



Intellectual Property Law Section

State Bar of Texas

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Chairman's Update

By Ted Lee

Only yesterday, or so it seems by my biological clock, I wrote the first Chairman's Update for the Newsletter. In that short span of time, many things have occurred and I am now preparing my final "Chairman's Update." I have enjoyed serving as the Chair of the Intellectual Property Law Section. It has been my privilege and honor to serve each of you.



In many ways, the success of the Section is controlled by performance of the individual committees. One of the committees with almost endless potential is our Website Committee chaired by Michael Sebastian. If you visit our website at www.texasbariplaw.org, you will see that it has been completely redesigned from the ground up with a more direct navigation structure. Across the top of each page is a

navigation link bar that takes you to the various pages of the site.

- The HOME link returns you to the main page of the web site.
- The SECTION link takes you to a page providing information about the Section. Here you will find the names and contact information for the Section's officers and Council, along with a list of the various committees and their chairs.
- The AWARDS link takes you to the page about the awards and scholarships the Section gives out each year during the State Bar Annual Meeting.
- The CLE SEMINARS link takes you to the page containing information about upcoming Section sponsored CLE activities.
- The NEWSLETTER link takes you to the current and past newsletters produced by the Section's Newsletter Committee.

- The USEFUL LINKS link takes you to a page of links to other web sites. Here you will find links to various governmental sites of use to IP practitioners, along with a host of other sites that many practitioners should find useful or interesting.

Our goal is to make our website one of the premier Intellectual Property Websites in the country. Be on the lookout for a blog feature that will soon be added.

With increased emphasis on Intellectual Property, the Continuing Legal Education (CLE) our Section sponsors each year is very valuable to each of us to keep up with what is occurring. New legislation is being proposed to which our Section members have provided input. Some of the bills pass and become law. New decisions are handed down which frequently change how we practice some aspect of Intellectual Property Law. It is only through our CLE that we can keep apprised of everything that is occurring.

At the Texas State Bar Meeting in Houston on June 27, 2008, Chair-Elect Sharon Israel has an excellent CLE Program with great speakers planned. The amazing part is that the CLE is free if you attend the Texas State Bar Convention.

Houston is a popular venue this year for Intellectual Property events. The American Intellectual Property Law Association had its annual meeting in Houston, Texas in May of this year. Our Section, in combination with the Houston Intellectual Property Law Association, co-sponsored one of the events at the AIPLA annual convention. Intellectual Property Law Attorneys from around the world were in attendance.

If you have not done so, I urge each of you to visit our website of

www.texasbariplaw.org and look at ways you personally can get involved in our Section. If you want to serve on a committee, all you have to do is ask and either I, or my successor Sharon Israel, would be happy to appoint you to the committee. The committees are the life blood of our organization.

We have the best Intellectual Property Law Section in the country! The people are friendly, the CLE is outstanding and the work is rewarding. Join in the activities, enjoy yourself while learning, and make lasting friendships.

Mark Your Calendar



The State Bar of Texas 126th Annual Meeting will be held on **June 26-27, 2008** in Houston, Texas. On Friday June 27th, our section will once again offer a full day of high-quality CLE. Block out June 26-27 on your calendar now, and make plans to attend the Annual Meeting in Houston – we look forward to seeing you there!

Fourth Annual Advanced Patent Litigation Course, San Diego - **July 31-August 31, 2008**, the Four Seasons Resort Aviara. Register for the course by going to www.texasbarcle.com.

For the patent litigator, the 4th Annual Advanced Patent Litigation Course has moved to the beautiful Four Seasons Resort Aviara, near San Diego, California. The course is designed with the intermediate to advanced patent litigator in mind.

Topics on the agenda for Thursday include pre-suit investigations, avoiding mistakes with the court, managing outside counsel, engaging local council, and coordinating joint defense.

Topics for Friday include ethical issues surrounding client representation, Markman hearings, legislative update, the business future of patents, and corporate council perspectives.

The ever-popular Judges panel will be presented Friday afternoon.



In The Section

HIPLA Representative Attends US Bar/EPO Liaison Committee Meeting

Howard Speight attended the US Bar/EPO Liaison Committee Meeting in Washington D.C. on November 12, 2007 on behalf of HIPLA. In addition to about 15 US members from the IPO, AIPLA, ABA, other bar organizations, industry, and law firms, several representatives of the European Patent Office (EPO) attended, including Allison Brimelow, the current President of the EPO. The committee meets annually, alternating between meeting in the US and in Europe. Next year's meeting will be in

The Hague and is tentatively planned for November 17, 2008.

The purpose of the meeting was to bring the two groups from across the Atlantic up to date on the events and trends in the two patent offices. Ms. Brimelow opened the meeting with a discussion of the EPO's ever-increasing work load and the need to increase fees to counter the reduction in maintenance fees received because of the shortening real life of patents. Other EPO representatives discussed trilateral cooperation and various technical issues concerning EPO practice, including EPC 2000, quality issues, and priority determinations. US practitioners described the recent rule change efforts, recent case law, and pending patent reform legislation. Members debated various EPO policies, including, for example, the requirement to summarize the closest prior art in the specification.

