



The Patent Prosecution Highway: An Expanding Option for Multinational Patent Filings

BY JENNIFER R. BUSH

The Patent Prosecution Highway (PPH) began in July 2006 as a pilot, one-year cooperative agreement between the United States Patent and Trademark Office (USPTO) and the Japan Patent Office (JPO). The initial PPH did not hold much real promise for expediting prosecution for U.S.-based patent applicants. Under this early version of the PPH, an applicant with at least one allowed claim in the office of first filing (OFF) could use a simplified procedure to expedite examination of its application in the office of second filing (OSF). However, the program required that the second application claim priority to the first application under the Paris Convention, and excluded applications that reached the OSF via the popular Patent Cooperation Treaty (PCT). This requirement was a substantial hurdle for U.S.-based applicants for whom the USPTO was the OFF, since 64% of U.S. applications later filed in the JPO arrived via the PCT. The other major hurdle for U.S.-based applicants was the requirement that examination could not have commenced in the OSF at the time of application for participation in the PPH. Given the long backlog in the USPTO — often exceeding a three to five year pendency — there were few circumstances in which an application with an allowed claim in the USPTO would not already have entered examination in the JPO, where the average pendency is 31 months.

The Patent Prosecution Highway has changed considerably since 2006. The pilot program between the USPTO and the JPO was formalized in January 2008, and applications filed via the PCT now are eligible for the PPH programs. In addition, the U.S. now has entered into nine (mostly pilot) PPH programs with other patent offices, including those in the United Kingdom, Korea, Singapore, Canada, Australia, Germany, Denmark, Finland, and the European Patent Office (EPO).

With these changes, the PPH has the potential to provide faster results, a higher allowance rate, and a more compact prosecution experience for applicants who file in more than one country. Data for the PPH between the USPTO and the JPO shows that the time to first action in the OSF decreased dramatically — from about 26 months to about 3 months. Similarly, the number of USPTO actions for applications originating in Japan decreased by 40% — down from an average of 2.9 actions to an average of 1.7 actions. Higher allowance rates for PPH cases also resulted in both countries, with a staggering 94% allowance rate in the U.S. (regular cases average 44.2%) and 65% in Japan (regular cases average 49%).

However, some of the burdensome requirements from the original PPH program have been carried over to the current PPH programs, including the requirements that examination must not have begun in the OSF, the applicant must conform the claims in the OSF to those allowed or granted in the OFF, and the applicant must provide paperwork detailing the examination in the OFF, including copies of office actions, references, and showing correspondence between the allowed or granted claims and the ones pending with the OSF.

Moreover, the current PPH still is not ideal for U.S.-based applicants. Despite lifting the restriction on PCT cases allowed to participate in the PPH, far more cases remain poised to receive a benefit from using the U.S. as the OSF, rather than using the U.S. as the OFF, primarily due to the long backlog at the USPTO. In fact, from the PPH's inception until March 2008, only 227 applicants used the USPTO as the OFF and the JPO as the OSF. However, as

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additional countries enter into PPH agreements with the USPTO, there will be increased opportunity for expedited examination for U.S.-based applicants who plan to file with at least one other PPH-participating country. Several countries that have recently entered into pilot PPH programs with the USPTO have accelerated examination procedures available that are much less onerous than the Accelerated Examination procedures put in place by the USPTO in August 25, 2006. For example, in the U.K., if a request for substantive examination is filed at the same time as a search request (instead of waiting until the deadline of six months from publication of the U.K. application to request examination), the application automatically is subjected to expedited examination. In Australia and Canada, expedited examination can be obtained by a showing of commercial reasons for the request that are far less stringent than similar procedures in the USPTO.

