

**INTERNET USAGE AND THE POTENTIAL EFFECT
IN YOUR MANAGEMENT OF YOUR PATENT PROGRAM**

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{1} Much has been written and said about the Internet and the benefits for a company establishing a web page and creating a virtual presence on everyone's personal computer. While there are no doubt great benefits from marketing and service perspectives realized through the use of the Internet, such use without considering some of the impacts on your Intellectual Property Management Programs is dangerous. One of the areas of major focus and recent decisional case law has been with regard to Trademark Law with regard to domain or web page names. Little, if anything, has been written with regard to Internet usage and the effect it can have on your Patent Program, both from protection of your rights and liability for infringing other's rights. This article focuses on these patent issues.

{2} Before embarking on the creation of a virtual presence on the Internet, the responsible business person must consider the impact on the ability to obtain and secure patent protection through the providing of information in your web page and also the possible consequences with regard to expanded liability through marketing and the provisions of services on the Internet. This is not to say that the establishment of a web page will preclude patent protection or will necessarily create additional

liability. Rather, as with any new tool or resource, its use must be factored into your existing Intellectual Property Management Programs.

{3}The potential issues of increased liability will be addressed first followed by a discussion of how to ensure that your Internet presence does not destroy your ability to obtain worldwide patent protection. It is to be understood that this article does not provide all of the answers, and is not intended to do so. Each company's unique character precludes universal answers to all of the issues. Rather, this article is intended to make management aware that these issues may exist with regard to its usage of the Internet.

How can my usage of a web page increase my exposure to liability?

{4}As we know, the Internet transcends all national borders and geographical boundaries. Indeed, this is one of the fundamental attractions of the Internet. A web page posted by a company in Germany is just as visible in Detroit as it is in Dusseldorf. While there are ways of denying access to a page, the usual purpose for creating that page is to allow anyone in the world who has a computer, a modem and a telephone line access to that page.

{5}The use of the Internet to accomplish this purpose may increase your company's liability and provide the basis for jurisdiction unexpected forum.

{6}As a result of a recent change in the patent laws and the promotion of one's products on a web page, a company who, prior to January 1, 1996, would not have been subject to liability for infringement of a United States Patent, may now be subject to liability. To appreciate this, a bit of background is helpful. Prior to January 1, 1996, companies outside the U.S. were able to make, sell and use, products and processes covered by a U.S. Patent without liability under the U.S. Patent Laws, provided the products never entered the U.S. For example, prior to January 1, 1996, a Japanese company would not have been subject to liability under the U.S. Patent laws by offering its products for sale in the U.S., even if a U.S. company were to purchase the product, provided the sale, use, resale or installation of the product was conducted extra territorially. The reason for this is because the patent laws of the various countries around the world are national in scope. The U.S. patent laws do not have power over a Japanese company only doing business outside of the U.S. Similarly, a U.S. company, only doing business outside of Japan would not be subject to the Japanese Patent Laws.

{7}On January 1, 1996, the U.S. Patent Laws were changed in a significant manner. In addition to being liable for infringement for making, selling and using a product falling within the scope of the claims of a U.S. patent, a company can now be liable for infringement under the U.S. Patent laws for "offering" a product for sale in the U.S. Thus, whereas prior to January 1, 1996, the Japanese company in the above

example would not be liable for infringement, it now could be, even if the product never entered the U.S.

{8}All very interesting you say, but what does this have to do with my web page? If your web page promotes your products, the presence of the web page could be considered an offering of the product for sale in the U.S. This may be so even though you only intended to offer the product nationally and never intended to offer the product for sale to anyone in the U.S. Why? Because your web page is accessible to every modern computer in the United States. Thus, a web browser in the U.S. is just as likely to read your product offering as the web browser in your intended market.

{9}Is this an insurmountable problem and does it effectively preclude companies other than International companies from advertising on the Internet? Not necessarily. Depending on the circumstances, a disclaimer that the product is not for sale in the U.S. may suffice, in conjunction with the implementation of other measures, to make it clear that your product is not being offered for sale in the U.S. The particular steps that may preclude liability will vary from company to company and perhaps product to product. Failure to take any steps could result in the unwary being subject to unexpected liability. While this article has focused on the U.S. Patent Laws, U.S. companies should also consider this issue and check to be sure that other countries do not have similar provisions for liability in their patent laws.

{10} Those of you who already offer all of our products worldwide are probably breathing a sigh of relief and saying to yourself that the establishment of a web page won't effect my liability because I already offer products for sale in all countries. While it is true that the establishment of a web page may not effect your liability with regard to "offering" your product for sale, it may effect the liability of parent companies, at least with regard to U.S. patent laws.

