

The Chimeric Friend – DOJ's Amicus Brief in Myriad

In April and May 2010, we reported on a lower court's controversial finding that various patent claims relating to breast cancer-linked genes are unpatentable subject matter under 35 U.S.C. 101. See *Association for Molecular Pathology v. United States Patent and Trademark Office*, 2010 US Dist. LEXIS 35418 (SDNY 2010). The dispossessed patent-holder in the case, Myriad Genetics, has appealed to the U.S. Federal Circuit. Several *amicus* briefs have been filed by third parties hoping to influence the Federal Circuit's ruling on appeal.

An *amicus* brief filed on October 29, 2010 by the Department of Justice (DOJ) recently created a stir in the patent community. The brief states that DNA that has been separated from a cell and the cell's genome, but otherwise not materially changed ("isolated DNA"), is a

product of nature and thus unpatentable under U.S. law. The DOJ expressly states its brief is in support of neither party, and that the lower court was incorrect in holding several claims invalid. The DOJ also indicates that its fellow government agency, the U.S. Patent and Trademark Office (USPTO), acted outside its authority in allowing claims to isolated DNA.

According to the brief, the USPTO does not classify isolated DNA as a product of nature "because that DNA molecule does not occur in that isolated form in nature" (bottom page 5 to top page 6). The DOJ argues rather that the chemical structure (particularly nucleotide sequence) of a gene is a product of nature, and that removing that gene from native DNA does not automatically transform it from a product of nature to a human-made composition of matter. *continued on page 2*

New gTLDs on the Horizon—ICANN Releases Proposed Final New gTLD Applicant Guidebook and Projected Timeline

On November 12, 2010, ICANN released for public comment the Proposed Final Applicant Guidebook, with the public comment period running through December 10, 2010. During its Board Meeting in Cartagena on December 10, the ICANN Board will take into account the comments received, and either approve the Guidebook or direct that further changes be made. Upon final approval of the guidebook, ICANN will launch a four-month communications

campaign so that interested parties will have knowledge of the dates of the application process for new gTLDs. As we have previously reported, the Guidebook covers the details of ICANN's plan for the expansion of additional gTLDs (generic top-level domains), namely alternatives to .COM, .ORG, .BIZ, etc, such as .YOURCOMPANYNAME. Comments on the Proposed Final Version are being accepted at www.icann.org. If there are

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LimeWire Follows the Path of Napster

On October 26, Judge Kimba Wood of the Southern District of New York issued a permanent injunction to LimeWire, to disable any searching, downloading or file trading capabilities of its file-sharing software. This injunction is likely to be the final blow to LimeWire, and is the latest development of a lawsuit originally filed in 2006 by the Recording Industry

Association of America, on behalf of the music industry. Immediately following the injunction, the LimeWire site alerted users to the injunction, advising that it has been ordered to "stop distributing and supporting its file-sharing software," along with a message that "downloading or sharing copyrighted content without authorization is illegal." *continued on page 3*

Oracle v. SAP Goes to Trial on Damages

Business software provider SAP made a shocking last-minute move late October by admitting contributory liability in the lawsuit filed against it by Oracle Corporation. Earlier this year, SAP would only admit that it was vicariously liable for the acts of infringement committed by its wholly-owned subsidiary TomorrowNow, but it has since changed its tone, in what many are calling a strategic move to perhaps limit evidence. With liability determined, the only remaining issue to be resolved at trial is damages. While it may seem minor, plenty of controversy still remains, with SAP arguing for damages somewhere in the tens of millions range, and Oracle alleging that it is owed billions. Moreover, whether or not evidence relating to SAP's contributory liability is allowed at trial could significantly affect the outcome of the case.

The drama stems from SAP's acquisition of TomorrowNow in 2005, and Oracle's claim that while providing technical support to SAP's customers, TomorrowNow unlawfully downloaded copies of Oracle's software and maintenance manuals onto its servers using phony or stolen log-in information and distributed them to clients without authorization. Oracle filed a Complaint in 2007 alleging, among other things, that SAP was both vicariously and contributorily liable for the infringement of its copyrights, conducted as part of a systematic and illegal scheme resulting in the unauthorized copying of thousands of software products and confidential materials that Oracle had developed to service its own customers.

