la personne humaine, de la liberté et de la propriété d'autrui, du caractère pluraliste de l'expression des courants de pensée et d'opinion et, d'autre part, par la sauvegarde de l'ordre public, par les besoins de la défense nationale, par les exigences de service public, par les contraintes techniques inhérentes aux moyens de communication, ainsi que par la nécessité, pour les services audiovisuels, de développer la production audiovisuelle.

« Les services audiovisuels comprennent les services de communication audiovisuelle telle que définie à l'article 2 ainsi que l'ensemble des services mettant à disposition du public ou d'une catégorie de public des œuvres audiovisuelles, cinématographiques ou sonores, quelles que soient les modalités techniques de cette mise à disposition. »

II. – L'article 2 de la loi n° 86-1067 du 30 septembre 1986 précitée est ainsi rédigé :

« Art. 2. – On entend par communications électroniques les émissions, transmissions ou réceptions de signes, de signaux, d'écrits, d'images ou de sons, par voie électromagnétique.

« On entend par communication au public par voie électronique toute mise à disposition du public ou de catégories de public, par un procédé de communication électronique, de signes, de signaux, d'écrits, d'images, de sons ou de messages de toute nature qui n'ont pas le caractère d'une correspondance privée.

« On entend par communication audiovisuelle toute communication au public de services de radio ou de télévision, quelles que soient les modalités de mise à disposition auprès du public, ainsi que toute communication au public par voie électronique de services autres que de radio et de télévision et ne relevant pas de la communication au public en ligne telle que définie à l'article 1<sup>er</sup> de la loi n° 2004-575 du 21 juin 2004 pour la confiance dans l'économie numérique.

« Est considéré comme service de télévision tout service de communication au public par voie électronique destiné à être reçu simultanément par l'ensemble du public ou par une catégorie de public et dont le programme principal est composé d'une suite ordonnée d'émissions comportant des images et des sons.

« Est considéré comme service de radio tout service de communication au public par voie électronique destiné à être reçu simultanément par l'ensemble du public ou par une catégorie de public et dont le programme principal est composé d'une suite ordonnée d'émissions comportant des sons. »

III. – Après l'article 3 de la loi n° 86-1067 du 30 septembre 1986 précitée, il est inséré un article 3-1 ainsi rédigé :

« Art. 3-1. – Le Conseil supérieur de l'audiovisuel, autorité indépendante, garantit l'exercice de la liberté de communication audiovisuelle en matière de radio et de télévision par tout procédé de communication électronique, dans les conditions définies par la présente loi.

« Il assure l'égalité de traitement ; il garantit l'indépendance et l'impartialité du secteur public de la radio et de la télévision ; il veille à favoriser la libre concurrence et l'établissement de relations non discriminatoires entre éditeurs et distributeurs de services ; il veille à la qualité et à la diversité des programmes, au

développement de la production et de la création audiovisuelles nationales ainsi qu'à la défense et à l'illustration de la langue et de la culture françaises. Il peut formuler des propositions sur l'amélioration de la qualité des programmes.

« Le conseil peut adresser aux éditeurs et distributeurs de services de radio et de télévision ainsi qu'aux éditeurs de services mentionnés à l'article 30-5 des recommandations relatives au respect des principes énoncés dans la présente loi. Ces recommandations sont publiées au *Journal officiel* de la République française. »

IV. – Ainsi qu'il est dit à l'article 1<sup>er</sup> de la loi n° 86-1067 du 30 septembre 1986 relative à la liberté de communication, la communication au public par voie électronique est libre.

L'exercice de cette liberté ne peut être limité que dans la mesure requise, d'une part, par le respect de la dignité de la personne humaine, de la liberté et de la propriété d'autrui, du caractère pluraliste de l'expression des courants de pensée et d'opinion et, d'autre part, par la sauvegarde de l'ordre public, par les besoins de la défense nationale, par les exigences de service public, par les contraintes techniques inhérentes aux moyens de communication, ainsi que par la nécessité, pour les services audiovisuels, de développer la production audiovisuelle.

On entend par communication au public par voie électronique toute mise à disposition du public ou de catégories de public, par un procédé de communication électronique, de signes, de signaux, d'écrits, d'images, de sons ou de messages de toute nature qui n'ont pas le caractère d'une correspondance privée.

On entend par communication au public en ligne toute transmission, sur demande individuelle, de données numériques n'ayant pas un caractère de correspondance privée, par un procédé de communication électronique permettant un échange réciproque d'informations entre l'émetteur et le récepteur.

On entend par courrier électronique tout message, sous forme de texte, de voix, de son ou d'image, envoyé par un réseau public de communication, stocké sur un serveur du réseau ou dans l'équipement terminal du destinataire, jusqu'à ce que ce dernier le récupère.

