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FIGHTING COUNTERFEITS ON THE EUROPEAN FRONTLINE**

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Fighting the trade of counterfeits is an international battle. However, intellectual property (IP) enforcement is dealt with at the national level. In the European Union (EU), there is a substantially harmonised customs procedure for enforcing IP rights at the border. An example of its efficacy is a recent action by LG Electronics, Inc. against Sony in relation to the "Playstation 3" console. However, whilst such customs procedures may be effective for goods entering the EU market, they may be less so for goods in "external transit," in light of a recent opinion from the Court of Justice of the European Union.

EU CUSTOMS AND IP RIGHTS

In 2010, 103 million articles suspected of infringing intellectual property rights were detained at the EU border, with a retail value of one billion Euros (approximately US\$1.5 billion). In 90% of these cases, the goods were destroyed, on agreement of the IP right holder and the goods holder, or the IP right holder initiated a court action to decide on IP right infringement. The largest proportion of seized goods was cigarettes (34%), other tobacco products (8%), labels, tags, and emblems (8%), clothing (7%), and toys (7%).¹ Although the number of articles seized fell compared with last year, the number of cases of seizing infringing goods almost doubled to 80,000. It would seem importers are sending smaller consignments in greater numbers, to hinder customs' ability to seize all suspect goods.

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EU customs legislation² sets out the provisions for customs authorities to protect and enforce IP rights in the EU. It relies on co-operation between the authorities and IP rights holders. Indeed, the sum is greater than the parts: customs authorities have an in-depth knowledge of trading routes and are located on the border, whereas IP right holders give customs officials greater powers to act.

EU customs legislation is implemented at the national level, by each EU Member State. Although fundamental principles apply in each Member State, implementation details can vary between them. Professional advice should therefore be sought if a customs action in a Member State is of interest.

Initiating a customs action is straightforward. An application is made on the basis of the IP right(s) in question. The IP right needs to be registered/granted, unless the right is an unregistered right operable under the law of an EU Member State, such as copyright. Pending applications cannot be used as the basis of an application.

For European IP rights, such as a European Community trademark or design right, a "Community application" or a "National application" can be lodged. For national IP rights, such as a patent or a national trademark, only a "National application" is available.³

It is interesting to note that making of an application can be prompted by an "ex officio" notice from a customs authority. This informs the IP right holder that suspected counterfeit goods⁴ have been detained under the initiative of the customs authorities, without a formal application for a customs action. In these circumstances the goods are held for three working days, in which time the IP right holder has the opportunity to file an application for a customs action, so the goods can be held for longer and the IP right holder has the opportunity to file an action for infringement.

In an application for a customs action, it is mandatory to give evidence of the right holder's entitlement to the IP right(s) in question. If the applicant⁵ is not the IP right owner, it must also prove authorisation to use the rights or act as a representative.

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Information concerning the goods is also required, so that the customs authority can identify suspect goods at the border, amidst the day-to-day flow of goods traffic. Details of the goods' transit route should be given, for example where the authentic goods are produced, specific channels of distribution and a list of authorised parties involved. Also required are any details of the transit route of counterfeit goods, such as places and countries of production, channels of distribution, and names of parties involved in the counterfeits' transit.

It is of course essential to give a full description and illustration of the goods, both genuine and counterfeit, so that suspected infringing goods can be identified in comparison with the genuine article; this includes details of packaging, and of any special features of a genuine/counterfeit item. Any details on planned deliveries are valuable, again to give customs the best chance of finding suspect goods.

The application is filed at the designated authority in the appropriate EU Member State. Approval of the application can take 30 working days from receipt. Where possible, an application should therefore be made in good time before any suspected goods arrive, to allow for this 30 day period. Once approved, and if the application relates to multiple Member States, the approval to act is notified immediately to the customs authorities of those states.

From approval, the application can be valid for one year, meaning customs officials can act during this period. Time extensions are available. If during this period customs officers seize suspect goods, the applicant will be informed and may be able to inspect the seized goods. In the UK for example, the applicant has 10 working days (extendable by another 10 days) to start an infringement action at the competent authority, i.e. the courts. This must be notified to the relevant customs authority within the time period, to maintain detention of the goods beyond the ten day deadline. Alternatively, the goods can be destroyed by agreement of the rights holder and the goods holder, with costs borne by the rights holder. Or, the applicant may abandon their application.

In the UK at least, the applicant may be liable for storage and handling costs for detained and abandoned goods, whether infringing an IP right or not. If the goods are later found not to infringe an IP right, the applicant would also be liable for legal costs and compensation for any loss suffered.

In summary, the application process is simple and effective. Infringing goods can be seized at the point(s) of entry into the EU, rather than the potentially greater challenge of pursuing them after distribution in the EU.

IP right holders therefore have a powerful weapon at their disposal, as was recently demonstrated by LG Electronics, Inc.

LG ELECTRONICS, INC. (LG) V. SONY SUPPLY CHAIN SOLUTIONS (EUROPE) B.V. (SONY)⁶

In February this year, LG instructed the Dutch customs authorities to seize imports of Sony's Playstation 3 console at the Dutch border. Combined with a civil seizure from Sony's European distribution centre in the Netherlands, a total of approximately 300,000 consoles were detained—a total value of approximately 43 million Euros (approximately US\$60 million) and a severe disruption to Sony's European supply chain.

The basis for LG's action was the allegation that the Playstation 3 console infringed European patents covering essential technical aspects of the "Blu-ray" standard. Under the Blu-ray Disc Association (BDA), of which Sony and LG are members, members are obliged to grant a licence for essential patents of the Blu-ray standard on fair and reasonable nondiscriminatory (FRAND) terms. LG took action as Sony apparently did not have, and had not agreed to take, a FRAND licence for LG's essential patents.

In a hearing at the court in the Hague, Sony argued they had apparently been willing to take a licence for the essential Blu-ray patents on FRAND terms, but LG and Sony had not reached agreement.

The judge opined that use of the seizures by LG was against the intention of the by-laws of the BDA, namely that members of the BDA co-operate. Moreover, LG had not used the arbitration process required by the BDA by-laws, should there be a dispute between BDA members. On these grounds, LG's actions were not compatible with their obligations under the by-laws of the BDA.

LG were therefore ordered to lift the customs seizure measures they had put in place. LG were also ordered to pay Sony 130,000 Euros (approximately US\$180,000) in legal costs and 200,000 Euros (approximately US\$280,000) for each day that LG did not pay.

LG's actions seem to have been negotiation tactics as part of a larger scale dispute with Sony, encompassing ongoing infringement disputes not just for Blu-ray technologies, but also for mobile phones in the U.S., for example. However, as the judge explained, the customs and civil seizures were not appropriate, given the BDA requirements.

Despite the judge's ruling in favour of Sony, the damage to their European supply logistics from the customs and civil seizures will have been significant. Further, had the customs seizure order not been lifted, nine further shipments, each of approximately three million Euros (approximately US\$4,250,000) worth of consoles, would have been seized at the Dutch border.

GOODS IN “EXTERNAL TRANSIT”

Customs actions can be used to enforce IP rights where their final destination is the EU. However, the situation is not clear-cut for goods passing from a non-EU country, via an EU Member State, to another non-EU country.

Such goods are in a state of “external transit.” This is a fiction permitting the movement of goods in the EU without being subject to import duties and other charges, or to commercial policy measures.

However, can goods in external transit infringe IP rights in the EU?

Case law in the EU is developing on this point. In particular, two key questions were referred to the Court of Justice of the EU (CJEU) from EU national courts, for clarification on how the EU law should be applied. Guidance will be welcome, so a harmonised approach can be taken on IP right infringement by the EU Member States.

An opinion on the referred questions has recently issued from the Advocate General (AG) of the CJEU. This opinion is not the final decision and is nonbinding. However, it gives a valuable insight of the rationale likely to be applied, particularly since approximately 80% of CJEU decisions follow the AG’s opinion.

QUESTION 1

The first question stems from *Koninklijke Philips Electronics NV (Philips) v. Lucheng Meijing Industrial Company Ltd, Far East Sourcing Ltd, Röblig Hong Kong Ltd and Röblig Belgium NV*.⁷

In this case, Belgian customs officials detained a consignment of shavers from Shanghai, on the grounds they were suspected to infringe Philips’ design registrations and copyright. Philips in response applied for a customs action. Upon approval, the Belgian customs authorities sent Philips a photograph of the detained shaver along with details of the companies involved in the manufacture or trade of the detained shavers. Philips subsequently filed an infringement action based on their IP rights.

