

**NYIPLA**

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# Bulletin

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## THE USE OR NON-USE OF TRADEMARKS IN POP-UP ADVERTISING AND KEYWORD ADVERTISING

*By Paul Garrity and Roberta Krause<sup>1</sup>*

### Introduction

The nascent arena of Internet advertising has quickly produced many disputes regarding the use or misuse of trademarks. A recent study by NameProtect Inc. indicated that 92% of the top global brands have third parties buying their trademarks for search engine advertisements. Many of the keywords sold by search companies are housed in a software directory in order to trigger pop-up banner ads or links are trademarks, service marks and trade names of other companies. Trademark owners, that have recently sued search engines and software developers under the United States Trademark (“Lanham”) Act, complain that such use of their marks causes a likelihood of confusion and unfairly trades off the goodwill in their marks to the advantage of their competitors, as well as non-competitors alike. Companies selling such advertising opportunities, e.g., search engines, software companies etc., argue that they are not making use of the marks in commerce to identify goods/service and therefore have not violated the trademark owners intellectual property rights. They further submit

that their practices are unlikely to cause confusion.

Two key issues presented by such disputes are whether the sale of advertising opportunities that rely on third party trademarks (1) amounts to use of the mark “in commerce” as is required to bring an action for trademark infringement or unfair competition; and (2) if so, is there a likelihood of consumer confusion, initial interest or otherwise, resulting from these practices. Thus far, the courts remain divided with respect to these issues as they apply to pop-up and keyword advertising.<sup>2</sup>

### A. POP-UP ADVERTISING

Pop-up advertising specifically refers to pop-up ads that appear on a user’s computer screen, generally in front of all the windows the user may have open at the time. Once the pop-up ad appears, the user often cannot continue working on his or her computer until they have “closed,” or at least “minimized,” the ad. Pop-up advertising appears on a user’s computer screen via a class of software popularly known as “spyware<sup>3</sup>” or “adware<sup>4</sup>.” The leading purveyors of pop-up advertising, which include Claria Corporation<sup>5</sup> (formerly known as Gator

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April 13, 2005

PRESIDENT'S CORNER

Dear Members:

It was a great honor for me to present, on your behalf, our Association's Outstanding Public Service Award to Federal Circuit Judge Pauline Newman at our 83<sup>rd</sup> Annual Judges Dinner on March 18<sup>th</sup>. A record assemblage of 3,332 attendees, including 120 judges, gathered that night at the Waldorf Astoria as we expressed our gratitude to the nation's judges and magistrate judges, and as we took particular notice of the many contributions of Judge Newman.

In her eloquent acceptance speech, Judge Newman noted the importance of intellectual property to our nation, as IP law guides "industrial, technological and creative universes". After tracing the origins of the Federal Circuit, she explained that lawyers and judges share a responsibility for this vast subject matter. Judge Newman concluded by reminding all in attendance that we are partners in the search for truth and that we are privileged to serve in "the noblest of endeavors: justice under law".

Dr. Ronan Tynan followed Judge Newman, singing a moving rendition of "Isle of Hope, Isle of Tears" which provides an immigrant's view of this great land of opportunity. He then explained how he overcame physical challenges to become a physician, a world renowned Irish tenor and a gold medal winning athlete because of the encouragement of family and friends and the development of positive attitudes. He emphasized that mentors are a "battalion of inspiration" that shape and influence our lives. The New York Yankees' legendary announcer, Bob Sheppard, then asked all to join with Dr. Tynan in singing "God Bless America."

The program concluded with former Presidents Andrea Ryan and Mel Garner presenting the Association's first Sidney B. Williams Scholarship check to Stephanie Harris, a former Examiner in the U.S. Patent and Trademark Office and currently a student at Howard University Law School. We hope to be good mentors to Ms. Harris and to other scholarship recipients in the years to come.

Recently, the Association began sponsoring a CLE program and luncheon on the day of the Judges' Dinner. This year, 188 people (including 13 judges) attended and heard a spirited, informa-

tive and entertaining discussion concerning "The Doctrine of Equivalents After *Festo*" and "Federal Circuit: Rules to Remember." We are most grateful to the panel participants: Judge Haldane Robert Mayer of the



President John D. Murnane

Federal Circuit, Chief Judge William G. Young of the U.S. District Court for the District of Massachusetts, practitioners Bob Baechtold and Rich DeLucia, and moderator Mark Abate.

Last week, the NYIPLA Past Presidents' Committee submitted its review of the Federal Trade Commission's October 2003 Report: "*To Promote Innovation: The Proper Balance of Competition and Patent Law Policy.*" The Committee chair, John Sweeney, and members Tom Creel, Mel Garner, Karl Jorda, Bob Neuner, John Pegram, Pat Razzano, Al Robin, Andrea Ryan and Herb Schwartz all deserve our gratitude for their hard work and dedication in assisting the Association with this important matter. The Committee's report recommends that the NYIPLA support the FTC's recommendations 1 (post grant oppositions) and 4 (adequate PTO funding), two parts of recommendation 5 (expanded "second eyes" review of applications and improved PTO balancing of the applicant's and the public's interests), and recommendations 7 (18 month publication of all applications) and 9 (legislation clarifying the predicate for finding infringement was willful). The Committee does not recommend support for the remaining FTC recommendations.

The Association's officers and directors are now considering the Past Presidents' report and will discuss it at our May 3<sup>rd</sup> meeting. We expect that the Association's position on each of the FTC's recommendations will be finalized by the time of our May 25<sup>th</sup> Annual Meeting. I look forward to seeing you then at the Yale Club.

Cordially,

John D. Murnane

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Corp.), WhenU, Inc.<sup>6</sup>, Direct Revenue LLC<sup>7</sup>, Avenue Media N.V.<sup>8</sup>, and 180solutions, Inc.<sup>9</sup>, sell pop-up advertising opportunities to advertisers for hundreds of millions of dollars each year.<sup>10</sup>

The mechanics of pop-up advertising are simple. As recognized by the court in *Hertz Corp. v. The Gator Corp.*,<sup>11</sup> pop-up advertisers cause individual computer users to download a software program, typically by bundling such a program together with “free” programs like games, updated weather reports and other programs that are otherwise attractive to the computer user. Such spyware software, once installed, allows the pop-up advertiser to “observe” the online behavior of computer users. That is, the program sends to the pop-up advertiser information about which website the user has visited, and the advertiser then uses this information to send targeted advertisements to the computer user. In this way, pop-up advertisers can cause advertisements for their clients’ goods and services, tailored to the website visited by the user, to “pop-up” in separate windows on the user’s computer screen.

The use and distribution of spyware is breathtaking. A leading IT consulting firm, Gartner, Inc. has estimated that that 80 to 90 percent of computers have some form of pop-up advertising software installed.<sup>12</sup> A survey at the end of 2003 by a diagnostic website named PCPitstop revealed that 74% of users found to have Gator software on their machines did not recall installing it, and a March 2004 survey by this same website found that 87% of users found to have WhenU software on their machines did not recall installing this spyware.<sup>13</sup>

Pop-up advertising has spawned a great deal of litigation from trademark owners seeking to prevent such advertising from popping-up above and blocking the trademark owner’s website. Since 2002, Claria Corp. (formerly known as Gator Corp.) has been sued by dozens of trademark owners<sup>14</sup>, and a preliminary injunction was entered against Gator in June 2002 in a suit involving a large group of media companies including the New York Times and Washington Post.<sup>15</sup> Additionally, last year, a German court found that Claria had unfairly competed against rental car company Hertz by allowing advertisements to pop-up and obscure Hertz’ website.<sup>16</sup>

While most of these cases have resulted in settlements<sup>17</sup>, in the past year, three district courts have rendered decisions on claims that spyware-generated pop-up advertising violates the rights of trademark owners. The Lanham Act claims in each one of these cases have turned on the issue of whether or not WhenU, in causing pop-up ads to appear, uses the plaintiff’s mark “in commerce.” The outcome of these cases makes manifest that the application of trademark law to common fact patterns can have divergent results.

## 1. *U-Haul v. WhenU*

In *U-Haul Int’l, Inc. v. WhenU.com, Inc.*,<sup>18</sup> the United States District Court for the Eastern District of Virginia addressed the legality of pop-up ads. U-Haul alleged that WhenU’s pop-up advertisements infringed plaintiff’s copyrights in its website, infringed plaintiff’s U-HAUL trademarks, diluted those marks, and otherwise constituted unfair competition. The Court rejected each of these theories and granted WhenU summary judgment on U-Haul’s copyright, trademark and unfair competition claims.

The court in U-Haul recognized that a plaintiff alleging trademark infringement and unfair competition must prove that the defendant used the plaintiff’s trademarks in commerce, as this term is defined by the Lanham Act.<sup>19</sup> U-Haul argued that WhenU used U-Haul’s marks “in commerce” in three ways: (1) by having WhenU pop-up ads appear on the same screen as U-Haul’s website and logo; (2) by using the U-HAUL trademark as part of the process by which pop-up ads are triggered; and (3) because the pop-up ads interfered with the use of U-Haul’s website.<sup>20</sup> The court rejected each of these arguments, and ruled that U-Haul failed to prove that a pop-up advertisement placed by WhenU that obscures U-Haul’s website constituted an actionable “use in commerce” of U-Haul’s trademarks.

First, the court ruled that the WhenU pop-up ads do not appear on the same screen as U-Haul’s website but instead appear in a WhenU branded window separate and distinct from U-Haul’s website.<sup>21</sup> Second, WhenU’s advertising did not constitute a use in commerce merely because the pop-up ad trademarks were simultaneously visible to consumers with the U-haul trademarks displayed on U-Haul’s website. Rather, in the court’s view, this constituted lawful comparative advertising.<sup>22</sup> Third, the court rejected the argument that WhenU’s inclusion of the address for the U-Haul website and the U-HAUL trademark in the directory used by WhenU to trigger the pop-up ads constituted a use of the mark in commerce under the Lanham Act. Though the court recognized that WhenU’s ad-triggering process necessarily “uses” the U-haul trademark, because WhenU “does not sell the U-Haul URL [website address] to its customers” or “display the U-Haul URL or the words ‘U-Haul’ to the computer user when the ad pops up,” there was no actionable use of U-Haul’s name and mark in commerce.<sup>23</sup> Finally, it was ruled that WhenU’s pop-up ad technology does not rise to the level of use in commerce by virtue of its interference with the use of U-Haul’s website by U-Haul’s customers. On this issue, the court ruled that WhenU’s spyware does not interact with U-Haul’s servers or systems, does not take a computer user to a WhenU website when he or she

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is searching for U-Haul, and does not preclude U-Haul's customers from accessing the U-Haul website.<sup>24</sup>

Ultimately, the court concluded that there could be no interference with U-Haul's website because computer users have "made a conscious decision to install the (WhenU) program" and to "accept the licensing agreement" from WhenU.<sup>25</sup> That is, though the court acknowledged that "this case is an attempt by a trademark owner and copyright holder to limit annoying pop-up advertising from blotting out its website on the individual user's computer screen," the court premised its ruling on the fact that "the computer user consented to this [detour in the user's web search] when the user downloaded WhenU's computer software."<sup>26</sup> For this reason, it was expressly ruled that "while pop-up advertising may crowd out the U-Haul's advertising screen through a separate window, this act is not trademark or copyright infringement, or unfair competition."<sup>27</sup>