## Article 2

I. – Aux articles 93, 93-2 et 93-3 de la loi n° 82-652 du 29 juillet 1982 sur la communication audiovisuelle, les mots : « communication audiovisuelle » sont remplacés par les mots : « communication au public par voie électronique ».

II. – A l'article 23 de la loi du 29 juillet 1881 sur la liberté de la presse, les mots : « communication audiovisuelle » sont remplacés par les mots : « communication au public par voie électronique ».

III. – Aux articles 131-10, 131-35 et 131-39 du code pénal, les mots : « communication audiovisuelle » sont remplacés par les mots : « communication au public par voie électronique ».

IV. – Aux articles 177-1 et 212-1 du code de procédure pénale, les mots : « communication audiovisuelle » sont remplacés par les mots : « communication au public par voie électronique ».

V. – Aux articles L. 49 et L. 52-2 du code électoral, les mots : « communication audiovisuelle » sont remplacés par les mots : « communication au public par voie électronique ».

VI. – A l'article 66 de la loi n° 71-1130 du 31 décembre 1971 portant réforme de certaines professions judiciaires et juridiques, les mots : « communication audiovisuelle » sont remplacés par les mots : « communication au public par voie électronique ».

VII. – Aux articles 18-2, 18-3 et 18-4 de la loi n° 84-610 du 16 juillet 1984 relative à l'organisation et à la promotion des activités physiques et sportives, les mots : « communication audiovisuelle » sont remplacés par les mots : « communication au public par voie électronique ».

## Article 3

L'Etat, les collectivités territoriales, les établissements publics et les personnes privées chargées d'une mission de service public veillent à ce que l'accès et l'usage des nouvelles technologies de l'information permettent à leurs agents et personnels handicapés d'exercer leurs missions.

## Article 4

On entend par standard ouvert tout protocole de communication, d'interconnexion ou d'échange et tout format de données interopérable et dont les spécifications techniques sont publiques et sans restriction d'accès ni de mise en œuvre.

## CHAPITRE II

### Les prestataires techniques

## Article 5

I. – Le chapitre VI du titre II de la loi n° 86-1067 du 30 septembre 1986 précitée est abrogé.

II. – Le dernier alinéa du I de l'article 6 de la loi n° 82-652 du 29 juillet 1982 précitée est supprimé.

## Article 6

I. – 1. Les personnes dont l'activité est d'offrir un accès à des services de communication au public en ligne informent leurs abonnés de l'existence de moyens techniques permettant de restreindre l'accès à certains services ou de les sélectionner et leur proposent au moins un de ces moyens.

2. Les personnes physiques ou morales qui assurent, même à titre gratuit, pour mise à disposition du public par des services de communication au public en ligne, le stockage de signaux, d'écrits, d'images, de sons ou de messages de toute nature fournis par des destinataires de ces services ne peuvent pas voir leur responsabilité civile engagée du fait des activités ou des informations stockées à la demande d'un destinataire de ces services si elles n'avaient pas effectivement connaissance de leur caractère illicite ou de faits et circonstances faisant apparaître ce caractère ou si, dès le moment où elles en ont eu cette connaissance, elles ont agi promptement pour retirer ces données ou en rendre l'accès impossible.

L'alinéa précédent ne s'applique pas lorsque le destinataire du service agit sous l'autorité ou le contrôle de la personne visée audit alinéa.

3. Les personnes visées au 2 ne peuvent voir leur responsabilité pénale engagée à raison des informations stockées à la demande d'un destinataire de ces services si elles n'avaient pas effectivement connaissance de l'activité ou de l'information illicites ou si, dès le moment où elles en ont eu connaissance, elles ont agi promptement pour retirer ces informations ou en rendre l'accès impossible.

L'alinéa précédent ne s'applique pas lorsque le destinataire du service agit sous l'autorité ou le contrôle de la personne visée audit alinéa.

4. Le fait, pour toute personne, de présenter aux personnes mentionnées au 2 un contenu ou une activité comme étant illicite dans le but d'en obtenir le retrait ou d'en faire cesser la diffusion, alors qu'elle sait cette information inexacte, est puni d'une peine d'un an d'emprisonnement et de 15 000 € d'amende.

5. La connaissance des faits litigieux est présumée acquise par les personnes désignées au 2 lorsqu'il leur est notifié les éléments suivants :

- la date de la notification ;
- si le notifiant est une personne physique : ses nom, prénoms, profession, domicile, nationalité, date et lieu de naissance ; si le requérant est une personne morale : sa forme, sa dénomination, son siège social et l'organe qui la représente légalement ;
- les nom et domicile du destinataire ou, s'il s'agit d'une personne morale, sa dénomination et son siège social ;
- la description des faits litigieux et leur localisation précise ;
- les motifs pour lesquels le contenu doit être retiré, comprenant la mention des dispositions légales et des justifications de faits ;
- la copie de la correspondance adressée à l'auteur ou à l'éditeur des informations ou activités litigieuses demandant leur interruption, leur retrait ou leur modification, ou la justification de ce que l'auteur ou l'éditeur n'a pu être contacté.

