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In This Issue

Search Engine Keywords – The Second Circuit Falls in Line on "Use in Commerce"

By Debra R. Smith

Trademark owners have often protested the use of their trademarks through keyword advertising programs promoted by Internet search engines. Courts outside the Second Circuit have typically held that such activities constitute a use in commerce that may be actionable under the infringement provisions of the Lanham Act.[2] Until two months ago, the Second Circuit appeared to be heading in the opposite direction.

In its 2005 decision in the *1-800 Contacts* case, the Second Circuit held that allegations of trademark infringement relating to software which enabled advertisements to "pop-up" on website pages did not plead an actionable claim.[3] The court explained that merely using a trademark in internal company software without actually displaying the mark in the pop-up advertisement itself did not constitute use of that mark in commerce. Based on the *1-800 Contacts* decision, a number of lower courts in the Second Circuit held that the sale or purchase of a trademark as a keyword was likewise an internal use of the mark that was not an actionable "use in commerce."[4]

The Second Circuit, with its decision in *Rescuecom Corp. v. Google, Inc.*, 562 F.3d 123, 90 U.S.P.Q.2d 1287 (2d Cir. 2009), has now made clear that in fact it is in sync with the other circuits. This decision holds that allegations relating to the purchase/sale of trademarks as keywords adequately plead an actionable Lanham Act claim.

Following its 15 page opinion on the merits in *Rescuecom*, the Court included an 18 page Appendix titled "On the Meaning of 'Use in Commerce' in Sections 32 and 43 of the Lanham Act." The Appendix reviews the inconsistencies in the use of the phrase "use in commerce" in the statute and ends with an exhortation that "it would be helpful for Congress to study and clear up" the ambiguities. Whether or not Congress will act remains to be seen. And, while it is now clear that trademark owners will likely be able to state a claim for infringement based on the sale of their marks as keywords in any Circuit, what it will take to prove those claims at trial remains an open question.

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PRESIDENT'S CORNER

June 2009

In this final message as President of the NYIPLA, I would like to say that it has been an honor and a pleasure for me to serve you as President. Although impossible to identify everyone by name on this page, I would like to express my gratitude to all of the individuals who played a role in supporting the NYIPLA this year -- the Officers, Board Members, committee chairs, liaisons, and members of the Association. In addition, on behalf of the Association and on my own personal behalf, I would like to thank our Executive Director and his administrative support team for all of their enthusiastic assistance.

It is with our combined effort that we saw many milestones achieved this year, including but not limited to …

* the formation of additional substantive committees to increase the opportunity for active involvement of our membership in the good work of the Association;

* the co-sponsorship of the Inaugural Dinner of the Hon. William C. Conner Inn of Court honoring Judge Conner in January 2009;

* the creation of the NYIPLA Diversity Scholarship program with donations going to local law schools to help deserving students interested in Intellectual Property Law and to further develop our relationship with our local law schools;

* the preservation of the administrative support of the revenue generating activities of the Association under a multi-year agreement; and

* the safeguarding for posterity and dissemination of the Association's historical records and publications through an agreement with William S. Hein & Co.

I hope that everyone enjoyed our 87th Annual Dinner in Honor of the Federal Judiciary. Chief Judge Dennis Jacobs was a worthy yet humble recipient of the 2009 Outstanding Public Service Award. The West Point Cadets were entertaining and inspiring as they sang the national anthem and a few other songs for us. Although he did not sing, Tom Brokaw certainly struck a chord of patriotism and public service with his keynote address. After our dinner, Mr. Brokaw was quoted as saying about our Association: "They were a first rate group – professional, punctual and a great audience!" (reproduced herein with permission). I share his view completely.

Thank you for your continued support of the NYIPLA and its mission.

Sincerely,
Anthony Giaccio

CLE Day of Dinner Program
March 27, 2009

The program topic, Inequitable Conduct – Vaccine or Plague?, was particularly timely in view of the recent decision of the Court of Appeals for the Federal Circuit in *Larson Mfg. Co. v. Aluminart Products Ltd.*, 559 F.3d 1317, 90 U.S.P.Q. 2d 1257 (Fed Cir. 2009).