## 2. *Wells Fargo v. WhenU*

In *Wells Fargo & Co. v. WhenU.com Inc.*,<sup>28</sup> the U.S. District Court for the Eastern District of Michigan, adopting similar reasoning as the *U-Haul* court, denied a motion for preliminary injunction and ruled that the plaintiffs, led by Wells Fargo, did not establish a likelihood of prevailing on the merits of the case because, *inter alia*, they had failed to prove that WhenU used the plaintiffs' trademarks "as that term is used in the Lanham Act."<sup>29</sup> In arriving at this decision in a lengthy opinion, the court expressly concluded that when WhenU's advertisements, the text of which did not include plaintiffs' marks, popped-up and partially overlapped plaintiffs' sites on the user's computer screen, "it seems apparent to the user that what is appearing on his or her screen are two distinct sources of material."<sup>30</sup> As a result, in the eyes of the court, the "juxtaposition of WhenU's advertisements with plaintiffs' websites in separate windows on a participating consumer's computer screen is a form of comparative advertising."<sup>31</sup>

The court's analysis of WhenU's software focused on the fact that WhenU's advertisements did not use any trademarks registered to the plaintiffs in the pop-up ads themselves. Rather, it observed that the website addresses for the plaintiffs' websites "are included in the [WhenU directory] only to identify the website itself for the purpose of determining the interests of participating consumers."<sup>32</sup> Notably, in considering such practice, the court specifically found that "WhenU does not target specific websites either in its software or in selling its services to advertisers. Rather, WhenU's advertisements are displayed according to the product category in which

the consumer is interested and limited by factors such as the number of advertisements the consumer has already seen."<sup>33</sup> Thus, it is interesting that the court, without addressing the legality of keyword-triggered advertising, suggested that pop-up advertising was permissible because the use of keyword terms, which *are* targeted advertisements, is a common practice and a source of revenue for search engines like Google.<sup>34</sup>

Wells Fargo argued that WhenU was using plaintiffs' marks in at least three ways: (1) by hindering Internet users from accessing plaintiff's websites; (2) by deliberately positioning its "pop-up" advertisements in close proximity to plaintiffs' trademarks; and (3) by using the marks to trigger the delivery of advertisements. The court rejected each argument. The court found that WhenU does not hinder access to plaintiffs' websites: consumers who type in the URL for those sites actually reach those sites notwithstanding the presence of WhenU pop-up ads.<sup>35</sup> Likewise, the simultaneous appearance of the pop-up ads on the plaintiffs' websites was ruled not to constitute a use of plaintiffs' marks in commerce. In this regard, it was noted that displaying pop-up ads, which partially obscured portions of the plaintiffs' websites, was not analogous to actionable "framing" of the websites, which would cause the two sites to be combined together into a single visual presentation.<sup>36</sup> Finally, with respect to plaintiffs' argument that causing their marks to trigger pop-up advertising rose to the level of actionable use, the court ruled that "because WhenU does not use any of the plaintiffs' trademarks to indicate anything about the source of the products and services it advertises," the use of plaintiffs' marks in WhenU's advertising directory did not rise to the level of use in commerce actionable under the Lanham Act.<sup>37</sup> Ultimately, following the reasoning of the *U-Haul* case, the court turned the responsibility for the pop-up advertising back to the consumer, ruling that "it is the user's actions on his or her desktop that ultimately determine whether that consumer will see a particular advertisement."<sup>38</sup>

## 3. *1-800 Contacts v. WhenU*

The most recent adware decision is *1-800 Contacts v. WhenU.com*.<sup>39</sup> In the *1-800 Contacts* case, which is presently on appeal to the Second Circuit Court of Appeals, the United States District Court for the Southern District of New York rejected the copyright infringement claims brought by plaintiff, but granted a preliminary injunction on plaintiff's trademark claims, finding both use in commerce and trademark infringement.<sup>40</sup> The court, rejecting the *Wells Fargo* and *U-Haul* courts' reasoning on this issue, ruled that the defendant was "using" plaintiff's trademarks for purposes of the Lanham Act.<sup>41</sup>

The court ruled that the defendants were using the plaintiff's trademarks in two ways. First, the court held that "by causing pop-up advertisements to appear when [WhenU] users have specifically attempted to find or access Plaintiff's website, Defendants are 'using' Plaintiff's marks that appear on plaintiff's website."<sup>42</sup> The court observed that Internet users who sought plaintiff's website by typing "1-800 Contacts" into a search engine were seeking to locate plaintiff's site based on the goodwill plaintiff had generated in its marks. "Thus, by causing pop-up advertisements to appear when [users of WhenU's software] have specifically attempted to find or access Plaintiff's website, Defendants are 'using' Plaintiff's marks that appear on Plaintiff's website."<sup>43</sup> Second, the court held that WhenU "uses" plaintiff's mark by including a version of plaintiff's 1-800 CONTACTS mark in defendant's directory of terms used by WhenU to trigger pop-up advertisements by companies that are in direct competition with plaintiff.<sup>44</sup>

Accordingly, the court held that WhenU "used" the 1-800 CONTACTS mark in commerce. In so holding, the court rejected defendants' argument that use "in connection with" their services under the Lanham Act required "use as a trademark to identify or distinguish products or services." Rather, the court there found "use in commerce" because "WhenU's advertisements are delivered to [a user of WhenU's software] when that user directly accesses Plaintiff's website – thus allowing [the defendants] to profit from the goodwill and reputation in Plaintiff's website that led the user to access Plaintiff's website in the first place."<sup>45</sup>

## B. KEYWORD ADVERTISING

A separate but related advertising medium on the Internet is the use of keywords by Internet search engines such as Google and Overture to trigger links to the websites of paid advertisers. Internet search engines respond to a user's search query by checking the search term against its database of websites and generating a web page (or a series of web pages) that lists websites that match the search term entered by the user. A number of Internet search engines, including Google and Overture, also sell advertising linked to search terms. The particular search terms used in such advertising are known as "keywords." Keyword-triggered advertising programs enable advertisers to purchase or bid on keywords that generate an advertising link (known as a "sponsored link") to the purchaser's website. Internet search engines such as Google post these so-called "sponsored links" on the top of and in the margins of its search engine results page based on whichever keywords appear in a user's query submitted to the Internet search engine. The search engine's advertising customers then pay the

search engine based on the number of Internet users who "click" on these advertising links.

Internet search engines earn hundreds of millions of dollars each year selling keyword-triggered advertising.<sup>46</sup> In addition to selling such advertising in which the keywords are generic terms (such as "insurance" or "wallpaper"), these search engines have also begun to sell keywords comprised of trademarks owned by third parties. In response to this practice, a number of trademark owners have brought suits against Internet search engines alleging that the search engines have unlawfully used the trademark owner's marks by allowing advertisers to bid on the trademarks (in the form of keyword-triggered links) and to pay the search engines to be linked to the trademarks. Mostly, the courts have found that the practice of using trademarks in the search engine context, and particularly in keyword-triggered advertising, constitutes a "use in commerce" of the trademark actionable under the Lanham Act, but this issue is unsettled as demonstrated by the following cases.

### 1. *Playboy v. Netscape*

In *Playboy Enterprises, Inc. v. Netscape Communications Corp.*,<sup>47</sup> the Ninth Circuit ruled that the sale of trademarks by an Internet search engine for use to trigger advertising does indeed constitute a "use in commerce" actionable under the Lanham Act. Playboy argued that two search engines, Netscape and Excite, committed trademark infringement by selling Playboy's trademarks as keywords to advertising customers that wanted their advertisements, in the form of banner advertising,<sup>48</sup> to appear when an Internet user searched for Playboy using Playboy's trademarks. The Ninth Circuit reversed summary judgment in favor of the defendants and held that Playboy established a genuine issue of material fact regarding the defendants' infringement of the Playboy marks. In the *Playboy* decision, the Ninth Circuit ruled that "defendants clearly used the marks in commerce," and, further, that the "use in commerce" requirement for purposes of bringing such a claim under the Lanham Act, "sweeps as broadly as possible."<sup>49</sup>

### 2. *Google in Europe*

Google has been successfully sued in France by numerous trademark owners alleging that its AdWords<sup>50</sup> pay-per-click advertising program allows advertisers to bid on keywords, comprised of trademarks owned by the plaintiffs, that trigger the display of competitors' sponsored links in search results and on content pages. One of the first such cases was filed by Luteciel and Viaticum, web-based travel agencies, in which the Lower Court of Nanterre in October 2003 ruled that Google was guilty

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of trademark infringement, awarded monetary damages and enjoined Google from selling trademarks as keyword-triggered advertising.<sup>51</sup> Shortly thereafter, luxury goods maker Louis Vuitton and insurer Axa reportedly brought similar suits against Google.<sup>52</sup> Most recently, on Dec. 16, 2004, the Lower Court of Nanterre ruled that Google infringed on the trademarks of the hotel chain Le Meridien by allowing its competitors to bid on keywords composed of the LE MERIDIEN trademark, which then appeared prominently in related search results.<sup>53</sup>

Conversely, in Germany, Google prevailed against a software company called Metaspinner Media, who alleged that its trademark was infringed when Google allowed third parties to purchase keywords containing this mark.<sup>54</sup> The lower court held that such advertising was a breach of Metaspinner's trademark rights under German law and deemed Google a "joint wrongdoer," as it had the opportunity to stop the violation. In May 2004, Metaspinner claimed that Google continued to use Metaspinner's mark in its Adwords program and was thus violating the preliminary injunction order. On September 21, 2004, the Hamburg district court reversed its previously granted preliminary injunction and dismissed the suit without publishing its rationale for this ruling.<sup>55</sup> In *Nemetschek AG v. Google*, another recent German case, the District court of Munich held that Google is not directly or indirectly liable for use of a trademarked keyword by an advertiser, reasoning that search engines cannot be expected to investigate trademark claims involving online advertising.<sup>56</sup>

### 3. *Geico v. Google*

More recently in the United States, the issue of whether the use of a trademark in the context of the sale of keyword advertising was a "use in commerce" actionable under the Lanham Act was squarely before the court on a motion to dismiss Lanham Act claims in *Government Employees Insurance Co. v. Google, Inc.*<sup>57</sup> Relying upon the *Wells Fargo* and *U-Haul* cases, Google contended that it was not making "trademark use" of the plaintiff's GEICO trademarks because it was not using Geico's marks "in a way that identifies the user as the source of a product or indicates the endorsement of the mark owner."<sup>58</sup> The court rejected such arguments, ruling that "when defendants sell the right to link advertising to the plaintiff's trademarks, defendants are using the trademarks in commerce in a way that may imply that defendants have permission from the trademark holder to do so."<sup>59</sup> The court distinguished Google's keyword advertising program from the "pop-up" advertising cases, holding that the only use of the plaintiff's trademark in such cases was in the internal computer coding used to

generate the advertisement. Further, whereas in the "pop-up" cases the defendant "allowed advertisers to bid on broad categories of terms that included trademarks," the court ruled that Google's keyword-triggered advertising "market[ed] the protected marks themselves as keywords to which advertisers could directly purchase rights."<sup>60</sup> On this basis, the court concluded that "plaintiff has sufficiently alleged that defendants used plaintiff's protected marks in commerce."<sup>61</sup>

The *Geico* case subsequently went to trial. In a bench ruling issued December 15, 2004 Judge Brinkema found that sponsored web links that display the GEICO mark violate the Lanham Act, but, with respect to sponsored links that do not contain the GEICO mark, ruled that Geico had presented insufficient evidence to show that use of the mark GEICO as a keyword to trigger such a sponsored link is likely to cause confusion. The court expressly acknowledged that "the reason [it found] insufficient evidence of [likelihood of confusion]" was because the expert survey relied upon by Geico was defective.<sup>62</sup> It was ruled that Geico's survey was directed to sponsored links that actually used the GEICO mark in the text of the advertisement itself, rather than the broader category of sponsored links which did not contain the GEICO mark but were triggered by the use of the plaintiff's mark. The judge on this issue ruled "what I don't feel was presented to the Court that needed to be presented to the Court would have been ads for insurance that did not have 'Geico' in [them]."<sup>63</sup> In regards to those sponsored links found on Google that contained the GEICO mark either in the title or in the text of the link, however, Judge Brinkema ruled that Geico's survey established enough evidence of confusion to allow the case to continue. As a result, the case will go forward only on the issue of whether this limited universe of sponsored links creates a likelihood of confusion in the marketplace, and, if so, whether Google is contributorily liable for the Lanham Act violation.<sup>64</sup>

Similar to the split between the courts over potential liability for trademark infringement in the context of pop-up advertising, there appears to be some tension between the courts as to the application of the Lanham Act to the sale of keywords incorporating trademarks. The Ninth Circuit in *Playboy* broadly granted the plaintiff protection against the sale of keywords incorporating its trademarks and service marks. The *Geico* court on the other hand restricted a potential trademark/unfair competition claim to only those situations where actual advertisements or sponsored links, that are tied to keywords incorporating plaintiff's mark, also displayed Geico's marks. This dichotomy illustrates the fact intensive nature of the courts' analysis and their struggle to apply the law in an equitable manner.