6. Les personnes mentionnées aux 1 et 2 ne sont pas des producteurs au sens de l'article 93-3 de la loi n° 82-652 du 29 juillet 1982 sur la communication audiovisuelle.

7. Les personnes mentionnées aux 1 et 2 ne sont pas soumises à une obligation générale de surveiller les informations qu'elles transmettent ou stockent, ni à une obligation générale de rechercher des faits ou des circonstances révélant des activités illicites.

Le précédent alinéa est sans préjudice de toute activité de surveillance ciblée et temporaire demandée par l'autorité judiciaire.

Compte tenu de l'intérêt général attaché à la répression de l'apologie des crimes contre l'humanité, de l'incitation à la haine raciale ainsi que de la pornographie enfantine, les personnes mentionnées ci-dessus doivent concourir à la lutte contre la diffusion des infractions visées aux cinquième et huitième alinéas de l'article 24 de la loi du 29 juillet 1881 sur la liberté de la presse et à l'article 227-23 du code pénal.

A ce titre, elles doivent mettre en place un dispositif facilement accessible et visible permettant à toute personne de porter à leur connaissance ce type de données. Elles ont également l'obligation, d'une part, d'informer promptement les autorités publiques compétentes de toutes activités illicites mentionnées à l'alinéa précédent qui leur seraient signalées et qu'exerceraient les destinataires de leurs services, et, d'autre part, de rendre publics les moyens qu'elles consacrent à la lutte contre ces activités illicites.

Tout manquement aux obligations définies à l'alinéa précédent est puni des peines prévues au 1 du VI.

8. L'autorité judiciaire peut prescrire en référé ou sur requête, à toute personne mentionnée au 2 ou, à défaut, à toute personne mentionnée au 1, toutes mesures propres à prévenir un dommage ou à faire cesser un dommage occasionné par le contenu d'un service de communication au public en ligne.

II. – Les personnes mentionnées aux 1 et 2 du I détiennent et conservent les données de nature à permettre l'identification de quiconque a contribué à la création du contenu ou de l'un des contenus des services dont elles sont prestataires.

## THE “THREE STRIKES” POLICY IN KOREAN COPYRIGHT ACT 2009: SAFE OR OUT?

*Sun-Young Moon & Daeup Kim* \*

© Sun-Young Moon & Daeup Kim

CITE AS: 6 WASH. J.L. TECH. & ARTS 171 (2011)

<https://digital.lib.washington.edu/dspace-law/handle/1773.1/559>

### ABSTRACT

*Korea has grown to be one of the Internet powers in a short period. Because of insufficient copyright protection, Korea recently revised the Korean Copyright Act to reinforce protection of copyright and promote sound distribution of copyrighted works. The new law allows the Minister of Culture, Sports and Tourism to issue orders and the Korea Copyright Commission to issue recommendations. Orders and recommendations are distinguished by the subject of the issuance and the legal force. Orders and recommendations enable online service providers to delete or stop transmission of illegal reproductions, give warning notices to infringers, or suspend the account of repetitive infringers. The “three strikes” policy is controversial and has raised several constitutional concerns. First, the suspension of the repeat infringer’s account may be an unconstitutional violation of the infringer’s freedom of speech. Second, an executive agency’s decision to issue a correction order could be an unconstitutional violation of the separation of powers. The final concern is that the policy violates the principles of due process. This Article examines the “three strikes” policy, the constitutional concerns regarding the policy, and possible policy revisions for more effective copyright protection.*

\* Sun-Young Moon is a Professor of Law at Sookmyung Women’s University in Seoul, Korea. Daeup Kim is an LL.M. Candidate at Sungkyun Kwan University in Seoul, Korea. This research was supported by the Sookmyung Women’s University Research Grants 2010.

