

Perspectives



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FOREWORD

We are pleased to present our first edition of *Perspectives* in 2008. We hope that you find it informative and useful.

2008 will be an interesting year for intellectual property law. We have already seen major changes in the intellectual property landscape brought about by several Supreme Court decisions. There is more to come, as the Supreme Court is poised to hand down yet another decision that will affect the scope of rights of patent licensors and patent licensees. The Federal Circuit will likely also illuminate the law on issues ranging from the scope of patentable inventions (the subject of one article in this newsletter) to the standard for willful infringement – both of which it tackled in 2007 in highly publicized opinions. Patent reform continues to wind its way through Congress, but no one knows for certain how it will be impacted by the elections. And, the U.S. Patent Office is apparently determined to streamline the patent prosecution process. We'll keep you posted.

As we point out in our Victory and Highlights sections, Woodcock Washburn's lawyers continue to do great things, on both personal and professional levels, and for the enrichment of the community. We are proud of our lawyers' achievements, and we look forward to serving you in 2008.



PREVENTING THE LOSS OF VALUABLE TRADEMARK RIGHTS

By Steven J. Meyers
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Trademark owners depend on their marks to symbolize goodwill and foster customer allegiance. A successful brand may often be a company's most valuable asset. Yet, trademarks need to be treated differently than other kinds of assets such as real estate and personal property. If improperly handled, a mark can be extinguished, forfeiting the entire investment made in it by its owner. What follows is a description of some of these pitfalls and how to avoid them.

Failing to use a trademark: To retain its validity and enforceability, a trademark must remain in use. There is no definite time span of non-use that leads to invalidity. The federal Trademark Act, however, sets some guideposts. It provides in Section 45, that a loss of rights occurs when use of the trademark "has been discontinued with intent not to resume such use." Where the non-use runs for three or more consecutive years, Section 45 raises a *prima facie* presumption of a loss of rights, referred to as abandonment.

Once a trademark has gone unused for three or more consecutive years, resulting in abandonment, all rights in the mark are lost and the mark becomes free for adoption by the first one to begin using it again. The original user itself, who allowed the mark to become abandoned, may also attempt to resume use of the mark. It will not be able to, however, if another party has already picked up the mark and begun using the mark first.

The owner of a mark not used for three or more consecutive years can rebut the presumption that the mark should be invalidated by showing that it had intended to resume use of the mark. Often, however, a claim of intent to resume use is not credible. For example, a bank claimed such an intent after it had announced that it was changing its name from the First National Bank of Denver to Intrawest Bank of Denver. A court found the bank's professed intention to resume use of the first name to be unpersuasive, holding instead that the name had been abandoned. *Intravest Financial Corp. v. Western National Bank*, 610 F.Supp 950 (S. D. 1985).

Generic terms: Trademark rights can be lost when a trademark becomes a generic term for a category of products. Escalator, aspirin, cellophane and thermos were all once trademarks that served to identify a single maker or source. Over the years, in a process sometimes referred to as genericide, the public came to adopt these trademarks as descriptions of a category or type of product, completely erasing the marks' original significance.

There are rare instances of a mark returning from the graveyard of genericness. Singer was held generic for sewing machines in 1896. Through Singer's branding efforts in the years that followed, the mark gained recognition as a single source identifier. In 1953, it was ruled to have been re-established as a valid trademark.



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The Singer case and the other examples of trademarks held generic illustrate one of the ironies of genericide. It is most likely to strike trademarks used on products that are in the forefront of a product category, particularly if the product has created the category. Fortunately for trademark owners, genericide rarely occurs and is largely in a trademark owner's power to prevent. To avoid the same fate as these once valid trademarks, trademark owners should use their marks only as adjectives and frequently follow the mark with the generic term for the product or service. "ACME brand juice drink" is an example of proper use of a trademark followed by a generic term.

Licensing: Improper licensing of a trademark or service mark can lead to loss of rights in the mark licensed. This result is rooted in the requirement that a mark serve as a unique source identifier. As a result of this principle, trademark licenses that allow others than the trademark owner to use a mark were initially regarded as inconsistent with the source identifying function of a trademark. Not until 1946, with the passage of the federal Trademark Act, did trademark licensing receive the imprimatur of trademark law.

To maintain the validity of a licensed mark, the owner of the licensed trademark must monitor the nature and quality of the goods or services offered by its licensee. This requirement of vigilance by the trademark owner seeks to ensure that the licensed product or service meets a uniform standard of quality set by the licensor. Absent this oversight, a license can be branded as naked, resulting in invalidation of the licensed mark.

