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Beyond the April 14, 2003 HIPAA Deadline: Compliance with Medical Information Privacy Regulations

The sweeping medical privacy regulations (the "Privacy Rule")[1] issued under the Health Insurance Portability and Accountability Act of 1996 (HIPAA)[2] by the U.S. Department of Health and Human Service (HHS) became effective April 14, 2003 and are making tough demands upon healthcare providers, health plans, health-plan sponsors, and other "covered entities."

This initial deadline does not mean covered entities that have already implemented their Privacy Rule compliance programs can now just "sit back." HIPAA presents *continuing compliance issues as noted below*. And it is not too late for covered entities that have not yet instituted compliance programs, to get them up and running. HHS has indicated that it will continue to educate and encourage compliance rather than enforcement, but that it *will* levy penalties if necessary. So, if you work with a covered entity that is not yet in compliance with the Privacy Rule, you may want to hasten your efforts.

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HIPAA Primer:

The Privacy Rule and other HIPAA regulations apply to "covered entities" chiefly with respect to how they may use, disclose, and otherwise treat "protected health information."

- Covered entities are:
  - health plans — individual and group plans that provide or pay the cost of medical care, including health, dental, vision, and prescription drug insurers, health maintenance organizations ("HMOs"), Medicare, Medicaid, Medicare+Choice and Medicare supplement insurers, and employer-sponsored group health plans;
  - healthcare clearinghouses — entities that process nonstandard information they receive from another entity into a standard or vice versa; and
  - healthcare providers that transmit health information in electronic form in connection with standard transactions under HIPAA such as claims, benefit eligibility inquiries, and referral authorization requests.
- Protected health information (PHI) is information held by or on behalf of a covered entity, including demographic data, that relates to the individual's past, present or future physical or mental health or condition, healthcare, or payment for healthcare, and that identifies the individual or can be used to identify the individual.

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Compliance Issues

For **covered entities**, specific compliance areas call for special attention:

- **Covered entities** are generally permitted to disclose an individual's PHI to service providers pursuant only to written **business associate agreements** that incorporate detailed provisions mandated by the Privacy Rule. These covered entities should ensure that all business associate agreements are in place — and in compliance with the Privacy Rule. In addition, beware of proposed business associate agreements from third-party vendors. They may neither *comply* with the Privacy Rule nor *fully protect* the interests of covered entities.

- Covered entities should also keep in mind the *security* of PHI under HIPAA. Under HIPAA, a covered entity must maintain reasonable and appropriate administrative, technical, and physical safeguards to prevent intentional or unintentional use or disclosure of PHI in violation of the Privacy Rule and to limit its incidental use and disclosure pursuant to otherwise permitted or required use or disclosure. In furtherance of these requirements and to better define them, HHS issued **Security Standards** under HIPAA[3] which apply to PHI in electronic form. The Security Standards require covered entities implement safeguards and other measures to:

    - ensure the confidentiality, integrity, and availability of all electronic PHI;
    - protect against any reasonably anticipated threats or hazards to the security or integrity of PHI;
    - protect against any reasonably anticipated uses or disclosures of PHI that are not permitted or required; and
    - ensure compliance by its workforce.

- **Covered entities** may want to supplement the security provisions of their standard business associate agreements with an eye toward the upcoming Security Standards implementation date.

- **Service providers** of covered entities are sometimes presented business associate agreements by their covered entities clients even when not required by the Privacy Rule or with terms far more burdensome than those the Privacy Rule dictates. **Business associates** and other companies should carefully review all business associate agreements, making sure that they are necessary in the first place, that their terms are not overly burdensome, and that they do not conflict with current practices. In addition, business associates should consider putting in place policies and procedures regarding the treatment of PHI — in fact, many covered entities are requiring their service providers to do so.

- The Privacy Rule establishes when and how health information may be shared with employers and plan sponsors by healthcare providers or health plans. Because of this, **employers and health plan sponsors** that receive or have access to employee health information from health insurance plans or their business associates should consider undertaking a HIPAA compliance review.

- **Covered entities** should also familiarize themselves with the new compliance procedures for using or producing PHI in HIPAA administrative and judicial proceedings.

- **Covered entities** should give immediate attention to their interactions with covered individuals — including patients, health plan participants and their dependents:

    - Covered entities should provide **notices** describing their privacy practices to patients, healthplan members, and other covered individuals.
    - Covered entities should be prepared to provide covered individuals their rights under the Privacy Rule, such as the right to **access** and to **amend** PHI and to be provided an **accounting of disclosures** of PHI. Covered entities that do not have these procedures in place face the risk that individuals will file complaints with HHS for HIPAA privacy violations.
    - Covered entities should regularly conduct **training** for workforce members.

Upcoming Compliance Deadlines

Other compliance deadlines to watch for under HIPAA are:

- **Privacy Rule:**
  April 14, 2004 for *small health plans*. A health plan with annual receipts of not more than $5 million is a

small health plan. For all other covered entities, the deadline was April 14, 2003.

