



# Intellectual Property Law Section

## State Bar of Texas

Special Issue - 2009 SBOT Annual Meeting CLE Report

### SBOT Annual Meeting – IP Law Section Activities

Reporting and photography by Mike Sebastian and Miguel Villarreal, Jr.

The State Bar of Texas Annual Meeting was held on Thursday and Friday June 25-26, 2009, at the Hilton Anatole, in Dallas, Texas. In keeping with past tradition, the IP Law Section offered its members a full day of CLE as well as several social opportunities at this event.

#### *Thursday Reception*

The IP Law Section began its SBOT Annual Meeting activities with the traditional welcome reception. The reception provided a pleasant and relaxed atmosphere to chat with friends, renew acquaintances and meet new people.

#### *Friday Morning CLE Session*

The Friday morning CLE session began with a continental breakfast. Opening remarks by Course Director and Chair Elect Craig Lundell officially started the session. Ms. Wei Wei Jeang moderated the morning session.

#### **Why You Should Document Pre-filing Investigations – Robert L. McRae**

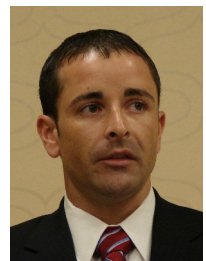
The first presentation of the day was made by Robert L. McRae of Gunn, Lee & Cave, P.C. Mr. McRae began by discussing the



Thursday's reception was well attended.

importance of documenting pre-filing investigations in patent infringement cases. Failure to investigate can result in sanctions under Rule 11, and payment of the opposition's attorneys' fees under 35 U.S.C. § 285 if a party does not prevail. Further, an attorney's reliance on the client's analysis of infringement is inappropriate and can result in sanctions and penalties. This introduction led into Mr. McRae's discussion on the differing standards between § 285 and Rule 11 as they relate to attorneys' fees and sanctions for inadequate pre-suit investigations.

Mr. McRae discussed the conflicting rulings that have come out of the Federal Circuit on issues such as whether physically examining the accused device was required or whether review of advertising and publicly



Robert McRae

available information was sufficient. Other issues included whether and when to use claim charts and/or expert reports to avoid

an award of sanctions. Mr. McRae then provided the audience with the following helpful suggestions:

- Examine the accused device/method. Do not rely on publicly available information or observation.
- If you cannot obtain the accused device/method, document your efforts and plead them in the complaint. It is probably safe to rely on publicly available information at this point.
- If you choose to create claim charts, they must be reasonable and consistent with the prosecution history.
- Consider a pre-filing expert report in challenging cases of infringement or where validity is a material issue.
- Re-evaluate your infringement position after a claim construction ruling.

### **Fallout from *In re TS Tech*: Venue Disputes in Texas – Michael C. Smith**

The next presentation was made by Michael C. Smith of Seibman, Reynolds, Burg, Phillips & Smith, LLP, on evolving venue rules for patent cases.



Michel Smith

Mr. Smith began his presentation by giving the audience a procedural history of *In re TS Tech*, a patent infringement action in which the Federal Circuit applied the *In re Volkswagen* holding from the Fifth Circuit, a products liability action, in determining whether venue should be transferred from one court to another. From a venue perspective, the key holding of *In re TS Tech* was the extension of the “clearly more convenient” rule from products cases to patent cases. It is by this new “clearly more convenient” standard that venue determinations are now made.

Mr. Smith indicated that patent venue

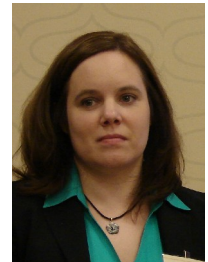
elements have also been included in the patent reform legislation noting that the Senate Judiciary Committee approved a venue provision drafted by Senator John Cornyn (R-Tex.) that essentially codifies the “clearly more convenient” test from *In re Volkswagen*.

Mr. Smith then discussed several recent post-*In re TS Tech* Eastern District of Texas cases which made the distinction between “regional” and “national” cases under the new “clearly more convenient” standard. Mr. Smith concluded by indicating that the effect of *In re TS Tech* is likely that some cases will be transferred out of the Eastern District of Texas while even more will not be filed in the Eastern District in the first place. However, *In re TS Tech* is not likely to end the Eastern District of Texas’ reference as a major patent docket.

