

VEDDER PRICE

IP Strategies

Trends in patent, copyright, trademark and technology development and protection

October 2005

PREVENTING IMPORTATION OF COUNTERFEIT OR PIRATED GOODS INTO THE UNITED STATES

An important statutory, regulatory, and treaty-based obligation of the United States Customs and Border Protection (Customs) is to prevent the importation of merchandise that violates trademarks, trade names and copyrights that have been registered with the U.S. Patent and Trademark Office and the U.S. Copyright Office. To fulfill its obligation, Customs has established an enforcement program that provides Customs officers with current information about the intellectual property rights being protected and enables trademark, trade name and copyright owners to prevent the importation of piratical articles.

The Customs enforcement program enables trademark, trade name and copyright owners who have registered their intellectual property with the U.S. Patent and Trademark Office and recorded it with Customs to request Customs to collect and retain information relative to the recorded intellectual property for a specified period of time. During this period, Customs will actively monitor imports in order to prevent the importation of piratical articles. Additionally, the Customs enforcement program enables trademark, trade name and copyright owners who have registered their intellectual property with the U.S. Patent and Trademark Office and recorded it with Customs to alert Customs about the importation of piratical goods so that Customs can prevent such importation.

Trademarks and Trade Names

Procedures for recording trademarks differ from the procedures for recording trade names. However, the enforcement procedures for recorded trademarks and trade names by which Customs prevents the importation of piratical articles is similar.

To record a trademark with Customs, the record owner of a trademark registration must file an application with Customs. The application must include the following information required by Customs Regulations: (1) the name, address and citizenship of the trademark owner; (2) the places of manufacture of goods bearing the recorded trademark; (3) the names and addresses of foreign persons or business entities authorized or licensed to use the trademark and a statement as to the use of the trademark; (4) the identity of any parent or subsidiary company which uses the trademark abroad; and (5) a filing fee of \$190 per class of goods covered by the registration. Typically, Customs takes about six weeks to approve the application and issue a recordation notice. The recordation of a trademark remains in force

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concurrently with the term of the trademark registration. If the trademark registration is cancelled or revoked, the recordation with Customs is also cancelled.

A trade name can also be recorded with Customs if it has been used to identify a manufacturer for at least six months. Generally, the complete business name will be recorded unless it can be established that it is customary to use only a part of the complete name. Protection for a trade name remains in force as long as the trade name is used.

Trade names, which cannot be registered at the Patent and Trademark Office, take longer to be recorded with Customs. This is because a notice of tentative recordation must first be published in the Federal Register and in the Customs Bulletin, after which interested parties have the opportunity to oppose the recordation. Notice of final approval or disapproval is published after all claims, rebuttals, and relevant evidence bearing on the recordation have been considered.

To record a trade name with Customs, the owner of the trade name must file an application with Customs. The application must include the following information required by Customs Regulations: (1) the name, address and citizenship of the trade name owner; (2) the name and trade style to be recorded; (3) the name and address of each foreign person or business authorized or licensed to use the trade name and a statement as to the use authorized; (4) the identity of any parent or subsidiary company which uses the trademark abroad; (5) a description of any merchandise with which the trade name is associated; and (6) a filing fee of \$190 per trade name.

Trademark/Trade Name Enforcement

After the recordation of a trademark or a trade name, Customs enters the recordation into its Intellectual Property Rights Module database, which is accessible by its field offices. Customs officers can detain goods upon a reasonable suspicion that the goods bear a counterfeit mark or a confusingly similar mark of a recorded trademark or trade name based on a search conducted in the Intellectual Property Rights Module database.

Articles having counterfeit marks will be seized by Customs and forfeited in the absence of a written consent by the trademark or trade name owner. Within thirty days of the seizure, Customs will advise the owner of the recorded trademark or trade name regarding the seized merchandise. After seizure of the merchandise, Customs will provide a sample of the merchandise to the trademark or trade name owner for examination, testing, or other use, provided that the trademark or trade name owner furnishes

Customs with a bond, which is normally set at 120% of the value of the sample. The trademark or trade name owner can conduct its own investigation and possibly pursue private civil remedy for infringement. The sample must be returned to Customs.

