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Forthcoming Events

IP Asian Seminar 2010, Busan, Korea, May 7 - 10, 2010
Asian Intellectual Property (IP) Conference takes place for the first time in the scenic South Korean port city of Busan (Pusan).
(AIPPI Korea)

Don't miss the opportunity to register for the Paris Congress and save money.
Register before 31st May 2010 and get the reduced registration fee.
Please visit the meetings website http://www.aippi.net/
(AIPPI General Secretariat)

AIPPI World Congress 2010 – Preliminary Programme
Detailed information on the meeting as well as the preliminary programme in English, French and German are available.
(AIPPI General Secretariat)

AIPPI World Congress 2010 – Workshops
"The Congress Organising Committee in co– operation with the Reporter General Team and the Programme committee has finalised the workshop programme for the AIPPI Congress in Paris this October"

* Pharma I
  Supplementary Protection Certifi cates (SPCs) and other patent term extensions
* Pharma II
  The protection of regulatory data containing IP information
* Pharma III
  Selected Trade mark Issues concerning the pharmaceutical industry
* Pharma IV
  Selected patent issues regarding pharmaceutical inventions
* Pharma V
  The impact of the EU Commission pharmaceutical sector enquiry on the pharmaceutical industry
* Workshop I
  Recent developments regarding the patentability of business methods
* Workshop II
  Non–traditional trademarks, in particular 3D trademarks
* Workshop III
  Patents and green technologies
* Workshop IV
  The use of ADR in IP disputes
* Workshop V
  International Judges Panel on selected patent law issues

* Workshop VI
  Licensing in and out: DOs and DONTs in the US and in Europe

* Workshop VII
  The conflict between keyword advertising and trade mark and unfair competition law

* Workshop VIII
  Aspects of the relationship between employer and employee in copyright

* Workshop IX
  IP tool box

* Workshop X
  Update on European Trademark case law at the OHIM and the Court of Justice of the European Union

* Workshop XI
  Current IP issues at WTO

* WWorkshop XII
  IP litigation throughout Europe – a comparison of selected aspects

* Workshop XIII
  E-books and authors´ copyrights

(AIPPI General Secretariat)

AIPPI World Congress 2010 – Paris, 3-6 October 2010
If you are interested in sponsorship for the 42nd World Intellectual Property Congress please access our Sponsorship Prospectus with all information and conditions here.
(AIPPI General Secretariat)

National Groups

XXV Symposium on Industrial and Intellectual Property organised by the Spanish AIPPI Group, Barcelona, February 4-5, 2010
(Spanish AIPPI Group)

The XXV Symposium on Industrial and Intellectual Property of the Spanish Group of AIPPI was held in Barcelona on February, 4 and 5, 2010.

The working conferences, which reached an attendance of 200 professionals, focused on the latest and future developments in the field of industrial and intellectual property. The session was opened by the Director General of the Spanish Patent and Trademark Office, Mr. Alberto Casado.

The subject matter of the Symposium was wide-ranging. Regarding Distinctive signs, a presentation was carried out by Prof. Fernández-Nóvoa (University of Santiago de Compostela) on Trademark applications filed in bad faith, problems and legal consequences. A roundtable on the right to use the registered trademark was conducted by Ms. Inmaculada García García (practising lawyer at the IP Department of Compañía Española de Petróleos –CEPSA-), with wide expertise in such area, followed by Mr. Jordi Grau Mora (practising lawyer) and Mr. Enrique García-Chamón Cervera (President of the Spanish Community Trademark Court). Differences and conflicts between national and community trademarks were thoroughly analysed, and a lively debate followed. An interesting presentation was given by Mr. Pedro Merino (practising lawyer) where legal developments and practice were examined on the protection of the signs of commercial establishments.

As for Patents, a presentation was given by Mr. Santiago Jordá Petersen (European Patent Agent) on the written opinion in the search reports, with special focus on its incidence and consequences in patent applications granted without prior examination. The sessions also analysed an interesting topic: limitation of the scope of the protection of patents in judicial proceedings cases, which was presented by Mr. Luis Garrido Espá (Magistrate at the Provincial Court of Barcelona).

The conference also dealt with free and open source licenses (F.O.S.S.), lecture given by Ms. Silvia Alvarado Díaz (legal counsel at the CENATIC Foundation –Centro Nacional de Referencia de Aplicación de las Tecnologías de la Información y la Comunicación-), where an interesting differentiation was made between the different types of licenses offered to software users.

A roundtable on the Spanish Unfair Competition law amendments was conducted by Prof. Alberto Bercovitz (President of the Commercial law section in the General Codification Commission of the Spanish Ministry of Justice), with wide expertise in such area, followed by Prof. José Massaguer Fuentes (Pompeu Fabra University in Barcelona, and practising lawyer) and Prof. Carlos Lema Devesa (Complutense University of Madrid, and practising lawyer). A lively debate was held on the influence of codes of conduct and good practice over possible sanctions for unfair competition acts.