Security agreements: An improperly constructed security agreement can jeopardize the validity of a trademark by undermining the source and quality assurance functions that a mark should serve. When marks are used as collateral for financing, lenders often require the marks be assigned to the lender during the term of the loan. After the assignment, the borrower can continue to use the mark, but the owner of the mark, the lender, does not control how the mark is used. This severance of the mark's owner from the mark's user can expose the mark to invalidation. Consequently, trademark owners should negotiate for security interests that do not require assignment of trademarks as collateral.

Change in nature or quality: Though less frequently than in decades past, courts will sometimes invalidate a mark when there is a significant change in the nature or quality of the product or service for which the mark is used. This might occur when a mark is assigned and the new owner does not maintain the same standards as the original owner. The original owner might itself begin to cut corners, so that a formerly high quality product or service becomes degraded. In either instance, purchasers are deceived. Expecting the original product or service, they receive instead something different, disrupting the guarantee purpose of the mark.

Consent agreements: Consent agreements are often at the center of settlements of trademark disputes. In a consent agreement, the parties agree to end their dispute by allowing each party to continue to use the disputed marks. Often, the marks involved are similar if not identical. To mitigate the confusion that the parties' use of their respective marks might create, the parties typically agree to restrictions on the manner of one another's uses of the disputed marks.

Continued on Page 11

GETTING PHYSICAL WITH SECTION 101

By Steve Rocci
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The United States patent laws place limitations on the types of inventions that qualify for patent protection. To be patentable, an invention must be useful, novel and non-obvious, and it must qualify as “statutory subject matter.” Section 101 of the Patent Statute denominates the four classes of statutory subject matter: processes, machines, manufactures, and compositions of matter. Improvements to any of these also qualify as patentable subject matter. Whether an invention qualifies as statutory subject matter is a threshold question; if it doesn’t, then all other issues of patentability are moot.

Congress and the courts have attempted to clarify Section 101’s reach. The Congressional Committee Reports accompanying the Patent Act state that Congress intended statutory subject matter to “include anything under the sun that is made by man.” The Supreme Court has pronounced that laws of nature, physical phenomena, and abstract ideas (including mathematical algorithms) are not statutory subject matter. Where to draw the line between an invention that qualifies under the statute, and one that doesn’t, is a matter that has dogged the courts for decades.

Divining that line has been particularly difficult in both the software and business method arts. For example, there can be little doubt that computer programs are man-made, but, it can be argued, computer programs do no more than what a human does in one’s head. Business methods may have never existed before, and may be extraordinarily invaluable, but again, it can be argued, that they are mere abstractions. So, when is a computer program merely an unpatentable abstraction, and when, if at all, does a business method or a computer program satisfy Section 101 and therefore become patentable subject matter?

The United States Court of Appeals for the Federal Circuit is charged with hearing appeals of patent cases from the district courts and the

United States Patent and Trademark Office (USPTO), and it has developed a body of law dealing with the issue of patentable subject matter under Section 101. Past opinions from the USPTO and the Federal Circuit reflect a generally favorable attitude toward the patentability of both business methods and computer programs. Under the tests applied by the Federal Circuit and the USPTO, patents directed to business methods and computer programs, in the form of a program stored on a computer readable medium, have been allowed. Even patents directed to business methods disembodied from any medium at all, and to “signals” carrying a computer program, have been allowed by the USPTO. However, several recent opinions from the USPTO Board of Appeals, the Federal Circuit, and even the Supreme Court, indicate that the tide may be turning.