### **Protecting Trade Secrets in the New Economy – Kirby Drake and Pablo Rappi**

The third presentation of the morning was by Kirby Drake of Fulbright & Jaworski, LLP, and Pablo Rappi of StoneGroup, LLP.

Ms. Drake began the presentation by reviewing the characteristics of a trade secret. She then discussed several factors to consider when determining if trade secret protection is sufficient, or whether patent protection should be sought. These considerations include the commercial life of the product, ease of reverse engineering, possibility of independent development by a competitor, tipping off competitors, type of subject matter/industry, ease of keeping the subject matter a secret, time needed to obtain a patent, and economic effects of protecting IP as a trade secret. New innovations can be



Kirby Drake

protected with patents or by trade secrets. However, the same innovation cannot typically be protected by both.

Mr. Rappi continued by discussing the remedies associated with misappropriation of a trade secret. These remedies include injunctive relief, monetary damages, attorneys' fees, and punitive damages. He



Pablo Rappi

He then went on to discuss the nature of various types of monetary damage theories. He demonstrated a Damages Matrix which compares various damage theories versus various legal claims against the defendant, and establishes a nexus between the wrongful conduct of the defendant and the damages to the plaintiff.

Ms. Drake continued the presentation by discussing actual trade secret misappropriation cases. She concluded by highlighting several trends under the current economic conditions: opting for trade secret protection in lieu of other forms of IP protection, increasing number of trade secret audits, increased enforcement of non-compete and non-disclosure agreements, and modifications to the damages model in litigation.

### **Software Patents and *In re Bilski* – Ira Matsil**

Ira Matsil of Slater & Matsil, LLP, gave a presentation on software patents in view of the Federal Circuit's *en banc* decision in *In re Bilski*. In *Bilski*, the Federal Circuit clarified the standards applicable in determining



Ira Matsil

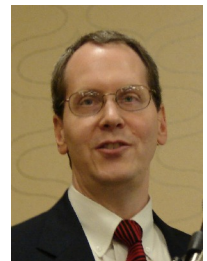
whether a claimed method constituted a statutory process under § 101. To address

this issue, the Federal Circuit relied upon the "machine-or-transformation test": "A claimed process is surely patent-eligible under § 101 if: (1) it is tied to a particular machine or apparatus, or (2) it transforms a particular article into a different state or thing." While *In re Bilski* is a business method patent case, the court did not limit the holding to business methods.

Mr. Matsil then proceeded to discuss several recent cases where the courts and the Board of Patent Appeals and Interferences have applied the *Bilski* holding. He then proceeded to discuss several different types of claims currently utilized in software patents, but refused to predict which would survive the Supreme Court's *Bilski* decision. Mr. Matsil instead indicated that only time will tell. The *Bilski* holding has caused substantial confusion as the courts and the Board apply *Bilski* to their cases. On June 1, 2009, the Supreme Court of the United States granted Certiorari.

### **Do You have Rocks in your Socks? Patent Prosecution Tips to Ease the Pain of Litigation – Mark Muller**

Mark Muller of Schwegman, Lundberg & Woessner, P.A., gave an intriguing presentation on patent prosecution tips. Mr. Muller's strategy for patent prosecution is centered on meeting the statutory requirements while



Mark Muller

being as brief as possible. By being brief, Mr. Muller's objective is to avoid saying anything in the application that might limit the scope of the claims. In other words, draft with an eye toward litigation.

Mr. Muller starts the process by meeting with the inventor to explain the duty of

candor, enablement, and best mode. He gathers the relevant art. He asks the inventor about potential bar dates and about related applications. He then drafts the claims—not the detailed description, which is written later—and takes the claims to the inventor to get the inventor’s agreement.

