

Colorado Bar Association
INTELLECTUAL PROPERTY SECTION
NEWSLETTER

September 2009

September IP Section Event

EMERGING TRENDS AND STRATEGIES IN REEXAMINATION

[Steve Kunin](#), Oblon Spivak - Washington, DC

[Hal Wegner](#), Foley Lardner - Washington, DC

September 23, 2009; 11: 30 a.m. - 1:15 p.m.

The Ritz-Carlton, Denver

2 CLE credits applied for

The emerging popularity of reexamination largely stems from an increased willingness of some Federal District Courts to stay a patent litigation in the face of an initiated reexamination. Thus, reexam proceedings typically involve patents that are subject to very high profile litigation disputes. The increasing use of *inter partes* reexamination raises a number of new practice concerns, as well.

New strategies are evolving in these high stakes proceedings at the Patent Office. Join two of the nation's foremost experts in both patent law and reexamination as they share their insights into how the playing field is evolving. The new PTO leadership has many reexamination initiatives in the pipeline, and Steve Kunin and Hal Wegner are uniquely positioned to provide updates on the latest developments.

Cost: \$50 for IP Section Members, \$65 for the general public, and CU/DU Law students are \$20. Includes a catered lunch and parking. RSVP by calling (303) 860-1115 ext. 727 or by emailing lunches@cobar.org before Noon on Monday, September 21, 2009.

Cancellations after Monday, September 21, 2009 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 September Luncheon, leave your phone number, and specify if you would prefer a vegetarian lunch.

The spectacular new Ritz-Carlton in downtown Denver is at 1881 Curtis St. (at 19th and Curtis), and complimentary valet parking will be provided.

VOTE ON IP SECTION BYLAWS

September 23, 2009, 11: 30 a.m. - 1:15 p.m.

The Ritz-Carlton, Denver

Based on numerous interviews with IP Section members and on input received from the Special IP Section Advisory Council seated last fall, the IP Section Leadership proposed new bylaws. We appreciate the assistance and broad support received from the many members who have offered suggestions and provided input. The bylaws include a number of changes to the current leadership structure designed to improve transparency, increase responsiveness, foster leadership diversity, and provide new leadership opportunities.

A vote was initially scheduled for the August 27, 2009 meeting. The IP Section Leadership decided to delay the vote on the bylaws because of 1) last minute suggestions from the Colorado Bar Association regarding changes to specific dates in the bylaws to coincide with the CBA calendar, and 2) requests from some members for an open forum to discuss the bylaws.


A forum open to all IP Section members was held on September 10 to discuss the bylaws. A final proposed set of bylaws (including any final changes) will be distributed before the September 23 meeting. Voting on the bylaws will be conducted at our September 23, 2009, and will be in the form of a straight up or down vote using a secret ballot. If passed, the bylaws will then be forwarded to the Colorado Bar Association for final review and approval.

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Submitted for 7 General CLE Credits

The Lifecycle of Intellectual Property Litigation

A wooden gavel rests on a wooden block, set against a background of faint, glowing gears and a copyright symbol (©).

LIVE PROGRAM and LIVE WEBCAST: **September 24, 2009**
Live program will be held at the CBA-CLE Classroom, 1900 Grant Street, Suite 300, Denver, CO

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Join many of Colorado's leading intellectual property practitioners for a day-long guide through the stages of IP litigation. You will learn more about the strategic issues at each stage of litigation from inception through resolution. The faculty will provide practical advice and insight about case development, management and budgeting, all with the goal of cost-effective resolution for the client. The program will address these considerations from the perspective of both the plaintiff and the defendant.

Whether you are a seasoned intellectual property practitioner or are contemplating entering the IP arena, this is one day you cannot afford to miss.

[Mark your calendar today for this superb program.](#)
[We look forward to seeing you in September!](#)