<sup>1</sup> Paul Garrity, Esq. is a partner with Kelley, Drye & Warren LLP, and Roberta Krause is an Assistant Counsel with Lumenis, Inc. This article was submitted as part of the NYIPLA's Internet Law Committee Report entitled "Recent Case Law, Developments and Trends Concerning Trademarks, Copyrights, Patents and the Internet."

<sup>2</sup> A January 23, 2005 report by the Pew Internet and American Life Project, found that 62% of users of Internet search engines do NOT know that there two different kinds of search results, paid and unpaid. Indeed, of the 32% of the participants in the survey (2,200 adults) who are aware of the practice of paid or sponsored results, 45% apparently are not always able to tell the difference between the paid or sponsored results and the unpaid results. The report is available at <[http://www.pewinternet.org/pdfs/PIP\\_Searchengine\\_users.pdf](http://www.pewinternet.org/pdfs/PIP_Searchengine_users.pdf)>.

<sup>3</sup> Spyware includes "any software that covertly gathers user information through the user's Internet connection without his or her knowledge, usually for advertising purposes. Spyware applications are typically bundled as a hidden component of freeware or shareware programs that can be downloaded from the Internet... once installed, the spyware monitors user activity on the Internet and transmits that information in the background to someone else." <<http://www.webopedia.com/TERM/S/spyware.html>>.

<sup>4</sup> Adware is "a form of spyware that collects information about the user in order to display advertisements in the Web browser based on the information it collects from the user's browsing patterns." <<http://www.webopedia.com/TERM/a/adware.html>>.

<sup>5</sup> Claria's website is located at <<http://www.claria.com>>.

<sup>6</sup> WhenU's website is located at <<http://www.whenu.com>>.

<sup>7</sup> Direct Revenue's website is located at <<http://www.direct-revenue.com>>.

<sup>8</sup> Avenue Media's website is located at <<http://www.avenuemedia.com>>.

<sup>9</sup> 180Solutions' website is located at <<http://www.180solutions.com>>.

<sup>10</sup> See, e.g., Bob Sullivan, "Pop-ups Prove Profitable, Persistent," MSNBC Technology & Science (November 20, 2003) at <<http://msnbc.msn.com/id/3541497/>>; Ben Elgin, "Guess What - You Asked for Those Pop-Up Ads," Business Week (June 28, 2004) at <[http://yahoo.businessweek.com/magazine/content/04\\_26/b3889095\\_mz063.htm](http://yahoo.businessweek.com/magazine/content/04_26/b3889095_mz063.htm)>. For a breakdown of who is investing in adware/spyware companies, see <<http://www.benedelman.org/spyware/investors>>.

<sup>11</sup> 250 F.Supp.2d 421 (D.N.J. 2003).

<sup>12</sup> See Keith Regan, "McAfee Taking Spyware Fight To Enterprise Level," E-Commerce Times (November 16, 2004) at <<http://www.ecommercetimes.com/story/38200.html>>.

<sup>13</sup> At <<http://www.pcpitstop.com/gator/Survey.asp>> and <<http://www.pcpitstop.com/spycheck/whenu.asp>>, respectively.

<sup>14</sup> See, e.g., Gator.com Corp. v. L.L. Bean, Case No. C-01-1126-MEJ (N.D. Cal. Mar. 19, 2001); The Gator Corp. v. L.L. Bean, Case No. CV-01-1713-HU (D. Ore. Nov. 27, 2001); United Parcel Service of Am. v. The Gator Corp., Case No. 1:02-CV-2639-BBM (N.D. Ga. Sept. 26, 2002); The Gator Corp. v. Extended Stay America, Case No. C-02-5226-CRB (N.D. Cal. Oct. 29, 2002); Six Continents Hotels v. The Gator Corp., Case

No. 1:02-CV- 3065-JOF (N.D. Ga. Nov. 12, 2002); Extended Stay Am., Inc. v. The Gator Corp., Case no. 7:02- 3845-20 (D.S.C. Nov. 14, 2002); Lendingtree, Inc. v. The Gator Corp., Case No.3:02-CV-519-V (W.D.N.C. Dec. 11, 2002); The Gator Corp. v. PriceGrabber, Inc., Case No. C-02-5875-BZ (N.D. Cal. Dec. 16, 2002); The Gator Corp. v. TigerDirect, Inc., Case No. C-02-5875-BZ (Dec. 19, 2002); Tigerdirect, Inc. v. The Gator Corp., Case No. C-02-23615 (S.D. Fla. Dec. 20, 2002); Gator.com Corp. v. Virtumundo, Case No. C-01-3167-MJJ (N.D. Cal. Aug. 16, 2001); Washington Post.Newsweek Interactive Co., v. The Gator Corp., Case No. CV 02-909-A (E.D. Va. June 25, 2002). A number of these cases were consolidated to the Northern District of Georgia and later settled out of court. See Stefanie Olsen, Pop-Up Purveyor Claria Settles Suit, CNET News.com (August 31, 2004) <[http://att.com.com/Pop-up+purveyor+Claria+settles+suit/s/2100-1024\\_3-5333003.html](http://att.com.com/Pop-up+purveyor+Claria+settles+suit/s/2100-1024_3-5333003.html)>.

<sup>15</sup> Washingtonpost.Newsweek Interactive Co., LLC v. Gator Corp., 2002 U.S. Dist. LEXIS 20879 (E.D. Va., July 16, 2002). This case settled before trial.

<sup>16</sup> Dawn Kawamoto, "German Court: Pop-Ups Need Permission," CNET News.com (March 26, 2004) at <<http://news.com.com/2100-1024-5180240.html>>.

<sup>17</sup> According to Claria's SEC S-1 filing of April 8, 2004, Claria has settled suits brought by Extended Stay America, PriceGrabber.com, LendingTree, and UPS. <<http://www.sec.gov/Archives/edgar/data/1126167/000119312504059332/ds1.htm>>.

<sup>18</sup> 279 F. Supp. 2d 723 (E.D. Va. 2003).

<sup>19</sup> Under the Lanham Act, a mark is "used in commerce" in connection with goods when the mark is "placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto, . . . or on the documents associated with the goods or their sales." A mark is "used in commerce" in connection with services when the mark is "used or displayed in the sale or advertising of services and the services are rendered in commerce . . ." 15 U.S.C. § 1127.

<sup>20</sup> *Id.* at 727-729. ; <sup>21</sup> 279 F. Supp. 2d at 728.

<sup>22</sup> *Id.* ; <sup>23</sup> *Id.* ; <sup>24</sup> *Id.* at 729.

<sup>25</sup> 279 F. Supp. 2d at 728-29. ; <sup>26</sup> *Id.* at 724. ; <sup>27</sup> *Id.*

<sup>28</sup> 293 F. Supp. 2d 734 (E.D. Mich. 2003).

<sup>29</sup> 293 F. Supp. 2d at 762.

<sup>30</sup> *Id.* at 761. ; <sup>31</sup> *Id.* ; <sup>32</sup> *Id.* at 747.

<sup>33</sup> 293 F. Supp. 2d at 745.

<sup>34</sup> *Id.* at 747. ; <sup>35</sup> *Id.* at 757.

<sup>36</sup> *Id.* at 760. ; <sup>37</sup> *Id.* at 762. ; <sup>38</sup> *Id.* at 745.

<sup>39</sup> 309 F. Supp.2d 467 (S.D.N.Y. 2003).

<sup>40</sup> While there is a split amongst these courts as to the viability of claims for trademark infringement and unfair competition in the WhenU case, these courts have rejected plaintiff's claims of copyright infringement. See *1-800-Contacts*, 309 F.Supp. 2d at 485 (holding that pop up ad in separate window overlapping plaintiff's site did not infringe the plaintiff's exclusive right to display its site and did not infringe its right to create derivative works because Defendant's have not recast or transformed plaintiff's site nor are defendants pp up ads fixed in a tangible medium of expression to be a derivative work; *Wells Fargo*, 293 F.2d 771 (no infringement of plaintiff's right to prepare derivative works as pop ups are not fixed); *U-Haul*, 279 F.Supp. 2d at 729-730 (hold-

ing that pop up ads do not infringe plaintiff's right to display or prepare derivative works).

<sup>41</sup> *Id.* at 488-89.

<sup>42</sup> *Id.* at 489. ; <sup>43</sup> *Id.* ; <sup>44</sup> *Id.* ; <sup>45</sup> *Id.* at 490.

<sup>46</sup> Alex Salkever, "Searching For Trouble? Keyword Ads Are Big Earners, Business Week Online (January 12, 2004) at <[http://yahoo.businessweek.com/technology/content/jan2004/tc20040122\\_0347\\_tc047.htm](http://yahoo.businessweek.com/technology/content/jan2004/tc20040122_0347_tc047.htm)>.

<sup>47</sup> 354 F.3d 1020 (9th Cir. 2004).

<sup>48</sup> Banner advertisements are typically rectangular advertisement placed on a Web site either above, below or on the sides of the Web site's main content and is linked to the advertiser's own Web site. <<http://www.webopedia.com/TERM/b/banner.html>>.

<sup>49</sup> *Id.* at 1024.

<sup>50</sup> Google's Adwords website is located at <<https://adwords.google.com/select>>. In an effort to appease trademark owners and possibly prevent such further lawsuits, Google has established an internal trademark complaint procedure, wherein "[a]s a courtesy to trademark owners, [Google is] willing to perform a limited investigation of reasonable complaints." Google's complaint procedure is set out at <[http://www.google.com/tm\\_complaint.html](http://www.google.com/tm_complaint.html)>.

<sup>51</sup> *SociEtE VIATICUM, SociEtE LUTECIEL C/ SociEtE GOOGLE FRANCE*, Case No. R.G.: 03/00051 (Tribunal de Grande Instance de Nanterre) (October 13, 2003). See also Declan McCullagh, "Google France Fined For Trademark Voilation," CNET News.com (October 16, 2003) at <[http://news.com.com/2100-1028\\_3-5092320.html](http://news.com.com/2100-1028_3-5092320.html)>.

<sup>52</sup> Laurence Frost, "Louis Vuitton Sues Google Over Trademark," Editor & Publisher (October 24, 2003) at <[http://www.editorandpublisher.com/eandp/news/article\\_display.jsp?vnu\\_content\\_id=2010535](http://www.editorandpublisher.com/eandp/news/article_display.jsp?vnu_content_id=2010535)>; John Oats, "Google Back in Court Over Adwords," The Register (April 26, 2004) at <[http://www.theregister.co.uk/2004/04/26/google\\_french\\_court](http://www.theregister.co.uk/2004/04/26/google_french_court)>.

<sup>53</sup> See Stefanie Olsen, "Google Loses Trademark Dispute In France," CNET News.com (January 20, 2005) at <[http://news.com.com/Google+lose+s+trademark+dispute+in+France/2100-1030\\_3-5543827.html?tag=nefd](http://news.com.com/Google+lose+s+trademark+dispute+in+France/2100-1030_3-5543827.html?tag=nefd)>.

