

Trademark holders are cautiously navigating murky legal waters and business realities related to new social media technologies. Commonly known as Web 2.0, social media channels such as Facebook, Twitter, and blogs are increasingly popular tools.

Web 2.0 — generally defined as Web applications, sites, and services that promote two-way communication, collaboration, and user-generated content — has opened the floodgates for great marketing opportunities, as well as potential trademark infringement. Today, few precedents and legal procedures exist to protect companies seeking to enforce and protect their brands on these social media sites.

Social media brings uncharted territory, new challenges for trademark holders

Twitter, for example — which allows users to post messages under registered names known as Twitter handles — has dealt with trademark disputes involving individuals and companies that claimed Twitter handles infringed on their trademarks. In *LaRussa v. Twitter*, for example, St. Louis Cardinals Manager Tony LaRussa sued Twitter after an unknown party registered the Twitter handle, Tony LaRussa. The case settled when Twitter cancelled the account.

Facebook is also vulnerable, when unauthorized parties create Facebook pages that use trademarked terms as user names, URLs, page names, and groups.

Fortunately for trademark holders, social media sites are curbing intentional trademark misuse by instituting procedures that allow companies to report the activity and request cancellation of the accounts in question. While not perfect, these procedures are offering a good measure of success for brand owners.

Still, the lines of defense for companies combating trademark infringement in a

Web 2.0 world lack uniformity, as each site has a unique system for dealing with trademark infringement complaints. Also, in many of these cases, companies are not necessarily protected under the Lanham and Anticybersquatting Consumer Protection and Digital Millennium Copyright acts, or the Uniform Domain-Name Dispute-Resolution Policy.

Leydig recommends that clients prioritize when deciding which potential social media trademark infringement situations to challenge.

“The Internet itself is enormously vast and largely uncontrollable,” says Anne Naffziger, a member of Leydig’s Seattle office. “That reality, combined with the fact that Internet technologies are rapidly and constantly evolving, compounds the complexity of the legal issues surrounding social media.”

“It is understandable that companies would be concerned about trademark misuse, but it is important to have perspective and pick and choose your battles wisely,” adds Frances Jagla, of Leydig’s Seattle office.

For example, on one hand, using trademark infringement litigation, or even making claims of infringement, as a means to quiet disgruntled customer rants on Facebook or Twitter may backfire, drawing negative attention to your company, along with possible claims of First Amendment violations.

On the other hand, if an unauthorized party uses a major trademark in a confusing or misleading way, companies may be able to combat this without engaging in full-blown litigation.

Leydig recommends that clients proactively patrol potentially harmful activity on social media sites, in addition to registering themselves under the names of their major trademarks before other users do so.

“Companies would also be wise to educate employees on best practices and guidelines for their own social media activities, both personal and professional,” says Naffziger.

IP community awaits patent reform legislation following PTO's rescinding of controversial patent rules

While health-care reform legislation continues to hold the attention of Congress, the Patent Reform Act of 2009 still looms as a potential hot topic for 2010.

The legislation, which currently exists in the form of two U.S. House and Senate bills, follows an October 2009 decision by the U.S. Patent and Trademark Office (PTO) to withdraw controversial patent rules it proposed in 2007.

Those rules set limits on continuation applications, requests for continued examination (RCEs), and examination of claims in patent applications, with the primary goal of cutting the backlog of patent applications. This led to a lawsuit in District Court in Virginia, and an appeal to the Federal Circuit, and the rules did not go into effect.

One key aspect proposed in the Senate bill for the 2009 Patent Reform Act involves a change from the current first-to-invent system to a "first inventor to file" system. The system is called "first inventor to file" rather than "first to file" to emphasize that the first-filing party must be an inventor to be entitled to a patent. Under the bill, it would still be possible for an inventor who did not file first, but who was first to invent, to obtain a patent — if the later applicant is able to show that the earlier applicant obtained the invention from the later applicant. This would be resolved in "derivation proceedings," which would be instituted to replace the current interference proceedings.