- **Transaction and Code-Set Rule:**
  April 16, 2003 testing deadline for electronic transactions and code sets
  October 16, 2003 full compliance for electronic medical payments

- **Security Standards:**
  April 21, 2005 for all covered entities except small health plans
  April 21, 2006 for small health plans

To comply with these implementing regulations and the Privacy Rule, covered entities should consider ongoing analysis after the initial compliance dates. Covered entities should review and examine their compliance efforts in order to highlight areas of greatest exposure to enforcement actions and related litigation risks.

Penalties and Enforcement

The HHS Office of Civil Rights (OCR), in conjunction with the U.S. Department of Justice, is authorized to enforce the Privacy Rule. *Civil* penalties range up to $25,000 per person, per year, for each requirement or prohibition violated. *Criminal* penalties reach up to $250,000 and 10 years in prison for obtaining or disclosing PHI with the intent to sell or transfer it for commercial advantage. Additionally, we anticipate that healthcare providers and other covered entities will be subject to claims under state law theories relying on HIPAA standards.

Although HIPAA does not create a private right of action, individuals may file complaints directly with OCR. Recently, HHS described the requirements for filing complaints. Complaints must: (1) be filed in writing, either on paper or electronically; (2) name the entity that is the subject of the complaint, and describe the acts or omissions believed to violate applicable Privacy Rule requirements; and (3) be filed within 180 days from when the individual discovered that the complained-of act or omission occurred. However, if "good cause" can be shown, OCR may extend the 180-day period. OCR is authorized to investigate all complaints.

Seyfarth Shaw develops and helps clients implement HIPAA compliance strategies. We work with a full spectrum of covered entities, which range from pharmacies, to healthcare clinics, to municipal ambulance services, to health plan carriers and sponsors, with a variety of business associates, such as third-party health-plan administrators in their HIPAA compliance efforts. Please contact us if we can assist you with your HIPAA compliance program.

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Parameters of Trademark Dilution Still a Secret: The "Victoria's Secret" Case

In March, the U.S. Supreme Court for the first time addressed the question of trademark dilution, when it issued its decision in *Moseley v. V. Secret Catalogue, Inc.* — popularly known as the Victoria's Secret case. We first wrote about the Victoria's Secret case in our November 2002 *Intellectual Property Report* (Vol. 2, No. 2). Please take a look at our article entitled, "The Supreme Court to Determine if Actual Injury is Required for Trademark Dilution" for more information on the background of this case.

The Supreme Court unanimously decided that actual dilution, but not proof of actual lost sales or profits, is required for trademark dilution. Despite the unanimity of the decision, however, the majority and concurring opinions left open key questions, setting the stage for additional litigation on the uncertain parameters of trademark dilution, or possible legislative action.

Background and Facts

The case arose when Victoria's Secret, the famous lingerie retailer, discovered that an adult-themed novelty store was operating as "Victor's Secret." When asked to change its name, proprietor Victor Moseley adopted "Victor's Little Secret." Victoria's Secret filed suit, claiming that the new name diluted its famous VICTORIA'S SECRET mark by blurring its distinctiveness and tarnishing its reputation through association with lewd subject matter. The federal district court granted summary judgment on Victoria's Secret dilution claim and the Sixth Circuit affirmed. The Supreme Court agreed to review the Sixth Circuit's decision in *V Secret Catalogue, Inc. v. Moseley* to resolve a circuit split regarding the issue of whether proof of actual injury is required for trademark dilution under the Federal Trademark Dilution Act (FTDA). Upon review, the Supreme Court unanimously reversed the Sixth Circuit and sent the case back to the lower courts for trial.

Trademark Dilution and the Federal Trademark Dilution Act

The United States Trademark Act, or Lanham Act, deals primarily with trademark infringement, based on the policy that consumers should be able to use marks to accurately identify the source or sponsorship of goods and services. Prior to 1995, trademark holders did not always have redress against the use of a "junior" trademark that was identical or very similar to a famous trademark on very different goods or services because consumer confusion could not always be shown and therefore not result in infringement. The enactment of the FTDA in 1995 has provided owners of famous trademarks protection when others use the same or a very similar mark even where there is no likelihood of consumer confusion (and therefore no trademark infringement).

At the time the FTDA was enacted, about half the states already had their own dilution statutes. The biggest difference between the FTDA and those state statutes was its requirement that the defendant's use of a mark had to "*[cause] dilution* of the distinctive quality" of the famous mark under the FTDA, rather than the mere "likelihood of injury" to the famous mark's reputation, as required under most state statutes.

The Fourth and Fifth Circuits held that the owner of a famous mark had to show "actual dilution," such as measurable economic harm to the mark under the FTDA. However, the Second and Seventh Circuits held that a showing that dilution was likely to occur in the future was sufficient. It was this circuit split that the Supreme Court would look to resolve in the Victoria's Secret case.