The introduction of PPH programs into countries with Accelerated Examination procedures provides an alternative way for U.S.-based applicants to get their U.S. patents issued more quickly. For example, an applicant who intends to file an application in one of these countries, in addition to the U.S., and who seeks expedited examination, may choose to request an expedited foreign filing license and file in the non-U.S. country as the OFF. Depending on the pendency period in the country chosen, filing in an OFF outside the U.S. may result in the applicant being issued a U.S. patent faster than filing first in the U.S. In addition, some applicants who might not otherwise consider foreign filing might consider this process as an attractive alternative to the Accelerated Examination procedure in the USPTO, at savings of cost and risk. For example, if the Canadian Intellectual Property Office is used as the OFF, the result may be an issued U.S. patent (using the U.S. as the OSF) at about the same pace as the current USPTO Accelerated Examination program, at about 30% of the cost, and with none of the risk associated with the search and assertions that need to be made about art discovered in conjunction with the Accelerated Examination filing documents. Another option would be to first file a PCT application, and upon examination during the national phase, declare as the OFF the first PPH-participating country to allow a claim, with later participating PPH countries as OSFs.

Unfortunately, for U.S.-based applicants not taking advantage of the PPH, the backlog at the USPTO may ultimately worsen under the current PPH programs. PPH cases receive accelerated examination, and thus are placed in the examiners' queues before most other classes of pending applications. As a result, as PPH programs become available with more countries, and as usage of them increases, more PPH cases will take priority for examination

over cases filed only at the USPTO. Again, the current backlogs in the USPTO across nearly all art units are the primary reason for this likely result. And the U.S.-based applicant who does not file internationally will be the one who suffers the most from the PPH programs.

While all of the current PPH programs are bilateral programs, work-sharing between international patent offices appears to be the trend. Discussions are underway for a multilateral treaty among some of the PPH-participating countries. In July 2008, the USPTO, JPO, and EPO entered into a "Triway" Pilot Program, in which early searches are made in each office and the results shared among the three offices. In October 2008, the "IP5" (USPTO, KIPO, EPO, JPO, and SIPO), laid out a blueprint for work-sharing and international cooperation. Beginning with a framework of ten foundational projects led by one or more IP5 offices, the goals include a common document database, common application format, common access to search and examination results, and a common approach to search strategies, to name a few.

The current PPH and other international work-sharing proposals are concrete steps being taken toward international patent harmonization and cooperation and are reflective of the international nature of business and technology today. Each year more than 250,000 applications are filed in two or more IP5 patent offices. However, many more U.S.-based applications are not filed internationally, mostly due to cost.

The PPH programs provide the opportunity for U.S.-based applicants to speed up prosecution if they plan international filings, or alternatively, to contribute to the growing USPTO backlog for those who do not. However, since most of the PPH programs are currently classified as temporary "pilot" programs, there will be some time before any of these effects take place. Similarly to the original USPTO-JPO PPH pilot program, these other programs may undergo changes before the time they are made final, if at all. Thus, although three years have brought much change to the PPH, more time is needed before the real impact of such programs can be measured.

Effects of Recent Rulings on the Enforceability of Open Source Licenses

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Increasingly, software licensors are opting to license their software under non-traditional license arrangements. These license agreements can take a variety of forms, but are most commonly marked by their tit-for-tat approach. For instance, the licensor may make the source code of the software freely available, but may then require licensees to provide attribution of the original licensor or author, to license any

modifications made to the code under the same license, or any other requirement the licensor deems appropriate. This family of licenses and their myriad variants, including the General Public License (GPL), are typically referred to as “open source licenses” or “free licenses.”

Although the basic principle of freedom of contract gave these licenses some legitimacy, some licensees and licensors may have been reticent to license their software under new conceptual frameworks that had not yet been judged enforceable by a court of law. Two recent groups of cases, *Jacobsen v. Katzer*, 535 F.3d 1373 (Fed. Cir. 2008) (originating in California), and the *BusyBox* cases (originating in the United States Court of Appeals, Second Circuit), have shown that courts are increasingly more willing to uphold these licenses.

In *Jacobsen*, plaintiff Jacobsen designed software used by model train hobbyists, and licensed the software pursuant to an “Artistic License.” This license required the user of the software to provide several attributions to, and identifications of, the origin of the software if the user later integrated the software into his own product. Katzer created his own model train software, integrating Jacobsen’s software; he then failed to include the necessary attributions.