In order to apply Belgian law, Philips relied on the so-called “manufacturing fiction.”⁸ This is a fiction that assumes that goods in external transit have been manufactured in the EU Member State where their seizure occurred. Whilst this is an artificial construction, it has in the past been important for building a case for infringement.

By definition, goods in external transit are not destined for the EU market, and therefore the item(s) in question cannot be considered to infringe an IP right in the EU Member State by importation or use. In the past therefore, the manufacturing fiction has been applied to “activate” the application of IP rights in the Member State in question. Without the manufacturing fiction, the goods may not have been found to infringe.

As the first question, the Belgian courts questioned the applicability of the manufacturing fiction and sought clarification from the CJEU.

Now, the AG opines that the judicial authority of the relevant Member State should take account of the temporary transit status of the goods in question. Therefore, in the AG’s opinion, the manufacturing fiction should not be applied for the purposes of establishing infringement. This is significant, as the manufacturing fiction has to some extent become accepted practice.⁹

QUESTION 2

The second question stems from *Nokia Corporation (Nokia) v. Her Majesty’s Commissioners of Revenue and Customs (HMRC)*.¹⁰

In this case, HMRC inspected a consignment of mobile telephone goods from Hong Kong. These were in external transit in the UK, destined for Colombia. HMRC notified Nokia of the inspection with a sample. Nokia confirmed the sample was counterfeit and asked for HMRC to detain the goods. However, HMRC did not do so, since, without any evidence the goods would be diverted onto the EU market, it was not lawful to deprive the owner of its goods. Nokia asked HMRC for details of the consignment, which HMRC provided, but Nokia did not succeed in identifying the parties.

Having therefore failed to stop the goods, Nokia commenced legal proceedings against HMRC. These were ruled in favour of HMRC, on the basis that customs authorities were not entitled to detain or seize goods in external transit without evidence the goods would be diverted onto the market in the EU; such goods were therefore not counterfeit goods.

Nokia appealed and the second question was referred to the CJEU, namely whether or not non-Community goods bearing a Community trademark, and in external transit, can be considered as counterfeit goods if there is no evidence to suggest those goods will be put on the market in the EU, either in conformity with a customs procedure or by means of an illicit diversion.

Answering the second question, the AG found that non-Community goods in “external transit” and bearing a Community trademark may be seized by a customs authority provided that there are *sufficient* grounds for suspecting: (i) that they are counterfeit goods, and (ii) that they are to be put on the market in the EU.

CONCLUSIONS

Both questions have been answered on the principle that goods must be destined for the EU market if they are to potentially infringe an IP right in an EU Member State. This fits with the territorial nature of IP rights, namely that the right holder may prohibit unauthorised use of

their right only in the states in which they enjoy protection; external transit does not amount to use in an EU Member State in the course of trade.

To this extent the AG's opinion aligns with established principles of IP law and is reasonable.

However, in the bigger picture, the AG's opinion does not sit comfortably. IP right holders will face an even greater challenge both to seize counterfeit goods passing via the EU, but also to succeed in any infringement action they pursue (even if they manage to seize the goods).

For example, under the AG's opinion, for customs' officials to seize goods in external transit, they need "sufficient grounds" to suspect the goods are counterfeit and destined for the EU market. But what is "sufficient"? No guidance is given by the AG. We hope the CJEU clarifies this; otherwise each EU Member State is likely to interpret "sufficient" differently, with inevitably some interpretations weaker than others.

Further, under the AG's view, with the "manufacturing fiction" not available, IP right holders will need to prove actual infringement to succeed, rather than relying on a fiction. If the goods are not destined for the EU, this may be difficult.

Any measures which help stop trafficking of counterfeit goods can only be a good thing, regardless of the goods' end destination. For a customs authority to have their hands on a consignment of counterfeit goods, yet which they are powerless to seize because the relevant IP right cannot be applied, can only encourage the counterfeit market.

Hopefully the CJEU will reach a decision which fits with established IP principles, but which gives IP right holders the power they need to fight counterfeit trafficking. We await the decision with interest.

ENDNOTES

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1. "Report on EU Customs Enforcement of Intellectual Property Rights. Results at the EU Border—2010."
2. Regulation (EC) No 1383/2003 and Regulation (EC) 1891/2004.
3. "National" refers to a Member State of the EU. A customs application can be made for a registered Community trademark, a registered national trademark, a national design right (registered or not), a Community design right, a copyright or related right under the law of a Member State, a patent under the law of a Member State, a supplementary protection certificate for medicinal products or plant protection products, a plant variety right, a designation of origin or geographical indication, under the law of a Member State or of the Community.

4. In this article, the term counterfeit goods is used to refer to goods which would infringe an IP right in an EU Member State. However, it is interesting to note in the legislation the differentiation between "counterfeit goods," relating to trademarked goods and packaging, "pirated goods," relating to copies of copyrighted or design right protected goods, and "goods infringing a patent, a supplementary protection certificate, a plant variety right, designations of origin or geographical indications or geographical designations." Full definitions are given in the legislation.
5. In this article, the term "applicant" relates to the application for a customs action, and is not to be confused with the IP right holder (although they may be the same person).
6. Case nos. 231657 KG RK 11/189 and 389067/KG ZA 11-269.
7. C-446/09.
8. Also, known as the "production fiction."
9. See for example Case C-398 *Polo/Lauren* [2000] ECR I-2519, and Case C-60/02 *Criminal proceedings against X* [2004] ECR I-651, "Rolex."
10. C-495/09.

HAVE YOU BEEN HIT BY A COPYCAT BUSINESS?

Stephanie Rabiner, Findlaw

Copycat businesses. They can turn your unique, successful business into one of many, diluting your market share and your profit margin, forcing you to compete for business that at one point came easily. With the power of the Internet and the easy spread of knowledge, more and more entrepreneurs are having their ideas stolen by copycats. What can they do?

A business, at its very essence, is a collection of intellectual property rights that, together, make money. For this reason, an entrepreneur faced with copycat businesses is primarily limited to enforcing his intellectual property rights.

While a business is entitled to enforce copyrights and trademarks without registering, a product, process, or method may not be protected unless actually patented. What this means is that, when faced with copycat businesses, it is imperative to determine whether your business idea or your product is patentable. If so, you need to apply for a patent if you wish to have a chance at protecting the essence of your business. If you have no patent rights or options to speak of, you are limited to copyright, trademark, and potentially unfair competition law.

Certainly take the time to enforce your copyrights and trademarks, particularly if you think that confusion may

arise, or if there are marked similarities in advertising and design. Local unfair competition laws may also protect you from other actions and encroachments, such as misappropriation and contractual interference.

Because of these unique and often complicated rights, protecting yourself from copycat businesses really requires the help of an attorney who can assess the facts at hand. Source: <http://blogs.findlaw.com/free-enterprise/2011/07/have-you-been-hit-by-a-copycat-business.html>.

WORKING TOGETHER TO STOP INTERNET PIRACY

Posted by Victoria Espinel, U.S. Intellectual Property Enforcement Coordinator, July 7, 2011

The Administration is committed to reducing infringement of American intellectual property as part of our ongoing commitment to support jobs, increase exports, and maintain our global competitiveness.

The joining of Internet service providers and entertainment companies in a cooperative effort to combat online infringement can further this goal and we commend them for reaching this agreement. We believe it will have a significant impact on reducing online piracy.

We believe that this agreement is a positive step and consistent with our strategy of encouraging voluntary efforts to strengthen online intellectual property enforcement and with our broader Internet policy principles, emphasizing privacy, free speech, competition, and due process.

As such, we will follow the implementation and outcomes of this arrangement with great interest. Our expectation is that the new organization created by it will have ongoing consultations with privacy and freedom of expression advocacy groups to assure that its practices are fully consistent with the democratic values that have helped the Internet to flourish.

Simultaneously, the Administration will continue to pursue comprehensive solutions to the problems associated with Internet piracy, including increased law enforcement and educational awareness. To win the future and succeed in the global economy, it is critical to protect the intellectual property of America's innovators and creators. Source: <http://www.whitehouse.gov/blog/2011/07/07/working-together-stop-internet-piracy>.

INTELLECTUAL PROPERTY LAW UPDATES

ADMISSION OF NEW EVIDENCE WHEN DISTRICT COURT REVIEWS PATENT APPEALS BOARD'S DECISION—CERTIORARI GRANTED

The United States Supreme Court has granted certiorari in *Kappos v. Hyatt*, 2011 WL 1343566 (U.S. 2011), a case in which the Court of Appeals for the Federal Circuit, sitting en banc, held that when a patent applicant seeks judicial review in district court of a decision of the Board of Patent Appeals and Interferences, as permitted under 35 U.S.C.A. § 145, there are no limits on the applicant's right to introduce new evidence before the district court, apart from the evidentiary limitations applicable to all civil actions contained in the Federal Rules of Evidence and Federal Rules of Civil Procedure. In so holding, the Federal Circuit rejected the proposal of the Director of the Patent and Trademark Office (PTO) that admissibility should be limited to new evidence that could not reasonably have been presented to the agency in the first instance.