A distinguished panel of speakers comprised of Hon. Sharon Prost, Circuit Judge, U.S. Court of Appeals for the Federal Circuit; Hon. Susan G. Braden, U.S. Court of Claims Judge; Hon. Paul A. Crotty, District Judge for the Southern District of New York; Melvin C. Garner of Darby & Darby; John F. Sweeney of Lock Lord Bissell & Liddell; and W. Edward Bailey of Lovells, addressed the current status of the inequitable conduct defense, courtroom strategies and questions of reform.

87th Annual Dinner in Honor of the Federal Judiciary

The New York Intellectual Property Association held its 87th Annual Dinner in Honor of the Federal Judiciary on March 27, 2009 at the Waldorf=Astoria.

President Anthony Giaccio welcomed the honored guests, members of the NYIPLA, and their guests. Cadets from the U.S. Military Academy at West Point opened the evening's events with a magnificent rendition of the National Anthem.

The Association's Seventh Annual Outstanding Public Service Award was presented to the Honorable Dennis Jacobs, Chief Judge of the United States Court of Appeals for the Second Circuit.

The Keynote Speaker was Tom Brokaw, journalist, author, and for 21 years, anchor and managing editor of NBC Nightly News.

Front row (left to right): Tom Brokaw, President Anthony Giaccio, Chief Judge Dennis Jacobs (Second Circuit Court of Appeals), President Elect Mark Abate, Judge Sharon Prost (Federal Circuit Court of Appeals), Chief Judge Raymond Dearie (Eastern District of New York), First Vice President Dale Carlson, Chief Judge Edward Damich (Court of Federal Claims)
Second row (left to right): Chief Judge Mark Wolf (District of Massachusetts), Second Vice President Theresa Gillis, Chief Judge Richard Arcara (Western District of New York), Chief Judge James Spencer (Eastern District of Virginia), Secretary Charles Hoffmann, Chief Judge Garrett Brown, Jr. (District of New Jersey), Chief Judge Donetta Ambrose (Western District of Pennsylvania), Treasurer Alice Brennan

Linn Inn Reception at the Judges' Dinner

Hon. William C. Conner Inn of Court Reception

The NYIPLA co-sponsored a dinner celebrating the inauguration of The Hon. William C. Conner Inn of Court at the Union League Club of New York on January 15, 2009. Judge Conner has served our IP community with distinction as a patent attorney and as Past President of our Association, and now sits as a Senior District Court Judge.

The Conner Inn (*www.innsofcourt.org/inns/connerinn*) comprises a crosssection of judges, lawyers and law students having an interest in IP law. The goal of the Inn is to encourage civility, excellence and professionalism within the profession.

The Conner Inn is the seventh IP-focused Inn of Court in the nation. Together, they comprise the "Linn Inn Alliance", which serves to facilitate the exchange of program information among the IP Inns, and to welcome attendance at Inn meetings across the country by visiting members from other IP Inns.

NYIPLA President Anthony Giaccio delivered the welcoming remarks. The Dinner Committee was chaired by NYIPLA Board Member Thomas Meloro and the Commemorative Journal Committee was chaired by NYIPLA's First Vice President Dale Carlson.

L to R: Melvin Garner, John Lane, Prof. Hugh Hansen, Hon. Timothy Dyk, Hon. Paul Michel, Hon. Colleen McMahon, Hon. William C. Conner, Hon. Barbara Jones, Hon. Richard Linn, Hon. Pauline Newman, Anthony Giaccio, Thomas Meloro

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The Way Google Works

The Google search engine operates in two ways in response to an individual computer user's entry of a search term. First, Google provides a list of links to websites based on the relevance of the content on the websites to the search term, as determined by Google's proprietary system. Second, Google responds to a search request by displaying context-based advertising. Advertisers pay Google for their ads to appear in response to searches for particular terms, called keywords, through Google's AdWords program. These keywords can be generic terms (computer repair) or trademarks (RESCUECOM). Google also provides a Keyword Suggestion Tool which suggests relevant keywords, including trademarks, to advertisers. The dispute with Rescuecom arose when Google sold to the plaintiff's competitors the right for their advertisements to appear in response to searches for the plaintiff's trademark RESCUECOM. The advertisements appear on the search results page, either at the top of the search results or along the right side, typically under the heading "Sponsored Links." In other words, an internet user who searches for RESCUECOM may end up with a results page that includes not only a link to the Rescuecom website, but also an advertisement for Rescuecom's competitor with a link to the competitor's website.