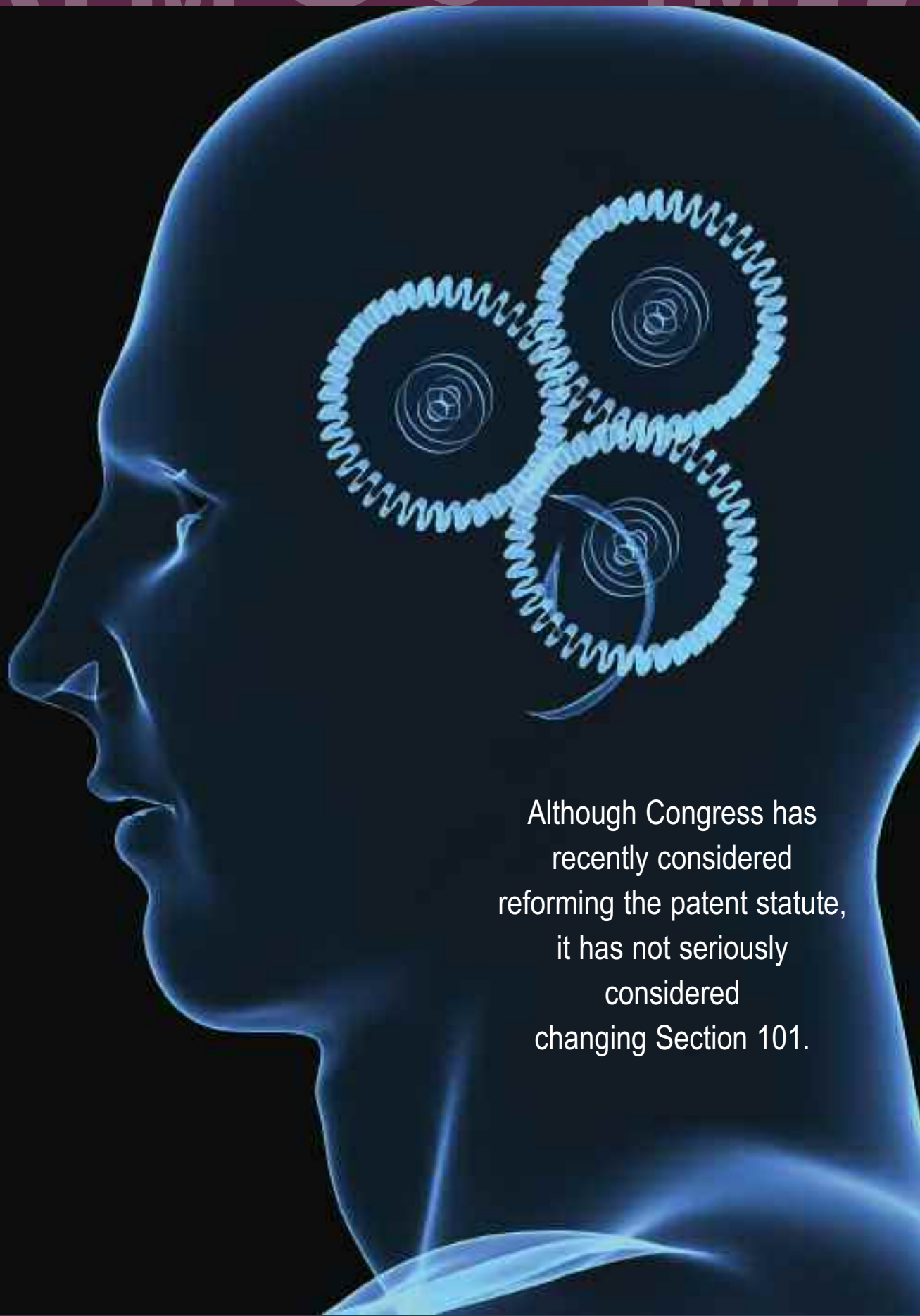
In the recent decision of *In re Comiskey*, 499 F.3d 1365 (Fed. Cir. 2007), the Federal Circuit ruled that an invention directed to a method for carrying out an arbitration, in the abstract, is not statutory subject matter, but remanded to the USPTO the question of whether the method is patentable subject matter when carried out on a computer. Just three days later, the Federal Circuit handed down its decision in *In re Nuijten*, 500 F.3d 1346 (Fed. Cir. 2007), holding that “signals” are *not* patentable subject matter, even if they carry a novel computer program. The Federal Circuit’s reasoning was that a signal *per se* is intangible and does not satisfy the judicially mandated criteria that, to be patentable, an invention must have some physical quality, or must result in a change in some physical property, or a change of state of something tangible.

Further complicating matters is the recent decision of the United States Supreme Court in *ATT v. Microsoft*, 127 S. Ct. 1746 (2007). The *ATT* case did not involve Section 101 or the patentability of software, but it did hold that software alone (as opposed to software on a

medium) is intangible and therefore cannot be a “component.” In other words, the Supreme Court said that software alone lacks physical attributes. In another case, *Labcorp v. Metabolite Laboratories, Inc.*, 546 U.S. 975 (2005), the Supreme Court granted *certiorari* to determine whether a method for diagnosing vitamin deficiencies is patentable subject matter or merely a patent on a “basic scientific relationship.” A majority of the Supreme Court subsequently decided not to hear the case, based on a procedural technicality, but a strong dissent felt otherwise, and even commented that such a patent would not satisfy Section 101 (126 S. Ct. 2921 (2006)). Conventional wisdom among practitioners is that the Supreme Court is waiting for the right time and the right case to finally address the issue, and that the prognosis for such patents is not good.

