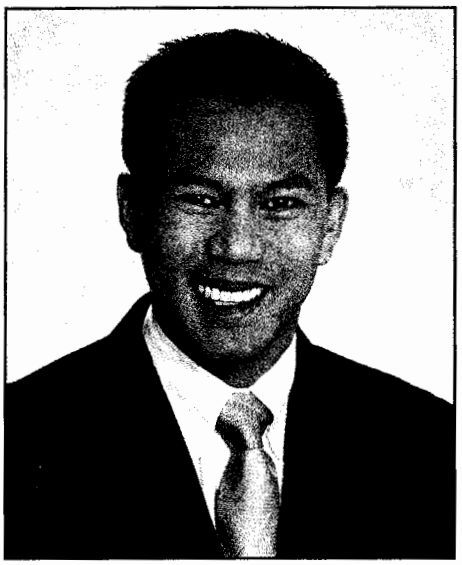
The Moving Picture



James D. Nguyen
Foley & Lardner LLP

NOT-SO-STRANGE BEDFELLOWS: ENTERTAINMENT CONTENT OWNERS AND FILE-SHARING SERVICES

FOR MUCH OF THE PAST DECADE, file-sharing software providers like Napster, Kazaa, and BitTorrent have been the mortal enemies of entertainment content owners. The motion picture studios, record labels, music publishers and other copyright holders have declared full-out war against file-sharing services for facilitating rampant online piracy. But can these former enemies put aside their differences to join forces for mutual good? Or will they simply make too strange of bedfellows together? As some recent developments reveal, these bedfellows may not be so strange after all.

In May 2006, Warner Bros. announced a historic partnership with former enemy, BitTorrent, Inc., the source of a popular peer-to-peer file-sharing technology used to trade pirated copies of motion pictures and television programs. Under the pact, Warner Bros. would become the first major motion picture studio to distribute its films and TV shows (for a fee) over the Internet using BitTorrent's peer-to-peer technology. The goal of the deal is simple: convert file-sharing users who would otherwise seek illegal copies of films and TV shows by offering them quality video files at a reasonable price on the system they already know (and that has been used by online pirates). Various motion picture studios have been discussing the potential for such a deal with BitTorrent since November, 2005, when members of the Motion Picture Association of America settled their claims against BitTorrent. But Warner Bros. was the first to seal a real deal.

BitTorrent is not the only file-sharing service to join forces with the entertainment industry. After it was effectively shut down by court injunctions, Napster—the original poster-child of illegal file-sharing services—was bought by a major media conglomerate, and was revived into Napster 2.0, a legitimate source for online music downloads. Most recently, in August 2006, file-sharing service Kazaa settled its litigation with the recording industry—paying $100 million in damages and agreeing to become a legal music download service.

If there seems to be a pattern here, there is. After being sued by entertainment content owners claiming they contribute to massive copyright infringement, the file-sharing services re-emerge as legitimate players in business partnership with the very industry that vigorously fought to stop them.

The BitTorrent and Kazaa deals come at a watershed moment for the entertainment industry. Since the late 1990's, entertainment content owners have fought against the proliferation of file-sharing services and other new media technologies used for pirating copyrighted content. This war has been waged through litigation, proposed legislation, technological protection measures, and public education campaigns about the evils of piracy. While each of these steps has had some incremental effect, all the fighting in the world will never stop the flood of piracy.

The ultimate answer for entertainment content owners will be to embrace the new platforms for content delivery, which consumers so clearly want and like to use. And that may mean partnering with former enemies. A few years ago, a major studio like Warner Bros. and BitTorrent would have surely been strange bedfellows. Partnering together would have been akin to the copyright holders turning to the "dark side" with their former public enemy no. 1. But in today's climate, "traditional media" companies are racing to capitalize on the "new media" revolution.

Thus, the Warner Bros. deal with BitTorrent makes perfect sense. Warner Bros. gets to take advantage of BitTorrent's popular technology, built-in user base, and tremendous brand value. If successful, the studio gets not only a lucrative new revenue stream for its content but also wins good will from consumers who want to receive filmed entertainment via the Internet. Warner Bros. also gets to have some (albeit never perfect) control over its video content files shared on the Internet, protecting those files with digital rights management technologies. Having settled its dispute with the MPAA, BitTorrent frees itself from the worry of litigation war and gets to focus on becoming a legitimate, moneymaking business. Consumers win by virtue of having better quality video files and content selection available to them via BitTorrent, though some consumers may grumble about having to pay for it.