Two lectures were given on general IP topics: Mr. Antonio Castán (practising lawyer and Professor at the Pontificia de Comillas University in Madrid) disserted about the application of the estoppel doctrine in IP matters, specially focusing in the existing Spanish jurisprudence; and last but not least, Mr. David Pellisé (practising lawyer and Vicepresident of the Spanish Group) lectured on the royalty as a criterium for the compensation of damages, where some criticism was made with respect to the implementation of the Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights in the Spanish IP legislation.

The Symposium was officially closed with a brief speech by Mr. Raúl Bercovitz, President of the Spanish Group.
In conclusion, the XXV Symposium was successful and fulfilled its objectives due to the high level of attendance and the quality of the lectures and speakers. Special thanks to all the attendees and to the organising committee for their hard work.

Articles and notes

Grounds for Refusal of Registration of a Trademark – the Indian Law
(DR.K.S.Ravichandran Partner, KSR&Co.,Company Secretaries,India)

A trademark may be either inherently distinctive or capable of distinguishing its goods by acquiring distinctiveness if used for some period of time. The Trademarks Act, 1999 (the Act) is the law in India containing absolute and relative grounds for refusal of registration of a trademark.

Absolute Grounds – (Section 9 of the Act)

The First Rule – [sub-section (1)]

A. The mark lacks distinctiveness;

B. The mark is descriptive of the characteristics of the goods or services;

C. The mark consists exclusively of marks or indications which have become customary or in the bonafide and established practices of the trade.

Exception to the above Rule – the Proviso to sub–section (1)

Before the date of application for registration, if the mark has acquired a distinctive character as a result of the use made of it or if the mark is a well–known mark, the mark shall not be refused registration.

In ELGI Ultra Industries Limited v The Assistant Registrar of Trade Marks, the Intellectual Property Appellate Board [IPAB], MANU/IC/0062/2008, the IPAB held that the words "ultra" and "perfect" are highly descriptive and laudatory.

In Imperial Tobacco Company of India Ltd v. Registrar of Trademarks, AIR 1968 Cal 582, the Calcutta High Court held that the trade mark "Simla" with the label is composite in character. It is a well known hill– station of India. Its geographical signification is, therefore, plain and unequivocal.

Second Rule – [sub– section (2)]

A. The mark is of such nature as to deceive the public or cause confusion;

B. The mark is likely to hurt religious sentiments;

C. The mark comprises scandalous or obscene matter;

D. The use of the mark is prohibited under the Emblems and Names (Prevention of Improper Use) Act, 1950;

The Third Rule – [sub-section (3)]

If the mark consists exclusively the shape of the goods (i) resulting from nature of the goods; or (ii) which is necessary to obtain a technical result; or (iii) which gives substantial value to the goods.

Relative Grounds (Section 11 of the Act)

The First Rule – [sub– section (1)]

The mark is identical or similar to an earlier trademark and the goods are identical or similar to the goods of the earlier trademark.

The Second Rule – [sub– section (2)]

The mark is identical or similar to an earlier trademark and use of such a mark would allow the applicant to gain unfair advantage of or damage the reputation of the earlier trademark though goods may not be similar.

Note: For the First and Second Rule, “Earlier Trademark” means a “registered mark” or a “well known mark”.

The Third Rule – [sub– section (3)]

The use of the mark in India should be prevented by virtue of any law in particular the law of passing off protecting an unregistered trademark or by virtue of the law of copyright.

The Supreme Court in Parle Products (P) Ltd. v. J.P. & Co. Mysore AIR1972SC1359 held that “in order to ascertain whether one mark is deceptively similar to another, the broad and essential features of the two marks have to be considered. It would be enough if the impugned mark bears an overall similarity to the registered mark as would be likely to mislead a person usually dealing with one, to accept the other if offered to him.”

Honesty is an Exception – [sub-section (4) of Section 11 read with Section 12!

Section 12 of the Trademarks Act, 1999 permits registration of “honest concurrent users”. For availing this benefit, the applicant must be bonafide prior or concurrent user.

ISRAEL: Gianni Versace S.p.A. (Italy) wins long lasting dispute over the trademark VERSACE
(Ron Klagsbald, Price–Klagsbald Law Offices, Ramat-Gan, Israel)

Gianni Versace S.p.A., the well–known Italian Fashion company, which was founded by the designer Gianni Versace, succeeds in its long battle against an Israeli company that has been using the Trademark VERSACE since the mid eighties!

In a precedential judgment[1]. the Tel Aviv District Court ordered the Israeli company Versace 83 Ltd. to cease permanently from using the Trademark VERSACE (in Latin as well as in Hebrew letters). The permanent injunction (which will come into effect in 2010) also prevents the Israeli company from using the trademark VERSACE as part of the company’s corporate name. The order also enjoins the Israeli company from further use of the trademark VERSACE as a domain name. In its judgment, the Court further prohibits the Israeli company from using the Medusa Head Design and the design known as the “Egyptian Frame”.

The Israeli company, Versace 83 has been using the trademark VERSACE in Israel for over 20 years for men’s clothing and for a chain of stores (which has grown over the years to 14 stores all over Israel). The Israeli company has also been using the domain name versace.co.il for its website. Versace 83 succeded in obtaining – fraudulently- trademark registrations in class 25 for the trademark VERSACE.

