

Colorado Bar Association  
**INTELLECTUAL PROPERTY SECTION**  
**NEWSLETTER**

**December 2009**

**Happy Holidays!**

**Upcoming IP Section Events**

**January IP Section Event**

**THE VALUE OF PATENTS IN EARLY STAGE COMPANIES**  
***(Rescheduled from October)***

Ted Sichelman

**January 14, 2010; 11: 45 a.m. – 1:15 p.m.**  
**Denver ChopHouse, Large Banquet Room**

Professor Sichelman and a team from the UC Berkeley Center for Law & Technology recently conducted the first comprehensive survey in the United States on patents and entrepreneurship. After six months of collecting data from nearly 1,500 start-up and early stage companies, the research team has now tabulated and analyzed the results. Professor Sichelman will present his groundbreaking research findings on why start-ups patent and the effects of the patent system on entrepreneurial companies.

In his presentation, Professor Sichelman will analyze the drivers of patenting by entrepreneurs. The presentation will also examine the role of patents in investment, financing, acquisition, and IPOs, with Professor Sichelman sharing his insight on the commercialization of inventions. He will also analyze the role of patents and patenting in collaborative innovation. This presentation will be of interest to IP attorneys, entrepreneurs, VCs, and others involved in early stage companies.

**Presenter:**

Before joining the faculty at USD, Professor Sichelman was a fellow at the University of California, Berkeley, Boalt Hall School of Law. Previously, Professor Sichelman practiced in the areas of intellectual property litigation and transactions, appellate litigation, and venture finance at the law firms of Heller Ehrman and Irell & Manella. Professor Sichelman also clerked for Judge A. Wallace Tashima of the U.S. Court of Appeals for the Ninth Circuit. Before practicing law, he founded and ran a venture-backed software company, Unified Dispatch. Professor Sichelman designed the company's software and is a named inventor on several filed patents.

Professor Sichelman earned his J.D. from Harvard Law School and an A.B. from Stanford University. His numerous publications include: "Commercializing Patents," in Stanford Law Review (forthcoming 2010); "Patenting by Entrepreneurs: An Empirical Study," in Michigan Telecommunications & Technology Law Review (forthcoming 2010); "High Technology Entrepreneurs and the Patent System," in Berkeley Technology Law Journal (forthcoming 2009); and "Why do Start-Ups Patent?" in 23 Berkeley Technology Law Journal 1063 (2008).

*Cost: \$35 for IP Section Members, \$45 for the general public, and CU/DU Law students are free. Includes a catered lunch and parking. RSVP by calling (303) 860-1115 ext. 727 or by e-mailing lunches@cobar.org before Noon on Tuesday, January 12, 2010 .*

*Cancellations after Tuesday, January 12, 2010 and no-shows will be billed for the cost of the program. Checks can be sent to the Colorado Bar Association, 1900 Grant St., Suite 900, Denver, CO 80203. Also, please call or e-mail your RSVP when sending a check. Checks should be made payable to the CBA. If leaving a message, please spell your name, specify that you are attending the Intellectual Property Section January Luncheon, leave your phone number, and specify if you would prefer a vegetarian lunch.*

## Report on Past IP Section Events:

### Report on November 18, 2009 IP Section Luncheon: THE INTERPLAY OF PATENTS AND STANDARDS

On November 18, 2009, Jud Cary of CableLabs, Aaron Brodsky of Sun, Lexy DeVane of MPEG-LA, and David Rudin of Microsoft, in-house veterans and leaders in the standards area, presented and discussed about the current issues facing standards-settings organizations (SSO) and current issues facing companies' involvement in SSOs. SSOs are important in many industries because they ensure that products developed in that industry will have widespread interoperability. To start the program, Mr. Cary gave a brief overview including an explanation of acronyms commonly used to orient those in the audience. Most SSOs require that members, holding patents that are utilized in a standard, be required to disclose the existence of the patents and offer licenses to the patents under fair, reasonable, and non-discriminatory (FRAND) terms. Mr. Brodsky and Mr. Rudin addressed processes and strategies that companies can utilize prior to becoming involved in SSOs and included helpful suggestions about what factors should be considered. Those factors included:

- is the SSO a legal entity or just a group of companies working together;
  - how is the SSO governed;
  - what is the decision-making process for promulgating a standard;
  - what patents are owned by the company;
  - what is the company willing to license;
  - what is the scope of the working group (i.e., what standard will the members try and develop); and,
  - what provisions are made for continuing obligations on the part of former members.
- Mr. Brodsky and Mr. Rudin also discussed the interplay between antitrust law and the SSO; especially when or if members of the SSO should discuss what FRAND terms will be included in any licenses.