The Supreme Court Decision

The Supreme Court addressed the issues of "whether objective proof of actual injury to the economic value of a famous mark (as opposed to a presumption of harm arising from a subjective 'likelihood of dilution' standard) is a requisite for relief under the FTDA." The Court held that the FTDA does require proof of actual dilution, but not proof of actual lost sales or profits, and that "at least where the marks at issue are not identical, the mere fact that consumers mentally associate the junior user's mark with a famous mark is not sufficient to establish actionable dilution."

The opinion did not specify what type of direct evidence might prove "actual dilution." The court suggested that less proof might suffice to show actual dilution where the marks are identical in emphasizing the fact that the marks in *Moseley* were not identical. However, the decision stated, without specifying what circumstantial evidence (beyond identity of marks) might be needed that "[i]t may well be . . . that direct evidence of dilution such as consumer surveys will not be necessary if actual dilution can reliably be proven through circumstantial evidence — *the obvious case is one where the junior and senior marks are identical.*"

The Supreme Court failed to set clear guidelines for lower courts faced with FTDA claims. Although it is clear that "actual dilution" is now the standard for relief, the Court did not provide any guidance on how that standard may be satisfied. *Moseley* makes it more difficult for owners of famous marks to obtain relief under the FTDA, but leaves open many questions regarding the parameters of trademark dilution for future resolution in litigation or by amendment to the FTDA.

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Metatags and Trademark Infringement

Several court decisions establish guidelines for determining when a competitor may use another party's trademark in website metatags to attract customers. If the use accurately and legitimately identifies the website contents, then it may be protectable as a nominative or descriptive fair use. But if the use misleads consumers as to source or sponsorship, even momentarily, then it infringes the trademark owner's rights.

Metatags are hidden codes in which a website owner lists selected keywords describing the site contents. These keywords typically are never seen by the end user, but search engines may use them to rank the site's relevance to particular topics.[4] By listing another party's trademark in metatag fields, a competitor can capture the attention of customers searching for that trademark owner's goods and services.

This method of generating business is permissible under certain circumstances. In *Playboy Enterprises, Inc. v. Welles*,[5] the Ninth Circuit considered an infringement claim against a former Playboy Playmate of the Year who included "playboy" and "playmate" in the metatags of her own commercial website. Applying a three-factor test, the court found this to be a permissible, nominative trademark use because:

(1) there was no practical way for the former Playboy Playmate to identify herself and her website content without referring to the marks;

(2) the metatags only used as much of the marks as reasonably necessary to identify the content; and

(3) the website made no suggestion that it was sponsored or endorsed by Playboy.

The court noted that if the metatags repeatedly listed the marks, causing the site to jump ahead of Playboy's in search results, then the nominative fair-use exception might not apply.

The facts in *Welles* differ from the straightforward infringement scenario in which a competitor places another party's mark in a metatag purely to divert customers to its own site. Such metatag use can readily lead to a finding of infringement, as demonstrated by other cases involving the Playboy marks.[6] In fact, the Ninth Circuit has applied a theory in this type of case that is quite favorable to trademark owners.

In *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*[7], the court cited initial interest confusion as the basis for trademark infringement. The court determined that metatag use of a rival's trademark purely to gain the attention of customers is an infringing use, even if the confusion is fleeting and customers quickly realize they are dealing with someone other than the trademark owner. A competitor may not use metatags to misappropriate the trademark owner's goodwill even for a moment. The court did point out, however, that legitimate trademark uses such as descriptive fair use and comparative advertising apply in cyberspace as in the real world.

The Seventh Circuit echoed those sentiments in *Promatek Industries, Ltd. v. Equitrac Corp.*, involving direct competitors in the cost-recovery equipment business.[8] The defendant ostensibly had a legitimate reason to use the plaintiff's mark, since one of its services was to provide maintenance on the plaintiff's "Copitrak" equipment. But its metatag use of "Copitrack" [sic] evidently was not tied to those services, instead serving merely as an attention grabber. The court affirmed a preliminary injunction against the defendant based on the resulting initial interest confusion, stating that it is of little or no consequence that consumers are only briefly confused.

The court also offered guidance on permissible trademark uses, noting that the defendant "may advertise that it is capable of servicing Copitrak" and is "free to place comparison claims on its website, or include press releases involving the litigation" between the parties. Later, the court amended its opinion to state:

> The problem here is not that Equitrac, which repairs Promatek products, used Promatek's trademark in its metatag, but that it used that trademark in a way calculated to deceive consumers into thinking that Equitrac was Promatek.

The court also added a footnote to underscore that "It is not the case that trademarks can *never* appear in metatags, but that they may only do so where a legitimate use of the trademark is being made."

These statements suggest that if website content lawfully references another party's trademark, then the inclusion of that mark in metatags also may be lawful. Accordingly, a defendant in an infringement action has a stronger defense of its metatag use if the site actually advertises the competitor's goods or services, or complementary goods or services, or if it contains lawful comparisons or newsworthy references to the mark.[9] In the absence of such content, the unauthorized metatag use likely will be viewed as an illegitimate attempt to hijack the trademark owner's goodwill.

