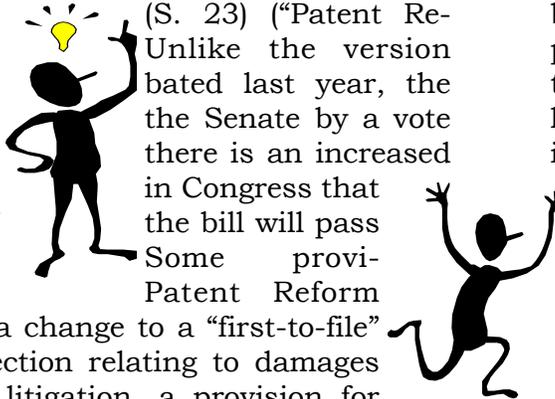
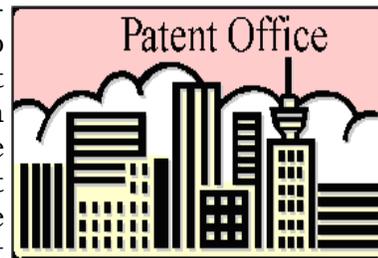


**PATENT REFORM: AFTER 60 YEARS, CHANGE SEEMS LIKELY**

When the U.S. Senate returned to session in the beginning of March, one of the first orders of business was the America Invents Act of 2011 (S. 23) (“Patent Reform Bill”). Unlike the version that was debated last year, the bill passed the Senate by a vote of 95-5, and some form of confidence in the bill will pass there is an increased in Congress that the bill will pass. Some provisions in the Patent Reform Bill include a change to a “first-to-file” system, a section relating to damages in a patent litigation, a provision for post-grant review proceedings, the establishment of a Patent Trial and Appeal Board, a provision for pre-patent issuance submissions by third parties, funding agreements, and an amendment to limit damages in a false patent marking lawsuit to a recovery that is “adequate to compensate for the injury.”



poses to change the current U.S. system from a first-to-invent system to a first-to-file system. In other words, patent protection will be granted to the first inventor who files a patent application. Part of the policy behind this change is to bring the United States in line with the rest of the world, which predominantly supports a first-to-file system. One potential downside to the first-to-file system is that many parties, particularly those with less funding, may file patent applications that are of a low quality because of a rush to get at least something on the Patent Office. It is also possible that the Patent Office will receive an even larger influx of patent applications, despite the hundreds of thousands of backlogged applications.



The bill must now be approved by the House of Representatives and signed by President Obama to pass into law.

Here are some details of the pertinent provisions of the Patent Reform Bill:

- First-to-File. The Patent Reform Bill pro-

- Limit Damages in False Marking Suits. The Patent Reform Bill includes an amendment to the false patent marking provisions of the Patent Act (35 U.S.C. §292) to limit the award of damages to be commensurate with the injury. Currently, §292 limits damages to “not more than \$500.00 for every such offense,” and has been recently construed to apply per falsely marked article. This recent legal construction provides a possibility of huge damage awards, which led to a surge in false marking lawsuits. In response, Congress proposed amending §292 to reign in the amount of potential damages in a false marking lawsuit.

- Post-Grant Review. The Patent Reform Bill also proposes to give defendants in a

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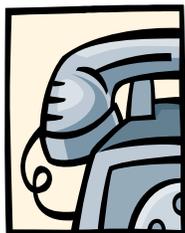
*(Continued from page 1)*

patent-related litigation a new avenue for invalidating a patent. Parties may institute post-grant review proceedings based on a review of novelty and non-obviousness under the Patent Act (35 U.S.C. §§102 and 103). Someone who is not a patent owner may file a petition with the Patent Office to institute an inter partes review proceeding. Alternatively, a person may file a petition to institute a “post-grant” review for a patent, which is not an inter partes proceeding. Further, the Patent Reform Bill provides for “additional grounds for instituting a post-grant review” that include a showing that the petition “raises a novel or unsettled legal question that is important to other patents or patent applications.” During a post-grant review, a patent owner may file a motion to amend a patent to cancel a challenged claim or to propose a number of substitute claims. A final decision will be rendered by a Patent Trial and Appeal Board, which is a newly established body formed by the Patent Reform Bill. The Board’s decision may be appealed.