The panel discussed the pros and cons surrounding SSOs, including the tension between wanting members to join and self policing members who behave badly. Mr. Rudin emphasized the number of promulgated standards versus the number of 'bad' actors as evidence that SSOs are managing the tension. There was discussion of patent pools and Ms. DeVane spoke of her experience in advising an independent patent pool administrator. Ms. DeVane also discussed the notion of royalty stacking and how patent pools can assist in preventing royalty stacking that prices everyone out the market. There was also discussion of a number of cases that are important when analyzing SSOs, including Rambus/Qualcomm; Visio/Westinghouse and Commonwealth Scientific v. Buffalo Tech. The panel also discussed the U.S. Department of Justice review and letters regarding the Philips DVD patent pools.

All of the panelists spoke from their rich experience in guiding their companies through the minefield of participation in standard-setting organizations and the discussion was lively. Their presentation materials are available to registered users of the IP Section Blog under the "Past Events" tab, and a video replay of the presentation is available through CBA/CLE.

*Special thanks to Molly Kocinski, Senior Attorney, Patents at Qwest, for this summary.*

## **Future IP Events**

### **IP Section Executive Council Advisory Board Meeting**

The IP Section overwhelmingly supported the selection of the following individuals to serve on the Executive Council Advisory Board of the Section:

Aaron Brodsky, Sun Microsystems

Bill Cochran, Cochran Freund & Young

Kent Fischmann, Marsh Fischmann Breyfogle

Jason Haislmaier, Holme, Roberts & Owen

Scott Havlick, Holland & Hart

Clay James, Hogan & Hartson

Molly Kocialski, Qwest

Viva Moffat, Kamlet Reichert/University of Denver College of Law

Craig Neugeboren, Neugeboren O'Dowd

Paul Ohm, University of Colorado Law School

Lee Osman, Dorsey & Whitney

Michael Platt, Cooley Godward Kronish

Tim Scull, Merchant & Gould

Sabrina Stavish, Sheridan Ross

The Advisory Board and the IP Section officers will be meeting on January 7, 2010 to discuss goals and planning for the upcoming year. Should you have any issues or suggestions to raise to the Advisory Board, please submit them to Nina Wang at [nwang@faegre.com](mailto:nwang@faegre.com) by January 4, 2010.

### **Women in IP Event**

Marybeth Peters, Register of Copyrights, United States Copyright Office

**February 11, 2010; 5:30 p.m. – 8 p.m.**

***Details to follow***

## **ANNOUNCEMENTS:**

### **New Federal Circuit Bar Association Model Jury Instructions**

The Federal Circuit Bar Association released revised model jury instructions for patent cases on December 8. Members of the Federal Circuit Bar Association may obtain the jury instructions for free, while non-members pay \$ 30. More information can be obtained on the Federal Circuit Bar Association's website, [www.fedcirbar.org](http://www.fedcirbar.org).

### **Taped IP Section Luncheon Meetings**

CBA/CLE tapes the IP Section Luncheons for later access and CLE credit. The following IP Section meetings are now available online:

Global IP Strategy: Using Data to Secure A First Win  
Emerging Trends and Strategies in Reexamination  
IP Due Diligence

They can be found at:

<http://www.cobar.org/cle/onlineprograms.cfm?nextrow=1&majorcat=Intellectual%20Prop>.

### **Call for Suggestions or Ideas**

The IP Section Officers are also soliciting your suggestions and ideas for topics and speakers for our Luncheon programs for 2010. Please forward any comments you may have to Nina Wang at [nwang@faegre.com](mailto:nwang@faegre.com).

### **IP Newsletter**

Subject to editorial discretion and review, the IP Section newsletter is open to the submission of short articles and columns on IP topics of interest. If you are interested in contributing, please contact Nina Wang at [nwang@faegre.com](mailto:nwang@faegre.com).