Rescuecom's Allegations

Rescuecom alleged that Google's sale of its RESCUECOM trademark as a keyword to competitors, Google's suggestion to competitors to purchase the RESCUECOM mark as a keyword, and Google's presentation of ads in response to searches for the trademark allowed Rescuecom's competitors to deceive and divert customers searching for Rescuecom's website. The district court, relying on *1-800 Contacts,* found that these allegations were not actionable because Google's use of the RESCUECOM trademark was internal and not a "use in commerce." The Second Circuit reversed.

Distinguishing *1-800 Contacts* from *Rescuecom*

In *1-800 Contacts*, defendant WhenU's software, when loaded onto computers during free downloads (often unbeknownst to the computer user), generated pop-up advertisements based on the website visited or search term entered by an internet user. For example, when visiting the 1-800 Contacts website, the user would be greeted with a pop-up advertisement offering deals on a competing contact lens site. The pop-up ads bore the name of the defendant's software company (When-U) and included information regarding the deals offered at When-U's competing site. When-U's activities in selling its software and generating the competing pop-up advertisements were found to be internal and non-actionable.

In *Rescuecom*, the Second Circuit stated that its holding in *1-800 Contacts* was not meant to apply to the situation presented by the Google keyword sales. The Court pointed to two major differences between the practices of the *1-800 Contacts* defendant and those of Google:

- First, in *1-800 Contacts*, the defendant did not use, reproduce or display the plaintiff's trademark at all. The complaint alleged that the defendant's ads were triggered by plaintiff's website address (*1800contacts.com*), which, notwithstanding the similarities between the address and the mark 1-800-CONTACTS, was not used or claimed by the plaintiff as a mark. In contrast, Google's actions in selling advertising space triggered by trademarks through its AdWords program and recommending trademarks as keywords to be purchased through its Keyword Suggestion Tool involved the actual federal trademark asserted by Rescuecom.
- Second, in *1-800 Contacts,* the defendant's program was offered to advertisers as is and did not allow advertisers to select keywords. The defendant's program also produced ads based on the categories associated with the websites or keywords entered by the computer user, not based on the website or keyword itself. In contrast, because Google "displays, offers, and sells Rescuecom's mark" to advertisers, and encourages advertisers to purchase Rescuecom's mark under its Keyword Suggestion Tool, the resulting advertisements are triggered by the trademark, not by a category.

Internal Use with an External Result

Google argued that listing a trademark in an internal computer directory for use in the AdWords and Keyword Suggestion Tool programs is not an actionable "use" under the trademark statute. The Second Circuit disagreed, noting that *1-800 Contacts* did not stand for the proposition that "an alleged infringer's use of a trademark in an internal software program insulates the infringer from a charge of infringement, no matter how likely the use is to cause confusion in the marketplace." In other words, operators of search engines are not "free to use trademarks in ways designed to deceive and cause consumer confusion." Moreover, Google's actions in suggesting trademarks as keywords and selling them to advertisers were not internal.

Google also argued that its use of trademarks as keywords was akin to the common retail practice of placing a store brand generic product next to a well-known brand to induce a customer to purchase the less expensive store brand. The Second Circuit pointed out that such product placement would not escape liability if done in a way that consumers were deceived. Because the Court was reviewing a motion to dismiss, the Court accepted as true Rescuecom's allegations that Google's practices resulted in confusion and held that a claim was properly stated.

"Use in Commerce" Under the Lanham Act

The Second Circuit somewhat defensively stated in the Appendix that the *1-800 Contacts* decision "was justified by numerous good reasons and was undoubtedly the correct result." The Court then went on to note that one rationale for the *1-800 Contacts* decision and other cases with similar holdings was a possibly incorrect reading of the phrase "use in commerce" in the Lanham Act's infringement provisions.

The Lanham Act defines actionable conduct in Sections 32 and 43. Both sections refer to use in commerce as follows.

