

in the law

infringement of u.s. patents by foreign attractions

By Kevin I. Shenkman, Esq.

In 2007, the United States Supreme Court decided a case between AT&T and Microsoft that could have broad implications for overseas amusement park operators and attraction designers and manufacturers. The case involved the exportation of a master disc from the United States to overseas suppliers who used the disc to manufacture computers, but the Supreme Court's affirmation that United States patent rights may be applied to products that are finally assembled or used overseas, applies equally to amusement park attractions. Because the location based entertainment industry is more international now than ever in the past, this issue has particular significance to park operators and ride manufacturers.

Hypothetical: *An operator of a park in Indonesia contracts with an Italian ride manufacturer to design and build a rollercoaster. The Italian ride manufacturer in turn subcontracts the design and fabrication of a pinch wheel drive system to an American company. The pinch wheel drive system is manufactured in California and shipped to Indonesia where it is finally integrated into a rollercoaster by the Italian ride manufacturer. Another company holds a U.S. patent covering a ride system with the particular pinch wheel drive system employed on the rollercoaster in Indonesia.*

In this situation, the U.S. patent owner can recover for patent infringement from not only the manufacturer of the pinch wheel drive system, but also from the Italian ride manufacturer and the Indonesian park operator. Because the pinch wheel drive system was manufactured in the United States, and is a significant component of the patented invention, the construction and assembly of the resulting rollercoaster, and even its use, could be found to be an infringement of the patent by a U.S. court.

This could subject the Indonesian park operator, Italian ride manufacturer, and the American pinch wheel drive system manufacturer all

to paying the U.S. patent owner significant royalties and incurring legal fees to defend a patent infringement case in a U.S. court. The mere act of acquiring a component part of an attraction from a U.S. manufacturer could subject the Indonesian park operator and Italian ride manufacturer to the jurisdiction of the U.S. courts, even if those companies had never previously had any connection with the United States.

On the other hand, owners of U.S. patents should be careful not to be unduly aggressive in asserting their patents with respect to overseas attractions. While the situation described above presents some connection to the United States, a U.S. patent holder cannot collect royalties from an operator or manufacturer when nothing in connection with an overseas attraction was performed in the United States. Intentionally collecting royalties for overseas activities that have absolutely no connection to the United States could be regarded as patent misuse, and could render the patent unenforceable, at least temporarily.

Steps You Can Take

With the potential for U.S. patent infringement issues to arise in overseas projects, and the significant money that can be at stake, it's important to put your company in the best legal position. The following steps, among others, can help to maximize your patent's value or to avoid being liable for patent infringement:

For U.S. patent owners:

- o Understand what your patents cover, and continually monitor overseas park development.
- o For each suspected infringing attraction overseas, determine whether some part of the design or components originated in the United States.

For overseas park operators and attraction manufacturers:

- o Perform a patent infringement study prior to beginning construction on any attraction. There are relatively few patents covering amusement park attractions, and a periodic review of those patents will also provide a better understanding of what your competitors are doing.
- o If a patent infringement study reveals that a proposed design might infringe a U.S. patent, consider modifying the design, having the components manufactured outside the United States, or approaching the patent owner for a license prior to beginning construction.
- o Control the source of all component parts. Not only is this good practice to ensure the quality of the component parts, but it also could prevent unknowing becoming liable for infringement of U.S. patents.

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Kevin I. Shenkman, along with other attorneys with Zuber & Taillieu LLP, offer expertise in the location-based entertainment sector. Kevin has successfully enforced patents covering amusement park attractions in the United States and overseas, and defended his clients against claims of patent infringement. Kevin's full biography, along with the other members of Zuber & Taillieu's location based entertainment industry team, can be viewed at www.zuberlaw.com.



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