Jacobsen brought suit in the US District Court, Northern District of California, and filed for a preliminary injunction, claiming that violation of the Artistic License constituted copyright infringement. Under the United States Court of Appeals Ninth Circuit law, irreparable harm can be presumed in a copyright infringement case; however, a copyright owner who merely grants a non-exclusive license generally waives his right to sue the licensee for copyright infringement over a mere breach of the license. If, however, a license is limited in scope and the licensee acts outside that scope, the licensor can bring an action for copyright infringement.

The district court denied relief, holding that Jacobsen only had an action for breach of contract. It stated that the Artistic License was an “intentionally broad,” “non-exclusive license,” and the requirement of attribution did not “limit the scope of the license.” As such, Katzer’s “alleged violation of the conditions of the license may have constituted a breach of the nonexclusive license, but [did] not create liability for copyright infringement where it would not otherwise exist.” Thus, there could be no irreparable harm and a preliminary injunction was improper. Jacobsen appealed to the United States Court of Appeals for the Federal Circuit.

The Federal Circuit reversed and remanded, finding that the Artistic License contained enforceable copyright conditions. The court’s decision centered on whether the terms of the

Artistic License were covenants or conditions. If they were covenants (i.e., actions the user promises to do or refrain from as part of their use of the software), then violation of those covenants would give rise only to an action for breach of contract. If, on the other hand, they were conditions (i.e., terms which define the scope of the license itself or are preconditions of effectiveness of the license), then violation of those conditions would constitute use outside the scope of the license, and thus an action for copyright infringement would be possible.

The court examined the plain language of the Artistic License, which stated that “the intent of this document is to state *the conditions* under which a Package may be copied” (emphasis added). The court also noted that the agreement used the “traditional language of conditions,” stating that the rights to copy, modify, and distribute were granted “provided that” the conditions were met.

Finally, the court noted that these conditions “are vital to enable the copyright holder to retain the ability to benefit from the work of downstream users” and that it is irrelevant that there is no direct economic benefit (i.e., because the software is free). The attribution requirements are their own kind of consideration, and “the choice to exact consideration in the form of compliance with the open source requirements of disclosure and explanation of changes, rather than as a dollar-denominated fee, is entitled to no less legal recognition.”

First and foremost, this ruling legitimizes open source licenses. The theory behind commonly-used open source licenses such as the GPL and Creative Commons licenses is that the license sets forth conditions, the violation of which results in unlicensed use of the work. Unlicensed use of the work by the licensee is an infringement of the licensor’s copyright, which then gives rise to a copyright infringement action. This ruling essentially affirms the theory upon which these open source licenses were crafted and gives licensors (and licensees) comfort in knowing that the arrangements under which they choose to license software can be enforced if litigated.

Second, the ruling provides important guidance to licensors who wish to license their work under a non-standard license. As the court looked closely at the plain language of the license, it is important for licensors to ensure that their licenses contain the “buzzwords” a court will be looking for — language setting forth the conditions under which the license is granted, or language stating that certain rights are granted “provided that” certain conditions are met, or are “conditioned on” or “subject to” specific terms.

Finally, the result on remand is instructive. The district court, in its original opinion, did not make any factual

findings on the likelihood of irreparable harm; the Federal Circuit remanded with instructions to do so. The district court held that Jacobsen did not show that the harm he suffered was sufficiently “real, imminent, and significant, not just speculative or potential” to obtain injunctive relief, as required by Ninth Circuit jurisprudence. Although this ruling is both fact-specific and non-precedential, it suggests that licensors should be prepared to demonstrate actual harm they have suffered if they desire injunctive relief, and that conceptual arguments of potential harms may not be sufficient even if the license is otherwise conditioned on performance that did not occur.

The *BusyBox* cases followed from a series of complaints filed in 2007 and 2008 in the US District Court for the Southern District of New York. BusyBox is a software application that provides many standard UNIX tools compressed and optimized for use on mobile and embedded devices. BusyBox was released under the GPLv2 license, which requires that redistributors of the BusyBox software provide end users with access to the BusyBox source code.

