



Intellectual Property

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Trademarks on a Shoestring for Start-Ups

BY R. J. HEHER

Start-ups, seeking to limit or avoid attorneys' fees and costs to select and protect trademarks, can take early, inexpensive, but expedient actions to protect their rights in the initially fragile asset that could become their most valuable intellectual property. Although many start-ups, mindful of tight budgets, close their eyes and cross their fingers when taking no action or ineffective actions to clear and protect the name that will identify their company and its primary products, it need not be that way. This article provides practical advice to start-ups that will help reduce the risk and uncertainty of selecting a mark, while creating protectable rights with limited initial expenses and deferral of more expensive actions.

There are four steps that every start-up should take:

1. Investigate the primary trademark to be adopted using the self-help suggestions provided in this article to avoid infringing upon someone else's rights. To preserve objectivity when the inevitable conflicts arise, do not fall in love with a single name or mark. Complete the investigations at the business plan stage. Do not wait until the eve of launch. Waiting increases the exposure to risk of conflicts and to attorneys' fees should a conflict develop immediately prior to or soon after launch.
2. File in the United States Patent and Trademark Office an application to register the selected mark in connection with core products and/or services. Defer filing applications for related, but not core, goods and services. This will establish constructive trademark usage priority and create rights against those who later start using or file applications to register a similar mark for related goods and services. In the United States, priority in trademark rights is created either by a mark's use to identify a product shipped or sold or a service rendered (not when the company name is first used), or by the date a federal application is filed claiming an intent to use the mark in the future.
3. Engage a watching service to provide notice of the filing of applications to register the same or similar marks for related goods or services. These services typically cost less than \$300/year. See, e.g., www.thomson-thomson.com. With this notice, a start-up can demand abandonment of competing applications and that fledgling use stop. It is more likely that third parties can be convinced to cease use before significant investment.
4. After taking these relatively inexpensive but crucial early steps, and after the company's business is launched and cash flow more certain, engage an experienced trademark attorney to evaluate the strength of trademark rights at that time and recommend actions to maintain and augment them.

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In the United States, the first user of a mark has exclusive rights to its ownership and can stop others from using confusingly similar marks to identify related goods or services. The first user can stop subsequent users by showing a likelihood of confusion among prospective customers. No actual confusion need be shown. A likelihood of confusion can exist when similar marks (not merely identical ones) are used to identify related (not merely competitive) goods and services.

Absent a search to identify potentially conflicting prior users of similar marks, there exists substantial exposure to risk and uncertainty as to marketplace rights. A second user could spend substantial sums in promoting its new mark among prospective customers, develop valuable goodwill, and then face a demand from a prior user to stop using its mark. This can happen many months or years after launch. Any change in a mark at this point is usually disruptive and often creates public relations problems with shareholders, investors, customers and other stakeholders. Even the successful defense of a trademark infringement suit would be very expensive.

Since the perils of failing to search can be draconian, why do so many start-ups often fail to do it? Cost. But start-ups can conduct a “quick and dirty” search without an attorney. Indeed, given the breadth of information available through web and online searching alone, it is foolhardy to incur the exposure and uncertainty created by inadequate investigation.

Create a short list of potential mark candidates. (It is rare that a single favorite mark can be cleared for use, registration and protection.) First, determine whether another party is seeking to register an identical or virtually identical mark for competitive or related goods or services in the United States Patent and Trademark Office. Go to www.uspto.gov, click on Trademarks and Search Trademarks. Select New User Form Search (Basic) and enter the mark candidates in the Search Term box. A list of “active” and “dead” files will be revealed. Determine whether the active files are for arguably related goods and services. Rank the results for each mark candidate by degree of potential risk.

As a second step, determine whether mark candidates are available as Internet domain names. There are numerous, albeit not comprehensive, ways to learn this information, one of which is www.netsol.com. Click on WHOIS. If the domain name is unavailable, note that as a potential risk. If the registered domain name is associated with an active

website, determine whether the domain name is used as a trademark and to identify arguably related goods and services. If arguably related, there is risk in using it. If available, make a note to obtain the most relevant domain name variations as soon as a decision is made to adopt a trademark.

