



FENWICK & WEST LLP



Intellectual Property Bulletin

Fenwick & West LLP — Summer 2003



FENWICK & WEST LLP

About The Firm

Fenwick & West LLP provides comprehensive legal services to high technology and life sciences clients of national and international prominence. We have over 250 attorneys and a network of correspondent firms in many major cities throughout the world. We have offices in Mountain View and San Francisco, California.

Fenwick & West is committed to providing excellent, cost-effective and practical legal services and solutions that focus on global high technology industries and issues. We believe that technology will continue to drive our national and global economies, and look forward to partnering with our clients to create the products and services that will help build great companies. We differentiate ourselves by having greater depth in our understanding of our clients' technologies, industry environment and business needs than is typically expected of lawyers.

Fenwick West is a full service law firm with "best of breed" practice groups covering:

- Corporate (emerging growth, financings, securities, mergers and acquisitions)
- Intellectual Property (patent, copyright, licensing, trademark)
- Litigation (commercial, IP litigation and alternative dispute-resolution)
- Tax (domestic, international tax planning and litigation)

Intellectual Property Group

Fenwick & West's Intellectual Property Group offers comprehensive, integrated advice regarding all aspects of the protection and exploitation of intellectual property. From providing sophisticated legal defense in precedent setting user interface copyright lawsuits to prosecuting arcane software patents, and from crafting user distribution arrangements on behalf of high technology companies to implementing penetrating intellectual property audits, our attorney's technical skills enable the Firm to render sophisticated legal advice.



FENWICK & WEST LLP

SILICON VALLEY CENTER	EMBARCADERO CENTER WEST
801 CALIFORNIA STREET	275 BATTERY STREET
MOUNTAIN VIEW, CA 94041	SAN FRANCISCO, CA 94111
TEL: 650.988.8500	TEL: 415.875.2300
FAX: 650.938.5200	FAX: 415.281.1350

For more information about Fenwick & West LLP, please visit our Website at: www.fenwick.com.

The contents of this publication are not intended, and cannot be considered, as legal advice or opinion.



Intellectual Property Bulletin

Summer 2003

Table of Contents

UDRP Versus ACPA: Choosing the Right Tool to Challenge Cybersquatting	1
Watch Out for Statutory Bars — Don't Lose Your Patent Rights Before You Even File the Application	4
Quick Updates	7
Male and Female Plates — Implied Licenses	7
A Search for the Danube and its Tributaries: Questioning the Use of the Lanham Act to Protect Public domain Works	8
Migration to Windows Goes South for Licensee	9
“Burdens for Trade Secrets”	10
Editorial Staff	12

UDRP Versus ACPA: Choosing the Right Tool to Challenge Cybersquatting

by Connie L. Ellerbach (cellerbach@fenwick.com)

One of the most frequent sources of conflict on the Internet results from the unauthorized registration and use of domain names containing trademarks or company names of other parties. This practice is commonly referred to as cybersquatting. Fortunately, trademark law has evolved to offer a variety of increasingly focused and effective remedies to address such abuses, two of the most recent of which are the Internet Corporation for Assigned Names and Numbers' Uniform Domain Name Dispute Resolution Policy ("UDRP"), and the federal Anticybersquatting Consumer Protection Act ("ACPA"). It is important that trademark owners appreciate the strengths and weaknesses of each when selecting the appropriate forum to challenge the registration of domains containing their trademarks.

A. The UDRP

Adopted in 2000, the UDRP created a contractually based, expedited, online procedure for addressing the most egregious examples of bad-faith registration of domain names. The UDRP permits parties to challenge domain registrations that contain terms identical or confusingly similar to their trademarks and provides remedies that include the transfer or cancellation of domains. The basis and procedure for filing a UDRP claim can be found at *Uniform Domain Name Dispute Resolution Policy*, www.icann.org/udrp/udrp-policy-24oct99.htm.

The UDRP offers many benefits to trademark owners. UDRP proceedings are inexpensive, fast, efficient and readily accessible. There are no jurisdictional issues because domain registrants agree contractually to be bound by the UDRP, and service of process issues are generally nonexistent, as proceedings are conducted via email. UDRP filing requirements are relatively straightforward, and there are no evidentiary requirements, discovery, testimony, hearings or motion practice of the type common in federal court proceedings, which significantly decreases costs compared to federal lawsuits. And, successful claimants in a UDRP action may have the disputed domain transferred to them, rather than simply cancelled or put on hold, as under the previous dispute policy.