## **IP Section Blog**

The IP Section blog is at <http://www.ipsectioncolorado.org/>. You can find news from and links to other Colorado and national IP resources, connect with other IP Section members, provide input to Section Officers, and get up-to-date information about IP Section activities. Be sure to register to get the full benefit of the blog.

## **IP Section Website**

Don't forget to check out the Colorado Bar Association website. Please refer to it often for updates on news and events.

<http://www.cobar.org/group/index.cfm?EntityID=PATENT>

The Colorado Bar Association has posted member directories for each practice section on-line. See ours at:

<http://www.cobar.org/directory/sections.cfm?section=PATENT>

Our contact at the Colorado Bar is Melissa Nicoletti, the Director of Sections and Committees. She can be reached at (303) 824-5321, or [melissan@cobar.org](mailto:melissan@cobar.org).

## Recently Filed U.S.D.C. Colorado Cases

CAPTION	TYPE	CASE NO.	JUDGE	FILING ATTORNEY(S)
Bacterin International, Inc. v. Tissuenet Custom Applications, LLC	Trademark	09cv2669	Richard P. Matsch	John R. Posthumus
Chanel, Inc. v. Eu Interstate, LLC	Trademark	09cv2701	Walker D. Miller	Peter A. Gergely
E.i. Du Pont De Nemours and Company v. Teflon Blood Records, Inc.	Trademark	09cv2717	Walker D. Miller	Barry A. Schwartz Kamlet Reichert, LLP
RND Development, Inc. v. Ogosport, LLC	Trademark	09cv2739	Robert E. Blackburn	Ronnie Fischer Benson & Case, LLP
Home Design Services, Inc. v. Quality Built, Inc., et al.	Copyright	09cv2767	Christine M. Arguello	Ian Thomas Holmes Parrish Lawhon & Yarnell, P.A.
Jobete Music Co., Inc. et al v. Tres Peros, LLC, et al.	Copyright	09cv2771	Walker D. Miller	Conor Fitzgerald Farley James Edward Hartly Holland & Hart, LLP
Holy G Wear, LLC v. Holy-G, Inc.	Trademark	09cv2773	Robert E. Blackburn	Brian D. Smith Brian D. Smith, P.C.
Microsoft Corporation v. Seifelden Electronics, LLC et al.	Copyright	09cv2788	Christine M. Arguello	Michael Alex Sink Perkins Coie LLP
Microsoft Corporation v. Royal Distribution, Inc. et al.	Copyright	09cv2807	Christine M. Arguello	Michael Alex Sink Perkins Coie LLP
Microsoft Corporation v. VioSoftware Corporation et al.	Copyright	09cv2809	Robert E. Blackburn	Michael Alex Sink Perkins Coie LLP
Blehm V. Jacobs et al.	Copyright	09cv2865	Richard P. Matsch	Conor Fitzgerald Farley Holland & Hart, LLP Thomas P. Howard Garlin Driscoll Howard, LLC
Active Release Techniques, LLC v. DeStefano	Trademark	09cv2857	Walker D. Miller	Marci Meier Fulton Patton Boggs, LLP
Caught Fish Enterprises, LLC et al. v. Blaze Wharton Construction, Inc. et al.	Patent	09cv2878	Phillip A. Brimmer	Robert R. Brunelli Sheridan Ross, P.C.
Particle Measuring Systems, Inc. v. Lighthouse	Patent	09cv2882	Zita L. Weinshienk	James A. Jablonski James A. Jablonski Law Office

Please email Nina Wang at [nwang@faegre.com](mailto:nwang@faegre.com) with any interesting Colorado District Court IP decisions or IP news involving Colorado Companies.

## **IP LAW DEVELOPMENTS FROM BNA**

### ***Trademarks***

#### **Starbucks Gets Another Chance to Argue That 'Charbucks' Dilutes by Blurring**

Whether a small New England coffee dealer's use of the term "Charbucks" for a dark roast of coffee dilutes by blurring the famous mark of the Starbucks Coffee chain must be reconsidered because the lower court misapplied two of the prongs of the federal blurring standard, the U.S. Court of Appeals for the Second Circuit ruled Dec. 3 (Starbucks Corp. v. Wolfe's Borough Coffee Inc., 2d Cir., No. 08-3331-cv, 12/3/09).