Third, search the web and other online sources. If the mark candidate is a real word such searching will be difficult, as trademark use will be buried among a haystack of irrelevant nontrademark usage. Start with www.google.com. Normally it is not necessary to go further, but web information can be augmented by other search engines, including www.ask.com, www.yahoo.com, www.dogpile.com and www.altavista.com. Web information is often inconclusive and further investigation is warranted, such as to determine whether a company using a mark candidate as its trade name is still in business and actively using the trade name as a trademark. Try www.hooversonline.com, which links to an inexpensive basic D&B report, www.infobel.com, www.whowhere.com (for yellow pages listings) and www.bigbook.com (which permits searching by product, brand, service and telephone number).

In conducting the investigations, do not assume that because a conflicting prior use is not competitive that confusion will be found unlikely. The touchstone is relatedness of goods and services (not whether they are competitive) and similarity of the respective marks (not whether the marks are identical). If marks are identical or very similar, goods and services identified by the mark must be much more remote and unrelated for potential customers not to think there is an association between the companies’ goods and services when there is none. Conversely, if the respective goods and services are competitive, the marks must be almost totally dissimilar to avoid confusion. These are the judgments that experienced trademark attorneys make based upon search report results. Therefore, lacking this experience, start-ups are well advised to adopt a mark that is totally dissimilar from those in use for arguably related goods and/or services. A court will enjoin use of a start-up’s new mark if it concludes that an appreciable number of consumers are likely to associate the mark with the goods or services identified by a prior similar mark when no such association exists.

Immediately upon selection of a mark, reserve it as a company name in the Secretary of State’s office in the state of intended creation for a temporary period (usually 30 to 60 days) for a nominal fee and file an application to register

the mark in the United States Patent and Trademark Office. Do not delay filing the federal trademark application. As mentioned, the filing date itself creates significant rights in the United States and potentially significant rights worldwide if applications are filed in foreign jurisdictions within six months of the U.S. filing date.

U.S. trademark registration provides an owner potential nationwide priority throughout the United States from the date of filing of the federal application. This is a significant advantage to expanding companies whose rights of use may be limited in the early stages to relatively small geographic or product markets. A registered owner can expand unmolested into new markets because any use by another of a confusingly similar mark, begun after the owner's application is filed, could be enjoined.

Federal registration also freezes in its small market any competitive use of a confusingly similar mark predating the filing of the start-up's federal application. Thus, the filing of an application while the investigation research is fresh provides significant marketing and planning certainties. After nailing down its claim in the United States, a start-up can then plan its launch with greater confidence that no third parties will seek to stop use of the new mark.

A trademark application can be filed without an attorney for the filing fee of \$335 per class. There are few mistakes that can be made in a trademark application that are fatal. One of those mistakes is to fail to properly identify the correct owner of the application. If the correct owner is not identified the application is considered void and cannot be amended thereafter.

Special care should be given to the recitation of goods or of services to be identified by the mark. The ultimate trademark registration is only as broad as the products and services listed in the application. The Trademark Office rule is that the initial recitation cannot be broadened and can only be narrowed. Therefore, there are incentives to draft the recitations as broadly as possible. However, there is a countervailing Trademark Office rule that recitations may not be overly broad and indefinite.

The solution to this apparent dilemma is to draft two recitations for the same products and services, one that is broad (and that can be amended later) and another that meets the Trademark Office rule of definiteness. So, for example, with respect to computer software, the goods might be recited as "computer software" and also

as "computer software used in conjunction with global positioning technology to precisely operate and control machinery, mobile vehicles and apparatus." Visit www.uspto.gov/main/trademarks.htm and click on Acceptable Identification of Goods and Services Manual. Choose the Goods/Service field and type in key search terms, such as "computer software," and a list of possible acceptable recitations will be provided.

The Trademark Office categorizes goods and services into an international classification system and charges \$335 per class. Therefore, to reduce costs, an expedient strategy is to file for the company's crucial goods or crucial services and leave to a later date the filing of additional applications for related goods and services. In this way, the start-up stakes its priority claim for its most crucial goods and services at very little expense and defers more significant costs to perfect and augment its trademark rights.

Once an application is filed, the trademark priority date is established so long as the application ultimately ripens to registration. Normally, registration of a mark takes 18–24 months while the application is examined by the Trademark Office. However, after filing and following sufficient investigation, a start-up can make its marketing and launch plans with greater confidence that its right to use and own exclusively its trademark is reasonably protected.