Conclusion

Courts have taken pains to identify potentially legitimate website uses of a competitor's trademarks. A trademark owner cannot stop all uses of its marks on competitors' websites, including the metatag keywords. But if the sole purpose of the trademark reference is to attract the attention of the trademark owner's intended customers, then infringement may be found upon a showing of initial interest confusion, no matter how fleeting.

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On the Verge of Expiration...Or Not: Copyrights and the Sonny Bono Copyright Term Extension Act of 1998 A Note on the *Eldred v. Ashcroft* case

Background and Procedural History

The fate of the public's right to use various works whose copyrights were on the verge of expiration was decided by the Supreme Court earlier this year *Eldred v. Ashcroft*,[10] in which the Court reviewed the constitutionality of the Sonny Bono Copyright Term Extension Act of 1998 ("CTEA").[11]

The CTEA is the latest in a series of statutes that have extended the lifespan of copyrights pursuant to Congress' authority under the Copyright and Patent Clause of the U.S. Constitution ("Copyright Clause").[12] The Copyright Clause provides, as to copyrights, that: "Congress shall have Power . . . to promote the Progress of Science . . . by securing [to Authors] for limited Times . . . the exclusive Right to their Writings."

The first copyright statute, enacted in 1790, fixed an original copyright term of 14 years from the date of publication. The term was renewable for another 14 years if the author survived the first term. Importantly, this first Act applied to both prospective and existing works. In 1831, Congress expanded the copyright term to 42 years, and then again to 56 years in 1909. These terms continued to apply both to existing and future works.

In 1976, Congress sought to align American copyright law with the prevailing standard internationally by providing that the term of copyright would no longer stem from the work's publication date, but rather from the work's date of creation. The total term length, pursuant to the 1976 Act, lasted for the duration of the author's life, plus 50 years. For anonymous or pseudonymous works, or works made for hire, the 1976 Act provided for a term of 75 years from publication, or 100 years from creation, whichever expired first.

The next copyright term overhaul was in the form of the CTEA, which retained the structure of the 1976 Act, but extended the term of copyright by 20 years. For existing and future works created by identified persons, the term lasts for 70 years after the author's death. For anonymous, pseudonymous, and for-hire works, the term is 95 years from publication, or 120 years from creation, whichever expires first.

The plaintiffs in *Eldred* — appellants in the Supreme Court — were corporations, associations, and individuals who relied in their vocations upon works in the public domain. They sued the United States seeking to invalidate the CTEA. The District Court for the District of Columbia rejected Plaintiffs' contentions and held that the CTEA was not unconstitutional. The U.S. Court of Appeals for the District of Columbia Circuit affirmed.[13] The Court of Appeals concluded that CTEA did not violate the First Amendment or evidence an abuse of Congress' power under the Copyright Clause.

The Supreme Court granted certiorari to address two questions: (1) whether the CTEA's extension of existing copyrights exceeds Congress' power under the Copyright Clause; and (2) whether the CTEA violates the First Amendment. Justice Ruth Bader Ginsburg wrote the majority opinion for a 7-2 Court. Justices Stevens and Breyer dissented, and each wrote separate opinions.

The Supreme Court's Reasoning

The Court first examined whether Congress had the authority under the Copyright Clause to extend the terms of existing copyrights. The Court's analysis focused largely on appellants' argument that Congress is barred from extending the term of an existing copyright by the requirement that a copyright be for "limited Times." This argument presupposes that the "limited Times" language requires that once a term is granted, it becomes fixed and is not subject to extension. The Court rejected this narrow reading of the "limited Times" provision, instead reasoning that the clause only requires that copyright terms be finite. Thus, even if an existing copyright term is extended for another, definable period, the term is still finite, and not violative of the "limited Times" requirement.

The Court also noted that Congress' practice throughout history has been to extend the terms of existing copyrights, not just prospective copyrights. Because the Copyright Clause co-exists with and became part of the Constitution concurrently with the Patent Clause, the Court found it probative that Congress has repeatedly authorized existing patent terms to be extended as well.

Additionally, the Court held that fundamental public policy supported the extension of existing copyrights. In the absence of retroactive application of the CTEA, authors who happened to create works just before Congress passed the CTEA would be — inexplicably — disadvantaged relative to authors who happened to create their works just after enactment.

As to the question of whether the CTEA was a rational exercise of the legislative authority granted by the Copyright Clause, the Court held that substantial deference should be granted to Congress, which was well within its proper discretion to pass the CTEA. The Court cited as one justifiable reason for the enactment of the CTEA the goal of bringing the United States into line with the standards adopted by the European Union. Absent such alignment, American artists would be incentivized to produce and distribute works not in the United States, but abroad. This would retard American cultural and literary advancements. Also, the Court found that Congress could rationally conclude that the extensions provided for by the CTEA were justified by recent technological and demographic changes impacting the restoration and use of older works. In sum, the Court deemed Congress' action rational, and refused to second-guess the legislative policy judgments.