The developers of BusyBox identified seven redistributors of the software who were not complying with the license terms. Specifically, these entities failed to make the BusyBox source code available to the end user. From September 2007 to July 2008, the BusyBox developers filed complaints against these redistributors in the Southern District of New York. The complaints were notable as being the first copyright infringement cases based on the GPL. The argument made by BusyBox was the same in each complaint. By failing to adhere to the terms of the license, the redistributor’s use of the BusyBox software was outside the scope of the license, and thus amounted to copyright infringement.

Each complaint was dismissed after the parties reached a settlement agreement. The settlements were substantially similar. In each case, the redistributor agreed to appoint an “Open Source Software Compliance Officer” to monitor potential licensing issues, to publish the source code and inform their customers of its availability, to pay an undisclosed sum to the plaintiffs, and in one case, agreed to cease for agreement to cease distribution of the offending article until the source code was published.

Several interesting results come out of the *BusyBox* cases. Although no court actually ruled on the matter, it does seem likely that the logic of *Jacobsen* would apply if a claim were to reach that stage. The GPLv2 uses conditions, not covenants; it permits redistribution “provided that” the user meets a list of “conditions.” The holding in *Jacobsen* would, therefore, likely lead to a favorable result for BusyBox.

Second, it is important for licensees to become familiar with exactly what obligations are imposed upon them by a licensor’s chosen license. For example, the GPLv2 license requires that a licensee not only make source code available, but also associated definition files and scripts used to control installation and compilation of the executable. Failure to comply fully with the license terms may lead to the same result as would failure to comply at all. Given that there are a variety of free software licenses available for use by licensors, any potential licensee should look before it leaps.

These cases also highlight the importance of internal communication between various business units. If a software developer uses open source code, it is essential that all relevant parties (legal, corporate communication, and other groups) be aware of this choice in order to avoid potential legal and public relations issues. As shown by the settlement agreements reached in the *BusyBox* cases, failure to do so can result in monetary settlements, temporary cessation of production or shipping, and other business disruptions.

Finally, a common theme throughout the *BusyBox* cases suggests that the licensors attempted to discuss the issue with each licensee prior to filing the complaint; in each case, their attempts at discussion were rebuffed or ignored, leaving litigation as the only remaining option. Licensees should consider engaging in informal discussions before a licensor feels compelled to pursue litigation, given the *Jacobsen* decision. The risks of ignoring the license are genuine and significant.

Jacobsen and the *BusyBox* cases both reflect a gradual acceptance of non-standard (and, compared to the *status quo*, radically different) licenses. Both licensors and licensees should obtain some comfort from these cases; licensors know they have the freedom to license their works on terms which reflect their principles (and that those terms will be enforced by a court), and licensees know that this regime will provide a construct on which to base their conduct. Judicial acceptance of these licenses also threatens to spawn additional litigation, and therefore heightens the need for licensees to be sure they know what terms they are agreeing to, and to coordinate internal compliance prior to being targeted for litigation.

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Quick Updates

California’s Uniform Trade Secrets Act Preempts Common Law Claims Based on Same Facts as Trade Secret Misappropriation Claim

Due to a recent ruling, a plaintiff suing for misappropriation of trade secrets may be preempted from bringing additional state common law claims that are based on the same

general facts as that trade secret claim. For such cases, plaintiff suits may be limited solely to the trade secret cause of action. In the noteworthy decision of *K.C. Multimedia, Inc. v. Bank of America Technology & Operations, Inc.*, 09 C.D.O.S. 2624 (Cal. Ct. App. Mar. 3, 2009), the California Court of Appeal for the Sixth District unanimously confirmed the preemptive effect of California's Uniform Trade Secrets Act (CUTSA) on common law claims "based on the same nucleus of facts" as a trade secrets claim.

This litigation arose from wireless banking software developed by K.C. Multimedia (KCM) for Bank of America (BoFA), pursuant to two written contracts. KCM sued BoFA in California state court for misappropriating KCM's trade secret technology. KCM also brought state common law claims for breach of confidence, tortious interference with contract, and unfair competition. During pre-trial motions, the trial court dismissed the state law claims as preempted by CUTSA, leaving only the trade secret misappropriation claim. The trade secret misappropriation jury trial resulted in a verdict for BoFA. KCM appealed this verdict and the common law claims' dismissal.