Circuit Courts Narrow the Reach of the DMCA's Anti-Circumvention Provisions

BY COLLEEN V. CHIEN

Introduction

The Digital Millennium Copyright Act ("DMCA") was enacted in 1998 to keep copyright law current with technological advances in the proliferation, distribution and control of copyrighted works. As copyright holders resorted to technological "self-help" to prevent the promise of the Internet and of digital works from undermining their control of the copying and distribution of digitized content, they understood that legal backup was needed to discourage technical adepts from bypassing their protections. Enter the DMCA, whose provisions outlaw the defeat or "circumvention" of technologies that control access to copyrighted works or otherwise protect a right of the copyright owner. Although designed with digital works such as CDs and DVDs in mind, in practice, the reach of the statute has proven much broader. As asserted by some

plaintiffs and interpreted by some district courts, the anti-circumvention provisions extended to everyday household items such as printers and impacted not just copying but also the ability of add-on and after-market products or replacement parts (e.g. printer cartridges) to work with such items. So far, criticisms of these applications of the DMCA as overreaching and anti-competitive have mostly fallen on the deaf ears of the court. That is, until the Sixth Circuit issued its decision in *Lexmark Int'l v. Static Control Components*, 6th Cir. 03-5400 (Oct. 2004) and the Federal Circuit its decision in *Chamberlain Group, Inc. v. Skylink Technologies, Inc.*, Fed. Cir. 04-1118 (Aug. 2004). In each case, the circuit court upheld the legality of so-called interoperable technologies sold by makers other than the original manufacturer. In so doing, this pair of decisions reverses a lower court trend of finding such technologies prohibited by the anti-circumvention provisions of the DMCA.

At stake in both cases were products sold for downstream use with household items. The *Lexmark* case involved printers manufactured by Lexmark and third-party printer cartridges sold for use with the Lexmark printers, and equipped with a technology supplied by defendant Static Control. Lexmark sold its own printer cartridges containing a proprietary software program called the Toner Loading Program. Static Control sold microchips that included a copy of the program in order to make cartridges made by third parties interoperable with Lexmark printers. Lexmark sued, alleging copyright infringement of the Toner Loading Program and asserting that Lexmark's products were designed to bypass or circumvent access controls on the Lexmark's software programs, in violation of the DMCA.

In *Chamberlain*, defendant Skylink made garage door openers for use with garage door systems manufactured by Chamberlain. Each Chamberlain system contained a secret and changing "rolling" code without which would-be burglars or intruders could supposedly use receivers equipped with "code grabbers" to allow them to open garage doors. Skylink's universal garage door opener included software that mimicked a resynchronization sequence that allowed it to access and carry out garage door functions on the Chamberlain system. Chamberlain alleged that Skylink's opener violated the DMCA by bypassing the authentication scheme between its opener and its garage door system.

While both circuit courts rejected these claims of liability, each relied on different reasoning. The Sixth Circuit's analysis hinged on its finding that the Toner

Loading Program, primarily functional in nature, was not copyrightable expression. This precluded any finding of copyright infringement, much less circumvention of a measure to protect a copyrighted work. The Federal Circuit, on the other hand, ruled that buyers of Skylink's garage door openers had the right to use them with their Chamberlain garage door systems, and that therefore their use was not "unauthorized" in a manner that created liability under the DMCA.

Discussion of Sixth Circuit Decision

As set forth in 17 U.S.C. § 102(a), "original works of authorship fixed in any tangible medium of expression" are entitled to copyright protection. However, "any idea, procedure, process, system, method of operation, concept, principle, or discovery," is ineligible for protection, belonging to the realm of patent, rather than copyright, protection. At issue in *Lexmark* was the copyrightability of Lexmark's Toner Loading Program, a 55-byte code sequence included in Lexmark's toner cartridges. Written in simple language, the program served two primary purposes — to detect the level of toner available at a given time, and to perform part of an authentication sequence with the printer to verify that the cartridge had been authorized to be used with the printer. The lower court, in granting a preliminary injunction to Lexmark, had ruled that the program likely contained the requisite amount of expressive content because its functions could be expressed in a number of different ways.