## TABLE OF CONTENTS

Introduction.....	172
I. Major Revisions of Korean Copyright Act to Prevent Illegal Online Reproduction .....	174
A. Order to Delete and Stop Transmission of the Pirated Material and Warning Notice .....	175
B. Account Suspension Order .....	175
C. Online Bulletin Board Service Suspension Order .....	176
D. Correction Recommendations For Transmitters of Pirated Material .....	177
II. Controversy Over the Constitutionality of the “Three Strikes” Policy .....	178
A. Freedom of Speech .....	179
B. Separation of Powers Between Branches of Government .....	180
C. The Principle of Due Process.....	180
III. Suggestions for the Application of the “Three Strikes” Policy .....	181
Conclusion .....	182

## INTRODUCTION

Since the advent of the Internet, modern society has drastically changed from print-based to digitally powered. Just as the printing press revolutionized its era, the Internet has exponentially become the most interactive, yet inexpensive, communication medium in history. On one hand, it is undeniable that the Internet has enlarged the extent of freedom of speech with unprecedented characteristics of interaction, diversity, and openness. On the other hand, the Internet facilitated the distribution of unauthorized copyright reproduction. Such copyright infringements have become easier and more frequent, further worsening the self-inflicting and self-perpetuating damages from such violations.

Korea is now one of the Internet powerhouses with a high rate of Internet utilization. 77.2 percent of the Korean population over age

three currently use the Internet as of 2009.<sup>1</sup> Illegal reproduction and transmission of copyrighted works have become serious problems in Korea with the rise of new digital technologies such as peer-to-peer (“P2P”) and Web-disc services. For prompt and efficient prevention of unlawful online reproductions and transmissions, revision of the Korean Copyright Act was inevitable. The revised bill allows the Minister of Culture, Sports and Tourism (“MCST”) to issue correction orders to online service providers (“OSPs”).<sup>2</sup> The law enables (1) deletion of illegal reproduction; (2) discontinuance of transmission; (3) warning notices to infringers; (4) suspension of an infringer’s account; (5) suspension of an online bulletin board; and (6) granting of correction recommendation powers to the Korea Copyright Commission (“KCC”) for OSP self-regulation.

Among the policies mentioned above, suspensions of accounts and online bulletin boards are carried out only if copyright infringements continue after three warnings of such violations. As the name accordingly implies, a so-called “three strikes” policy is carried out before any suspensions are enforced. Countries such as France, Taiwan, and New Zealand have also adopted “three strikes” policies, although the details of each policy may vary. Regardless of such adoptions, Korea’s policy remains controversial. For example, critics note that the policy is biased towards protecting copyrights while violating users’ fundamental right to freedom of speech.<sup>3</sup>

The validity and constitutionality of the policy are also controversial in Korea. This Article will provide an overview of the “three strikes” policy that was adopted to reinforce protection of copyright and to promote sound distribution of copyrighted works.

<sup>1</sup> Korea Internet & Security Agency, *Korea Internet White Paper*, KOREA COMMC’NS COMM’N 349 (2010), available at <http://isis.kisa.or.kr/eng/ebook/ebook.html>.

<sup>2</sup> Jeojakkwonbeop [Korean Copyright Act], Act No. 9785, July 31, 2009, art. 133-2 (S. Kor.), available at [http://www.wipo.int/wipolex/en/text.jsp?file\\_id=190144](http://www.wipo.int/wipolex/en/text.jsp?file_id=190144).

<sup>3</sup> See Kim Tong-hyung, *New Copyrights Law Alerts Bloggers*, KOREA TIMES, July 26, 2009, [http://www.koreatimes.co.kr/www/news/tech/2009/07/129\\_49084.html](http://www.koreatimes.co.kr/www/news/tech/2009/07/129_49084.html); Kim Tong-hyung, *Upload A Song, Lose Your Internet Connection; New Copyright Law Causes Uproar Among Bloggers, Internet Companies*, KOREA TIMES, April 5, 2009, [http://www.koreatimes.co.kr/www/news/tech/2009/04/133\\_42594.html](http://www.koreatimes.co.kr/www/news/tech/2009/04/133_42594.html).



Furthermore, this Article will explore the significance of the policy within the Korean Copyright Act and several arising issues, including constitutionality.

#### I. MAJOR REVISIONS OF KOREAN COPYRIGHT ACT TO PREVENT ILLEGAL ONLINE REPRODUCTION

The main point of the new Korean Copyright Act is to synthesize and integrate the Computer Protection Act within the Korean Copyright Act, and to introduce correction orders and recommendations on online illegal reproductions. The Korean Copyright Act has been revised several times, keeping pace with global standards.<sup>4</sup> The revision in 1995 was essential for Korea to prepare for the World Trade Organization and the Bern convention and to protect copyright according to international standards.

