

# Bright Ideas

A publication of the Intellectual Property Law Section  
of the New York State Bar Association



## Message from the Chair

Looking back at the past year in intellectual property law, it should be dubbed the "Year of the Courts." Despite the daily rhetoric about patent reform by Congress and the Patent and Trademark Office (PTO), other than with respect to the sweeping changes in Trademark Trial and Approval Board (TTAB) practice, it was the courts that stole center stage in framing the future of intellectual property. Once again flexing its muscle in patent cases, the Supreme Court ruled that a licensee can file a declaratory judgment action without first breaching or terminating a license (*MedImmune v. Genentech*); limited the extraterritorial nature of patents and the damages that can be awarded under section 271(f) of the Patent Act (*Microsoft v. AT&T*); and rejected the "teaching, suggestion and motivation" test for determining obviousness (*KSR v. Teleflex*). In *In re Seagate Technology*, the CAFC appeared to have heeded the Supreme Court's message to rein in the rights of patent holders by raising the standard for enhanced damages from negligence to "objectively reckless" behavior. Then, on Halloween, the Eastern District of Virginia granted a preliminary injunction prohibiting the PTO from putting into effect the patent rules on continuations and claims that were scheduled to go into effect November 1.

Thanks in part to the Second Circuit, the year was not all about patent law. In March, the Second Circuit held in *ITC Ltd. v. Punchgini* that fame acquired by use of a trademark in another country cannot be a basis for asserting trademark rights in the United States. Although the decision caused a split between the Second and Ninth Circuits, the Supreme Court denied certiorari on October 1, 2007.



Debra I. Resnick

This fall, in *Davis v. Blige*, the Second Circuit held that a copyright infringement action by the co-author of a song could not "be defeated by the 'retroactive' transfer of copyright ownership from another co-author to an alleged infringer." As retroactive transfers are *de rigueur* in the music industry, the Second Circuit's decision is likely to have dramatic implications on businesses dealing with copyrighted works.

The ever-changing intellectual property legal landscape certainly keeps attorneys on their toes and provided ample topics for the Section's upcoming Annual Meeting. I, along with Tamara Carmichael, are the co-chairs of the Annual Meeting, which will be held on January 29, 2008 at the Marriott Marquis hotel in New York City. With all due modesty, we have assembled a fantastic slate of presentations on: intellectual property criminalization, lessons learned and industry perspectives from recent

## Inside

The Evolution of the Fraud Doctrine in the Trademark Office: <i>Medinol</i> and Its Progeny . . . . .	3
(Linda K. McLeod and Timothy A. Lemper)	
Taking the Profit Out of Trademark Counterfeiting . . . . .	12
(Peter A. Crusco)	
IP Rights and Licenses Within Virtual Worlds: Second Life . . . . .	15
(Francis X. Taney, Jr.)	
Annual Meeting Program . . . . .	20
Scenes from the Intellectual Property Law Section's Fall Meeting . . . . .	22
Annual Law Student Writing Competition . . . . .	26
Trade Winds . . . . .	27
Section Membership Application . . . . .	28
Committee Assignment Request . . . . .	29
Section Committees and Chairs . . . . .	30

patent-law decisions, post-mortem rights of publicity, the ethics of competitive intelligence and pretexting, TTAB and proposed Patent Office rules, and legal and business objectives in establishing a global brand. Judge Randall R. Rader, Circuit Judge on the United States Court of Appeals for the Federal Circuit, will speak on a panel addressing intellectual property issues in India. As always, the attendees can catch up with colleagues and network at the cocktail reception following the 7.5 CLE credit program. Save the date!

The Section held its Fall Meeting this past October at The Sagamore on Lake George. Although it was a struggle to remain indoors when the temperature was in the upper 70s, from Judge Peck's insights on electronic discovery at the beginning of the program through the fascinating program on IP in virtual worlds at the end, co-chairs Joyce Creidy and Paul Fakler created a meeting that kept the attendees asking questions well after the sessions ended. As can be seen from the photo spread in this issue, spending time together during Casino Night, on the boat ride around Lake George, and at Mr. Brown's Pub while the Yankees (unfortunately not the Mets) played postseason ball, provided additional opportunities to bond after the days' educational programming.

Credit for this meeting must be given to Joyce and Paul, and, of course, to Cathy Teeter and Pat Stockli at the NYSBA. We also want to thank our sponsors: FTI Consulting, Thomson CompuMark, Moses & Singer LLP, Fross Zelnick Lehrman & Zissu, P.C., and Trademark Associates of New York, Ltd. Due to their generosity, our Section has the ability to continue its tradition of providing unparalleled programming at a reduced cost to the membership.

Programming aside, I am most proud that our Section's Executive Committee approved a \$15,000 gift to the New York Bar Foundation, which is dedicated to aiding educational, direct legal services, and charitable projects aimed at meeting the law-related needs of the public and the profession. Details of the gift are being worked out, but this gift, along with the programs currently being implemented by our Pro Bono and Public Interest Committee, go a long way toward fulfilling personal and stated charitable intentions of our Section.

I hope to see you all at the Annual Meeting. Should you have any questions or comments, please contact me at [debra.resnick@fticonsulting.com](mailto:debra.resnick@fticonsulting.com).

**Debra I. Resnick**

## **JANUARY 2008**

### **REPORT OF THE NOMINATING COMMITTEE OF THE INTELLECTUAL PROPERTY LAW SECTION**

The Nominating Committee is pleased to report the following nominations for consideration by the Intellectual Property Law Section of the New York State Bar Association at the Annual Meeting to be held in New York City on January 29, 2008. The Committee nominates: Paul Fakler for the office of Vice Chair; Kelly Slavitt for the office of Treasurer; and Charles T.J. Weigell, III, for the office of Secretary, for the term commencing on June 1, 2008 and ending May 31, 2010.

In accordance with the Bylaws of the Intellectual Property Law Section (Article III, Section 1), Joyce Creidy shall become Chair of the Section, for the term commencing on June 1, 2008 and ending May 31, 2010.

The Committee further nominates the following Members-At-Large: Walter J. Bayer, II; Raymond A. Mantle; Oren J. Warshavsky and Eric Gisolfi for the term commencing on June 1, 2008 and ending May 31, 2010.



Respectfully submitted,

Nominating Committee

**Debra I. Resnick, Chair**

**Joyce Creidy, Vice-Chair**

**Richard L. Ravin, Former Chair**

**Marc Ari Lieberstein, Former Chair**

**Michael Chakansky, Former Chair**

# The Evolution of the Fraud Doctrine in the Trademark Office: *Medinol* and Its Progeny

By Linda K. McLeod and Timothy A. Lemper

## I. Introduction

In a series of cases beginning with its 2003 decision in *Medinol Ltd. v. Neuro Vaxx, Inc.*,<sup>1</sup> the Trademark Trial and Appeal Board (the “Board”) has imposed a heightened duty of candor and a strict rule of fraud on practice before the U.S. Trademark Office. *Medinol* and its progeny hold that an applicant or registrant commits fraud before the Trademark Office when it makes a material misrepresentation of fact that it (1) knew was false or misleading or (2) *should have known* was false or misleading but acted with “reckless disregard for the truth.”<sup>2</sup> Under this line of cases, the Board will find fraud if the declarant makes a false statement about a matter of which it should have subjective knowledge (e.g., whether the applicant was using its mark in commerce for certain goods or services) and thus *should have known* that the statement was false. A finding of fraud, even as to only one of several goods or services listed in an application or registration, will render an entire application void and an entire registration invalid.

Most of the cases involve false statements that a mark is being used for all of the goods or services identified in the application or registration, when in fact the mark is being used on only some of them.<sup>3</sup> Although purportedly requiring evidence of “reckless” disregard for the truth, the Board’s *Medinol* line of cases has found fraud based on false statements that are arguably the result of mere negligence or justifiable mistake, in stark contrast to pre-*Medinol* cases that refused to find fraud for false statements that resulted from honest misunderstandings, inadvertence, or negligent omissions. The Board has warned applicants and registrants that statements concerning the use of their marks should be “investigated thoroughly prior to signature and submission” to the Trademark Office and that parties will not be heard to deny that they did not thoroughly read what they signed.<sup>4</sup> The Board also has held that filing an amendment to delete any goods or services for which the mark has not been used will not remedy or cure fraud on the Trademark Office, at least where it is filed after the application is published for opposition, even if the amendment is filed before an adverse party asserts a claim for fraud.<sup>5</sup>

This article examines the origins of the duty of candor and disclosure before the Trademark Office, which provides the basis for claims of fraud before the Trademark Office. It then traces the evolution of the standard for fraud claims before the Trademark Office, and it concludes by examining the most recent decisions in

the *Medinol* line of cases involving fraudulent statements that an applicant or registrant is using its mark in connection with goods or services listed in its application or registration.