Vacating in part a judgment favoring the defendant, the court said that a plaintiff in a dilution case is not necessarily obligated to show that the defendant's mark is "substantially similar" to its famous mark. Furthermore, the court said, a likelihood of confusion is not applicable to determining likelihood of success on the merits of a dilution claim.

#### **'Charbucks' Mark Challenged**

Seattle-based Starbucks Corp. is a well known operator of a chain of retail shops selling coffee and related products. Starbucks holds federal trademark registrations including the term "Starbucks." Wolfe's Borough Coffee Inc. d/b/a Black Bear Micro Roastery of Center Tuftonboro, N.H., is a family run business that sells coffee products through its website and a retail store in New Hampshire.

In 1994, Black Bear introduced a dark-roasted coffee blend under the name "Charbucks," a satirical reference to a perception that Starbucks coffee is over-roasted. In 2001, Starbucks sued Black Bear, alleging trademark infringement and dilution under the Lanham Act and the Federal Trademark Dilution Act of 1995. Starbucks moved for an injunction.

In 2006, Judge Laura Taylor Swain of the U.S. District Court for the Southern District of New York denied Starbucks' motion and entered judgment for Black Bear on all claims (6 PTD, 01/10/06).

Subsequently, Congress passed the Trademark Dilution Revision Act of 2006, requiring only a demonstration of "likelihood of dilution," rather than actual dilution. The Second Circuit vacated the district court's judgment and remanded for further proceedings consistent with the TDRA, holding that since Starbucks was seeking prospective relief, application of an intervening statute would not be impermissibly retroactive. 477 F.3d 765, 81 USPQ2d 1927 (2d Cir. 2007)(33 PTD, 02/20/07).

On remand, the district court ruled that Black Bear's use of the "Charbucks" mark did not constitute dilution of Starbucks' mark (112 PTD, 6/11/08). Starbucks appealed.

#### **Dilution by Blurring**

Judge Roger J. Miner first criticized the district court in its application of some of the factors for determining whether there is likelihood of dilution by blurring, as set forth in 15 U.S.C. §1125(c)(2)(B).

The first factor addresses the similarity of the marks in question. In considering this factor, the district court concluded that the marks were not substantially similar and, thus, this alone prevented a conclusion of likelihood of success on the blurring claim. According to the appeals court, “substantial” similarity is not demanded by the statute.

“We conclude that the District erred to the extent it required ‘substantial’ similarity between the marks, and, in this connection, we note that the court may also have placed undue significance on the similarity factor in determining the likelihood of dilution in its alternative analysis,” the court said.

The adoption of the TDRA eliminated any possible requirement that the similarity be substantial to support a finding of dilution by blurring, the court said.

The key consideration, according to the court, is whether any similarity creates an association with the plaintiff’s mark and whether this association “impairs the distinctiveness of the [plaintiff’s] mark,” in the language of 15 U.S.C. §1125(c)(2)(B).

Indeed, the sixth factor asks whether there is “any actual association between the [defendant’s] mark or trade name and the [plaintiff’s] mark.” Here the district court erred again, according to the court, when it concluded that absence of actual confusion defeated this prong.

“[T]he absence of actual or even of a likelihood of confusion does not undermine evidence of trademark dilution,” the court said.

Thus, the court remanded the question of dilution by blurring to the district court for reconsideration.

However, the court found no error in the district court’s ruling that there was no likelihood of dilution by tarnishment created by Black Bear’s use of the Charbucks mark.

#### Parody Claim Does Not Protect Use

The court rejected Black Bear’s argument that its use of the term “Charbucks” was protected as parody. The court emphasized that the parody exception in the federal trademark law, 15 U.S.C. §1125(c)(3)(A)(ii), specifically excludes uses “as a designation of source for [a] person’s own goods or services.”