The Sixth Circuit ruled that the lower court had applied the wrong standard for determining whether or not the Toner Loading Program was copyrightable. It ruled that the determination hinged not on the theoretical possibility of alternate forms of expression, but on whether alternate forms were feasible taking into account the practical aspects of "functionality, compatibility and efficiency demanded of the program." The court then engaged in a highly fact-specific analysis to support its conclusion that the program was not copyrightable. In this case, Static Control's expert testified that content of the Toner Loading Program was largely dictated by size, programming language and efficiency concerns. Moreover, the program functioned as a nonexpressive, utilitarian lock-out code, the court concluded, in that the cartridge would not function normally without the correct input, provided by the program, to a checksum operation.

Although the court's finding that the program was not copyrightable disposed of most of Lexmark's claims at

the preliminary injunction stage, the Sixth Circuit went on to comment on two other aspects of the lower court opinion. First, it ruled that if needed, a fair use defense might be available to Static Control, based on the lack of a market for and therefore a lack of an impact on the market for the Toner Loading Program. Second, it ruled that the DMCA provisions were inapplicable to another software program, Lexmark's Printer Engine Program, because the authentication sequence used by the Printer Engine Program did not "control access" to the program as required by the statute. It reached this conclusion based on the finding that the program could be freely accessed by owners of Lexmark printers.

Discussion of Federal Circuit Decision

The core anti-circumvention provision of the DMCA, in 17 U.S.C. § 1201(a)(2), provides in relevant part that "No person shall manufacture, import, offer to the public, provide, or otherwise traffic in any technology, product, service, device, component, or part thereof, that is primarily designed or produced for the purpose of circumventing a technological measure that effectively controls access to a [copyrighted] work."

Section 1201(a)(2) defines "circumvent a technological measure" to mean to "bypass a technological measure, without the authority of the copyright owner." In *Skylink*, Chamberlain asserted that Skylink had violated this provision by manufacturing a device for "circumventing" the rolling code and accessing the Chamberlain system. The copyrighted work was computer logic in the Chamberlain system responsible for opening and closing the garage door. Although the copyrightability of the computer logic was not questioned as it was in *Lexmark*, which issued weeks after the *Skylink* decision, the Federal Circuit ruled that no infringement had taken place.

The Federal Circuit strongly disagreed with Chamberlain's construction. The court began with the premise that the DMCA did not create new property rights for copyright holders, but only causes of action for liability. This premise was borne out by the language and history of the statute. For example, the court noted, copyright infringement requires only two elements: a valid copyright interest and copying. The burden is on the copyist to prove that the copying was authorized. In contrast, proving circumvention requires more, and the burden is on the copyright holder. Section 1201(a)(2)'s definition of circumvention itself includes the requirement that the bypassing activity be "without the authority of the copyright owner." This means

that in order to make a prima facie case, a copyright holder has to prove not only that access occurred, but also that it was unauthorized.

Based on the facts before it, the court ruled, Chamberlain could not meet this burden. Not only did it sell its garage door systems without restriction as to the use of other openers, but also there was a longstanding industry practice of marketing universal transmitters. Even though Skylink's device bypassed the rolling code that protected access to the operational software of the garage door opener, consumers were within their rights to access this software in this alternative way, in the absence of any prohibition from Chamberlain. In an intriguing but ambiguous part of the decision, the Federal Circuit suggested that it might be beyond the power of the copyright holder to revoke authorization in such contexts.

The court went on to make a second holding that addressed the relationship between the different rights conferred by the DMCA and copyright law. The court began by warning that "Chamberlain's proposed construction would allow any manufacturer of any product to add a single copyrighted sentence or software fragment to its product, wrap the copyrighted material in a trivial 'encryption' scheme, and thereby gain the right to restrict consumers' rights to use its products in conjunction with competing products." This construction of the DMCA "would allow virtually any company to attempt to leverage its sales into aftermarket monopolies."

The Federal Circuit noted, however, that in the statute the concept of "access" was intertwined with copyright "protection," and reasoned that only "forms of access that bear a *reasonable relationship* to the protections of the Copyright Act" (emphasis added) could give rise to liability. That is, "defendants whose circumvention devices do not facilitate [copyright] infringement are not subject to §1201 liability." The court held that Chamberlain had failed to prove this prong because Chamberlain had not proven that any copies had been made during the process of "cracking" the Chamberlain code.