If the trademark or trade name owner does not provide written consent to the importation of the articles within thirty days of notification of the importation of the piratical articles, Customs will dispose of the articles in accordance with the Customs Regulations, subject to the

“To record a trademark with Customs, the record owner of a trademark registration must file an application with Customs.”

“Customs officers can detain goods upon a reasonable suspicion that the goods bear a counterfeit mark or a confusingly similar mark of a recorded trademark or trade name based on a search conducted in the Intellectual Property Rights Module database.”

importer's right to petition for relief from the forfeiture. Customs may also impose a civil fine in counterfeit cases. For the first seizure of the merchandise, the fine is no more than the domestic value of the merchandise as if it had been genuine based upon the manufacturer's suggested retail price at the time of seizure. For second and subsequent violations, the fine is no more than twice such value.

Articles having confusingly similar trademarks or trade names will be detained for thirty days, during which time the importer is given the opportunity to establish any of the following: (1) the objectionable mark is removed or obliterated in such a manner as to be illegible and incapable of being reconstituted as a condition to entry; (2) the merchandise is imported by the owner of the trademark or trade name or his designate; (3) the owner of the trademark or trade name gives written consent to the importation of the articles and such consent is provided to appropriate Customs officials; or (4) the articles of foreign manufacture bear a recorded trademark and the one-item personal exemption is claimed and allowed (the personal exemption rule is explained below). Failure of the importer to establish any of these conditions will subject the merchandise to seizure by Customs. However, the owner of the trademark or trade name can negotiate with the importer during the thirty day detention period to possibly grant a license to the importer.

By recording registered trademarks and trade names with

Customs, the owners of intellectual property can have Customs help them police the borders to prevent

importation of infringing products or may generate revenue through licensing of the imported merchandise.

Personal Exemption Rule

Articles having counterfeit or confusingly similar trademarks and trade names can be imported under the personal exemption rule. The rule provides that a traveler arriving in the United States with a protected trademark article may be granted an exemption to the import restrictions. Under this exemption, a traveler may import one article of the type bearing a protected trademark or trade name. This exemption applies if the article accompanies a traveler to the United States, it is for personal use and not for sale, and the traveler has not been granted an exemption for the same type of article within thirty days preceding his or her arrival.

Copyrights

To record a copyright with Customs, the owner of the copyright must file an application with Customs. The application must include the following information and documents required by Customs Regulations: (1) a certificate of the

“With regard to articles that Customs may suspect are piratical copies of a recorded copyright, Customs will withhold the delivery of the articles to their destination and notify the importer of the detention. . . . Customs will notify the copyright owner that the imported articles will be released to the importer unless the copyright owner files with Customs a written demand for the exclusion from entry of the detained imported articles. To exclude the detained articles from entry, however, the copyright owner must furnish Customs with a bond.”

copyright registration; (2) five photographic or other likenesses of the copyrighted work reproduced on paper unless the copyrighted work covers a book, magazine, periodical,

or sound recording; (3) the name and address of the copyright owner; (4) if the applicant is a person claiming actual

or potential injury by reason of actual or contemplated importation of copies or phonorecords of the eligible work, a statement setting forth the circumstances of such actual or potential injury; (5) the country of manufacture of genuine copies or phonorecords of the protected work; (6) the name and principal address of any foreign person or business entity authorized or licensed to use the protected work, and a statement as to the exclusive rights authorized; (7) the foreign title of the work, if different from the U.S. title; (8) in the case of an application to record a copyright in a sound recording, a statement setting forth the name(s) of the performing artist(s), and any other identifying names appearing on the surface of reproduction of the sound recording or its label or container; and (9) an application fee of \$190 per article. The term of the recordal is twenty years, unless the copyright ownership of the recording party expires before that time.

Copyrights Enforcement

After recordation of a copyright, Customs enters the recordation into the Intellectual Property Rights Module database, which is accessible by its field offices. Customs will seize any imported article that it determines is a piratical copy of a copyrighted work. Within thirty days of the seizure, Customs will advise the owner of the copyright about the importation of the piratical articles.

Customs officers will refer the importer of the piratical articles to the U.S. Attorneys Office of the Department of Justice for possible criminal prosecution pursuant to the “Piracy and Counterfeiting Amendments Act of 1982.” At any time following seizure of the merchandise, Customs will provide a sample of the merchandise to the copyright owner for examination, testing, or other use, provided that the copyright owner furnishes Customs with a bond that is equal to 120% of

the value of the sample. The copyright owner can pursue private civil remedy for copyright infringement.