The World Intellectual Property Organization (WIPO) Copyright Treaty (WCT)<sup>5</sup> and WIPO Performances and Phonograms Treaty (WPPT)<sup>6</sup> were established in 1996 to reinforce copyright infringement protection in response to the rising influence of digital distribution and the Internet. These treaties led to Japan's revision of

<sup>4</sup> Korea invented the world's first bronze-type printing technology in 1235. Because the government controlled printing, copyright as a private right was not established until 1908 when the Japanese copyright act was adopted. The first Korean Copyright Act was passed in 1957, and there have been seventeen revisions so far. The first revision, in 1986, was designed to meet global standards, as Korea joined the Universal Copyright Convention, by extending copyright protection up to fifty years after death and modifying copyright protection of foreigners. In 1994, changes in domestic and international conditions due to Korea-U.S. intellectual property negotiations and the Uruguay round negotiations resulted in the sixth revision protecting databases as compilation works and extending neighboring copyright protection to 50 years. The eighth revision in 1995 met global standards by reflecting WTO trade-related aspects of intellectual property rights ("WTO TRIPS") and retroactively protecting foreigner's copyright. The latest revision in 2009 provides for the "three strikes" policy.

<sup>5</sup> WIPO Copyright Treaty, Dec. 20, 1996, S. Treaty Doc. No. 105-17 (1997); 36 I.L.M. 65 (1997), [http://www.wipo.int/export/sites/www/treaties/en/ip/wct/pdf/trtdocs\\_wo033.pdf](http://www.wipo.int/export/sites/www/treaties/en/ip/wct/pdf/trtdocs_wo033.pdf).

<sup>6</sup> WIPO Performances and Phonograms Treaty, Dec. 20, 1996, S. Treaty Doc. No. 105-17 (1997); 36 I.L.M. 76 (1997), [http://www.wipo.int/export/sites/www/treaties/en/ip/wppt/pdf/trtdocs\\_wo034.pdf](http://www.wipo.int/export/sites/www/treaties/en/ip/wppt/pdf/trtdocs_wo034.pdf).

its copyright statutes in 1997 and 1999 and passage of the Digital Millennium Copyright Act (DMCA) in the United States in 1998.

Korea revised its copyright act in 2000 to comply with this trend, granting a right of transmission to copyright owners and excluding reproduction by public copy machines from immunity for private use reproduction. In preparation for joining the WCT and WPPT, a broad revision in 2006 imposed technical protection obligations for special OSPs (i.e., P2P service providers) and reinforced protection of neighboring rights. The most recent revision in 2009 provides power to delete illegal reproductions, give warning to the infringer, and suspend the infringer's account and bulletin board to the MCST.

#### *A. Order to Delete and Stop Transmission of the Pirated Material and Warning Notice*

When the circulation of an illegal reproduction or data-protection-destroying program, or Internet protocol address of an infringer, is detected online, the MCST may take one of three actions: order the OSP to delete the illegal works, stop the transmission, or give a warning notice to the infringer by virtue of its own authority or by report of a relevant claimant.<sup>7</sup>

Prior to issuing such orders, preconsultation with the KCC is required. The purpose of these preconsultations is to prevent the potential for abusive orders and to ensure an order's legitimacy and adequacy. Moreover, the OSP, as the recipient of such orders, may submit a statement regarding the order. Within five days after receipt of an MCST order, the OSP must report the result of action taken to the MCST. If the OSP does not execute the order, a fine up to ten million won (approximately \$9,000 USD) will be imposed.

#### *B. Account Suspension Order*

If an infringer receives three warning notices, the MCST may issue an order to suspend the infringer's account for up to six months.<sup>8</sup> Unlike the "three strikes" policy in France and Britain, the

<sup>7</sup> Jeojakkwonbeop [Korean Copyright Act], Act No. 9785, July 31, 2009, art. 133-2(1) (S. Kor.).

<sup>8</sup> Jeojakkwonbeop [Korean Copyright Act], Act No. 9785, July 31, 2009, art.

account suspension order in the new Korean Copyright Act does not terminate Internet access itself; instead, it suspends only the violator's account with the OSP. As such, a violator can technically bypass such suspension by creating other OSP accounts. It is important to note that e-mail service of the suspended account is excluded from the target of the order.

Preconsultation with the KCC is also required to issue the order, and the MCST must provide the OSP and the user an opportunity to submit a statement. The OSP must take action within ten days from receipt and also report the result to the MCST. When an account is suspended, the OSP is required to notify the infringer of the account suspension seven days before execution, providing time to secure materials pertaining to the illegal reproduction or transmission. When the OSP does not execute the order or notify the infringer of the account suspension, a fine up to ten million won will be imposed.

### *C. Online Bulletin Board Service Suspension Order*

Various types of online bulletin boards exist within Web ports and Web-disc services (e.g., forums, blogs, and databases). If an entire OSP were shut down because of a copyright infringement on only one bulletin board, this would be over-regulation. Therefore, a balancing test must be conducted to suspend bulletin board services. On the other hand, it is nearly impossible to police every bulletin board to search out and delete every illegal reproduction posted online. Because of these competing concerns, the revised Korean Copyright Act calls for a temporary suspension of the bulletin board up to six months when there is clear intent to distribute illegal reproductions.<sup>9</sup>

Bulletin board service suspension orders are issued only for bulletin boards with commercial interests or distributions. General bulletin boards, such as those for an association or community, are excluded from the order's scope. If the intent of the posting is to distribute an illegal reproduction, the MCST may order suspension after consultation with KCC. Just as with an account suspension

133-2(2) (S. Kor.).