*Louis Vuitton Malletier S.A. v. Haute Diggity Dog LLC*, 507 F.3d 252, 84 USPQ2d 1969 (4th Cir. 2007), did acknowledge parody when considering a trademark dilution claim. However, the court said that the Fourth Circuit found no dilution in that case, because the parody was so blatant that the distinctiveness of the plaintiff’s mark could not be impaired. The court distinguished the facts:

Here, unlike in *Louis Vuitton*, Black Bear’s use of the Charbucks Marks is, at most, a subtle satire of the Starbucks Marks. Although we recognize some humor in the “Char”bucks as a reference to the dark roast of the Starbucks coffees, Black Bear’s claim of humor fails to demonstrate such a clear parody as to qualify under the Fourth Circuit’s rule. ...

Therefore, because the Charbucks Marks do not effect an “increase [in] public identification [of the Starbucks Marks with Starbucks],” the purported Charbucks parody plays no part in undermining a finding of dilution under the Fourth Circuit’s rule.

#### Infringement Claims

Applying the eight-factor test set forth in *Polaroid Corp. v. Polarad Electronics Corp.*, 287 F.2d 492, 128 USPQ 411 (2d Cir. 1961), the court concluded that the district court had not erred in concluding that Starbucks had failed to establish a likelihood of success on the merits of its infringement claim.

However, the lower court was in error with respect to one of the factors, according to the court. Under the fourth factor, which inquires into the likelihood of the plaintiff's "bridging the gap" and entering the defendant's business, the lower court had weighed this factor in Starbucks' favor. According to the court, because the relevant goods being sold by Starbucks and Black Bear were already in direct competition, this factor was irrelevant.

#### State Law Claims

The court found no error in the district court's finding that the Starbucks mark was not substantially similar to the Starbucks mark and thus did not constitute dilution under the New York dilution law, N.Y. Gen. Bus. Law §306-l.

The court's opinion was joined by Judge Debra Ann Livingston and Judge David G. Trager, sitting by designation from the U.S. District Court for the Eastern District of New York. Starbucks was represented by Mark N. Mutterperl of Fulbright & Jaworski, New York. Black Bear was represented by Christopher Cole of Phinney, Bass & Green, Manchester, N.H.

By Anandashankar Mazumdar  
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**Copyrights**

### **News Groups Pledge to Continue Aggregator Crackdown, Services Say They Benefit News**

Executives from media companies like News Corp. and the Associated Press told the Federal Trade Commission Dec. 1 that online news aggregators, including search engines, are unlawfully misappropriating their content, and urged the government to make aggregators stop listing portions of copyrighted content on their websites.

According to a recent report issued by Outsell Inc., more than half of consumers who see aggregated news headlines do not click to read the full story from the original source. Those numbers illustrate that headlines are just as valuable as the content presented under them, and so reproducing them should not qualify as a fair use, publishers said. Their comments came on the first of a two-day workshop the FTC held to investigate current challenges faced by the journalism industry, which Chairman Jon Leibowitz said could lead to FTC recommendations to Congress for additional legislation down the road.

Several recommendations for federal assistance to the news industry, including tax and antitrust law changes, have been proposed in recent months. The commission plans to hold additional workshops in March 2010 to delve deeper into the industry's current challenges, which have been caused not only by drops in advertising revenues due to increased online competition, but also other market factors, Leibowitz said.

Aggregators: Fair Use or Copyright Infringement?

News publishers have for years complained that some online news aggregation services—a category that encompasses both search engines and other sites that compile news reports from around the internet—unlawfully misappropriate their content.

The practice has triggered several lawsuits, all resulting in settlements.

In 1997, the Washington Post and other publishing companies sued Total News Inc., a company operating a website that caused the contents of the plaintiffs' pages to be displayed in a frame that occupied only a portion of a computer user's browser screen, for copyright and trademark infringement. *The Washington Post Co. v. Total News Inc.*, No. 97-1190 (S.D.N.Y. *settlement announced* June 6, 1997).

Total News agreed to stop framing the plaintiffs' online news product and further promised that, in the future, any links to the plaintiffs' websites would be by unadorned text-only hyperlinks. More recently, a French news agency sued Google for its aggregation of headlines and photographs in its Google News service. *Agence France Presse v. Google Inc.*, No. 05-546 (D.D.C. *complaint filed* March 17, 2005)(10 ECLR 323, 3/30/05). The case ultimately settled (12 ECLR 333, 4/11/07).