The majority opinion for the Federal Circuit explained that a patent applicant dissatisfied with a Board decision has two paths for review. First, under 35 U.S.C.A. § 141, the applicant can appeal to the Federal Circuit, which will review the Board's decision on the record that was before the PTO. Second, the applicant file a civil action under § 145, and the district court will determine, in the words of the statute, whether the applicant "is entitled to receive a patent for his invention ... as the facts of the case may appear."

The majority opinion said that the Federal Circuit has characterized an action under § 145 as a "hybrid" action that is not an appeal, since the language of § 145 expressly distinguishes such an action from a direct appeal, and the Supreme Court has recognized that an applicant may introduce new evidence before the district court that was not presented to the PTO. While the action is not an appeal, it also is not an entirely de novo proceeding, the majority opinion said, because issues that were not considered by the PTO cannot be raised with the district court in most circumstances. However, once an applicant presents new evidence on an issue that had been raised before the PTO, the district court reviews that issue de novo.

The majority opinion, in holding that the proceedings before the PTO do not limit the admissibility of new evidence in the district court, stated that the proceedings

before the PTO nevertheless may be considered by the district court if they cast doubt on the reliability of the late-produced evidence, giving as examples inconsistent statements or new recollections of previously forgotten events.

The questions presented in the petition for certiorari were whether the plaintiff in a § 145 action may introduce new evidence that could have been presented to the agency in the first instance, and whether, when new evidence is introduced, the district court may decide de novo the factual questions to which the evidence pertains, without giving deference to the prior decision of the PTO.

The majority opinion represented the views of six judges. One judge filed an opinion concurring in part and dissenting in part, and a dissenting opinion encompassed the views of two judges.

SCOPE OF HATCH–WAXMAN ACT'S AUTHORIZATION FOR PROSPECTIVE GENERIC DRUG MANUFACTURER'S COUNTERCLAIMS IN PATENT INFRINGEMENT ACTION—CERTIORARI GRANTED

The United States Supreme Court has granted certiorari in *Caraco Pharmaceutical Laboratories, Ltd. v. Novo Nordisk A/S*, 2011 WL 2518831 (U.S. 2011), a case in which the Court of Appeals for the Federal Circuit held that the Hatch–Waxman Act allowed a prospective manufacturer of a generic version of a drug to bring a counterclaim against a patentee, in a Paragraph IV patent infringement action triggered by the generic manufacturer's abbreviated new drug application (ANDA), only if the drug patent did not claim any approved methods of using the listed drug, and thus, a counterclaim was not available on the ground that the drug patent did not claim all approved methods of using the drug.

The Hatch–Waxman Act authorizes a generic manufacturer to assert a counterclaim in a Paragraph IV infringement action “on the ground that the patent does not claim either (aa) the drug for which the application was approved; or (bb) an approved method of using the drug.” 21 U.S.C.A. § 355(j)(5)(C)(ii)(I).

In this case the patentee and the generic manufacturer gave competing interpretations to the phrase “an approved method,” with the patentee asserting that it meant “any approved method,” while the generic manufacturer believed it meant “all approved methods.”

The Federal Circuit said it could detect no ambiguity, citing a dictionary for the principle that when an indefinite article is preceded and qualified by a negative, standard grammar generally provides that “a” means “any.”

The legislative history did not contain any clear intent to the contrary, the Federal Circuit said, and the plain reading of the counterclaim provision was consistent with the Hatch–Waxman Act's purpose of balancing between two potentially competing policy interests: inducing pioneering development of pharmaceutical formulations and methods, while facilitating efficient transition to a market with low-cost, generic copies of those pioneering inventions at the close of a patent term.

The question presented in the generic manufacturer's petition for certiorari was whether the Hatch–Waxman Act's counterclaim provision applies when: (1) there is “an approved method” of using the drug that the patent does not claim, and (2) the brand-name manufacturer submits “patent information” to the Food and Drug Administration (FDA) that misstates the patent's scope, requiring correction.

In a brief submitted in response to the Supreme Court's order calling for the views of the Acting Solicitor General regarding the petition for certiorari, the Government had recommended granting the petition.

UNITED STATES PATENT AND TRADEMARK OFFICE PROPOSES REVISION OF THE MATERIALITY TO PATENTABILITY STANDARD

The United States Patent and Trademark Office (USPTO) has proposed to revise the standard for materiality for the duty to disclose information in patent applications and reexamination proceedings in light of the decision by the U.S. Court of Appeals for the Federal Circuit in *Therasense, Inc. v. Becton, Dickinson & Co.* Specifically, the Office is proposing to revise the materiality standard for the duty to disclose to match the materiality standard, as defined in *Therasense*, for the inequitable conduct doctrine. While *Therasense* does not require the Office to harmonize the materiality standards underlying the duty of disclosure and the inequitable conduct doctrine, the Office believes that there are important reasons to do so. The materiality standard set forth in *Therasense* should reduce the frequency with which applicants and practitioners are being charged with inequitable conduct, consequently reducing the incentive to submit information disclosure statements containing marginally relevant information and enabling applicants to be more forthcoming and helpful to the Office. At the same time, it should also continue to prevent fraud on the Office and

other egregious forms of misconduct. Additionally, harmonization of the materiality standards is simpler for the patent system as a whole. *See* 76 Federal Register 43631 (July 21, 2011), amending 37 CFR Part 1.

PATENT REFORM MOVES FORWARD—BUT IT'S NOT THERE YET

The House of Representatives has passed the America Invents Act, patent reform legislation intended to make significant changes in the issuance of patents and the operation of the U.S. Patent and Trademark Office. Approved by a vote of 304-117 on June 23, H.B. 1249 must be reconciled with its Senate counterpart, S. 23, passed on March 8 by a 95-5 vote. The bills share several similarities. Chief among them are changing from a first-to-invent to a first-to-file system and altering the procedures for challenging a patent before the PTO.

Under current law, opposition to a patent before it is approved involves an adjudicative procedure before the PTO's Patent Trial and Appeal Board, followed by a possible appeal to the U.S. Court of Appeals for the Federal Circuit, explained Stephen Kunin, a partner and general counsel with Oblon Spivak in Alexandria, Virginia. That process can take as long as three years, according to Kunin, who is also director of the George Mason School of Law intellectual property program and a former deputy commissioner for patent examination policy with the U.S. Patent and Trademark Office.

The America Invents Act allows for a postgrant review that must be requested within nine months of issuance of a patent and must be completed within 18 months.

A new provision is the limitation on "false marking" suits. Such suits are derived from 35 U.S.C.A. § 292, which requires products to be marked as patented. The law provides for a \$500 penalty for every false-marking offense, even when the required mark is omitted through the inadvertence of a patent owner.

In 2009, the Federal Circuit interpreted the provision to mean that the prescribed penalty must be levied on a "per article" basis. Since that decision, Kunin said, there has been a plague of false-marking lawsuits by plaintiffs who stand to gain by sharing the proceeds of any consequent settlement or court award. The America Invents Act will substantially reduce false-marking suits by requiring that plaintiffs show a personal injury or interest in the suit, Kunin said.

A key difference between the Senate and House bills involves control over PTO fees, according to Bobbie Wilson, a partner and patent litigator at Perkins Coie in San Francisco. Currently, PTO fees are held in escrow, and Congress appropriates money to the agency. In the past

Congress has sometimes given the PTO all its fees, but over the last few years that has not happened, according to both Wilson and Kunin. Under the Senate bill, the PTO would be able to keep the fees it collects from applicants, Wilson said.

The House bill would divert the fees to a fund and require the PTO to seek the money from the House Appropriations Committee. Wilson said the House bill seems to be contrary to one of the purposes of patent reform, which was to help the PTO with financial issues.

"The PTO cannot retain examiners and has a huge backlog of 700,000 pending applications. The House bill, which does not let the PTO control its money, would make changes without solving the problem," she said. "The fee diversion provision could scuttle the bill" because of the political implications of control over a large sum of money, Wilson said.

Kunin said he does not think that the difference in the fee diversion will kill the legislation. "I would be surprised if this would be a show-stopper that prevented passage. Congress has worked on this for six years," he said. Still, Kunin said he agrees with Wilson about the importance of allowing the PTO to control its funds. "Reduction in patents pending depends on whether the PTO is fully funded. Without adequate funding it will be prevented from dealing with the backlog of 700,000 applications and 20,000 undecided appeals," he said.