A second broad category of appellants' arguments focused on whether the CTEA was in violation of the Copyright Clause itself. The first of these Clause-based arguments again implicated the "limited Times" restriction. Appellants argued that if Congress is allowed to perpetually extend the terms of copyright, that is tantamount to an unlimited term, and thus violative of the Copyright Clause. The Court rejected this argument, stating that none of Congress' copyright statutes created unlimited terms, including the CTEA. By definition, the CTEA's extension to the 1976 Act was limited (to 20 years), and thus was consistent with the "limited Times" requirement.

Appellants also argued that because the CTEA extended the term of existing copyrights, the requirement of originality was not met. Appellants posited that since the work in question was already copyrighted, its term was not subject to further extension because it was no longer "original." The Court agreed that a *sine qua non* of copyright eligibility is originality, but rejected the hyper-literal distinction drawn by appellants, partly because the case principally relied upon for this argument did not pertain to the duration of copyright protection, and was thus inapplicable.

Appellants' next argument was that the CTEA's extension of existing copyrights did not "promote the Progress of Science" as envisioned by the Copyright Clause's preamble. Appellants, however, acknowledged that the preamble did not operate as a substantive limit on Congress' power, and the Court held that "it is generally for Congress, not the courts, to decide how best to pursue the Copyright Clause's objectives." In any event, the Court held that Congress had ample justification to rationally conclude that the CTEA promoted the progress of science.

Appellants next contended that the Copyright Clause contains a *quid pro quo* requirement, whereby an author's exclusive right to her work for a limited time is granted (only) in exchange for her dedication of that work to the public after the expiration of the term of copyright. Accepting this premise, appellants argued that extending an existing copyright without demanding additional consideration from the authors violates this *quid pro quo* mandate because authors would receive another 20 years of protection via the CTEA, but would not give up anything additional in return.

The Court's rejection of this argument centered around the distinction between patent and copyright protection. The cases relied upon by appellants for a quid pro quo requirement were patent cases. The Court reasoned that patent holders may have more demands placed upon them by the government because their benefit is farther-reaching; patent holders are entitled to a monopoly in the form of the exclusive right to make, use, and sell the invention. A copyright holder, by contrast, is only entitled to having her expression of some idea protected. Another person is still free to use the underlying idea of the author's copyrighted material in her own work. Accordingly, the *quid pro quo* argument is not as potent in the copyright context.

As an alternative to appellants' argument that the CTEA violates the Copyright Clause, appellants urged the Court to apply heightened judicial review to the rationality of copyright extension legislation. Specifically, Appellants suggested using the "congruence and proportionality" standard used by the Court in evaluating legislative actions taken pursuant to Section 5 of the Fourteenth Amendment, which empowers Congress to enforce the Fourteenth Amendment's due process of equal protection guarantees.

The Court gave short shrift to this argument, noting that the Fourteenth Amendment was not at issue here, and held that the Court had "never applied that standard outside the Section 5 context; it does not hold sway for judicial review of legislation enacted, as copyright laws are, pursuant to Article I authorization." The Copyright Clause empowers Congress to define the scope of a substantive right. By contrast, Section 5 of the Fourteenth Amendment grants only enforcement power to Congress. As such, the Fourteenth Amendment standard is inherently inapplicable to copyright cases.

The third, broad category of Appellants' arguments was that the CTEA violates the free speech guarantee of the First

Amendment. The Court drew a key distinction between the CTEA and First Amendment legislation, finding CTEA does not regulate ideas, but rather offers protection only to various expressions of ideas. As such, copyright laws contain built-in First Amendment accommodations, insofar as they do not proscribe anyone's use of ideas, themselves, because they do not permit the instant availability and use of any idea, theory, or fact which is contained even in a copyrighted work. Thus, copyright laws do not implicate or violate the First Amendment.

Additionally, the Court held that the "fair use" defense allows the public not only to use facts and ideas — which are unprotected by copyright — but also to use copyrighted expression in certain circumstances. Fair use of a copyrighted work for purposes such as criticism, comment, teaching, or news reporting, is not an infringement of the copyright. The fair use defense limits the scope of copyright's protection and makes it unnecessary to add an additional layer of First Amendment protection.

The dissents of Justices Stevens and Breyer centered around three main arguments. First, they argue that the effect of the CTEA and its progeny is to make the term of copyrights eternal. In their views, the successive passage of term extension laws, even if each separate extension is for a "limited Time," is tantamount in the aggregate to an "unlimited" copyright term.

Second, they argued that the CTEA violates fundamental public policies which favor public ownership of creative works. In their views, the effect of these extensions it to inhibit science and art, not to promote it. They argued that the marketplace of ideas would be less full since many more works would be unavailable for unfettered public use.