## II. Origins of the Fraud Claim: The Applicant’s Duty of Candor and Disclosure Before the Trademark Office

The standard for fraud claims before the Trademark Office is based on the duty of candor and disclosure to the Trademark Office that has developed over time in a series of cases.<sup>6</sup> In the leading case of *Bart Schwartz International Textiles, Ltd. v. FTC*,<sup>7</sup> decided in 1961, the Court of Customs and Patent Appeals reversed the Board’s finding that Schwartz had committed fraud in obtaining its registration for the mark FIOCCO by withholding a material fact from the Trademark Office, namely, the meaning of the word “fiocco” in Italian.<sup>8</sup> The Court of Customs and Patent Appeals held that the Lanham Act requires only that an applicant “not make *knowingly* inaccurate or *knowingly* misleading statements,” and it found that Schwartz’s failure to disclose the foreign meaning of its mark did not constitute fraud.<sup>9</sup>

Eight years later, the Court of Customs and Patent Appeals elaborated on the standard for fraud before the Trademark Office in *Morehouse Manufacturing Corp. v. J. Strickland & Co.*<sup>10</sup> Morehouse claimed that Strickland committed fraud by submitting discontinued labels in support of the claim in its section 8 affidavit that it was still using the mark BLUE MAGIC for “hair dressing” and “pressing oil.”<sup>11</sup> The court found that the submission of the discontinued labels and accompanying affidavit was “slipshod or somewhat devious.”<sup>12</sup> The court nevertheless concluded that such conduct did not amount to fraud because Strickland was still using its mark in commerce, albeit on different labels, and its use of the discontinued labels was “inadvertent or a mistake.”<sup>13</sup> Moreover, the court explained that there is less reason to be concerned about fraud in obtaining trademark registrations than in obtaining patent registrations because, unlike patent rights, trademark rights do not depend on registration. The court reasoned:

Every right a patentee has is given to him by the Patent Office. On the other hand, the acquisition of the right to exclude others from the use of a trademark results from the fact of use and the common law, independently of registration in the Patent Office. . . . It is in the public interest

to *maintain* registrations of technically good trademarks on the register so long as they are still in use. The register then reflects commercial reality. Assertions of “fraud” should be dealt with realistically, comprehending . . . that trademark rights, unlike patent rights continue notwithstanding cancellation of those additional rights which the Patent Office is empowered by statute to grant.<sup>14</sup>

These pre-*Medinol* cases recognizing a duty of candor to the Trademark Office provided the basis for, and defined the early contours of, the doctrine of fraud before the Board. These cases limited fraud claims to statements that the declarant *knew* was false or misleading, leaving little doubt that the declarant had an intent to deceive the Trademark Office.

### III. Elements of Fraud Before the Trademark Office Prior to *Medinol*

Both the Board and the courts have long held that a party asserting fraud in the procurement or maintenance of a registration carries a heavy burden of proving fraud by clear and convincing evidence.<sup>15</sup> The Board has held that fraud must be proven “to the hilt,” leaving nothing to speculation, conjecture, or surmise.<sup>16</sup> Other courts have required “a heightened standard of proof” because “fraud involves an allegation of . . . an intent to deceive.”<sup>17</sup> Courts also have held that fraud claims are ill-suited for resolution on summary judgment<sup>18</sup> and that any doubts about a fraud claim must be resolved against the party making the claim.<sup>19</sup>

Prior to *Medinol*, the Board and the courts also consistently recognized a distinction between a false statement and a fraudulent statement.<sup>20</sup> The cases required proof of “willful” and “knowingly” false statements, made with an intent to deceive the Trademark Office, to establish fraud.<sup>21</sup> Merely making a false statement was not, by itself, sufficient to prove fraud.<sup>22</sup> Thus, the Board declined to find fraud where a false misrepresentation was the result of “an ‘honest’ misunderstanding, inadvertence, negligent omission or the like, rather than . . . a willful intent to deceive”<sup>23</sup> or “was made with a reasonable and honest belief that it was true” or was “not material to the issuance or maintenance of the registration.”<sup>24</sup> As a result, the Board for many years rarely sustained an opposition or cancellation on the ground of fraud.

Under the *Medinol* line of cases discussed below, the Board now holds that fraud on the Trademark Office occurs when there is (1) a false representation or withholding of information (2) regarding a material fact that (3) the declarant *knew* was false or misleading or *should have known* was false or misleading but acted with “reckless disregard for the truth.”<sup>25</sup> *Medinol* and its progeny thus have significantly expanded the doctrine of fraud before the Trademark Office.

### IV. *Medinol*

In *Medinol*,<sup>26</sup> the Board imposed a heightened duty of candor and a correspondingly more expansive concept of fraud before the Trademark Office. In that case, Neuro Vasx (“NV”) filed an intent-to-use application for the mark NEUROVASX for “medical devices, namely, neurological stents and catheters” under section 1(b), 15 U.S.C. § 1051(b).<sup>27</sup> NV then filed a Statement of Use with the Trademark Office, claiming that it was using the mark on *all* of the goods identified in the Notice of Allowance. The relevant portion of NV’s Statement of Use was as follows:<sup>28</sup>

Applicant is using the mark in commerce on or in connection with the following goods/services:

- ☒ Those goods/services identified in the Notice of Allowance in this Application.
- ☐ Those goods/services identified in the Notice of Allowance in this application except (identify those goods/services to be deleted from this application):

After NV’s application matured to registration, *Medinol* petitioned to cancel NV’s registration on the basis of fraud. Specifically, *Medinol* asserted that NV knew that it was not using its mark NEUROVASX for stents at the time it filed the Statement of Use, which represented that it was using the mark on all of the goods listed in its application, including stents.<sup>29</sup> In its answer, NV admitted that it had not used its mark for stents and explained that it had “apparently overlooked” the inclusion of “stents” in the Notice of Allowance for its application.<sup>30</sup> NV moved to amend its registration to delete “stents,” then moved for summary judgment.<sup>31</sup>

The Board denied NV’s motion to amend on the ground that “deletion of the goods upon which the mark has not yet been used does not remedy an alleged fraud upon the [Trademark] Office.”<sup>32</sup> “Allowing respondent’s amendment would be beside the point,” the Board wrote, because “even if ‘stents’ were deleted from the registration, the question remains whether or not respondent committed fraud upon the Office in the procurement of its registration.”<sup>33</sup> The Board held that “[i]f fraud can be shown in the procurement of a registration, the entire resulting registration is void.”<sup>34</sup>

Although NV denied having any intent to deceive the Trademark Office when it filed its Statement of Use, the Board held that “[t]he appropriate inquiry is . . . not into the registrant’s subjective intent, but rather into the objective manifestations of that intent.”<sup>35</sup> The Board explained that, because of the difficulty of proving “what occurs in a person’s mind,” intent to deceive “must often be inferred from the circumstances and related statements. . . .”<sup>36</sup>



The Board in *Medinol* concluded that NV “knew or should have known” at the time it submitted its statement of use that the mark was not in use on *all* of the goods.<sup>37</sup> The Board noted that the goods listed in NV’s application included only two items—stents and catheters—and the declaration signed by NV’s president was not “lengthy, highly technical, or otherwise confusing.”<sup>38</sup> The Board also found that NV’s explanation for its false statement—i.e., that it “apparently overlooked” the inclusion of “stents” in the Notice of Allowance—did “nothing to undercut the conclusion that [NV] knew or should have known that its statement of use was materially incorrect.”<sup>39</sup> Relying on the Federal Circuit’s decision in *Torres v. Cantine Torresella S.r.l.*,<sup>40</sup> the Board held that “knowledge that [NV’s] mark was not in use on ‘stents’—or its reckless disregard for the truth—is all that [was] required to establish intent to commit fraud in the procurement of a registration.”<sup>41</sup> The Board thus adopted a more expansive definition of fraud that included material misrepresentations that an applicant or registrant *should have known* was false or misleading.