<sup>9</sup> Jeojakkwonbeop [Korean Copyright Act], Act No. 9785, July 31, 2009, art. 133-2(4) (S. Kor.).

order, the OSP and the bulletin board operator have an opportunity to submit a statement. The OSP receiving a bulletin board suspension order must notify the OSP and the relevant bulletin board ten days before suspension to provide time for non-infringing users to secure relevant materials. If the OSP does not execute the bulletin board suspension order or notify the infringer of the suspension, a fine of up to ten million won will be imposed.

*D. Correction Recommendations For Transmitters of Pirated Material*

The most desirable way of reducing illegal online reproductions is for all OSPs and users to respect copyright and utilize copyrighted works in a legal and self-regulating manner. As correction orders impose compulsory obligations and remedies in case of breach, it is impossible to establish copyright orders in a voluntary and productive manner. The revised act provides “correction recommendations” power to the KCC and the OSP to take self-regulating measures before the administration issues a coercive correction order.<sup>10</sup>

When the KCC detects any distribution of illegal reproduction while monitoring an OSP’s digital network, the KCC may recommend the OSP to (1) give a warning notice to the infringer, (2) delete or stop transmission of illegal reproduction, or (3) suspend the account of a repetitive infringer. To issue the KCC’s correction recommendation, preconsultation with a subcommittee is required. An OSP that received a correction recommendation must report the result of execution to the KCC within five days from the reception in cases (1) and (2), above, and within ten days in case (3).

Because the correction recommendation is literally a recommendation, there is no direct sanction if the OSP fails to take action pursuant to the recommendation. The KCC may ask the MCST to issue a correction order, which does not require KCC preconsultation.

<sup>10</sup> Jeojakkwonbeop [Korean Copyright Act], Act No. 9785, July 31, 2009, art. 133-3 (S. Kor.).

## II. CONTROVERSY OVER THE CONSTITUTIONALITY OF THE “THREE STRIKES” POLICY

While Korea grew to become one of the Internet powers, copyright infringement became worse due to illegal online reproduction. P2P services, including Soribada<sup>11</sup> (similar to Napster<sup>12</sup> and Grokster<sup>13</sup> in the United States), and other Web-disc services enabled music, television dramas, and movies to be broadly distributed. Such distributions spoiled cultural enterprises and dampened copyright owners’ appetite for creativity. In response, civil and criminal penalties have been imposed in Korea for distribution of illegal reproductions and Web site operators.<sup>14</sup>

Government and Internet enterprises are striving to protect copyright in Korea to foster a fair Internet environment and to create a sound Internet space where rights and responsibilities are balanced. Adoption of the “three strikes” policy in the revised Korean Copyright Act is also an expression of Korea’s strong will and determination to eradicate illegal reproductions. However, the constitutionality of suspension orders for accounts and bulletin boards, based on the “three strikes” policy, has been controversial. Therefore, an examination of whether the “three strikes” policy is constitutional in Korea is useful when considering the adequacy and operational direction of the policy and deciding the aim of copyright protection.

<sup>11</sup> Soribada, which is referred to as the Korean version of Napster, is a free MP3 sharing P2P program and the name of a free MP3 sharing website. Copyright owners sued Soribada for infringement of copyright because Soribada enabled users to illegally download MP3 files for free. The Korean Supreme Court recognized Soribada’s civil and criminal liability. *See* Supreme Court [S. Ct.], 2005Da11626, Jan. 25, 2007 (S. Kor.); Supreme Court [S. Ct.], 2005Do872, Dec. 14, 2007 (S. Kor.)

<sup>12</sup> *See* A&M Records, Inc. v. Napster, Inc., 239 F.3d 1004 (9th Cir. 2001).

<sup>13</sup> *See* MGM Studios, Inc. v. Grokster Ltd., 545 U.S. 913 (2005).

<sup>14</sup> Cases that found P2Ps and Web-disc service providers civilly and criminally liable include: Supreme Court [S. Ct.], 2005Da11626, Jan. 25, 2007 (S. Kor.); Supreme Court [S. Ct.], 2005Do872, Dec. 14, 2007 (S. Kor.); Seoul High Court [Seoul High Ct.], 2006La1245, Oct. 10, 2007 (S. Kor.); Seoul Central District Court [Dist. Ct.], 2008Kahap968, Aug. 5, 2008 (S. Kor.); Seoul Central District Ct. [Dist. Ct.], 2008Godan3683, Feb. 12, 2009 (S. Kor.).