PROGRAM AGENDA

| | |
|---------------------|---|
| 8:30 - 9:00 am | Registration |
| 9:00 - 9:50 pm | The Threats and Opportunities <ul style="list-style-type: none"> • Monetization Options and Strategies • Enforcement Campaigns • Playing Defense • Managing Assertions by Trolls and Direct Competitors <i>Presented by James Brogan and Wayne Stacy, Cooley Godward Kronish, LLP, Broomfield, CO</i> |
| 9:55 - 10:45 pm | The Assessment <ul style="list-style-type: none"> • Technical • Legal • Monetary/Damages <i>Presented by Tim Scull and Peter Gergely, Merchant & Gould, PC, Denver, CO</i> |
| 10:45 - 11:00 am | Networking Break |
| 11:00 - 11:50 am | Pre-litigation Resolution Techniques <ul style="list-style-type: none"> • Timing • Techniques • A View from the Bench <i>Presented by Eric Elliff, Morrison & Foerster, LLP, Denver, CO and Honorable Craig Shaffer, Magistrate, US District Court, District of Colorado</i> |
| 11:55 am - 12:45 pm | Motions to Transfer <i>Presented by Theodore Budd, Faegre & Benson, LLP, Minneapolis, MN and Mindy Sooter, Faegre & Benson, LLP, Boulder, CO</i> |
| 12:45 - 2:00 pm | FREE NETWORKING LUNCHEON PROVIDED |
| 2:00 - 2:50 pm | Discovery <ul style="list-style-type: none"> • Preparing for Discovery • Budgeting for Discovery • Making the Right Decisions about What to Discover <i>Presented by Brian J. Ankenbrandt, Gibson, Dunn & Crutcher, LLP, Denver, CO and Honorable Boyd N. Boland, Magistrate, US District Court, District of Colorado (Invited)</i> |
| 2:55 - 3:05 pm | Networking Break |
| 3:05 - 3:55 pm | Markman, Summary Judgment and Other Pivotal Issues |



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the program?**
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- Timing
 - Statistical Realities
 - Framing Motions for Success
- Presented by Lee Johnston, Dorsey & Whitney, LLP, Denver, CO*

4:00 - 4:50 pm

Key Considerations in Settlement Negotiations

Presented by Peter J. Kinsella, Faegre & Benson, LLP, Denver, CO and Charles Schwab, Cooley Godward Kronish, LLP, Broomfield, CO

4:50 pm

Adjourn

TUITION:

- Non-member: **\$299**
- CBA Member: **\$249**
- CBA Intellectual Property Law Section Member: **\$229**
- New Lawyer (in practice 2 years or less): **\$209**
- CBA Associate Member: **\$209**

REGISTRATION:

For course details or to register online, go to:

[The Lifecycle of Intellectual Property Litigation](#)

There are 5 easy ways to register. **Download** the [registration form](#) and:

1. **FAX** the form to the CBA-CLE offices at **(303) 860-0624**
2. **MAIL** to CBA-CLE at 1900 Grant Street, Suite 300, Denver, CO 80203
3. **CALL** us! **(303) 860-0608**, or toll free **(888) 860-2531**
4. **REGISTER ONLINE NOW** @ <http://www.cobar.org/cle>
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NOT A CBA MEMBER YET?

Sign up to be a CBA section member to receive the reduced rate! Signing up is easy. E-mail membership@cobar.org and request to join a CBA section, please remember to include your name, e-mail address, and attorney registration # in your e-mail. An invoice will be sent directly.

We look forward to providing you with the best information and service available, to meet all of your continuing legal education needs. Please contact us at cle@cobar.org if you do not wish to receive e-mail correspondence regarding CLE in Colorado seminars. Our mailing address is 1900 Grant Street, Suite 300, Denver, CO 80203

Future IP Section Events

October IP Section Event

THE VALUE OF PATENTS IN EARLY STAGE COMPANIES

[Ted Sichelman](#), Professor – University of San Diego School of Law

October 29, 2009; 11: 45 a.m. – 1:15 p.m.
Denver ChopHouse, Large Banquet Room

Professor Sichelman will present his groundbreaking research findings on why start-ups patent and the effects of the patent system on entrepreneurial companies. He will also share his insight on the commercialization of inventions and the financing of start-up and early-stage technology companies.

Sign-up information is forthcoming shortly.

November IP Section Event

THE INTERPLAY OF PATENTS AND STANDARDS

Jud Cary, Vice President Video Technology Policy and Deputy General Counsel,
CableLabs

Aaron Brodsky, Director, IP Law Group, Sun Microsystems

Larry Horn, CEO or Lexy DeVane, General Counsel, MPEG-LA

Microsoft Representative

November 18, 2009; 11: 45 a.m. – 1:15 p.m.
CableLabs, Louisville, CO

Sign-up information is forthcoming shortly.

Report on Past IP Section Events:

Report on August 27, 2009 IP Section Luncheon: U.S. and Global Patent Litigation Forum Shopping

On August 27, 2009, IP section members attended a luncheon presentation by Michael C. Elmer on global forum shopping in patent litigation cases. The central premise of Mr. Elmer's presentation was that just as statistics such as win rates currently drive forum shopping in the United States, such statistics are also starting to drive forum shopping around the globe. Mr. Elmer's presentation discussed how attorneys can assist their clients in creating global strategic plans for making patent enforcement decisions if they have knowledge of the relevant statistics.