Since the year 2000 the well–known Italian fashion company has been conducting legal proceedings against the Israeli company, in Israeli courts as well as in the Israeli Trademark Office. In June 2008 the Israeli Trademarks Registrar cancelled the Israeli company’s trademark registrations for VERSACE (which were registered in 1989). The grounds for cancellation of the trademarks were that the marks were chosen, registered and used in bad faith.

Now in the claim for permanent injunction and damages, the Tel–Aviv District Court ruled that the Israeli company adopted the trademark VERSACE because this is an international brand, which is very well known in Israel. The judge acknowledged that the trademark VERSACE, the Medusa Head and the design known as the “Egyptian Frame” are all very famous marks, which are clearly identified with the plaintiff, Gianni Versace S.p.A. (Italy). The Court stated that the Italian company owns very extensive goodwill and reputation worldwide (including Israel) in the marks VERSACE, MEDUSA HEAD and the design of the Egyptian Frame.

The Court ruled that the evidence submitted substantiate trademark infringement, passing off, unjust enrichment and consumer deception by the Israeli company. Although only likelihood of confusion is required to substantiate passing–off, the Court held that the plaintiff proved actual consumer deception and confusion (in the course of the proceedings a consumer survey was filed to Court). The Court also stated that the Italian fashion company suffered losses as a result of the Israeli company's activities over the years. Therefore Gianni Versace S.p.A. (Italy) is entitled to restitution of the lost profits or for damages for the harm and damage caused by the Israeli company. The monetary part of the claim will be heard in the second phase of the case, which will begin soon.

In its long precedential judgment, the Court rejected the arguments of acquiescence, waiver of rights and laches, which were central and important defense arguments that were raised by the plaintiff, the Israeli company Versace 83.

The judge noted that the Israeli company progressed systematically step–by–step towards a total take over of Gianni Versace's goodwill and reputation. The Israeli company caused unbearable deception of consumers. Therefore, a strong and clear remedy should be awarded to stop the severe deception.

The Court also ordered high amounts of costs and attorney fees (in Israeli standards).

References

01 Civil File 2960/00 – Gianni Versace S.p.A. v. Versace 83 Ltd. et al. (Judgement by Justice A. Binyamini dated 9 August 2009)

The Efficiency of Anti–counterfeiting (1-3)
(Dr. Hans Joachim Fuchs, CHINABRAND Consulting Limited, Munich, Germany and Dr. Shuqin Zhou, CHINABRAND Consulting Limited, Munich, Germany)

Anti–Counterfeiting is under permanent pressure of legitimation. The budgets required by an effi–cient anti–counterfeiting are generally six–digit amounts in middle–sized companies, whereas multi–national groups often spend seven– and eight–digit sums for management and patent protection, trademarks, copy rights, as well as for infringement suits. As a result, managers and executives are increasingly questioning not only the effectiveness, but also the efficiency of such actions. Will the expenses really pay off, i.e. are the costs for protecting intellectual property and for prosecut–ing infringement cases reasonable with regard to the damage prevented?

Costs of protection vs. Damage prevented

Basically, the costs for protection of intellectual property in the long run have to be significantly lower than the damage caused by loss, for instance, due to intellectual property theft by counterfeiters: The cost–benefit ratio of IP protection is best illustrated with the example of product and trademark piracy, because here we can quantify the damages caused by counterfeiting. In contrast, this is not true for other areas of IP damaging, e. g. industrial espionage.

The monetary damages that arise for original manufacturers due to product and brand piracy consist of several components..

1) Short–term: In the current fiscal year, counterfeits entail a direct loss in turnover, since many potential buyers deliberately turn down the original product and buy the copy instead. In addition, cheap fakes make pressure to the prices of original products. In China, Western engineering companies were forced to reduced their prices up to 20 – 25 % to keep competitive with their Chinese counterfeiters. That means that there is often a massive short–term loss in profit due to price pressure.

2) Medium–term: Counterfeiters copy one another. As a result, we can see a snowball effect that very quickly entails large secondary markets and cheap counterfeit products. These competitive, cheap mar–kets slowly but surely undermine the original manufacturers´ turnovers. Thus, the essential problem for the manufacturers is not the current loss in turnover resulting from the counterfeits presently offered for sale on the world markets. Their major problem is the future cumulated loss of market shares and, thereby, of turnover and cash flow caused by the up–rising cheap markets and their counterfeit products damaging businesses and possibly even ruining them.

3) Long–term: Continuous counterfeiting entails damage to the original brand, or rather the reputation of the original manufacturer, because his trademark is steadily degraded by down–trading. It erodes – the brand value decreases.

A further damage possibly results from compensation payments, if original manufacturers are made liable for defects of counterfeit products. The costs caused by such cases are either noted within the company or can be easily identified.

Costs of IP Protection:

The expenses for protection of intellectual property and prosecution of IPR violation can easily be calcu–lated by means of the individual expenditure items. However, they may be reduced if the company receives compensations from successful IP law suits, which is increasingly the case. The obtainable amounts are often quite significant. For example, Chinese Zhongwei Bus was sentenced to pay a compensation of 2.3 million EUR to German Neoplan for copying the famous Starliner bus. What is more, compensation pay–ments in the six–figure range are not so rare in successful infringement cases.