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WALL STREET LOSES APPEAL ON "HOT NEWS" LAWSUIT

A federal appeals court handed a major defeat to Wall Street banks by ruling that an online news service did not misappropriate their stock research by publishing headlines about analyst upgrades and downgrades. Reversing a lower court ruling, the Second U.S. Circuit Court of Appeals, in *Barclays Capital Inc. v. Theflyonthewall.com, Inc.*, 99 U.S.P.Q.2d 1247, 2011 WL 2437554 (2d Cir. 2011), said Theflyonthewall.com Inc. should not be punished for systematically republishing "hot news" on its website.

The unanimous ruling by a three-judge panel is a defeat for Bank of America Corp.'s Merrill Lynch unit, Barclays Plc, and Morgan Stanley. These banks said Theflyonthewall.com was getting a "free ride" on their research, costing them profits. It is also a victory for investors who might otherwise have to wait longer to learn of market-moving news.

"A firm's ability to make news—by issuing a recommendation that is likely to affect the market price of a security—does not give rise to a right for it to control who

breaks that news and how,” Judge Robert Sack wrote for the appeals court. The judge added that there was not enough evidence to suggest the activity interfered with the banks’ ability to profit from buying and selling securities.

It is unclear whether the banks will appeal the ruling.

“We are disappointed in the court’s decision, and we are reviewing the decision to determine our next steps,” said Benjamin Marks, a partner at Weil Gotshal & Manges representing the banks. He said the decision left intact a lower court determination that Theflyonthewall.com had infringed the banks’ copyrights in equity research and could not do so again.

Bank of America spokesman Bill Halldin, Barclays spokesman Seth Martin and Morgan Stanley spokeswoman Sandra Hernandez declined to comment.

“Enforcing a ban can result in onerous restrictions on what most of us would regard as basic, fundamental communicative rights,” said Edward Wasserman, a journalism ethics professor at Washington & Lee University in Lexington, Virginia. “Someone can put them in an email, or someone can tweet them,” he added. “The technology has simply gotten away from us and the reach of these recommendations cannot be confined.”

“COMPLETE VICTORY”

Theflyonthewall.com had argued that it typically got its information from public sources and traders and had a First Amendment right to publish before news went stale.

In its ruling, the appeals court ordered the dismissal of the banks’ misappropriation claim under New York state law, which it said was “preempted” by federal copyright law.

“It makes clear that the theory that one can be liable for misappropriating hot news is very narrow,” said Eugene Volokh, a professor at the UCLA School of Law. “Copyright law prevents the copying of expression, but not the copying of fact,” Volokh said.

Theflyonthewall.com called the ruling a “complete victory.” Its lawyer, Glenn Ostrager, said the case was challenging because of the “enormous legal resources” expended by the banks.

“Asserting hot-news misappropriation is not the way to protect research,” said Shyam Balganesh, a law professor at the University of Pennsylvania. “Wall Street needs to take technological measures or alter its business model to prevent competitors from using information without paying.”

GOOGLE, TWITTER WEIGHED IN

In March 2010, U.S. District Judge Denise Cote had ordered Theflyonthewall.com to wait until 10 a.m. ET to report research issued before the U.S. stock market opens and at least two hours for research issued later. The Summit, New Jersey-based company said these limits cost it subscribers and threatened its survival. The Second Circuit put that injunction on hold during the appeal.

Google and Twitter were among companies to support Theflyonthewall.com’s appeal.

Kathleen Sullivan, a Stanford University law professor who argued before the Second Circuit on their behalf, did not immediately return a call seeking a comment.

The June 20 ruling, followed a settlement last November by News Corp.’s Dow Jones & Co. and financial news service Briefing.com in a similar case. A lawyer for Dow Jones did not immediately return a call seeking comment.

Wasserman, the journalism ethics professor, said the ruling is also important for other Web sites that “aggregate” news from third parties.

“I have tremendous concern about the larger implication of how far you can prevent people who originate news, in this case the banks, from profiting,” he said. “I’m thinking about news organizations that find their original content republished on aggregation websites and which can lose revenue they need.”

Theflyonthewall.com has said it employs about 30 people, and according to its Web site it charges \$65 per month, or \$624 annually, for its services.

Thomson Reuters Corp. is among the companies that distribute its content.

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CONTROVERSIAL IP LAW APPROVED BY SENATE COMMITTEE, BUT NOW ON HOLD

Legislation intended to stop the online sale of counterfeit goods has cleared the Senate Judiciary Committee but will not go any further because one of the bill’s detractors has put a hold on it. U.S. Senator Ron Wyden, D-Oregon, put a procedural block on the bill May 26, the same day it cleared the committee. Wyden said in a statement that he agreed with the goal of the Protect IP Act, S. 968, to protect intellectual property and combat commerce in counterfeit goods but that it goes too far.

The legislation “takes an overreaching approach to policing the Internet when a more balanced and targeted approach would be more effective,” he said.

Vermont Democrat Patrick Leahy introduced the bill on May 12 with Republican cosponsors Orrin Hatch of Utah and Iowa’s Chuck Grassley. Its formal name is the Preventing Real Online Threats to Economic Creativity and Theft of Intellectual Property Act.

“Copyright infringement and the sale of counterfeit goods can cost American businesses billions of dollars,” Leahy said in a statement. “Protecting intellectual property is not uniquely a Democratic or Republican priority—it is a bipartisan priority.”

Hatch said, “The Internet is not a lawless free-for-all where anything goes.”

According to a press release from Leahy’s office, a key provision of the law authorizes the U.S. attorney general and rights holders to bring actions against alleged infringers operating an Internet site or domain where the site is “dedicated to infringing activities.” Remedies are limited to eliminating the financial viability of the site, not blocking access.

The law also requires plaintiffs to sue an owner or registrar of the offending site before bringing an action against the domain name itself.

Under another provision, domain name registries, registrars, search engines, payment processors, and advertising networks are protected from damages resulting from their voluntary action against an Internet site “dedicated to infringing activities,” where that site also “endangers the public health,” by offering controlled or noncontrolled prescription medication.

Keith Kupferschmid, general counsel and senior vice president for the Software & Information Industry Association, praised the Judiciary Committee for moving the bipartisan bill forward. “The bill will provide the government and rights holders with improved tools for stopping those who use the Internet to profit from piracy and counterfeiting of software,” Kupferschmid said in a statement.

Sherwin Siy, deputy legal director for the citizens-rights group Public Knowledge, released a statement criticizing the legislation. “S. 968 opens the door to nuisance lawsuits while doing little if anything to curb the issue of the international source of illegal downloads the bill seeks to address,” he said.

This originally appeared in Westlaw Journal Entertainment Industry 23 No. 6.

IN THE NEWS

INTERNET PROVIDERS TO ACT AGAINST ONLINE PIRATES

Lisa Richwine (reported July 7, 2011)

Consumers who illegally download copyrighted films, music, or television shows might see their Internet speed slowed or access restricted under an industry antipiracy effort announced on Thursday (July 7). U.S. Internet service providers, including Verizon Communications Inc, Comcast Corp, Time Warner Cable Inc, Cablevision Systems Corp, and AT&T Inc agreed to alert customers, up to six times, when it appears their account is used for illegal downloading. Warnings will come as e-mails or pop-up messages. If suspected illegal activity persists, the provider might temporarily slow Internet speed or redirect the browser to a specific Web page until the customer contacts the company. The user can seek an independent review of whether they acted legally.

Internet access will not be terminated, according to a statement from the industry partners behind the effort. The coalition includes groups representing movie studios, independent film makers, and record labels. The group argues that content piracy costs the U.S. economy more than 373,000 jobs, \$16 billion in lost earnings and \$3 billion in tax revenue each year.

Industry officials said they thought most people would stop copyright violations once they were warned about illegal activity. The warnings also might alert parents unaware of their children’s activity.

“We are confident that, once informed that content theft is taking place on their accounts, the great majority of broadband subscribers will take steps to stop it,” James Assey, executive vice president of the National Cable & Telecommunications Association, said in a statement.

Two consumer groups said the effort had the “potential to be an important educational vehicle” to help reduce online copyright infringement, but voiced concern about the sanctions.

“We are particularly disappointed that the agreement lists Internet account suspension among the possible remedies,” the Center for Democracy & Technology and Public Knowledge, said in a statement.

The groups said it would be “wrong for any (Internet service provider) to cut off subscribers, even temporarily, based on allegations that have not been tested in court.”

The Obama administration welcomed the industry effort. “We believe it will have a significant impact on

reducing online piracy,” Victoria Espinel, the U.S. intellectual property enforcement coordinator, wrote on the White House blog.

