

### ***U.S. Supreme Court Holds Section 411(a)'s Copyright Registration Requirement Non-Jurisdictional***

On March 2, 2010, the Supreme Court issued its decision in *Reed Elsevier, Inc. v Muchnick* holding that Section 411(a) of the United States Copyright Act, which mandates registration as a prerequisite to suing for copyright infringement, is not a jurisdictional requirement, meaning a copyright owner's failure to register its work does not restrict a federal court's subject-matter jurisdiction over claims involving the unregistered work. While the decision

is meaningful for class-action suits and claims for declaratory or equitable relief, the impact of the decision, if any, on the standard copyright-infringement claim for damages remains to be seen.

The case follows the Court's decision in *New York Times Co. v Tasini*, 533 U.S. 483 (2001), in which the Court affirmed the Second Circuit ruling that several on-

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### ***Trademark Customs Recordal Back on the Menu in the United Kingdom***

As of March 10, 2010, British Customs will be able to treat as abandoned for seizure and destruction purposes items where the owner has either consented to destruction or failed to oppose destruction of the goods within 10 days from notice or any extensions granted to that period. The new procedure is set out in the Goods Infringing Intellectual Property Rights (Customs) (Amendment) Regulations 2010.

Historically, Customs measures in the United Kingdom were very favorable to rights owners in that once an objection was received by Customs and upheld, it fell to the owners of the products in issue to bring an appeal against the action of Customs in confiscating the goods. The practice was changed in 2009 as a result of a court action. The amended rules brought British practice into line with that

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### ***Federal Circuit Decision Highlights Importance of Full Disclosure between Inventor and Patent Attorney When Conducting Prior Rights Analyses***

A recent decision from the Federal Circuit Court of Appeals demonstrates the importance of full disclosure between an inventor and patent attorney hired to conduct a prior rights analysis, such as a freedom-to-operate opinion. Under Section 271(b) of the U.S. Patent Act, "whoever actively induces infringement of a patent shall be liable as an infringer." The "inducer" must have actual or

constructive knowledge of the patent-in-suit and must have "specific intent to encourage another's infringement," where specific intent is not defined so narrowly as to allow an accused wrongdoer to actively disregard a known risk. In *SEB S.A. and T-Fal Corp. v Montgomery Ward & Co., Inc. et al.* the Federal Circuit Court of Appeals established that deliberate

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### ***U.S. Trademark Trial and Appeal Board Vacates 2008 Fraud Ruling in Herbaceuticals, Inc. v Xel Herbaceuticals, Inc., Cancellation No. 92045172***

On February 25, 2010, the United States Trademark Trial and Appeal Board vacated its ruling in *Herbaceuticals, Inc. v Xel Herbaceuticals, Inc.*, where a partial summary judgment had been entered on the ground of fraud. Though the finding of fraud was vacated due to procedural rea-

sons, the Board did, *sua sponte*, review the original fraud pleadings in light of the 2009 *Bose Corp. v Hexwave* decision that revised the test for fraud on the USPTO. Based on its review, the Board found Petitioner Herbaceuticals, Inc.'s fraud claim legally insufficient.

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### ***eBay France Faces Sanctions for Misspellings***

On February 18, eBay France was unsuccessful in the face of charges that it has enabled the sale of counterfeit goods and harmed Louis Vuitton's reputation, receiving a fine of €200,000 in damages, including an award of €30,000 in costs, and a fine of €1,000 for each future violation.

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### ***What to Make of the Recent Wave of False-Patent-Marking Lawsuits***

District courts have seen a recent increase in the number of false-patent-marking lawsuits that could result in recovery of significant windfall monetary awards to plaintiffs. While the current landscape of patent-marking jurisprudence leaves many unanswered questions, careful review of patent-marking policies should be an issue to consider for companies manufacturing products under their own or licensed patents to avoid an adverse false-marking judgment. Section 292 of the U.S. Patent Act covers the improper marking of an unpatented article with the word "patented," or any word or number having the same meaning, for purposes of deceiving the public and provides for fines to be assessed in an amount not to exceed \$500 for each offense. Individuals may file suit in federal court pursuant to Section 292 and attempt to recover

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### ***.CO Domain Names Launching at Second Level; Global Sunrise to begin April 26***