Calculating the damages:

The cumulated expenses for IP protection and prosecuting violations must be significantly lower than the damage caused by short–term losses in turnover, medium–term market share losses, reduction of the mar–ket value, and potential liability cases. The formula for calculating the cost–benefit ratio in IP protection in the case of counterfeiting is as follows:

Costs for protection in the period (to-tx) minus compensation	<<	Current loss in turnover	+	Loss in market share	+	Brand damage	+	Liability

But how can the separate components of the damage be calculated?

1. Calculating the short–term losses in turnover:

Short–term losses of turnover that result from product and brand piracy can be traced through experiences of the industry, projections of individual, noted cases and the turnovers of identified counterfeiters.

a) Calculation through industry values:

According to a survey of the German Engineering Federation VDMA, German machine builders lose an average of 3 to 5 % of their yearly turnover due to product and brand piracy. In a company with a yearly turnover of billion Euros this would mean a loss of 30 to 50 million Euros per year. According to VDMA, 71 % of the counterfeits in machine construction come from China. Thus the damage of this enterprise due to Chinese counterfeiters would make up between 21.3 and 35.5 million Euros. For a hypothetical minimal loss of 1 % of the turnover, the company´s loss would still amount to ten million Euros (that is 67.1 million Euros with reference to China only).

These dimensions also apply to other industry branches. For example, the sanitation manufacturer Hans–grohe AG estimates that his damage due to product and brand piracy amounts to approximately three per–cent of the net sales, i.e. ca. 20 million EUR. In contrast to this short–term loss in turnover, Hansgrohe´s expenses for IP protection and fighting counterfeiting are only two to three million EUR. EBM Papst, a German manufacturer of industrial fans, estimates its annual losses from counterfeiting to be 15% of its revenues, which is –150 million a year.

b) Projective calculation of individual cases:

We assume that the dark figure of product and brand piracy amounts to 6 to 10, depending on the industrial branch. That is to say that only 1/6 to 1/10 of all cases are identified through evidences, inspections, or cus–toms controls. If the damage of an individual case is noted, then it can be projected through the dark figure. In January of 2007, 40 tons of counterfeited antifriction bearings worth ca. 8 million EUR were destroyed on the grounds of the FAG factory in Schweinfurt. As the confiscated counterfeits are likely to be a one year´s production, this implies a loss in turnover of 48 million EUR for a dark figure of 6. The loss of turnover rises to 80 million EUR if a dark figure of 10 is assumed.

c) Calculation through counterfeiters´ sales:

The total amount of imitations produced by one counterfeiter is generally not known. Even so, what we can assess are the turnovers of counterfeiting companies. That way, the damage arising for the original pro–ducer can be calculated. However, it is important here to take into account the consumer behavior as well as the price difference between original and counterfeit.

The current loss in turnover at the point of time t (e.g. in the year 2010) is calculated indirectly via the coun–terfeiters´turnover: Earnings of the counterfeiter => Loss of the original manufacturer. A price determinant indicates the ratio of fake price to original price on the market. For a ratio copy – original = 1 – 5, the price determinant is 5, i.e. the original producer´s loss is five times as high as the counterfeiters profit.

Since depending on customer behaviors, the different counterfeiters have varying effects on the turnover of the original manufacturer, they lever divergently with the leverage factor h. ROLEX counterfeits will have little or no effect on the sales of the original producer, for the copies are not considered to be equivalent substitutes for originals. No fake buyer will purchase an original ROLEX watch and no well–off ROLEX buyer will switch to an imitation. The levering factor that represents the effects of counterfeits on the sales of the original manufacturer will in this case tend toward zero. It is quite different for counterfeits that are real substitutes for originals. In the case of frequently copied fashion labels like Polo Ralph Lauren we es–timate a leverage factor of 0.2 to 0.3. For producers of –perfect– fakes, which cannot be distinguished from the original and deceive the customer, a levering factor of 1 is applicable.

However, the effective loss in cash is reduced through absent variable costs, such as saved material due to lacking sales of originals. If one has fewer sales of original products due to counterfeiting, one also has fewer variable costs.

2. Calculating the medium–term damages due to lost market shares:

The medium–term damage due to lost market shares is calculated with the Net Present Value or Dis–counted Cash Flow, i.e. the cash value at the present time. Through the permanent loss of market shares due to quickly growing secondary markets, cumulated losses of cash flow arise over a period (e.g. 2010 till 2015) and reach very high levels over the years. Damages that occur at different, later points in time are not equivalent in relation to the present moment. In order to evaluate the cash value of the future damage, the capital costs rate is applicable which is normally higher than the interest rate for outside financing as it takes into consideration the opportunity costs of the invested capital. The capital cost rate is the minimum rate of return that a company should generate. Normally the capital costs rate is not suited for discounting the losses. When it comes to evaluating the profitability of anti–counterfeiting, the assessment is the same as that of an investment project. The decrease of losses in turnover or cash represents the profit due to the investment.

