

New gTLDs Are Coming

On June 20, 2011, the ICANN Board voted to commence the program for the new generic top-level domains (gTLDs). With this program, the number of top-level domains (currently 310) could increase by up to 1000 in early 2013.

Jan 12, 2012	Apr 12, 2012	May/June 2012	Jul/Aug 2012	Oct/Nov 2012	Dec/Jan 2013	Feb/Mar 2013
Application Submission Period	Administrative Completeness Check	Comment Period				Transition to Delegation
		GAC Early Warning				
		Initial Evaluation				
		Objection Filing Period				

Although the timeline has not been finalized, ICANN has announced that application submission period will run from January 12, 2012 to April 12, 2012. For those hoping to gauge competitors' or other parties' interests before applying, this application phase will be opaque. Unless an applicant makes its intent public, there is no provision for notice during the application phase.

All complete applications will be made public within two months following the application submission period, at which time a public comment period, objection

filing period, and initial evaluation will all commence. The review begins with background checks of the applicant's business diligence, criminal history and history of cyber squatting. Following that, the initial evaluation will focus on two

elements; a review of the requested string and a review of the applicant's ability to operate and function as a registry. The requested string will be reviewed for similarity to existing TLDs, geographic names, and the like. At the same time each applicant's financial, operational and technical capabilities to support and operate a domain registry will be examined against a lengthy set of requirements. ICANN expects to complete and post notice of all initial evaluation results within five months from the time complete applications are made public.

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U.S. Supreme Court Holds that Bayh-Dole Act Concerning Federally Funded Inventions Does Not Automatically Vest Ownership of Invention in an Employer

In the U.S. Supreme Court's recent decision *Board of Trustees of the Leland Stanford Junior Univ. v. Roche Molecular Systems, Inc.*, the Court upheld an appellate court decision holding that the University and Small Business Patent Procedures Act of 1980 (commonly referred to as the Bayh-Dole Act) does not displace the longstanding premise that rights to an invention initially vest with the inventor simply because an invention is federally funded. The *Roche* decision stresses the importance of employers having properly worded employment

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Productos Lacteos Tocumbo S.A. de C.V. v. Paeteria La Michoacana

This case presents a prime example of substance over form when analyzing a number of trademark procedural issues. In rendering its decision in this cancellation action, the Trademark Trial and Appeal Board (the "Board") allowed the petitioner to sidestep many required formalities, and prevail despite technical defects in both pleading and introduction of evidence.

The petitioner, a Mexican family-owned and run company that distributed ice cream products, attempted to register its marks, LA MICHOCANA NATURAL and LA FLOR DE MICHOCANAN along with an "Indian girl" design, in order to further its United States business. During prosecution, it encountered a

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The Battle against Piracy in China

Rampant intellectual property piracy in China has irked Microsoft's CEO Steve Ballmer. In his address to employees at the company's new Beijing offices, Mr. Ballmer stated that Microsoft's China revenue in fiscal year 2011 will be only about 5% of its U.S. revenue. This discrepancy is surprising, given that the size of the personal-computer market in China is almost the same as the size of the personal-computer market in the U.S. Mr. Ballmer attributed the shortfall to the serious problem with software piracy in China where copies of Microsoft's core programs are sold on street corners for \$2 or \$3 each. Although Mr. Ballmer's complaints illustrate the broad scope of the issue, examining some of the other factors and perspectives may help provide some context.

Microsoft is not the only victim, nor are American companies the only ones that have encountered this issue in China. Companies from around the world, including Chinese companies are suffering from this problem. Certain individuals have also been adversely affected by a new trend where IP pirates would use a celebrity's name or image to advertise their unauthorized products.

Technology companies are hard hit, but the problem is even worse for high-end machinery manufacturers and those working in the movie, music and fashion industries. Companies that intend to open a new Chinese market or focus on increasing their Chinese market share, are likely to see their products counterfeited in China. Counterfeit copies of virtually all well-known products are likely to be on the market in China.

The existence of piracy in China has a cause based in the evolution of the Chinese legal system and economy. IP law was formulated in China mainly within

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If the applicant passes initial evaluation, and no objections are filed against the application, the new gTLD will proceed to delegation, a two step process involving execution of registry agreement and successful completion of technical set-up and testing.