Mr. Elmer marshaled an impressive amount of data collected through the Global IP Project, which he coordinates at Finnegan, where he is Senior Counsel. For example, he showed the audience a comparative patentee win rate chart, by country, for the years 1997 – 2007. Defining a "win" as a "case where at least one claim was found valid and infringed in a court of first impression," the countries with the highest overall win rate for patentees include the United States, China, Germany, France, and Japan. Developing enforcement strategies with these win rates in mind can allow a company to leverage the power of a first good litigation outcome in one jurisdiction to attempt to settle in other jurisdictions. Once you have achieved the first positive outcome, others may follow more easily.

Win rates, however, were only one statistical tool discussed during Mr. Elmer's presentation. Mr. Elmer also discussed how knowing a jurisdiction's typical litigation timeline—from filing a complaint through a final decision—also facilitates smart decisions about where to file. Knowing how quickly different forums typically proceed allows attorneys to answer client questions about how much a case may cost and how long it could possibly proceed. The Global IP Project has created such timelines for 33 different countries. With this information in hand, attorneys can more easily discuss best and worst case scenarios in different jurisdictions and assess the potential value of a case to the client.

Mr. Elmer also discussed forum shopping possibilities within a particular country. For example, based on his statistics and analysis, Germany appears to be the best European Court of first instance in which to initiate patent litigation. For an alleged infringer, England may be the better European option. Relevant data exists for many different inter-country jurisdictions and even exists to compare win rates for specific types of patents within those jurisdictions.

For more information or a copy of the Global IP Report, IP section members may contact Mr. Elmer at Michael.Elmer@finnegan.com.

Special thanks to Katie Schwalb of Faegre & Benson LLP for this summary.

ANNOUNCEMENTS:

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.

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.

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.

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.

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

| CAPTION | TYPE | CASE NO. | JUDGE | FILING ATTORNEY(S) |
|---|-----------|----------|-----------------------|---|
| Labnet, Inc. v. Berry & Berry, PLLC | Trademark | 09cv1994 | Wiley Y. Daniel | Kenneth R. Stettner Stettner & Miller, P.C. |
| QFA Royalties LLC et al. v. Abrishami et al. | Trademark | 09cv2013 | Wiley Y. Daniel | Michael A. Sink Perkins Coie LLP |
| Diamond Rose Shears LLC v. Hattori Hanzo Shears LLC et al. | Copyright | 09cv2035 | David M. Ebel | Glenn W. Hagen Glenn W. Hagen, P.C. |
| Black Star Communications v. Viacom Inc. et al. | Trademark | 09cv2056 | Christine M. Arguello | Kevin J. O'Toole Bookhardt & O'Toole |
| Gates Corporation v. Dorman Products, Inc. | Trademark | 09cv2058 | Christine M. Arguello | George G. Matava Merchant & Gould, P.C. |
| NRC Broadcasting, Inc. v. Cool Radio, LLC et al. | Trademark | 09cv2076 | Robert E. Blackburn | Adam S. Caldwell Davis Wright Tremaine, LLP |
| Flow Tek, Inc. v. Cortland Line Company, Inc. | Patent | 09cv2078 | Robert E. Blackburn | Nina Y. Wang Faegre & Benson, LLP |
| Feel Good Products Company v. Nuriche LLC et al | Trademark | 09cv2092 | Christine M. Arguello | James K. Lewis Patton Boggs, LLP |
| Magpul Industries Corporation v. Atlantic Research Marketing Systems, Inc. et al. | Patent | 09cv2103 | Zita L. Weinshienk | Thomas D. Bratschun Swanson & Bratschun, LLC |
| Glass America Midwest Inc. v. Autoglass America, LLC | Trademark | 09cv2110 | Marcia S. Krieger | Brian E. Bates Antonio, Bates, Bernard, P.C. |
| Englert, Inc. v. New Tech Machinery Corp. | Patent | 09cv2118 | Philip A. Brimmer | Benjamin B. Lieb Sheridan Ross, P.C. |
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| | | | | |

Please email Nina Wang at nwang@faegre.com with any interesting Colorado District Court IP decisions or IP news involving Colorado Companies.