There are, however, certain limitations to using the UDRP. The UDRP was intended to address abusive domain registration, where a claimant's rights in a particular term are clear and proof of bad faith can be easily demonstrated. Complex disputes, such as determining which of two users has superior rights to the mark contained in a domain, or setting complicated evidentiary issues, are beyond the scope of the UDRP.

Another drawback of UDRP proceedings is that rulings can be unpredictable and inconsistent with previous decisions addressing similar fact patterns due to the lack of evidentiary guidelines, lack of requirement to follow precedent and the varying experience and political philosophies of the panelists. Nowhere has this been more true than in celebrity domain name disputes. Compare *Julia Fiona Roberts v. Russell Boyd*, Case No. D2000-1210 (WIPO May 29, 2000), awarding Ms. Roberts the juliaroberts.com domain based on her common law service mark rights in her name, with *Reverend Dr. Jerry Falwell v. Gary Cohn*, Case No. D2002-0184 (WIPO June 3, 2002), holding that Dr. Falwell's rights in his personal name were not protectable under the UDRP. This situation appears to have improved as panelists and the organizations providing them have gained experience in evaluating conflicting claims and a body of decisions has developed, but it is still a consideration making careful review of the biographies and prior decisions of proposed panelists important in determining which have the requisite knowledge and experience to evaluate such claims.

In addition, unlike in court proceedings, there is no built-in appeal process to correct arguably erroneous decisions and provide guidance for future disputes. There is also no guarantee that a UDRP ruling will be a final determination of rights because, either during the UDRP proceeding or within 10 days of a decision, a disappointed party may file a federal court action to prevent the UDRP panel's decision from being implemented. A further limitation of the UDRP is that remedies are limited to cancellation or transfer of the domain(s) at issue; damages and injunctions are not available.

Even with the limitations and unpredictability of the UDRP process, it is still the fastest, cheapest and most effective way to confront what are clearly bad-faith registrations of domains. In fact, as of July 2003, UDRP panels had rendered more than 7,200 decisions affecting the ownership of more than 12,800 domains, resulting in the cancellation or transfer of the disputed domain names approximately 70 percent of the time. However, where the dispute at hand is complex or is likely to involve evidentiary issues that cannot be adequately explored in an expedited UDRP proceeding, an ACPA action may be the better choice.

B. The ACPA

Enacted in 1999, the ACPA strengthened the rights of trademark owners by prohibiting bad-faith registration of domain names that are identical or confusingly similar to distinctive marks, including personal names. 15 U.S.C. § 1125 (d)(1)(A). The ACPA provides a list of nine factors to aid in determining whether bad faith is involved (*id.* §1125 (d)(1)(B)), although courts are free to look beyond those factors. The ACPA also includes a "safe harbor" for would-be defendants, providing that where the domain registrant "[b]elieved and had reasonable grounds to believe that the use of the domain name was a fair use or otherwise lawful," the claim will fail. *Id.* § 1125(d)(B)(ii).

As noted above, the most immediate benefit of filing an ACPA action is that doing so can prevent a potentially adverse decision in a UDRP proceeding from being rendered or implemented. It can also serve to reverse a final UDRP ruling and either prevent or require the transfer of the disputed domain.

Another advantage to pursuing an ACPA action compared to, for example, an infringement action, is that the “confusingly similar” standard under the ACPA is easier to satisfy than the more rigorous “likelihood of confusion” standard applied in infringement actions. See, e.g., *Shields v. Zuccarini*, 254 F.3d 476, 483 (3rd Cir. 2001), holding domain names joecartoons.com, joecarton.com and cartoonjoe.com to be confusingly similar to the Joe Cartoon mark; *Harrods Ltd. v. Sixty Internet Domain Names*, 157 F. Supp. 2d 658, 677 (E.D. Va. 2001), finding domains including the word “harrods” confusingly similar to plaintiff’s HARRODS trademark.

In addition, the ACPA expressly provides protection for personal names, whereas the UDRP policy does not, absent a showing that the individual has developed service mark rights in his or her name. The ACPA also provides, for the first time, for *in rem* actions, or actions against the domain itself, where the cybersquatter is beyond the personal jurisdiction of the court or cannot be located despite the trademark owner’s diligent efforts to do so. 15 U.S.C. § 1125 (d)(2).

Finally, the ACPA offers a host of remedies not available under the UDRP, including allowing trademark owners to stop domain name uses immediately through a temporary restraining order or preliminary injunction, and provides for statutory damages of between \$1,000 and \$1,000,000 per domain registration.