<sup>54</sup> *Metaspinner GmbH v. Google Deutschland*, Case 312 0 887/02 (Regional Court of Hamburg, 2003).

<sup>55</sup> Chris Richardson, "German Court Rejects Google Lawsuit," ECommNewz (September 21, 2004) at <<http://www.ecommnewz.com/ecommnewz-4-20040921GermanCourtRejects-GoogleLawsuit.html>>. Google's statement in most recent 10Q, that the German court "held that we are not liable for the actions of our advertisers prior to notification of trademark rights," may shed some light on the reasoning behind this decision. The 10Q can be viewed at <[http://www.sec.gov/Archives/edgar/data/1288776/000119312504197540/d10q.htm#tx90561\\_11](http://www.sec.gov/Archives/edgar/data/1288776/000119312504197540/d10q.htm#tx90561_11)>.

<sup>56</sup> See BNA Internet news report at <<http://pubs.bna.com/ip/BNA/eip.nsf/is/a0a7k8m7u1>> (subscription required).

<sup>57</sup> 330 F.Supp.2d 700 (E.D. Va. 2004).

<sup>58</sup> 330 F.Supp.2d at 702-703.

<sup>59</sup> *Id.* at 704. ; <sup>60</sup> *Id.* ; <sup>61</sup> *Id.*

<sup>62</sup> Government Employees Insurance Co. v. Google, Inc., E.D. Va., No. 1:04cv507 (LMB/TCB), bench ruling December 15, 2004.

<sup>63</sup> *Id.* at 286. ; <sup>64</sup> *Id.* at 292.

# Comparison Of International Arbitration Procedures

*Report of the Committee on Alternative Dispute Resolution  
 Principal author, Cheryl H. Agris, Committee Member  
 Chair, John E. Daniel*

## INTRODUCTION

Arbitration has been gaining popularity for resolving technology disputes<sup>1</sup>. These disputes may involve entities from different countries. As a result, the Committee on Alternative Dispute Resolution has compared the procedures and fees of four major alternative dispute resolution providers that handle international disputes – namely, the International Dispute Resolution Centre of the American Arbitration Association<sup>2</sup> (“AAA”), the Center for Public Resources Institute for Dispute Resolution<sup>3</sup> (“CPR”), the International Court of Arbitration of the International Chamber of Commerce<sup>4</sup> (“ICC”) and World Intellectual Property Organization (“WIPO”)<sup>5</sup>.

These providers differ in their procedures in a variety of ways. For example, the ICC appears to more tightly control the process, from determining the location of the hearing to having veto power regarding the selection of arbitrators; whereas CPR is largely party driven and generally will step in only if the parties cannot reach agreement on specific issues. WIPO, in contrast to other providers, offers a streamlined process. WIPO provides an option of an expedited procedure which requires that proceedings be closed within nine months of delivery of the statement of defense or establishment of the tribunal, even when the regular, non-expedited procedure is followed. There also are significant differences with respect to arbitrator number and selection, hearing location, language, time limits and costs. The comparison is summarized below.

### Arbitrator Number and Selection

All providers employ one or three arbitrators. As shown in the table below, there are differences between the required number and the manner of selection.

**SEE TABLE 1** on page 10

It appears that the ICC exerts the most control in the selection of process because they must approve all arbitrators, even those selected by the parties. The other providers – WIPO, AAA and

CPR – step in only if the parties fail to appoint arbitrators.

### The Hearing

With the exception of the WIPO expedited procedure (three days), no limit is placed on the length of the hearing. All of the providers require that the statement of claim be submitted with the notice of arbitration. AAA, CPR and ICC require that the answer be submitted within 30 days of the commencement of arbitration. WIPO requires that the answer be submitted within 20 days after respondent’s receipt of statement of claim.

AAA, ICC and CPR do not set any specific time limits for closure of procedure. WIPO requires that the proceeding close within nine months of delivery of the respondent’s answer or constitution of the panel (also referred to as “establishment of the tribunal”), whichever occurs later, and, if possible, the rendering the award within one (expedited) or three months (regular) following the closing of the proceeding. ICC requires the final award be rendered within six months of closure of proceedings.

There are also differences between providers with respect to other aspects of the hearing such as location, language and type of award required.

**SEE TABLE 2** on page 10

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## Fees

There is a significant range in fees depending upon the provider. The fee structure can be somewhat complicated. The filing fees and administration fees charged by AAA and in regular WIPO proceedings are dependent upon the amount in dispute and the arbitrators bill by the hour. In WIPO expedited proceedings, the arbitrator fees are fixed if the amount in dispute is less than \$10,000,000. CPR charges a flat processing fee and \$1500/arbitrator challenge. The ICC fee structure includes the administration fee and the arbitrators' fees. The arbitrators' fees are based on a basic fee and a percentage of the amount in dispute. For example, for disputes where the amount in controversy is between \$100,000 - \$500,000, the arbitrator's fee ranges between \$3,500 plus 1% of the amount over \$100,000 to a basic fee of \$14,000 plus 5.5% of the amount over \$100,000. In order to compare fees, a table is provided below setting forth likely administration and arbitrator fees for three hypothetical situations: where the amounts in dispute are \$200,000, \$2,000,000 and \$20,000,000, respectively.

### SEE TABLE 3 *on page 10*

Total costs appear to be similar for all four of the providers where the amount in dispute is relatively low (\$200,000). When the amount in dispute is \$2,000,000, the costs are likely to be lowest when the WIPO expedited procedure is used. CPR and WIPO (regular procedure) have similar costs, followed by AAA and ICC. Note that there is quite a large range in costs with the ICC when the amount in dispute is \$2,000,000. This is because there is a large range in fees provided to arbitrators. When damages are the highest (\$20,000,000), the costs appear to be the lowest for WIPO and CPR, followed by ICC and AAA. Again, there is a wide of range of fees in the ICC, which depends on the arbitrators' fees. However, the ICC's administrative fees are generally the highest.

## Summary and Conclusions

The factors we have considered are: (1) the amount of control the provider exerts on the proceeding; (2) deadlines imposed on the parties; (3) areas of control exerted by provider; and (4) costs involved.

From these studies it may be concluded that there are meaningful differences in how closely a provider monitors and/or controls a proceeding. ICC appears to exert the most control with respect to arbitrator selection, language of proceeding, hearing location. In contrast, CPR proceedings are largely party driven. WIPO offers an expedited option.

The fees are similar among the four providers when the amount in dispute is relatively low (\$200,000). However, when the amount in dispute is \$2,000,000, the fees

vary, with the lowest likely to be the WIPO expedited proceeding and the highest the ICC. When the amount in dispute is \$20,000,000, the fees are potentially the lowest with the ICC.

### (Endnotes)

<sup>1</sup> See, e.g., Kyle-Beth Hilfer, "Arbitration Gains Acceptance as a means of resolving intellectual property disputes", Vol. 10, No. 7 IP Strategist 1 (April 2004); Rodney Kyle, "Arbitration makes sense in international intellectual property disputes", 56 Dispute Resolution Journal 30 (2001); Danny Ciraco, "Forget the Mechanics and Bring in the Gardeners", 9 U. Balt. Intell. Prop. L.J. 47 (2000)

<sup>2</sup> Detailed information about dispute resolution procedures followed by AAA can be found at [www.adr.org](http://www.adr.org) or by contacting AAA at 1 212 484 4181 or via email at [aaainternational@adr.org](mailto:aaainternational@adr.org).

<sup>3</sup> Detailed information about dispute resolution procedures followed by CPR can be found at [www.cpradr.org](http://www.cpradr.org) or by contacting CPR at (212) 949-6490 or at [INFO@CPRADR.org](mailto:INFO@CPRADR.org).

<sup>4</sup> Detailed information about dispute resolution procedures followed by the ICC international court of arbitration can be found at [www.iccwbo.org](http://www.iccwbo.org) or by contacting ICC at (212) 703 5065 or [lbrennan@uscib.org](mailto:lbrennan@uscib.org) or from Schufer, Verbist and Imhoos, "ICC Arbitration in Practice", Kluwer Law International (2004).

<sup>5</sup> Detailed information about dispute resolution procedures followed by the WIPO Arbitration and mediation center can be found at <http://arbitrator.wipo.int>, or by contacting WIPO by telephone at (41-22) 338 8247 or 0800 888 549 or by email at [arbitrator.mail@wipo.int](mailto:arbitrator.mail@wipo.int). "WIPO Arbitration and Mediation Rules" published by WIPO may be obtained in paper form and may be ordered from WIPO.

<sup>6</sup> AAA, CPR and WIPO regular compensate arbitrators by the hour. The times listed includes study time, time on prehearing issues and hearing time. ICC has a different compensation scheme (see [www.iccwbo.org](http://www.iccwbo.org) for further details). WIPO expedited pays arbitrators a flat fee. ■

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**TABLE 1**

ADR PROVIDER		Arbitrator Number	Arbitrator Selection
AAA		One, unless otherwise agreed to by the parties; Administrator has discretion to determine that three are necessary.	Parties may mutually agree on selection procedure or, 45 days after commencement of arbitration, AAA may appoint and parties have 15 days to challenge.
CPR		Three, unless parties agree to one.	One appointed by each party and the party appointed arbitrators select chair, or parties jointly appoint arbitrator chair; in the absence of agreement, CPR appoints arbitrator(s).
ICC		Unless otherwise agreed, one, unless ICC determines that three is best.	If one arbitrator, chosen by ICC. If three arbitrators, one is chosen by claimant, one by the respondent and one by the ICC ("chair"). Nationality of chair must be different from nationality of parties. ICC has veto power. Parties have 30 days to challenge selection of any arbitrator.
WIPO	Expedited	Sole arbitrator	If not selected within 15 days, WIPO may appoint. Arbitrator may be challenged by parties, but must provide reasons. Unless otherwise agreed, arbitrator should be different nationality than either of the parties.
	Regular	Unless otherwise agreed, one, unless WIPO determines that three is best.	Party may appoint, or if parties fail to agree, center may appoint pursuant to list procedure. Parties have 20 days to review list or, alternatively, parties may appoint first two arbitrators and arbitrators appoint third arbitrator.