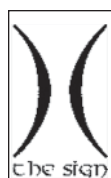
To emphasize the heightened duty of candor it was adopting, the Board in *Medinol* warned that statements about the use of the mark in connection with the claimed goods should be “investigated thoroughly prior to signature and submission to” the Trademark Office, and that a party will not be heard to deny that it did not thoroughly read what it had signed.<sup>42</sup> Accordingly, the Board denied NV’s motion to amend and motion for summary judgment, granted summary judgment for *Medinol* on its fraud claim, and ordered the cancellation of NV’s entire registration.

## V. *Medinol’s Progeny*

In more than a dozen cases to date, the Board has followed the strict fraud rule set forth in *Medinol*.<sup>43</sup> Already in 2007, the Board has added at least four more decisions to the *Medinol* line of cases. The four most recent decisions are summarized below.

### A. *Hurley Int’l LLC v. Volta*

In *Hurley Int’l LLC v. Volta*,<sup>44</sup> the Voltas applied to register the mark THE SIGN & Design shown below for “entertainment services, being vocal performances and/or instrumental performances by a musical band or solo artist; production of records; audio recording and production; entertainment, namely, production of television shows, plays; motion picture film production; production of videodiscs for others; production of videocassettes for others; radio entertainment production.”



Although the Voltas owned an Australian registration for the mark, they filed their U.S. application under section 1(a) alleging use of the mark in U.S. commerce for the services listed in the application. The listing of services was preceded in their application by the statement “Applicant is using or is using through a related company the mark in commerce on or in connection with the below identified goods/services.” The application was accompanied by a signed declaration attesting to the truth of the statements made in the application.

During the prosecution of their application, the Voltas twice amended the description of services and twice submitted substitute specimens of use, each time accompanied by a signed declaration that “the substitute specimen was in use in commerce as of the filing date of the application.” In truth, however, the Voltas had not used their mark in U.S. commerce for several of the services listed in their application and had never used the specimens in U.S. commerce.

When the Voltas’ application was published for opposition, Hurley opposed the application on the grounds that the Voltas had failed to use their mark for some of the services listed in their application and based on the likelihood of confusion with Hurley’s registered mark. Hurley later filed a motion for summary judgment based on fraud, which the Board denied because Hurley had not asserted a fraud claim. Thereafter, Hurley filed a combined motion seeking leave to amend its notice of opposition to add a fraud claim and seeking summary judgment on that claim. In response, the Voltas filed a motion seeking leave to amend their application from a use-based application under section 1(a) to a foreign registration-based application under section 44(e).

In support of its summary judgment motion, Hurley argued that the application was invalid because the Voltas knew or should have known that they were not using their mark in commerce on all the services listed in their application and knew or should have known that the substitute specimens they submitted were not being used in commerce as of the application’s filing date. Specifically, Hurley argued that the Voltas “were clearly in a position to have personal knowledge of the facts concerning their own use of their mark on the services identified in the application in the United States” and that they should have known that such use was required for a use-based application under section 1(a) because, as residents of Australia, they had a strong understanding of the English language, and they were presented with information about the use-in-commerce requirement under section 1(a) when they filed their application electronically on the USPTO’s Web site. Hurley argued that the Voltas’ ignorance of the law and their failure to consult an attorney did not excuse the false representations in the application.

In response, the Voltas argued that they honestly believed that the representations in their application were true and did not knowingly make any false statements. The Voltas claimed that they misunderstood the requirements necessary to file a use-based application under section 1(a), did not understand the legal meaning of “use in commerce,” and honestly believed that their ownership and use of the same mark in Australia and on the Internet constituted “use in commerce” under section 1(a). They also argued that they had amended their application and filed their specimens of use in good faith and without any knowledge that their application contained false information. The applicants also argued that they were not guilty of fraud because they had not yet obtained a registration for their mark.

The Board rejected the Voltas’ arguments and granted summary judgment for Hurley on the fraud claim. The Board began its analysis by reiterating the holding in the *Medinol* line of cases that a claim of fraud in procuring a trademark registration requires proof of three elements: (1) a false representation of fact by the applicant in connection with an application (2) regarding a material fact that (3) the applicant knew or should have known was false or misleading.<sup>45</sup>

As to the first element, the Board found it undisputed that the Voltas had made false representations in connection with their application in at least two respects.<sup>46</sup> First, the Voltas’ application and signed declaration represented that they had used their mark in commerce in connection with the services listed in their application, when in fact they had not used their mark for several of those services. Second, they filed specimens of use accompanied by signed declarations stating that the specimens were in use in commerce as of the filing date of their application, when in fact the specimens had never been used in commerce.

As to the second element, the Board also found it undisputed that the Voltas’ misrepresentations concerned a material fact.<sup>47</sup> The Board explained that an applicant cannot obtain a registration under section 1(a) unless its mark is being used in commerce for *all* of the goods or services listed in the application at the time the application is filed.<sup>48</sup> As such, statements regarding the use of a mark on goods and services are material to issuance of a registration. The Voltas’ false representations were thus clearly material because, without them, their application would have been rejected. The Board found it irrelevant that the application had not yet matured to registration, although it noted that a misstatement in an application about the goods or services on which a mark has been used does not rise to the level of fraud where the applicant amends the application, presumably before publication.<sup>49</sup>

As to the third element, the Board found that the Voltas should have known that their application falsely

represented their use of the mark for the services listed in their application.<sup>50</sup> The Board noted that the USPTO’s online trademark application contains the statement “Applicant is using or is using through a related company the mark in commerce on or in connection with the . . . identified goods/services.”<sup>51</sup> In addition, an applicant who files an application under section 1(a) using the USPTO’s online trademark application form is presented with the following notice:<sup>52</sup>

#### Use in Commerce

Choose this basis if actually already using the mark in commerce that the U.S. Congress may regulate (*i.e.*, interstate commerce, territorial commerce, or commerce between the United States and a foreign country) in connection with goods and/or services identified in the application. You must be able to provide the date of first use anywhere and the date of use in commerce that the U.S. Congress may regulate, and a specimen (sample of said use). Use may be by the applicant, the applicant’s related company, or a licensee of the applicant. You may file under more than one basis, but you may not file an application based on both use in commerce under §1(a) and a bona fide intention to use a mark in commerce under §1(b) for the identified goods and/or services (e.g., you cannot list “shirts” under Section 1(b) and Section 1(a), but you could list “shirts” under Section 1(b) and pants under Section 1(a)).

The Board further noted that the Voltas had signed the declaration at the end of the application verifying the information contained in the application and acknowledging “that . . . willful false statements may jeopardize the validity of the application or any resulting registration. . . .”<sup>53</sup> Under the circumstances, the Board concluded that the Voltas should have known that their application falsely represented that they were using their mark in commerce for the services listed in their application.

The Board rejected the explanations offered by the Voltas as insufficient to excuse the false representations in their application. Despite their alleged misunderstanding of the clear and unambiguous requirements for a use-based application and their failure to consult an attorney, the Voltas should have known that their application contained false representations about their use of their mark because they had personal knowledge of their use of the mark and were clearly capable of availing themselves of the information available on the USPTO’s Web site about the various filing requirements. The Board held that, even if the Voltas honestly believed they could file an application under section 1(a), they had an obligation to investi-

gate thoroughly the validity of their belief before signing and filing their application and declaration. The Board found it unreasonable for the Voltas to believe that “use in commerce” for a U.S. application meant anything other than use in the United States or that their use of the mark on the Internet was sufficient even though it did not involve any of the services in the Voltas’ application.

Similarly, the Board found that the Voltas’ submission of specimens of use that were never used in commerce constituted a material false representation of fact that the Voltas should have known was false. The Board held that statements regarding specimens submitted in support of an application are material because an application filed under section 1(a) will not be granted a registration unless the applicant files a statement of use accompanied by specimens of use. There is no question that the Voltas’ application would have been refused but for the Voltas’ misrepresentation regarding its use of the submitted substitute specimen in U.S. commerce. The applicants’ representation that the “the substitute specimen was in use in commerce as of the filing date of the Application” was clearly false, and the applicants knew or should have known such representations were false.

Finally, the Board held that the Voltas’ attempt to amend the filing basis of their application from use in commerce under section 1(a) to their foreign registration under section 44(e) was moot. Although the Voltas originally could have based their application on their Australian registration under section 44(e), they failed to make that amendment before their application was published for opposition. The Board held that their attempts to amend their application after it was published did not cure the applicants’ fraud.