In August 2010, the parties conferred and agreed that SAP's TomorrowNow subsidiary was liable for direct copyright infringement, and SAP, itself, also conceded that it was vicariously liable for the infringement, essentially admitting that it

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The DOJ's argument focuses on the use of DNA nucleotide sequences as information carriers and minimizes the USPTO's perspective of DNA as a chemical. DNA is a chemical—deoxyribonucleic acid—that in a cell includes a primary structure, made of base pair nucleotide sequences that encode genetic information, as well as secondary, tertiary and quaternary structures that may cause it to be twisted, coiled, associated with proteins and other cell structures, and overall dynamically interactive with its environment. If only the nucleotide sequence of DNA is considered, the DOJ's argument may have some merit. However, the USPTO's treatment of DNA as a chemical makes

more sense under U.S. patent practice, as it does not focus on an intended use of the chemical as an information carrier and keeps a broad, literal interpretation on a U.S. patentability standard typically considered to be easy to meet.

Interestingly, the DOJ brief repeatedly cites *In re Bilski*, a recent U.S. Supreme Court decision considering business methods as patentable subject matter under 35 U.S.C. 101. The brief applies language typically reserved for considering business methods to DNA, stating, for instance, that “nearly any man-made transformation or manipulation of the raw materials of the genome” may be patentable subject matter (page 11). One

purpose of the present brief may be to encourage the Federal Circuit to reduce technology-specific legal distinctions in U.S. patent law, by framing analyses of DNA in terms of transformations required in other technologies.

We expect that, whatever the decision reached by the Federal Circuit, this case will be appealed to the U.S. Supreme Court and watched closely by governments and patent practitioners around the world. The DOJ also alludes to human-rights issues in the case at page 8 of its brief, by noting that a claim directed to isolated DNA could cover DNA taken from a woman in a hospital.

New gTLDs (continued from page 1)

no further delays in the approval of the Guidebook, it is anticipated that the New gTLD Application Period could begin as early as May 30, 2011.

The latest Guidebook includes fewer changes and additions than its previous versions. Of greatest significance is the removal of registry and registrar separation of ownership, with the current version allowing for ownership of a registrar by a registry and vice versa. This may have a significant impact on the marketing of domain names, allowing a registry operator to bypass the typical registrar, and directly sell domain names to the registrant. In turn, a registrar, such as Go Daddy, can operate and directly market its own gTLDs. Of impact to brand owners creating their own gTLDs, such as .CANON or .IBM, are that they will no longer be dependant on a third-party registrar to register their domain names. Therefore, if a .BRAND gTLD is being used strictly on an internal basis, it is possible for the company to set up its own registrar for registration of internal domain names.

Additional guidelines have been included to attempt to prevent abuse by registries

based on the potential for sharing of information between the registry and registrar. The Code of Conduct for registries will ban registries from accessing data generated by affiliated registrars, or from buying any domains for its own use, unless they are needed for the management of the TLD. These anti-abuse mechanisms also include the Trademark Post-Delegation Dispute Resolution Procedure (PDDRP), which allows trademark owners to seek remedies against cybersquatting registries. If a registry is also acting as a registrar, it may no longer be able to avoid liability for the registrar who automatically parks recently expired trademark-infringing domains in order to profit from pay-per-click advertising. The PDDRP will allow complainants to seek remedies including injunctions, suspension of new registrations in a TLD, and potentially the full revocation of the registry contract. Registries will also be prevented from front-running, whereby a registrar may have utilized insider information about a customer's domain availability lookups to determine which domain names to register to itself. Registries will need to submit a yearly self-audit to ICANN, certifying their compliance with the code of conduct.

Also of significance in the Guidebook is the disqualification from being a “major shareholder” of a new gTLD registry if one has been involved in a pattern of decisions indicating that the applicant has been engaged in cybersquatting, as defined in the UDRP, ACPA, or other equivalent legislation. ICANN has determined that a loser of three UDRP decisions, including one within the past four years, will be considered a pattern. Other criteria that may preclude one from obtaining a registry include a variety of criminal convictions, including fraud or related to financial or corporate governance activities. Inclusion in the list of Office of Foreign Assets Control (“OFAC”) of the U.S. Department of the Treasury will also prohibit an individual or entity from owning and operating a registry.