Howard has collected electronic versions of the presentations presented at the meeting and would be happy to email them to anyone who is interested. Please contact him directly at howard@hspeight.com.

US Patent Bar/JPO Liaison Council 18th Annual Meeting

The 18th annual meeting of the US Patent Bar / JPO Liaison Council took place in Washington, D.C. on October 15, 2007. The meeting was attended by representatives of various U.S. bar groups as well as representatives of the Japanese Patent Office ("JPO"). Mr. Toshimichi Moriya, Deputy Commissioner of the JPO, was the senior JPO representative in attendance. John Osha attended the meeting on behalf of the Houston Intellectual Property Law Association.

The meeting presented a rare opportunity to get an extended period of "face time" with the deputy commissioner of the JPO, and to have an honest and open exchange of ideas. The members certainly did not agree on all points (there was disagreement even among the U.S. representatives on some points), but there was constructive debate on many issues. The attendees all left with a better understanding of the positions and priorities of the various groups.

The following topics were discussed:

PCT supplemental searches, and role of JPO as ISA

The JPO has withdrawn its objection to PCT supplemental searches, but has opted not to participate. The JPO believes multiple searches will greatly increase expense – thus it is best to do a thorough job on a single search. Thus, the JPO prefers to concentrate its resources on the initial ISR.

Obviousness and inventive step

Presentations were given on KSR and on inventive step law in Japan. A discussion of the would/could distinction followed ("would" or "could" the skilled artisan have made...). The JPO representatives pointed out that this semantic distinction does not exist in Japanese.

Patent Reform – U.S.

The U.S. group presented a summary of the current patent reform proposals.

Recent changes to Japanese Patent Law

Deputy Commissioner Moriya summarized recent changes to the Japanese law:

- Limitation on ability to amend after initial notification of reasons for refusal – cannot amend claims to be

directed to different invention or different technical features.

- Divisional applications can be filed within 30 days of notice of refusal or notice of grant. This is an improvement over the prior situation, where they had to be filed before such a decision – resulting in unpredictability.
- First action can be final in divisional, if art and rejection are the same.
- Date to file translation is changed to 14 months from filing date (or from priority date in cases having a priority claim -- before, it was always 2 months). No change for PCT national phase applications.

JPO allowance rate; reversal rate at high court

Grant rate down from 60% in 2000 to 49% in 2006.

Reversal rate at high court down from 69% in 2000 to 43% in 2006

Rate of invalidation at trial – from 32% in 2000 to 62% in 2006

Rate of reversal at high court:

For JPO decision appeals, variable averaging around 15%

For trial appeals, decreasing from 25% in 2003 to 20% in 2006

Common Application Format

The JPO group presented a summary of the common application format project, designed to allow a single format for the application to be used for the USPTO, the EPO, and the JPO.

Proposed New Rules at USPTO

The US group presented a summary of the proposals for new rules on continuations and claim limitations

New Route Proposal

The JPO group explained the “new route” proposal, which is similar to PCT:

Filing with home office is considered simultaneous filing at second office

First filing office (OFF) examines first, then office of second filing (OSF) will examine, using search and examination result of OFF.

Applicant defers submission of translation to OSF until after search and exam from OFF have been received – so no unnecessary preparation of translation.

The JPO group is in favor and asked for support from the U.S. side. The U.S. side is generally skeptical for two reasons – first it is not seen as very different from PCT, and thus not necessary. Second, it seems unlikely the USPTO will agree to give much if any credit to the JPO search and examination, particularly due to language problems. The JPO side argues that the new route is better because it allows the applicant to get the “better” national stage type search (rather than the ISA search) earlier, and also duplication of effort is reduced.

Patent Prosecution Highway

The JPO-USPTO PPH project was discussed. Both sides agreed this is very useful.

Harmonization

The JPO side presented a summary of

efforts to harmonize substantive patent law, including issues of first to file, the Hilmer Doctrine, grace period, and definition of prior art.

Call for Submissions

The Newsletter Committee welcomes the submission of articles for potential publication in upcoming editions of the IP Law Section Newsletter, as well as any information regarding IP-related meetings and/or CLE events. If you are interested in submitting an article to be considered for publication or to calendar an event, please email your submission to Newsletter@texasbariplaw.org.

Article Submission Guidelines:

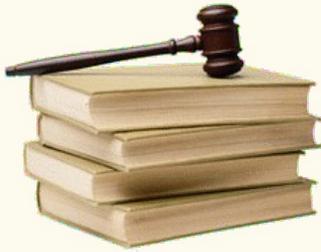
STYLE: Journalistic, such as a magazine article, in contrast to scholarly, such as a law review article. We want articles that are current, interesting, enjoyable to read, and based on your opinion or analysis.

LENGTH: 1-5 pages, single spaced

FOOTNOTES AND ENDNOTES: Please refrain! If you must point the reader to a particular case, proposed legislation or Internet site, or credit another author, please use internal citations.

PERSONAL INFO: Please provide a one paragraph bio and a photograph, or approval to use a photo from your firm's website.

If you have any additional questions, please email Dave Hofman, Newsletter Chair, at Dave.Hofman@haynesboone.com.



Practice Points

Modern Patent Reexamination: A Dilatory Step in Patent Litigation?