There was a permanent loss of market shares of an American brand between August of 1995 and May of 1998 in China. While the brand´s market share assessed by market researching apparently remained nearly unchanged, deliveries of the original brand to Beijing steadily decreased. This means that over the years original products were increasingly superseded by counterfeits. The counterfeiters took over the brand. In a relatively short period of time the German Stihl GmbH lost half of its market share in Indonesia to counterfeiters – it fell from 80 to 40%.

3. Calculating the long-term loss due to brand damaging:

Through the extensive spread of counterfeited products and copied trademarks, the original brand is con–tinually ablated, i.e. weakened within the market. It loses its exclusiveness and attraction, and that signifi–cantly lessens its monetary value over time. Since leading brands are often highly valued, even small dam–age factors of a few percent already have relatively strong monetary effects. Example: 5 % loss of 1 billion EUR brand value = 50 mill. EUR fall in value. The damage factor has to be estimated. Through massive counterfeiting of poor quality, the value of a former premium brand such as Polo Ralph Lauren might be reduced by 10 %. The brand today is considered main stream. The brand value is often known or calcula–ble with various methods, for example, with INTERBRAND which is well–known in many companies. The damage factor is industry and company–specific and varies between 5 and 30%. Various brand rankings also provide general criterions for potential losses in brand value.

Losses that result from liability due to IPR violations are a noted factor in the company and can be incorpo–rated into the calculation of the total damage as a fixed position.

4. Calculation of the total damage:

The total damage arising for a company due to counterfeiting is calculated by adding the short–term, me–dium–term and long–term damages as well as compensations paid or as yet to be paid:

$$\left[\text{Costs for protection in the period } (t_0\text{-}t_x) \text{ minus compensation}\right] \ll \left[\text{Current loss in turnover}\right] + \left[\text{Loss in market share}\right] + \left[\text{Brand damage}\right] + \left[\text{Liability}\right]$$

The results of such calculations show impressively that the damages of intellectual property that result from losses and illegal abuse of intellectual property may be tenfold higher than the costs produced by IP protec–tion. The positive cost–benefit relation has not yet been recognized in the management boards of many companies. It is true that we are seeing a growing understanding of the fact that the evaluation of underes–timated immaterial capital – especially in form of business protection rights – is playing an increasingly im–portant role in commerce.

Forest Group, Inc. v. Bon Tool Co.: Opening The Floodgates For A New Wave Of Suits By "Marking Trolls"

Kenneth R. Adamo, David M. Maiorana, Susan M. Gerber and John C. Evans[1]

Section 292 is a provision of the U.S. patent laws that prohibits intentional false marking of patent numbers on unpatented products. If a party marks an "unpatented" article with a patent number, and such marking was "for the purpose of deceiving the public," the party is liable for a fine of "not more than $500 for every such offense."[2] The statute also permits "[a]ny person" to "sue for the penalty," although half of any recovery must be given to the U.S. government.[3]

For the last century, courts declined to assess these penalties on a per–article basis, holding instead that a per-marking-decision or periodic basis was more appropriate. But on December 28, 2009, the U.S. Court of Appeals for the Federal Circuit (the "Federal Circuit") decided *Forest Group, Inc. v. Bon Tool Co.*, which pronounced that the fine for "every such offense" would now be measured on a per–article basis. In so doing, the court inspired a new wave of "marking troll" litigation. Since that decision, the number of false marking suits has grown exponentially, and this trend will likely continue.

Marking Under The Patent Act

To understand "false marking," one must consider why products are marked with patent numbers. Section 287(a) of the U.S. patent laws permits patentees and authorized sellers to mark by fixing upon them (or on labels) the word "patent" and the patent number.[4]

Section 287 creates powerful incentives to mark. If a patentee selling a covered product fails to mark,"*no damages* shall be recovered" *unless* the patentee provides actual notice by making a specific charge of infringement or by filing an infringement suit.[5] These alternatives have significant drawbacks. Infringement may go unnoticed for long periods, but even if a patentee knows of the infringement, sending actual notice puts the patentee at risk that the infringer will sue for declaratory judgment.[6] The patentee could also give notice by filing an infringement suit, but litigation is not always a preferable first option. Marking protects patent rights without creating litigation risks or initiating actual litigation.

False Marking Under The Patent Act

Congress enacted Section 292 in 1952. The new statute changed the earlier false marking laws by, *inter alia*, replacing the $100 minimum fine per "offense" with a $500 *maximum* fine per "offense." Yet neither Section 292 nor its predecessors instructed how to calculate this penalty or defined what constituted an "offense."