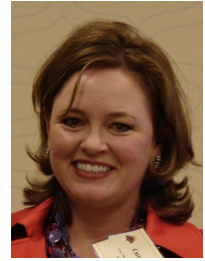
Mr. Muller provided the audience with helpful suggestions for drafting various elements of the application. These include limiting the application to a title, cross reference to related applications, background of the invention, a brief description of the drawings, a detailed description of the invention, claims, and an abstract of the disclosure. The technical field and summary are not required by the MPEP.

For prosecution, Mr. Muller provided guidance for responses to office actions during prosecution. He recommends not characterizing the art unless necessary—never say “prior” art. He further recommends disclosing art if in doubt. But, if not disclosed, make a brief note in the file referencing it (*e.g.*, characterize as cumulative, or not relevant).

Mr. Muller suggests reviewing the notice of allowance for improper statements and correcting them with a statement under Rule 312. Purge the physical and electronic files, but keep a printed copy of the issued patent and certificate of correction. Further, keep evidence of conception and reduction to practice if the client does not. Mr. Muller closed by stressing that during drafting and prosecution, less is better, admissions are to be avoided, and disclosure is best.

## **To Puff or Not to Puff: Ethical Guidelines for Websites, Blogs and Client Updates – Carey Jordan**

Carey Jordan of Baker Botts, LLP, provided an informative presentation on the ethical issues surrounding an attorney’s or law firm’s internet presence. Internet presence can include a web site, blogs, social networking sites, and email.



Carey Jordan

Attorney and firm websites are considered advertising and solicitation and are subject to the advertising rules in the Texas Disciplinary Rules of Professional Conduct. Websites must be approved by the Advertising Review Committee of the State Bar, unless they only provide basic information about the firm or attorney (Rule 7.07(e)). As an example of how these rules play out, Ms. Jordan played a video clip of an unscrupulous but humorous fictitious attorney known as “The Weasel.”

Blogs can be problematic, whether it is a firm blog, a personal blog, or a post on another blog or social networking site, as they may create inadvertent attorney-client relationships, may reveal client information (even if posed as a hypothetical), may create ethical issues with respect to communicating with a represented party, or create negative perceptions that result in adverse decisions by employers and the client. Ms. Jordan reminded the audience that law firm-sponsored blogs require registration with the Advertising Review Committee. Law firm blogs should always have somebody review changing content and should also contain appropriate disclaimers.

Ms. Jordan indicated that there are,



Hope Shimabuku presents one of the scholarship awards to Micaela Natalie Alfaro.



Hope Shimabuku presents one of the scholarship awards to Dolly Wu.



Hope Shimabuku presents one of the scholarship awards to LaTasha Mabry.



Paul Herman presents the Writing Award to Bret Thompsen.



Eric Tabanou accepts the Inventor of the Year for his father from Michelle Lecointe.



Sharon Israel passes the Section Chair gavel to Craig Lundell.

however, manners of distributions or dissemination of information that would not trigger advertisement requirements. For example, emailing of “client updates” to current and past clients, other attorneys, and those who request information is allowed under Rule 7.07. Ms. Jordan concluded by challenging the audience to “find out what is your and your firm’s internet presence?”

### **Section Luncheon and Business Meeting**

Section Chair Sharon Israel opened the Section’s Luncheon and Business Meeting by welcoming the attendees. Ms. Israel also recognized Mr. Paul Deverter and Lee Roy Larkin, two of our Section members that have been practicing law for 50 years.

The luncheon progressed to the presentation of several awards. Ms. Israel presented Mr. Edward Fein with the Chair Award for outstanding service to the Section. Mr. Fein is IP Counsel at Johnson Space Center (NASA), a past chair of the Section (1991-1992), and continues to be very active in the State Bar IP Section. Mr. Jack Goldstein accepted the award on behalf of Mr. Fein, who was unable to attend.

Brett Thompsen was named winner of the 2009 Writing Award.

Micaela Natalie Alfaro (University of Houston), LaTasha Mabry (University of Houston), and Dolly Wu (Southern Methodist University) were recipients of the 2009 Women and Minority Scholarship award.

### **Texas Inventor of the Year**

Jacques Tabanou of Schlumberger Technology Corporation was posthumously

named Texas inventor of the year by the section. The award was accepted by his son Eric Tabanou.