By Gerald T. Holtzman, Thomas J. Scott, Stephen T. Schreiner, and Matthew C. Osborne.

Most legislative mechanisms produce unintended side-effects, and the patent reexamination status enacted in 1980 is no exception. It seems that patent reexamination has created more problems than it has solved. It was intended to open up a cheaper and more efficient mechanism than full-blown district court trial for challenging the validity of dubious patents. But lately patent reexamination seems to be best known as a favored delay tactic used by the patent defendants to draw out the costs of enforcement for plaintiffs, a tactic that favors defendants with large pocketbooks who can out-spend and out-wait smaller patent holders.

The original goal of *ex parte* reexamination, part of the Patent and Trademark Laws Amendment Act of 1980, was to create a more efficient procedure for resolving validity questions (1) by avoiding “expensive and lengthy infringement litigation,” (2) to leverage the expertise of examiners at the Patent & Trademark Office (PTO) in reevaluating a patent when a new question of validity arises after the patent issued, and (3) to strengthen industry and public

confidence in the patent system. A statutory mandate requiring that the PTO conduct reexaminations with “special dispatch” reinforced the efficiency concerns of the 96th Congress.

Prior to those amendments, the only mechanisms available to challenge the validity of an issued patent were in Federal Court by filing a declaratory judgment that the patent was invalid or by asserting invalidity defenses in answering an infringement action initiated by the patent holder. Given these options, small companies accused of infringement were seen to be at a great disadvantage, as they lacked both the funding and often the staying power to endure a trip through the

...reexamination seems to be best known as a favored delay tactic used by the patent defendants to draw out the costs of enforcement for plaintiffs...

Federal Courts. The *ex parte* reexamination procedure created a significantly cheaper extrajudicial forum in which to challenge validity, satisfying the concerns of these small firms.

However, recent experience suggests the reexamination pendulum has swung the other way, hurting more than helping those it was designed to benefit. The hardest-hit are often the small inventors that lack the ability to stay in court battles that now take even longer than before the 1980 amendments. On the whole, *ex parte* reexamination may be causing severe hardship for those attempting to enforce patent rights and undermining, not enhancing, the overall efficiency of the U.S. Patent System.

In order to best evaluate the effects reexamination has had upon the patent

system, each of the procedure's original goals should be evaluated in turn.

More efficient procedure to avoid expensive and lengthy litigation?

The modern practice of *ex parte* patent reexamination tends to be a subset of the overall litigation defense strategy, instead of being a substitute for litigation. Over the last decade, many high-profile reexaminations have been the result of defendants in infringement litigations attempting to draw out proceedings by initiating reexaminations of patents before, during, and sometimes even after a district court suit. What makes matters worse is the PTO's failure to carry out these reexaminations with "special dispatch"—under any fair definition—thus exacerbating the problem and feeding into defendants' strategy of reexamination as a tool for delay.

In cases like *EchoStar Technologies v. TiVo* (digital video recorders, stay issued on reexam filed 3+ years after suit) and *Middleton v. 3M* (flooring laminates, stay issued on reexam filed 8 years after suit), trial courts issued stays late in the proceedings, based completely upon pending reexaminations. Instead of instituting a reexamination at the PTO immediately upon filing of these two actions, the defendants waited multiple years until just before trial before requesting a reexam and a stay in the cases. Even more recently in an ITC action pursued by Tesser against Qualcomm and Motorola (chip packaging), an administrative law

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judge stayed the action on the eve of trial pending the outcome of a reexamination.

Reexaminations that stop district court suits in their tracks are no longer the exception in contemporary patent practice. Rather than being used as an alternate forum to examine questions of patent validity, modern *ex parte* reexaminations have become a mere *step* in the examination of patent validity.

In spite of its typical role today as a stepping stone towards completion of trial, *ex parte* reexamination could still further its original goals were it not for two omissions in the original statute: the failure to define "special dispatch" and the lack of any estoppel effect from *ex parte* reexamination. Individually, each omission is unfortunate; together, they create an irresistible trial tactic for defendants.

Once stayed, district court infringement cases are put at a standstill until the Patent Office's Central Reexamination Unit (CRU) gets around to disposing of these matters. Unfortunately for most patent holders, the CRU has not been the most efficient of art units at the Office.

Though Congressional intent of the "special dispatch" mandate was hopeful of conducting reexaminations in a "fraction of the time" of trial, no specific timeframe or guidelines were placed in the 1980 Amendments. Unlike the ITC's statutorily required 18-month disposal of § 337 actions, the PTO was left to interpret the meaning of the special dispatch provision of the Patent Act; unfortunately, the PTO has failed to ever assign special dispatch any specific meaning or standard. As a result, some reexaminations have taken over 9 years to complete--about half the life of the patent term itself!