IP LAW DEVELOPMENTS FROM BNA

Patents

Federal Circuit Grants En Banc Rehearing On Patent for Regulating Gene Expression

The U.S. Court of Appeals for the Federal Circuit, in an infringement case involving a patent for a “messenger” protein that regulates the way genes are expressed in cells, ordered an en banc rehearing Aug. 21 to address its jurisprudence on the written description requirement (*Ariad Pharmaceuticals Inc. v. Eli Lilly & Co.*, Fed. Cir., No. 2008-1248, en banc rehearing granted, 8/24/09).

A panel held April 3 that key claims of the patent were invalid for inadequate written description, overturning a jury verdict of over \$65 million. The court held that the inventors were not “in possession of the claimed invention” at the time of patent application filing.

Judge Richard Linn's separate concurring opinion reiterated his long-held position that the Patent Act requires no separate written description requirement in addition to the enablement requirement in 35 U.S.C. §112, adding that the court missed an opportunity to address whether claims written to cover any method of achieving a result, as did the broad claims in the instant case, can ever be valid.

In the rehearing order, the court vacated the panel opinion and invited the parties, the United States, and amici to file new briefs addressing the issues raised in Ariad's June 3 petition:

- Whether 35 U.S.C. §112, paragraph 1, contains a written description requirement separate from an enablement requirement?
- If a separate written description requirement is set forth in the statute, what is the scope and purpose of the requirement?

Jury Finds Infringement; Court Affirms Patentability

The Whitehead Institute for Biomedical Research, the President and Fellows of Harvard College, and the Massachusetts Institute of Technology hold a patent (6,410,516), licensed to Ariad Pharmaceuticals Inc., on “Nuclear Factors Associated With Transcriptional Regulation.” The patent describes a method to use regulation of Nuclear Factor Kappa B, a “messenger” protein that regulates the way genes are expressed in cells, to treat diseases.

The patentees sued Eli Lilly & Co. for patent infringement, alleging that the company's drugs Evista, used to treat osteoporosis, and Xigris, used to treat sepsis, operated by suppressing NF-κB activity. The '516 specification hypothesizes three classes of molecules—specific inhibitors, dominantly interfering molecules, and decoy molecules—capable of reducing NF-κB activity, but no term in those asserted claims corresponds to any of those molecules.

A jury of the U.S. District Court for the District of Massachusetts handed down a \$65.2 million verdict of inducement and contributory patent infringement against Lilly. 529 F. Supp. 2d 106 (D. Mass. jury verdict May 4, 2006) (88 PTD, 05/8/06). Judge Rya Zobel issued the court's

findings of facts and conclusions of law more than a year later. No. 02-11280-RWZ (D. Mass. July 6, 2007).

Lilly appealed, and oral argument at the Federal Circuit was conducted Feb. 6 (25 PTD, 2/10/09).

Is There Separate Requirement Under §112?

In the panel opinion, Judge Kimberly A. Moore focused on Section 112. 560 F.3d 1366, 90 USPQ2d 1549 (63 PTD, 4/6/09).

Moore said “the specification must demonstrate that Ariad possessed the claimed methods by sufficiently disclosing molecules capable of reducing NF-κB activity,” as of the patent application date.

Further, citing the “vast scope” of Ariad's generic claims, Moore noted that Ariad “maintained the breadth of these claims through claim construction and into trial ... [and] chose to assert claims that are broad far beyond the scope of the disclosure provided in the specification of the ‘516 specification.”

Consequently, she concluded that the four claims at issue were invalid for lack of a written description. Judge Sharon Prost joined the opinion.

Judge Richard Linn concurred, but repeated an argument from his dissenting opinion in *University of Rochester v. G.D. Searle & Co.*, 375 F.3d 1303, 1325-27, 71 USPQ2d 1545 (Fed. Cir. 2004) (Linn, J., dissenting from denial of rehearing en banc) (143 PTD, 07/27/04).

Linn argued that the question in 35 U.S.C. §112, para. 1, is not “Does the written description disclose what the invention is?” but rather “Does the written description describe the invention recited in the claims—themselves part of the specification—in terms that are sufficient to enable one of skill in the art to make and use the claimed invention and practice the best mode contemplated by the inventor?”

He argued that the failure to make this distinction “does separate mischief in this case.” Linn said that the Federal Circuit has not addressed—and “an important issue that [this panel] has left unresolved”—the enablement requirement as to “claims written broadly enough to cover any method for achieving a particular result. It may be, as Lilly argues, that such a claim can never be valid, since the specification cannot enable unknown methods.”