With regard to articles that Customs may suspect are piratical copies of a recorded copyright, Customs will withhold the delivery of the articles to their destination and notify the importer of the detention. The importer can file a statement denying that the articles are piratical copies and alleging that detention thereof will result in a material depreciation of the articles’ value. In the absence of the denial statement from the importer, Customs will seize and forfeit the articles. If the importer files the denial statement, Customs will provide the copyright owner information about the infringing copies within thirty days of receipt of the statement. The information includes the date of importation, the port of entry, a description of merchandise, and the country of origin. Customs will also notify the copyright owner that the imported articles will be released to the importer unless the copyright owner files with Customs a written demand for the exclusion from entry of the detained imported articles. To exclude the detained articles from entry, however, the copyright owner must furnish Customs with a bond.

At any time prior to seizure of the articles, Customs may provide a sample of the suspect merchandise to the owner of the copyright for examination or testing to assist in determining

“For a small fee, the owner of such intellectual property can, with the help of Customs, prevent the importation of piratical articles from any port of entry.”

whether the imported article is a piratical copy. To obtain a sample under this section, the copyright owner must furnish Customs with a bond.

After notice to the copyright owner that delivery of the articles is being withheld, and if the copyright owner files a written demand for exclusion of the articles together with the proper bond, Customs will notify the importer and copyright owner that, during a specified time not to exceed thirty days, they may submit any evidence, legal briefs or other pertinent material to substantiate the claim or denial of infringement. The burden of proof is

upon the party claiming that the article is in fact an infringing copy. The importer and the copyright owner must serve the other with copies of any documents filed. Additionally, Customs will notify the importer and the copyright owner that they can have additional time, not to exceed thirty days, in which to provide a response to the arguments submitted by the opposing party. Upon receipt of rebuttal arguments, or thirty days after notification if no rebuttal arguments are submitted, Customs will forward the entire file, together with a sample of each style that is considered piratical, to Customs Headquarters in Washington D.C. for a decision. Copies of the decision are sent to the copyright owner as well as to the importer.

Alternatively, the copyright owner can seek injunctive relief in Federal District Court to prevent importation of the allegedly piratical articles. Upon a favorable court order for the copyright owner, Customs will enforce the order upon being provided with a copy of the order.

Patents

Customs' authority to help patent owners protect their rights is limited by law. Patents are not recordable with Customs because import infringement issues fall under the jurisdiction of the International Trade Commission. Suspected infringement cases are taken to the International Trade Commission, which will issue an exclusion order if the patent owner proves that a violation has occurred. Customs can then enforce the exclusion order in accordance with the order's specific terms. The order can direct Customs to deny entry to all future importations of goods that the International Trade Commission has found to infringe upon the patent holder's rights, or to all goods determined by Customs to incorporate specific claims of the patent(s) at issue. The International Trade Commission also has the authority to issue seizure and forfeiture orders when an importer has previously attempted to import specific goods that violate an exclusion order. Once Customs receives a seizure

and forfeiture order from the International Trade Commission, the goods would be subject to seizure.

Conclusion

The importance of recording trademarks, trade names and copyrights with Customs cannot be overstated. However, many trademark, trade name and copyright owners may not be aware of the benefits of recording their intellectual property with Customs. Accordingly, the U.S. Patent and Trademark Office now informs every trademark registrant about the benefits of recording trademarks with Customs. With every issued trademark registration, the U.S. Patent and Trademark Office includes a sheet that briefly describes the benefits of recording trademarks with Customs, including the availability of trademark information to Customs officers at all ports of entry for actively monitoring imports for piratical articles.

The procedures for recording trademarks, trade names and copyrights are simple and the benefits that the owner of such intellectual property can receive from recordation are significant. For a small fee, the owner of such intellectual property can, with the help of Customs, prevent the importation of piratical articles from any port of entry. Additionally, suspected piratical articles can be detained for a period of time until the importer can show that such articles are not piratical. During this period, the owner of the intellectual property in question can also examine the suspected piratical articles to possibly prevent importation thereof, or pursue court action against the importer for infringement. In essence, the enforcement procedures of Customs can temporarily enjoin an importer from importing suspected piratical articles unless the importer can show the articles are not piratical, and permanently enjoin an importer from importing actual piratical articles.