{11} Traditionally, some foreign companies selling their products in the United States have avoided subjecting themselves to liability and the jurisdiction of the U.S. courts by establishing a U.S. subsidiary. While the U.S. subsidiary, who may have limited assets, is most certainly subject to liability and jurisdiction under the U.S. Patent Laws in the U.S., the foreign parent's argument to avoid such liability and jurisdiction has been, in effect "We're not in the U.S., we've never been in the U.S., we've never shipped any products for sale in the U.S. and we do not offer any products for sale in the U.S. All of that is done by our U.S. subsidiary." Because of the lack of any direct activity with the U.S., this argument has met with considerable success in the past.

{12} This argument has been blunted somewhat by recent decisions from the Court of Appeals for the Federal Circuit in Washington. That court, which hears all appeals on patent cases, has adopted the "stream of commerce" test to determine

whether an alleged infringer is subject to the jurisdiction in which the infringement occurred.

{ 13 } Under this test, if a manufacturer injects its product into the stream of commerce in the United States, it may make no difference where the manufacturer is located. If the allegedly infringing product is made in Germany and sold to a distributor who then sells it through retailers, the manufacturer arguably subjects itself to liability and jurisdiction in Florida, if the manufacturer is aware that its products are intended to be sold in Florida.

{ 14 } If the parent company promotes its products on its own web page and those are the products sold by the U.S. subsidiary or distributor, that alone, even in the absence of the stream of commerce basis for finding jurisdiction and liability, may be sufficient to subject the parent to liability and jurisdiction in the United States. Indeed, in this event, even if appropriate disclaimers were made about the product not being for sale in the U.S. by the foreign parent, the foreign parent may be found to be subject to liability and jurisdiction.

{ 15 } The issues and concerns over expanded jurisdiction due to the establishment of a web page is applicable not only to foreign companies but also to U.S. companies as well. The effect of this is best understood by way of the following hypothetical.

{16}A manufacturer that is based in California and sells its products only in California allegedly infringes on the patent of a New York company. We will assume that the California company has no contacts with New York. The California company knowing that it would cost far more to defend itself in New York than it would on its home turf, only operates in California, comfortable in the knowledge that it is unlikely they will have to deal with a lawsuit filed across the country.

{17}The New York company, for obvious home court and cost reasons, sues the California company in New York. The California company argues that it operates only in California, has never done business in New York, and has not gotten the benefit of New York's laws. Thus, even though it is a federal law that has allegedly been violated, the California company argues that the case should be transferred to California because there is no jurisdiction in New York.

{18}Fortunately for the New York company, and conversely, unfortunately for the California company, the California company has a web page and the New York company has retained a patent lawyer who has read this article. Now, the New York company has a relatively strong argument that through the use of the web page, which is available to all New York residents, the California company has availed itself of the laws of the state of New York and has a presence in New York, albeit only virtual. The California company, through the use of a web page, may have thus, perhaps

unknowingly, submitted itself to the jurisdiction of every federal district in the country.

{19} There is perhaps one bright spot with regard to liability caused by use of a web page, namely, the potential that the liability may fall within the ambit of your insurance coverage. Most all inclusive plans provide for coverage for damages caused as a result of advertising injury. While most insurance companies have begun including express language to exclude liability for patent infringement and successfully argued that the standard advertising injury clause does not cover liability for patent infringement, if you do get sued, you may want to check your policy to see if it will cover your damage.

{20} The bottom line is that you should consider your potential exposure to additional liability by becoming a web site BEFORE you become a web site.

How could the establishment of a web page effect my ability to protect my patentable inventions?

{21} The main concern here arises not necessarily from any unique feature of the Internet, but rather the management of what is placed in your web page. Another concern, one, however, that is outside a company's power to control, arises from the global accessibility of the information made available on the Internet.

{22} Again, a little background into patent law will be helpful in understanding how to manage what is made available through your web page. While the patent laws vary from country to country, a universal limitation of every country's patent laws is the concept of novelty. In every country, the laws require that what is patented be novel, i.e., new or otherwise previously unknown. Almost all countries have what is referred to as a "novelty bar", whether it be a relative novelty bar or an absolute novelty bar. In the countries having an "absolute novelty" bar, generally speaking, if what is sought to be patented was publicly known anywhere in the world, before the filing of an application for a patent in that country, the application will be denied and no patent will issue. In other countries, there is in place what is referred to as a relative novelty bar. This means, for example, that in those relative novelty countries, the application for patent must be filed within a certain time period after the subject matter has become public or a certain time period after it became public in that country. The U.S., a relative novelty country, provides a one year grace period after the invention is published or offered for sale in which to file an application for patent. Other countries have variations on this same theme. A conservative rule of thumb, if worldwide protection is desired, is to consider making sure that you file any applications for patent before any public disclosure of the invention.