While false marking plaintiffs urged a per–article basis for assessing fines, pre–Federal Circuit courts consistently rejected that argument. Indeed, *London v. Everett H. Dunbar Corp.* found it unlikely that Congress intended a per–article basis for false–marking fines:

> Though the marking of each article makes a distinct instrument for the publication of a false statement, this can not be a proper ground for multiplying penalties.... It can hardly have been the intent of Congress that penalties should accumulate as fast as a printing press or stamping machine might operate.[7]

After Section 292 was enacted, courts followed *London*´ s lead in rejecting a per–article basis for fines, although they did not settle on a uniform standard. One line of cases held that fines should be based on the number of distinct marking decisions.[8] Another line of cases held that fines should accrue on a periodic basis.[9]

The Federal Circuit´s Prior Decisions

Before *Forest Group*, the Federal Circuit had not addressed the issue of fines for false marking, and indeed, the court had addressed Section 292 in depth in only two published decisions. The first, *Arcadia Machine & Tool Inc. v. Sturm, Ruger & Co., Inc.*, affirmed a finding of no liability for false marking because the marking statement included conditional language, "[o]ne or more of the following U.S. Patents..," and at least one marked patent covered the marked articles.[10] The court found no liability because the markings were "inadvertent, the result of oversight, or caused by patent expirations," and there was no affirmative evidence of deceptive intent.[11]

The Federal Circuit did not revisit Section 292 again for almost 20 years. In *Clontech Laboratories, Inc. v. Invitrogen Corp.*, the defendant marked its articles with patents alleged not to cover the articles. Ignoring the "one or more" rule in Arcadia, the court pronounced a new rule: "When the statute refers to an ´ unpatented article[,]´ [it] means that the article in question is not covered *by at least one claim of* **each** *patent* with which the article is marked."[12] Applying its new rule, the court affirmed liability for one product and remanded for further fact finding of intent in marking the other products. The case settled shortly after remand.

The Federal Circuit´ s Decision In Forest Group

Four years after *Clontech*,the Federal Circuit considered false marking again in *Forest Group, Inc. v. Bon Tool Co.*[13] There, the false marking claims arose as a counterclaim to patent infringement in a suit between competitors. The district court found false marking because the patentee continued to mark long after it had notice that the marked patent´s claims did not cover its products; specifically, the patentee received two adverse claim constructions from two different courts (resulting in two summary judgments of non–infringement) and had multiple opinions of counsel cautioning against continued marking.[14] The court held that the patentee did not have a good faith belief that its marking was proper. Applying the rationale in London, the court found one marking decision and awarded a $500 fine.[15]

The Federal Circuit affirmed the intent findings, but vacated and remanded for re–calculation of the fine.[16]

The court held that the language of the statute did not support a $500 penalty for a decision to mark multiple articles, but rather required fines on a per–article basis.[17]

The court distinguished *London* because under the then–current regime of mandatory minimum fines, per–article penalties would have led to disproportionate fines. It further found that a per–decision basis for assessing penalties would be ineffective and not deter false marking.

The court invoked broader policy considerations to support its construction, reasoning that false marking "deter[s] innovation and stifle[s] competition in the marketplace," and pointing to a number of potential effects:

* dissuading competitors from entering the same market;

* deterring scientific research; and

* causing unnecessary investment in designing around and analyzing patents.[18]

Building on these possibilities, the court said that "[t]hese injuries occur each time an article is falsely marked."[19] Further, the court rationalized that where more articles are falsely marked, there is a "greater...chance that competitors will see the falsely marked article and be deterred from competing."[20] The court concluded that its per–article interpretation was "consonant with the purpose behind marking and false marking."[21]

The defendant protested that a per–article construction "would encourage ´a new cottage industry´ of false marking litigation by plaintiffs who have not suffered any direct harm." While the court noted the surge in actions brought by "´marking trolls´who bring litigation purely for personal gain," it dismissed the concern because such suits are permitted by the statute and because awarding only a $500 fine (half of which would be turned over the government) would give plaintiffs little incentive to file suit.[22]

The court did, however, recognize that disproportionate fines should be prohibited. Mirroring the concerns expressed in *London*, it instructed that while the statute provides a maximum fine of $500, it does not require courts to award $500 per article, and indeed, [$i]n the case of inexpensive mass–produced articles, a court has the discretion to determine that a fraction of a penny per article is a proper penalty."[23] With that, the court remanded to the district court to determine a proper penalty, based on each article falsely marked.

What Forest Group Means Going Forward

Forest Group´s immediate impact is clear: With the prospect of recovering a fine for each falsely marked article, actions for false marking are becoming a hot new U.S. litigation trend. Since *Forest Group*, the number of actions filed is growing exponentially.[24] While *Forest Group* apparently resolved the method for calculating fines under Section 292, many important questions remain unanswered.

Consider:

* What is a "proper" penalty?

No one knows. The court did not give much, if any, guidance for calculating a proper penalty or what factors should be considered in the analysis.

* What is the threshold for fraudulent intent under Section 292?

To be determined. This remains unresolved, as the Federal Circuit expressly declined to decide this issue. By its terms, Section 292 requires a finding of specific intent: "for the purpose of deceiving the public." Yet the Federal Circuit´s treatment of intent is conflicting. Arcadia held that inadvertence, oversight, or the expiration of patents is insufficient to establish intent. Clontech declined to read the statute as one of strict liability and fashioned an intent standard sounding in negligence: "objective standards´ control" and "did not have a reasonable belief…." But *Forest Group* found no fault in relying on *subjective* factors, such as the patentee´s genuine belief, the prosecuting attorney´s access to the "patented" products during prosecution, the patentee and inventor´s lack of "strong academic backgrounds" or "in-depth appreciation of patent law", and patentee´ s status as a non–native English speaker.