### A. Freedom of Speech

The key issue of the constitutionality of the “three strikes” policy is whether the suspension of an Internet account or bulletin board service causes excessive infringement on freedom of speech.<sup>15</sup> Since Internet access in a digital society is within the area of freedom of speech, is it then reasonable to restrict Internet access to protect copyright owners?

The revised Korean Copyright Act is the mediated result between competing forces of free speech and copyright protection. The main purpose of the correction order under the Korean Copyright Act is to discontinue infringement by heavy uploaders; it does not target casual infringers. Regulating account and bulletin board suspensions objectively within the maximum time frame precludes potential abuses. An account suspension order can be imposed for up to six months after three warnings or receipt of a discontinuance order. A maximum suspension of one month occurs for a first offense, up to three months for a second offense, and from three to six months for a third offense.<sup>16</sup> Thus, given the current number of deletion or suspension orders issued, there should be at least three times the number of warnings.

The goal of account suspension under the revised Korean Copyright Act is not to stop Internet usage, but to regulate a particular OSP’s account (excluding e-mail service) and conduct targeted enforcement. An infringer can still create new accounts on the same or other OSPs and may still conduct Internet searches and receive and send e-mails, as long as a user login is not necessary.<sup>17</sup>

<sup>15</sup> 1987 DAEHANMINKUK HUNBEOB [HUNBEOB] [CONSTITUTION] art. 21 (S. Kor.) (stating that “[a]ll citizens shall enjoy freedom of speech and the press, and freedom of assembly and association.”); 1987 DAEHANMINKUK HUNBEOB [HUNBEOB] [CONSTITUTION] art. 21 (S. Kor.) (providing that “[I]ncensing or censorship of speech and the press, and licensing of assembly and association shall not be recognized.”).

<sup>16</sup> Jeojakkwonbeop Sihaengnyeong [Copyright Act Enforcement Decree], Presidential Decree No. 22003, Jan. 27, 2010, art. 72-3 to -4 (S. Kor.).

<sup>17</sup> Jeojakkwonbeop [Korean Copyright Act], Act No. 9785, July 31, 2009, art. 133-2(4) (S. Kor.); MINISTRY OF CULTURE, SPORTS AND TOURISM, COMMENTARY ON NEW COPYRIGHT ACT 75 (2009), <http://www.mcst.go.kr/web/notifyCourt/notice/mctNoticeView.jsp?pCurrentPage=1&pSeq=4834> (then follow “copyright.

Bulletin suspension orders are not targeted at general bulletin boards; instead, they are focused on bulletin boards with commercial interests and those that promote illegal infringement, such as Web sites promoting illegal downloads and P2P service. General Internet portal sites such as forums, blogs, and personal homepages are not affected by an order. This limitation on targets is also a measure to balance copyright and freedom of speech.<sup>18</sup>

In sum, correction orders based on the “three strikes” policy properly balance the copyright act and freedom of speech, thereby hindering an unconstitutional finding. The new law is essentially constitutional despite some opposition.

### *B. Separation of Powers Between Branches of Government*

A second issue regarding the constitutionality of the “three strikes” policy is whether giving power to an executive agency, instead of to the judiciary, to determine the presence of copyright infringement and issue corrective orders violates the separation of powers between the two branches.

Issuing judgment and relief from illegality are roles of the judiciary, but in Korea the MCST and KCC decide whether particular conduct violates copyright and whether to issue correction orders or recommendations.<sup>19</sup> To preserve the separation of powers, the new law imposes an administrative fine rather than a retributive sanction. This avoids over-extending the power of the executive and, therefore, preserves the constitutionality of the “three strikes” policy.

### *C. The Principle of Due Process*

Before issuing account and bulletin board suspension orders, the revised law provides procedural protections to safeguard the consti-

pdf” hyperlink).

<sup>18</sup> Dae-Hee Lee, *Copyright Protection and Promotion of Fair Use Under the Amended Copyright Act*, 23 COPYRIGHT Q. 45, 50 (2009) (on file with author and Dae-Hee Lee, Korea University College of Law, it-law@korea.ac.kr).

<sup>19</sup> Copyrights are enforced by a judicial copyright police force established on September 14, 2008.

tutionally guaranteed principle of due process.<sup>20</sup> In particular, the new law imposes notice and hearing requirements to protect procedural due process.