The ccTLD for Columbia, .CO, is going to be made available for registration on a global basis at second level (e.g., YOURCOMPANY.CO), rather than under previously restrictive terms that limited registrations to third level beneath various second-level domains such as .COM.CO. The Global Sunrise period for trademark holders with exact-match domain names registered prior to July 30, 2008 will run

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**Section 411(a)** *(continued from page 1)*

line databases and publishers, including Google Books, infringed the rights of six freelance authors by electronically publishing their works without permission. The case was consolidated with several other suits by other freelance authors in the United States District Court for the Southern District of New York, which due to the complexity of the case ultimately referred the parties to mediation. Three years later, the freelance authors, databases and publishers reached a settlement agreement, dubbed the "Google Books Settlement" and moved the District Court to certify a class and approve the settlement. Over the objections of several freelance authors, including Irvin Muchnick, the District Court approved the Class, consisting of authors owning both registered and unregistered copyrights in their works, and approved the settlement.

Muchnick respondents appealed the decision on both procedural and substantive grounds. The Court of Appeals for the Second Circuit *sua sponte* ordered a briefing on the question of whether Section 411(a) of the Copyright Act deprives federal courts of subject-matter jurisdiction over infringement claims involving unregistered works.

Section 411(a) provides:

*"Except for an action brought for a violation of the rights of the author under section 106(A), and subject to the provisions of subsection (b), no civil action for infringement of the copyright in any United States work shall be instituted until preregistration or registration of the copyright claim has been made...The Register may, at his or her option, become a party to the action with respect to the issue of registrability of the copyright claim by entering an appearance within*

*sixty days after such service, but the Register's failure to become a party shall not deprive the court of jurisdiction to determine that issue."*

Although all parties asserted in their briefs that the District Court did have subject-matter jurisdiction to approve the Class, the Court of Appeals held that it lacked subject-matter jurisdiction to approve both the Class and the Settlement. Judge Walker dissented, arguing that Section 411(a) is more like a non-jurisdictional claim-processing rule.

The Supreme Court granted the copyright owners and publishers' petition for writ of certiorari to answer whether Section 411(a) restricts the subject matter jurisdiction of federal courts, appointing *amicus curiae* to defend the Court of Appeal's judgment, since neither party supported its holding.

The Supreme Court began its analysis by looking to the general approach to distinguishing jurisdictional conditions from claim-processing rules or elements of a claim as laid out in *Arbaugh v Y & H Corp.*, 546 US 500 (2006), which states that if the legislature does not "clearly state" that a statutory limitation is jurisdictional, and does not rank it as such, then the courts should treat it as non-jurisdictional in character.

Applying this test to Section 411(a), the Court found that the provision does not "clearly state" that its registration requirement is jurisdictional. The Court rejected the argument from *amicus*, that the use of the word "jurisdiction" in the last sentence of the provision indicates that the first sentence of the provision is meant to be read with a jurisdictional cast as well. Rather, the Court explained that the last sentence in 411(a) was added to the Act in 1976 to clarify that federal courts can decide an issue of registrability

even if the Register does not appear in the relevant infringement suit, and that as used, it says nothing with regard to the federal court's subject-matter jurisdiction over claims involving unregistered works.

Further, the Court found that the provision also does not rank the registration requirement as jurisdictional. Section 411(a)'s registration requirement is located in a provision wholly separate from those provisions in the Act covering jurisdiction, namely Sections 1331 and 1338, and neither of these provisions conditions jurisdiction on whether the relevant copyright owners have registered their works. The Court pointed to the fact that Section 411(a) expressly grants courts jurisdiction to adjudicate claims involving unregistered works in three instances: 1) where the work is not a U.S. work, 2) where the claim also concerns moral rights under 106A, or 3) where the author attempted to register his work but registration was refused. The Court reasoned that if Section 411(a) was meant to be read in a jurisdictional light, it would be odd for the provision to contain these exceptions.

The Court then considered the *amicus* argument, relying on *Bowles v Russell*, 551 US 205 (2007), that it is improper to characterize a statutory condition as non-jurisdictional if doing so would override a "century's worth of precedent." *Amicus* argued that *Bowles* stands for the proposition that if a provision is silent as to whether its condition is to be considered jurisdictional, then a court should treat it as jurisdictional if that is how the condition has been consistently interpreted over the years. The Court rejected this interpretation of *Bowles*, concluding that it instead stands for the proposition that context is relevant, albeit not dispositive, of the question. The Court further rejected the *amicus* argument that the Court should nonetheless affirm the Court of Appeals decision on estoppel grounds because

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**Customs Recordal** (continued from page 1)  
of most other European countries where by it fell to the objecting rights holder to either obtain consent to forfeiture from the owners of the goods or else to bring a formalized proceeding to have the goods declared counterfeit and seized, something which is onerous and expensive.