Even more troubling are the few occasions in which the CRU actually does act with

speed. One illustrative example what some have called the “super special dispatch” of the PTO in the highly-publicized *NTP v. Research in Motion* case regarding the Blackberry. There, NTP’s patents were under reexamination by the Patent Office. The PTO took the unusual step of shortening NTP’s time for responding to office actions by half, to one month. Further, when presented with a substantial filing hundreds of pages long responding to the PTO’s initial rejection of the claims, the CRU examiners purported to review all arguments in the response, conduct an updated patent search, and draft a new 121 page office action in a matter of five business days--an astounding feat. Unfortunately, the implausibility of such a herculean effort by the PTO is underscored by its timing: the 121 page final office action prepared in a record 5 days was delivered the morning of a hearing for a permanent injunction in the co-pending federal case. It is hard to conclude anything other than that the PTO’s conduct of the reexamination was being driven by what was happening that week in the infringement suit, not by some objective measure of special dispatch.

Adding to the problem, there is no significant detriment to a defendant who fails to invalidate a patent in *ex parte* reexamination. A party that begins an *ex parte* reexamination is in no way estopped from making the very same arguments on the very same prior art in court that it made to the PTO. In fact, there is nothing preventing a party from filing multiple reexamination requests on the same patent, as many defendants do in practice. The lack of any estoppel effect of *ex parte* reexamination coupled with the absence of any obligation to bring forth to the PTO all known bases for challenging the patent means that patent defendants get two – or more – bites at the invalidity apple.

With these incentives, it’s no wonder that defendants are customarily including patent reexamination into their courtroom playbook in order to stay and thus drag out trials or to force a race to final judgment between the Patent Office and the trial court. By and large, the PTO conducts reexamination in a manner that helps defendants derail and complicate the ordinary course of litigation, far afield from its intended purpose.

Leverage the expertise of the PTO

In conventional patent examination, individual examiners are assigned to one of a vast array of art units. These art units are designed to specialize by technology type, such as transistors, credit processing systems, and even picture frames. The examiners become intimately familiar with the content of prior art in their respective art units, leading to improved examination over a less-specialized system.

During the introductory years of the reexamination process, patents under reexam were sent back to the very art units from where they came. Under this regime, the examiners reevaluating patents in question would have specialized knowledge in the specific field of the invention at issue. At that time, the goal of the 1980 amendments to leverage the expertise of the PTO seemed to be furthered by *ex parte* reexam.

But in 2005, the PTO restructured the reexamination process and created the CRU group. In its present form, the CRU consists of senior examiners of various technology areas whose sole duty is to examine patents

under reexamination. The PTO claims these more experienced examiners in the CRU will be more capable of handling reexamination than regular examiners in the applicable art units. This belief is misplaced and runs afoul of the original intent of the reexamination process.

The specialized knowledge *of the art*, and not the process, is what positioned the Patent Office as an ideal forum to address new questions of validity in issued patents back in 1980. When the CRU was formed, the PTO lost much of the experience that best leveraged the PTO's expertise in implementing reexamination. Though it is composed of engineers and scientists – by college background at least – there is no guarantee that a patent involving databases will have any examiners well-versed in the database arts involved in its reexamination.

Strengthen confidence in the patent system

It only takes a quick glance at the news to see that the level of confidence bestowed upon the U.S. Patent System is not high. Much negative attention has been brought to bear against patents involved in highly-publicized litigations.

DataTreasury's check imaging patents, which have caused quite a stir in the financial services industry, are just now starting to escape multiple reexaminations. Cases like *NTP/RIM* have many worried about the potential effects of injunctions on the day-to-day use of technology. Patent reform continues to be a hot topic on Capitol Hill for some time now.

If anything, confidence in the patent system

Another necessary reform is the creation of estoppel provisions for named defendants in a lawsuit who request reexamination.

has lessened since the enactment of the 1980 amendments. The general public is skeptical of patents that threaten to shut down their telephones and mobile email devices. Innovators are skeptical of the rewards possible from an issued patent that may be impossible to effectively enforce against large firms.

Though patent reform is on the tip of everyone's tongue, the proposals being discussed (see Senate Bill 1145 and House Bill 1908) do not address the deficiencies of *ex parte* reexamination.

Potential reforms to *ex parte* reexamination

One of the first, and simplest, of the possible congressional reforms would be to give a specific statutory definition of "special dispatch." This would force the Patent Office's hand and reduce the duration of the lengthy reexaminations the patent community is currently experiencing.

Another necessary reform is the creation of estoppel provisions for named defendants in a lawsuit who request reexamination. While *ex parte* reexamination is proper for interested third parties to challenge an issued patent, named defendants should be forced to accept estoppel consequences. This could be accomplished by amending the *ex parte* statutory provisions, by judges requiring stipulation to estoppel as a condition to stays, or by forcing parties into *inter parties* reexamination proceedings with *estoppel*. Imposing an estoppel effect will prevent parties already involved in litigation from successive "bites at the apple" that make the current regime highly inefficient.

Additionally, the CRU experiment should be disbanded – or at least reconfigured to take better advantage of PTO expertise – and reexaminations should be sent to senior examiners in the individual art units those

patents came from. These reexams should be given preference over ordinary applications in order to comply with the defined special dispatch provisions, and examiners experienced in the art of the invention will again be able to leverage their experience to more efficiently handle reexamination requests.

On the judicial side, judges need to be stricter when it comes to evaluating motions to stay pending reexamination that are made late in court proceedings. The more judges differentiate between valid reexamination requests and dilatory tactics, the more defendants will honestly consider the merits of each venue early in an infringement action.