Section 32 (15 U.S.C. 1114) provides:

> (1) Any person who shall, without the consent of the registrant—
>
> (a) **use in commerce** any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or
>
> (b) reproduce, counterfeit, copy, or colorably imitate a registered mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be **used in commerce** upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive, shall be liable in a civil action…. (emphasis added).

Section 43(a) (15 U.S.C. 1125(a) provides:

> (1) Any person who, on or in connection with any goods or services, or any container for goods, **uses in commerce** any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—
>
> (A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or
>
> (B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities, shall be liable in a civil action…. (emphasis added).

In Section 45 of the Lanham Act (15 U.S.C. 1127):

> The term "use in commerce" means the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark. For purposes of this chapter, a mark shall be deemed to be in use in commerce—
>
> (1) on goods when—
>
> (A) it 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 if the nature of the goods makes such placement impracticable, then on documents associated with the goods or their sale, and
>
> (B) the goods are sold or transported in commerce, and
>
> (2) on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce, or the services are rendered in more than one State or in the United States and a foreign country and the person rendering the services is engaged in commerce in connection with the services.

Prior Misinterpretations of the "Use in Commerce" Definitions

The *1-800 Contacts* case relied on two prior district court cases involving the When-U software.[5] These *When-U* cases held that the infringement provisions of the trademark statute were not triggered unless the defendant used or displayed the mark in the sale or advertising of services and the services were rendered in commerce, as required by the latter phrase quoted above in the Section 45 definition.

In *Rescuecom*, the Second Circuit noted that these courts failed to read the entire Section 45 definition of "use in commerce" and that it was inconceivable for the

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entirety of the Section 45 "use in commerce" definition to apply to the phrases in the Section 32 and 43(a) infringement provisions. Doing so would impose liability only if the infringer was found to have made a "bona fide" use of the trademark, thus relieving bad faith infringers of liability. The Court observed: "[s]uch a statute would perversely penalize only the fools while protecting the knaves, which was surely not what Congress intended."

The Second Circuit's Review of the Legislative History

The Second Circuit then embarked on a lengthy discussion of the legislative history of Sections 32, 43, and 45, noting that the ambiguity was caused by rearrangement of the statute over time in a manner that joined together words which as originally written were separate from one another. The "bona fide" phrase was clearly meant to apply to the registration of trademarks, not to infringement. However, according to the Second Circuit, it is unclear whether the latter portion of the Section 45 definition (requiring placement of the mark on goods and shipment of the goods in commerce or rendering of services in commerce) is meant to apply to the Section 32 and 43(a) infringement provisions. Because the Court had previously applied the second part of the definition to infringement actions in *1-800 Contacts,* it indicated that a two-part application of the Section 45 definition was preferable. The Court also cautioned that its discussion of the issue in the Appendix was dictum and not a binding opinion of the Court.

Does the Answer Lie in the Meaning of "Commerce" vs. "Use in Commerce"?

The Appendix provides a very helpful analysis of the statute's legislative history. However, the Court failed to acknowledge that in addition to the above-quoted definition of "use in commerce," Section 45 also includes a definition of "commerce" as meaning "all commerce which may lawfully be regulated by Congress." It seems logical to assume that the Section 45 definition of "use in commerce" applies to the registration requirements only. The reference to "commerce" in the infringement provisions, sometimes but not always prefaced by the term "use in," means only that to trigger the federal statute the alleged infringer must be doing something in commerce which may be regulated by Congress. Section 32, for example, states that a defendant's use may be "in connection with the sale, offering for sale, distribution, or advertising of any goods or services," which contemplates that a defendant might be liable for a use that did not involve placing the mark on goods. This language in Section 32 referring to, e.g., "offering for sale" makes no sense if courts were to add the requirement that a defendant must also place the mark on goods and ship the goods in commerce in order to trigger liability. Such a requirement would also leave plenty of potentially confusing activities outside the ambit of the statute. Other courts have interpreted the Lanham Act in a manner consistent with the author's analysis in this paragraph.[6]

What's Next?

It is now clear that claims relating to keyword advertising are actionable. It remains to be seen whether Rescuecom can prove a likelihood of confusion, whether Congress will act to clear up the problems noted in the Lanham Act definitions, and whether the Section 45 definition of "use in commerce" will rear its muddled head in some other infringement context.