Third, they argued that a fundamental precept of copyright protection was ignored by the CTEA because the extensions provided for by the CTEA do not help the authors themselves, because copyright terms already covered the entirety of authors' lives even before the CTEA was enacted. Instead, in the dissenters' view, these most recent extensions helped authors' heirs and estates, which was not consistent with the policy of the Copyright Clause to directly benefit authors themselves.

Copyrighted Works Remain Protected

The Court's decision upholding the CTEA is a major victory for entertainment companies who exploit works such as the original MICKEY MOUSE depiction and classic films like *Casablanca*, *The Wizard of Oz*, and *Gone with the Wind*, the copyrights for all of which were near expiration at the time the CTEA was passed, following an intense lobbying offensive. The losers, for the most part, are smaller companies, many of them Internet-based, that sought to make old books and scripts available online as part of an expanded public domain or "commons."

Even for companies whose copyrights do not include immortal film works, the CTEA's survival is significant. Copyright holders need not worry, for the foreseeable future, that when the original terms of their copyrights expire, they will have to rely on trademark law to protect works, such as characters, that may also be used as marks. The more far-reaching protection afforded by copyrights — relative to trademarks — will assuredly be much longer lived now that the CTEA is safe. In essence, the key impact of *Eldred* is to leave to the legislative arena the striking of the appropriate balance between protection and the public domain.

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How the U.S. Patent Office Determines Who Invented First

Unlike the rest of the world, where a race to the local patent office determines who is entitled to a patent, the United States employs a **first-to-invent** system, where the true first inventor is the one entitled to a patent, regardless of who filed a patent application first. If two or more conflicting patent applications claim to be the first-to-invent, or a patent application and an issued, unexpired patent make the same claim, the Patent and Trademark Office ("PTO") may declare an interference proceeding to decide who the first inventor is.

The need for an interference arises when two or more patent applications, or a pending patent application and an issued, unexpired patent, claim the same invention; and there is a dispute as to who invented the claimed invention first. But only the patent claims of the patent application and conflicting patent or application are evaluated to determine if an interference should be declared, and not the respective disclosures.

Only the Board of Patent Appeals and Interferences ("Board") can decide if an interference proceeding is appropriate. If appropriate, the Board "declares" an interference. An interference recommendation can be presented to the Board only by the patent examiner. If the examiner does not make a recommendation on his own, a patent applicant may file a request asking the examiner to recommend to the Board that an interference be declared. If the examiner is not convinced that an interference is needed after the applicant's request, the applicant can then petition the Board to review the examiner's denial.

The "first-to-invent" is either 1) the first inventor to conceive ***and*** the first inventor to reduce the invention to practice, or 2) the first inventor to conceive ***but*** not necessarily the first to reduce to practice ***if*** the inventor worked on the invention with "reasonable diligence" to reduce his invention to practice. The latter protects the small inventor from large companies with vast resource-and-development capabilities.

Case in point: if a solo inventor invented a product in his garage and worked with reasonable diligence in reducing his invention to practice, he would be considered the first inventor, even if a large corporation independently conceived the same invention after the solo inventor but reduced it to practice first. Proving "reasonable diligence" can be difficult. There may be a justified delay in reducing the invention to practice if, for example, the inventor was waiting for materials or labor. However, delay is not justified simply to test the marketplace.

A complete conception of the invention does not necessarily require a working model. Rather, an invention is also considered complete if the conception of the invention is so complete, clear, and documented that a person with ordinary skill in the art can reduce the invention to practice without further experimentation. Additionally, a reduction to practice can either be actual, meaning a working prototype has been produced, or constructive, meaning the filing of a patent application with a disclosure describing the best mode of reducing the invention to practice.

In U.S. patent practice, the first-to-file a patent application is presumed to be the first-to-invent, but that presumption is rebuttable. If the Board declares an interference, the first-to-file will be designated the "senior" party and the later to file conflicting party are designated the "junior" party. Since there is a presumption that the first-to-file is the first-to-invent, the burden is on the junior party to prove otherwise.

Although somewhat similar to a trial, an interference is an administrative proceeding before the Board. It thus becomes vital to document and record the inventive process. There can be motions, depositions, briefings, affidavits and oral arguments. Regardless of what the contending parties believe, the Board can decide that the underlying invention is not patentable, either because it is not novel or it would have been obvious to one skilled in the art, and thus determine that no one is entitled to a patent.

After reviewing all of the evidence of record, the Board renders its decision, designating the first-to-invent party and allowing them to proceed with a patent application. In any event, the losing party has the right to appeal the Board's decision directly to the U.S. Court of Appeals for the Federal Circuit or a U.S. District Court.

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Legal Notes

U.S. Accedes to the Madrid Protocol

Under the Madrid Protocol, a qualified applicant may through a single filing obtain a multi-country International Registration ("IR"), which is a right that consists of a bundle of national trademark rights in some or all of the 58-member Madrid Protocol.