"The proposed legislation regarding the first-inventor-to-file system would bring the U.S. patent law closer to that of the rest

of the world," says Jeremy Jay, a member of Leydig's Washington, D.C. office.

Another change in the proposed legislation would expand the definition of prior art to include more prior disclosures of an invention that occur outside the United States. Under the Senate bill, the definition is expanded to include earlier disclosure of an invention that was "in public use, on sale, or otherwise available to the public," anywhere in the world. Under existing law, earlier public knowledge, public use, and sale of the invention are prior art only if they occur in the United States.

Jay adds, "No one knows whether these proposed measures will pass, but we have always counseled our clients to file their applications in a timely manner, and these measures further emphasize the importance of this approach."

Recent Federal Circuit decisions reconsider patent infringement damages calculations based on usage

Two recent decisions by the U.S. Federal Court of Appeals for the Federal Circuit support a stricter view of infringement damage calculations, in which royalties are more carefully scrutinized based on usage of the patented invention and its contribution to the infringing product/process.

In the first case, *Lucent Technologies, Inc. v. Gateway, Inc. and Microsoft Corporation*, the court held that Microsoft's use of a date-picker function featured in Microsoft® Office software infringed one of Lucent's patents. The court vacated a \$350 million damages award, however, and ordered a new trial, on the grounds that the original damages amount was not based on substantial evidence.

In the case, Lucent claimed it was entitled to \$561 million in damages, based on an 8 percent running royalty

rate. Microsoft argued for a lump sum royalty of \$6 million. The jury's decision to award a \$350 million lump sum royalty was vacated because it was not tied to substantial evidence. The court determined that the Microsoft software feature in question did not drive sales of Microsoft Office alone and that there was no evidence of the feature's usage frequency. Therefore, the court could not reasonably allow damages that amounted to a substantial percentage of the entire market value of the product.

In the second case, *i4i Limited Partnership v. Microsoft Corporation*, the court found that i4i supplied sufficient evidence through a hypothetical negotiation analysis set forth in *Georgia-Pacific Corp. v. U.S. Plywood Corp.* to support damages of \$200 million. Although the patent infringement

circumstances were similar to those of the *Lucent* case, i4i presented evidence of the amount of infringing use and the case's procedural posture dictated a more deferential review than in *Lucent*.

"These cases set standards for limiting patent infringement damages based on usage issues, and underscore the need for plaintiffs and defendants alike to present solid rationale to back up their damage calculations," says Gregory Bays, a member of Leydig's Chicago office.

"Working with experienced patent and licensing counsel is crucial in complex infringement cases such as these," adds Paul Korniczky, also a member of Leydig's Chicago office. "Understanding the difference between lump sum royalties and running royalties — and how to properly support them so they withstand judicial scrutiny — is crucial."

Federal Circuit decision in *Wyeth v. Kappos* overturns PTO patent-term-adjustment calculation method

A recent decision by the U.S. Court of Appeals for the Federal Circuit may result in longer patent terms for patent holders.

In *Wyeth v. Kappos*, the Federal Circuit held that the U.S. Patent and Trademark Office (PTO) incorrectly calculated patent term adjustments — additional days added to standard 20-year patent terms to compensate for PTO delays — under 35 U.S.C. § 154. Patent term adjustments are calculated by adding the number of days when type “A,” “B,” and/or “C” delays occur, minus any overlap that occurs among the three.

In *Wyeth*, the court addressed the meaning of “overlap” of “A” delays (PTO’s failures to meet deadlines in its patent application process) under 35 U.S.C. § 154(b)(2)(A) and “B” delays (patent-application pendencies that exceed three years). *Wyeth* claimed that

some instances of “A” delays did not overlap with “B” delays. The PTO argued that “B” delays can occur anytime after a patent application is filed until the patent is issued; therefore, “A” and “B” delays always overlap. Under the PTO’s interpretation, patent-term-adjustments are equal to the greater of the two delays, not the sum of both.