Petition Cites ‘Conflict in Pronouncements.’

The Federal Circuit “inexplicably wrote a new disclosure requirement, found nowhere in title 35, and attributed that new requirement to the written description doctrine,” according to Ariad's June 2 petition for rehearing en banc, quoting Judge Randall R. Rader in his concurrence in *Moba B.V. v. Diamond Automation Inc.*, 325 F.3d 1306, 66 USPQ2d 1429 (Fed. Cir. 2003) (69 PTD, 04/10/03).

The “written description doctrine” Rader referred to was created in 1997 by the court's decision in *University of California v. Eli Lilly & Co.*, 119 F.3d 1559, 43 USPQ2d 1398 (Fed. Cir. 1997), according to the petition.

Ariad's petition, submitted by Fried Frank Harris Shriver & Jacobson, New York, and signed by John M. Whealan, associate dean for intellectual property law studies at the George Washington University Law School, argued that Federal Circuit opinions "have produced a 'conflict in pronouncements' regarding the written description and enablement requirements of the Patent Act," quoting Judge Pauline Newman's separate dissent to the University of Rochester rehearing denial.

The petition claimed that the doctrine has created a "super-enablement" test in biotechnology, quoting Dan L. Burk and Mark A. Lemley, *Policy Levers in Patent Law*, 89 Va. L. Rev. 1575, 1652-54 (2003).

The written description standard also presents a disadvantage for research universities and small biotechnology companies, according to the petition, citing the plaintiffs in the instant case and noting research university patents found to be lacking adequate written description in Lilly and in the panel decision in University of Rochester, 358 F.3d 916, 922, 69 USPQ2d 1886 (Fed. Cir. 2004) (32 PTD, 02/19/04).

Biotech Companies Uniquely Disadvantaged

"For biotech companies, this is the case of the century," according to Kenneth J. Burchfiel of Sughrue Mion, Washington, D.C., who coauthored on amicus brief for Novozymes A/S that largely agreed with petitioners.

"Under the bright-line test of Eli Lilly, as interpreted and applied by the United States Patent and Trademark Office, biotechnology companies are uniquely disadvantaged by the requirement of 'a precise definition, such as by structure, formula, chemical name, or physical properties' and of a disclosure of 'representative' number of species to obtain generic claim scope," according to Novozymes' brief. The brief cited at least three reasons for the disadvantage:

- "The Eli Lilly holding that a definition by function is insufficient to support a genus ignores the reality and state of the art in biotechnology inventions. A person of skill in the biotechnology arts frequently describes established classes of compounds, such as proteins and enzymes, by their functionality."
- Because "the greatly-restricted doctrine of equivalents vitiates the value of narrow claims" in subsequent amendments, "claims restricted to a specific sequence or narrow range of homologous compounds is little more than dedication of the invention to the public. ... Variants of a disclosed protein species can be routinely generated by one of skill in the art using well-known techniques such as mutagenesis, recombination and cloning."
- For international protection, "bioinnovators" face a problem with the first-to-file requirement overseas. "The inventor could delay filing in order to generate myriad routine variants of his protein as appears to be required by the Eli Lilly doctrine in the U.S., thereby risking the loss of all rights outside the U.S., or could immediately file worldwide including in the U.S., but risk losing patent rights of meaningful scope in the U.S. merely because he or she did not perform the routine experiments fully enabled by his or her specification."

However, Burchfiel, author of *Biotechnology & the Federal Circuit* (BNA Books, 2005), had a different view of the first paragraph of Section 112. The panel majority held that the written

description is distinct, such that no enablement discussion was necessary in the instant case, while petitioners argue that there is no written description requirement at all, he told BNA.

But he pointed to Novozymes' brief for a third view: "Amicus agrees that there is a 'separate' requirement for written description of an invention in §112, first paragraph, but submits that written description only requires that the claims find support in the specification, such as in the priority context or when a claim is added or amended during prosecution."

Lilly: Biotechnology Plagued by Overreaching

In response, Charles E. Lipsey and Howard W. Levine of Finnegan, Henderson, Farabow, Garrett & Dunner, Reston, Va., argued that "a written description requirement, separate from enablement, ... protects the public from overreaching inventors who attempt to claim as their own subject matter they simply have not invented."

The respondents seized on Moore's comment on the "vast scope" of Ariad's claims, such that "even if there was 'debate' concerning this Court's written description jurisprudence, as contended by Ariad, this case is not the right 'vehicle' to resolve it."