**TABLE 2**

ADR PROVIDER		HEARING LOCATION	LANGUAGE OF HEARING	TYPE OF AWARD
AAA		Unless parties agree to location, AAA administrator may initially determine location subject to power of arbitration panel (tribunal) to make final determination of location within 60 days of its constitution.	Unless parties or tribunal otherwise determine, the language(s) shall be language of the documents containing the arbitration agreement.	In writing delivered to AAA case administrator and signed by majority of tribunal. Reasoned unless otherwise agreed to by parties.
CPR		Unless parties agree to location, tribunal shall determine location.	Unless parties or tribunal otherwise determine, the language(s) shall be the language of the documents containing the arbitration agreement.	In writing – tribunal delivers directly to parties. Reasoned unless otherwise agreed to by parties.
ICC		Unless agreed by parties or tribunal, fixed by ICC.	Unless otherwise agreed by parties, fixed by tribunal.	In writing, delivered to Secretariat of ICC; must be reasoned; should be made by majority of tribunal.
WIPO	Expedited	Determined by tribunal	Unless parties or tribunal otherwise determine, the language(s) shall be the language of the documents containing the arbitration agreement.	In writing delivered to tribunal and signed by majority of arbitrators. Reasoned unless otherwise agreed to by parties.
	Regular	Determined by tribunal	Same as expedited	Same as expedited

**TABLE 3**

		ADR PROVIDER				
Fee Structure Amt. Disputed		AAA	CPR	ICC	WIPO Expedited	WIPO Regular
\$200K	Admin. Fee	\$4K	\$4K	\$5,950	\$2K	\$4K
	Arb. Fee (1 arb. For 30-40 hrs @500/hr.) <sup>1</sup>	\$15K-\$20K	\$15K-\$20K	\$4.5K-\$19.5K	\$20K	\$15K-\$20K
	TOTAL	\$19K-\$24K	\$19K-\$24K	\$10,450-low \$25,450-high	\$22K	\$19K-\$24K
\$2M	Admin. Fee	\$11,250	\$4K	\$23,800	\$2K	\$4K
	Arb. Fee (1 arb. For 75-100 hrs. @500/hr.)	\$37.5K-\$50K	\$37.5K-\$50K	\$23,750-low \$114,600-high	\$20K	\$37.5K-\$50K
	TOTAL	\$48.75K-\$61.25K	\$41.5K-\$54K	\$47,550-low \$138,400-high	\$22K	\$41.5K-\$54K
\$20M	Admin. Fee	\$14K	\$4K	\$49,800	\$10K	\$15K
	Arb. Fee (3 arbs. For 100-150 hrs. @500/hr.)	\$150K-\$225K	\$150K-\$225K	\$33,750-low \$164,700-high	\$150K-\$225K	\$150K-\$225K
	TOTAL	\$164K-\$239K	\$154-\$229	\$81,300-low \$214.5K-high	\$160K-\$235K	\$165K-\$240K

# Avoiding Patent Antitrust Risks With Pharmaceuticals

*James W. Gould & Jon A. Chiodo, Morgan & Finnegan LLP*

## INTRODUCTION

In this era of pharmaceutical litigation with increasingly large awards, it is important to be aware of antitrust liability and how to minimize the chances of an antitrust claim being made. This article discusses two common claims of antitrust risks involved with pharmaceuticals: (1) improper Orange Book listing; and (2) improper settlement of disputes.

Generally, antitrust claims are brought under the Sherman Act.<sup>1</sup> One type of claim is that of an intent to monopolize or restrain trade. This generally occurs with the enforcement of patents. Another type of claim is that of a conspiracy between two companies to restrain trade. A conspiracy claim requires actions between two or more different entities – a company cannot conspire with itself. This can generally arise with cross-licensing, patent pooling, litigation settlement or agreements not to launch generic products. Both types of antitrust claims require a showing of intent to monopolize, since “no monopolist monopolizes unconscious of what he is doing.”<sup>2</sup>

## THE FDA ORANGE BOOK

The full statutory and regulatory scheme of the Hatch-Waxman Act is beyond the scope of this article. Broadly, a New Drug Application (NDA) holder lists in the FDA Orange Book its patents which relate to components of the drug, the drug’s formulation or a method of use of the drug which is the subject of its NDA. A generic company filing an Abbreviated New Drug Application (ANDA) claiming bioequivalency to the drug must then certify that: (I) no patent information has been submitted; (II) the patent has expired; (III) the patent will expire on a certain date; or (IV) the listed patent(s) is invalid or not infringed. These are commonly referred to as “Paragraph I, II, III, and IV certifications.”

This article specifically deals with the prevalent situation where a generic company files

a Paragraph IV certification. The Paragraph IV certification by a generic company is considered a “highly artificial” form of patent infringement, giving rise to the patent holder’s ability to sue the generic.<sup>3</sup> The patent holder then has 45 days in which it may sue the generic company, which delays final approval of the ANDA by 30 months or until the completion of the litigation, whichever comes first.<sup>4</sup>

Paragraph IV certifications are under intense debate now, since the FDA does not review the merits of the Orange Book listing, and courts have held that a private party does not have standing to sue the FDA to challenge the Orange Book listing.<sup>5</sup> The Federal Circuit has held that the FDA is not required to police the listing process by analyzing whether the patents listed by NDA applicants actually claim the subject drugs or applicable methods of using those drugs.<sup>6</sup>

The ANDA applicant need only certify, with respect to use, patents that claim a use for which the applicant is seeking approval to market the drug.<sup>7</sup> In two Federal Circuit cases, the NDA owner had FDA approval on its product for a specific unpatented use but concurrently possessed a patent on a separate use that was not FDA approved.<sup>8</sup> The generic company filed its ANDA for only the FDA-approved use, which was unpatented. The NDA owner sued the generic for infringement of its patent. Because the generic filed its ANDA for only the unpatented, FDA approved use, there was no infringement. The court in *Allergan* explained that the filing of an ANDA does not infringe the patent if the generic applicant does not seek FDA approval for the uses claimed in the patent, and the uses claimed in the patent are not FDA approved.<sup>9</sup>

A generic company will not be liable for induced infringement solely for the filing of an ANDA absent evidence that the generic has or will promote or encourage doctors to infringe the patent by prescribing the drug for its unapproved use.<sup>10</sup> Mere knowledge of possible infringement by

*cont. on page 12*

cont. from page 11

others does not amount to inducement; specific intent and action to induce infringement must be proven.<sup>11</sup>

A generic company filing an ANDA that is later held to infringe a patent has been held not to have committed willful infringement simply by filing the ANDA. It has been held that “the mere fact that a company has filed an ANDA application or certification cannot support a finding of willful infringement for purposes of awarding attorney’s fees.”<sup>12</sup> Since, as stated earlier, the filing of an ANDA constitutes a “highly artificial” act of infringement, only a limited set of remedies are available under 35 U.S.C. 271(e)(4).<sup>13</sup>

## ALLEGATION OF IMPROPER ORANGE BOOK LISTING

Ideally, an Orange Book listing should be of patents relating to the components of the drug described in the NDA, where components includes active ingredients, as well as initial or intermediate reactants in the manufacturing process. An Orange Book listing may also cover a method of use for the drug. The essence of an antitrust case based on an Orange Book listing is that the listing is improper, and, therefore, the lawsuit is a sham.<sup>14</sup>

It should be noted that the FDA regulations were changed in 1994 to require the listing of every patent that claims a drug product or drug substance that is a component of the drug product.<sup>15</sup> This “more liberal construction of the statute, of course, leads to more patents being listed in the Orange Book.”<sup>16</sup>

Cases have been asserted on the basis that the patent in the Orange Book did not cover the NDA holder’s actual commercial product. Those cases have been rejected: “whether the patent claims the drug product that is actually being marketed has nothing to do with the propriety of the listing in the Orange Book. Rather, the critical question is the relationship of the patent to the drug products and drug substances covered by the NDA.”<sup>17</sup>

Similarly, the court in *Ben Venue Laboratories, Inc. v. Novartis Pharmaceutical Laboratories* held that a patent was properly listed in the Orange Book if it related to a “component” of an active ingredient.<sup>18</sup> Such a “component” included a compound used in the manufacture of an active ingredient, even if it was chemically transformed during manufacture. The court cited several FDA regulations as controlling: a component “includes those components that may undergo chemical change in the manufacture of the drug product and be present in the drug product in a modified form intended to furnish the

specified activity or effect”<sup>19</sup>; NDAs must include “a list of all components used in the manufacture of the drug product (regardless of whether they appear in the drug product)”,<sup>20</sup> and an NDA must include list of “all components...used in the manufacture of the investigational drug product, including both those components intended to appear in the drug product and those which may not appear but which are used in the manufacturing process...”<sup>21</sup>

To be more protected against antitrust claims, the company should list covered patents as soon as they are issued, or very soon thereafter. In *In re Remeron Antitrust Litigation*, the court held that an NDA holder’s late listing of a new patent and subsequent infringement suit could potentially give rise to a claim of antitrust violations.<sup>22</sup> The NDA holder, Organon, obtained a patent that would be covered by its Orange Book listing, yet waited 14 months to file the new patent’s listing in the Orange Book. The court denied Organon’s motion to dismiss the antitrust claims, stating that “if a patent-holder’s actions unlawfully maintain otherwise lawful monopoly power or use lawful patent to manipulate the ANDA process, such actions could lead to anticompetitive effects.”<sup>23</sup>

## ACTIONS BASED ON SETTLEMENT OR COLLUSION

The settlement of an Orange Book patent suit in which the NDA holder pays money to the generic company to delay entry to the market is another example of recently litigated disputes. Since the first generic company to file an ANDA is given a 180-day exclusivity period, delaying this period prohibits other generic companies from entering the market. Such settlements have recently created a split between the courts as to whether they are so manifestly unreasonable that they should be considered “*per se*” violations, or whether the court should continue to use the “rule of reason” in determining whether a violation has occurred.<sup>24</sup>

The Eleventh Circuit has explained that an analysis of the scope of the agreements compared to the scope granted to the patent holder under the patent must be undertaken. In *Valley Drug Co. v. Geneva Pharmaceuticals, Inc.*, the court stated that the specific agreement between the patent holder and the generic to delay entry to the market must be closely examined to determine whether a *per se* violation has occurred.<sup>25</sup> The court noted that there is inherently an exclusive right granted to the patent holder by the patent statutes which must be considered and compared with the restrictive rights in the agreement.<sup>26</sup> The court thus remanded the case to the district court for further analysis

into whether a *per se* violation of the Sherman Act had occurred. Upon remand, the Southern District of Florida held that such a violation had, in fact, occurred.<sup>27</sup>

To aid in defending against such a claim, both sides to such a settlement should document the business reasons for the agreement. Such reasons might include an analysis of litigation risks in which a lost profits claim against the generic could bankrupt it.<sup>28</sup> Other persuasive reasons include the risk of a valuable patent being invalidated, especially if both parties have patents at risk or financial or technical difficulties in the generic launch.<sup>29</sup> An example of a settlement passing muster is *In re Tamoxifen*,<sup>30</sup> where Zeneca paid money to Barr and licensed back Barr to sell tamoxifen citrate in the U.S. to settle litigation over a patent.

## CONCLUSION

The power granted by a pharmaceutical patent is certainly valuable, but enforcement of that patent can cause a great deal of problems for those not prepared to face them. First and foremost, ensure that any patents covering FDA-listed drugs are filed in the Orange Book properly and immediately. One should additionally beware of settlements with generic companies. Although they might have a valid and legitimate basis, there exists a real risk of a lawsuit being filed.

<sup>1</sup> 15 U.S.C. §§1, 2.

<sup>2</sup> *In Re Remeron Antitrust Litig.*, 335 F.Supp.2d 522, 527-28 (D. N.J. 2004).

<sup>3</sup> *Glaxo Group Ltd. v. Apotex, Inc.*, 376 F.3d 1339, 1350-51 (Fed. Cir. 2004).

<sup>4</sup> For a summary of the statutory and regulatory scheme, see *Mylan Pharms., Inc. v. Thompson*, 268 F.3d 1323 (Fed. Cir. 2001), *cert. denied*, 123 S.Ct. 340 (2002).

<sup>5</sup> *Mylan Pharms.*, 268 F.3d at 1323.

<sup>6</sup> *Apotex, Inc. v. Thompson*, 347 F.3d 1335 (Fed. Cir. 2003). *But see Abbott Lab. v. Novapharm Ltd.*, 104 F.3d 1305, 1309 (Fed. Cir. 1997) (stating that a court may order delisting of a patent in the context of a properly filed patent infringement suit).

<sup>7</sup> *Warner-Lambert v. Apotex Corp.*, 316 F.3d 1348 (Fed. Cir. 2003); *Allergan Inc. v. Alcon and Bausch & Lomb*, 324 F.3d 1322 (Fed. Cir. 2003).

<sup>8</sup> *Id.*

<sup>9</sup> *Allergan Inc.*, 324 F.3d at 1332. Of course, once the drug is launched, suit can be brought for actual sales.

<sup>10</sup> *Id.*; see also *Pfizer v. Ranbaxy Labs, Ltd.*, 321 F.Supp. 2d 612 (D. Del. 2004).

<sup>11</sup> *Warner-Lambert Co.* 316 F.3d at 1348.

<sup>12</sup> *Glaxo Group Ltd.*, 376 F.3d at 1350-51.