But perhaps the most significant advantage of filing suit under the ACPA is that federal courts are in a better position to evaluate complex cases, including those where there are competing rights to a domain and significant evidentiary issues. This is particularly true where, for instance, evidence of bad faith is circumstantial, will need to be developed through testimony or is based on the domain registrant’s having engaged in a pattern and practice of behavior that violates the rights of trademark owners.

Deterrents to filing an ACPA claim include criticisms commonly levied against the U.S. court system. An ACPA action is expensive, requiring the filing and prosecution of a federal lawsuit with the attendant costs in time, money and resources. Moreover, the fact that federal courts have greater resources to analyze the evidence and arguments submitted does not guarantee that the decision rendered will be well reasoned or consistent with precedent, or that it will not have to be appealed, resulting in even more expense.

Finally, while injunctive relief is available in egregious cases, and damage awards are possible, neither is guaranteed, and the cost, time and distraction of personnel and resources from a party's business activities are significant deterrents to bringing cybersquatting claims. However, in the right circumstances, an ACPA claim may be the appropriate remedy for a trademark owner to recapture a valuable corporate asset.

Watch Out for Statutory Bars – Don't Lose Your Patent Rights Before You Even File the Application

by Brian M. Hoffman (bhoffman@fenwick.com)

Many people are aware of the need to keep patentable inventions secret. However, few people other than patent lawyers understand the reasons for the secrecy or are familiar with all of the actions that can cause an inventor to unintentionally lose the right to obtain a patent. As a result, some inventors unknowingly engage in behaviors that impair their patent rights.

Under certain conditions, United States patent law prevents an inventor from obtaining a patent even when the invention is new, useful and nonobvious. These conditions are referred to as "statutory bars" because they bar a patent that would otherwise be valid.

The primary law controlling statutory bars is 35 U.S.C. § 102(b), which states:

A person shall be entitled to a patent unless

(b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States.

In other words, a United States patent on an invention is barred if any of the following events occur more than a year before the application is filed: (1) the invention is patented or described in a printed publication available anywhere in the world; (2) the invention is in public use in the United States; or (3) the invention is on sale in the United States.

These statutory bars serve four main purposes. First, the bars encourage the prompt disclosure of inventions. The patent system is predicated on the idea that the inventor only receives a patent in exchange for disclosing his or her invention. The one-year time limit supports this goal by ensuring prompt filing. Second, the bars allow use of inventions that have entered the public domain, without fear that the inventor will later seek patent protection. Third, statutory bars prevent an inventor from delaying filing in order to extend the effective term of the patent. Fourth, the bars allow an inventor to determine whether an invention is a commercial success before filing the patent application. *Tone Brothers, Inc. v. Sysco Corp.*, 28 F.3d 1192, 1198 (Fed. Cir. 1994).

Since the statutory bars can render an invention unpatentable, it is important to understand the behaviors that are permissible and impermissible under each bar.

Patented or Described in a Printed Publication

The “patented or described in a printed publication” statutory bar comes into play when a printed description of the invention is released to the public anywhere in the world. In order to fully bar a patent, the printed description must completely disclose the invention. However, even a partial description can narrow the available scope of patent protection.

The word “printed” is interpreted broadly. Thus, the bar is triggered by documents stored on paper, electronic media or microfilm. *In re Wyer*, 655 F.2d 221, 226-27 (C.C.P.A. 1981). The word “publication” means that the printed document is freely available to the public. A single copy of a document distributed without restriction can trigger the bar. Documents that are shared under nondisclosure agreements (NDAs) are not publicly available and are unlikely to trigger this bar. However, care should be taken to ensure that such documents are marked “Confidential” and that the NDA is preserved for use as evidence.

In practical terms, documents distributed at trade shows, presented at conferences or posted on websites can bar patents on any inventions described by the documents. In fact, a single copy of a document, such as a college thesis, stored in a publicly accessible library anywhere in the world can bar a patent. Accordingly, care should be taken when distributing white papers, printed copies of presentations, marketing materials, and so on. At the least, the dates on which these documents first became available to the public should be recorded so that a patent application can be filed within one year.

In Public Use in the United States

Courts use a “totality of the circumstances” test to determine whether an activity constitutes a “public use” of an invention. In essence, this test allows a court to examine all the facts surrounding the possible use and decide, on the whole, whether the use was public. Given this legal test, an inventor should carefully consider whether any activities utilizing an invention might trigger the statutory bar.