Contact us at Vedder Price to assist you with recording your trademark and copyright with Customs. Angelo J. Bufalino, 312/609-7850 (abufalino@vedderprice.com).

LEMELSON UPDATE

The U.S. Court of Appeals for the Federal Circuit (“Federal Circuit”) affirmed the Nevada District Court’s decision in the Symbol/Lemelson case that the Lemelson patents were invalid based on prosecution laches, that is, an excessive lapse in the time between the original application and the eventual issuance of the patents. While Lemelson can file a petition for reconsideration with the Federal Circuit or a petition for a Writ of Certiorari in the U.S. Supreme Court, it appears that this long fought litigation is now coming to a conclusion. In addition, corresponding litigation in the U.S. District Court in Arizona involving several hundred companies that has been stayed pending a final decision in this Symbol Case will also come to an end.

The Lemelson Foundation has collected royalties in excess of \$1.3 billion dollars from over 900 companies. It is unlikely that any of these companies will receive any refunds from Lemelson.

We will continue to provide updates regarding this litigation in our future newsletters.

VEDDER PRICE ADDS NEW ASSOCIATE TO INTELLECTUAL PROPERTY STAFF

William J. Voller, III has joined the firm as an associate in our Intellectual Property practice group. He is a graduate of Chicago-Kent College of Law and has a B.S. in electrical engineering from the University of Notre Dame. Bill is no stranger to the firm or its clients, having spent the last three summers clerking at Vedder Price.

Bill will work in our Chicago office. His direct line is 312/609-7841.

CASE LAW REVIEW

U.S. SUPREME COURT

TEST FOR INDIRECT COPYRIGHT INFRINGEMENT RETAINS BITE IN POST-SONY WORLD

Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd. (U.S. Supreme Court - June 27, 2005)

In the copyright blockbuster opinion of Summer 2005, the Supreme Court took on popular file-sharing software tools marketed by Grokster, Ltd. and StreamCast Networks, Inc. (collectively, “Grokster”), unanimously reversed lower court decisions sheltering Grokster from copyright liability and remanded the case for further proceedings. Specifically, in *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, the Court held that software tools designed and primarily used to illegally share copyrighted audio and video works (e.g., .mp3 and .mpeg files) among network users could be held liable for infringement under an inducement theory of copyright liability. The case brings into focus and delicately rebalances the competing interests of artistic protection and technological innovation as they interact in the digital era. More importantly, while legitimate commerce and innovation are encouraged by U.S. copyright law, the decision serves to warn technological innovators that the distribution of products having the capacity for both lawful and unlawful uses coupled with conduct clearly promoting illegal copying constitutes infringement.

Grokster created and aggressively promoted free software allowing thousands of computer users to share electronic files through peer-to-peer networks, thereby permitting computers to communicate directly with each other without the use of a Grokster-managed central server. As a result of this design, Grokster intentionally blinded itself from the reality that copyrighted audio and video works were frequently distributed at alarming rates among the users on the network. In response, the

copyright owners brought suit against Grokster alleging that Grokster knowingly and intentionally distributed the software to enable users, the direct infringers, to reproduce and distribute copyrighted works in violation of the U.S. Copyright Act.

Before the lower courts, Grokster prevailed based on *Sony Corp. of America v. Universal City Studios, Inc.*, a landmark 1984 decision by the Supreme Court. In that case, the Court addressed Sony's potential copyright liability for the distribution of the Betamax videocassette recorder to the public and held that the distribution was insufficient to hold Sony liable under any theory of infringement even though Sony was aware that the Betamax videocassette recorder could be used to infringe copyrighted works. Reading *Sony* to stand for the proposition that distributors of commercial products capable of substantial noninfringing uses are *never* contributorily liable for third-party infringement without actual knowledge of infringement, the lower courts shielded Grokster from liability because its products utilized a decentralized architecture and were theoretically capable of many legal uses.

Rejecting this overly broad interpretation of *Sony*, the Supreme Court noted that Grokster, unlike Sony, actively marketed its products by highlighting their ability to facilitate copyright infringement. Thus, the Court held that where evidence is presented establishing purposeful and affirmative steps to cultivate infringement, a distributor is liable for the resulting third-party acts of infringement, even if the product has substantial lawful uses.