- **Damages.** The Patent Reform Bill proposes limiting damages resulting from patent litigation. The bill requires that, by the end of the

*(Continued on page 4)*

## Copyright in a Phone Conference?



Swatch, the well-known Swiss watchmaker that produces and distributes watches under the brands OMEGA, BREGUET, LONGINE, BLANCPAIN, SWATCH and TISSOT, has filed a copyright infringement suit in the U.S. District Court for the Southern District of New York against Bloomberg L.P., a well-known source of news and business information.

According to the Complaint, Swatch recently held an earnings conference call in which a group of securities analysts were invited to participate. The conference call was hosted and recorded at the request of Swatch. Swatch alleges that at the beginning of the

conference call participants were instructed not to record the call for publication or broadcast. Bloomberg allegedly was not invited or authorized to participate in the conference call but nevertheless made a sound recording of the call, although it is unclear how Bloomberg participated or gained access to the call. Swatch also alleges that Bloomberg produced an unauthorized derivative work by transcribing the sound recording into a written transcript, which was made available through the internet to Bloomberg subscribers.

In response to Swatch's demand that Bloomberg disable internet access to the transcript, Bloomberg admitted on February 10, 2011 to recording the call without permission but refused to disable online access to or remove the transcript from its website. In a public statement concerning Swatch's allegations, a Bloomberg spokesman commented, “[i]f a public company discloses financial performance information to a select group of analysts, that company has a responsibility to be transparent and provide that information to everyone.” In that same statement, the spokesman for Bloomberg stated, “[t]he investing public has a right to know, and we'll continue to provide transcripts and recordings from analyst calls to our audiences. We don't think the Copyright Act says otherwise.”

Among other things, Swatch is seeking an injunction, award of actual or statutory damages, and enhanced damages on the basis that the infringement was willful. We will continue to monitor developments in this case and report further news in subsequent newsletters.

*Sean P. McMahon, Associate*

## Protecting Your Intellectual Property

Part 4 in a Series

This is the fourth part in a continuing series of articles to address steps for protecting valuable intellectual property. This Spring 2011 Ostrolenk Newsletter series continues with steps associated with trademark protection.

*(Continued on page 4)*



## FALSE MARKING: APPEAL TO THE FEDERAL CIRCUIT

Recently, a surge of complaints have been filed alleging violation of 35 U.S.C. §292, the so-called “False Marking Statute.” Among various defenses, the statute has been attacked on constitutional grounds, and such arguments are gaining traction at the district court level. In one recent case, *FLFMC LLC v. Wham-O Inc.* (W.D. Pa. Aug. 3, 2010), the plaintiff’s complaint based on false patent marking was dismissed due to lack of jurisdiction. The district court found that FLFMC had not pled an injury-in-fact that was sufficient to meet the requirements for standing under Article III of the U.S. Constitution. In a subsequent case, *Unique Product Solutions, Ltd. v. Hy-Grade Valve, Inc.* (N.D. Ohio Feb. 23, 2011), Judge Polster held the False Marking statute to be unconstitutional. Thus, the False Marking Statute has been challenged successfully on constitutional grounds, and is currently under review.

Defendants have also found some success in attacking the False Marking Statute from other angles. Most recently the Federal Circuit, in *In re BP Lucricants* (Fed. Cir. March 15, 2011), agreed with the defendant that the plaintiff’s complaint did not plead false marking with sufficient particularity. The Federal Circuit specifically noted that such a complaint must “provide some objective indication to reasonably infer” that the defendant had knowledge of the falsity. This raised standard of pleading may lead to dismissal of many complaints alleging false marking.

Previously, complaints based on false patent marking were relatively rare until the recent landmark decision by the Court of Appeals for the Federal Circuit in *The Forest Group Inc. v. Bon Tool Company*, 590 F.3d 1295 (Fed. Cir. 2009). As reported previously on the Ostrolenk Faber LLP website and Newsletter, the Court of Appeals interpreted the statute to provide for recovery of up to \$500.00 for each article that is mis-marked. This decision raised recovery

amounts for plaintiffs and opened the litigation floodgates.

In *FLFMC LLC v. Wham-O Inc.*, the district court concluded that there was no “concrete injury-in-fact, and the government cannot assign its ‘sovereign injury’ to a private plaintiff.” Therefore, the district court decided that the “plaintiff cannot establish an injury-in-fact sufficient to established Article III standing.” Since FLFMC failed to meet the constitutional requirements to establish standing on the grounds that no actual injury was pled, the complaint was dismissed. FLFMC is currently appealing the district court’s decision to the Federal Circuit.