[1] Debra R. Smith is an associate in the New Lawyers Group at Jones Day. Ms. Smith thanks members of the NYIPLA Trademark Practice Committee for the invaluable assistance they provided in helping to write this article. The opinions expressed in this article do not represent the views of the author's law firm or the clients of that firm.

[2] *See Boston Duck Tours, LP v. Super Duck Tours, LLC*, 527 F.Supp.2d 205, 207 (D. Mass. 2007); *J.G. Wentworth, S.S.C. v. Settlement Funding, LLC*, 2007 WL 30115 (E.D. Pa. 2007); *Buying for the Home, LLC v. Humble Abode, LLC*, 459 F.Supp.2d 310 (D.N.J. 2006); *Gov't Employees Ins. Co. v. Google, Inc.*, 330 F.Supp.2d 700 (E.D. Va. 2004); *Vulcan Golf, LLC v. Google Inc.*, 2008 U.S. Dist. LEXIS 22155 (N.D. Ill. 2008); *Google, Inc. v. American Blind & Wallpaper Factory, Inc.*, 74 U.S.P.Q.2d 1385 (N.D. Cal. 2007); *800-JR Cigar, Inc. v. GoTo.com, Inc.*, 437 F.Supp.2d 273 (D.N.J. 2006); *Rhino Sports, Inc. v. Sport Court, Inc.*, 2007 U.S. Dist. LEXIS 32970 (D. Ariz. 2007); *Edina Realty Inc. v. TheMLSOnline.com,* 80 U.S.P.Q.2d 1039, 2006 WL 1314303 (D. Minn. 2006); *Hearts on Fire v. Blue Nile*, No. 08cv11053-NG (D. Mass. Mar. 27, 2009).

[3] *1-800 Contacts, Inc. v. WhenU.com, Inc.*, 414 F.3d 400 (2d Cir. 2005).

[4] *See S&L Vitamins, Inc. v. Australian Gold, Inc.*, 521 F.Supp.2d 188 (E.D.N.Y. 2007); *Site Pro-q, Inc. v. Better Metal, LLC,* 506 F.Supp.2d 123 (E.D.N.Y. 2007); *Merck &Co., Inc. v. Mediplan Health Consulting Inc.*, 425 F.Supp.2d 402 (S.D.N.Y. 2006).

[5] *U-Haul Int'l, Inc. v. WhenU.com, Inc.*, 279 F.Supp.2d 723 (E.D. Va. 2003) and *Wells Fargo & Co. v. WhenU.com, Inc.*, 293 F.Supp.2d 734 (E.D. Mich. 2003).

[6] See, e.g., *Bosley Medical Institute, Inc. v. Kremer*, 403 F.3d 672 (9th Cir. 2005).

CLE Luncheon Program

TOPIC: Getting the Most Out of Patent Mediation

The Committees on Meetings and Forums and on Alternative Dispute Resolution ("ADR") presented a CLE luncheon on January 29, 2009 at the Harvard Club on the topic of "Getting the Most Out of Patent Mediation." The program included presentations by three mediation experts covering the range of situations in which clients and practitioners are likely to encounter the mediation process.

Magistrate Judge Mary Pat Thynge of the U.S. District Court for the District of Delaware presented her perspective as judge and architect of the mediation program in one of the nation's busiest patent courts. James M. Amend, Chief Circuit Mediator for the U.S. Court of Appeals for the Federal Circuit, explained the Federal Circuit's program and how it has worked to date. Thomas L. Creel, past President of the NYIPLA and a private arbitrator and mediator certified by CPR and other organizations, spoke on the private mediation alternative. The meeting was hosted by Walter E. Hanley, Jr. of Kenyon & Kenyon LLP, Chairperson of the Committee on ADR.

Judge Thynge developed and manages the ADR program in the District of Delaware and has mediated almost 300 patent cases. She explained her mediation procedure and her views on how counsel may best use it to obtain satisfactory settlements. She emphasized that the mediation session may be just the beginning of the negotiation and that counsel and their clients need to exercise patience and allow the process to evolve. She advocated early mediation as a way to get the parties to focus on what issues are important and how the case might be settled before a major financial and emotional investment is made. She put at the top of counsel's pre-mediation "homework" pile giving the client a realistic assessment of the trial option and steering selection of a client representative with the appropriate level of authority and the right personality.