The Board thus concluded that the applicants’ material false representations rendered their application void *ab initio*. Accordingly, the Board granted summary judgment for Hurley on its fraud claim and ordered that the Voltas’ application be refused registration.

## **B. *Hachette Filipacchi Presse v. Elle Belle LLC***

In *Hachette v. Elle Belle*,<sup>54</sup> the Board held that a trademark applicant and its attorney have a shared duty to ensure the accuracy of information in an application, including statements that the applicant is using its mark for all of the goods and services listed in its application at the time it files the application.

On March 15, 2000, Elle Belle filed an application to register the mark ELLE BELLE for 23 types of clothing items for men, women, and children.<sup>55</sup> The application was filed under section 1(a), 15 U.S.C. § 1051(1)(a), indicating that the mark was being used for the goods listed in the application.<sup>56</sup> Moreover, the application contained language stating that “applicant has adopted and is using the trademark” on the goods listed in the application. It was accompanied by a signed declaration from Elle

Belle’s president attesting to the truth of the statements in the application. Elle Belle’s application matured to registration on December 10, 2002.

In reality, at the time it filed its application, Elle Belle was not using its mark on more than half of the women’s clothing items listed in its application, and it had never used its mark on any of the listed men’s or children’s clothing items.

Two years later, Hachette Filipacchi Presse petitioned to cancel Elle Belle’s registration on the ground that it was procured by fraud, among other grounds. Based on Elle Belle’s admission that it was not using its mark on all of the goods listed in its application at the time it filed its application, Hachette filed a motion for judgment as a matter of law on its fraud claim. Hachette argued that any misunderstanding by Elle Belle’s president or its attorney in preparing the application and declaration should not preclude a finding of fraud because Elle Belle had an obligation to confirm the truth and accuracy of the statements contained in its application before filing it with the USPTO, and Elle Belle’s president should have known what he was signing because of the simple and straightforward language in the application and declaration.

In response, Elle Belle argued that the error in its application was the result of a miscommunication between its president and its attorney about which goods Elle Belle was currently offering and which goods it intended to offer in the future. The mistake was not discovered before the application and declaration were filed because the attorney did not review the application with Elle Belle’s president, who was not a native English speaker and did not understand that, by signing the declaration and filing the application, Elle Belle was representing that it was currently using its mark for all of the goods listed in the application. Elle Belle thus argued that the error in its application was the result of a mistake, not a knowingly false statement intended to deceive the USPTO.

The Board began its analysis by reiterating that fraud in procuring a trademark registration occurs when an applicant for registration knowingly makes a false and material representation of fact in an application. There was no question that Elle Belle’s application contained a false representation of fact, because it indicated that Elle Belle was using its mark for all of the goods listed in its application at the time the application was filed, which Elle Belle admitted was not the case. Thus, the Board was left to decide whether the misrepresentation was material and was made knowingly.

First, the Board found that Elle Belle’s misrepresentation was material. It explained that without Elle Belle’s representation that it was using its mark on all of the goods identified in the application, the application would have been refused registration because an applicant may not file a use-based application under section 1(a) unless its mark is used in commerce on or in connection with all



of the listed goods or services as of the application filing date. As such, the Board concluded that “statements regarding the use of the mark on goods and services are material to the issuance of a registration covering those goods and services.” Thus, as in *Medinol*, Elle Belle’s misrepresentation of fact with regard to its use of the mark at the time it filed its application was material because it was relied upon by the USPTO in determining Elle Belle’s rights to a registration under section 1(a).

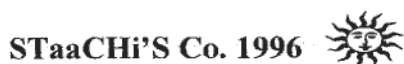
Second, the Board found that Elle Belle should have known that its application contained a false representation and that this was sufficient to prove fraud. The Board explained that fraud occurs when an applicant or registrant makes a false and material representation that the applicant or registrant “knew or should have known was false.” The Board pointed out that the application contained “simple and straightforward” wording stating that “applicant has adopted and is using the trademark” for the goods listed in the application. The Board also found that the proffered reason for the misrepresentation (i.e., the miscommunication between Elle Belle’s president and attorney, the president’s lack of English fluency, the complexity of the application, and the president’s failure to understand it) did not preclude a finding of fraud because Elle Belle’s president and its attorney shared a duty to confirm the accuracy of the statements in the application, including reviewing the application to make sure that the person signing the declaration understood the application and declaration before it was signed and filed with the USPTO.

The Board also held that, once the cancellation proceeding was filed, Elle Belle could not cure its fraud by deleting the goods for which its mark had not been used. The Board did not address whether an amendment before the filing of a cancellation proceeding would cure a registrant’s fraud or remove it as an issue.

Based on its finding that Elle Belle had fraudulently procured its registration, the Board granted summary judgment for Hachette and ordered that Elle Belle’s registration be canceled in its entirety. Moreover, the Board noted that, even if its decision were reversed or remanded on appeal, Elle Belle’s failure to use its mark for certain goods listed in its application at the time it filed its application would require that those goods be deleted from the registration.

### C. *Sinclair Oil Corp. v. Sumatra Kendrick*

Sumatra Kendrick (“Sumatra”) filed an application on February 20, 2001, to register the mark STAACHI’S CO. 1996 and the design shown below for “retail store services featuring, bath products, gift products, [and] candy products.”<sup>57</sup>



Sumatra originally filed its application under section 1(a), 15 U.S.C. § 1051(a), claiming that the mark was first used in commerce on March 20, 1996.<sup>58</sup>

Sinclair Oil Corporation (“Sinclair”) opposed registration of Sumatra’s mark, claiming a likelihood of confusion. Early in the proceeding, Sinclair filed a motion to amend its Notice of Opposition to add claims for fraud and nonuse based on its assertion that Sumatra falsely claimed to be using its mark in commerce for the identified “retail store services” as of the filing date of its application.<sup>59</sup> The Board granted Sinclair’s motion to add those claims.

During discovery, Sumatra admitted that its mark “has never been used in commerce”; that it “has no invoices, documents, or writings that would establish ‘use’ in commerce”; that it “has not had any income”; and that it “has not done any marketing.”<sup>60</sup> Sumatra stated that the mark was registered as a fictitious business name in March 1996 to reserve the name; that it had a “one time creation” of 25 samples that were given away for free; and that it had not used its mark since that time.<sup>61</sup> Sumatra acknowledged that it “has not engaged in commerce, but has only attempted to reserve the name and sought a trademark to protect the utilization of the mark when and if [its] business is open.”<sup>62</sup>

Based on Sumatra’s discovery responses, Sinclair filed a motion for summary judgment on its fraud and nonuse claims. Sumatra opposed Sinclair’s motion, arguing that it was representing itself in this proceeding and had been confused about Sinclair’s discovery requests. Contrary to its discovery responses, Sumatra claimed that it had been in the formation stage of its business, and the mark had been used in commerce since at least March 1996. Nevertheless, along with its opposition to Sinclair’s motion for summary judgment, Sumatra filed a motion to amend the filing basis of its application from “use in commerce” under section 1(a) to “intent to use” under section 1(b).

The Board began its analysis by noting that an applicant can move to amend the filing basis for its application from section 1(a) to section 1(b) during an opposition proceeding without losing its original filing date, provided it meets all the requirements for filing under section 1(b).<sup>63</sup> Finding that Sumatra satisfied those requirements, the Board granted Sumatra’s motion to amend the filing basis of its application.<sup>64</sup> Moreover, the Board found that Sumatra’s amendment of its application to “intent-to-use” under section 1(b) mooted Sinclair’s claim for nonuse of the mark.<sup>65</sup> But the Board noted that amending the filing basis of an application from use-in-commerce under section 1(a) to intent-to-use under section 1(b) during an opposition proceeding will *not* avoid a fraud claim.

The Board found the facts of *Sumatra* similar to *Medinol*. According to the Board, there was no genuine issue of material fact that Sumatra filed a use-based application



under section 1(a) and signed a declaration attesting to the truth of the statements in its application when it knew or should have known that it had not used the mark in connection with any retail store services.<sup>66</sup> Moreover, there was “no question,” in the Board’s view, that Sumatra’s misrepresentation resulted in its application being approved for publication as a use-based application.<sup>67</sup> The Board found no evidence that Sumatra had used its mark since March 1996 and thus no genuine issue of material fact on that issue<sup>68</sup> and that Sumatra’s unsupported claim that it was using its mark was insufficient to overcome its contrary admissions during discovery. The Board found that even if Sumatra honestly believed its activities in 1996 constituted use in commerce, it was not reasonable for Sumatra to believe that those activities constituted *current* use of the mark in commerce five years later when it signed and filed its application on February 20, 2001.<sup>69</sup>

Accordingly, the Board granted summary judgment in favor of Sinclair on the fraud claim and held Sumatra’s entire application void *ab initio*.