Under the latest revision, which became effective on March 10, consent to forfei-

ture will be presumed if the owner of the goods does not affirmatively object to forfeiture within the specified period of 10 days plus any extensions. While this still puts most of the burden on the rights holder to make sure that the counterfeit goods do not enter the market, it does mean that the owner of the offending goods has to take some sort of action in order to secure release and it cannot just sit back and take a wait-and-see approach. An-

other problem under the prior regimen was that consignee contact information provided with shipping documents was often bogus and unreliable. The amended rules mean that owners of the goods will have to step forward and potentially expose themselves to direct legal liability for dealing in counterfeits. The new approach makes Customs recordation once more an attractive option insofar as the UK is concerned.

**eBay France** (continued from page 1)

When we last discussed the online auction giant's French site in 2007, it was facing an objection from the regulatory authority for auction houses in France, the Council of Sales, which sought to hold eBay to the same standards as those that apply to France's traditional auction houses. The latest objection, brought by the owner of the Louis Vuitton brand, LVMH Moët Hennessy Louis Vuitton SA (LVMH) has resulted in a judgment against eBay France.

The basis of the objection stemmed from eBay's payments for certain keywords to generate links to eBay's site in search engines such as Yahoo and Google. The practice of paying for keywords in itself was not the issue. Rather, it was the fact that eBay was paying for misspellings of "Louis Vuitton" (such as "Vitto"), that LVMH asserted are often used to advertise the sale of counterfeits, to generate results pointing to eBay.

The argument for using such misspellings is that potential buyers may simply be unaware of the correct spelling, or inadvertently type the name incorrectly. Rather than have a bad customer experience, eBay sought to ensure that such misspellings still direct the potential buyer to some listings. By the same token, some frequent users of eBay often intentionally misspell designer names in their searches as a deliberate strategy for good bargains, under the theory that the results will be viewed

by fewer buyers and they will have less competition in the bidding.

Brand owners, however, object to this practice under the theory that the sellers who utilize misspellings do not have poor spelling skills, but use them intentionally when dealing in counterfeit goods. Consequently, allowing third parties to pay for misspellings associated with counterfeit goods enables the counterfeit marketplace.

In the end, the balance weighed in favor of LVMH. So far, this decision in France is an outlier. In the US, the use of another's trademark as a keyword in Google AdWords has generally not been found to be a violation of trademark law, even when it involves competitor's trademarks.

**Section 411(a)** (continued from page 2)

the circumstances required for application of the doctrine simply did not exist in this case.

Ultimately, the Court held that Section 411(a)'s registration requirement is simply a precondition to filing a copyright infringement claim, and nothing more. A copyright owner's failure to register his or her work does not restrict a federal court's subject-matter jurisdiction over infringement claims involving unregistered works.

The decision clarifies that class actions for copyright infringement can be filed on

However, this decision in France may very well have turned on the fact that the keywords in question were closely tied with dealing in counterfeits, even though they actually were not protected trademarks of another party.

In its response to the decision, eBay stated that the decision did that very thing which it sought to protect against—it harmed consumers by preventing them from buying and selling authentic items online.

Perhaps the final word on the issue is yet to come in the EU. A decision from the Court of Justice due to issue in late March is expected to provide more clarity as to whether this use of Adwords interferes with the rights of trademark owners.

behalf of owners of both registered and unregistered works. The Google Books Settlement, however, was amended following the Second Circuit's now reversed 2007 *Muchnick* decision to specifically exclude owners of unregistered works to avoid this issue. While it is unlikely that they will be added back as a result of the decision, it now raises the question of whether the settlement will be approved as it stands. The Court could ask the litigants to renegotiate the settlement again, to include authors of unregistered works, or the authors themselves could request reconsideration of the settlement along these terms.