As it appears that ICANN is attempting to wind down the process of approval of the Applicant Guidebook for New gTLDs and move on to the application and implementation process, this comment period may be the last opportunity to voice any concerns to ICANN regarding new gTLDs. Comments on the guidebook are encouraged by interested parties, and can be lodged at www.icann.org.

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exercised requisite control over TomorrowNow and derived a direct financial benefit from the direct infringement. It would not, however, concede that it was contributorily liable, insisting that it took no affirmative steps to induce, cause, or otherwise materially contribute to the infringement.

In October 2010, however, SAP finally conceded contributory liability for TomorrowNow's infringement as well. In a letter to the Judge, SAP insisted that its concession was primarily being made to eliminate the contributory liability issue from the case, and move the trial along to its real focus—damages. Many speculated, however, that the move was made in attempt to exclude evidence pertaining to contributory liability from the case, as an issue already resolved.

In the first step since the blame game concluded, suspicions rang true on November 5th when SAP did in fact request that all evidence and argument on contributory liability be excluded from the trial if admissible for no other purpose. Whether or not this request is granted could have a major impact on the relief granted in the case.

Oracle has since filed a motion in opposition to the request, arguing that much of the evidence is highly pertinent to the calculation of damages in this case because the fact that SAP was willing to risk liability for copyright infringement including the expenses of a lawsuit and high damages involved in such cases, reflects directly the value SAP placed on the very rights it infringed, and thus how much the company would have paid to legally license the copyrighted materials, which it estimates, when taking into account all of the infringement would be in the two to four billion dollar range.

SAP, on the other hand, argues that it is

speculative to assume that any such licenses would have been successfully negotiated in the first place. SAP argues that it should only be liable for actual damages—the amount in software sales Oracle lost as a result of the infringement plus any profits gained by SAP from customers who switched from Oracle because of TomorrowNow. SAP estimates that a sum in the tens of millions range is sufficient.

Whether or not the evidence relating to contributory infringement is allowed could also affect any statutory damages Oracle is able to seek under the U.S. Copyright Act. Under the Act, damages are set at between \$750 and \$30,000 per work infringed, at the discretion of the court. If a plaintiff can prove the infringement was willful, however, statutory damages can reach \$150,000 per work infringed. If evidence of SAP's contributory liability is allowed, it could be used to show that the infringement was willful, allowing Oracle to seek higher damages. On the other hand, to be eligible for statutory damages in the first place, the works must be registered with the Copyright Office prior to the infringement or within three months of publication. Reports indicate that Oracle has already acknowledged that it lacks registrations for many of the copied files, and it made some copyright filings as part of the lawsuit that probably will be too late to create eligibility.

News has leaked recently that the parties may have negotiated a deal by which SAP would pay \$120 million to cover Oracle's legal fees in exchange for a promise that Oracle wouldn't press for punitive damages, which likely relate to SAP's liability for violations of the Computer Fraud act as well. This news has yet to be confirmed, however.

The case could also have implications in another lawsuit filed by Oracle in January 2010, against Rimini Street, another software/support provider. In that case, Ora-

cle similarly alleges that Rimini has stolen its software and intellectual property, simply repeating TomorrowNow's "corrupt business model." In light of this, we may see Oracle ready to pull out all the stops for a successful decision awarding high damages to cite as a precedent.

LimeWire (continued from page 1)

One of the outstanding issues with the injunction stems from the users that already hold what the judge referred to as "legacy software." Although the injunction prohibits LimeWire from providing any new releases, upgrades and the like, there are still existing holders of the software. In an effort to stop any future uses by these "legacy" users, the judge also ordered LimeWire to "use all reasonable technological means to immediately cease and desist the current infringement of the Copyrighted Works by Legacy users through the LimeWire System and Software and to prevent and inhibit future infringement of copyright works." In order to do so, LimeWire is to create "default settings in the legacy software that block the sharing of unauthorized media files" and assist users with the removal the software from their computers.

LimeWire is not completely defunct yet, as a company spokesperson advises that the company is still seeking a licensing agreement with major music companies, so that it can resume operation through a subscription service. The injunction is also not the end of the road for the founder Mark Gorton himself. In May 2010, Judge Wood also found that LimeWire and Gorton both engaged in copyright infringement and unfair competition, and induced copyright infringement through the LimeWire software. Consequently, not only was LimeWire found liable for damages, but Gorton is personally liable as well. A trial is expected in early 2011, and could set damages in the hundreds of millions of dollars.