#### **D. Tri-Star Marketing, LLC v. Nino Franco Spumanti S.R.L.**

Tri-Star Marketing, LLC (“Tri-Star”) filed a petition to cancel a registration owned by Nino Franco Spumanti S.R.L. (“Nino”) for the mark RUSTICO for “wines and sparkling wines.”<sup>70</sup> Tri-Star claimed that Nino committed fraud on the Trademark Office in obtaining and maintaining its registration. Specifically, Tri-Star alleged that Nino had used the RUSTICO mark only for “sparkling wines” and that its statement in its application and section 8 affidavit that it was using the mark for both “wines and sparkling wines” was false and fraudulent.

After a trial and hearing on the merits, the Board issued a decision denying the petition to cancel. As to the fraud claim, the Board recognized that section 1402.01 of the Trademark Manual of Examination Procedure (TMEP) requires the identification of goods in a trademark application to be “specific, definite, clear, accurate and concise.”<sup>71</sup> But the Board also noted that section 1402.03 of the TMEP allows for the identification of broad groups of related goods and services.<sup>72</sup> Section 1402.03 states:

Applicants frequently use broad terms to identify the goods or services in an application. When a mark is used on a number of items that make up a homogeneous group, a term that identifies the group as a whole would be understood as encompassing products of the same general type that are commercially related. As long as a broad term identifies the goods or services that are intended to be covered with reasonable certainty,

it will be reasonable . . . to consider that the mark has been used for all the related goods or services that fall in the designated group.<sup>73</sup>

The Board thus concluded that Nino’s statements about its use of its mark for “wines and sparkling wines” did not constitute fraud. The Board found that Nino could obtain and maintain a registration for both “wines” and “sparkling wines” because it was making and selling sparkling wine, which is a specific type of wine. The Board explained:

As long as the general product terminology encompasses the specific product terminology in an identification of goods, and there is use on the specific product, there can be no fraud; that is, there is nothing fraudulent in providing an identification of goods that includes both a broad product term and a specific product term so long as the applicant/registrant is using its mark on the specific product, and the specific product is encompassed within the broad product term (assuming that the broad product term is sufficiently definite for purposes of registration).<sup>74</sup>

Accordingly, the Board denied the petition to cancel based on fraud. The Board made clear, however, that the converse situation *would* constitute fraud: If Nino had included “sparkling wines” in its identification of goods but was using its mark only on “wines” other than “sparkling wines,” Nino would have committed fraud on the Trademark Office had it claimed that its mark was being used for all of the goods listed in its application.<sup>75</sup>

## **VI. Conclusion**

The *Medinol* line of cases creates a need for trademark applicants to investigate the accuracy of statements made in support of their applications and registrations, a heightened duty of candor and disclosure before the Trademark Office, and near strict liability for fraud in cases involving false statements concerning use of a mark for all of the goods or services identified in an application or registration. The Board has continued to find that such misrepresentations are material and show a “reckless disregard for the truth” sufficient to find an intent to deceive and fraud.

Under the *Medinol* standard, explanations of miscommunication, misunderstanding of the law, an intent to use, foreign language difficulties, inadvertence, oversight, mistake, reliance on counsel, improper advice from non-attorneys, and administrative errors will not alone avoid a finding of fraud. Nor can an applicant or registrant cure its fraud by filing an amendment to its application or reg-

istration to correct its identification of goods or services or amend the filing basis after the filing of an opposition or cancellation proceeding. Indeed, the *Medinol* line of cases seems to indicate that an applicant or registrant may not be able to cure its fraud by filing an amendment to correct the identification of goods or services in its application or registration even before the filing of an opposition or cancellation proceeding, although the Board has not yet ruled on that issue. If fraud is found, even as to one of the goods or services listed, the Board will hold the entire application void or registration invalid.

## Endnotes

1. 67 USPQ2d 1205 (TTAB 2003).
2. *Id.* at 1209 (TTAB 2003) (citing *Torres v. Cantine Torresella S.r.l.*, 808 F.2d 46, 1 USPQ2d 1483, 1484–85 (Fed. Cir. 1986)).
3. Other false statements or omissions of material fact that may rise to the level of fraud before the Trademark Office are beyond the scope of this article. See, e.g., *Global Maschinen GmbH v. Global Banking Sys., Inc.*, 227 USPQ 862, 867–68 (TTAB 1985) (making false statements or withholding of material facts in response to an Examining Attorney’s request for information under 37 CFR § 2.61(b) constitutes fraud); *Mister Leonard, Inc. v. Jacques Leonard Couture, Inc.*, 23 USPQ2d 1064, 1066 (TTAB 1992) (failure to correct a misrepresentation once known, even if originally innocent, constitutes fraud); *G. Levor & Co. v. Nash, Inc.*, 123 USPQ 234, 234–35 (TTAB 1959) (failure to disclose that a term is generic constitutes fraud).
4. *Medinol*, 67 USPQ2d at 1209.
5. *Id.* at 1208.
6. See *Aromatique, Inc. v. Gold Seal Inc.*, 28 F.3d 863, 877, 31 USPQ2d 1481, 1491 (8th Cir. 1994) (a trademark applicant owes a duty of candor to the PTO); *Yocum v. Covington*, 216 USPQ 210, 216 (TTAB 1982) (recognizing a duty of disclosure in a trademark proceeding). In contrast, the duty of candor and good faith in patent prosecution is explicitly stated in 37 C.F.R. § 1.56. There is no parallel rule in trademark prosecution.
7. 289 F.2d 665, 129 USPQ 258 (CCPA 1961).
8. *Id.* at 667, 669, 129 USPQ at 259–60.
9. *Id.* at 669, 129 USPQ at 260 (emphasis added). However, the court reversed the Board’s decision on other grounds.
10. 407 F.2d 881, 888, 160 USPQ 715, 720 (CCPA 1969).
11. *Id.* at 886–87, 160 USPQ at 719.
12. *Id.* at 887, 160 USPQ at 719.
13. *Id.* at 887, 160 USPQ at 719–20.
14. *Id.* at 888, 160 USPQ at 720.
15. See *Resorts of Pinehurst, Inc. v. Pinehurst Nat’l Corp.*, 148 F.3d 417, 420, 47 USPQ2d 1465, 1466–67 (4th Cir. 1998) (clear and convincing evidence); *Metro Traffic*, 104 F.3d at 340, 41 USPQ2d at 1373; *Marshall Field & Co. v. Mrs. Fields Cookies*, 25 USPQ2d 1321, 1328 (TTAB 1992) (“fraud must be proved by clear and convincing evidence”).
16. *Woodstock’s Enters. Inc. (Cal.) v. Woodstock’s Enters. Inc. (Or.)*, 43 USPQ2d 1440, 1443–44 (TTAB 1997); see also *First Int’l Servs. Corp. v. Chuckles, Inc.*, 5 USPQ2d 1628, 1634 (TTAB 1988); *Smith Int’l, Inc. v. Olin Corp.*, 209 USPQ 1033, 1044 (TTAB 1981).
17. *Pro-Football, Inc. v. Harjo*, 284 F. Supp. 2d 96, 122 n.23, 68 USPQ2d 1225, 1245–46 n.23 (D.C. Cir. 2003) (comparing the heightened burden of clear and convincing proof to establish fraud to the lesser burden of preponderance of the evidence to prove trademark disparagement).
18. See *Monsanto Co. v. Bayer Bioscience N.V.*, 363 F.3d 1235, 1241, 70 USPQ2d 1257, 1262 (Fed. Cir. 2004) (“It was therefore improper for the district court on summary judgment to infer an intent to deceive based on the court’s conclusion that the declaration was false and that the explanation for the falsity was unpersuasive.”); *Copelands’ Enters. Inc. v. CNV, Inc.*, 945 F.2d 1563, 1567, 20 USPQ2d 1295, 1299 (Fed. Cir. 1991) (“As a general rule, the factual question of intent is particularly unsuited for disposition on summary judgment.”); *Kangaroos U.S.A., Inc. v. Caldor, Inc.*, 778 F.2d 1571, 1576, 228 USPQ 32, 35 (Fed. Cir. 1985) (“Intent to mislead or deceive is a factual issue that, if contested, is not readily determined within the confines of Fed. R. Civ. Proc. 56.”).
19. See *Marshall Field*, 25 USPQ2d at 1328; *Yocum v. Covington*, 216 USPQ 210, 216 (TTAB 1982).
20. See *Metro Traffic Control, Inc. v. Shadow Network Inc.*, 104 F.3d 336, 340, 41 USPQ2d 1369, 1373 (Fed. Cir. 1997) (citing *Smith Int’l, Inc. v. Olin Corp.*, 209 USPQ 1033, 1043 (TTAB 1981)) (“If it can be shown that the statement was a ‘false misrepresentation’ occasioned by an ‘honest’ misunderstanding, inadvertence, negligent omission or the like rather than one made with a willful intent to deceive, fraud will not be found.”).
21. See *Woodstock’s Enters.*, 43 USPQ2d at 1443.
22. See *L.D. Kichler Co. v. Davoil, Inc.*, 192 F.3d 1349, 1351, 52 USPQ2d 1307, 1309 (Fed. Cir. 1999).
23. See *Woodstock’s Enters.*, 43 USPQ2d at 1443.
24. *Id.*; see also *Knorr-Nahrmital AG v. Havland Int’l, Inc.*, 206 USPQ 827, 834 (TTAB 1980) (“The claim of fraud will not be sustained if it can be proven that the statement, though false, was made with a reasonable and honest belief that it was true.”).
25. See, e.g., *Hawaiian Moon, Inc. v. Rodney Doo*, Cancellation No. 92042101 (TTAB Apr. 29, 2004); *J.E.M. Int’l, Inc. v. Happy Rompers Creations Corp.*, 74 USPQ2d 1526, 1527 (TTAB 2005); *Jimilar Corp. v. Montrexpert S.P.A.*, Cancellation No. 92032471 (TTAB June 4, 2004).
26. *Medinol*, 67 USPQ2d 1205 (TTAB 2003).
27. *Id.* at 1205.
28. *Id.* at 1205–06.
29. *Id.* at 1206.
30. *Id.* at 1206–07.
31. *Id.* at 1207.
32. *Id.* at 1208.
33. *Id.*
34. *Id.*
35. *Id.* at 1209.
36. *Id.* (quoting *First Int’l Servs. Corp. v. Chuckles, Inc.*, 5 USPQ2d 1628, 1636 (TTAB 1988)).
37. *Id.* at 1209–10 (emphasis added).
38. *Id.* at 1210.
39. *Id.* (emphasis added).
40. 808 F.2d 46, 1 USPQ2d 1483, 1484–85 (Fed. Cir. 1986).
41. *Id.* (emphasis added).
42. *Id.* at 1209.
43. See e.g., *Sara Lee Corp. v. Dawn Marie Chaikin*, Opposition No. 91098910 (TTAB Feb. 28, 2000) (unpublished); *Medinol Ltd. v. Neuro Vasx, Inc.*, 67 USPQ2d 1205 (TTAB 2003); *Nougat London Ltd. v. Carole Garber*, Cancellation No. 92040460 (TTAB May 14, 2003); *Tequila Cazadores, S.A. de C.V. and Bacardi & Co. Ltd. v. Tequila Centinela, S.A. de C.V.*, Opposition No. 91125436 (TTAB Feb. 24, 2004); *Orion Electric Co. v. Orion Electric Co.*, Opposition No. 91121807 (TTAB Mar. 19, 2004); *Hawaiian Moon, Inc. v. Rodney Doo*, Cancellation No. 92042101 (TTAB Apr. 29, 2004); *Jimilar Corp. v. Montrexpert S.P.A.*, Cancellation No. 92032471 (TTAB June 4, 2004); *J.E.M. Int’l, Inc. v.*