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**Full Disclosure** (continued from page 1)

indifference of a patent can satisfy the “knowledge of patent” element in an inducement claim and determined that the district court record demonstrated adequate deliberate indifference by co-defendant Pentalpha Enterprises, Ltd. as to the existence of the patent-in-suit. In *SEB*, the record demonstrated that: (1) Pentalpha had copied SEB’s product, (2) Pentalpha had hired a patent attorney to conduct a patent prior-art search, but did not advise the attorney that it had copied the SEB device, and (3) Pentalpha’s president was knowledgeable of U.S. patent law. The Federal Circuit concluded that this was “adequate evidence to support a conclusion that [Pentalpha] deliberately disregarded a known risk that SEB had a protective patent.”

On appeal from the district court decision of inducement to infringe, as well as willful infringement, Pentalpha argued that SEB had not presented any direct evidence that Pentalpha had actual knowledge of the patent-in-suit before the lawsuit was filed. Pentalpha argued that the Federal

Circuit’s decision in *DSU Medical v JMS* supported its position by holding that the “requirement that the alleged infringer knew or should have known his actions would induce actual infringement necessarily includes the requirement that he or she knew of the patent.”

The *SEB* Court embarked in a detailed analysis of the “knowledge” requirement as it pertains to inducement-to-infringe claims, including discounting the cited language from the *DSU Medical* decision as dicta. While the *DSU Medical* language certainly appeared to support Pentalpha’s position, the *DSU Medical* decision did not hinge on the “knowledge” requirement as the accused infringer had actual knowledge of the patent-in-suit. The court held that “deliberate indifference” to potential patent rights is sufficient to satisfy the “knowledge” requirement of inducement charges. While the district court record did not include direct evidence that Pentalpha was aware of the patent-in-suit, the record did provide adequate details of Pentalpha’s deliberate indifference to SEB’s patent rights.

**Fraud Ruling** (continued from page 1)

In the original March 7, 2008 order, the Board granted summary judgment to Petitioner Herbaceuticals, Inc. (HCI) on its pleaded fraud claim, ordering cancellation of four registrations in the name of Respondent, Xel Herbaceuticals, Inc. (Xel). The Board concluded that Xel filed knowingly false Statements of Use, signed by the representing attorney. The XEL HERBACEUTICALS marks were not being used on all goods in the identifications as claimed.

On January 7, 2010, Xel filed a motion to vacate the Board’s partial summary judgment on HCI’s fraud claim, relying on the Bose decision which set forth, “a trademark is obtained fraudulently under the Lanham Act only if the applicant or registrant knowingly makes a false,

material representation with the intent to deceive the PTO.” *Bose*, 91 USPQ2d at 1941.

The Board granted Xel’s motion to vacate, as conceded, because HCI failed to respond, in any manner, to Xel’s motion. However, the Board also *sua sponte* reviewed HCI’s pleaded fraud claim in the original petition to cancel, finding it legally insufficient under the *Bose* decision.

HCI’s pleaded fraud claim alleged that Xel “knew or should have known that it was not using” the marks on all goods identified in each application when the relevant Statements of Use were filed. However, HCI’s claim did not allege that Xel possessed the requisite “intent to deceive” the United States Patent and

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**.CO Domains** (continued from page 1)

from April 26 to June 10, 2010. There will be subsequent Landrush and General Availability registration periods. In addition to general registrations, the .CO has also created a “Founders Program” for those individuals or companies that meet certain requirements, and pledge to be early adopters and to proactively develop and maintain domains with the .CO extension prior to the public launch in July. There is also a Grandfather Process, available through March 31, 2010, for applicants whose existing third-level domains in the .CO namespace were registered and active on or before July 30, 2008.

The .CO registry was previously run by the University of The Andes in Bogotá, Columbia, with registration mostly limited to Columbian companies who could register their trade name or company as an exact match at the third level. As a result, there were only about 28,000 .CO domains registered. The registry will now be run by a new partnership formed by a Colombian company, and Neustar, Inc., which has been involved in providing expertise for .BIZ, .US, .TRAVEL and .TEL. In addition to continuing to be a country-code TLD for Colombia, the .CO domains are being promoted for use as a mainstream extension to represent a number of CO-formatives, including “COmpany,” “COrporation,” “COmmerce,” “COntent,” “COmmunity,” “COnsumer,” and “COllaborate.”

Of potential concern for trademark holders is the use and registration of these domain names as a typo for .COM domain names. An IP Clearinghouse and Trademark Validation process for registered trademarks are being established to assist brand owners in securing their brands in .CO during the Sunrize period. There will also be post-registration procedures available to trademark holders against abusive registrations, including a Rapid Takedown Policy and the UDRP.

