



Replication at Your Own Risk ...Really?

by Brian J. Riddle

Manufacturers in the U.S. and here in Utah, often face challenges when it comes to potential infringement of others' intellectual property. It is often difficult to determine whether or not your activities constitute patent infringement.

As of late, a particular industry referred to as DVD replicators have been accused of patent infringement. DVD replicators are generally engaged in manufacturing and selling products that conform to the DVD-ROM, DVD-Video, DVD-Audio, DVD-R, DVD-RAM, DVD-RW, DVD Video Recording Standard Specifications, and +R/+RW Discs that conform to the +R/+RW Standard Specifications. These DVD replicators and those that utilize their services may soon need to reassess whether they are potentially infringing on one or more patent owners' rights.

Generally, any party that makes, uses, imports, sells or offers to sell products

that are covered by one or more valid and enforceable patents without authorization from the patent owner may be liable for patent infringement. Thus DVD replicators' activities may constitute patent infringement, and their clients (those purchasing the services) may also be liable. It goes without saying that making a profit on manufactured items is a priority for DVD replicators and their clients. However, a very close second is insulating your business from potential litigation. This is especially true in the patent law arena where damages for patent infringement can be much more financially devastating to a corporation than other types of lawsuits.

DVD replicators and their clients are often discouraged when they realize that their manufacturing activities may constitute patent infringement with respect to several different patent owners, including large international corporations. However, to follow are some helpful tips that companies involved in DVD replication may use to help protect against a potential patent infringement lawsuit.

First, consult a patent attorney regarding your "freedom to operate" in a particular manufacturing endeavor. A search and analysis of currently enforceable U.S. patents

may be conducted by your attorney that will help you in understanding what activities may constitute patent infringement. Provide your attorney with as much information as possible regarding your current and/or proposed manufacturing activities so that he or she can conduct as thorough a search as possible. The attorney will then analyze each patent discovered within the search and provide an analysis and opinion as to whether you may be engaged in potentially infringing activities.

Second, obtain licenses from patent owners or a consortium of patent owners. In the case of DVD replication referred to above, it can be daunting trying to sift through all the patents associated with DVD technology, and determine which patent owner to whom royalties should be paid. In this situation, the parties who want to license the technology would need to contact and negotiate with each company separately, and enter into separate license agreements with each of them. Although this type of piecemeal licensing can be performed, there is a much simpler way. Many industries such as the DVD industry often voluntarily group themselves into one

or more industry consortiums and offer a joint license.

Both licensees (in this case the DVD replicators and their clients) and licensors (the DVD-related patent owners) benefit from such an industry consortium. By grouping themselves into a consortium, the patent owners provide a simple and efficient process for the replicator to obtain licenses to all the patents held by the several patent owners. This gives the licensee a lower-cost assurance that their activities will not constitute patent infringement due to their purchase of the joint license. In turn, the patent owners within the industry consortium will receive a greater return in royalties.

As an example, the DVD6C Licensing Group is an industry consortium which licenses a portfolio of patents required to produce DVD discs, players, drives, recorders, decoders, and encoders. The group comprises 9 members: Hitachi, JVC, Matsushita (Panasonic), Mitsubishi, Sanyo, Sharp, Toshiba, Warner Home Video, and Samsung. Note that other big players such as Philips, Pioneer, Sony, and LG are not part of the DVD6C Licensing Group. DVD replicators may need to obtain individual licenses from

these non-consortium companies as well, assuming these companies are not part of a separate consortium themselves.

As for the royalties themselves, DVD6C and Philips, for example, require a 9.4 cent royalty paid for any replicated DVD. Further, the patent owners will hold the end user (the DVD replicator's clients) responsible if their DVD replicator is not paying their royalties. In extreme cases, Phillips has demanded an original, relatively higher royalty of almost \$ 0.28 per disc in situations where the DVD replicators fail to obtain a license. Companies looking for a DVD replicator should determine if the replicator is licensed by at least DVD6C and Phillips. You can quickly make this assessment by visiting their respective websites at:

- www.DVD6cla.com and
- https://www.ip.philips.com/licensing/check_your_supplier/buyerpage.html

As a final note, as of March 1, 2011, no DVD replicator within the state of Utah is licensed by both of these patent owners.

This article is designed to provide general information only. If you have specific questions as to the application of the law to your activities, you should seek the advice of your legal counsel. The author is an attorney with the law firm of Van Cott, Bagley, Cornwall & McCarthy, P.C. and member of the firm's Intellectual Property Practice Group. Mr. Riddle can be reached at 801.532.3333



Brian J. Riddle is an associate and member of Van Cott's Intellectual Property Practice Group. Mr. Riddle's practice covers all areas of intellectual property law with an emphasis on drafting and prosecuting patent applications. His clients range from individuals to major corporations. Mr. Riddle has experience in preparing and prosecuting patents in the areas of medical devices and implants, printing systems and inks, imaging systems and devices, and computer architecture and storage systems, among many others. Additionally, he has experience in providing clients with other intellectual property needs including licensing of intellectual property, and preparation, filing, and prosecution of trademarks. Prior to joining Van Cott, Mr. Riddle worked for a national intellectual property law firm.

The Intellectual Property Practice Group at Van Cott, Bagley, Cornwall & McCarthy, P.C., serves a broad client base in obtaining, protecting, and licensing intellectual property; business assets that are essential and valuable in today's marketplace. Members of the firm's Intellectual Property Group have decades of combined experience in securing intellectual property (IP) rights in all areas of intellectual property law.

Members of the firm's Intellectual Property Group assist clients in analyzing, preparing, filing, and prosecuting provisional, non-provisional and design applications. Further, the IP Group works diligently to ensure proper selection and registration of trademarks and service marks for their clients, and other forms of IP including copyrights and domain names. Still further, the firm's IP Group advises clients of the need for a balanced and appropriate compilation of intellectual property assets to grow their businesses in today's economy.

The firm's attorneys prepare and negotiate contracts, including licensing, franchise and distribution agreements, to assist clients in the distribution, sale and other commercialization of innovative products and services within the United States and internationally.

Additionally, members of the firm's IP Group provide litigation services involving patents, trademarks, trade-dress, copyrights, trade secrets, and other intellectual property.

The Van Cott Intellectual Practice Group is chaired by Steven L. Nichols.