These kinds of reforms would better align the 1980 act that instituted the reexamination process with its stated policy objectives, without severely handicapping either side of patent litigation.

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The Witch is Dead...Or is She?

By Vincent J. Allen

Which old witch? The wicked witch of patent reform. Many in the patent community are singing the joyous news that the Patent Reform Act of 2007 is dead.

The departure of former Solicitor of the U.S. Patent and Trademark Office, John Whealan, from his temporary position with Senate Judiciary Committee Chairman Patrick Leahy (D-Vt.) on May 1, 2008 is a strong indicator that patent reform legislation will not pass in 2008. Whealan has been on leave from the PTO for the past year to assist Senator Leahy with crafting patent reform legislation. If the bill were not in fact dead, it is unlikely that Mr. Whealan would have left his position with the task unfinished.

Whealan's departure was not the only sign that the bill was finished. On April 10, 2008, Senator Arlin Specter (R-Pa.), ranking minority member of the Senate Judiciary Committee, commented on the floor of the Senate that the Republican caucus may refuse to act on pending patent reform legislation "as a matter of leverage to get fair and equitable treatment" in regard to the confirmation of federal judges. On the same day, Senate Majority Leader Harry Reid (D-Nev.) stated that he was "disappointed we are not going to be able to move to the patent bill . . . we are not going to do a patent bill now." He also reported that "the chairman and ranking member [of the Senate Judiciary Committee] could not work out what they wanted to bring to the floor."

The disagreement stemmed from the most controversial portions of the legislation, the apportionment of damages and Applicant Quality Submissions (AQS) provisions. The current damages apportionment provision in

the bill provides for a reasonable royalty to be calculated based on the economic value attributable to an invention's specific contribution over the prior art. This provision is opposed by the Bush Administration, the Court of Appeals for the Federal Circuit, and the PTO. The AQS provision of the bill burdens patent applicants with a duty to search and describe the prior art in connection with filing an application. The patent bar vehemently opposes the AQS provision while the Bush Administration and the PTO are strongly in favor of AQS.

Hal Wegner, a prolific commentator and former director of the intellectual property law program at George Washington University Law School, suggests that the AQS "is a major reason why many in the patent community have moved away from Senator Leahy's bill." He also opines, "Indeed, it is hard to understand responsible members of the patent community supporting this provision." A system similar to that of AQS has already been tested in the PTO's accelerated examination program initiated in August 2006. According to PTO statistics, 85% of all petitions for accelerated examination during the first eight months of the program were dismissed or denied. This was for applicants who voluntarily elected to apply for accelerated examination. Although a portion of the failure rate may be attributable to the learning curve associated with a new program, the statistics do not bode well for the success of AQS.

While the continuation rules that the PTO attempted to implement were blocked in the *Tafas v. Dudas* legislation in the Eastern

District of Virginia, the Patent Reform Act provides for a legislative override of the summary judgment granted by the court barring implementation of the rules. The PTO's attempt to strong arm the patent community into accepting the continuation rules along with the PTO's tireless lobbying for AQS has angered many in the patent bar.

Although the supporters of patent reform legislation promised on numerous occasions over the past several months that she would live, the witch is "most sincerely dead." The year 2008 will probably pass without further damage to the patent system other than reform provided by case law. In any event, it is unlikely that the bill would be signed into law without major revisions.

This is not good news to the groups who lobbied Congress for patent reform. The Coalition for Patent Fairness, a group of technology companies desiring to limit the damage awards and legal costs associated with patent litigation, spent \$2.5 million on lobbyists during the past fifteen months according to the *New York Times*. The group's antithesis, the Coalition for 21st Century Patent reform, spent \$1.8 million. Apparently, the groups were unwilling to compromise on the major portions of the bill as reflected by the inability of the Senators to come to an agreement.

Although the Patent Reform Act of 2007 may be dead, reform of the patent system will be proposed again. While change may be necessary to keep up with the times, change for the sake of change or to protect the special interests of lobbyists is not the solution. As patent practitioners, we should heed the famous quote of Abraham Lincoln: "The patent system . . . added the fuel of interest to the fire of genius, in the discovery and production of new and useful things." Before making major changes to our patent system, we should encourage an open and

honest debate about the best means for accomplishing a productive change. Otherwise, we could end up harming the very system that has led to unprecedented innovation during the United States' short history.

Vincent J. Allen is a partner at Carstens & Cahoon, L.L.P., an intellectual property boutique located in Dallas. He is a member of the Patent Legislation and PTO Practice Committee.



Fraud: The 'F' Word Trademark Owners Should Avoid

By Purvi J. Patel and David A. Bell, Haynes and Boone LLP.

As we approach the five-year anniversary of one of the most significant decisions impacting United States trademark prosecution practice, *Medinol Ltd. v. Neuro Vasx Inc.*, 67 U.S.P.Q.2d 1205 (TTAB 2003), we continue to be reminded that trademark applications and registrations can be easily voided due to misstatements or overstatements as to the goods and services offered under a trademark.

While the U.S. Trademark Office's stated standard for fraud is quite high and envisions a specific intent to mislead, the U.S. Trademark Trial and Appeal Board ("TTAB") has recently taken the position that, in certain circumstances, mere carelessness can constitute fraud.