First, the revised law provides the KCC with a consultation phase and gives each substantial party an opportunity to submit a response and documentation before issuance of any order. In addition, when issuing a correction order, the enforcement agency must consider recidivism of the infringer's identity, amount of reproduction, type of illegally reproduced work, and availability of substitutions.<sup>21</sup>

When issuing a bulletin suspension order, the KCC must also consider: the purpose of the bulletin (i.e., whether it is profit-making), the function and utilization of the bulletin, the number of bulletin board users, and the component ratio of illegal reproduction.<sup>22</sup> The OSP and bulletin board operator must have an opportunity to submit a statement. And the OSP receiving a bulletin board suspension order must notify the OSP and the relevant bulletin board ten days before suspension to provide time for non-infringing users to secure relevant documentation and respond.

These multiple phases—notice, consideration of factors, and opportunities to respond—indicate that the revised law complies with the principle of due process.

### III. SUGGESTIONS FOR THE APPLICATION OF THE “THREE STRIKES” POLICY

Even though the “three strikes” policy may be considered constitutional, some reforms are suggested for making copyright

<sup>20</sup> 1987 DAEHANMINKUK HUNBEOB [HUNBEOB] [CONSTITUTION] art. 12 (S. Kor.) (“All citizens shall enjoy personal liberty. No person shall be arrested, detained, searched, seized, or interrogated except as provided by Act. No person shall be punished, placed, under preventive restrictions or subject to involuntary labor except as provided by Act and through lawful procedure.”); 1987 DAEHANMINKUK HUNBEOB [HUNBEOB] [CONSTITUTION] art 12 (S. Kor.) (“Warrants issued by a judge through due procedures upon the request of a prosecutor shall be presented in case of arrest, detention, seizure or search.”).

<sup>21</sup> Jeojakkwonbeop Sihaengnyeong [Copyright Act Enforcement Decree], Presidential Decree No. 22003, Jan. 27, 2010, art. 72-3 (S. Kor.).

<sup>22</sup> Jeojakkwonbeop Sihaengnyeong [Copyright Act Enforcement Decree], Presidential Decree No. 22003, Jan. 27, 2010, art. 72-4 (S. Kor.).



protection more effective. These reforms are an effort to intervene early with known infringers, rather than wait for the “third strike,” before taking action.

First, preventive education about the cost of copyright infringement and the lawful alternatives to infringement could be provided rather than correction orders for those who have received warnings. The goal would be to intervene early to prevent future repetitive infringement. It is still always an option to issue a correction order if an infringer continues to commit violations in the face of these preventative measures. But with the pressure of past warnings and the threat of future retribution, coerced education and training could expose bad actors to lawful alternatives to infringement.

Furthermore, it is recommended that the prosecution in-service considers dismissal of accusations against minor first offenders and stays of prosecution of infringers who complete copyright education and training. Such training and education opportunities are currently available for minor copyright infringers who are not involved in commercial activity. Such programs have been developed in Korea in response to concerns about indiscreet enforcement. For example, reckless accusations of infringement have been attributed to several suicides amongst Korean youth. In this context, preventive education and training and measured enforcement copyright laws are necessary for a rational and effective “three strikes” policy.

In sum, the government’s enforcement activities should focus on those repetitive and habitual cases that have the greatest negative effect on copyright rights. The participation of a judicial official should be considered during the judgment process. The threat of future sanctions can be leveraged to prod repeat infringers into a preventative education and training program designed to strike at the underlying reasons such infringers violate Korean law.

## CONCLUSION

To date, no correction orders have been issued under Korea’s new “Three Strikes” policy. Instead, KCC has issued correction recommendations to P2P and Web-disc service providers. Those providers have accepted the KCC’s recommendations and have voluntarily deleted illegal copyrighted materials to avoid the issuance of correction orders. In the case of Internet portal companies, only

one Internet forum received a correction recommendation. In accordance with the policy considerations underlying the executive enforcement decrees, correction orders have not been recklessly issued despite initial concerns about constitutional violations. Nevertheless, there continues to be controversy regarding the constitutionality of correction orders. Left-leaning civil organizations have publicly expressed an interest in filing a constitutional complaint when a relevant case arises. Therefore, only the constitutional court may decide whether the “three strikes” policy is ultimately constitutional or not.

Meanwhile, copyright law remains a basic fence of protection for creators and an engine for freedom of speech. The new Korean Copyright Act is the result of the effort to balance these rights and freedoms. While this act has been effective, there is room for improvement. For example, administrative bodies must not issue reckless correction orders for the sake of convenience or efficiency. Instead, such orders should be used to prod infringers to take corrective action before multiple cases of infringement occur. To do otherwise risks suppressing Korea’s inalienable right to freedom of speech. The “three strikes” policy on repetitive copyright infringement should therefore be enforced carefully and thoughtfully, and should be supplemented with user training and education, technical protection, and control of infringed materials.