The Supreme Court’s and the Federal Circuit’s recent pronouncements have not only cast doubt on the vitality of both pending and issued business and software patents, but have created uncertainty among inventors and practitioners alike about where the law is headed. No doubt, clever practitioners will continue to draft patents that attempt to react to each pronouncement, for example, by including something tangible, some physical change to something tangible, or some change in the state of a tangible thing, in their patent claims. Whether these attempts pass muster remains to be seen, and the question may become whether the patent is directed to something tangible in a meaningful way, or whether the inclusion of the tangible subject matter is insignificant and gratuitous.

Although Congress has recently considered reforming the patent statute, it has not seriously considered changing Section 101. Therefore, it’s up to the courts to determine where and how the line should be drawn. If history is any indication, we’re in for a wild ride.



Although Congress has recently considered reforming the patent statute, it has not seriously considered changing Section 101.

SPOLIATION CONSIDERATIONS IN VIEW OF THE NEW STANDARD FOR DECLARATORY JUDGMENT JURISDICTION IN PATENT CASES

By Erich M. Falke
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Spoliation. Just the sound of that word sends chills up your spine. *Why?* Because the consequences of spoliation, such as exclusion of evidence and adverse inferences, are just the tip of the proverbial iceberg and can destroy a litigant's case. These consequences can be avoided if one is prepared. But often the questions are, "When do I need to be prepared?" and "What do I need to do to be prepared?"

This article addresses these issues and, in particular, focuses on whether the new, lower threshold for establishing declaratory judgment jurisdiction in patent cases affects when a party's duty to preserve litigation evidence is triggered.

The Duty To Preserve Evidence

The duty to preserve evidence begins when a party reasonably anticipates litigation.¹ To comply with this duty, a party usually suspends any routine document retention/destruction policy and puts in place a "litigation hold" to ensure that all relevant information is preserved.² The "litigation hold" letter or memo, at a minimum, should provide a broad description of the evidence to be preserved, including a broad definition of "documents," including paper documents and all forms of electronic data; the relevant timeframe; expected litigation issues; potential witnesses; specific categories of data to be preserved; contact information for the IT professional who can help employees to preserve electronic data; contact information for the company's attorney; consequences for destroying relevant evidence; and a requirement that the employee certify compliance.

The circumstances of when litigation is "reasonably anticipated" so as to trigger the duty to preserve are not crystal clear. It is a fact-intensive, case-specific inquiry with no precise definition. Certainly more than the possibility of litigation is required because of the undeniable reality that litigation is "an ever-present possibility."³ But what is the "more?" Courts have provided some guidance in identifying circumstances under which the duty to preserve is triggered. These include, for example, developing a litigation strategy, communications between adverse parties, related litigation being filed, and pre-lawsuit investigations.⁴ But again, these are just



examples, and each particular set of facts needs to be analyzed to determine whether the duty has been triggered in one's specific situation so that the appropriate directives to preserve evidence can be put in place.

The New Standard For Declaratory Judgment Jurisdiction in Patent Cases

Up until the Supreme Court's *MedImmune* decision, the Federal Circuit had held that declaratory judgment jurisdiction only existed when a party had a "reasonable apprehension" of being sued.⁵ Since that decision, the Federal Circuit has adopted a new standard for determining when declaratory judgment exists in patent matters. Per the Federal Circuit's *SanDisk* decision, declaratory judgment jurisdiction exists when a patentee asserts rights under a patent based on certain identified ongoing or planned activity of another party, and where that party contends that it has the right to engage in the accused activity without license.⁶ This standard seemingly makes it easier for a party to establish declaratory judgment jurisdiction.

Does The Lower Threshold For Establishing Declaratory Judgment Jurisdiction Affect When A Party's Duty To Preserve Evidence Relevant To Litigation Is Triggered?

One question that comes up with this new, more relaxed declaratory judgment standard is whether the circumstances under which litigation is "reasonably anticipated" for purposes of the duty to preserve evidence have changed. Specifically, has the timeline been pushed back

so that the duty to preserve is triggered earlier? At least under certain circumstances, it appears that the answer is no.

is notified about a patent through a letter offering a license, a letter suggesting licensing discussions, a generic letter bringing a patent to one's attention, a letter stating that a patent might be of interest, or a letter actually threatening litigation.

²*Zubulake*, 220 F.R.D. at 218.

³*Cache La Poudre Feeds, LLC v. Land O'Lakes Farmland Feed, LLC*, 244 F.R.D. 614, 621 (D. Colo. 2007)

⁴One court suggested that "a helpful analytical tool" in determining when the duty to preserve arises "is the more widely-developed standard for anticipation of litigation under the work product doctrine." *Samsung Elecs. Co. v. Rambus Inc.*, 439 F. Supp. 2d 524, 547 (E.D. Va. 2006).