In *Unique Product Solutions*, the defendant made a direct challenge to the constitutionality of the False Marking Statute and the district court agreed. Judge Polster found that the False Marking Statute is unconstitutional under the “Take Care” clause of the U.S. Constitution.

In particular, the court noted that in applying the Morrison “sufficient control” analysis to the False Marking Statute, it is clear the government lacks sufficient control to enable the President to “take care that the laws be faithfully executed.”

Under *FLFMC*, plaintiffs must be able to demonstrate a showing of actual injury-in-fact. Presumably, such plaintiffs do exist and can show an actual injury-in-fact based on a product that is falsely marked. For example, a competitor might be able to present evidence that the competitor did not enter a market or abandoned a project based on falsely marked products. Under *Unique Product Solutions*, however, all recovery by plaintiffs under the False Marking Statute is precluded, regardless of actual injury. If upheld, this could be the final nail in the coffin for the False Marking lawsuits.

We will continue to monitor these cases and will provide updates as warranted on our website, Facebook page and future Newsletters.

Keith J. Barkaus, Associate



*Patent Reform (Continued from page 2)*

final pretrial order, “the parties shall state, in writing and with particularity, the methodologies and factors the parties propose for instruction to the jury in determining damages ... specifying the relevant underlying legal and factual bases for their assertions.” The court is also afforded the authority to consider whether one or more of a party’s damages contentions lacks a legally sufficient evidentiary basis. These procedural limitations may serve to reduce the amount of damages that would otherwise be available to plaintiffs.

- Pre-Issuance Submissions. The Patent Reform Bill includes a section for “Pre-Issuance Submissions By Third Parties.” In this section, any third party may submit any printed publication of relevance for consideration by a patent examiner while a patent application is pending and after the patent application has published. The bill requires that any such submission be accompanied by a “concise description of the asserted relevance of each submitted document.”

Judge Michel, retired Chief Judge of the Court of Appeals for the Federal Circuit, recently criticized the legislative process associated with the Patent Reform Bill, and complained that representatives of small businesses, including “CEOs of start-up technology companies and members of the venture capital industry” were not adequately represented or have not been “adequately heard.” It is generally agreed that large corporations favor passage of the Patent Law Reform Act of 2011, while small businesses and individual inventors generally do not.

*Douglas A. Miro, Partner  
Joel J. Felber, Associate*

*Intellectual Property Protection (Continued from page 2)*

In the Winter, 2010 Newsletter, we discussed conducting a trademark search for the possibility of an identical or similar mark to yours. Neither federal trademark law nor the PTO require a knock-out or a full trademark search before using

a mark or filing an application to register it. If you are sued for trademark infringement, however, the determination of likelihood of confusion will depend in part on whether your mark was adopted in good or bad faith.

Courts have consistently held that relying on competent counsel’s review of a trademark search is an indicia of good faith, even if the mark is determined to be infringing. On the other hand, although no court has found bad faith solely because a trademark search was not undertaken, the failure to do so may be a factor in assessing whether the accused infringer adopted the mark in good or bad faith. Thus, the failure to search could be a factor in determining whether monetary damages and attorneys’ fees should be awarded against the infringer.

The entire Trademark Office database of registrations and applications is publicly available on-line and there are a number of reputable firms that can produce a full trademark search report and post it on your computer terminal within 24 hours (at approximately double the cost of the standard four to five day turn-around). An Internet search, moreover, may reveal a wealth of potentially valuable information regarding other companies and brands. With this ease of access to relevant information, it is likely that courts will increasingly find that an accused infringer’s failure to conduct an appropriate search before adopting a trademark is, in fact, an indicator of bad faith.

*Stephen J. Quigley, Of Counsel*

*(Check back in the Summer 2011 Ostrolenk Newsletter for continuing articles in this Series).*

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**Ostrolenk Faber LLP**  
**Firm News**

We at Ostrolenk Faber LLP offer our condolences to the families and loved ones of victims of the Japan earthquake and tsunami that happened in March of this year. We offer our heartfelt hopes and prayers for safety, good health and quick recovery for all Japan’s affected people.