{23} We now turn to the concerns with the content of your page with regard to novelty. The main concern is the ease with which information can be posted to the

page. Now, with the ready accessibility and growing popularity of the Internet, the same inventor or corporate sponsor might be tempted to put the article on that medium. But as soon as this is done, it effectively and immediately publishes around the world, triggering an absolute novelty bar. This may be obvious to some readers, but it is likely that many who are concerned with patents are unaware of the negative consequences of publishing on the Internet.

{24} Unlike the steps necessary to publish an article or prepare and distribute an advertisement, an article, advertisements, product data sheets and other information can be "published" within hours of the creation of the information. Thus, you must make sure that this ease in posting information does not result in a lack of control of what is placed on the Internet. If proper review procedures are not established prior to such publication, the ability to obtain patent protection in an absolute novelty country may be lost.

{25} Inventors and their corporate sponsors also should be aware of another potential pitfall that can be created by publication of articles on the Internet even in relative novelty countries. Knowledgeable inventors and their corporate sponsors are aware that submission of an article to a periodical does not necessarily constitute publication under the U.S. patent laws. The key date is when the publication has been printed and distributed. By ascertaining the date of publication, inventors could make

sure they filed their patent applications prior to that date or, in the United States, within a year of that date.

{26}However, companies or periodicals that post their articles on the Internet may do so before the magazines themselves are distributed. So it is essential now that inventors also ask whether their articles will be published on the Internet as well as in the periodicals themselves, and if so, what date they will first appear to begin the running of the one year time bar.

{27}A similar problem that could arise concerns papers an inventor may have written at college or university. These documents are, under U.S. law, printed publications. But can they be considered as prior art, and thus bar others from obtaining patents on similar inventions? When this question arises, the argument usually is made that a document sitting on a shelf at a university is so obscure and so unavailable to the public that it has not really been published and cannot be considered as prior art.

{28}This defense probably will be less effective as more and more colleges and universities publish such documents on the Internet. In so doing, they are making these papers available anywhere in the world, and thus are voiding the argument that they do not constitute prior art.

{29} Does the accessibility of papers and patents on the Internet provide any benefits with regard to defense of a charge of patent infringement?

{30} For the same reasons that a company may inadvertently lose protection through publication of articles and the like on the Internet, the Internet can be a good source of prior art. Because the Internet has such a long reach, the question arises as to how effective it will prove to be to use the Internet as a source of prior art.

{31} Anyone who has done any web surfing or browsing knows that it can be and usually is a very time-consuming process. Yes, the United States Patent and Trademark Office does have its own web page and is working to make it an increasingly valuable resource to searchers. (Its domain is USPTO.gov.) However, as yet, only a limited number of patents are available at this site and are not full text.

{32} There are, of course, many search engines available and they can turn up a great deal of information. The problem is that they turn up too much information that is irrelevant to the subject of the search being conducted.

{33} Inventors and corporations who are willing to spend heavily to search the Internet for prior art may very well find the investment worthwhile. But until we have a search engine that can reliably explore all of the different nodes of the network, it will probably be more efficient and economical to use the existing on-line commercial

data bases that are available for this purpose for a fee, e.g., Dialog, Lexis and INPADOC.

{34} Another area where management of the use of the Internet by engineers should be considered is with regard to the engineers performing their own searches for information about a project they are working on. Because of the amount of relevant and irrelevant material turned up in running searches on the Internet with engines such as Yahoo!, the engineer may turn up highly relevant information that is either not appreciated at the time or even read. Yet, the fact of the search may be memorialized in some fashion. The concern here arises when the engineer files an application for a patent covering his own invention. Under the U.S. patent laws, an inventor is under a strict duty of candor and is required to bring to the attention of the USPTO all prior art he or she is aware of that is material to the patentability of the invention sought to be patented. If in the wide ranging Internet search, prior art was found but not reported, an issue of the enforceability of the patent, if it should issue due to inequitable conduct, arises. While the information may never have been read or appreciated, the inventor, even though there was no intent to withhold information may be forced to explain why and how this occurred. It would then be up to the courts to determine whether the explanation is credible. Since the key to successful patent litigation from the perspective of the patentee is the avoidance of such defenses, the use of searches

by engineers should be controlled, to avoid an unexpected charge of inequitable conduct.

Conclusion

{35}It is far too early to predict with any certainty the full extent to which the Internet will affect patent law. But as this discussion has indicated, it is important that its effect be factored into any intellectual property program.

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