In the Court of Appeal's analysis of KCM's arguments against preemption of the common law claims, the court reviewed CUTSA in detail, and reviewed prior federal court interpretations of CUTSA's preemptive effects. The court agreed with the broad view that "CUTSA's 'comprehensive structure and breadth' suggests a legislative intent to occupy the field" and so to preempt common law claims relating to trade secret misappropriation. The court examined subdivision (b)(2) of section 3426.7, which states that the section does not affect "other civil remedies that are not based upon misappropriation of a trade secret." The court found that this section would be rendered meaningless if trade secret misappropriation claims were not preempted. Thus, the court agreed with prior federal cases' standards, holding that CUTSA preempts common law claims which are "based on the same nucleus of facts as the misappropriation of trade secrets claim."

Applying this analysis to KCM, the court found that KCM's state law claims generally alleged the same conduct alleged by KCM's trade secret misappropriation claim. In other words, each claim's core was focused on the theft of KCM's trade secrets. The breach of confidence claim was directed to disclosure of trade secrets to BoFA by a former KCM employee, the interference with contract claim centered around BoFA's encouragement of that employee's disclosure, and the unfair competition claim asserted only a violation of CUTSA. The court thus concluded that the trial court correctly found that CUTSA preempted KCM's state law claims.

The broader effect now given to CUTSA will help narrow the focus of future trade secret litigation. Plaintiffs must demonstrate clearly how their common law claims factually differ from their trade secret misappropriation claims, or risk being limited to trade secret causes of action alone.

Rescuecom v. Google — Second Circuit Finds Sale of Trademark as Search Term is Trademark Use

In a much anticipated decision, the United States Court of Appeals, Second Circuit recently held that sale of a trademark as a search term for online advertising constitutes a use in commerce for the purposes of trademark infringement. *Rescuecom Corp. v. Google, Inc.*, 562 F.3d 123 (2nd Cir. 2009).

The *Rescuecom* case centered around Google's sale of keywords as triggers for the display of online advertising. Through its AdWords program, Google sells keywords to advertisers, allowing them to control which searches will result in the display of their advertisements. In addition to allowing advertisers to craft their own keywords, Google provides a Keyword Suggestion Tool that allows a user to input a potential keyword and have the program give a number of related keyword suggestions.

Rescuecom, a provider of computer repairs, support, and sales, filed suit against Google alleging trademark infringement and related causes of action over Google's sale and recommendation of the Rescuecom trademark as a keyword. *Rescuecom Corp. v. Google, Inc.*, 456 F. Supp 2d 393 (N.D.N.Y. 2006). However, Google was successful in having Rescuecom's complaint dismissed for failing to properly allege trademark use, benefiting from the Second Circuit's earlier decision in the *1-800 Contacts, Inc., v. WhenU.com, Inc.*, 414 F.3d 400 (2nd Cir. 2005) case. In *1-800 Contacts*, the defendants distributed a program that displayed pop-up ads based on the commercial categorization of search terms used or websites visited. If a user were to search for "eye care" or visit the 1-800 Contacts website, then an ad for an eye care competitor might pop-up. However, because the use of the trademark was internal, and the trademark was never displayed to any consumers, the Second Circuit ruled that the use of the trademark did not constitute trademark use for the purposes of trademark infringement.

On appeal, the Second Circuit took up the issue of trademark use and rejected the district court's analysis and reliance upon *1-800 Contacts*, finding the facts alleged by Rescuecom to be distinguishable from the facts in the *1-800 Contacts* case. First, the court noted that the defendants in *1-800 Contacts* had not actually sold a trademark as an ad trigger. Rather, the trigger was plaintiff's non-trademarked website address. Second, the advertisements at issue in *1-800*

Contacts were triggered based on the commercial category of the website or the search term used. It was not actually possible to purchase a specific trademark as an ad trigger. Rather, if a user were to visit the 1-800 Contacts website, pop-up ads for a competitor might appear based on the categorization of the 1-800 Contacts website as an eye care provider, not because a competitor specifically purchased the 1-800 Contacts website as an ad trigger. The court further focused on the fact that Google, through its Keyword Suggestion Tool, was alleged to have actually encouraged the purchase of Rescucom's trademark as a keyword. For the Second Circuit, this all added up to Google's use in commerce of the Rescucom trademark.