Both Ariad and Lilly referred to 19th century U.S. Supreme Court precedent for support, but Lilly also claimed recent high court support from the distinct requirements listed, that "Section 112 requires that the application describe, enable, and set forth the best mode of carrying out the invention," in *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 736, 62 USPQ2d 1705 (2002) (113 PTD, 06/12/02).

Lilly continued its argument that the written description requirement is intended to prevent patentee overreaching, a problem that is "particularly acute in the field of biotechnology, which has been plagued from its inception by prematurely filed patent applications based on newly discovered biological phenomena in attempts to preempt economically valuable future developments."

Countering the petitioners' appeal on behalf of research universities, Lilly claimed that those institutions have simply not been immune to the temptation to overreach. In the instant case, Lilly argued, "The written description requirement prevented an inequitable result, thus allowing real innovators to develop drugs that save and improve the quality of life."

Oddly, both petitioners and respondents argued that the U.S. government supports their side. Ariad referred to a brief the government filed in *Enzo Biochem Inc. v. Gen-Probe Inc.*, 323 F.3d 956, 63 USPQ2d 1609 (Fed. Cir. 2002) (144 PTD, 07/26/02). Lilly claimed that, since then, the government has argued that claims were invalid under the written description requirement in at least three cases, most recently in its briefing for *In re Kubin*, 561 F.3d 1351, 90 USPQ2d 1417 (Fed. Cir. 2009) (64 PTD, 4/7/09).

The dual reliance on the government's support may explain why the order for en banc rehearing specifically stated that the United States is invited to submit an amicus brief.

Trademarks

Federal Circuit Drops 'Should Have Known' From Medinol Trademark Fraud Standard

The U.S. Court of Appeals for the Federal Circuit overturned Aug. 31 that portion of the Patent and Trademark Office's standard allowing a finding of intent to commit fraud when the applicant "should have known" a trademark registration was false (In re Bose Corp., Fed. Cir., No. 2008-1448, argued 5/6/09).

Saying that the PTO "erroneously lowered the fraud standard to a simple negligence standard" in its 2003 Medinol decision, the court equated the intent standard for trademark fraud with that required to establish inequitable conduct in prosecuting a patent.

'Use in Commerce' on Repair Services Only?

Bose Corp. registered the marks "Acoustic Wave" and "Wave" for various products including audio tape recorders and players. Bose renewed the marks in 2001 for the same list of products, although it had not sold audio tape recorders and players since 1997.

Hexawave Inc. filed an application to register the mark "Hexawave," and Bose opposed the registration. Hexawave made a counterclaim of fraud against Bose, alleging that Bose filed its renewal "claiming use on audio tape recorders and players when it knew it no longer manufactured or sold those goods."

Bose claimed, however, that it was justified in continued use of the marks on those goods based on repair services that it was still providing at the time of the renewal. Bose's general counsel, Mark E. Sullivan, who signed the renewal, claimed that it was "his understanding that 'transporting' goods in connection with repair services constitutes use in connection with goods."

Citing a contrary Ninth Circuit holding in *Karl Storz Endoscopy-America v. Surgical Technologies Inc.*, 285 F.3d 848, 62 USPQ2d 1273 (9th Cir. 2002) (63 PTCJ 500, 4/12/02), that "mere repair" of a product and return to its owner does not constitute "use in commerce," Administrative Trademark Judge Karen Kuhlke of the Trademark Trial and Appeal Board said "the only question is whether it was reasonable for [Bose] to believe that it did."

Kuhlke answered that question in the negative, pointing to Bose's inability to identify relevant case law for its interpretation, Sullivan's lack of inquiry within Bose as to the continued use of the marks on the goods, and his failure to investigate whether the interpretation was warranted.

She therefore found that Bose had committed fraud in its renewal, and she cancelled the marks in their entirety for all product lines, "inasmuch as fraud cannot be cured by the deletion of goods from the registration," citing *Medinol Ltd. v. Neuro Vasx Inc.*, 67 USPQ2d 1205 (T.T.A.B. 2003).

Bose appealed to the Federal Circuit. When Hexawave chose not to contest the board's decision against the company as to its own trademark claims, the PTO moved to participate in

the appeal. The Federal Circuit granted the motion and changed the caption accordingly (77 PTCJ 230, 1/2/09).

Oral argument was held May 6 (78 PTCJ 61, 5/15/09). This journal also published May 29 an analysis of the issues in the case by attorneys at Finnegan, Henderson, Farabow, Garrett, and Dunner, Washington, D.C. (78 PTCJ 129, 5/29/09).