**Patent Marking** (continued from page 1)

damages that will be split 50/50 with the government.

The Federal Circuit Court of Appeals decision in *The Forest Group, Inc. v Bon Tool Co.* outlined the following elements of a Section 292 claim: (1) marking of an unpatented article; and (2) intent to deceive the public. The primary question unsettled before *Forest Group* was what constituted an offense—a decision to mark a product line, or each marked article put into the stream of commerce. The monetary implications of the answer to this question were significant. In *Forest Tools*, the Federal Circuit held that “the plain language of 35 USC Section 292 requires courts to impose penalties for false marking on a per article basis.” The court reasoned that allowing a range of penalties provided district courts with necessary flexibility and discretion to strike a balance between the public policy behind the patent-marking statute, namely, to give the public notice of patent rights, and imposing disproportionately large penalties for small, inexpensive items

produced in large quantities. In a case involving inexpensive, mass-produced articles, the district court would have the discretion to determine that a fraction of a penny per improperly marked article is a proper penalty.

With the *Forest Group* decision, particularly its guidance on determination of damages, courts have experienced a significant increase in the number of lawsuits being filed on false-patent-marking grounds. In the month of February 2010 alone, nearly 60 separate lawsuits were filed in district courts around the country. The next emerging controversy in these cases, the resolution of which is likely to either promote the filing or stem the tide of false-marking lawsuits, will likely focus on what plaintiffs must prove to support the allegation that the defendant marked products “for purpose of deceiving the public.” Under the current rule of law, “a party asserting false marking must show by a preponderance of the evidence that the accused party did not have a reasonable belief that the articles were properly marked.” An assertion by a party that it

did not intend to deceive, standing alone, “is worthless as proof of no intent to deceive where there is knowledge of falsehood.”

Another issue that is likely to receive significant attention is the misuse of Section 292 lawsuits by individuals, coming to be known as “patent-marking trolls,” seeking a windfall judgment by filing lawsuits against products marked with an expired patent. Some clarity on this issue is likely forthcoming in *Pequinot v Solo Cup Co.*, which is on appeal to the Federal Circuit and has been fully briefed.

The increased occurrence of “patent-marking troll” suits could be curtailed or brought to a halt by Federal Circuit in the *Pequinot* decision or by Congress (the Senate Judiciary Committee has recently proposed legislation that would require patent false-marking plaintiffs to show actual competitive injury). Until the landscape of Section 292 becomes clearer, the effect of the *Forest Group* decision mandates that companies have a firm grasp on their patent-marking policies.

**Fraud Ruling** (continued from page 4)

Trademark Office through its actions. Under *Bose*, the Board noted that each petitioner must specifically plead “intent to deceive” in raising a claim of fraud. See *Bose*, 91 USPQ2d at 1941. An allegation of “knew or should have known” will not rise to the level of fraud under the *Bose* standard. In addition, HCI based its fraud claim on “information and belief” but failed to specify facts to support its belief, which also rendered the claim insufficient.

Thus, while the Board has vacated its partial summary judgment based on fraud, the Board has also allowed HCI thirty days from the mailing date of this decision (February 25, 2010) by which to replead its fraud claim under the *Bose* standard. As of March 10, 2010, HCI has not yet filed an amended petition to cancel.

In addition to articulating the *Bose* standard in the present order, the Board also discussed the standard for “intent to deceive” in a footnote, stating, “[t]he standard for finding intent to deceive is stricter than the standard for negligence or gross negligence. Still open is the question whether a submission to the PTO with reckless disregard of its truth or falsity would satisfy the intent to deceive requirement. *Bose*, 91 USPQ2d at 1942, fn. 2.”

**Section 411(a)** (continued from page 3)

Although it is clear that a claim for damages based on an unregistered work will fail, the Court left unanswered whether a district court should *sua sponte* dismiss copyright cases where the Plaintiff is asserting rights based on an unregistered copyright. As a result of the decision,

courts may become more lenient in allowing actions to proceed even if filed while an application for registration of the involved work is still pending. Courts are currently divided on this issue, with some taking the “registration approach” and dismissing those claims where the application is still pending, and others following the “application approach.”

Now, it will likely be easier for an alleged infringer to bring a declaratory-judgment action against a claim involving an unregistered work. In addition, it could be less risky for an author to file suit for immediate equitable relief, rather than for damages, based on an unregistered work.