***Practice Tip:* After the 1984 Sony decision and especially during the late 1990's, the ability to use copyright as a sword in the multimedia world was arguably diminished as individuals took substantial liberties during the technology boom. However, Grokster serves as a strong warning to technology innovators that intellectual property laws still have weight in the digital era. Adding an additional element or subsequent factor to the Sony test, the Grokster Court placed emphasis on the conduct and intent of a distributor accused of selling a product used to infringe copyrighted works. As a consequence, copyright liability will be found where a device is distributed for the purpose of infringing others' rights, even if the device has substantial noninfringing uses.**

FEDERAL CIRCUIT

CLAIM CONSTRUCTION: INTRINSIC EVIDENCE
PREVAILS OVER EXTRINSIC EVIDENCE*Phillips v. AWH Corp.* (Federal Circuit -
July 12, 2005)

We are pleased to report that the Federal Circuit recently handed down its highly anticipated, *en banc* decision in *Phillips v. AWH Corp.* regarding patent claim construction. As reported in the January 2005 IP Newsletter and in response to a growing number of cases where dictionary meanings were accorded significantly more weight than definitions obtained from patent specifications, the Federal Circuit invited the patent community in a July 2004 order to respond to a series of questions directed at the role intrinsic and extrinsic evidence should play during the construction of patent claims. Turning back the tide on using dictionary definitions to supply ordinary meanings of claim terms, the majority's decision helps resolve two conflicting lines of patent law cases directing opposite approaches to claim interpretation.

Prior to this decision, practitioners and courts could find support in Federal Circuit case law for various uses of dictionaries in claim construction. A first line of cases suggested using intrinsic evidence (e.g., the claims, the written description and the prosecution history) as the primary source for interpreting claim terms. Generally, this approach recognized the value of extrinsic evidence (e.g., expert testimony, dictionaries and technical treatises), but attempted to limit its use to educating the court on complex technologies and providing supplemental definitions to support those found in the patent.

A second line of cases encouraged a more aggressive use of extrinsic evidence and consequently advised courts to first consult dictionaries to obtain one or more ordinary meanings of claim terms before turning to the remainder of the patent and prosecution history. Under this approach, intrinsic evidence was primarily utilized to assist in

choosing a dictionary definition or to overcome the presumption that a particular dictionary definition governed the interpretation of the claims. While this model may have deterred courts and practitioners from committing the “cardinal sin” of patent law - reading a limitation from the written description into the claims - the Federal Circuit observed that it did little to provide the ordinary definition one of ordinary skill in the art would attribute to a claim term at the time of the invention. Specifically, the Court noted that dictionaries and expert testimony, unlike patent specifications and prosecution histories, are not the by-product of the patent process and may not be created by skilled technicians. As a result, some extrinsic evidence may contain biases or contradictory entries that alter definitions supplied in the written description, thus undermining the public notice function patents serve to explain the manner in which the patentee views her invention.

In reaffirming the first line of cases, the Court described the importance of applying greater weight to intrinsic evidence during claim construction. Noting that the claims themselves “provide substantial guidance as to the meaning of particular claim terms,” the Court stressed a contextual approach of interpretation obtained from a reading of the entire patent disclosure and prosecution history. Importantly, however, the Court did not set out a rigid procedure for claim construction, preferring instead to limit the use of dictionaries when divorced from intrinsic evidence.

***Practice Tip:* Because *Phillips* established that dictionaries are less reliable than intrinsic evidence, practitioners are advised to unambiguously define claim terms when drafting patent applications. In addition, patent drafters are reminded to consistently use claim terms throughout prosecution because a proper construction requires a textual analysis of the claims, the written description and the prosecution history.**

**CLAIM CONSTRUCTION: “WHEREBY” CLAUSES MAY
BE USED TO LIMIT CLAIM SCOPE**

***Hoffer v. Microsoft Corp.* (Federal Circuit -
April 22, 2005)**

In *Hoffer v. Microsoft Corp.*, the Federal Circuit addressed the nature of a “whereby” clause in a method claim found in Hoffer’s U.S. patent directed at a method and apparatus for allowing remote computer users to obtain indexed economic data and interactively post and receive messages. Finding that Hoffer’s “whereby” clause provides more than an intended result of the method, the Court gave the clause meaning and limited the claim’s otherwise broad scope.