<sup>13</sup> *Id.*

<sup>14</sup> See, e.g., *In re Buspirone Patent Litig.*, 185 F.Supp. 2d 363 (S.D.N.Y. 2002).

<sup>15</sup> *Andrx Pharms., Inc. v. Biovail Corp.*, 276 F.3d 1368, 1377 fn. 5 (Fed. Cir. 2002), citing 21 C.F.R. 314.50(i)(1)(i)(A)(2001).

<sup>16</sup> *Id.* at 1377 fn. 5.

<sup>17</sup> *Andrx Pharms, Inc.*, 276 F.3d. at 1376.

<sup>18</sup> 10 F. Supp. 2d 446 (D. N.J. 1998)

<sup>19</sup> 21 C.F.R. §60.3(b)(2)

<sup>20</sup> 21 C.F.R. §314.50(d)(1)(ii)(a)

<sup>21</sup> 21 C.F.R. §312.23 (a)(7)(iv)(b)

<sup>22</sup> 335 F.Supp. 2d 522 (D. N.J. 2004).

<sup>23</sup> 335 F.Supp.2d at 532.

<sup>24</sup> See *Louisiana Wholesale Drug Co. v. Hoescht Marion Roussel, Inc.* (*In re Cardizem CD Antitrust Litig.*), 105 F.Supp.2d 682 (E.D. Mich. 2000), *affirmed* by 332 F.3d 896 (6th Cir. 2003) (agreement to limit the generic's entry into market was *per se* unlawful); *In re Tamoxifen Antitrust Litig.*, 277 F.Supp. 2d 121 (E.D.N.Y. 2003) (agreement limiting the generic's entry into the market was not *per se* unlawful); *In re Ciprofloxacin Hydrochloride Antitrust Litig.*, 261 F.Supp.2d 188 (E.D. N.Y. 2003) (agreement limiting the generic's entry into the market was not *per se* unlawful).

<sup>25</sup> 344 F.3d 1294 (11th Cir. 2003)

<sup>26</sup> *Id.*

<sup>27</sup> *In re Terazosin Hydrochloride Antitrust Litig.*, 2005 U.S. Dist LEXIS 108.

<sup>28</sup> See *Biovail Corp. Int'l v. Hoechst et al.*, 49 F.Supp. 2d 750, 767 (D. N.J. 1999) (arguments that a generic may want to wait until patent suit appeal is decided before beginning to market to avoid the risk of potential damages "are very persuasive arguments which may ultimately sway the trier of fact"); *Valley Drug Co. v. Geneva Pharms.*, 344 F.3d 1294, 1309 (litigation is "much more costly a mechanism to achieve exclusion, both to the parties and the public").

<sup>29</sup> See *Boston Scientific Corp. v. Schneider (Europe) AG*, 983 F. Supp. 245 (D. Mass 1997).

<sup>30</sup> 277 F.Supp. 2d 121.

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## Minutes Of January 18, 2005 Meeting Of The Board Of Directors

The meeting of the Board of Directors was called to order at the Cornell Club at 12:30 p.m. by President John Murnane. Christopher Hughes, Marylee Jenkins, Mark Abate, Daniel DeVito, Anthony Giaccio, Dale Carlson, William Dippert, Charles Hoffmann, Jack Slobod, Vincent Palladino, and Dale Carlson were present. Also present were Michael Issacs of Star Consulting and Jeffry Butler.

The minutes of the Board of Directors' Meeting held on December 15, 2004 were approved.

Ms. Jenkins provided the Treasurer's Report. The Association's finances are sound and are consistent with the Association's finances at this time last year.

There was a discussion concerning work of the Committees of the Association. Mr. DeVito reported on the excellent work of the Committee on Meetings and Forums, chaired by Alexandra Urban, to organize all of the Association's luncheon meetings. Mr. Giaccio reported that the Committee on Economic Matters Affecting the Profession, Chaired by Dawn Buonocore, is planning to meet to discuss developing guidelines for use by malpractice insurance companies in providing intellectual property practice insurance coverage. Mr. Carlson reported that Alozie Etufugh, Chair of the Committee on Consonance and Harmonization in the Profession, has arranged for a Young Lawyer's reception on January 26, 2005.

Mr. Hoffmann reported on the work on the Committee on Legislative Oversight and Amicus Briefs. The Committee decided against filing an amicus brief in the *Grokster* case. Participation in the *Merck* case is under consideration by the Committee.

Mr. Dippert reported on the activities of the Committee on Publications. The Greenbook will be finalized shortly. Subcommittee chairs for the Greenbook and Newsletter have been appointed and creation of these positions has facilitated the work of the Committee.

Mr. Giaccio reported on the activities of the Committee on Continuing Legal Education. A schedule of NYIPLA CLE programs and lun-

cheons through the end of the year is included with the original of these minutes. An announcement has been sent out for the CLE program in conjunction with the Judges' Dinner on March 18. The Association has applied for CLE provider status with respect to the sale of DVD copies of Association programs.

Committee Chairs have been invited to the February 15, 2005 Board meeting to provide further reports on their Committee activities.

Mr. Murnane reported that the American Intellectual Property Law Education Foundation ("AIPLEF") was receptive to the Association's sponsorship of a scholarship for minority students interested in pursuing careers in intellectual property law. The AIPLEF will likely vote on the Association's proposal at its meeting at the AIPLA Mid-Winter Meeting in January.

Ms. Jenkins reported on preparations for the Annual Dinner in Honor of the Federal Judiciary. Invitations to members were mailed in the beginning of January. At the Judges' Dinner, the minority scholarship program will be announced and the recipient of the scholarship will be introduced.

Committee Chair Jeffry Butler reported on the activities of the Committee of Public Information, Education and Awards. Publicity for the 2005 Conner Writing Competition and Inventor of the Year Award is underway. A discussion was held concerning granting additional awards in the future. For example, an author/composer award, a young inventor award, a design/non-traditional patent award, a non-traditional recipient/minority inventor award or awards for specific fields of endeavor. One concern raised was the increased workload of the Committee if additional awards were created. One approach discussed was to try to incorporate these new award ideas into the Association's current Inventor of the Year Award. This could be done, for example, by renaming the award as the intellectual property achievement award to allow bestowing of the award on intellectual property creators who are not traditional patent recipients. The Board also discussed the possibility of having an award's dinner apart from the Annual Meeting and Dinner of the Association. These proposals are currently under consideration by the Board.

Looking for a phone or fax number? Use the NYIPLA member search engine at [www.NYIPLA.org](http://www.NYIPLA.org) to get the latest contact information for our members"

Mr. Hughes reported on preparations for the Annual Meeting and Dinner. Mr. Hughes has invited the Patent Office Commissioner, Jon Dudas, to speak at the Annual Dinner. The tentative date is May 25, 2005 at the Yale Club.

Mr. Isaacs reported on the ongoing operations of the Association. Membership dues receipts are being processed and are ahead of pace compared with the prior year. An annual audit report concerning our CLE programs is being prepared and will be submitted to the New York State CLE Board in January 2005.

Member comments concerning the new Federal Circuit practice of posting the composition of panels on its website the Thursday prior to oral argument were solicited via email. The member response to this new practice was unanimously positive. A summary of comments received is included with the original of these minutes. Mark Abate will investigate the origins of the prior policy of not disclosing the panel composition until the day of argument and report back to the Board.

A life membership request of past president Lorimer Brooks was approved.

The Board is considering expanding the categories of membership to include patent agents.

The meeting was adjourned at 2:00 p.m.

The next meeting of the Board is scheduled for Tuesday, February 15, 2005 at Noon at the Cornell Club.

## Minutes Of February 15, 2005 Meeting Of The Board Of Directors And Committee Chairs

The meeting of the Board of Directors and Committee Chairs was called to order at the Cornell Club at 12:30 p.m. by President John Murnane. Edward Vassallo, Marylee Jenkins, Christopher Hughes, Susan McGahan, Mark Abate, Daniel DeVito, William Dippert, Anthony Giaccio, Charles Hoffmann, Dale Carlson, Robert Scheinfeld, Jack Slobod, and Vincent Palladino were present. Also present were committee chairs Alozie Etufugh, Philip T. Shannon, Dawn Buonocore Atlas, Sampson Helfgott, Paul J. Reilly, Charles P. Baker, Alexandra B. Urban, and subcommittee chairs Ashe Puri and Steve Quigley, and Michael Isaacs of Star Consulting

Each of the Committee and Subcommittee Chairs in attendance gave a report about the activities of their respective Committees and Subcommittees, which included the following information:

**Committee on Consance and Harmonization In the Profession (Young Lawyers Committee):** Alozie Etufugh reported that the Committee held a reception for young lawyers and law students. The reception was a great success, with 94 persons in attendance. Mr. Murnane added that the Committee's prior recommendation to institute a scholarship program was adopted by the Board. The Committee is still considering creating a mentorship program for newly admitted attorneys.

**Committee on Continuing Legal Education:** Anthony Giaccio reported that the CLE program in conjunction with the Judges' Dinner has 69 people signed up to attend and the Association has yet to promote the event. The panelists on this program have had a conference call to discuss the program. Included with the original of these minutes is a listing of future CLE programs.

**Committee on Design Protection:** Philip Shannon reported that the Committee submitted an article for publication in the Bulletin concerning whether design patents are properly subject to *Markman* rulings. The Committee is preparing a second article concerning ITC enforcement of design patents.

**Committee on Economic Matters Affecting The Profession:** Dawn Buonocore Atlas reported that the Committee is working to develop a consensus concerning "best practices" for patent prosecution and a brochure explaining these "best practices" and patent prosecution practice to insurance companies. The Committee is also compiling an analysis of recent malpractice cases concerning intellectual property matters. *cont. on page 16*

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[www.nyipla.org/public/  
2004chairs.htm](http://www.nyipla.org/public/2004chairs.htm)

**Committee on Harmonization of Patent Laws:** Sam Helfgott reported that the Committee members have been involved in a number of activities relating to harmonization of patent laws, including WIPO and U.S. Patent and Trademark Office meetings. The Committee is also monitoring a number of other activities, *e.g.*, the FTC and National Academy of Sciences Reports, a “Best Practice” bill in Congress that will change the U.S. to a “first to file” patent system, application of the EU laws regarding computer implemented inventions, creation of a patent court of appeals in Japan. The Committee will prepare an article for the Bulletin on these activities.

**Committee on Internet Law:** Paul Reilly reported that the Committee is preparing an article concerning “hot” topics relating to internet law for publication in the Bulletin.

**Committee on Legislative Oversight and Amicus Briefs:** Charles Baker reported that the Committee organized efforts to file amicus briefs in a number of recent cases including *Phillips* (proper approach to claim construction) and *U.S. v. Phillips* (antitrust implications of settlement of patent litigation). The Committee is preparing a brief for filing in the *Merck* case concerning the experimental use exception of 35 U.S.C. §271(e)(1).

**Committee on License to Practice Requirements:** Dale Carlson reported that the Committee is looking at proposals to require recertification of patent attorneys admitted to the Patent Office bar and to loosen the back-

ground requirements of attorneys sitting for the Patent Office bar.

**Committee on Meetings and Forums:** Alexandra Urban reported that Judge Dyk spoke at the December luncheon meeting, Professor Hansen will be speaking at the February Luncheon Meeting and Judge Linn will be speaking at the April Luncheon Meeting. The Association purchased a digital projector for use at various CLE meetings to avoid paying fees for using equipment provided at meeting venues. The Committee is planning a program geared toward summer associates for June or July. In response to a recent request for reimbursement, the Committee suggested and the Board adopted a policy that the Association will only reimburse Judges, government officials and law professors for expenses associated with speaking at NYIPLA luncheon meetings. If the Committee believes it may be appropriate to reimburse an attorney in private practice with a special expertise of interest to the membership, an adhoc request for reimbursement is required to be submitted to the Board for approval.