Conclusion

These decisions are significant for at least two reasons. First, they represent the first time that the appellate courts have weighed in on the controversial application of the DMCA's anti-circumvention provisions to interoperable, after-market technologies. In their joint affirmation of the legality of such technologies, the Sixth and Federal Circuits

likely will chill the bringing of such suits in the future. Second, the decisions, whose outcomes hinged significantly on the technical facts at stake, emphasize the importance of aligning legal and engineering strategies in this arena. For promulgators of interoperable technologies, the importance of a lack of copying of the copyrighted code in *Lexmark* is instructive. If engineers can avoid making copies of code when they devise solutions for accessing operational software, they may be able to similarly avoid liability. Copyright holders, on the other hand, would be well-served by a close reading of the Sixth Circuit's decision in *Lexmark*. No doubt the court's highly fact-specific analysis of the characteristics of the Toner Loading Program will provide a challenge to programmers to come up with more expressive and potentially protectable code sequences in the future.

Quick Updates

Website Printouts Now Acceptable Trademark Specimens for Goods

Trademark applicants may now submit website printouts as acceptable specimens of use for goods, as well as services, according to a recent decision issued by the Trademark Trial and Appeal Board (TTAB). This decision, *In re Dell*, 71 USPQ2d 1725 (TTAB 2004), reverses the previous position of the United States Patent and Trademark Office (USPTO), which had, up to this point, rejected website printouts as inappropriate specimens for goods (except for certain limited cases such as downloadable software, where the website constituted the sole vehicle for accessing the good).

The USPTO had based its position on the requirements of Trademark Rule Section 2.56, which states that a trademark applicant must submit a specimen showing "the mark as used on or in connection with the goods." According to this rule, a specimen is a "label, tag, or container for the goods, or display associated with the goods." Past decisions had interpreted "display associated with the goods" to include point-of-sale material like banners and shelf-talkers, but not to include materials that constituted mere advertising.

In the case of *In re Dell*, the applicant, Dell, Inc., had submitted a website printout of its "Product Highlights" page displaying its product and the applied-for mark. Dell argued that this printout was acceptable as a specimen because it was a "display associated with the goods." The USPTO disagreed, and rejected the printout because it considered the printout to be mere advertising.

The TTAB reversed the decision of the USPTO. Analogizing it to the catalogs in *Lands' End v. Manbeck*, 797 F.Supp. 511 (E.D. Va. 1992) and the trade show sales counter in *In re Shipley Co.*, 230 USPQ 691 (TTAB 1986), the TTAB concluded that if a website actually displayed the product and provided a means for ordering the product, then the website would constitute a "display associated with the goods" and would not be mere advertising, even if the website itself was an online catalog. It pointed out that in today's market, many companies sold products online, and it would not be possible for such companies to use the usual physical banners and shelf-talkers to draw in online customers. Instead, these customers would naturally use the website to provide point-of-sale information to potential customers. The website printout submitted by Dell showed the product and encouraged customers to buy "Buy Online" through a "Customize It" button, consequently the TTAB considered the printout to be an acceptable specimen of use.

Trade Secret Disclosure — Consequences of an Issued Patent

What are the risks in disclosing company trade secrets to a competitor in anticipation of a joint enterprise? On-Line Technologies recently learned the answer to this question first-hand, in reference to its long-path gas cell technology used in infrared spectrometers to determine the composition of gases by directing a beam of infrared light through a gas and measuring the absorption of light.

Pursuant to a nondisclosure agreement, On-Line had revealed its gas cell design to Perkin-Elmer, anticipating a business agreement between the companies. On-line alleged that Perkin-Elmer copied what it had learned and incorporated this into a Perkin-Elmer product, instead of pursuing a joint enterprise. On-Line sued Perkin-Elmer for misappropriation of trade secrets and other issues. The United States Court of Appeals for the Federal Circuit recently affirmed the district court's grant of summary judgment regarding On-Line's misappropriation claim.

On-Line alleged that Perkin-Elmer had misappropriated confidential information relating to the design of On-Line's long-path gas cell, and the Norton Igniter infrared light source and mirror assembly for producing the infrared beam in the spectrometer.