Pre-Medinol case law recognized that to commit fraud in procuring or renewing a U.S. trademark registration, the applicant must make a material representation of fact, which it knows or should know is false or misleading. *Torres v. Cantine Torresella*

S.r.l., 808 F.2d 46, 49 (Fed. Cir. 1986).

Moreover, fraud had to be proven to the hilt by clear and convincing evidence and does not exist where the applicant had a reasonable and honest belief that a statement in a trademark filing was true. *Woodstock's Enters. Inc. v. Woodstock's Enters. Inc.*, 43 U.S.P.Q.2d 1440, 1444 (TTAB 1997), *aff'd*, No. 97-1580, 1998 U.S. App. LEXIS 3777 (Fed. Cir. Mar. 5, 1998).

Medinol and its progeny have changed the playing field – a trademark owner essentially has no margin for error or mistaken belief when it comes to declaring what goods and services are being provided under a mark. At least two trademark rules contribute to this treacherous landscape in trademark prosecution.

First, the U.S. Patent and Trademark Office ("USPTO") requires sworn declarations of use for filings in which the trademark owner confirms that a trademark is being used in commerce, and in doing so, Applicants must swear that the mark is being used to provide all listed goods or services. Second, the USPTO requires a trademark application to very specifically list the products or services that will be provided, or are currently being provided, in connection with the trademark. An application cannot simply list "clothing"; rather, a sufficiently definite listing of goods might read: "men's clothing, namely, suits, T-shirts, polo shirts, trousers, shorts, skirts, sweaters, jackets, gloves, and ties."

In the *Medinol* case, a company called Neuro Vasx listed its anticipated goods as "stents and catheters" in a trademark application, then later filed a document declaring that it was using its trademark to distribute all listed goods. However, it had actually only used the mark to distribute catheters. *Medinol* filed with the TTAB a petition to cancel Neuro Vasx's registration

due to fraud. Neuro Vasx attempted to remedy its registration by amending the registration to delete stents. The TTAB held that deletion of stents at a later point could “not remedy an alleged fraud” and thus cancelled Neuro Vasx’s entire registration. *Id.* at 1208.

Stating that Neuro Vasx should have “investigated thoroughly prior to signature,” the TTAB held that its actions constituted “reckless disregard for the truth,” which was deemed sufficient for a finding of fraud. *Id.* at 1209-10.

While the *Medinol* case has caused quite an uproar, it was not the first holding of its kind. In one case, a trademark registration covered several food products, but only some were ever offered to customers. *Duffy Mott Co. v. Cumberland Packing Co.*, 165 U.S.P.Q. 422, 423 (C.C.P.A. 1970). The owner’s predecessor had filed a form with the USPTO to maintain the registration, stating that all food items covered by the registration were still being sold under that mark.

Many Board decisions have, in fact, relied upon Medinol in the few short years since its issuance to rule upon fraud allegations.

When the owner filed a TTAB proceeding against another company that owned a trademark registration for the identical mark, the defendant argued that the pleaded registration was invalid due to fraudulent procurement. The plaintiff claimed mere carelessness, but the court did not view this as an acceptable excuse.

Accordingly, the presiding judge ruled that the plaintiff was precluded from enforcing its registration.

The TTAB heard a case three years later with an analogous fact pattern, involving the erroneous inclusion of “meats” in the registration’s goods listing. *Western Farmers Assoc. v. Loblaw Inc.*, 180 U.S.P.Q. 345, 346 (TTAB 1973). The TTAB deemed the registrant’s argument of inadvertent mistake to be “not in the least persuasive.” *Id.* at 347.

Evidently not amused by the question “where’s the beef,” the TTAB canceled the plaintiff’s entire registration.

So if these holdings were already in place, why is *Medinol* so significant? The frequency by which subsequent decisions have relied upon its reasoning is a key reason. *Medinol* is one of the relatively few citable TTAB decisions to issue in the past several years.

Many Board decisions have, in fact, relied upon *Medinol* in the few short years since its issuance to rule upon fraud allegations. In each of the following cases, the Board expressed no sympathy for the applicant’s or registrant’s excuses, and voided the registration or application at issue on the ground of fraud:

A company used its mark to sell swimwear, but not the other clothing articles listed in its declaration of use. The document’s signatory later stated that he did not have the goods listing “before him” and had assumed the document was in order. *Hawaiian Moon Inc. v. Doo*, Opposition No. 91165327 and Cancellation No. 92042101 (TTAB Apr. 29, 2004) (unpublished).

Companies have blamed language difficulties and misunderstanding for erroneous inclusion of goods not in use. *Orion Elec. Co. v. Orion Elec. Co.*, Opposition No. 91121807 (TTAB Mar. 19, 2004) (unpublished); *Hachette Filipacchi*

Presse v. Elle Belle, LLC, 85 U.S.P.Q.2d 1090 (TTAB 2007). Residents of Australia offered several explanations as to why they erroneously claimed use of their trademark in U.S. commerce. They stated that they misunderstood the meaning of use in commerce, as they had used that mark in Australia.