Ultimately, this represents a significant narrowing of the Second Circuit's *1-800 Contacts* decision. Absent a clearly analogous fact pattern, it is not clear that search engine providers or advertisers can rely on that decision as a basis to obtain an early dismissal of claims of infringement on the grounds of trademark use. What remains to be seen, however, is how courts will deal with the merits in cases of this type. The Second Circuit made it clear in the *Rescucom* case that it was not ruling on the merits and that it was not assessing whether Google's AdWords program caused a likelihood of confusion. Given that a consumer may never actually see the allegedly infringed trademark in cases of this type, a crucial point of development will be how courts deal with assessing the likelihood of confusion. Open questions remain as to whether courts will apply a traditional, multifactor likelihood of confusion test, or whether courts will develop different approaches for these unique circumstances. How the district court in *Rescucom* deals with these issues on remand may provide further insight into these issues.

Federal Circuit Affirms Double Patenting Rejection Where Absence of Common Ownership Precluded Filing Terminal Disclaimer

Affirming the double patenting doctrine's ongoing vitality and justifications, the United States Court of Appeals for the Federal Circuit recently upheld a rejection for an application's claims under obviousness-type double patenting. *In re Fallaux*, 564 F.3d 1313 (Fed. Cir. 2009). The Fallaux application claims, which are directed to adenovirus packaging cells for use in gene therapy, were rejected in view of the claims of two issued patents (the Vogels patents) held by a different assignee and which were related only by way of a single common inventor. The initial owner of both patent families divided ownership of the applications, assigning the Vogels patents separately from, and years earlier than, the Fallaux applications.

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On appeal, the applicant (Dr. Fallaux) argued that a more lenient two-way obviousness-type double patenting test should apply, rather than the usual one-way test. The one-way test considers only whether the application claims are obvious in light of the reference patent claims; the two-way test additionally considers whether the *reference patent claims* are obvious over the application claims. The Fallaux application claims would not have sustained a rejection under the two-way test, as the Vogels patents claims are directed to later improvements on the generic invention of the Fallaux application.

The court rejected this argument. The two-way test is available only in the "unusual circumstances" where the PTO is "solely responsible for the delay in causing the second-filed application to issue prior to the first." The rejected Fallaux claims were filed over a year after the Vogels patents issued, but could have been included in an earlier application in the Fallaux patent family—which consisted entirely of a chain of continuation applications. Dr. Fallaux argued that he filed the new claims to cover a potential product of a competitor unearthed during prosecution of the Fallaux family of patents, and that he prosecuted the patents in the ordinary course of business—not for an improper purpose. The court pointed to these arguments in affirming that Dr. Fallaux was not entitled to application of the two-way test—not as evidence of nefarious intent to manipulate the prosecution, but as evidence that the delay in filing of the claims was attributable entirely to the applicant, not the PTO.

In affirming the Board of Patent Appeals and Interferences' rejection for double patenting, the court endorsed both the ongoing possibility of unjustified patent term extensions and the potential for harassment by multiple assignees as justification for the doctrine. The court pointed out that the harassment justification for the rejection "is particularly pertinent here" because of the lack of common ownership between the Fallaux application and the Vogels patents. That defect precluded the filing of a terminal disclaimer to overcome the rejection. The court noted this was the applicant's fault, as it had divided ownership among different entities by assignment.

However, while patent owners should consider double patenting issues when bifurcating ownership of patents with overlapping inventors, the Federal Circuit may have left open a door for challenging the reach of the doctrine in the first instance. The first footnote of the opinion noted that neither party had raised the question of whether the Vogels patents were properly used as a reference for obviousness-type double patenting to begin with—as they share only a single *common inventor* with the application, not an identical inventive entity or a common assignee. The footnote could signal an invitation to challenge the PTO's interpretation of the doctrine, as set forth in MPEP § 804 I.A (8th ed., rev. 7, 2008).