⁵*MedImmune, Inc. v. Genentech, Inc.*, 127 S. Ct. 764, 166 L. Ed. 2d 604 (2007).

⁶*SanDisk Corp. v. STMicroelectronics, Inc.*, 480 F.3d 1372, 1381 (Fed. Cir. 2007).

⁷This conclusion assumes, of course, that Party D contends that it has the right to engage in the accused activity without license.

⁸*Cache La Poudre Feeds*, 244 F.R.D. at 624.

⁹*Id.* at 623.

Where Do We Go From Here?

The bottom line is there is no clear answer as to when the duty to preserve evidence is triggered. Whether the new declaratory judgment standard in patent cases changes the timeline is a fact-specific inquiry, as is this duty-to-preserve inquiry generally. But because the consequences of spoliation of evidence are serious business, one needs to carefully consider what course of action should be taken under the specific circumstances, and the answer might be different depending on the manner in which one is notified about a patent. The key is to make a reasoned and informed determination of whether any notification about a patent has triggered the duty to preserve evidence. The importance of this decision cannot be over-emphasized. Being forewarned is being forearmed.

¹See *Silvestri v. Gen. Motors Corp.*, 271 F.3d 583, 591 (4th Cir. 2001); *Kronisch v. United States*, 150 F.3d 112, 126 (2d Cir. 1998). *Zubulake v. UBS Warburg LLC*, 220 F.R.D. 212, 216 (S.D.N.Y. 2003).

Consider this scenario:

Party D receives a letter from Party P stating that P owns a particular patent and accuses an ongoing activity of D of patent infringement. The letter also states that P would like to resolve the issue without litigation.

Does Party P's license letter establish DJ jurisdiction? It appears that it would, because the patentee asserted rights under a patent based on certain identified ongoing or planned activity of another party.⁷

Does Party D have a duty to preserve relevant evidence when it receives the letter? Under similar facts, at least one court has said no. In *Cache La Poudre*, the court held that the duty to preserve evidence was not triggered upon receipt of the letter because the letter was equivocal about impending litigation.⁸ Therefore, litigation was not reasonably anticipated. The court reasoned that "any other conclusion would confront a putative litigant with an intractable dilemma: either preserve voluminous records for an indefinite period at potentially great expense, or continue routine document management practices and risk a spoliation claim at some point in the future."⁹

But what if the letter did not use the words "without litigation?" That might have changed the court's decision and underscores the fact-intensive nature of this inquiry. The answer could be different depending on whether one



RECENT VICTORIES

1 Tyco Healthcare Group LP d/b/a United States

Surgical, a division of Tyco Healthcare Group LP, Plaintiff v. Ethicon Endo-Surgery, Inc.,

Date: January 9, 2008

The District Court for the District of Connecticut dismissed a case that started in October of 2004 because the plaintiff, Tyco Healthcare Group LP, failed to prove at trial that it owned the patents being asserted in the suit. After seven days of trial and at the conclusion of Tyco's case-in-chief, defendant, Ethicon Endo-Surgery, Inc., moved for Judgment as a Matter of Law arguing that Tyco failed to prove an essential element of its case, namely, that it owned the patents-in-suit. In granting Ethicon's motion and dismissing the case, the Court pointed out that Tyco's failure to prove that it was the owner of the patents "is fatal to the case, for the Court has jurisdiction only if Tyco has standing as the patentee." Tyco was asking the Court to enhance the \$200 million in damages it was seeking and also to enjoin the Ethicon from selling certain of its harmonic scalpel line of products.

Woodcock Washburn represented Ethicon Endo-Surgery, Inc. Dianne B. Elderkin led the Ethicon Endo-Surgery team and was supported by Barbara L. Mullin, Richard B. LeBlanc, Steven D. Maslowski and Ruben H. Munoz. Tyco Healthcare Group was represented by Clifford Chance.



2 TruePosition Inc. v. Andrew Corp.

Date: September 14, 2007

A jury in the U.S. District Court for the District of Delaware rendered a verdict of patent infringement in favor of Woodcock client TruePosition Inc. in TruePosition Inc. v. Andrew Corp. The jury also found that Andrew willfully infringed the '144 patent, awarded TruePosition \$45.3 million in compensatory damages, and rejected Andrew Corp.'s claim that TruePosition had committed fraud in a technological stan-

dards setting body. TruePosition Inc. is a wireless technology company that owns U.S. Patent No. 5,327,144, which deals with a cellular phone location system for determining the location of mobile cellular telephones using UTDOA (Uplink Time Difference of Arrival).