The deal may not prove commercially successful; as users may turn away from

The opinions expressed in this The Moving Picture piece are the views of the author, and do not necessarily express the opinion of the IP Section Membership, the IP Executive Committee, the law firm with which the author is affiliated, or the State Bar of California.

BitTorrent because it no longer offers the thrill of getting pirated content. But win or lose on this deal, Warner Bros. has shown that it is willing to take a well-reasoned leap of faith. It is this experimental mentality, including a willingness to partner with once-strange bedfellows, which will be key for entertainment content owners to succeed in the new media universe.

The entertainment industry must still figure out the puzzle of how to fully exploit and protect its content in the new media landscape. Meanwhile, my advice to the industry is simple: if you keep an open mind and look for creative deal opportunities to work with new media services, potential business partners who might have been strange bedfellows will not seem so strange after all. ⊙

Analysis

CONTINUED FROM PAGE 39

between patent rights, First Amendment rights, and physicians and patients being informed about true natural phenomena? By publication of the patent, the Federal Government has published a basic scientific fact. Whether another entity should be held liable for the same act is worth further consideration. One wonders if a publisher of a textbook of medicine or a research article would be held liable for inducement under the LabCorp standard. Further, would it be an act of inducement for a research scientist to publish the existence of such a relationship in a research article? Finally, would it be an act of infringement for an inventor to include knowledge of a basic scientific fact (even if part of a patent claim) in a patent specification disclosing and claim improved methods?

CONCLUSION: BALANCE OF INCENTIVES

The fundamental purpose of a system of patent protection is to provide incentives to further invention. As inventors strive to produce better inventions, the holdings of *LabCorp.* may embolden some to try to patent "phenomena of nature." In this case, there is no clear legal resolution about the patentability of Claim 13.

With such an incentive in place, some inventors and practitioners may try to avoid unpatentability by characterizing a phenomenon of nature as a method or process. The Author urges the Patent Office, other practitioners, and the courts to carefully interpret such attempts and to develop proper criteria for deciding whether a proposed claim as a phenomenon of nature. Currently, the Patent Office applies a standard of "reciting discrete steps" in methods claims. This standard and others are valuable tools to avoid patenting phenomena of nature. By balancing competing interests of inventors and the public, the court and patent systems must resist the temptation to decide cases based solely upon theoretical principles. Our decisions about non-patentability of phenomena of nature and mental steps have firm foundation in good public policy to decrease barriers to inquiry and further invention. However, when policy questions are conflated with details of claim construction, then the "correlation" between public policy and patent protection may suffer. ⊙

D. Benjamin Borson, Ph.D., is Of Counsel with Fliesler Meyer LLP. He is also the Chair of the Intellectual Property Section's Legislation Committee of The State Bar of California.

Endnotes

1. 126 S.Ct. 2921; 165 L. Ed. 2d 399; 79 USPQ2d (BNA) 1065 (2006).
2. *Metabolite Laboratories, Inc. v. Laboratory Corporation of American Holdings*, 370 F.3d 1354; 71 USPQ2d 1081 (2004).
3. *Metabolite Laboratories*, 370 F.3d 1354, 1362.
4. 165 L. Ed. 399, 402, 2006.
5. *Id.*
6. *Id.*
7. Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit, page 9.
8. 370 F.3d 1354.
9. *Id.* at 1361.
10. *Id.* at 1363.
11. *Id.*
12. *Id.* at 1362.
13. 165 L. Ed. 2d at 403.
14. 126 S. Ct. 2921, 165 L. Ed. 2d 399 (Justice Breyer, dissenting).
15. 165 L. Ed. 2d 399, 404.
16. 415 F.3d 1303, 75 USPQ2d (BNA) 1321 (2005).
17. *Id.*
18. Petition for Writ of Certiorari, page 9.
19. 370 F. 3d at 1373.
20. 370 F. 3d at 1374.
21. 370 F. 3d at 1364.
22. 415 F. 3d 1303, 75 USPQ2d (BNA) 1321.
23. 415 F. 3d at 1316.
24. Petition for Writ of Certiorari, page 4 bridging to 5.
25. *Id.* at 13, *citing Insituform Technologies, Inc. v CAT Contracting.*