Applicants who fail initial evaluation may request an extended evaluation. The extended evaluation is a five-month period designed to allow an additional exchange of information between the applicant and evaluators to clarify the information contained in the application.

Applying for a new gTLD will be expensive. The anticipated first-year costs including

application fees, allowance for minimal registry infrastructure, annual registry fee and an escrow of three years worth of operating expenses, are estimated to be between \$500,000 and \$1million, and may very well make the application process prohibitive for some parties.

Brand owners who do not apply for a gTLD will have an opportunity to object if someone else files for a conflicting name, but they do run the risk of being precluded of registering their brand as a gTLD in the future if another applicant is successful in securing the same or a similar name in the first round.

—*Jeannine Rittenhouse*

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agreements with employees and following up the employment agreement with proper assignments of rights to inventions.

In *Roche* Dr. Mark Holodny, the inventor of the patented subject matter and an employee of Stanford University's Department of Infectious Diseases, had entered into an employment agreement and Copyright and Patent Agreement (CPA) which stated, in part, that the he "agree[d] to assign" to Stanford his "right, title and interest in" inventions resulting from his employment at the University. As part of development of the patented subject matter, Holodny used resources of a third party, Cetus, and as part of the arrangement with Cetus Holodny signed a Visitor's Confidentiality Agreement (VCA) stating that he "will assign and do[es] hereby assign" to Cetus his "right, title and interest in each of the ideas, inventions and improvements" made "as a consequence of [his] access" to Cetus. After months of research and development at Cetus, Holodny returned to Stanford to test the research results—which concerned a technique for measurement of HIV levels in blood samples—and to further refine

the technique. Stanford obtained written assignments from Holodny (and his co-inventors involved in the refinements) and secured three patents covering the HIV measurement process.

Roche Molecular Systems obtained certain assets of Cetus, including the rights Cetus had obtained through agreements like the VCA signed by Holodny. After conducting clinical trials on the HIV quantification method developed at Cetus, Roche commercialized the procedure and Stanford filed a lawsuit alleging infringement of its patents. Roche claimed to be a co-owner of the patented subject matter, by way of the VCA with Holodny, which would result in Stanford lacking standing to sue for patent infringement. Stanford countered by arguing that Holodny had no rights to assign to Cetus/Roche because Stanford had superior ownership rights under the Bayh-Dole Act as the patented subject matter was developed, in part, with federal funds through a National Institute of Health grant. While the trial court agreed with Stanford's position, the Federal Circuit Court of Appeals sided with Roche

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the last twenty years; before that, IP law was almost non-existent. The lack of a comprehensive IP law system has led to people's ignorance towards IP rights and resulted in a strong consumer preference towards cheap illegal copies. When software and other products are out of reach cost-wise for most consumers, many are more than willing to turn to cheap counterfeits.

The prevalence of counterfeits is often a stepping stone in the progression of a market's development. For instance, The CERNET CEO Peng Kuang estimates that 20 years ago in Europe counterfeits made up nearly 70% of the market in some categories whereas today the balance has been reversed, with counterfeits making up the smaller portion. It may well be that a similar trend will develop in China over the coming decade or two.

Despite the piracy problem, companies show little sign of shrinking from the Chinese market because of this issue. China has acknowledged its piracy problem and is working to improve the situation. For instance, the Business Software Alliance, an industry advocacy group, estimates that 78% of the PC software installed in China last year was pirated, down from 86% in 2005, and all government-based entities are required to use authentic products. The process will take time and needs to come from social pressure, legal developments, government enforcement and technological improvements. Microsoft's new strategy that provides lower-price software to Chinese students through online sale is a smart move. Students are faster to accept new ideas and adjust to changes. Educating them about the benefits of purchasing authentic products will hopefully create the generation that will help lead China in the fight to respect global IP rights.

—*Linda Lei*

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and concluded that the Holodniy-Cetus agreement assigned ownership rights to Cetus (and subsequently to Roche) and further concluded that the Bayh-Dole Act did not automatically divest inventor's rights of ownership in federally funded inventions. Because the Bayh-Dole Act did not extinguish Roche's ownership interest, Stanford lacked standing to sue.