Paul B. Milcetic led the TruePosition team and was supported by Dale M. Heist, Kathleen A. Milsark, Daniel J. Goettle, Amanda M. Kessel and Michael D. Stein. Andrew Corp., was represented by Kirkland Ellis LLP.



LIABILITY INSURANCE COVERAGE FOR INTELLECTUAL PROPERTY CLAIMS — DO YOU ALREADY HAVE IT?

by Chad A. Rutkowski
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Companies involved in intellectual property litigation often assume that their various insurance policies—general liability, directors and officers, or errors and omissions—offer no coverage for claims asserted in IP suits. That is often not the case. Unfortunately, the longer you wait to determine whether available coverage exists, the more likely it is that an insurance company will attempt to deny coverage because of a failure to provide timely notice of suit. The company which does not immediately contact its insurance broker or agent upon receipt of a lawsuit and consult with counsel about its coverage situation is a company that is potentially foregoing millions of dollars in coverage. While it is true that patent claims are generally excluded from most policies, other intellectual property claims, and common law claims often asserted in patent cases, often are covered. Trade libel, negligent misrepresentation, unfair competition, tortious interference with contract, and breach of contract claims may trigger coverage under many traditional commercial policies. Once such coverage is triggered, the insurance carrier would then have a duty to defend the insured, which the carrier typically accepts under a reservation of rights.

While most carriers attempt to apportion coverage of defense costs between the covered and non-covered claims, many jurisdictions allow such apportionment only upon a showing that all claims in the lawsuit are uncovered.¹ Other jurisdictions allow the carrier to obtain reimbursement, but only after a showing that a particular line item in question was attributable **solely** to defending the non-covered claim.² In these jurisdictions, litigation tasks that affect both non-covered and potentially covered claims are still subject to complete coverage by the carrier. Moreover, some of these same jurisdictions require the carrier to defend the entire lawsuit upon the triggering of coverage, giving to the carrier a subsequent right of reimbursement for those litigation tasks that involved solely non-covered claims. Such states further place the burden on the carrier to

demonstrate the line item at issue was attributable solely to the non-covered claim. Although the patent infringement defendant typically would not be entitled to coverage for any judgment rendered against it in a lawsuit for such infringement, it may be able to significantly reduce its costs of defense. Note that the carrier's reimbursement right is determined by state law, such that the scope of the carrier's right can vary from jurisdiction to jurisdiction.

Furthermore, some insurance companies have been writing "specialty lines," "surplus lines," or "manuscript" policies covering patent claims. While normally such policies are written after protracted negotiations that increase the likelihood that a patent litigation defendant would be aware of such a policy's existence, a company should check its coverages with its broker and make sure such a policy was not unknowingly obtained on its behalf.

Outside of the patent context, a company's marketing activities can sometimes give rise to copyright infringement, trademark infringement, and other Lanham Act claims such as false advertising. Most CGL policies contain an "Advertising Liability" coverage provision, many of which provide coverage for claims involving slander or title of a company's goods, products or services; publication of material that violates a person's right of privacy; misappropriation of advertising ideas or style of doing business; or infringement of copyright, title or slogan.

Such coverage is usually only available where the offense was committed in the course of "advertising," but that term is broadly construed by the courts.³ Moreover, some courts have found that certain Lanham Act claims, including trademark and trade dress infringement, are subject to coverage under "Advertising Liability" coverages.⁴ At least one court has found that an insured may demonstrate an entitlement to coverage for a claim of trade secret misappropriation if a causal connection between the misappropriation and the insured's advertising activities was demonstrated,⁵ while another court has extended coverage where

Note that the carrier's reimbursement right is determined by state law, such that the scope of the carrier's right can vary from jurisdiction to jurisdiction.

the trade secret at issue consisted of ways to promote or advertise a particular product.⁶

As with patent infringement claims, some insurance carriers are also writing specialized policies covering copyright, trademark, and trade secret claims on an individualized basis. Other carriers provide exceptions to IP exclusions; in effect meaning that certain IP claims are expressly covered rather than excluded. After reviewing a client's E&O policies, we recently discovered that the company had express coverage for copyright claims, and were able to get a large portion of that client's defense costs paid by the carrier. So remember: the first thing you should do when sued in an IP case is to put your carriers on notice and then figure out whether those expensive premiums provide you with coverage for one or more of the claims.