Hopefully, these conflicts will be resolved by the Federal Circuit. In *Pequignot v. Solo Cup Co.*, the district court found that there was a weak rebuttable presumption of intent because the marked patents had expired.[25] That presumption was overcome by evidence negating intent, in that case the advice of counsel, and the district court granted summary judgment of no liability. The Solo Cup appeal was scheduled for oral argument on April 6, 2010.

* How are defendants fighting back against the "marking trolls?"

Defendants have successfully challenged the pleadings in "marking troll" suits. False marking allegations have been dismissed because of insufficient factual pleadings under Rules 8, 9(b) and 12(b)(6), and lack of Article III standing under Rule 12(b)(1). Another theory, challenging Section 292 under Article II of the Constitution, has met stiffer resistance from litigants and the U.S. Department of Justice (intervening to defend Section 292´s constitutionality). To date, no Article II challenges have been successful.

* Will the Federal Circuit reconcile the policies behind Section 287 and Section 292?

Hopefully, yes. Section 287 provides strong incentives to mark and imposes consequences on practicing patentees that don´t mark. Patentees now face a triple tension between the consequences of failing to mark (the inability to recover damages for past infringement if practicing the patent), the disadvantages of trying to protect their patent rights via actual notice (the choice between litigation as a first–option and declaratory judgment retaliation), and the potential penalties if found to have intentionally falsely marked (a per–article fine).

* Is the Federal Circuit´s justification in Forest Group grounded in fact?

Maybe not. The court recited a number of potential harms from false marking, but do they survive real–world scrutiny?

First, how do inventors and competitors respond to patent markings? Isn´t it likely that a party sophisticated enough to obtain a patent and mark it on its products is competing with parties of at least equal sophistication? Such competitors would not likely be deceived by such marking, much less deterred, and, in any event, are well equipped to analyze the patent (which they probably would have done even without the marking), including the easy–to–determine question of whether it is still in term.

Second, what impact do patent markings really have on individuals? Probably none. Markings usually appear in fine print in obscure locations on products–far removed from the bright colors and attractive packaging designed to attract consumers´ attention.

Third, is there any factual support for the claim that false marking is really a problem that needs to be fixed? The Federal Circuit described a parade of horribles, but it did not identify one single, real–world, concrete example where any one actually occurred.

Fourth, as the oft–cited potential effects of false marking are couched in terms of "some day harms," when, if ever, is there a concrete and particularized injury sufficient to support Article III standing? In *Stauffer v. Brooks Brothers, Inc.*, the Federal Circuit will consider this issue. There, the district court dismissed a complaint that alleged conclusory and speculative injuries to the public, to competitors, and to the U.S. economy.[26] The district court held that an injury based solely on an alleged violation of the laws, a so–called "sovereign interest," could not satisfy Article III standing requirements.[27] As with the *Solo Cup* appeal, the Stauffer appeal is currently pending and fully briefed.

*What´s next?

False marking no longer languishes in obscurity. Changes are coming fast, both in district courts and the Federal Circuit. Given the recent surge in false marking suits and the continuing lack of clarity in the law, this is a rapidly–evolving area that bears close attention.

References

01 Kenneth R. Adamo is a member of the bar in Illinois, New York, Ohio, and Texas. David M. Maiorana, Susan M. Gerber and John C. Evans are members of the bar in Ohio.

This article reflects only the present considerations and view of the authors, which should not be attributed to Jones Day, or to any of their or its former or present clients.

02 35 U.S.C. § 292.

03 35 U.S.C. § 292(b).

04 35 U.S.C. § 287(a).

05 *Id.*

06 *See, e.g., Hewlett–Packard Co. v. Acceleron LLC*, 587 F.3d 1358, 1364 (Fed. Cir. 2009).

07 179 F. 506, 508 (1st Cir. 1910) (interpreting a predecessor of Section 292).

08 *See, e.g., Mainland Indus., Inc. v. Standal´s Patents Ltd.*, 229 U.S.P.Q. 43 "D. Or. 1985", aff´d, 799 F.2d 746 (Fed. Cir. 1986) (when defendant removed misleading language from its advertising brochures, but put it back in later editions, district court imposed a fine for three separate "offenses").

09 In *Brose v. Sears, Roebuck & Co.*, for example, the Fifth Circuit rejected a proposed per–article fine of "a tidy 17 1/2 million dollars," finding that calculating the penalty on a periodic basis would prevent an unjustified windfall. 455 F.2d 763, 766 n.4 (5th Cir. 1972).

10 786 F.2d 1124, 1125 (Fed. Cir. 1986) (Rich, J.).

11 *Id.*

12 406 F.3d 1347, 1352 (Fed. Cir. 2005) (emphasis added).

13 590 F.3d 1295 (Fed. Cir. 2009).

14 No H–05–4127, 2008 U.S. Dist. LEXIS 57134, at *13–*14 (S.D. Tex. July 29, 2008).

15 *Id. at *22.*

16 590 F.3d 1295, 1301 (Fed. Cir. 2009).