With regard to the gas cell, the court found that On-Line failed to prove actionable misappropriation because the trade secret at issue was disclosed in On-Line's patent. Once a patent issues, the "information contained within it is ordinarily regarded as public and not subject to protection

as a trade secret.” Under the parties’ nondisclosure agreement, the confidentiality requirement did not apply to information that became publicly available, so On-Line could only claim misappropriation of information that was not disclosed in its patent.

The court also held that On-Line failed to provide evidence that Perkin-Elmer had improperly used information relating to the gas cell *prior to* the issuance of the patent. On-Line only showed evidence that Perkin-Elmer had evaluated the technology it was considering buying. These general characterizations of Perkin-Elmer’s conduct did not satisfy the requirement to “point to specific evidence sufficient to create a disputed issue of material fact.” The court also rejected the argument that Perkin-Elmer’s testing of On-Line’s gas cell during the period covered by the nondisclosure agreement violated the agreement. On-Line merely showed that Perkin-Elmer “tested and evaluated that technology, which was conduct contemplated by the nondisclosure agreement.”

With regard to the Norton Igniter, On-Line asserted that Perkin-Elmer learned of the igniter during its visits to On-Line’s facility and used that information to produce the Perkin-Elmer gas cell using the same igniter. However, Perkin-Elmer claimed to have learned of the Norton igniter independently, and the court also found that use of Norton igniters in spectrometers was mentioned in a prior art reference.

On-Line further argued that Perkin-Elmer misappropriated a trade secret when it incorporated into its product a mirror assembly similar to the one that On-Line had developed. On-Line’s expert stated that Perkin-Elmer had copied this technology. However, the court found that the expert failed to cite any evidence to support that assertion.

Damages for Nonexclusive Patent Licenses and Corporate Affiliates

The United States Court of Appeals for the Federal Circuit recently issued an opinion that serves as a warning for patent owners to be very careful about the corporate structure employed to exploit a patented technology. In *Poly-America v. GSE Lining Technology*, 383 F. Cir. 1303 (Fed. Cir. 2004), the Federal Circuit addressed the question of whether a patent owner can recover damages for profits lost by the patent owner’s corporate affiliate, when the affiliate is a nonexclusive licensee of the patents-in-suit. The answer to that question was no.

Plaintiff Poly-America nonexclusively licensed its two patents relating to plastic landfill liners to its sister corporation Poly-Flex. Poly-America owned the patents but apparently did not sell any product in competition with the infringing product of defendant GSE Lining Technology. Poly-Flex sold a product in competition with GSE’s infringing product, but did not own or exclusively license the infringed patents. The license between Poly-America and Poly-Flex granted Poly-Flex the “right of enforcement for claims for past damages” resulting from infringement of the patents, and Poly-Flex had assigned that right back to Poly-America. For that reason, the jury was permitted to consider Poly-Flex’s lost profits in determining damages to Poly-America, and the district court denied GSE’s motion for a new trial on the issue of damages.

The Federal Circuit, however, reversed the district court on this issue, stating that the mere fact that the two corporate affiliates shared interests in collaborating in the manufacture and sale of landfill liners “by itself is not sufficient to permit Poly-America to claim Poly-Flex’s lost profits from Poly-Flex’s lost sales.” The two corporate entities “may not enjoy the advantages of their separate corporate structure and, at the same time, avoid the consequential limitations of that structure.” In short, while Poly-America “may have the right to sue under its patents, both as an owner and as a back-licensee, it can recover only its own lost profits, not Poly-Flex’s.”

Nor was the license agreement and assignment of damages between Poly-America and Poly-Flex sufficient to support Poly-America’s attempt to recover those lost profits. The Federal Circuit has long held that a licensee generally may not sue for damages unless it has exclusive rights to the patent-in-suit, including the right to sue. Because Poly-Flex had only obtained a “bare,” nonexclusive license, it had “no entitlement under the patent statutes to itself collect lost profits damages for any losses it incurred due to infringement.” Even though parties to a patent license, such as Poly-America and Poly-Flex, may allocate the disposition of infringement damages between themselves, they “cannot create lost profits for a patentee if there are none.” Accordingly, the court held that awarding Poly-America damages for Poly-Flex’s lost sales would impermissibly “synthetically create lost profits for Poly-America, when it may not have suffered any.”



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