Mr. Amend has been the Chief Circuit Mediator for the Federal Circuit since the inception of its mediation program in 2006. He discussed the key elements of the Federal Circuit's program in which cases are selected for mandatory mediation based on a review of the notice of appeal, the court's docketing statement, the decision below, and other information. Mr. Amend noted that some cases on appeal from decisions by the PTO Board of Patent Appeals and Interferences (BPAI), particularly in patent interferences, have been selected for mediation. He explained that the Federal Circuit's program has one goal: settlement of the case. Unlike programs in the district courts, the mediator does not seek narrowing of the issues as a secondary objective. He cited a remarkable settlement rate of 51% of patent cases selected for mediation in 2008. On the thorny problem of insuring that the appropriate client representatives participate, Mr. Amend stated that he often asks each party's counsel to suggest who should be present from the opposite side.

Mr. Creel spoke on voluntary, party-initiated mediation from his perspective as an experienced private mediator. He noted that clients are increasingly pressing their counsel to explore mediation in order to reduce the expense and disruption associated with patent litigation, and cited the fact that over 4000 companies have signed the CPR pledge to explore ADR with other signatories before pursuing full-scale litigation. Among the advantages of private mediation he identified are the wider choice of mediators and flexibility in tailoring the procedure. Although he explained that typically, the mediator will try to get the parties to focus on the business considerations rather than solely on who is right about the legal merits, he noted that parties sometimes agree to have the mediator give an evaluation of the case and choose a mediator based on his or her qualifications to do so. He suggested that parties be represented in the meditation by a "negotiator," i.e. an attorney skilled in negotiating business deals, in addition to trial counsel.

Left to Right: *Thomas L. Creel, Magistrate Judge Mary Pat Thynge, James M. Amend & Walter E. Hanley Jr.*

HISTORIAN'S CORNER

"As Time Goes By - Look for the Silver Lining"

by Dale Carlson

As we watch the current economic down cycle unfold, we can only wonder how long it will last, and how much of an impact it will have on our nation's patent system.

Pundits appear ambivalent as to how to characterize the severity of the current down cycle, and even differ on what to call it. As we know, "depression" was the descriptor of choice in 1929. Perhaps less well-known is that a former term of choice was "panic". By 1929, the "powers that be" feared that calling the down cycle a "panic" might cause the general public to do exactly that, and turned to the slightly more euphemistic word "depression" instead.

In the early stages of the down cycle, we might expect that the Patent Office will experience a relatively small percentage decline in the number of patent filings, resulting in some decrease in revenues attributable to filing fees. To offer some perspective, in 1929 the number of patent application filings in the U.S. hit an all-time high for that era of almost 95,000. Although the decline in the following year was small, by 1933 the number of filings had dropped a whopping 36 percent off the all-time high down to about 60,000.

So, you may ask "where's the silver lining" that we should be looking for? It is this: just as boom cycles tend to tax the staffing resources of an administrative agency like the Patent Office to its limits, so too bust cycles tend to provide a "breather" from system overload. In other words, a diminution in patent filings during a bust cycle provides the Patent Office with an opportunity to play "catch-up" with respect to the backlog of unexamined applications that built up during the boom times.

Dale Carlson, a partner at Wiggin & Dana, serves as the NYIPLA Historian, and as First Vice President.

Recently, the Patent Office held a roundtable discussion to consider whether it should expand the somewhat limited protocol for deferred examination that is provided for in 37 C.F.R. 1.103(d). Peter Thurlow actively participated on our Association's behalf.

Proposals for a broad protocol of deferred examination are not new. They often surface in a late stage of good times, and go dormant in bad ones. In 1964, one such proposal was debunked by Paul Rose, a co-author of the 1952 Patent Act, in no uncertain terms: "We should be thinking in terms of operating our [patent] system to increase its incentive force, rather than in terms of how we can amend it so as to operate it more cheaply and easily."

If history is any guide, we shouldn't rush to adopt an expanded form of deferred examination now. Indeed, adopting it would do nothing to increase our patent system's "incentive force", and therefore would violate Mr. Rose's key precept.