¹ 16 Couch on Ins. §226:123 (3rd Ed.).

² See, e.g., *Buss v. Superior Court*, 939 P.2d 766, 774 (Cal. 1997); *SL Industries, Inc. v. American Motorists Insurance Co.*, 607 A.2d 1266 (N.J. 1992); *National Union Fire Ins. Co. v. Ambassador Group, Inc.*, 157 A.D.2d 293 (N.Y. App. Div. 1990); *SL Industries, Inc. v. American Motorists Insurance Co.*, 607 A.2d 1266 (N.J. 1992).

³ See, e.g., *Info. Spectrum, Inc. v. The Hartford*, 860 A.2d 926 (N.J. 2004).

⁴ See, e.g., *Novell, Inc. v. Federal Ins. Co.*, 141 F.3d 983, 986 (10th Cir. 1998) (citing cases).

⁵ *Lexington Ins. Co. v. Widger Chemical Corp.*, 805 F.2d 1035 (6th Cir. 1986).

⁶ *Sentex Sys., Inc. v. Hartford Accident & Indem. Co.*, 93 F.3d 578 (9th Cir. 1996).

WOODCOCK WASHBURN IS PLEASED TO SUPPORT THE WEST PHILADELPHIA ALLIANCE FOR CHILDREN (WePAC)

WePAC began in 2002 with the goal to identify needs for children in West Philadelphia. The three primary areas they serve are:

- assistance in elementary school classrooms;
- after school programming for youth; and
- expanding opportunity for pre-school children.

In October 2007 the firm kicked off our WePAC mentor program. Attorneys and staff participate in team-building and educational programs with WePAC students here at the firm. It has been a growing experience for all involved and we look forward to a long future working together.



ON THE MOVE IN MARCH 2008

The Atlanta office of Woodcock Washburn will move to Midtown Atlanta in early March 2008. The new address is 1180 Peachtree Street, Atlanta GA 30309-3531. "We are excited about moving to Midtown to be closer and more convenient to clients," said Wendy A. Choi, managing partner of the Atlanta office.



Preventing the Loss of Valuable Trademark Rights Continued from page 3

For example, one party might be required to accompany its mark with a conspicuous display of its house mark. The other party might be required to accompany its mark coupled with a specific graphic.

Measures such as these are often sufficient to distinguish the two uses and avoid confusion between them. Still, the arrangement carries risks for both of the trademark owners agreeing to the consent. As a result of consenting to one another's use of a similar mark, the parties effectively set the perimeters of their marks' enforceability. Third-party users of similar marks can thereafter point to the consent agreement as justifying their own use of a similar mark. These third parties would posit their own mark as no more similar to either of the marks involved in the consent than those marks are to each other.

In a well-known example of the hazards that a consent agreement can hold for trademark owners, two companies consented to one another's use of the Sunkist trademark. They agreed that one of them would use the Sunkist trademark only