17 *Id.* at 1301.

18 *Id.* at 1302´03 (citation omitted).

19 *Id.*

20 *Id.* (citation omitted).

21 *Id.*

22 *Id.*

23 *Id.*

24 See Justin E. Gray, *"Patent Marking Police" Out in Full Force, available at* http://www.grayonclaims. com/home/2010/2/17/patent–marking–police–out–in–full–force.html (Feb. 17, 2010) (last visited Feb. 25, 2010).

25 646 F. Supp. 2d 790 (E.D. Va. 2009).

26 615 F. Supp. 2d 248, 254-55 (S.D.N.Y. 2009).

27 *Id. at 254 n.5.*

Patent Term Extensions in Light of Wyeth v. Kappos
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On January 7, 2010, the Court of Appeals for the Federal Circuit decided the case of *Wyeth v. Kappos*, handing down a significant decision affecting patent term adjustment in favor of patentees. Specifically, the Federal Circuit found that the USPTO´s calculation of Patent Term Adjustment (PTA) was improper, denying Wyeth a portion of the patent term to which it was entitled under 35 U.S.C. §154 (b). Ultimately, as a result of the Federal Circuit´s decision, the post-Wyeth landscape will lead not only to additional PTA for prospective patentees, but also very likely to a flurry of additional patent term adjustments for patents that issued previously.

After announcing that it would not challenge the Federal Circuit´s decision, the USPTO instituted an interim procedure for requesting recalculation of patent term based on the *Wyeth* decision. The interim procedure, which is provided free of charge, may be utilized for any patent issued prior to March 2, 2010 so long as the request for reconsideration is submitted within 180 days of the day the patent was granted. Further, the request for reconsideration may only be filed if the sole basis for requesting the recalculation is premised on the USPTO´s pre-Wyeth interpretation of 35 U.S.C. §154(b).

Unfortunately for patentees whose patents issued more than 180 days ago, the likelihood that any additional PTA can still be recouped is uncertain at best. 35 U.S.C. §154(b)(4) provides a civil remedy to applicants dissatisfied with a PTA determination made by the Director so long as the civil action is filed in D.C. District Court within 180 days from the issue date of the patent.

One potential avenue for recovering PTA beyond the 180 day window is to request a Certificate of Correction based on the statutory language of 35 U.S.C. §254, which states, "Whenever a mistake in a patent, incurred through the fault of the Patent and Trademark Office, is clearly disclosed by the records of the Office, the Director may issue a certificate of correction stating the fact and nature of such mistake, under seal, without charge, to be recorded in the records of patents."

Further, several patentees of patents that issued more than 180 days before their respective statutory periods ended have already filed suit against the USPTO to reclaim portions of PTA that were miscalculated pre-Wyeth, under the doctrine of equitable tolling. Because the plaintiffs must demonstrate not only that they acted with due diligence but also that the circumstances are "rare and exceptional," the likelihood of success for an argument relying on the doctrine of equitable tolling will likely depend on several factors. Specifically, it is possible that the court will not consider patentees to have acted with due diligence if they did not at least pursue all of their opportunities for requesting reconsideration and filing for appeal under 35 U.S.C. 154(b)(3) and (b)(4).

Although several questions still remain as to just how many patentees will recover additional patent term adjustment following *Wyeth*, it is almost assuredly certain that future patentees will be entitled to a greater patent term based on the Federal Circuit´s interpretation of the statutory language in 35 U.S.C. §154(b). Further, even though the USPTO has promised that it will reconfigure its software to correctly calculate PTA post-Wyeth, patentees should be encouraged to consult with their respective patent counsel to confirm that they have been awarded the correct amount of PTA. Lastly, for patentees whose patents have already exceeded the 180 day statutory window to file a civil action as set forth under 35 U.S.C. §154(b)(4), it is very likely that the Federal Circuit will soon weigh in on whether the *Wyeth* PTA calculation can be applied retroactively.

Congress Unanimously Approves Accession to The Hague Apostille Convention
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On November 9, 2009, Congress approved Peru´s accession to The Hague Apostille Convention, through Legislative Resolution No. 29445, dated November 17, 2009. Although already a member of The Hague Conference, Peru had not signed the Hague Convention, with respect to the Apostille. On November 24, 2009, the Peruvian Government issued Supreme Decree No. 086–2009–RE, signed by the President and the Minister of Foreign Affairs of Peru, ratifying Peru´s accession to The Hague Apostille Convention. The Convention will not enter into force until Peru deposits the corresponding instrument of accession and, afterwards, another internal Peruvian law formally declares its entry into force.

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Regarding intellectual property issues, this will affect some Powers of Attorney granted abroad, which until now have required legalization by a Peruvian Consulate in the foreign country.

It is important to note that the Apostille is valid only for those countries that have signed the Convention. If the foreign country where the Power is signed is not a signatory to the Convention, legalization by a Peruvian Consulate will still be necessary.

It is also important to consider that the Peruvian Industrial Property Law (Legislative Decree 1075) states that a Power of Attorney can be granted as a private document (without consular legalization)

Feedback

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