A single use of an invention by a person other than the inventor, absent any obligation of secrecy to the inventor, can be a public use. *In re Smith*, 714 F.2d 1127, 1134 (Fed. Cir. 1983). Moreover, a use can be public even if the inner workings of the invention are not visible. Even a use or sale of a product manufactured using a secret process can be treated as a public use of that process. *Metallizing Eng'g Co. v. Kenyon Bearing & Autoparts Co.*, 153 F.2d 516, 520 (2nd Cir. 1946); *Woodland Trust v. Flowertree Nursery Inc.* 148 F.3d 1368, 1370-71 (Fed. Cir. 1998). Therefore, many common activities, such as

displaying a product at a trade show, using software to support a website or using a process in commercial manufacturing, can trigger the statutory bar for any inventions used in performing those activities.

However, an experimental use does not trigger the bar. Courts recognize that an inventor will often need to test an invention in its normal environment, and hold that such tests are not public uses. An inventor claiming that a use was experimental should ensure that the facts support this interpretation. For example, the length of the test period and number of tests should be comparable to tests conducted on similar inventions, detailed records should be kept on the progress of the test, the testers should not be required to pay for the privilege of using the invention and the test should be conducted in secret. *Tone Brothers*, 28 F.3d at 1200.

On Sale in the United States

An invention is placed on sale within the meaning of §102(b) when it is: (1) the subject of a commercial offer for sale,; and (2) ready for patenting. *Pfaff v. Wells Elecs., Inc.*, 525 U.S. 55, 67 (1998). Unlike the printed-publication and public-use statutory bars, the on-sale bar does not have a “public” component. Therefore, a sale that satisfies these two conditions triggers the statutory bar even if it was conducted in secret.

In general, an offer that the other party could make into a binding contract by simple acceptance constitutes an offer under §102(b). *Group One, Ltd. v. Hallmark Cards, Inc.*, 254 F.3d 1041, 1048 (Fed. Cir. 2001). In close cases, the court will look to the Uniform Commercial Code (“UCC”) for guidance. This reliance on the UCC means that the issue may turn on evidence of course of dealing between the parties or of customary practices in the industry. *Lacks Indus., Inc. v. McKechnie Vehicle Components USA, Inc.*, 322 F.3d 1335, 1348 (Fed. Cir. 2003).

An invention is ready for patenting if the inventor has reduced the invention to practice (*e.g.*, has made or implemented the invention). An invention is likewise ready for patenting if the inventor has “prepared drawings or other descriptions of the invention that were sufficiently specific to enable a person skilled in the art to practice the invention.” *Pfaff*, 525 U.S. at 67-68. In practical terms, the “ready for patenting” requirement means that an offer for sale cannot trigger the bar if the inventor has not yet fully conceived how to practice the invention.

Given these requirements, certain actions, such as placing a product containing the invention in retail stores, clearly trigger the on-sale bar. However, other activities, such as advertising a product not yet on the market or pre-announcing a product, might not constitute an offer for sale within the meaning of the law. Close situations will be decided under general contract principles as described by the UCC.

Foreign Patent Laws

Most countries other than the United States do not allow a one-year grace period. These countries have an absolute novelty requirement, meaning that a patent application must be filed before any enabling disclosure of the invention is made public. The specific legal definition of enabling disclosure varies somewhat from country to country. A cautious inventor interested in international protection should therefore file the United States patent application before taking any action that might trigger a statutory bar. The inventor can rely on the United States filing date in foreign countries as long as the foreign applications are filed within one year of the United States application. However, the converse is not true; an inventor cannot rely on a foreign filing date to avoid a §102(b) bar.

In sum, the most prudent course of action is to file a patent application before any public disclosure, use or offer to sell an invention. If early filing is not possible, the inventor should be aware of the events that trigger the start of the one-year grace period and notify his or her patent attorney of any possible issues. When the application is filed in time, the worth of the patent will depend on the technical merit of the invention, and not on a court's interpretation of events that may have occurred long ago.

Quick Updates

Male and Female Plates – Implied Licenses

The United States Court of Appeals for the Federal Circuit revitalized the “implied license” in the context of patent infringement in *Anton/Bauer, Inc. v. PAG, Ltd.*, 329 F.3d 1343 (Fed. Cir. 2003). The patent asserted by plaintiff Anton/Bauer claimed a combination of two connection plates for plugging a battery pack into a video camera. The “male” plate is attached to the battery; the “female” plate is attached to the camera. Anton/Bauer sold these plates separately; a purchaser could buy a camera with an Anton/Bauer female plate, and a battery pack with a male plate from another source.