Although the “whereby” clause included language directed at interactive data messaging on topic boards, Hoffer attempted to disclaim the significance of the clause as a mere objective of the overall process by arguing that the clause did not state the specific mechanics or illustrate any enabling devices used to implement the method. However, as noted by the district court, Hoffer’s specification and statements made throughout prosecution painted a different picture where the interactive element of the claim was “an integral part of the invention.” For example, under the subheading “Summary of the Invention” in the written description, Hoffer described that a remote user could engage in collaborative or interactive data messaging by selecting topic boards on a host site to address and receive messages from similar users.

Generally, the Federal Circuit noted that a “whereby” clause in a method claim states a result of the patented process and therefore is afforded no weight during claim construction. However, the Court carefully explained that if the clause recites a condition that is material to patentability, it “cannot be ignored in order to change the substance of the invention.” Here, the Court determined that the recited interaction was not simply an intended result, but was part of the process itself because it was

described in the specification and was relied upon in the prosecution history.

***Practice Tip:* Practitioners who use “whereby” clauses in claims should restrict their use to the intended result of the claimed method in order to avoid limiting claim scope. Moreover, practitioners must be aware of the danger associated with describing any objectives of the invention in the written description. As illustrated in *Hoffer*, statements directed at the purpose or fundamental features of the invention in the “Summary of the Invention,” an optional section of the specification, might be applied to the entire invention and limit claim construction in an adverse manner.**

**FALSE MARKING STATUTE REQUIRES LACK OF A
REASONABLE BELIEF
PRODUCT WAS COVERED BY PATENT**

***Clontech Labs., Inc. v. Invitrogen Corp.* (Federal
Circuit - May 5, 2005)**

In a case presenting “virtually an issue of first impression,” the Federal Circuit addressed the False Marking Statute of the Patent Act, an infrequently litigated provision that provides civil fines for the false or improper marking of unpatented articles. Under the terms of the statute, the use of the word “patent” together with a patent number or other similar notice on an unpatented article for the purpose of deceiving the public shall be fined not more than \$500 for each offense. Refusing to provide an overly strict application, the Federal Circuit in *Clontech Labs. Inc. v. Invitrogen Corp.* adopted an objective standard to determine the necessary state of mind required for the imposition of fines under the statute.

Focused on providing meaning to the phrase “for the purpose of deceiving the public,” the Federal Circuit announced that the statute required proof that the accused party had knowledge it was making a false misrepresentation. In other words, the provision required, by “a preponderance of the evidence[,] that the party accused of false marking did not have a reasonable belief that the articles were properly marked (*i.e.*, covered by a patent).” The Court further noted that blind assertions of good faith by the accused party are “worthless” attempts to escape liability. For instance, the Court explained that one could not take shelter from the statute’s application where employees unfamiliar with patent laws honestly believed the products to be correctly marked but where the patentee had the requisite knowledge of mismarking.

In an interesting series of arguments, Invitrogen, the patentee accused of improper marking, proposed an alternate and arguably counterintuitive interpretation of the False Marking Statute. As a matter of policy, Invitrogen claimed that no injury results from improper

markings and therefore it did not need a good faith belief that its products were covered under at least one patent claim. In support, Invitrogen argued that false markings merely bring additional information to the public and thereby encourage the public to avoid infringement by investigating the scope of others’ intellectual property rights.

Finding this argument contrary to the plain meaning of the statute, the Federal Circuit dismissed Invitrogen’s arguments while further noting that its theory was wholly unsound. The Court relied on precedent and congressional intent to explain that the public had a right to rely on markings to immediately determine which goods are protected by intellectual property rights and participate, fully and freely, in the marketplace of public domain ideas. When a party falsely marks an article of manufacture, the public mistakenly understands it to be controlled by a patentee, and therefore the public experiences a higher cost in determining its ability to use the article’s underlying technology.