*Happy Rompers Creations Corp.*, Cancellation No. 92043073 (TTAB Feb. 10, 2005); *Physicians Formula Cosmetics, Inc. v. Cosmed, Inc.*, Cancellation No. 92040782 (TTAB Mar. 11, 2005); *Standard Knitting Ltd. v. Toyota Jidosha Kabushiki Kaisha*, 77 USPQ2d 1917 (TTAB 2006).

44. 82 USPQ2d 1339 (TTAB 2007).
45. *Id.* at 1343.
46. *Id.* at 1344.
47. *Id.* at 1344–45.
48. *Id.*
49. *Id.*
50. *Id.*
51. *Id.*
52. *Id.*
53. *Id.*
54. Cancellation No. 92042991 (TTAB Apr. 9, 2007).
55. Specifically, Elle Belle’s application (Serial No. 76004796) listed the following goods:  
Clothing articles for men, women and children, namely, shirts, blouses, dresses, evening wear, skirts, trousers, vests, jerseys, pants, pajamas, t-shirts, socks and stockings, singlets, corsets, garters, underpants, petticoats, hats, head scarves, neckties, raincoats, overcoats, great coats, bathing suits, sports overalls, wind resistant jackets and ski pants.
56. A party that intends to use a mark in commerce but has not yet done so, may apply to register the mark under section 1(b) of the U.S. Trademark Act, 15 U.S.C. § 1051(1)(b).
57. Opposition No. 91152940 (TTAB June 6, 2007).
58. *Id.* at 1.
59. *Id.* at 1–2.
60. *Id.* at 5–6.
61. *Id.*
62. *Id.* at 6.
63. *Id.* at 2–3 (citing Trademark Law Treaty Implementation Act of 1998, Pub. L. No. 105-330, 112 Stat. 3064 (15 U.S.C. § 1051), and

the “Trademark Law Treaty Implementation Act Changes” to the Rules of Practice and Procedure, published in the Federal Register at 64 FR 48900 (Sept. 8, 1999) and in the *Official Gazette* at 1226 TMOG 103 (Sept. 28, 1999)).

64. *Id.* at 4.
65. *Id.*
66. *Id.* at 13.
67. *Id.* at 14.
68. *Id.* at 17.
69. *Id.* at 17–18.
70. *Tri-Star Marketing, LLC v. Nino Franco Spumanti S.R.L.*, Cancellation No. 92043953 (TTAB Fed. 7, 2007). The original petition to cancel also contained a likelihood-of-confusion claim, which was untimely because the registration was more than five years old. Tri-Star amended its petition to add a fraud claim, and the case proceeded solely on that ground.
71. *Id.* at 8 (quoting *Trademark Manual of Examination Proc.* § 1402.01 (4th ed., Apr. 2005)).
72. *Id.* at 8–9 (quoting *Trademark Manual of Examination Proc.* § 1402.03 (4th ed., Apr. 2005)).
73. *Id.*
74. *Id.* at 11.
75. *Id.* at 11–12 (citing *Torres*, 808 F.2d 46, 1 USPQ2d at 1485).

**Linda K. McLeod is an attorney with Finnegan, Henderson, Farabow, Garrett & Dunner LLP. Before entering private practice, she served as an administrative trademark judge and interlocutory attorney of the Trademark Trial and Appeal Board at the U.S. Patent and Trademark Office.**

**Timothy A. Lemper is associate clinical professor of business law at Indiana University’s Kelley School of Business and a former associate at Finnegan, Henderson, Farabow, Garrett & Dunner LLP.**

## Thank You

The Intellectual Property Law Section extends its gratitude to the following for their significant sponsorship over the past year:

- Bond, Schoeneck & King, PLLC
- Cowan, Liebowitz & Latman, P.C.
- Darby & Darby P.C.
- David Berdon & Company, LLP
- DLA Piper Rudnick Gray Cary
- Day Pitney LLP
- Dimock Stratton LLP
- Fross Zelnick Lehrman & Zissu, P.C.
- Goodwin Procter LLP
- Hartman & Craven LLP
- Hiscock & Barclay LLP
- Jaeckle Fleischmann & Mugel, LLP
- King & Spalding LLP
- Morgan & Finnegan
- Morrison & Foerster LLP
- Moses & Singer LLP
- Ogilvy Renault LLP
- Paul, Hastings, Janofsky & Walker LLP
- Sills Cummis Epstein & Gross, P.C.
- Skadden Arps Slate Meagher & Flom LLP
- Smart & Biggar
- Weil, Gotshal & Manges LLP
- BRANDIMENSIONS
- CCH CORESEARCH
- Corporation Service Company
- DOAR
- FTI®
- GENUONE
- MASTER DATA CENTER™
- MICROPATENT®
- MICROSOFT CORPORATION
- RWS GROUP
- STANDARD & POOR’S
- STONETURN GROUP LLP
- Thomson CompuMark
- Time Warner
- TRADEMARK ASSOCIATES OF NY, Ltd.
- VERISIGN®