Defendant PAG sells battery packs that have a male connection plate for use in combination with Anton/Bauer plates on cameras. Anton/Bauer filed suit and sought a preliminary injunction, alleging that the PAG battery plates infringed Anton/Bauer's patent when purchasers used PAG's plate to plug a battery pack into a camera. Because PAG itself does not make or sell the female plate and thus does not make or sell the patented combination, Anton/Bauer accused PAG of contributory infringement and inducement of infringement, with the underlying direct infringement committed by customers who used PAG's battery pack plate in combination with an Anton/Bauer female plate on a video camera. The district court agreed and granted Anton/Bauer's request for a preliminary injunction.

The Federal Circuit reversed, holding that Anton/Bauer's sale of female plates created an implied license for purchasers of those plates to practice the invention claimed in the asserted patent. The court stated that a patentee "grants an implied license to a purchaser when (1) the patentee sells an article that has no noninfringing uses, and (2) the circumstances of the sale plainly indicate that the grant of a license should be inferred." The court determined that the Anton/Bauer female plate could only be used in the patented combination (and thus has no noninfringing uses) and found no evidence that Anton/Bauer placed any restrictions on the sale or use of those plates.

Thus, "Anton/Bauer's unrestricted sale of its female plate, useful only in performing the claimed combination, plainly indicates that the grant of a license to practice the invention should be inferred." Since the purchasers of the plates had an implied license to practice the claimed invention, there could be no underlying direct infringement upon which to base Anton/Bauer's allegations of contributory infringement or inducement of infringement by PAG.

The Federal Circuit did leave one issue open concerning the implied license defense. The court expressly declined to decide whether "the grant of a license to practice a patented combination may be inferred from the sale of any part (no matter how minor) of the combination."

A Search for the Danube and its Tributaries: Questioning the Use of the Lanham Act to Protect Public Domain Works

In *Dastar Corp. v. Twentieth Century Fox Film Corp.* 123 S. Ct. 2041 (2003), the United States Supreme Court effectively shattered Fox's hope that it could use the "reverse passing off" provision in Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), to protect *Crusade in Europe*, a Fox television series that had fallen into the public domain in 1977. In 1995, Dastar copied and edited Fox's *Crusade* series, added new material and packaged the entire work as a new video set entitled *World War II Campaigns in Europe*. Dastar sold the work under its own name, without mentioning Fox or the *Crusade* television series. In 1998, Fox sued Dastar, claiming that Dastar's failure to credit Fox's earlier public domain work amounted to a "reverse passing off" under Section 43(a) of the Lanham Act, which creates a legal remedy for "a false designation of origin, or any false description or representation."

Looking at the plain meaning of the word "origin" in Section 43(a), the court concluded that the word "origin" could mean only the source of the goods and did not mean the source of the "ideas, concepts, or communications" underlying the goods. Because Dastar was the actual manufacturer and Fox only the source of the "ideas, concepts, or communications" behind the video, the court held that Fox had no effective Section 43(a) claim against Dastar.

The court cited a number of public policy reasons in support of its plain meaning interpretation of Section 43(a). It pointed out that an undue extension of the Lanham Act would render the limited duration of copyright protection meaningless. It also stated that any attribution requirement would, by its nature, be unworkable — if one source had to be cited, all sources had to be cited, and in many cases, given the number of potential sources, the possibility of any person’s finding and citing them all would be marginally low. In addition, the court also found that an attribution requirement would lead to a “Catch-22” situation, since the Lanham Act punishes both those who fail to properly credit and those who credit without authorization.

Finally, the court suggested that Fox might have been partially at fault in this case. Fox could have protected its work quite easily under copyright if it had renewed the copyright in the work, but it had failed to do so. The court was not willing to extend the Lanham Act to cover Fox’s own mistake and therefore ultimately reversed the ruling of the Ninth Circuit and decided in Dastar’s favor.

Migration to wWindows Goes South for Licensee

In *McRoberts Software, Inc. v. Media 100, Inc.*, the United States Court of Appeals for the Seventh Circuit upheld the jury’s determination that the licensee was liable for copyright infringement by creating a Windows-compatible version of a software program that was, according to the jury, licensed for use only on Macintosh computers. 2003 U.S. App. LEXIS 9197 (7th Cir. May 14, 2003).

In 1992, McRoberts Software, Inc., (MSI) developed a Macintosh-based computer software program for character-generation called Comet/CG. Previously, specialized character-generation hardware was used to place text over video and audio (*e.g.* in television ads and movie credits). This software provided the same functionality as specialized hardware, but with substantial cost savings.