Oral argument for a second case on the trademark fraud issue was postponed, and the parties subsequently jointly agreed to withdraw the appeal. Grand Canyon West Ranch LLC v. Hualapai Tribe, No. 2009-1012 (Fed. Cir. dismissed July 29, 2009), appealed from 88 USPQ2d 1501 (T.T.A.B. 2008) (76 PTCJ 390, 7/18/08).

Medinol Erroneously Lowered to Negligence Standard

Chief Judge Paul R. Michel began by citing the Federal Circuit's predecessor court's emphasis on a showing of "knowingly inaccurate or knowingly misleading statements" to establish intent. *Bart Schwartz International Textiles Ltd. v. Federal Trade Commission*, 289 F.2d 665, 669, 129 USPQ 258 (C.C.P.A. 1961).

"[A]bsent the requisite intent to mislead the PTO, even a material misrepresentation would not qualify as fraud under the Lanham Act warranting cancellation," Michel said.

He allowed that Medinol properly found that "intent must often be inferred from the circumstances and related statement made" by the trademark applicant. But he criticized the board for further adding "should have known" to the standard, which thus "erroneously lowered the fraud standard to a simple negligence standard." He continued:

We have previously stated that "[m]ere negligence is not sufficient to infer fraud or dishonesty." *Symbol Technologies Inc. v. Opticon Inc.*, 935 F.2d 1569, 1582[, 19 USPQ2d 1241] (Fed. Cir. 1991). We even held that "a finding that particular conduct amounts to 'gross negligence' does not of itself justify an inference of intent to deceive." *Kingsdown Medical Consultants Ltd. v. Hollister Inc.*, 863 F.2d 867, 876[, 9 USPQ2d 1384] (Fed. Cir. 1988) (en banc). The principle that the standard for finding intent to deceive is stricter than the standard for negligence or gross negligence, even though announced in patent inequitable conduct cases, applies with equal force to trademark fraud cases. ... Thus, we hold that a trademark is obtained fraudulently under the Lanham Act only if the applicant or registrant knowingly makes a false, material representation with the intent to deceive the PTO.

Michel said that the PTO read "too broadly" the Federal Circuit's holding in *Torres v. Cantine Torresella S.r.l.*, 808 F.2d 46, 1 USPQ2d 1483 (Fed. Cir. 1986), in setting the Medinol standard. While "should know" was used in *Torres*, "one should not unduly focus on the phrase," he said, distinguishing the facts of that case as showing a registrant who knowingly made false statements.

Effectively disowning the court's use of the phrase, he cited a subsequent case that referenced *Torres* and "reaffirmed that fraud can only be found if there is 'a willful intent to deceive.'" *Metro Traffic Control Inc. v. Shadow Network Inc.*, 104 F.3d 336, 340, 41 USPQ2d 1369 (Fed. Cir. 1997).

No Fraud in Instant Case

In the instant case, Michel acknowledged that Sullivan's statement that the repair services constituted use in commerce was false. Bose further did not challenge that the statement was material, he said, so "Bose made a material misrepresentation to the PTO."

However, he continued, citing Sullivan's misunderstanding, "There is no fraud if a false misrepresentation is occasioned by an honest misunderstanding or inadvertence without a willful intent to deceive. ... Unless the challenger can point to evidence to support an inference of deceptive intent, it has failed to satisfy the clear and convincing evidence standard required to establish a fraud claim."

He concluded that the board erred in finding fraud and cancelling Bose's mark on all goods, but said that the board, on remand, should modify the registration to exclude audio tape recorders and players.

Judges Timothy B. Dyk and Kimberly A. Moore joined the opinion.

Bose was represented by Charles Hieken of Fish & Richardson, Boston. Solicitor Raymond T. Chen of the Patent and Trademark Office represented the agency.

Amicus AIPLA Extremely Pleased

The American Intellectual Property Law Association submitted an amicus brief supporting Bose's position. The brief was written by Susan J. Hightower of Pirkey Barber, Austin, Texas. Hightower was allowed to present the brief at oral argument.

After reviewing the opinion, AIPLA passed along to BNA comments attributed to William G. Barber of that firm, saying that "AIPLA is extremely pleased with both the Bose decision's result and the rationale. The decision finally puts to rest the PTO's approach to trademark fraud in the TTAB's Medinol line of cases."

Barber further said that the result is "a great development for trademark applicants and the trademark bar."