**Committee on Patent Law and Practice:** Rob Scheinfeld reported that the Committee is considering developing New York local rules in patent cases and is working with the Past Presidents’ Committee concerning FTC’s suggested changes to the patent law. The Committee has collected and reviewed local rules used in various district courts.

**Committee on Publications:** A report on the activities of the Committee on Publications was provided by chair Bill Dippert and Subcommittee chairs Ashe Puri and Steve Quigley. Ashe Puri reported that the Bulletin is interested in expanding the scope of the articles published. Steve Quigley reported that the Green Book will be published shortly. The Green Book Subcommittee will also look into publication of the Green Book on the Association’s website.

After all the Committee Chairs had provided their reports, the Committee Chairs were excused and the meeting of the Board continued. Mr. Vassallo commented on the greater activity of the Committees this year and commended John Murnane for the idea of periodically including the Committee Chairs at Board meetings as a way to spur activity.

At the Board meeting, the minutes of the Board of Directors’ Meeting held on January 18, 2005 were approved.

Ms. McGahan provided the Treasurer’s Report. She reported that the Association’s finances are sound.

Ms. Jenkins reported on the Annual Dinner in Honor of the Federal Judiciary. Twenty-three (23) congratulatory notices have been received for publication in the back of the Program for the Outstanding Public Service Award recipient. 3162 attendees have registered for the dinner,

**Chadbourne & Parke LLP**  
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**Joseph A. Calvaruso**  
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have joined the Firm as partners in the  
intellectual property practice.

April 13, 2005

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including 189 judges and other honored guests. We are working with Judge Newman to obtain a photograph to project when giving her the Outstanding Public Service Award. We have received quotes for additional event cancellation insurance for the Judges' Dinner.

Mr. Devito reported that the scholarship candidate has not yet been selected. He is working with AIPLEF to have the candidate selected in time for recognition at the Judges' Dinner.

Mr. Isaacs reported on the ongoing operations of the Association. Membership is at 1311, up from last year. Planning of the Judges' Dinner for 2006 and 2007 has begun.

Mr. Murnane reported that Mel Garner has planned the Past Presidents' Dinner for February 15, 2005. All Board Members and Past Presidents were invited.

Dale Carlson presented historical information relating to past consideration by the NYIPLA on admitting agents as members. The subject was explored during the period 1992 – 1994, during which time there was the expectation that some type of recertification obligation would be imposed upon patent practitioners. A specific proposal for the admission of foreign agents was considered, and the vote of the Board was split, and no action was taken. The historical information will be distributed to the Board in advance of the March meeting. It was noted that the AIPLA announced in November that it would be extending membership to agents. Included with the original of these minutes are various materials related to categories of membership in the Association, including correspondence from the mid-1990s when the issue of admitting patent agents as members was last considered by the Association and AIPLA categories of membership.

Marylee Jenkins discussed the request of the Copyright Society of the USA for sponsorship of the fourth Annual Copyright Awareness Week. AIPLA provided a \$10,000 sponsorship and the ABA-IPL \$5,000. NYIPLA approved a sponsorship contribution of \$2,500.

The Board approved Life Member status for Howard Barnaby, a Past President, and expressed thanks for his many years of service to the Association.

Chris Hughes reported on the planning for the Annual Meeting and Dinner. The event is scheduled for Wednesday, May 25, 2005. The Yale Club is still the preferred venue and they have reserved that date. The Penn Club was explored as an alternative, but the space configuration cannot accommodate the program. Other venues are being explored, as future options, if they are appropriate. John Dudas, Director of the Patent and Trademark Office, is unable to accept the Association's invitation to be the Keynote Speaker, but a Deputy Director may be available. Anthony Giaccio was asked to explore with the Joint Patent Practice Continuing Legal Education Inc. whether

they would be interested in cosponsoring the Continuing Education portion of the program with the Association, and serving as the program co-sponsor.

The Board also discussed the development of local rules in patent cases for the SDNY and EDNY and how best to approach the courts on this matter. The Board decided that the Committee should prepare proposed local rules for consideration by the Board before approaching the courts. Included with the original of these minutes are local rules from the N.D. Cal., N.D. Georgia, E.D. Pa. and E.D. TX (Judge Ward) and an analysis of those rules prepared by the Committee on Patent Law And Practice.

Mr. Abate reported on the background to the Federal Circuit's rule change concerning publication of the composition of panels on the Thursday before oral argument. Mr. Abate spoke to George Hutchinson, the former clerk at the CCPA and Federal Circuit. The origin of the prior rule, under which panels were not published until the date of argument was Chief Judge Markey's belief that panel composition should not matter to the parties and to avoid rescheduling of argument dates in an attempt to change the panel. The Federal Circuit adopted a new rule in recognition of the fact that most of the Regional Circuit Courts of Appeal now publish composition of their panel prior to the date of oral argument. Mr. Murnane will send a letter to the clerk of the Federal Court stating that the NYIPLA approves of this Federal Circuit rule change.

The meeting was adjourned at 2:30 p.m.

The next meeting of the Board is scheduled for Thursday, March 10, 2005 at 12:00 Noon at the Cornell Club. ■

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## Professor Hugh C. Hansen at February 11, 2005 CLE Luncheon Program

On February 11, 2005, the NYIPLA Committees on Copyrights, Meetings and Forums, and Continuing Legal Education co-sponsored a CLE Luncheon Program featuring guest speaker Professor Hugh C. Hansen of Fordham University School of Law. Professor Hansen spoke on "Copyright Developments in P2P File 'Sharing': Grokster & Beyond."

The CLE program addressed the United States Supreme Court's upcoming consideration of contributory copyright infringement in the context of "peer-to-peer" sharing of music files over the internet. The Court granted certiorari of this appeal from the U.S. Court of Appeals for the Ninth Circuit and received initial briefing from the parties.

Professor Hansen began his presentation discussing the rapidly changing socio-legal environment in which copyright law exists as a result of technological advances. He proceeded to discuss the recent history of music file sharing cases that included a discussion on the *Napster*, *Aimster* and *Grokster* cases, and their

relationship to the Court's landmark contributory infringement case, *Sony Corp. v. Universal City Studios, Inc.* (the Betamax case). Finally, Professor Hansen concluded with an analysis of the parties' arguments and the *amici curiae* briefing in *Grokster*.

To obtain further information regarding this program or to obtain a video replay and/or written materials, please go to [www.nyipla.org](http://www.nyipla.org) or contact the NYIPLA administrative office at (201) 634-1870.



Ronald Clayton and Professor Hugh C. Hansen

## NEW YORK INTELLECTUAL PROPERTY LAW ASSOCIATION

Committee on Meetings and Forums, Committee on Copyrights  
&  
Committee on Continuing Legal Education

**Luncheon & CLE Program • Friday, May 20, 2005**

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*Matt Siegal, Esq., Stroock & Stroock & Lavan LLP*    *Lisa Jakob, Esq., Schering-Plough*

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\*This program has been specifically designed to satisfy 1.0 NYS Ethics CLE Credit of transitional and non-transitional CLE credits for both newly admitted and experienced attorneys.

## “Procuring And Enforcing IP Rights in the People’s Republic of China” at April 18, 2005 Evening Program

The New York Intellectual Property Law Association had the pleasure of hosting on Monday, April 18, 2005, a group of delegates from the People’s Republic of China to discuss “Procuring and Enforcing Intellectual Property Rights in The People’s Republic of China.” The panel discussion was moderated by Elizabeth Chien-Hale, director of the California-based Institute for Intellectual Property in Asia. The delegates included Mr. Xu Jinguo, President, Lecome Intellectual Property Agent Ltd.; Mr. Li Xiangmin, Managing Partner, Liu, Shen & Associates; Dr. Lulin Gao, Chairman, East IP Intellectual Property Services, former Commissioner of the State Intellectual Property Office, Beijing, China; and Mr. Yuan De, Secretary General, All-China Patent Agents Association.

Dr. Gao gave an overview of the intellectual property system in China and stressed that China has made significant progress in enforcing intellectual property rights in China. The Chinese patent system, Dr. Gao noted, is only twenty years old and the rights provided by this system apply to a country that has 31 provinces and 1.3 billion people. Clearly, the challenges of enforcing intellectual property rights in China are significant but

Dr. Gao pointed out that China’s Intellectual Property system is headed in the right direction. In a widely publicized case, Dr. Gao noted that Pfizer’s Viagra patent was invalidated by the Patent Reexamination Board of China’s State Intellectual Property Office based on insufficient description. Pfizer has appealed this decision to the Beijing Number One Intermediate Court and its decision is pending.



From Left to Right: Xiangmin Li, Susan McGahan, Dr. Lulin Gao, Jinguo Xu, Elizabeth Chien-Hale, De Yuan, Peter Thurlow



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**MAY 25<sup>TH</sup>, 2005**

Business Meeting 5:00 p.m. • Cocktails 6:00 p.m.

Dinner & Awards 7:00 p.m. • CLE Program 8:00 – 8:30 p.m.

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Detailed information and registration form can be found at:

[http://www.nyipla.org/public/5\\_25\\_05MeetingNotice.pdf](http://www.nyipla.org/public/5_25_05MeetingNotice.pdf)

\*This presentation has been specifically designed to satisfy 0.5 NYS Professional Practice CLE credits of both transitional and non-transitional CLE credits for newly admitted and experienced attorneys. This complimentary CLE presentation is free to registrants of the Annual Meeting. The Guest Speaker and CLE portion of the Program is co-sponsored by the Joint Patent Practice Continuing Legal Education, Inc.

# 83rd Annual Dinner in Honor of the Federal Judiciary

## March 18, 2005, Waldorf Astoria



The New York Intellectual Property Law Association held its 83rd Annual Dinner in Honor of the Federal Judiciary on March 18, 2005 at the Waldorf Astoria, with a record attendance exceeding 3300 people.

President John Murnane welcomed the honored guests, members and their guests at the Associations 83rd Annual Dinner in Honor of the Federal Judiciary.



In his speech he acknowledged those who have answered the call of public service, often at great personal sacrifice, so that our government may function as our nation's founders intended.

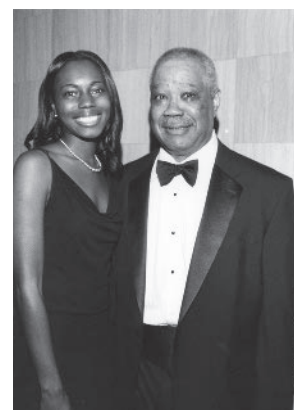
Mr. Murnane presented the Association's Third Annual Outstanding Public Service Award to The Honorable Pauline Newman for her many contributions to intellectual property law. Judge Newman spoke on the very rewarding career she has had in intellectual property law.



Dr. Ronan Tynan, world-renowned Irish Tenor, medical doctor and gold medal winning athlete was the Keynote Speaker. All enjoyed his inspirational speech on overcoming obstacles and his rendition of an Irish ballad. The entire assemblage joined Dr. Tynan in the singing of God Bless America.



The Association presented its first Diversity Scholarship as part of the Sidney B. Williams Jr. Minority Scholarship Program of the American Intellectual Property Law Education Foundation. The presentation was made to Recipient Stephanie Harris by Andrea Ryan, President of the AIPLEF and a Past President of the NYIPLA and Mel Garner, a Trustee of the AIPLEF and the Immediate Past President of the NYIPLA.