Instead, we should look to the silver lining. When we do, we'll find that, for the foreseeable future, there's no need to expand deferred examination or the ranks of patent examiners, since the volume of patent examination work will likely contract.

During this "breather" period, we have an opportunity to consider how to improve our patent system to enhance its incentive force. This translates to enhancing the incentive of inventors to disclose their inventions. Unfortunately, proposed legislation embodied in S. 515 is counterproductive, inasmuch as it contains provisions that would actually reduce the incentive force, rather than enhance it. Illustratively, although the best mode requirement would not be expressly deleted from Section 112, the incentive to disclose best mode would be effectively eliminated if the best mode defense cannot be used to invalidate, or render unenforceable, the claims of a patent, as proposed in the Senate bill.

So, let's consider how our Association can help re-form patent reform. Thanks largely to the silver lining, we'll have ample time to make a plan.

NYIPLA Calendar

CLE Programs

September 16, 2009

New Board of Appeals Rules and Appellate Practice before the Board of Appeals and Patent Interferences

Honorable Michael R. Fleming

Chief Administrative Judge

Board of Patent Appeals and Interferences, U. S. Patent and Trademark Office

1.0 NYS CLE Credit

October 16, 2009

Hon. Arthur J. Gonzalez, US Bankruptcy Court, Southern District of New York.

Topic/Location to be announced.

November 6, 2009

Fall One Day CLE Program

More programs to come!

For Additional Information see:

WWW.NYIPLA.ORG

ARTICLES

The Association welcomes articles of interest to the IP bar.

Please direct all submissions by e-mail to:

Stephen J. Quigley, **Bulletin Editor, at** squigley@ostrolenk.com

COMMTTEE REPORT

COMMITTEE ON LITIGATION PRACTICE AND PROCEDURE

Jeffrey M. Butler, Chair

The Committee discussed the following IP litigation issues during the 2008-09 year:

1. **District Court Patent Rules:**[1] What are the pros and cons of hard and fast patent rules? Generally, we would like to continue to explore whether patent rules should be proposed by the Association to the Southern and Eastern Districts of New York (and, perhaps, other district courts). In order to do this, we wish to (1) review and consider the proposed rules previously drafted by the Association, (2) compare and contrast those proposed rules with the current patent rules in effect in, e.g., in the Northern District of California, and (3) survey S.D.N.Y. and E.D.N.Y. judges in order to determine the courts' views on patent rules.

We also would like to determine, probably by means of a survey, the Association's members' views and comments on existing patent rules: In what ways do the Association's members find those rules to be beneficial? Do some clients believe that such rules provide some sort of advantage to either the patentee or to an accused infringer? Our findings, conclusions and recommendations will be presented to the Board, and, if adopted, we would like to publish and present them to the local courts.

2. **Inconvenient Forums**: We have discussed inconvenient forums, and transfers therefrom, especially in connection with 28 USC §1404. We would like to examine this further, especially with input from Association members who have faced this issue (such as, e.g., where an accused infringer has been sued in the Eastern District of Texas). We are following a significant 1404 case currently pending in the 5th Circuit and are considering a possible *Bulletin* article on how an accused infringer can best protect itself from suit in an inconvenient forum.

Although "patent reform" seems all but dead for this Congressional term, we would like to review and study future Congressional bills aimed at changing the patent venue statute. We envision a possible seminar or article on this topic.

3. ***In re Seagate***: We would like to continue our study and consideration of the impact of *In re Seagate* (*en banc*) and follow-on decisions from various district courts. For example, what is the practical impact of those decisions on the issues of waiver of privilege, etc.? Can trial counsel and opinion counsel be affiliated with the same law firm (without obliging trial counsel to disclose his/her communications to the client)? Under what circumstances is it still recommendable for a client (accused infringer) to obtain an opinion of counsel pre-litigation or during litigation? Should a patentee obtain advice of counsel on the issue of enhanced damages (in order to establish objective recklessness on the part of the accused infringer)? We envision a possible seminar on this topic, or an article thereon.