The administration expects the organization that implements the program to consult with advocacy groups “to assure that its practices are fully consistent with the democratic values that have helped the Internet to flourish,” she added. Source: <http://www.reuters.com/article/2011/07/07/us-internet-piracy-idUSTRE7667FL20110707>.

FAKE APPLE STORE EVEN FOOLS STAFF

Melanie Lee (reported July 21, 2011)

Chinese counterfeiters have had a field-day pumping out knockoffs of Apple Inc’s best-selling iPhones and iPads but one appears to have gone a step further—a near flawless fake Apple Store that even employees believe is the real deal.

The store in Kunming was stumbled upon by a 27-year-old American blogger living in the city, the capital of China’s mountainous southwestern Yunnan province. Complete with the white Apple logo, wooden tables, and cheery staff claiming they work for the iPhone maker, the store looks every bit like Apple Stores found all over the world, according to the blogger, who goes by the name “BirdAbroad.”

But Apple has no stores in Kunming and only 13 authorized resellers in the city, who are not allowed to call themselves Apple Stores or claim to work for Apple.

“This was a total Apple store rip-off. A beautiful rip-off—a brilliant one—the best rip-off store we had ever seen,” the anonymous blogger posted Wednesday. “Being the curious types that we are, we struck up some conversation with these salespeople who, hand to God, all genuinely think they work for Apple.”

It was unclear whether the store was selling fake or genuine Apple products—there are countless unauthorized resellers of Apple and other brands’ electronic products throughout the country who sell the real thing but obtain their goods by buying them overseas and smuggling them into the country to skip tax.

The store had sections devoted to different Apple products, similar to real Apple stores, and large posters advertising the iPhone 4 and MacBook Pro, according to photos on the blog.

Apple declined to comment. The Cupertino, California-based firm reported forecast-smashing results Tuesday, helped by massive growth in Asia, and China in particular.

SHADY ORIGINS

Apple, which was slow to establish its brand in China, currently has four retail outlets in Beijing and Shanghai. The firm plans another two more this year, including one in Shanghai and another in Hong Kong.

But the immense popularity of Apple’s iPads, iPhones, and Macbook computers has spurred a bumper crop of resellers with dubious credentials. At one unauthorized Apple reseller in Shanghai visited on Thursday, the shop was decorated in much the same way as Apple stores, with wooden tables and chairs with iPads laid out for customers to try out. The shop was not contained on a list of authorized Apple resellers in Shanghai.

But the proprietors fell short on the attention to detail displayed by their counterparts in Kunming. For one, the store also sold some other products, like chocolate jigsaw puzzles, that would never see the light of day at a real Apple Store.

“Do you have a web camera for my Macbook?,” asked one customer.

“No, but our other store in Lujiazui should have it,” said the sales representative, referring to Apple’s genuine retail store in the heart of Shanghai’s financial district.

When approached, none of the staff claimed to work for Apple or that the store was an actual Apple Store. Customers appeared unfazed.

“I prefer to get my Apple products fixed here. It’s very troublesome going to the real Apple store in Lujiazui because not only do you have to pay to get repairs, but you have to make an appointment to see the sales specialist,” said Xavier, a 30-something expatriate who declined to give his last name.

“The prices are the same as the real store but the service is better here,” he added, before whipping out his two iPads to tinker with. Source: <http://www.reuters.com/article/2011/07/21/us-china-apple-fake-idUSTRE76K1SU20110721>.

THE 2011 INTELLECTUAL PROPERTY ENFORCEMENT COORDINATOR JOINT STRATEGIC PLAN

The White House has issued a report entitled “The 2011 Intellectual Property Enforcement Coordinator Joint Strategic Plan” which describes what it has done to protect American intellectual property and innovation over the last year. The report describes the successes to safeguard innovation, including increased law enforcement operations, cracking down on illegal counterfeiting and other intellectual property theft at home and overseas; an innovative approach to reducing online infringement; a review of domestic legislation leading to 20 legislative recommendations for Congress; and improved

coordination of domestic law enforcement, embassies overseas and outreach and capacity building efforts. Source: <http://www.whitehouse.gov/blog/2011/06/22/standing-america-s-innovators>.

GLOBAL ASSOCIATION CONGRATULATES EU CUSTOMS AUTHORITIES

INTA issued a press release July 15, 2011, congratulating the European Commission for its progress in blocking counterfeit goods from entering the EU. In its yearly customs report that was issued yesterday, the European Commission said that the number of shipments stopped by customs in 2010 nearly doubled from last year. Customs officials play a critical role in the fight against counterfeiting by intercepting fake goods at the border and ensuring that they are not placed into the channels of commerce. For the full press release, go to <http://www.inta.org/Press/Pages/2011EUCustomsReport.aspx>.

USPTO ANNOUNCES 2011 NATIONAL TRADEMARK EXPO EXHIBITORS

The United States Patent and Trademark Office (USPTO) has announced the exhibitors for the 2011 National Trademark Expo. The Expo will be held on October 14-15 at the USPTO's headquarters in Alexandria, Virginia. The free two-day event is designed to educate the public about the value of trademarks in the global marketplace. This year, the Expo will highlight such themes as "Unusual Trademarks" and "Brand Evolution," and will feature educational workshops for adults and children, exhibits of authentic and counterfeit goods, and costumed characters. For the full press release, go to <http://www.uspto.gov/news/pr/2011/11-44.jsp>.

USPTO AND PARTNER OFFICES AGREE TO TEST NEW, ENHANCED FRAMEWORK FOR THE PATENT PROSECUTION HIGHWAY

The United States Patent and Trademark Office (USPTO) has announced its participation in a pilot program to test an enhanced framework for the Patent Prosecution Highway (PPH). The pilot, which will also include the Canadian Intellectual Property Office (CIPO), Japan Patent Office (JPO), IPAustralia, National Board of Patents and Registration of Finland (NBPR), Federal Service on Intellectual Property, Patents & Trademarks of Russia (Rospatent), Spanish Patent and Trademark Office (SPTO), and United Kingdom Intellectual Property Office (UKIPO), builds on the success of the current PPH by modifying certain requirements to make the PPH easier to use and more widely available to a greater number of

applicants. For the full press release, go to <http://www.uspto.gov/news/pr/2011/11-43.jsp>.

AGREEMENT ON TRANSFER OF RIGHTS PAVES WAY TO TREATY ON PERFORMERS' RIGHTS

WIPO's top copyright negotiating body will recommend to the September session of the General Assembly to resume a Diplomatic Conference on the Protection of Audiovisual Performances after agreement on the last outstanding issue relating to the transfer of rights. The convening of a diplomatic conference signals entry into the final phase of treaty negotiations, with the objective of concluding a treaty that would shore up the rights of performers in their audiovisual performances. A diplomatic conference on the protection of performers in their audiovisual performances held in 2000 made significant progress with provisional agreement on 19 of the 20 articles under negotiation. Negotiators at the time did not agree on whether or how a treaty on performers' rights should deal with the transfer of rights from the performer to the producer and suspended the diplomatic conference. Member states at the Standing Committee on Copyright and Related Rights were able to reach agreement on the article relating to the transfer of rights, thereby paving the way for the conclusion of a treaty. For the full article, go to http://www.wipo.int/pressroom/en/articles/2011/article_0018.html.

ICANN APPROVES HISTORIC CHANGE TO INTERNET'S DOMAIN NAME SYSTEM

ICANN's Board of Directors has approved a plan to usher in one of the biggest changes ever to the Internet's Domain Name System. During a special meeting, the Board approved a plan to dramatically increase the number of Internet domain name endings—called generic top-level domains (gTLDs)—from the current 22, which includes such familiar domains as .com, .org, and .net. New gTLDs will change the way people find information on the Internet and how businesses plan and structure their online presence. Internet address names will be able to end with almost any word in any language, offering organizations around the world the opportunity to market their brand, products, community or cause in new and innovative ways. The decision to proceed with the gTLD program follows many years of discussion, debate, and deliberation with the Internet community, business groups, and governments. Source: <http://www.icann.org/en/announcements/announcement-20jun11-en.htm>.

“SCAREWARE” DISTRIBUTORS TARGETED: 12 NATIONS COORDINATE ANTICYBER CRIME EFFORT

The Department of Justice and the FBI have announced “Operation Trident Tribunal,” a coordinated, international law enforcement action that disrupted the activities of two international cyber crime rings involved in the sale of scareware. The groups are believed responsible for victimizing more than one million computer users and causing more than \$74 million in total losses. “Scareware” is one of the most widespread types of cyber scam being perpetrated against consumers these days. It involves those pop-up messages you see on your computer saying you have got a virus and all you have to do to get rid of it is buy the antivirus software being advertised. And if you don’t buy it? The pop-ups continue unabated, and in some instances, the scareware renders all of the information on your computer inaccessible. Source: http://www.fbi.gov/news/stories/2011/june/cyber_062211/cyber_062211.