### **Section Business**

After unanimous affirmation by the Section members present, the proposed slate of officers was approved, and the Section Chair gavel was passed from Sharon Israel to new Chair Craig Lundell.

### **Afternoon CLE Session**

After lunch and the business meeting, the second half of the program began. This afternoon session was moderated by Michael Villarreal.

### **Domain Wars: New Weapons in the Trademark Owner’s Arsenal – Wendy Larson**

Wendy Larson of Pirkey Barber, LLP, provided a timely presentation on the issues relating to internet domain names and trademarks. The trademark owner has to deal with “cybersquatters” and “typosquatters”. Cybersquatters register domain names that use the trademark of someone else. Typosquatters register domains that are similar to trademarks, either common misspellings or likely incorrect guesses to a domain for the trademark. Cybersquatters and typosquatters make money off their pay-per-click (PPC) web pages when someone clicks on the link of an advertiser.

Ms. Larson explained that a trademark owner has several weapons that can be employed against cybersquatters and typosquatters. The traditional weapons include a cease-and-desist



Wendy Larson

letter to the domain registrant, an Anti-Cybersquatting Consumer Protection Act (ACPA) and trademark infringement lawsuit against the registrant (15 U.S.C. § 1125(d)), and an Internet Corporation for Assigned Names and Numbers (ICANN) Uniform Domain Name Dispute Resolution Policy (UDRP) complaint against the registrant.

When traditional strategies are ineffective, Ms. Larson suggests rethinking your weapons, and targeting other PPC participants, including an ACPA or trademark infringement suit against the parking service provider, the advertisement content provider, or the registrar. Further, if the domain name is registered to a privacy service, consider filing an UDRP complaint against the privacy service or registrar if it is acting like a registrant.

Under the current economic conditions, Ms. Larson suggests sending a demand letter to the PPC page participants, which include the parking page provider, the ad content provider, and the advertisers. Also, consider hiring a company that recovers domain names on a pay-per-performance basis.

Finally, Ms. Larson reported that ICANN is proposing several new generic top level domains (gTDLs), but ICANN has not outlined how trademark rights will be protected.

### **The Inadvertent Franchise – Dyan House**

Dyan House of Munck Carter, LLP, presented a discussion on the attributes and rules governing franchises, and the ease with which a business can inadvertently find itself creating a franchise relationship.



Dyan House

The Federal Trade Commission (FTC) rule (16 C.F.R. Part 436) defines the elements of a franchise business relationship. There are three elements: a trademark element, a significant control or assistance element, and a payment element. For the payment element, the FTC only requires \$500 in payments at any time prior to or within the first six months of operation, excluding payments for inventory.

While Texas does not have a franchise registration law, many states do. In Texas, in order to offer a franchise, the franchisor must file a business opportunity exemption with the Secretary of State. This is a one time filing, and the franchisor must comply with FTC franchise rule requirements for disclosure.

Many states also have relationship laws, which govern the termination and renewal of franchise agreements. These laws provide for statutory termination periods, notice periods for non-renewals, cause requirements, and statutory periods for cure. Texas does not have any relationship laws of general applicability, although there are a few special industry laws.

Ms. House recommends at the outset, determining what structure works best for the business and taking into consideration the goals for expansion of the business, including how fast and where that expansion will take place. Then, determine if a franchise arrangement makes sense and plan accordingly.

If your client finds himself in an inadvertent franchise situation, Ms. House recommends considering the options to cure, and warns to be aware of states that have relationship laws, particularly when looking to terminate an agreement.

## Images of Lawyers in Popular Culture – Nancy Rapoport

Nancy Rapoport, a Professor of Law with the University of Nevada, gave the most entertaining presentation of the day. Her ethics presentation began by showing how Hollywood portrays lawyers—using numerous clips from movies—and how those portrayals shape public opinions of lawyers and may shape the behavior of lawyers. The movies typically portray lawyers as litigators. Hollywood usually gets the legal issues terribly wrong. Further, Hollywood portrays lawyers engaged in numerous ethical violations.