4. **Possible Litigation Practice and Procedure Seminar:** We are interested in working on:

A. A possible seminar (a panel discussion with federal court judges and practitioners) on managing the costs of patent litigation.[2] We wish to explore use of alternative fee arrangements, ADR, whether and how reexamination(s) might be beneficial in this respect, possible changes to the discovery rules and/or the patent rules that would reduce costs and streamline discovery, Markman hearings, infringement and validity contentions, etc.

B. A possible "patent infringement litigation crash course" at the Southern Distirct, including a tour of the court, presentations by district court judges and the clerk, etc. We envision considerable input from the court: What, in the court's view, should be done by IP litigants (especially procedurally)? What should not be done? And so on.

C. A possible seminar (a panel discussion) on "best practices" in IP trials from the perspective of litigators and the bench. Another (and potentially related) topic of interest is the issue of "tutorials" in IP (especially patent) litigations.

5. **E-discovery**[3]: What (unique) e-discovery issues are presented for IP cases? What could be done, pre-litigation or early on in a litigation, to streamline discovery? We explored issues such as "virtual" custody and control of documents, proprietary software applications, spoliation, metadata and "front-loading" of discovery plans (and other timing / strategy issues). We think there are myriad issues relating to e-discovery, such as these, that we could and should continue to discuss. We envision a possible seminar on this topic, or an article thereon.

6. **The District Court Patent Pilot Program**[4]: We would like to explore whether patent cases in a given district should be assigned to those district court judges who have opted to preside over patent cases. As for the Pilot Program, the Committee intends to monitor the legislative goings-on, and be prepared to report and/or comment thereon. We also would like to look at other models of such pilot programs. We envision a possible article on this topic.

[1] Note: We are aware that other committees of the Association in the past have been tasked with examining district court patent rules. We intend to work with the Board (and with those other committees) in order to ensure that there is no undue overlap or duplication of efforts. Further Note: We also are aware that the incoming Association president may propose a new (closed?) "Patent Local Rules" committee. To the extent that we are permitted to do so, we would like to work actively with any such committee.

[2] I am grateful to Dave Ryan for his invaluable suggestions concerning possible seminars and other Committee activities.

[3] Note: We understand that the incoming Association president may propose the creation of a new "Discovery in Patent Cases" committee.

[4] Note: Last year, the House passed H.R. 34, entitled "To establish a pilot program in certain United States district courts to encourage enhancement of expertise in patent cases among district judges." The legislation was referred to the Senate Committee on the Judiciary for further action in the Senate. The apparent goal is to "encourage enhancement of expertise in patent cases among district judges." Patent cases would be randomly assigned to the judges in a given district, but those judges who have not opted to hear such cases, may decline to do so (and such cases would be reassigned to those judges in that district who have opted to hear such cases).

NEW COMMITTEES 2008-2009

COORDINATING COMMITTEE

David Ryan, *Chair*
Anthony Giaccio, *Board Liaison*

Scope of the Committee. In order to promote efficient dissemination of information and efforts, it shall be the duty of the Coordinating Committee to coordinate the information and efforts of the Amicus Committee, the Legislative Oversight Committee, and the USPTO Oversight Committee and to make recommendations with respect thereto to the Board of Directors.
Mission: This committee shall be chaired by a member of the Board of Directors. The chairs of the Amicus Committee, the Legislative Oversight Committee, and the USPTO Oversight Committee shall be ex officio members. The remaining members shall include interested members of the Board of Directors.

RECORDS COMMITTEE

Peter Saxon and Tom Creel, *Co-Chairs*
Dale Carlson, *Board Liaison*

Scope of the Committee. It shall be the duty of this Committee to preserve the records and publications of this Association.
Mission: It shall be a goal of this Committee to gather current and historical records and publications.

USPTO OVERSIGHT COMMITTEE

Peter Thurlow, *Chair*
David Ryan, *Board Liaison*

Scope of the Committee. It shall be the duty of this Committee to monitor operations and changes in the rules and regulations of the USPTO and to report with respect thereto to the Board of Directors.
Mission: It shall be a goal of this Committee to interact with the leadership of the USPTO to promote greater input from the Association on issues that impact patent practice and to monitor rule changes.

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Call for Memorabilia

The new Committee on Records is seeking publications, photographs, records, and other Association documents and materials (even the golf trophy!) for contribution to the NYIPLA's archives. Please dig through your files and send items of interest to either of the co-chairs:

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