SIXTEEN INDIVIDUALS ARRESTED IN THE UNITED STATES FOR ALLEGED ROLES IN CYBER ATTACKS

Sixteen individuals were arrested in the United States for alleged roles in cyber attacks. Fourteen individuals were arrested by FBI agents on charges related to their alleged involvement in a cyber attack on PayPal’s Web site as part of an action claimed by the group “Anonymous,” announced the Department of Justice and the FBI. Two additional defendants were arrested today on cyber-related charges. The 14 individuals were arrested in Alabama, Arizona, California, Colorado, the District of Columbia, Florida, Massachusetts, Nevada, New Mexico, and Ohio on charges contained in an indictment unsealed today in the Northern District of California in San Jose. In addition, two individuals were arrested on similar charges in two separate complaints filed in the Middle District of Florida and the District of New Jersey. Also today, FBI agents executed more than 35 search warrants throughout the United States as part of an ongoing investigation into coordinated cyber attacks against major companies and organizations. Finally, the United Kingdom’s Metropolitan Police Service arrested one person and the Dutch National Police Agency arrested four individuals today for alleged related cyber crimes. Source: <http://www.fbi.gov/news/pressrel/press-releases/sixteen-individuals-arrested-in-the-united-states-for-alleged-roles-in-cyber-attacks>.

NEW FTC VIDEO HELPS BUSINESSES COMPLY WITH CAN-SPAM RULE

Say “spam” and most business executives think of annoying e-mail messages, like the ones that hold out a phony offer to split \$50 million that’s sitting in a foreign bank. Of course, this type of message is covered by the Federal Trade Commission’s CAN-SPAM Rule, which is designed to protect consumers from deceptive commercial e-mail. But CAN-SPAM covers e-mails from legitimate businesses, too, such as e-mail notifying customers about a new product line or a special sale. To help explain what the CAN-SPAM Rule covers, the FTC has produced a new video for businesses with a seven-point checklist for sending commercial e-mail messages. For example, e-mail marketers must use accurate headers and subject lines and provide a method for consumers to stop getting e-mails. In addition to the video, the FTC also offers a brochure, *The CAN-SPAM Act: A Compliance Guide for Business*. For businesses that know the basics, compliance isn’t complicated. A business can be held legally responsible for violations committed by people they hire to handle e-mail, and each law violation can cost up to \$16,000. Given the cost of a violation to a company’s bottom line and reputation, complying with CAN-SPAM is just good business. Source: <http://www.ftc.gov/opa/2011/07/canspam.shtm>.

FTC EXTENDS DEADLINE TO COMMENT ON PATENTS AND STANDARD-SETTING PROJECT

The Federal Trade Commission is extending the deadline for public comments on standard setting until August 5, 2011. The FTC hosted a public workshop on June 21, 2011, as part of a project to examine the legal and policy issues surrounding the competition problem of potential “hold-up” when patented technologies are included in collaborative standards. The FTC workshop examined three ways to try to prevent such hold-up: 1) patent disclosure rules of standard-setting organizations; 2) commitments given by patent holders that they will license users of the standard on reasonable and nondiscriminatory (RAND) terms; and 3) disclosure of licensing terms by patent holders before the standard is adopted. The agency intends to examine these issues from practical, economic, and legal perspectives, and under antitrust, contract, and patent law. Source: <http://www.ftc.gov/opa/2011/06/standardsetting.shtm>.

FORMER NFL PLAYER SUES LEAGUE OVER USE OF RETIREES’ IMAGES

A former Green Bay Packers running back filed a class-action lawsuit against the National Football

League (NFL), claiming it made unauthorized use of retired players' images to promote the league and generate revenue. The lawsuit by Darrell Thompson, Green Bay's first-round draft pick in 1990, comes as the NFL and its players are in New York trying to resolve a lockout that has been dragging on for over four months. "For years, Defendant (the NFL) has earned substantial revenue by making promotional films and selling products featuring the identities of retired NFL football players," Thompson said in the lawsuit, which was filed Wednesday in U.S. federal court in Minnesota. "The retired players who created (the NFL's) glory days, however, have gone almost completely uncompensated for this use of their identities." Thompson, who played for the Packers from 1990-1994, said the practice violated a federal trademark act and asked for an injunction against the practice and all damages allowed by law. Source: <http://www.reuters.com/article/2011/07/14/us-nfl-dispute-thompson-idUSTRE76D5H320110714>.

ARBITER SAYS KODAK DIDN'T INFRINGE APPLE PATENTS

Associated Press reports that the U.S. arbiter for trade disputes has rejected Apple's claims that photography pioneer Kodak violated Apple's patents covering digital camera technology. The U.S. International Trade Commission affirmed a judge's May decision that Kodak's technology doesn't infringe on Apple Inc.'s patent rights and that one of the two patents in dispute is invalid. The ruling comes weeks after the commission kept open Kodak's case against Apple and another smartphone maker, Research In Motion Ltd. A judge had ruled in January that the iPhone and the BlackBerry do not violate Kodak's patent. On appeal, the commission asked the judge to take another look. Kodak hopes to get up to \$1 billion in royalties if it prevails.

CASE HIGHLIGHTS—COPYRIGHT

\$5,000 WAS PROPER AMOUNT OF DAMAGES FOR POSTAL SERVICE'S INFRINGING USE COPYRIGHTED IMAGE ON A STAMP

A \$3 million royalty payment to copyright owner was not within the zone of reasonableness for Postal Service's infringing use of a copyrighted image on a stamp. Rather, the loss to owner from the Postal Service's infringement was the \$5,000 that he would have received as a one-

time fee in negotiations with the Postal Service. *Gaylord v. U.S.*, 98 Fed. Cl. 389 (2011)

CMI UNDER DMCA IS NOT RESTRICTED TO CONTEXT OF "AUTOMATED COPYRIGHT PROTECTION OR MANAGEMENT SYSTEMS"

The mere fact that a photographer's name appeared in a printed gutter credit near image, rather than as data in an "automated copyright protection or management system," did not prevent it from qualifying as "Copyright management information" (CMI) or remove it from the protection of provision under the Digital Millennium Copyright Act (DMCA) governing CMI. CMI, as defined in Digital Millennium Copyright Act (DMCA), is not restricted to the context of "automated copyright protection or management systems." Rather, a cause of action under the DMCA potentially lies whenever the types of information listed in that statutory provision and "conveyed in connection with copies of a work including in digital form" is falsified or removed, regardless of the form in which that information is conveyed. *Murphy v. Millennium Radio Group LLC*, 99 U.S.P.Q.2d 1022, 2011 WL 2315128 (3d Cir. 2011)

CLAIM ALLEGING "HOT NEWS" MISAPPROPRIATION AS TO SECURITIES RECOMMENDATIONS WAS PRE-EMPTED BY FEDERAL COPYRIGHT ACT

A claim brought under New York law by financial services firms against an Internet-based news service, alleging "hot news" misappropriation as to securities recommendations, was preempted by the Copyright Act. The firms' reports culminating with recommendations constituted works covered by copyright law, the firms' rights were subject to abridgement by the news service's allegedly infringing acts, and the news service was collecting, collating, and disseminating factual information. *Barclays Capital Inc. v. Theflyonthewall.com, Inc.*, 99 U.S.P.Q.2d 1247, 2011 WL 2437554 (2d Cir. 2011)

APPROPRIATION ARTIST'S INCORPORATION OF COPYRIGHTED PHOTOGRAPHS IN SERIES OF PAINTINGS WAS NOT FAIR USE

The use and exploitation of copyrighted photographs of Rastafarians and Jamaican landscape in paintings made by an appropriation artist and marketed and sold by a gallery and gallery owner did not constitute a fair use. The artist took central creative features of the photographs and incorporated them in the paintings while adding little transformative value. In addition, the use and exploitation of the photographs was substantially commercial and the defendants acted in bad faith. *Cariou v. Prince*, 98 U.S.P.Q.2d 1318, 2011 WL 1044915 (S.D. N.Y. 2011)

QUASHING SUBPOENA FOR CUSTOMER INFORMATION FROM INTERNET SERVICE PROVIDER WAS UNWARRANTED IN COPYRIGHT INFRINGEMENT ACTION