By Tony Dutra
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Copyrights

SCO Can Continue Fight for UNIX Copyright As 10th Circuit Reverses Summary Judgment

The SCO Group Inc.'s claims to ownership of copyrights in UNIX operating systems should go to trial, the U.S. Court of Appeals for the 10th Circuit held Aug. 24, reversing a lower court's finding that the rights were never transferred to SCO (SCO Group Inc. v. Novell Inc., 10th Cir., No. 08-4217, 8/24/09).

The court held that the Copyright Act does not "impose any heightened burden of clarity or particularity" in the written instrument of conveyance of rights. Exactly what was transferred in the conveyance was still an issue of considerable ambiguity, the court said, concluding that the case was "particularly ill-suited to summary judgment."

SCO's Threat to Linux Community, Novell

In 1993, Novell Inc. paid over \$300 million to purchase UNIX System Laboratories, owner of the copyrights and licenses in the UNIX operating system software. In a sale of part but not all of the business two years later to the Santa Cruz Operation, a predecessor corporate entity to SCO, all copyrights and trademarks, except for the trademarks UNIX and UnixWare, were excluded from the deal.

However, a subsequent amendment to the sales agreement left doubt as to SCO's copyright rights. Novell claimed it only extended an implied license to SCO to develop and distribute Novell's particular version of UNIX. SCO argued that the amendment brought the transaction in line with the parties' original intent to transfer the copyrights.

In March of 2003, SCO sued IBM Corp., alleging that IBM violated its UNIX software and sublicensing agreements by disclosing UNIX-derivative source code. SCO sent 1,500 end-user companies a letter threatening suit based on the assertion that it owned the UNIX copyright and that the Linux operating systems infringes on its UNIX intellectual property. While the public was reacting to SCO's claim that the use of Linux required a UNIX license, Novell went public with a statement that the deal did not transfer the UNIX copyrights to SCO.

SCO subsequently sued Novell, but Judge Dale A. Kimball of the U.S. District Court for the District of Utah concluded that the UNIX copyrights were never transferred (74 PTCJ 495, 8/24/07). With that finding, Kimball also ruled in favor of Novell on a separate slander of title charge.

SCO appealed.

Rights Transfer Satisfies Copyright Act

Judge Michael W. McConnell recast the relationship between the original agreement and the amendment, allowing SCO to offer additional evidence as to the parties' intent in the original.

He then considered whether the amended agreement constituted a writing sufficient to transfer rights under Section 204(a) of the Copyright Act, 17 U.S.C. §204(a), which states, "A transfer of copyright ownership, other than by operation of law, is not valid unless an instrument of conveyance, or a note or memorandum of the transfer, is in writing and signed by the owner of the rights conveyed or such owner's duly authorized agent."

Novell argued that the writing must further state with sufficient clarity what copyrights are to be transferred, but the court was "unwilling to read into Section 204 such an onerous restraint on the alienability of copyrights," citing a Second Circuit holding on the same issue, *Jasper v. Bovina Music*, 314 F.3d 42, 47, 65 USPQ2d 1207 (2nd Cir. 2002) (65 PTCJ 210, 1/10/03).

"We think that Section 204's writing requirement is best understood as a means of ensuring that parties intend to transfer copyrights themselves, as opposed to other categories of rights," the court asserted. The court distinguished the instant case from cases Novell cited, "where it is not clear whether the parties intended that copyrights would transfer at all—not disputes over which specific copyrights were within the scope of an intended transfer."

In the instant case, the original agreement expressly excluded copyrights from the assets transferred, the court said, and since the written amendment "excised certain copyrights from that exclusion, we think the Copyright Act's writing requirement is satisfied."

Ambiguity in Transferred Rights Should Go to Trial

“This case, involving a complicated, multi-million dollar business transaction involving ambiguous language about which the parties offer dramatically different explanations, is particularly ill-suited to summary judgment,” McConnell continued.

The court's conclusion as to the relationship between the original agreement and the amendment also introduces more conflict, “bolstered by SCO's extrinsic evidence of the transaction,” he said.

After recapping the conflict on several issues related to the ownership of UNIX and UnixWare copyrights, the court reversed the lower court's grant of summary judgment and remanded the case for trial.

Judge Carlos F. Lucero and Senior Judge Bobby R. Baldock joined the opinion.

Stuart H. Singer of Boies, Schiller & Flexner, Fort Lauderdale, Fla., represented SCO. Novell was represented by Michael A. Jacobs of Morrison & Foerster, San Francisco.

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