# Taking the Profit Out of Trademark Counterfeiting

By Peter A. Crusco

## I. Introduction

The recent amendment to New York's racketeering act, adding the felony crime of trademark counterfeiting as a predicate act, reflects the deleterious growth and impact of trademark counterfeiting on New York State's citizenry and on its economy.<sup>1</sup> From bogus auto parts and pharmaceuticals to fake residential electrical devices, the danger to the public health and safety is growing. Reports of trademark counterfeiting being linked to organized crime as well as to the financing of terrorist groups has galvanized aggressive action against counterfeiters to protect the public.<sup>2</sup> Such action may take the form not only of criminal prosecution but, in appropriate cases, of civil forfeiture actions as well as federal civil infringement suits to take the profit out of the crime and prevent the funding of future crimes. This article discusses the links between these three anticounterfeiting mechanisms and the challenges to their use in combating trademark counterfeiting.

## II. Uncovering the Counterfeiting Enterprise

In the routine New York State criminal counterfeiting case, the defendant is charged with the felony of trademark counterfeiting in the first or second degree,<sup>3</sup> usually as the result of a covert investigation that includes the execution of search warrants at the defendant's business and residence.<sup>4</sup> The raids may result in the seizure of records of the illicit business, including ledgers, bank account records, currency, and the identification of other previously unknown financial assets. As of November 1, 2007, in cases where the proof establishes an ongoing criminal enterprise and three pattern acts, the defendant may be charged with violating New York's racketeering act, otherwise officially known as the Organized Crime Control Act (OCCA).<sup>5</sup> When an extensive criminal forensic audit is conducted thereafter, additional charges may include income and sales tax evasion.<sup>6</sup>

A successful investigation of a sophisticated organized trademark counterfeiting enterprise requires a good deal of street work, strategy, planning, and tracing of the money trail prior to takedown of the criminal enterprise. There are numerous challenges to building a case that demand sustained and focused investigative enforcement efforts. Sophisticated counterfeiting enterprises are ever wary of "new friends," i.e., undercover police officers or informants, and are very cognizant of police surveillance. Criminal enterprises even are known to employ countersurveillance techniques and have mastered the art of establishing highly mobile bases of operation that can be set up in hours in basements, behind storefronts, and isolated warehouses where sustained physical

surveillance is difficult. Such bases can be quickly and easily moved without great expense.

Another significant challenge is establishing proof of illicit profits, not only as additional support for counterfeiting charges but in order to fully pursue restitution, civil forfeiture, and potential federal infringement options. In state court, defendants routinely argue that the nature of intellectual property makes it inherently difficult to determine the value of the purloined rights. Counterfeiters also contend that the compensable loss to the trademark holder does not include the costs of production and distribution.<sup>7</sup> Some courts have extrapolated the magnitude of the loss from the inventory of seized counterfeit items on the raided premises. In cases where the enterprise's records and paper trail are thin or nonexistent, tracing the ill-gotten gains is difficult, and the sufficiency of the proof needed to substantiate the requested restitution and/or forfeiture action must be carefully assessed. Often the best evidence is that seized through the timely execution of a search warrant—no matter how much subsequent high-tech forensic financial analysis and old-fashioned police legwork is later conducted.

## III. Enforcement Mechanisms and Remedies

New York's provisions concerning criminal prosecution, restitution, and forfeiture are complementary. Article 13-A of the Civil Practice Law and Rules (CPLR), New York's forfeiture statute, provides: "The remedies provided for by article 13-A are not intended to substitute or limit or supersede the lawful authority of any public officer or agency or other person to enforce any other right or remedy provided by law."<sup>8</sup> A person, of course, includes a corporation.<sup>9</sup> Thus, a corporate trademark holder may enforce its trademark rights in addition to the state bringing criminal charges, requesting restitution, or prosecuting a civil forfeiture action. This combination of actions can constitute an effective means of imposing a potential "financial death sentence" on the offender.

### A. Criminal Prosecution

A conviction for the crime of trademark counterfeiting is a proper basis for a disposition that includes restitution. Courts have held that there is no statutory limitation on the types of criminal conduct that can support an order of restitution or reparation; restitution is an appropriate disposition for any New York crime, provided there is a recognizable victim who has suffered actual out-of-pocket loss or there are discernible "fruits of the offense."<sup>10</sup> Restitution forces a criminal to disgorge the proceeds of the crime to the victim or victims or even, in some cases, to reimburse victims for expenses incurred. Restitution is

intended to prevent unjust enrichment; it does not have an independent or punitive purpose. The restitution statute<sup>11</sup> is the exception to the rule that the criminal process should not be used to achieve a civil result.<sup>12</sup>

When the parties cannot agree on the amount of restitution in a criminal action, the court will order a restitution hearing. At the hearing, the burden of proof is on the prosecution to prove by a preponderance of evidence the actual out-of-pocket loss suffered by the victim.<sup>13</sup> Statistical data may be utilized in a restitution hearing just as it is in civil proceedings. For instance, the court may weigh conflicting expert testimony, methodologies, and data and may draw appropriate inferences from the records produced or the absence of records in the context of other evidence. Any relevant evidence is admissible at the hearing without regard to its admissibility under the rules of evidence.<sup>14</sup>

## B. Forfeiture

In some cases involving extensive counterfeiting operations, the concomitant mechanism used in connection with criminal prosecution is the CPLR Article 13-A forfeiture action. Article 13-A was enacted to eliminate the profit from criminal acts. It allows for preconviction attachment of criminal proceeds, of “substituted criminal proceeds,” and of other property.<sup>15</sup> A “claiming authority,” usually the prosecuting agency, initiates a forfeiture action.<sup>16</sup> The forfeiture action is stayed pending the outcome of the criminal prosecution. When the proceeds of a crime are seized by law enforcement pursuant to a forfeiture proceeding, the seized funds ultimately must be forfeited pursuant to Article 13-A, which grants victims a priority interest in the seized funds.<sup>17</sup> Courts are very protective of that interest and will scrutinize any disposition of property to ensure that the statutory requirements are satisfied.<sup>18</sup> As in other civil litigation, a trademark holder that can demonstrate it has a legitimate interest in the seized funds may move to join in the forfeiture proceeding.<sup>19</sup>

The counterfeiter may assert that the trademark holder is not a cognizable victim under the forfeiture or restitution statute because it has not suffered actual out-of-pocket loss or because there are no discernible “fruits of the offense.” But the loss of jobs and profits as a result of the sale of bogus goods imported from foreign manufacturers or manufactured here in the United States is well documented by industry and government statistics.<sup>20</sup> Specific data from trade groups and government agencies demonstrate that counterfeiting has caused trademark holders to suffer actual out-of-pocket losses. The specific facts of the particular trademark holder’s losses then must be submitted for the court’s consideration. Interestingly, a state court in a rare *nisi prius* decision in the area of criminal law and intellectual property, *People v. Colon*, which involved a prosecution for pirated compact discs, stated in *dictum* that the copyright holders were victims

and therefore qualified for restitution.<sup>21</sup> Until an appellate decision on this issue, however, it will continue to be the subject of litigation in restitution hearings concerning valuation of the victim’s loss.