In late 2008, a Massachusetts media company alleged that the New York Times infringed the copyright in its news headlines by listing them on the Boston.com website. *GateHouse Media Massachusetts I. v. The New York Times Co.*, No. 08-12114 (D. Mass. *complaint filed* 12/22/08)(14 ECLR 15, 1/7/09). GateHouse Media alleged causes of action for copyright infringement, breach of its website terms of service, and unlawful circumvention of its copyright protection measures. The case also settled (14 ECLR 112, 1/28/09).

The Associated Press filed a similar lawsuit against All Headline News Corp., alleging causes of action under the Digital Millennium Copyright Act and New York's "hot news" misappropriation doctrine. The court denied the defendant's motion to dismiss most claims Feb. 17 (*Associated Press v. All Headline News Corp.*, No. 08-323 (S.D.N.Y. February 17, 2009)(14 ECLR 241, 2/25/09) ). The court did not analyze the copyright and fair use issues raised by the republication of headlines in that ruling because defendants did not move to dismiss that count. The case settled June 15.

Fair Use: How Much Is Too Much?

With the recent market downturn, publishers' focus on aggregators shows no signs of slowing down.

"Rewriting or copying our content without offering a penny for stories that took weeks or months to create is not journalism, and wholesale misappropriation is not fair use," News Corp. Chairman and CEO Rupert Murdoch said. "Content creators bear all the costs while aggregators enjoy many of the benefits, and we are going to ensure that we get a fair and modest price for the value we provide."

The Copyright Act, 17 U.S.C. § 107, explains that some uses of copyrighted content do not infringe on copyright owners' exclusive rights, referring to them as "fair use."

“The fair use of a copyrighted work ... for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright,” the section states.

In determining whether a use qualifies as a fair use, courts consider:

- the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
- the nature of the copyrighted work;
- the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- the effect of the use upon the potential market for or value of the copyrighted work.

Even if aggregators do not re-post full stories, the use of headlines and linking to full stories at the original source may harm publishers as much as posting full reports, Mark Contreras, senior vice president at E. W. Scripps Co., complained.

He said statistics presented by Ken Doctor, a media analyst at Outsell Inc., indicating that almost half of consumers his organization surveyed said they scanned news headlines on Google without going to linked websites, illustrated the value of headlines and disadvantages posed by permitting their replication under the fair use doctrine.

“Consumption of headlines is much more prevalent than reading a whole story, so the headline is just as valuable as the depth of reporting—both are critical,” Contreras said.

Srinandan Kasi, the Associated Press's vice president and general counsel, and Thomson Reuters President Chris Ahern, both expressed optimism about the potential for monetizing linked content, but said work needs to be done to prevent unauthorized, uncompensated use of their copyrighted content.

Kasi interpreted fair use to apply narrowly to news headlines. “Information about our products is our product,” he said. Listing a headline may be equivalent to giving a whole story away, he suggested, because it can in some instances convey the message of the whole work and diminish its value.

Murdoch made several recommendations for government assistance of the news industry: “Let news organizations innovate, and get rid of arbitrary regulations that prevent investment. Ask consumers to pay, make aggregators desist, and don't prop up failures or intervene in this constitutionally-conscious business sector.”

### Services Say News Depends on Linking

Murdoch has referred to aggregators as “parasites,” “content kleptomaniacs,” and “tech tapeworms in the intestines of the internets,” names Arianna Huffington said were the “news industry equivalent of the schoolyard's ‘Your mama wears army boots.’ ” “Get real you guys. The world has changed,” she added.

Huffington, who founded the Huffington Post, said that linking and aggregation is fair use, that news companies benefit from it, and that publishers choose not to block it because it drives traffic to their websites.

“You can shut down indexing of your content right now. Just click ‘disallow.’ But be careful what you wish for because you stand to lose a large portion of your traffic overnight.” Lem Lloyd, Yahoo! Inc.’s vice president of channel sales, said that the company is working directly with news outlets that together number over 50 percent of Sunday print circulations in the United States to integrate its search and advertising capabilities with newspapers’ content and local features.

Through the program, Yahoo provides advertising services to newspapers, and can provide enhanced advertising returns by serving targeted advertising, Lloyd said.