On March 28, 2003, the U.S. Patent and Trademark Office (USPTO) published proposed changes to its Rules of Practice that are necessary to allow the USPTO to implement the Madrid Protocol. If these rules changes are implemented and the accession document by which the U.S. officially joins the Protocol is filed in a timely way, IR filings may be made in the U.S. as soon as November, 2003.

An IR is centrally filed, registered and renewed, but it consists of individual national rights, which, in turn, may be assigned, licensed, challenged or cancelled separately. Each designated country's national laws also govern the IR individually. For countries that are parties to the Madrid Protocol (as the United States will be), an IR may be obtained by filing an international application with the International Trademark Office at the World Intellectual Property Organization ("WIPO") in Geneva, Switzerland, on the basis of a national application or registration in the applicant's home country.

However, the Madrid Protocol IR covers only 58 countries and some of the countries not covered — such as Mexico, Canada, and Latin American countries — are major U.S. trading partners.

Supreme Court Holds that Lanham Act Does Not Prevent Unaccredited Copying of an Uncopyrighted Work

On June 2, 2003 the U.S. Supreme Court significantly diminished the ability of content producers to rely upon trademark law to restrict the copying and distribution of uncopyrighted works. This reversed an appellate ruling that the copying and distribution by Dastar Corporation ("Dastar") of an edited version of an uncopyrighted television series created by Twentieth Century Fox Film Corporation ("Fox") violated Section 43(a) of the Lanham Act.

The Supreme Court held that Section 43(a) of the Lanham Act does not require a distributor of an uncopyrighted work to identify the author or other originator of ideas, concepts or communications embodied in that work. Moreover, distributing the work without identifying an author does not constitute reverse passing off under federal trademark law. *Dastar Corporation v. Twentieth Century Fox Film Corporation*, 2003 U.S. Lexis 4276 (2003). Op. at 25-26.

This decision is an important reminder that rights holders should be vigilant about renewing their statutory intellectual property rights. Fox could have renewed its copyright in its television series, but had failed to do so.

EU Data Directive — Multinational Company Transfer of Data

A European Commission working party has proposed a simplification of data protection rules governing the transfer of personal data within multinational groups of companies. Subject to some exceptions, EU rules provide that transfers of personal data outside the EU are only allowed where the receiving country has an adequate level of protection for personal data. There is no specific exception for transfers within a group of companies.

Currently, the U.S. is deemed to have an inadequate level of protection of personal data. Therefore, the only way to legally transfer data from the EU to the U.S. is for a U.S. company:

- to self-certify for the Safe Harbor negotiated between the European Commission and the U.S. Department of Commerce, or

- to enter in an agreement with the company in the EU transferring the data to the U.S. requiring the U.S. company, among other thing, to afford the same protections to the data transferred to the U.S. as would be accorded with the EU Member State from which it was transferred.

Subject to a number of safeguards, the proposals would allow transfers to be made intra group relying on binding corporate codes of practice, thus providing an alternative to the Safe Harbor and contracts as a means of compliance with EU data privacy laws for the transfer of data to the U.S.

Colors as Trademarks in the EU

Companies will be able to register single colors as Community trademarks following a significant decision by the European Court of Justice ("ECJ"). In *Libertel Groep BV v. Benelux-Merkenbureau* (C-104/01, 6 May 2003), the ECJ held that single colors are registrable if the mark fulfills certain conditions and does not conflict with the public interest by not unduly restricting the availability of colors for other brand owners who offer goods and services similar to those for which registration was sought.

In summary, the ECJ concluded that:

- A single color, not spatially delimited (for example in a rectangle), may have distinctive character provided it can be represented graphically.

- A single color may be distinctive if the relevant public can identify the goods or services for which the mark is sought as originating from a particular undertaking.

- When considering whether to register a mark, a registry should review the number of goods and services applied for and whether the registration would be contrary to the general interest of not unduly limiting the number of colors available to use for similar goods and services.

- In assessing whether a mark has distinctive character, all the relevant circumstances of the case, in particular, any use of the sign in respect of which the trademark is sought, should be taken into account.

Although color trademarks have been allowed in national registries, they are not frequently or easily granted. This decision sets out the parameters clearly and gives straightforward guidance for those seeking color trademarks in the EU.

New Top-Level Domain: .eu

The European Union will designate the European Registry of Internet Domain Names (EURid) as the .eu top-level domain name registry. EURid is a consortium of three cTLD registries: DNS-BE (Belgium), IIT-CNR (Italy) and NIC-SE (Sweden). There will also be two associate members of the consortium from acceding countries. The EU announcement states that "depending on progress" the .eu domain is expected to be operational toward the end of 2003. The .eu domains will be available to European individuals and businesses. Extension to the European Economic Area states (Norway, Iceland and Liechtenstein) is under consideration.

Pre-registration for domain names in the .eu top-level domain is already available.