Quashing a copyright owner's subpoena to an internet service provider (ISP), seeking putative defendant's Internet protocol (IP) address, was unwarranted in copyright infringement action related to the alleged use of an internet file-sharing protocol to download and distribute a copyrighted movie. Putative defendant offered only general denial of engaging in the alleged infringing activities, but quashing subpoena would deny the owner information critical to its decision on whether to bring the putative defendant into the lawsuit to address the merits of both the owner's claim and the putative defendant's asserted defense. The putative defendant had not been named a defendant in the action, and thus her argument, essentially that the subpoena required her to litigate in a forum in which she should not be subject to personal jurisdiction, was premature. Also, the owner's interest in the information sought by its subpoena was not outweighed by the putative defendant's privacy interests or First Amendment right to anonymity. *Donkeyball Movie, LLC v. Does*, 2011 WL 1807452 (D.D.C. 2011)

UNITED STATES AFFILIATES OF SOUTH KOREAN TELEVISION COMPANIES HAD STANDING TO BRING COPYRIGHT INFRINGEMENT ACTION

The United States affiliates of South Korean television companies owned the copyrights to Korean-language soap operas and other Korean television shows that they distributed in the United States. Thus, they had standing to bring a copyright infringement action against their former licensees. The affiliates had written agreements with the production companies and with their parent corporations in Korea in which the affiliates were granted exclusive licenses or were assigned rights to the works. *Seoul Broadcasting System Intern., Inc. v. Young Min Ro*, 2011 Copr. L. Dec. P 30090, 2011 WL 1842114 (E.D. Va. 2011)

MORTGAGE COUNSELING SERVICES PROVIDER OWNED COPYRIGHT TO MORTGAGE FORM

A mortgage counseling services provider owned the copyright to a mortgage form, even if it did not receive a release from an employee who allegedly coauthored it. The form was created within the scope of the employee's employment. The company filed for and received a copyright registration that had not been disputed by any of the other possible owners. *Homeowner Options for Massachusetts Elders, Inc. v. Brookline Bancorp, Inc.*, 2011 WL 1832515 (D. Mass. 2011)

BAR OWNERS WERE LIABLE FOR STATUTORY DAMAGES UNDER COPYRIGHT ACT FOR UNAUTHORIZED LIVE PERFORMANCES OF BAND

An award of statutory damages, pursuant to the Copyright Act, in the amount of \$10,000 to copyright holders for each of three copyright infringements made during live performances of musical compositions entitled "Stars on the Water," "Route 66," and "Tulsa Time" at a bar, for a total of \$30,000 was reasonable. The bar owners refused to execute a licensing agreement and continued public performance of the works without permission or licenses. The cost of each license, if paid,

would have been \$10,877. The bar owners supervised the infringing performances and had a direct financial interest in them. The owners had been warned that refusal to sign licensing agreements would likely result in legal action. *Granite Music Corp. v. Center Street Smoke House, Inc.*, 2011 WL 1898909 (W.D. N.Y. 2011)

TELEVISION SHOW'S CARNIVAL THEME WAS NOT SUBSTANTIALLY SIMILAR TO CARNIVAL THEME IN COPYRIGHTED GRAPHIC NOVEL

The expression of a carnival theme in a network television show was not substantially similar to the expression of a carnival theme in a graphic novel, as required to support the graphic novel author's copyright infringement claim against a television network. The graphic novel depicted a carnival that was actually a place of confinement where members were held captive by a demonic clown. The carnival in the television show was a refuge for evolved humans who had been unable to integrate into normal society. *Wild v. NBC Universal, Inc.*, 2011 WL 2182420 (C.D. Cal. 2011)

TWO-DIMENSIONAL IMAGES OF FILM CHARACTERS, UNLIKE COMPOSITE AND THREE-DIMENSIONAL IMAGES, INFRINGED FILM COPYRIGHTS

A competitor's products consisting of two-dimensional images identically reproducing one portion of an image from any one item of publicity material's public domain images of characters from later-published copyrighted films, "The Wizard of Oz" and "Gone with the Wind," did not infringe the film copyrights. However, the competitor's composite and three-dimensional products were infringing. The two-dimensional images, unlike the composite and three-dimensional images, were visual representations recognizable as copyrightable characters from the films but faithfully copied the public domain images, rather than copying original elements from the films, and did not display increments of expression of the film characters beyond pictures of the actors in costume in the publicity materials. *Warner Bros. Entertainment, Inc. v. X One X Productions*, 99 U.S.P.Q.2d 1153, 2011 WL 2610948 (8th Cir. 2011)

CASE HIGHLIGHTS— TRADEMARK

OWNER OF TRADEMARKS "HANLEY WOOD" AND "WORLD OF CONCRETE" OBTAINED DEFAULT JUDGMENT AND PERMANENT INJUNCTION

The entry of final default judgment to the owner of the trademarks "Hanley Wood" and "World of Concrete" on its claim for infringement under the Lanham Act was appropriate, where the owner had sufficiently pled facts to support the claim, a clerk had entered the default against the alleged infringer, and the infringer had been totally unresponsive to the summons and complaint, the entry of default, and the owner's motion for default judgment. The court went on to issue a permanent injunction prohibiting the infringer from using in any manner the marks, or registering any business entity that contained in its name the words "Hanley" or "Wood," or any variation thereof. *Hanley-Wood LLC v. Hanley Wood LLC*, 2011 WL 1770812 (D.D.C. 2011)

BUYER OF DISPUTED MARKS FROM PLUMBING COMPANY'S BANKRUPTCY ESTATE WAS LEGAL OWNER OF MARKS

The buyer of disputed marks from a plumbing company's bankruptcy estate was the successor-in-interest of the plumbing company and the legal owner of the marks. The marks were misappropriated by various entities during the pendency of the bankruptcy proceedings. However, the buyer's priority in the marks was traced directly from the company through the bankruptcy estate, and was unaffected by the entities' use of the marks without legal title. *John C. Flood of Virginia, Inc. v. John C. Flood, Inc.*, 642 F.3d 1105 (D.C. Cir. 2011)

VALVE MANUFACTURER SUFFICIENTLY ALLEGED TRADE DRESS INFRINGEMENT CLAIM AGAINST COMPETITOR

A valve manufacturer sufficiently alleged a trade dress infringement claim against a competitor. It claimed that its trade dress was comprised of a distinctive shape, contours, and in numerous cases a color scheme, that its valves had a unique and distinctive housing and appearance, that the competitor's use of its trade dress was likely to cause confusion, and that its trade dress was not merely functional. It attached photographs of the products allegedly showing its protectable trade dress. *Dynamic Fluid Control (PTY) Ltd. v. International Valve Mfg., LLC*, 2011 WL 1838872 (N.D. Ill. 2011)

COMPETITOR FAILED TO SHOW GOOD CAUSE FOR EXPEDITED DISCOVERY OF TRADEMARK INFRINGEMENT PLAINTIFF'S NEXT GENERATION PRODUCTS

Samsung, a competitor to the cell phone and computer tablet manufacturer, Apple Inc., failed to show good cause, in Apple's action alleging infringement of its trade dress, trademarks, and utility and design patents, for expedited discovery of product samples, packaging, and packaging inserts for Apple's next generation products, namely, the next generation iPhone and iPad. Samsung argued that Apple's future products would be relevant to the court's evaluation of Apple's motion for a preliminary injunction, specifically, the court's evaluation of several factors in the likelihood of confusion analysis, including the similarity of the marks, proximity of the products, and the strength of the mark. Apple, however, repeatedly stated that it would seek preliminary relief based only on the alleged infringement of its existing products, and there was nothing unreasonable or deceptive about Apple's decision to limit its claims in that manner. *Apple Inc. v. Samsung Electronics Co., Ltd.*, 768 F. Supp. 2d 1040 (N.D. Cal. 2011)

ENTERTAINMENT COMPANY DID NOT HAVE ENFORCEABLE RIGHTS IN "EXPOSÉ" TRADEMARK

A district court's finding that an entertainment company, as the purported assignee of the trademark rights of a corporation that had created the original dance band named "Exposé," did not have enforceable rights in the "Exposé" mark was not clearly erroneous. Thus, current members of the band did not infringe on an unregistered trademark in violation of the Lanham Act. The company presented only oral testimony to prove that the original members produced a song that was played on radio stations and in dance clubs and made several live performances, and the district court gave such testimony less weight than that of other witnesses based on inconsistencies concerning several key issues. The court of appeals further decided that current members of the band were common-law owners of the trademark. The band had been consistently portrayed to the public as being made up of the current members, the current members owned the goodwill associated with the mark, and a member of the public who purchased a ticket to an Exposé concert would clearly expect to see the current members. The Eleventh Circuit had not previously considered a trademark dispute in which prior ownership by one of several claimants could not be established. *Crystal Entertainment & Filmworks, Inc. v. Jurado*, 99 U.S.P.Q.2d 1197, 2011 WL 2449016 (11th Cir. 2011)