Google News Senior Project Manager Josh Cohen said that the search giant also offers a news partnership for publishers who seek to expand the reach of their content through search. “The partnership is about helping find the information that publishers are creating. The reality is that most publishers want to be discovered,” he said. He said that content owners can prevent the indexing of any or all of their content by all reputable aggregators by including a simple code in their website metadata.

Google announced changes to its news program Dec. 1 in a blog posted by its webmaster trends analyst. The company previously offered a “First Click Free” program through which publishers can sell content through either the news or search programs. Through the program, individuals who view premium content through Google can view it free, but once they click on the page they must sign up.

In the blog, John Mueller wrote that publishers will now be permitted to limit the number of free accesses to five per user per day.

By Amy E. Bivins  
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**Patents**

**Avoiding ‘Magic Words’ Does Not Defeat Declaratory Judgment Jurisdiction**

The “lower bar” for declaratory judgment jurisdiction established by the Supreme Court in *MedImmune Inc. v. Genentech Inc.* allows for an action seeking a judgment that a patent holding company’s computer networking patent is invalid and is not infringed by the plaintiff’s products, the U.S. Court of Appeals for the Federal Circuit held Dec. 4 (*Hewlett-Packard Co. v. Acceleron LLC*, Fed. Cir., No. 2009-1283, 12/4/09).

Reversing a lower court’s dismissal of the lawsuit for lack of jurisdiction, the appellate court held that a patent holder cannot defeat declaratory judgment jurisdiction by avoiding such “magic words” as “litigation” or “infringement” in its correspondence with the plaintiff. Nor is it relevant whether the patent holder has conducted an investigation or whether it subjectively believes that the plaintiff is infringing, the court added.

Exchange of Letters to Discuss Patent, Products

Acceleron LLC is a patent holding company headquartered in eastern Texas and owns a patent (6,948,021) directed to a computer network device comprising hot-swappable modules to enhance fault tolerance.

On Sept. 14, 2007, the company's president sent a letter to Hewlett-Packard Co. noting its recent acquisition of the patent and asking if HP, maker of allegedly related "Blade Server" products, would like to "engage in discussions regarding this patent." In reply, HP suggested a "mutual standstill agreement" where the parties would exchange information but neither would initiate a lawsuit for 120 days.

Acceleron wrote back that it was interested only in an agreement on its initial terms, which required that "all information exchanged between the parties will not be used for any litigation purposes whatsoever, including but not limited to any claim that Acceleron has asserted any rights against any of your ongoing or planned activities, or otherwise created any actual case or controversy regarding the enclosed patent."

HP sued Acceleron in the U.S. District Court for the District of Delaware seeking declaratory judgment of noninfringement and invalidity on Oct. 17, 2007. But Judge Sue L. Robinson granted Acceleron's motion to dismiss for lack of subject matter jurisdiction, concluding that litigation was "too speculative a prospect to support declaratory judgment jurisdiction." HP appealed.

MedImmune Set 'Lower Bar.'

Chief Judge Paul R. Michel first noted that the U.S. Supreme Court "lowered the bar for determining declaratory judgment jurisdiction" in 2007 in *MedImmune Inc. v. Genentech Inc.*, 549 U.S. 118, 81 USPQ2d 1225 (2007).

Michel acknowledged that "a lowered bar does not mean no bar at all." In particular, he allowed that "a communication from a patent owner to another party, merely identifying its patent and the other party's product line, without more, cannot establish adverse legal interests between the parties, let alone the existence of a 'definite and concrete' dispute," he added, quoting from *MedImmune*.

But in the instant case, he rejected Acceleron's argument that the company had not asserted its rights, in that the letters from Acceleron to HP contained no language threatening to sue for infringement or demanding a license. "The purpose of a declaratory judgment action cannot be defeated simply by the stratagem of a correspondence that avoids the magic words such as 'litigation' or 'infringement,'" Michel said.

He discounted Acceleron's assertion that a patent owner may, without triggering declaratory judgment jurisdiction, contact another party to suggest incorporating the patented technology into the other party's product, or to attempt to sell the patent to the other party. That may be the case in other scenarios, Michel said, but it was not unreasonable, under the totality of the circumstances, for HP to interpret Acceleron's letters as implicitly asserting its rights under the '012 patent.