They also noted that they had sold CDs through the Internet, which could reach consumers anywhere in the world. The applicants, moreover, stressed that they acted in good faith. Finally, they explained that they had been distracted by a major coronary infarct suffered by one of the applicants. *Hurley Int'l LLC v. Volta*, 82 U.S.P.Q. 1339 (TTAB 2007).

A trademark owner's attorney had edited the language in the application's declaration, to read that the owner has used the mark on "goods" – rather than "the goods" – listed in the application. *Nougat London Ltd. v. Garber*, Cancellation No. 92040460 (TTAB July 30, 2003) (unpublished). In short, most excuses are likely to be considered by the TTAB to be an invalid defense to fraud.

The TTAB is also freely granting parties leave to amend to allege fraud. Approximately two years after a defendant filed its original answer in a TTAB proceeding, the Board granted the defendant leave to amend its answer to add a *Medinol* fraud counterclaim. *Turbo Sportswear Inc. v. Marmot Mountain Ltd.*, 77 U.S.P.Q.2d 1152, 1155 (TTAB 2005); See also *Hurley Int'l*, *supra*.

Additionally, the TTAB and even courts are deciding *Medinol* fraud cases on summary judgment where there is no dispute as to the use of the items covered by the registration or application sought to be invalidated for fraud. So, must your client despair if it makes an erroneous statement about its

trademark use? Not necessarily.

First, even if its registration is voided, a trademark owner still owns its common law rights in its mark.

Second, in some instances, the TTAB has indicated that the burden for proving fraud was not met. (Remember, the standard for fraud before the USPTO is "to the hilt" by "clear and convincing evidence.")

The Board has declined to find fraud where a mark was used for certain products, but not necessarily used in interstate commerce as required under the law.

In that case, a *pro se* applicant expended considerable efforts to market his products in the U.S., including maintaining some U.S. operations and an Internet presence, but he had primarily shipped his products between China and Egypt only. *Haldex Brake Corp. v. Haldex Brake Prods. Ltd.*, Opposition No. 91160715 (Sep. 5, 2006).
...the TTAB and even courts are deciding *Medinol* fraud cases on summary judgment...

Additionally, where a mark was used in only limited instances across state lines, the TTAB failed to infer fraud as to statements made by the registrant that the mark was used in interstate commerce. *Maids to Order of Ohio Inc. v. Maid-to-Order Inc.*, 78 U.S.P.Q.2d 1899 (TTAB 2006).

To potentially salvage an erroneous statement to the USPTO, according to dicta in two recent TTAB cases, an applicant may try to amend the application before publication with respect to use in connection with all of the listed goods and services. *Hurley Int'l LLC*, *supra*, at 16-18 n.5; *Kipling Apparel Corp. v. Rich*, Opposition No. 91170389 (TTAB Apr. 16, 2007)

(unpublished). Cf. *Sinclair Oil Corp. v. Kendrick*, Opposition No. 91152940 (TTAB Jun. 6, 2007) (unpublished) (finding fraud and voiding application, where applicant filed an application claiming mark was being used to render services, then moved after publication to amend it to an intent-to-use filing basis).

To date, there have been no holdings to clarify the TTAB's position, but as it stands, such an action could be a possible remedy.

Going forward, the following practice pointers should be considered: Offer to audit clients' portfolios for *Medinol* concerns, particularly in cases involving applications filed *pro se* or without trademark counsel. It may be prudent to file new applications to replace tainted filings. Waiting until a client desires to enforce its registrations is an unfortunate time to discover that its registrations are voidable.

Explain to your client... that a misstatement due to mere carelessness can result in a loss of rights.

Explain to your client – preferably in writing – that a misstatement due to mere carelessness can result in a loss of rights.

Ensure that no confusion or uncertainty exists on the part of your client contacts and signatories (who may be different persons), or on your part, as to what the client has offered in commerce under the mark.

When filing use-based applications or evidence of use documents with the USPTO, even though specimens for each product/service are not required for filing, request that your clients locate

documentation supporting use of the mark in connection with all of the goods and services and maintain a file for that documentation.

To the extent that they cannot find supporting evidence of use, advise them to err on the side of deleting the good or service at issue.

File separate applications for separate offerings. This will force focus on the goods and services, and moreover, if any problem should arise with respect to one filing, the client will hopefully still own a valid trademark application or registration covering other offerings.

Since foreign applications and registrations are often broadly described and use is not always a prerequisite to registration in the home country, pay particular attention to Section 8 & 15 Declarations and Renewals for U.S. registrations originally based on foreign applications and registrations pursuant to Sections 44 or 66 of the Trademark Act – those descriptions will likely need to be narrowed significantly.

In conclusion, although declarations of use appear to be straightforward (particularly in this age of electronic filing), due diligence and investigation regarding how a mark is truly used is critical.

Given the devastating implications of a mere misstatement, practitioners and clients need to exercise extreme caution in making declarations regarding the scope of a mark's use during the prosecution process.

Purvi J. Patel is a partner and David A. Bell is an associate in the intellectual property section of Haynes and Boone's Dallas, Texas office.