SOUTHERN DISTRICT CASE REVIEW

by  
 Mark J. Abate and Robert P. Nupp<sup>1</sup>

GRADUATE STUDENT’S CO-INVENTORSHIP CLAIM DENIED

**Stern v. Trs. of Columbia Univ.,**  
 2005 U.S. Dist. LEXIS 2418  
 (S.D.N.Y. Feb. 17, 2005)  
 (Judge Richard Conway Casey)

Plaintiff Dr. Frederic A. Stern (“Dr. Stern”) initiated suit under 35 U.S.C. § 256 for correction of inventorship of U.S. Patent 4,599,353 (“the ‘353 patent”), claiming co-inventorship status with the named inventor, Dr. Laszlo Bito (“Dr. Bito”). The invention related to the use of prostaglandins to reduce intraocular eye pressure associated with glaucoma by periodically applying a prostaglandin topically to the affected eye. Dr. Stern had performed experiments under Dr. Bito’s direction as part of a research elective course during the spring of 1981, his last year as a medical student at Columbia.

Dr. Bito began work with prostaglandins in 1966. By 1977, he demonstrated that a single low dose of prostaglandins would result in lower intraocular eye pressure in rabbits without an undesirable initial spike in pressure that had been observed in previous research. A subsequent study on rabbits, however, demonstrated that periodic applications resulted in tachyphylaxis, or drug tolerance. The parties disputed whether subsequent experiments by Dr. Bito using owl monkeys produced this initial spike in pressure. The parties did not dispute, though, that Dr. Bito decided that rhesus monkeys and cats would be useful models upon which to perform further experiments.

During the spring of 1981 Dr. Stern performed experiments under the direction of Dr. Bito in which Dr. Stern topically applied a single dose of a prostaglandin to rhesus monkeys and cats using prostaglandins that were already available in Dr. Bito’s lab, in the amounts and in the same manner as had been used in the earlier rabbit and owl monkey experiments. Dr. Stern performed no other work with prostaglandins upon graduating; specifically, Dr. Stern did not do any work regarding the periodic application of prostaglandins. Additionally, the parties agreed

that the issue of tachyphylaxis remained.

The claims at issue claimed “a method of treating [intraocular eye pressure] comprising periodically contacting the surface of the eye with an amount of [a prostaglandin] effective to reduce intraocular pressure in the eye . . . and to maintain reduced intraocular pressure.” Dr. Stern asserted that this phrase merely contemplated the avoidance of the initial spiking problem as it related to repeated application of a prostaglandin. Dr. Bito asserted that the ordinary meaning of this phrase also contemplates the avoidance tachyphylaxis since any tolerance to the prostaglandin would result in an increase in intraocular pressure over time. The court found that the ordinary meaning of the phrase and statements in the specification showed that the phrase contemplates the avoidance of tachyphylaxis.

With respect to co-inventorship, the court held that Dr. Stern failed to present clear and convincing corroborating evidence to show that he made a contribution to the concept that periodic topical applications of prostaglandins would maintain a reduction of intraocular pressure over the course of the drug treatment. Dr. Stern alleged that Dr. Bito purposely destroyed a lab notebook kept by Dr. Stern during his experiments. The court held that even if the notebook had existed, it would not be enough on its own to establish co-inventorship. Dr. Stern submitted as evidence a published paper co-authored by him and Dr. Bito regarding his work in Dr. Bito’s lab. The court found there to be nothing in the paper indicating that Dr. Stern contributed to the conception of periodical application of prostaglandins. In any event, the court noted, co-authorship does not operate as a presumption in favor of co-inventorship.

Dr. Stern further offered as evidence of co-inventorship certain actions taken by Dr. Bito to support Dr. Stern’s contributions. In recommending Dr. Stern to the University of Washington, Dr. Bito wrote that Dr. Stern was “an integral part” of the prostaglandin studies. The court noted that while this clearly showed an appreciation for the quality of Dr. Stern’s work, it was not evidence that Dr. Stern conceived the invention. Dr. Stern also offered the fact that Dr.

*cont. on page 22*

cont. from page 21

Bito signed a consultancy agreement with a commercial entity soon after Dr. Stern left Dr. Bito's lab. The court held that this was not evidence that the conception of the invention was complete soon after Dr. Stern's departure since the record showed merely that the consultancy related generally to Dr. Bito's expertise. Finally, Dr. Stern offered remarks made by Dr. Bito in an acceptance paper for an award related to Dr. Bito's work with intraocular eye pressure. Dr. Bito had acknowledged that medical students contributed to "concepts" resulting in a commercialized treatment for intraocular eye pressure. The court held that this merely proved that medical students performed experiments under Dr. Bito's direction. As such, the court granted Dr. Bito's summary judgment motion denying Dr. Stern's co-inventorship claim since, in the court's view, Dr. Stern did not adequately prove his co-inventorship claim

#### LINGUIST TESTIMONY ON GRAMMATICAL STRUCTURE OF PATENT CLAIM ADMISSIBLE UNDER FRE 702

**WeddingChannel.com, Inc. v. The Knot, Inc.**,  
2005 U.S. Dist. LEXIS 991  
(S.D.N.Y. Jan. 26, 2005)  
(Judge Robert W. Sweet)

The claim element at issue read: "a memory coupled to the central processing unit, the memory storing a shopping module, and registries from more than one...." Defendant The Knot, Inc. ("The Knot") argued that the element read on products with memories storing both shopping modules and registries, while Plaintiff WeddingChannel.com, Inc. ("WeddingChannel") contended that the element read on products with memories storing only a shopping module. Since the construction of this element involved a question of grammar—the use of commas—WeddingChannel offered the declarations of linguist Douglas T. Biber ("Professor Biber") supporting its construction. The Knot motioned to strike Professor Biber's testimony under Fed. R. Evid. 702.

WeddingChannel asserted that Fed. R. Evid. 702 does not govern the admissibility of expert testimony with respect to claim construction. The court noted that the issue of admissibility is separate and distinct from the issue of how much weight to accord such evidence during claim construction, citing *Aqua-Aerobic Sys. v. Aeroators, Inc.*, 211 F.3d 1241 (Fed. Cir. 2000) and *Pitney Bowes, Inc. v. Hewlett-Packard Co.*, 182 F.3d 1298 (Fed. Cir. 1999).

Furthermore, the court noted, the question of admissibility was governed by the law of regional circuits, and that in the Second Circuit a district court's decision in this regard is subject to an abuse-of-discretion review.

Regarding Professor Biber's status as an "expert," the court stated that under *Kumho Tire Co. v. Carmichael*, 526 U.S. 137, 157 (1999), there was no dispute that the Professor had specialized knowledge to assist in deciding the particular issue in the case. Regarding its Fed. R. Evid. 702 "gatekeeping" function, the court noted that under *Daubert v. Merrell Dow Pharm., Inc.*, 509 U.S. 579 (1993), it needed to ensure that an expert's testimony was both relevant to the task at hand and rested on a reliable foundation. Citing Fed. R. Evid. 401, the court held that Professor Biber's testimony was relevant since it tended to support WeddingChannel's interpretation of the grammatical rules at issue, thereby tending to make WeddingChannel's interpretation of the claim element more probable than it would have been in the absence of such testimony.

The crux of the motion to strike focused on the reliability of linguist testimony generally and as applied to this case. The court stated that it must consider the indicia of reliability identified in Rule 702, namely, (1) that the testimony is grounded on sufficient facts or data; (2) that the testimony is the product of reliable principles and methods; and (3) that the witness applied the principles and methods reliably to the facts of the case. The court held that the first indicia was satisfied since Professor Biber's testimony was based on a close reading of relevant claim language and also relevant passages from usage handbooks and grammar texts.

With respect to the second and third indicia, The Knot asserted that Professor Biber's method was "subjective," "untested," and "untestable," thereby failing *Daubert's* criteria for assessing reliability. Characterizing Professor Biber's declarations as "non-scientific expert testimony," the court noted that the *Daubert* criteria in this context are "merely guidelines," and that the Rule 702 standard was a "liberal and flexible one." The court then held that Professor Biber's methodology was a reliable form of textual analysis—explicating sample text according to a stated set of linguistic rules. Furthermore, the court held, Professor Biber's declarations reliably applied the methodology to the facts at hand by identifying (1) the grammatical rules applied, (2) the textual authority for those grammatical rules, and (3) the alleged meaning of the text based on the application of those rules. As such, the court denied The Knot's motion to strike Professor Biber's declarations.

## UNFAIR COMPETITION CLAIM BASED ON LANHAM ACT SUBJECT TO SIX-YEAR STATUTE OF LIMITATIONS IN NEW YORK

**Greenlight Capital, Inc. v. Greenlight (Switzerland) S.A.**,  
2005 U.S. Dist. Lexis 2  
(S.D.N.Y. Jan. 3, 2005)  
(Judge Harold Baer, Jr.)

Greenlight Capital, Inc. sued Greenlight (Switzerland), asserting a Lanham Act claim and several state causes of action, including unfair competition. Greenlight (Switzerland) argued that the statute of limitations had run on the unfair competition claim, stating that the three-year limitation under N.Y. C.P.L.R. § 214(2) was applicable. Greenlight Capital agreed, but contended that the tort was continuing, and that they were therefore not time-barred.

The court disagreed with the parties that C.P.L.R. § 214(2) was applicable to the unfair competition claim in this instance. The court first noted that “the statute of limitations to an unfair competition claim is not nearly as settled as the parties suggest.” Rather, because the unfair competition cause of action is “broad and flexible” and covers an “incalculable variety” of business practices, “the period for claims of unfair competition has been treated disparately in New York.” The court explained that New York courts have looked to the nature of each particular unfair competition claim to determine which statutory period to apply.

The court subsequently held that because courts in New York have looked to the factual nature of each unfair competition claim to determine the statutory time limit, the case of *Sporn v. MCA Records, Inc.*, 58 N.Y.2d 482 (N.Y. 1983), did not control in this instance. That case involved the misappropriation and unauthorized use of a master phonographic recording and was subject to the three year statute of limitations under C.P.L.R. § 214. In contrast, the court noted, the instant unfair competition claim “involved no similar singular act of misappropriation,” but instead involved the same ongoing activity that underlies the trademark infringement claims. As such, the court held, the same statute of limitations should apply to the unfair competition claim in this case as applied to the Lanham Act claim—the six year limit under N.Y. C.P.L.R. § 213(8). ■

### (Footnotes)

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## NYIPLA CALENDAR

**Date: Friday, May 13, 2005**

Event: Spring Luncheon & CLE Program

ITC TRIAL LAWYERS ASSOCIATION  
SPRING LUNCHEON AND CLE  
PROGRAM

Enforcement Of Section 337 Remedial Orders:  
Procedures, Recent Developments, And Bar  
Association Proposals

“An insider’s View of Section 337 Litigation”

Place: Washington, D.C., New York, & San Francisco

Time: Noon in Washington and New York  
9:00 a.m. (breakfast) in San Francisco

**Date: Friday, May 20, 2005**

Event: Luncheon & CLE Program

Keynote Speaker:

Matt Siegal, Lisa Jakob and Elias Lambiris

Topics: [Duty of Disclosure: Update and In-house Perspectives](#)

Place: The Cornell Club - 6 East 44th Street - NYC

Time: 12:00 - 12:30 Reception  
12:30 - 1:00 Lunch  
1:00 - 2:00 Program\*

**Date: Wednesday, May 25, 2005**

Event: NYIPLA Annual Meeting and Awards Dinner

Keynote Speaker:

JAMES A. TOUPIN, ESQ. - United States Patent and  
Trademark Office, General Counsel

Topics: “PTO and The Future”

Cle Program Co-sponsored By The [NYIPLA](#) And [JPPCLE](#)  
To Be Held In Conjunction With The Annual Meeting Of The  
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Awards to be Presented: [The 2005 Inventor of the Year](#) and [The 2005 Conner Writing Competition Winner](#)

Place: Yale Club

50 Vanderbilt Avenue (44th Street) New York, NY

Time: Business Meeting ~ 5:00 p.m.  
Cocktails ~ 6:00 p.m.  
Dinner & Awards ~ 7:00 p.m.  
CLE Program ~ 8:00 - 8:30 p.m.

Program Details & Registration Forms may be found  
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