Media 100 had been manufacturing such character-generation hardware but turned to MSI when it decided to enter the personal computer market. Media 100 entered into a 1995 agreement with MSI to license Comet/CG for use with its personal video editing boards. The license allowed Media 100 to modify the Comet/CG source code and copy and distribute executable code versions of the software “when integrated with . . . Media 100 hardware.”

Initially, Media 100 had designed its editing boards to function only on Macintosh computers, using the NuBus interface. As the market began to tip toward Windows-compatible products, Media 100 developed a new editing board based on the PCI bus architecture. MSI was aware of this development during the parties’ negotiations for the 1995 license, but the bundled video editing software, including Comet/CG, still operated only on Macintosh machines.

A dispute arose between the parties in 1998 when Media 100 paid a third-party software developer \$3.2M to translate the Comet/CG source code into a Windows-compatible program and began selling Windows-compatible video editing systems. According to MSI, Media 100 was licensed to incorporate the Comet/CG software into only its Macintosh-compatible product line. MSI contended that Media 100 committed copyright infringement by exceeding the scope of the license.

The crux of the dispute turned on the interpretation of the phrase “Media 100 hardware,” which delineated the scope of the license. Although the district court judge found that the agreement permitted Media 100 to modify the Comet/CG source code and generate and distribute executable versions of such modified software, he found that the scope of the license was ambiguous. At trial, the parties submitted the question of interpretation to the jury, which resolved the ambiguity in favor of MSI.

On appeal, Media 100 argued that it was entitled to judgment as a matter of law based on the plain language of the 1995 agreement and testimony showing that MSI knew that Media 100 might want to develop and sell Windows-compatible hardware. The appeals court found that Media 100 failed to show how the evidence could support only its interpretation of the agreement. Among other things, the panel pointed to record evidence of MSI’s past licensing agreements with Media 100 and other hardware companies, and the fact that Media 100 paid approximately the same amount of money for its 1995 license as it had for earlier licenses — which was incongruous with Media 100’s position that the 1995 agreement had much greater scope. When faced with two permissible, conflicting interpretations, the jury was entitled to resolve the ambiguity in favor of MSI because there was a reasonable basis to conclude that the 1995 license limited Media 100’s use of the Comet/CG software to Macintosh-compatible hardware only.

“Burdens for Trade Secrets”

Under California’s Uniform Trade Secrets Act, “improper means,” the *sine qua non* of trade secret misappropriation, by definition excludes any reverse engineering or independent development activity. The California Court of Appeal in *Sargent Fletcher, Inc. v. Able Corp.*, No. B145831 (Cal. Ct. App. Aug. 7, 2003) questioned who in a trade secrets case has the burden of proof with respect to the assertion that reverse engineering or independent development was employed solely to create the challenged product. The court concluded that the plaintiff bears the burden of proof because this assertion is *not* an affirmative defense that the defendant must prove. Rather, it falls upon the plaintiff, as part of its *prima facie* case of misappropriation, to establish that the defendant used “improper means” rather than reverse engineering or independent development.

Sargent Fletcher involved the defendant’s development of a new in-flight aircraft refueling system. The plaintiff claimed that the defendant developed this system using

the plaintiff's trade secrets, to which the defendant had had access as a result of a prior teaming relationship between the parties on a government contract for such a system. The defendant argued in defense that it had not used any of the plaintiff's secrets but had in fact independently developed and reverse engineered the refueling system. At trial, the defendant presented rebuttal evidence of its independent development and reverse engineering.

The California Court of Appeal held that the trial court did not err in refusing to instruct the jury that the defendant had the burden of proving independent development and reverse engineering. The *burden of proof* on the issue — whether the defendant had used “improper means” — remained with the plaintiff throughout the case. The *burden of producing evidence* on this issue shifts to the defendant when the plaintiff produces sufficient evidence to make a *prima facie* showing of misappropriation. At that point, the defendant must refute the element of use through improper means with evidence or else run the risk of possibly having judgment entered in the plaintiff's favor.

Intellectual Property Bulletin Editorial Staff

Summer 2003

Editor

Brian M. Hoffman

Assistant Editors

Jeffrey Brill

Jennifer Stanley

Article Contributors

Connie L. Ellerbach

Brian M. Hoffman

Update Contributors

Christopher Joslyn

Michael Sacksteder

Tu T. Tsao

Henry C. Su