Nancy Rapoport

Ms. Rapoport warned against the cognitive dissonance between movies and life, the diffusion of authority (“someone else will take care of it”), and social pressure which all erode an attorney’s resistance to unethical conduct.

## Neglected Issues in Copyright Cases – Mark H. Miller

Mark Miller of Jackson Walker, LLP, gave a presentation discussing several secondary copyright issues that are frequently neglected. Many of these secondary issues are useful to a defendant accused of copyright infringement.

For example, several of these issues relate to the actual ownership and registration of the copyright. Insufficient ownership issues arise where there is not exclusive ownership of the copyright or the work does not meet the requirements to be a work for hire. Insufficient copyright registrations issues



Mark Miller

arise where, for example, a software deposit copy is old. “Ugly” registration issues arise where the registration has inaccuracies with regard to claims of originality, creation and publication dates, or ownership (prior works, omitted co-authors).

Another issue involves defects in copyright notice that allows the defendant to argue that his infringement was innocent or at least not willful. Defects include no notice, or notice with a copyright date more than a year after the work was first published.

Mr. Miller discussed various Digital Millennium Copyright Act (DMCA) violations. These include circumvention, trafficking, and the altering of copyright management information. It is unauthorized access to the copyrighted work which violates the DMCA.

Mr., Miller also discussed the benefits and pitfalls of having a client seek insurance coverage for damages resulting from the harm of a copyright infringement. The attorney exposes himself to malpractice liability if he files the insurance claim on behalf of the client. Therefore, Mr. Miller recommends that the client should submit any insurance claims. Further it is recommended to provably advise the client to check their insurance policies.

Mr. Miller also discussed a defendant’s options for recovering attorney’s fees from the plaintiff, and ways to use Rule 68 (Offer of Judgment) to reduce or deny a plaintiff’s attorneys’ fees.

Copyright misuse is another neglected issue. License terms, such as a prohibition against the use of competing products or reverse engineering, may extend copyright monopoly too far and become misuse.

The final neglected copyright issue Mr. Miller discussed was website terms of use. The



issues are no terms, insufficient (and untracked) assent to those terms of use, and counter productive terms.

**Panel Presentation: Licensing and Agreements - Best Practices - Moderator: Randall E. Colson**

The CLE session concluded with a panel presenting their advice on best practices for licensing and license agreements. The panel was moderated by Randal Colson of Haynes and Boone, LLP, with panelists Michael Pegues of Bracewell & Giuliani, LLP, and Russell Emerson of Hanes and Boone, LLP.

Mr. Pegues discussed the advantages of having an arbitration term in a license agreement. These advantages include secrecy to protect trade secrets, speed, economy, convenience, informality, and expert arbitrators who are familiar with the subject matter. Further, the arbitration term can be drafted to limit damages, and specify venue.



Michael Pegues

Mr. Emerson offered the following license drafting tips: Limit the scope of rights granted (e.g., make, use, but not sell). Draft license in terms of uses or products, not patents. Restrict authorized sales. Specify patents that are not necessary to practice licensed patents.



Russell Emerson

Mr. Colson provided the following license drafting tips: Omit “have made” right from license grant and explicitly provide that the license does not allow the licensee to have the product made by third



Randal Colson

parties. Qualify “perpetual and irrevocable” licenses with “subject to licensee’s compliance with the other terms of the license,” and in the termination provision, specifically provide that it applies “notwithstanding the license grant section.”

## Reception

Following the CLE session, a reception was held outside the CLE meeting room. The reception provided a relaxing conclusion to the Section's events and activities.



## Mark Your Calendar

**The 47th Annual IP Law Conference** will be held November 9-10, 2009, at The Center for American and International Law in Plano, Texas. Program details and registration information is available at [www.cailaw.org](http://www.cailaw.org).

**State Bar of Texas 128th Annual Meeting** will be held on June 10-11, 2010 at the Fort Worth Convention Center and Omni Fort Worth Hotel in Fort Worth, Texas. On Friday, June 11, our section will once again offer a full day of high-quality CLE. Block out June 10 and 11 now, and make plans to attend the Annual Meeting in Fort Worth.