Uncertainty of Geographic Domain Name Holders

The United States Court of Appeals for the Fourth Circuit reversed both the rulings of the World Intellectual Property Organization ("WIPO") arbitrator in *Excelentisimo Ayuntamiento de Barcelona v. Barcelona.com Inc*. and of the U.S. District Court for the Eastern District of Virginia (February 2000) on the basis that U.S., rather than Spanish law, should apply. The earlier rulings had ordered the transfer of the domain name <barcelona.com> to the Barcelona City Council and found that the opposing party in the dispute was taking advantage of the public's need for official information about the city. The Barcelona decision may be appealed to the U.S. Supreme Court.

Another Spanish city in the Canary Islands won its case on the basis that U.S. law rather than Spanish law should apply (see *Excmo. Ayuntamiento de Las Palmas de Gran Canaria vs. Miguel García Quintas*, WIPO Case No. D2002-0833), as did the city of Sydney in Australia (see *Sydney Markets Limited v. Nick Rakis trading as Shell Information Systems*, WIPO Case No. D2001-0932). In contrast, the Spanish city of Madrid recently lost its case because the WIPO panel considered that the word "Madrid" in the city's trademarks was not essential (see *Empresa Municipal Promoción Madrid S.A. v. Easylink Services Corporation*, WIPO Case No. D2002-1110).

These decisions will create uncertainty for those who hold geographic domain names.

Patent Disclosures

Inventions disclosed in publications on the Internet can haunt a patent application. According to Section 102(b) of the United States Patent Act, a person may be entitled to a patent unless the invention was described in a "printed publication" in the United States or a foreign country more than one year prior to the filing date of the patent application claiming the invention. Since the introduction of the Internet, questions lingered as to whether an invention described in a document published on the Internet met the "printed publication" requirement of Section 102(b). The answer is now certain that it does.

Courts now define a "printed publication" as one that is accessible to the public, regardless of wether the publication is physically printed on a fixed medium, such as paper. The traditional dichotomy between "printed" and "publication" is no longer valid. As such, an Internet publication is considered a "printed publication" for Section 102(b) purposes if the publication was accessible to persons concerned with the art to which the document relates. Accordingly, inventors must be careful with what is disclosed in a document published on the Internet. As soon as a document describing an invention is published on the Internet, the one-year clock of Section 102(b) starts ticking.

Recent Addition

We are pleased to announce that Patrick Zeller has recently joined Seyfarth Shaw.

Patrick practices litigation in the Chicago office. Prior to joining the firm in May of 2003, he was an Assistant Attorney General and the Director of the Computer Crimes Institute for the State of Illinois. Patrick has lectured on investigating and prosecuting Internet and high-tech crimes at numerous law enforcement training venues nationwide, including the FBI Academy. He has also prosecuted and advised prosecutors and law enforcement agents on Internet and high-tech criminal investigations including computer intrusion, economic espionage, online fraud, intellectual property, copyright and trademark enforcement.

Patrick was the Year 2000 Computer Crime Fellow for the National Association of Attorneys General (NAAG), serving as a trial attorney to the Department of Justice Computer Crime and Intellectual Property Section.

Endnotes:

1. Standards for Privacy of Individually Identifiable Health Information at 45 CFR Part 160 and Part 164, Subparts A and E.
2. Public Law 104-191
3. Security Standards at 45 CFR Parts 160, 162, and 164 Subpart C.
4. According to some reports, most Internet search engines have reduced or eliminated their reliance on metatags due to the proliferation of inaccurate and misleading uses by opportunistic marketers. See "Death Of A Meta Tag" by Danny Sullivan, currently available at searchenginewatch.com/sereport/02/10-meta.html.
5. 279 F.3d 796 (9th Cir. 2002).
6. See *Playboy Enterprises v. Calvin Designer Label*, 985 F.Supp. 1220, 1221 (N.D. Cal. 1997) (enjoining defendants from using Playboy's marks in metatags or buried code).
7. 174 F.3d 1036 (9th Cir. 1999).
8. 300 F.3d 808 (7th Cir. 2002).
9. The plaintiff in *J.K. Harris & Company v. Kassel*, (2003 WL 1702469 (N.D.Cal.)) objected to the use of its trade name in connection with negative commentary on a competitor's website. The court rejected the plaintiff's initial interest confusion argument, finding instead that the defendant's textual and metatag references to the plaintiff's name constituted nominative fair use.
10. 124 S. Ct. 769, 2003 U.S. LEXIS 751 (2003).
11. Pub. L. 105-298, § 102 (b), (d), 112 Stat. 2827-2828 (amending 17 U.S.C. §§ 302, 304).
12. Article I, § 8, cl. 8.
13. *Eldred v. Reno*, 239 F.3d 372 (D.C. Cir. 2001).
14. Justice Ruth Bader Ginsburg wrote the majority opinion for a 7-2 Court. Justices Stevens and Breyer dissented, and each wrote separate opinions.

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