State Bar of Texas Intellectual Property Law Section



Intellectual Property Law Section
State Bar of Texas



2008 ANNUAL MEETING CLE PROGRAM AND LUNCHEON

THURSDAY, JUNE 26 (RECEPTION)

FRIDAY, JUNE 27, 2008

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INTELLECTUAL PROPERTY LAW

**State Bar of Texas – Intellectual Property Law Section
2008 Annual Meeting CLE Program & Luncheon
Houston, Texas – June 26–27, 2008**

THURSDAY, JUNE 26, 2008

**Welcome Reception
5:00 p.m. – 7:00 p.m.
Location: Hilton Americas Hotel (Room: TBD)**

FRIDAY, JUNE 27, 2008

**CLE Program
8:15 a.m. – 5:30 p.m.
Location: George R. Brown Convention Center
6.25 hours CLE, including 1.25 hours Ethics**

**Luncheon and Awards Presentation
11:30 a.m. – 1:00 p.m.
Location: George R. Brown Convention Center**

8:15 a.m. **OPENING REMARKS**

**SHARON ISRAEL
CHAIR ELECT
STATE BAR OF TEXAS IP LAW SECTION
Mayer Brown, LLP
Houston, Texas**

**State Bar of Texas – Intellectual Property Law Section
2008 Annual Meeting CLE Program & Luncheon
Houston, Texas – June 26–27, 2008**

**Morning Session
8:30 a.m. – 11:30 a.m.
Moderator: Carey Jordan, Baker Botts, Houston, Texas**

8:30 a.m. **TRADEMARKS AND AVOIDING FRAUD ON THE TRADEMARK OFFICE**
(0.5 hours ethics)

SUSAN J. HIGHTOWER
Pirkey Barber, LLP
Austin, Texas

9:00 a.m. **FROM THE CONTRACT TO THE COURTROOM**
(0.5 hours)

ANDY EHMKE
Haynes and Boone, LLP
Dallas, Texas

9:30 a.m. **WHAT'S THE FUTURE FOR IP: HOW SHOULD WE PREPARE?**
(0.5 hours)

GALE (PETE) PETERSON
Cox Smith Incorporated
San Antonio, Texas

**State Bar of Texas – Intellectual Property Law Section
2008 Annual Meeting CLE Program & Luncheon
Houston, Texas – June 26–27, 2008**

**Morning Break
10:00 a.m. – 10:15 a.m.**

10:15 a.m. **IN-HOUSE COUNSEL PERSPECTIVE: HANDLING IP ISSUES IN A
CHANGING LANDSCAPE AND EXPECTATIONS OF OUTSIDE COUNSEL**
(1.25 hours)

JEFFREY JOHNSON (MODERATOR)
Pillsbury Winthrop
Houston, Texas

CRAIG LUNDELL
Shell Oil Company
Houston, Texas

MICHAEL BARRÉ
Intel Corporation
Austin, Texas

BETHLYNN MAXWELL
University of Texas
Austin, Texas

**Section Luncheon and Business Meeting
11:30 a.m. – 1:00 p.m.
Section Chair: Ted E. Lee, Gunn & Lee, P.C., San Antonio, Texas**

Section Business

Scholarship Awards

Inventor of the Year Award

IP Law Writing Contest Award

**State Bar of Texas – Intellectual Property Law Section
2008 Annual Meeting CLE Program & Luncheon
Houston, Texas – June 26–27, 2008**

**Afternoon Session
1:15 p.m. – 5:15 p.m.
Moderator: Scott Breedlove, Vinson & Elkins, Dallas, Texas**

1:15 p.m. **JUDGES PANEL**
(1.0 hour; 0.25 hours ethics)

SCOTT BREEDLOVE (MODERATOR)
Vinson & Elkins
Dallas, Texas

MAGISTRATE JUDGE CHAD EVERINGHAM
Marshall, Texas

JUDGE NANCY ATLAS
Houston, Texas

JUDGE BARBARA LYNN
Dallas, Texas

2:15 p.m. **PRE- AND POST-KSR**
(0.5 hours)

ANDREW DiNOVO
DiNovo Price Ellwanger L.L.P.
Austin, Texas

2:45 p.m. **FEDERAL CIRCUIT/SUPREME COURT UPDATE**
(0.5 hours)

STEVEN SPEARS
Howrey LLP
Houston, Texas

**State Bar of Texas – Intellectual Property Law Section
2008 Annual Meeting CLE Program & Luncheon
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**Afternoon Break
3:15 p.m. – 3:45 p.m.**

3:45 p.m. **GLOBAL PROCUREMENT & ENFORCEMENT OF IP**
(1.0 hour)

WEI WEI JEANG (MODERATOR)
Haynes and Boone, LLP
Richardson, Texas

DALLAS SMITH
Gowling Lafleur Henderson
Canada

BRUCE ALEXANDER
Boult Wade Tenant
United Kingdom

BEIBING “GARY” ZHANG
China Sinda Intellectual Property
China

4:45 p.m. **ETHICAL ISSUES IN ELECTRONIC DISCOVERY:
LESSONS FROM QUALCOMM**
(0.5 hours ethics)

KIRBY DRAKE
Fulbright & Jaworski
Dallas, Texas

5:15 p.m. **ADJOURN**

**Hosted Reception
5:30 p.m. – 7:00 p.m.
(Sponsored)
Location: The Grove at Discovery Green Park**