The Supreme Court's analysis focused on Holodniy's original agreement with Stanford and his agreement with Cetus, the language of the Bayh-Dole Act, on its own and in comparison with other statutes that address ownership in inventions, and compared this against the longstanding premise that rights to an invention automatically vest with the inventor. Regarding the Stanford employment agreement and Copyright and Patent Agreement, the Court concluded that the CPA constituted a future promise to assign ownership rights, but was not itself an assignment. In contrast, the Cetus agreement operated to assign ownership rights to Cetus. The Court next focused on the use of the term "retain" in the Bayh-Dole Act, used in the context of a federal contractor retaining rights to an invention, and concluded that the statute comes into effect once a federal contractor, Stanford under the current circumstances, obtains rights to the subject invention. The use of "retain" did not cause ownership of the invention to automatically vest in the federal contractor, divesting the inventor of ownership rights. The Court looked to other statutory schemes in which inventor's ownership interests were divested as a matter of law and noted that the Bayh-Dole Act precluded the use of similar language. Building on this idea, the Court went on to point out that if Congress' intent was a significant shift in ownership of inventions, such an intent would have been clearly set forth as opposed to setting "aside two centuries of patent law in a statutory definition."

Under the specific facts of *Roche*, a contractor's invention—an "invention of the contractor" for purposes of Bayh-Dole Act—does not automatically include inventions made by the contractor's employees. While the *Roche* decision focuses on the operation of the Bayh-Dole Act, it is another example of the Supreme Court's rejection of the idea that mere employment is sufficient to vest title to an employee's invention in the employer.

—Sean Swidler

La Michoacana (continued from page 1)

2(d) likelihood of confusion bar in the form of respondent's Indian girl design, which looked remarkably similar to the petitioner's. Both the petitioner and the respondent sold ice cream products.

The first procedural hurdle for the petitioner was the fact that it did not plead ownership of its MICHOCANA & Design marks, a technical requirement in pleading likelihood of confusion and priority in a cancellation action. Despite this rather serious pleading defect, the Board decided that the issue was tried by implied consent because the respondent did not object to evidence offered during depositions relating to the ownership of these marks. Also, because of the nature of the questions and the opportunity to cross-examine witnesses during the deposition, the respondent was fairly apprised that the petitioner was claiming ownership in the MICHOCANA & Design marks.

The next issue was the nature of the arguments respondent could use to prove priority over petitioner. Here, it was the respondent who did not plead a necessary affirmative defense, and the Board was required once again to determine whether the issue was tried by implied consent. Despite the defect in pleading, the respondent attempted to prove priority by tacking, based on the

fact that before the respondent used its Indian girl design in connection with the Michoacana name, it used the Indian girl as a stand alone mark. Here, the Board split the difference, deciding that because the respondent denied petitioner's claim of priority, petitioner was on notice that priority was at issue, but excluded the tacking and prior registration defenses because the specifics of these defenses were not pleaded.

The Board was also required to decide numerous other issues related to defects in pleading and introduction of evidence. For instance, testimony based on Spanish documents was admitted contrary to Board practice, simply because the respondent did not object. And in deciding the priority issue, the Board decided that uncorroborated oral testimony by the petitioner was sufficient to prove priority because it was "clear, convincing, consistent, and uncontradicted." The Board also found that petitioner's Mexican registrations were probative of ownership, even though they were in the name of one of the petitioner's directors and not the petitioner. The Board accepted these defects because the petitioner licensed the marks in the United States and because these licenses inured to the benefit of petitioner. Also, petitioner was a family-run business exhibiting a unity of control.

After these preliminary rulings, the Board came to a reasoned decision in cancelling the respondent's marks. Procedural issues aside, it was clear that petitioner had priority and ownership of the marks and that a likelihood of confusion was present. Although this case can serve as precedent for the Board to correct procedural errors in the future, it remains to be seen whether a petitioner will receive the benefit of the doubt if his case is less clear cut.

—Daniel Lano