TRADEMARK HOLDER DID NOT MAKE MATERIAL MISREPRESENTATION WHEN IT SOUGHT TRANSFER OF SIMILAR DOMAIN NAME

The holder of the "JDate" mark did not make a material misrepresentation in violation of the Anticybersquatting Consumer Protection Act (ACPA) in its submissions to the National Arbitration Forum (NAF) in support of its application to transfer a competitor's "jdate.net" domain name. The holder represented that it had a trademark rather than a service mark and blacked out portions of the competitor's web page images in its submissions to the NAF. However, ACPA did not distinguish between a service mark and a trademark with regard to the issue of dilution. In addition, the competitor did not allege that the holder disguised that it selected only some text from the Web site. *ISystems v. Spark Networks, Ltd.*, 2011 WL 2342523 (5th Cir. 2011)

ASSIGNMENTS DID NOT OVERCOME PRESUMPTION THAT MARK WAS ABANDONED BY THREE CONSECUTIVE YEARS OF NON-USE

The transferee's 2010 assignments did not overcome the presumption that the mark was abandoned by three consecutive years of nonuse. The last registered owner of the mark no longer existed as an Oklahoma limited liability company by the time the assignments were executed, allegedly transferring all rights to the transferee, which stopped using the mark in 2002 when it shut down the franchise system, never used the mark again, and had no intention of using the mark again. *Original Rex, L.L.C. v. Beautiful Brands Intern., LLC*, 2011 WL 2118742 (N.D. Okla. 2011)

FINDING THAT TRADEMARK HOLDER FAILED TO ESTABLISH LIKELIHOOD OF CONFUSION WAS NOT CLEARLY ERRONEOUS

A district court's finding that a trademark holder failed to establish a likelihood of confusion supporting its trademark infringement and unfair competition claims under the Lanham Act was not clearly erroneous, even if the holder's heart and crossbones design was a strong mark. The parties' products were sold in different stores, at different prices and with distinct labeling, and there was no evidence of actual confusion. *Tokidoki, LLC v. Fortune Dynamic, Inc.*, 2011 WL 2036466 (9th Cir. 2011)

NONPROFIT CORPORATION STATED PLAUSIBLE TRADEMARK INFRINGEMENT CLAIM AGAINST CEO OF RIVAL ORGANIZATION

A nonprofit corporation stated a plausible trademark infringement claim against the CEO of a rival organization. It alleged that the CEO engaged in a transaction with a business that incorrectly advertised its partnership using the corporation's name, and allowed the business to display the misleading article on its Web site. It also claimed that a radio station used the corporation's mark and logo in advertising its upcoming interview with the CEO. *National Black Chamber of Commerce v. Busby*, 2011 WL 2632298 (D.D.C. 2011)

ELECTRONIC PRODUCT RECYCLING ORGANIZATION STATED PLAUSIBLE FALSE ADVERTISING CLAIM AGAINST RIVAL ORGANIZATIONS

An electronic product recycling organization stated a plausible claim that the use of the generic term "certified electronics recycler®" by rival organizations was intended to imply to the public that their certification program was government-sanctioned, and thus constituted false advertising under the Lanham Act. The rivals touted to the public that only they could "[p]rovide the trademarked designation of "CERTIFIED ELECTRONICS RECYCLER®." *Basel Action Network v. International Ass'n of Electronics Recyclers*, 2011 WL 2516377 (W.D. Wash. 2011)

CASE HIGHLIGHTS—PATENT

"MODERNIZING DEVICE" LIMITATION DID NOT INVOKE MEANS-PLUS-FUNCTION PROVISION

A claimed "modernizing device," in patents describing a process to restore and upgrade an existing conventional elevator system and its components to a destination call control elevator system, connoted sufficiently definite structure to those skilled in the art that a competitor was not able to rebut the strong presumption that the limitation did not invoke the means-plus-function provision, flowing from the absence of the term "means." The claims indicated that the "modernizing device" functioned as an electrical circuit that received signals, processed signals, and output signals to other components in the patented system and the written descriptions provided a block diagram of a modernizing device and also described the structure and operation of the modernizing device. *Inventio AG v. ThyssenKrupp Elevator Americas Corp.*, 99 U.S.P.Q.2d 1112, 2011 WL 2342744 (Fed. Cir. 2011)

COMPLAINT STATED PATENT INFRINGEMENT CLAIM AGAINST PROVIDERS OF CONTENT MANAGEMENT WEB SITES

A patent owner's complaint against Facebook, Inc., and Google, Inc., was sufficient to state claim for patent infringement sufficient to survive a motion for judgment on the pleadings. The complaint included the date that the patent disclosing a method that allowed unsophisticated mobile device users to create mobile Web sites with personally authored content for display on mobile devices was issued. The complaint described the patent, explained the features and functions of the allegedly infringing products, and stated that the owner had been and remained the exclusive owner of all rights in the patent at issue. The complaint alleged that Facebook and Google, as providers of content management websites, infringed the patent by using the patented method in managing their websites. The complaint further alleged that the website managed by the patent owner was marked with the patent number the day the patent was issued, and described in detail other facts describing how the providers had notice of the patent. *Wireless Ink Corp. v. Facebook, Inc.*, 2011 WL 2089917 (S.D. N.Y. 2011)

PATENT FOR 7.5 MILLIGRAM (MG) DOSAGE OF SLEEP-INDUCING DRUG WAS INVALID AS OBVIOUS

A patent for a 7.5 milligram (mg) dosage of a sleep-inducing drug was invalid as obvious. Dosage was the only feature that distinguished the patent from prior art capsules that contained 15 to 30 mg dosage, but a prior art reference in a medical reference book also disclosed a five to 15 mg dosage for treating elderly patients. There was no prior art that taught away from using a 7.5 mg dosage for elderly patients or that would have cast doubt on the efficacy of the 7.5 mg dosage. *Tyco Healthcare Group LP v. Mutual Pharmaceutical Co., Inc.*, 642 F.3d 1370 (Fed. Cir. 2011)

EXPERT'S TESTIMONY WAS INSUFFICIENT TO ESTABLISH THAT PATENT FOR DAYLIGHT LAMP WAS ENABLED

An expert's testimony as to how a person skilled in the art of coated-bulb making could determine the values for

an equation set forth in a patent for a daylight lamp, and upon doing so, could make a bulb in accordance with the patent's teachings without engaging in undue trial and error, was insufficient to establish that the patent was enabled. The testimony confirmed that the patent, at best, described an iterative process. *Tailored Lighting, Inc. v. Osram Sylvania Products, Inc.*, 2011 WL 1871171 (W.D. N.Y. 2011)

FALSE MARKING STATUTE'S QUI TAM PROVISION VIOLATED THE TAKE CARE CLAUSE, AND WAS THEREFORE UNCONSTITUTIONAL

The false marking statute's qui tam provision failed to provide the Executive Branch sufficient safeguards to ensure that the President was able to perform his constitutionally assigned duties, in violation of the Take Care Clause. Therefore, the provision was unconstitutional. The false marking statute broadly permitted "any person" to "sue for the [\$500] penalty," required no notice to the United States, and provided no means by which the United States could control the initiation, prosecution, or termination of litigation commenced on its behalf. *Rogers v. Tristar Products, Inc.*, 2011 WL 2175716 (E.D. Pa. 2011)

SUMMARY JUDGMENT WAS PRECLUDED ON ACCUSED INFRINGER'S ENTITLEMENT TO EQUITABLE INTERVENING RIGHTS

Summary judgment was precluded on issue of an accused infringer's entitlement to equitable intervening rights. The mere fact that the alleged infringer imposed a quality management system in order to comply with Food and Drug Administration regulations in developing infringing software applications did not necessarily show that its preparation before the issuance of the reexamined patent was substantial. *University of Virginia Patent Foundation v. General Elec. Co.*, 2011 WL 2117620 (W.D. Va. 2011)

IN-HOUSE ATTORNEY WAS NOT INVOLVED IN COMPETITIVE DECISIONMAKING ON BASIS THAT HE WAS OFFICER OF CORPORATE AFFILIATE

An in-house attorney was not involved in competitive decisionmaking, such that he had to be denied access to confidential information produced by a party-opponent pursuant to a protective order in patent case, on the basis that he provided a report on intellectual property rights management, since the report was to an unspecified audience. Furthermore, although the attorney was an officer and director of two corporate affiliates, the affiliates did not offer any products or services for sale. *ActiveVideo Networks, Inc. v. Verizon Communications, Inc.*, 2010 WL 6812320 (E.D. Va. 2010)