No iParadigm Shift Needed: Anti-Plagiarism Copying Held Fair Use

In an illuminating, though not startling, fair use opinion, the United States Court of Appeals, Fourth Circuit provided guidance on the meaning of “transformativeness” in the context of Internet and technology-based services. *A.V. v. iParadigms LLC*, 562 F.3d 630 (4th Cir. 2009), holds that copying student papers into a database for purposes of detecting plagiarism constitutes fair use. The court’s analysis also illustrates an important point about fair use analysis which has emerged with increasing clarity in recent years. Namely, while courts continue to apply all four factors set forth in 17 U.S.C. §107, contemporary fair use analysis is in fact controlled by two considerations — transformativeness and market impact.

iParadigms LLC operates “Turnitin Plagiarism Detection Service,” an online system marketed to schools as a tool to detect plagiarism by its students. Turnitin compares students’ submissions with content that is available on the Internet, contained in databases of academic publications, or archived in iParadigms’s own collection of earlier student submissions. Participating schools have the option of “archiving” their students’ submissions in Turnitin’s permanent digital database. Such archived works are electronically compared with future submissions but are not read or reviewed by any iParadigms employee.

Plaintiffs — high school students who were required to submit their papers to Turnitin — sued iParadigms, alleging that archiving their works constituted copyright infringement. The district court granted summary judgment against them on two grounds — that iParadigms’ copying represented fair use and the students’ accepted a click-wrap license that waived all claims against iParadigms. On *de novo* review, the Fourth Circuit affirmed summary judgment based solely on the fair use defense.

Treading familiar ground, the court began by noting that under the first statutory factor, the purpose and character of the use, the commercial nature of iParadigms’s activity weighed lightly. Rather, the key consideration was the degree to which the use was “transformative” — employing the work in a different manner or for a different purpose from the original. The Court of Appeals agreed with the district court that detection of plagiarism represented a highly transformative use, even “without altering or actually adding to the original work.”

The Court of Appeals also held that the transformative nature of the use neutralized any consideration under the second factor, the nature of the copyrighted work, that the students’ works were creative and expressive (*i.e.*, as

opposed to factual and unpublished. While noting that fair use is less likely to be found when the copyrighted work is a creative product, it explained that iParadigms’s use was not at all related to the creative character of the student works and the use itself did not supplant the students’ right of first publication.

Likewise, in analyzing the third factor, the amount of the copyrighted work used, the court held this factor was neutral in light of the limited purpose of the use — for electronic “comparison purposes only” — notwithstanding the fact that iParadigms copied the entirety of the student works. In short, since the purpose did not involve use of the works’ expressive content, it did not matter how much was taken. Indeed, the court even implies that taking the entirety of the work does not tilt against fair use because the “quality and importance” of what is taken might not be deemed “the heart of the copyrighted work” when it is taken for a non-expressive purpose.

Under the fourth factor, the court considered a number of theories under which the use by the Turnitin service might injure the potential market for or the value of the students’ works, and rejected all of them. The most plausible theory was that iParadigms’ archiving impaired the sale of the papers to high school students in the market for unpublished papers because the Turnitin service made it more difficult for such potential buyers to evade detection as plagiarists. Likening the situation to the effect of parodies, the court concluded that the effect of Turnitin’s plagiarism detection would be to suppress such demand, not supplant it; hence any harm is not of the kind protected against by copyright law. Since iParadigms’ transformative use was not a substitute for the original works, this factor was held to tilt in favor of fair use.

While there was nothing revolutionary in the Fourth Circuit’s analysis or its application of fair use principles, the case does confirm that transformativeness plays a commanding role in contemporary fair use analysis. The case will also be seen as providing comfort to high technology innovators and enterprises that often use the works of others at a level unseen by humans and where the copyrighted work itself may never be read or perceived by a single person. This case tends to strengthen the argument that such uses would constitute fair use.

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