Patentee as Licensing Entity Only Significant

The court further dismissed Accelaron's argument that it had not even determined whether HP was infringing at the time it sent HP the letters. Accelaron's subjective beliefs were irrelevant, the court said, since the MedImmune test is objective. "Thus, conduct that can be reasonably inferred as demonstrating intent to enforce a patent can create declaratory judgment jurisdiction," Michel said.

He also rejected Accelaron's reliance on a letter from HP counsel to Accelaron asking for further information and thereby implying that HP had not determined whether its interests were adverse to Accelaron. "HP is not required to make a formal declaration of having an adverse legal interest," Michel said.

Moreover, according to Michel, the fact that Accelaron is solely a licensing entity that receives no benefits from patents without enforcement shows that Accelaron's refusal to agree to a mutual, but limited standstill is distinguishable from the covenant not to sue at issue in *Prasco LLC v. Medicis Pharmaceutical Co.*, 537 F. 3d 1229, 87 USPQ2d 1675 (Fed. Cir. 2008). Michel concluded that a definite and concrete dispute exists inasmuch as "Accelaron took the affirmative step of twice contacting HP directly, making an implied assertion of its rights under the '021 patent against HP's Blade Server products, and HP disagreed."

Summing up, Michel said:

As the district court recognized in its careful opinion analyzing declaratory judgment jurisdiction, there is no bright-line rule for distinguishing those cases that satisfy the actual case-or-controversy requirement from those that do not. See *MedImmune*, 549 U.S. at 127. Our decision in this case undoubtedly marks a shift from past declaratory judgment cases.

However, *MedImmune* has altered the way in which the Declaratory Judgment Act applies to patent law cases, requiring that legal interests be evaluated in patent cases under the general criteria of the Act. Our jurisprudence must consequently also evolve, and in this case the facts demonstrate adverse legal interests that warrant judicial resolution.

He thus reversed the lower court's dismissal and remanded the action.

Judges Pauline Newman and Kimberly A. Moore joined the opinion.

### The Court's Other Post-MedImmune Rulings

Notably, the Federal Circuit, since *MedImmune*, has reversed decisions denying jurisdiction in declaratory judgment actions in a number of other instances, including most notably:

- *SanDisk Corp. v. STMicroelectronics Inc.*, 480 F.3d 1372, 1377, 82 USPQ2d 1173 (Fed. Cir. 2007) (patent licensing negotiations, in which one party asserts that the other party's ongoing activities constitute patent infringement, may create a case or controversy sufficient to support a declaratory judgment action);
- *Teva Pharmaceuticals USA Inc. v. Novartis Pharmaceuticals Corp.*, 482 F.3d 1330, 82 USPQ2d 1225 (Fed. Cir. 2007) (justiciable declaratory judgment controversy arises for an ANDA filer when a patentee lists patents in the Orange Book, the ANDA applicant files its ANDA certifying the listed patents under paragraph IV, and the patentee brings an action against the submitted ANDA on one or more of the patents);
- *Sony Electronics Inc. v. Guardian Media Technologies Ltd.*, 97 F.3d 1271, 83 USPQ2d 1798 (Fed. Cir. 2007) (correspondence between a patentee and electronics companies that dispute

whether V-Chip technology patents are valid, infringed, or warrant royalty payments raised a “definite and concrete” case sufficient for jurisdiction);

- *Micron Technology Inc. v. MOSAID Technologies Inc.*, 518 F.3d 897, 86 USPQ2d 1038 (Fed. Cir. 2008) (patentee’s public statements in the press and in corporate annual reports about its intent to aggressively pursue patent litigation as part of a licensing strategy created an “actual controversy” with a would-be infringer sufficient for jurisdiction);

- *Revolution Eyewear Inc. v. Aspex Eyewear Inc.*, 556 F.3d 1294, 89 USPQ2d 1885 (Fed. Cir. 2009) (a covenant not to sue did not divest the trial court of declaratory judgment jurisdiction); but see *Prasco LLC v. Medicis Pharmaceutical Corp.* (patentee’s failure to sign a covenant not to sue is one circumstance to consider, but “not sufficient to create an actual controversy”).

Charlene M. Morrow of Fenwick & West, Mountain View, Calif., represented Hewlett-Packard. Jason W. Cook of Alston & Bird, Dallas, represented Acceleron.

By Tony Dutra

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