Lastly, the Federal Circuit articulated a more subtle concern and identified a new “risk of error” under Invitrogen’s proposal. Conceptually, under the present system, a patentee may fail to mark a product covered by a patent and therefore forgo the opportunity to recover damages prior to actual notice of infringement. Alternatively, a patentee may falsely mark a product that is not covered by a patent and expose herself to significant fines. In either case, the risk of error is placed on the patentee to determine whether to mark her products. Under Invitrogen’s theory, the public bears the risk associated with evaluating the patent’s scope with respect to the marked product while the patentee escapes punishment for falsely marking. If the public incorrectly determines that the patent does cover the product, it misses an opportunity to exploit the underlying technology. However, if the public incorrectly determines that the patent does not cover the product, the patentee may obtain a windfall in damages. For this reason and for those listed above, the Court rejected Invitrogen’s arguments and affirmed the plain meaning of the False Marking Statute.

***Practice Tip:* Intellectual property owners should always mark their products with appropriate patent, copyright, and trademark symbols and other indicia of registration and ownership. Owners that are unable to determine whether a particular product they make, sell or offer to sell within the United States or import into the United States utilizes technology disclosed in an underlying patent, should seek legal opinion as to the scope of the claims and their relevance to the product.**

**WILLFUL INFRINGEMENT: EARLY EXCULPATORY
OPINIONS STRENGTHEN
NONINFRINGEMENT POSITIONS**

***Imonex Servs., Inc. v. W.H. Munzprufer Dietmar
Trenner GmbH*
(Federal Circuit - May 23, 2005)**

In a case that further develops and reiterates case law surrounding willful infringement and the affirmative duty to practice due care upon actual notice of another's patent rights, the Federal Circuit explained that, although courts cannot draw adverse inferences where no opinion letter was received or produced at trial, an accused infringer may benefit from seeking timely legal opinions. In *Imonex Servs. Inc. v. W.H. Munzprufer Dietmar Trenner GmbH*, Munzprufer appealed a finding of willful infringement and argued that they exercised their duty of due care by obtaining opinion letters after being served with the complaint even though they received actual notice of the patentee's rights well in advance of the suit. By affirming the finding of willfulness and holding that an exculpatory opinion letter obtained *soon* after actual notice would have strengthened the accused infringer's case, the Court indirectly stated that a late exculpatory opinion letter, without more, is not sufficient to remove the stain associated with egregious conduct.

The Court further made clear that actual notice of patent rights in a product may be established by various acts including the display of proper markings on products at trade shows, the widespread distribution of literature describing the products as patented and the transmission of letters to accused infringers explaining the patented nature of the products. Because Munzprufer received proper notice of Imonex's patent rights and because it was unable to rely on a timely opinion of counsel, the Federal Circuit affirmed a finding of willful infringement.

***Practice Tip:* As explained in our January 2005 IP Newsletter with respect to the Federal Circuit's *en banc* opinion in *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, we recommend prudent business practices calculated at seeking competent legal advice immediately after obtaining actual notice of another's patent rights as a means of limiting the potential for increased damages following a determination of infringement. Furthermore, it is worth repeating that the final determination of what constitutes actual notice of patent rights is individual in nature and focuses on all circumstances surrounding the case. Therefore, businesses that attend trade shows and view competitors' products and literature must be cautious when developing and marketing competitive products without approval of legal counsel.**

VEDDER, PRICE, KAUFMAN & KAMMHOLZ, P.C.

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We welcome your suggestions for future articles. Please call **Angelo J. Bufalino**, the Intellectual Property and Technology Practice Chair, at 312/609-7850 with suggested topics, as well as other suggestions or comments concerning materials in this newsletter.

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About Vedder Price

Vedder Price is a national, full-service law firm with approximately 225 attorneys in Chicago, New York and Roseland, New Jersey.

Technology and Intellectual Property Group

Vedder, Price, Kaufman & Kammholz, P.C. offers its clients the benefits of a full-service patent, trademark and copyright law practice that is active in both domestic and foreign markets. Vedder Price's practice is directed not only at obtaining protection of intellectual property rights for its clients, but also at successfully enforcing such rights and defending its clients in the courts and before federal agencies, such as the Patent and Trademark Office and the International Trade Commission, when necessary.

We also have been principal counsel for both vendors and users of information technology products and services. Computer software development agreements, computer software licensing agreements, outsourcing (mainly of data management via specialized computer software tools, as well as help desk-type operations and networking operations), multimedia content acquisition agreements, security interests in intellectual property, distribution agreements and consulting agreements, creative business ventures and strategic alliances are all matters we handle regularly for our firm's client base.

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