The Federal Circuit agreed with *Wyeth* because, “[b]efore the three-year mark, no ‘overlap’ can transpire between the A delay and the B delay because the B delay has yet to begin or take any effect.” The PTO later announced that it will not contest this decision.

Patent-term-adjustment calculations are featured on patentees’ notices of allowance and notifications of issuance. For patents issued before March 2, patentees may request recalculation within 180 days of issuance — a modification of the regular appeal procedure.

“The decision of whether to challenge patent-term-adjustment determinations will depend on clients’ individual business models, industries, and a number of other factors,” says Pamela Ruschau, a member in Leydig’s Chicago office. “Clients must weigh the cost of challenging vs. the potential benefit.”

“Pharmaceutical companies, for example, may have a lot at stake when it comes to patent term adjustment,” adds Emer Simic, an associate at Leydig’s Chicago office. “Pharmaceuticals typically take longer to get to market and don’t change as rapidly as other technologies, so each day of patent term adjustment can be extremely valuable.”

Leydig advises clients to be time-conscious and weigh the decision to challenge patent-term-adjustment determinations on a case-by-case basis.

Recent Federal Circuit interpretation of false marking statute imposes ‘per article falsely marked’ fine

The U.S. Court of Appeals for the Federal Circuit has interpreted the false patent marking statute, 35 U.S.C. § 292, as assessing a fine for each article falsely marked. The court distinguished prior decisions which specified a fine for each decision to mark and also distinguished decisions which used a time-based approach for the fines.

In *Forest Group v. Bon Tool*, Forest sued Bon Tool for infringement on a patent covering the company’s construction stilts. Bon Tool countersued, alleging that Forest’s stilts were falsely marked because they did

not feature “resiliently lined yokes,” as claimed in the patent.

The U.S. District Court for the Southern District of Texas found that Forest falsely marked its stilts with direct intent to deceive, because in a previous suit by Forest on the same patent, the court granted summary judgment of non-infringement.

The court imposed a single \$500 penalty on Forest for one decision to falsely mark — when the company ordered one shipment of the falsely marked stilts from its manufacturer.

Bon Tool appealed, claiming that the court wrongly interpreted 35 U.S.C. §

292 as assessing a penalty per decision to mark rather than on a per-article basis.

The Federal Circuit decided that Forest should be fined per article falsely marked. The court clarified that this “does not mean that a court must fine those guilty of false marking \$500 per article marked ... In the case of inexpensive and mass-produced articles, a court has the discretion to determine that a fraction of a penny per article is a proper penalty.”

“Companies should review their patent markings with their patent attorneys,” says John Augustyn, a member of Leydig’s Chicago office.

Leydig Announces

H. Michael Hartmann, Eley O. Thompson, Paul J. Korniczky, David M. Airan, Salim A. Hasan, and Paul J. Filbin, members in Leydig, Voit & Mayer's Chicago office, negotiated one of the 10 largest U.S. patent/trade secret case settlements in 2009, according to *IP Law 360*. Leydig represented USG Corp. in the patent-infringement/trade secret case against Lafarge North America Inc. It has been reported that USG will receive \$105 million and will grant a license for the use of certain USG technologies.

Events

Frances M. Jagla, counsel in Leydig, Voit & Mayer's Seattle office, will moderate a panel

discussion at the International Trademark Association's (INTA) 2010 Annual Meeting on May 25 at the Boston Convention & Exhibition Center. The topic, "Building the Bridge Between Legal and Marketing," will explore the relationship between marketing and legal departments regarding choice of trademarks, content of promotional materials, usage guidelines, and commercial trademark issues, including acquisitions and divestitures. Contact Jagla at fjagla@leydig.com with questions.

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Employees may put their companies at risk for negative publicity, litigation, and Federal Trade Commission actions by posting messages about their companies in blogs and forums while posing as satisfied customers, or by criticizing competitors under the guise of a consumer.

They also could endanger the company by misusing others' trademarks on social media sites and blogs.

"Not only should companies be aware of what people are saying about them on the Internet, they should also look internally to ensure that their employees are exhibiting appropriate behavior in company-related social media activities," says Jagla.

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