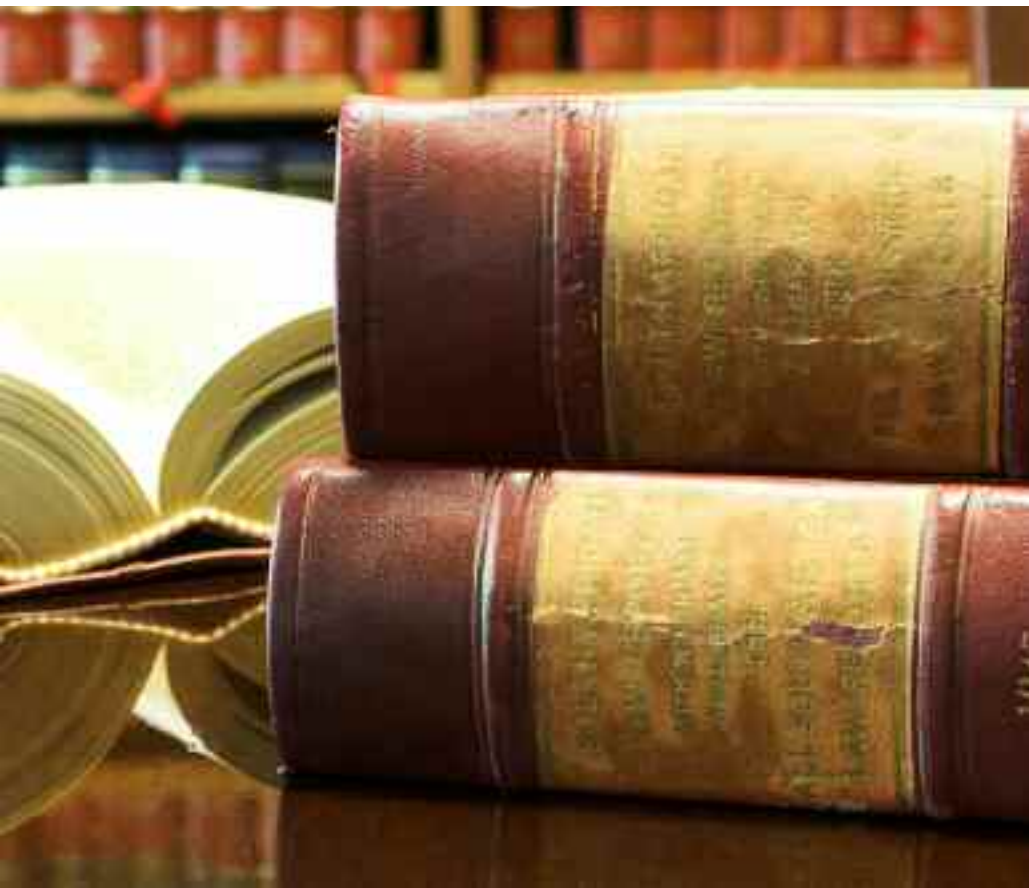
for citrus fruit, the other only for canned fruit and vegetables. When an unauthorized Sunkist brand of bread surfaced, the two consenting companies unsuccessfully tried to halt this use of Sunkist. Calling the two parties to the Sunkist consent "dividers of confusion by contract," the court saw no justification for interfering with a use of Sunkist for bread that was no more confusing than the two pre-existing Sunkist uses had been to each other. *California Fruit Growers Exchange v. Sunkist Baking Co.*, 166 F2d 971 (7th Cir. 1947).

Failure to enforce rights in mark: The failure to object to another's unauthorized use of a mark results in two or more separate users of the same mark. If a large number of such unauthorized users of the same or similar mark occur without interference from the owner of the infringed trademark, the trademark can be held unenforceable as generic. That is a draconian result, and one that is relatively rarely employed. More likely than a mark passing into genericness as a result of multiple unimpeded infringers, is a narrowing of the scope of protection of the infringed trademark. As an example, a trademark for shoes that is unique

both in the shoe and apparel categories, might be enforceable against unauthorized use for both shoes and apparel. However, if the owner of the shoe mark allows another company to begin using of the same mark for apparel, the apparel maker will have pre-empted that market. The scope of the shoe mark would then extend no further than the shoe market itself.

Eventually, if infringing uses multiply to such an extent that they rob the mark completely of its source-identifying function, the mark will become unenforceable. Owners of trademarks, therefore, need to be vigilant in protecting their exclusive rights. Infringers should at least receive a cease and desist letter from the owner of an infringed mark. The decision whether to file a court action for infringement must balance the costs of litigation against the harm to the trademark caused by the infringement.

By avoiding these missteps in the handling of their trademarks, trademark owners help to maximize the strength and enforceability of their trademarks and service marks.



Eventually, if infringing uses multiply to such an extent that they rob the mark completely of its source-identifying function, the mark will become unenforceable.

2007 WOODCOCK WASHBURN HIGHLIGHTS

- Steve D. Maslowski was elected to the Woodcock Washburn partnership.
- Former Administrative Patent Judge William F. Smith joined Woodcock Washburn's Atlanta office following a 33-year career with the United States Patent and Trademark Office, including 19 years at the Board of Patent Appeals and Interferences.
- Copyright and trademark lawyers Nancy Frandsen, Stephen Meyers and Cheryl Slipski joined Woodcock Washburn's Philadelphia office.
- Barbara Mullin became a Fellow of the trial lawyer honorary society of the Litigation Counsel of America.
- Steve Rocci was invited to become a neutral for the American Arbitration Association for intellectual property disputes.
- Steve Rocci will be teaching Patent Litigation and strategy at two Philadelphia area law schools, Temple University School of Law and Drexel University College of Law.



ABOUT WOODCOCK WASHBURN LLP

Woodcock Washburn LLP, with offices in Atlanta, Philadelphia, and Seattle, has specialized in intellectual property law since 1946. Rated as one of the top IP law firms in the United States by *IP Law & Business*, the Firm was also named a top intellectual property firm in Pennsylvania by *Chambers USA*. The firm's lawyers and scientific advisors provide national and international clients with a full range of services that include litigation, patent procurement, IP strategies, trademarks & copyrights, licensing, and open source software standards across a wide range of industries and technologies. For more information: www.woodcock.com.



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