## C. Civil Trademark Infringement

A federal civil trademark infringement action is another option in an appropriate trademark counterfeiting case. Such an action may be brought by a trademark holder under the Lanham Act in connection with a request for an injunction to stop the counterfeiting and to recover the illicit profits.<sup>22</sup> In addition to awarding profits to the trademark holder in counterfeiting cases,<sup>23</sup> courts also have imposed equitable constructive trusts,<sup>24</sup> whereby a defendant who is found liable in a trademark infringement action may be deemed to hold its profits in constructive trust for the injured plaintiff.<sup>25</sup> The plaintiff in an infringement case also may seek an accounting.<sup>26</sup>

## D. Collateral Estoppel

An additional benefit to the successful and coordinated use of all three mechanisms—criminal prosecution, civil forfeiture, and federal trademark infringement—is the potential to foreclose many of a counterfeiter’s legal defenses by application of the doctrine of collateral estoppel. A conviction in the criminal case often will have the effect of estopping arguments the defendant may raise in subsequent civil cases.<sup>27</sup> To make this determination, a plaintiff in a trademark infringement case should obtain and review the accusatory instrument, transcript of trial or nonjury trial conviction, or the plea minutes in the criminal case to determine if there are any identical issues that were fully and fairly litigated. In any case, coordination among the prosecutors, the investigators, and the trademark holders and their attorneys is advisable especially in determining whether a civil infringement action should be commenced in addition to criminal prosecution and civil forfeiture. This coordination is necessary to, among other things, focus the necessary resources on the important issues in the case, avoid duplication of efforts, and prevent the creation of potentially inconsistent documentation.<sup>28</sup>

## IV. Conclusion

Trademark counterfeiting has negatively impacted New York through the loss of jobs and tax revenues, and it is a threat to public health and safety. The cost of trademark counterfeiting has been estimated to be in the billions of dollars. As discussed in this article, investigative initiatives resulting in the criminal prosecution of the counterfeiters in combination with the use of civil forfeiture proceedings and federal trademark infringement suits, if well executed and coordinated, can produce significant results, including reducing the ability of counterfeiters to commit future crimes by making them disgorge their illicit profits.

## Endnotes

1. See Chap. 568 laws of 2007, S.6230 amending the state racketeering statute, P.L. § 460.10 as well as the wiretap statute, N.Y. Criminal Procedure Law § 700.05 (CPL). Some commentators have given it the moniker “little Rico,” in comparison to its federal RICO analogue, the Racketeer Influenced and Corrupt Organization Act (RICO), 18 U.S.C. §§ 1961–1968 [1970]. See generally John Poklemba & Peter Crusco, *Public Enterprises and Rico, The Aftermath of United States v Turkette*, 18 Criminal Law Bulletin 197 (1982).
2. See, e.g., *Terrorist Financing: U.S. Agencies Should Systematically Assess Terrorists’ Use of Alternative Financing Mechanisms*, United States General Accounting Office Report to Congressional Requesters (GAO-04-163) at 10 & n.10 (November 2003), at <http://www.gao.gov/newsitems/d04163.pdf> (last visited Oct. 14, 2007); Testimony of Ronald K. Noble (Secretary General of INTERPOL) before the House International Relations Committee, *Hearing on Intellectual Property Crimes: Are Proceeds from Counterfeit Goods Funding Terrorism?* (July 16, 2003), at <http://www.interpol.int/Public/ICPO/Governance/SG/noble.asp> (last visited Oct. 14, 2007); New York State Senate Majority Task Force on Immigration, *The Golden Door: Illegal Immigration, Terrorism and the Underground Economy*, Mar. 2005, at 43–50; Jeffrey D. Sullivan and Steven R. Gustavson, *Combating the Alarming Counterfeiting Explosion*, N.Y.L.J., Oct. 16, 2006, at S2.
3. Trademark Counterfeiting in the First degree, PL § 165.73, is a class “C” felony and therefore is not a mandatory incarceration offense, and a defendant may be sentenced to a maximum of up to 15 year’ incarceration. Trademark Counterfeiting in the Second degree, PL § 165.72 (New York Penal Law) is a class “E” felony, is not a mandatory incarceration offense, and a defendant may be sentenced to up to four years of incarceration. Trademark Counterfeiting in the Third degree, PL § 165.71, is a class “A” misdemeanor. The aggravating factor elevating the crime to second degree or first degree is the retail value of all the goods bearing counterfeit trademarks; that is, \$1,000 for the second degree crime and \$100,000 for the first-degree crime. See also Article 275 of the Penal Law with regard to the manufacture, sale and advertisement of unauthorized recordings.
4. “One does not need Supreme Court precedent to support the simple fact that records of illegal business activity are usually kept at either a business location or at the defendant’s home. Likewise, personal financial records are also usually stored at a person’s home or place of business.” *United States v. Abboud*, 438 F.3d 554, 572 (6th Cir. 2006), cert. denied, 127 S. Ct. 446 (2006).
5. An OCCA violation elevates the offense to a class “B” felony, a mandatory jail sentence, and a maximum sentence of up to 25 years’ incarceration.
6. See, e.g., N.Y.S. Tax Law § 1817-D; N.Y.C. Admin. Code § 20-461, Failure to Display a General Vendor License; PL § 190.65-1(a), Scheme to Defraud in the first degree.
7. *People v. Colon*, 8 Misc. 3d 569, 582 (N.Y. Sup. Ct., 2005).
8. CPLR 1352 (emphasis added).
9. See, e.g., *Santa Clara County v. Southern Pacific R.R.*, 118 U.S. 394 (1886); *N.Y. Central & Hudson River R.R. v. United States*, 212 U.S. 481, 495–96 (1909).
10. See *People v. Horne*, 97 N.Y. 404 (2002). Penal Law § 60.27(8) unequivocally and unconditionally entitles a crime victim to receive restitution within the context of a criminal matter, if the court orders it. See *People v. Wein*, 294 A.D. 78 (1st Dep’t 2002). Restitution is governed in general by PL § 60.27 and CPL §§ 400.30 *et seq.* A victim is defined per PL § 60.27(4). Payment is not limited to restitution; an injured party may sue civilly. See PL § 60.27(6). Moreover, Article 60 does not deprive the court of decreeing a forfeiture. Cf. *In re Local 851*, 2004 U.S. Dist. LEXIS 20088, \*28 n.9 (E.D.N.Y. , Sept. 30, 2004).
11. PL § 60.27.
12. *Colon*, 8 Misc. 3d at 581.
13. *People v. Consalvo*, 303 A.D.2d 202 (1st Dep’t 2003) (involving a Medicaid fraud restitution hearing).
14. *People v. Tzitzikalakis*, 25 A.D. 3d 404 (1st Dep’t 2006); CPL § 400.30(4); PL § 60.27(2).
15. CPLR 1310(3), 1311.
16. CPLR 1310(11), 1311.
17. CPLR 1349(2)(b), (c).
18. See *In re Local 851*, 2004 U.S. Dist. LEXIS 20088, \*28 n.9 (E.D.N.Y. Sept. 30, 2004); see also CPLR 1311(7) providing that any person claiming an interest in the property subject to forfeiture who did not receive actual notice of the forfeiture action may petition the court for remission or mitigation of the forfeiture and restoration of the property or proceeds within certain time frames. See also CPLR 1001(a) (joinder of necessary parties); *Eclair Advisor Ltd. v. Jindo America, Ltd.*, 39 A.D.3d 240 (1st Dep’t 2007); CPLR 1352.
19. CPLR 1352; CPLR 1350 specifies that the CPLR shall govern the procedure in proceedings and actions commenced under Article 13-A, except where the procedure is regulated by any inconsistent provision in Article 13-A. See also McKinney’s CPLR Form Book, Notice of Petition to determine adverse claims to property attached, CPLR Forms §§ 10:930, 931, 932.
20. See generally International AntiCounterfeiting Coalition, Inc., *The Negative Consequences of International Intellectual Property Theft: Economic Harm, Threats to the Public Health and Safety, and Links to Organized Crime and Terrorist Organizations* (Jan. 2005).
21. In *People v. Colon*, 8 Misc. 3d at 582, the court stated, “As this decision on restitution issues in this case is discretionary, this decision may not be accorded precedential value, collateral estoppel or res judicata status in any other case or proceeding.” *Id.* at 583. Cf. 18 U.S.C. § 2320(d)(2) (defining a “victim” for federal counterfeit trademark trafficking purposes).
22. 15 U.S.C. §§ 1051 *et seq.*; *Aedes de Venustas v. Venustas Int’l, LLC*, 2007 U.S. Dist. LEXIS 66586 (S.D.N.Y. Sept. 11, 2007); *Cartier v. Symbolix*, 454 F. Supp. 175 (S.D.N.Y. 2006).
23. See *Levi Strauss v. Sunrise International Trading*, 51 F.3d 982, 987 (11th Cir. 1995) (holding that district court had the authority to freeze those assets which could have been used to satisfy an equitable award of profits); *Northface Apparel Corp. v. TC Fashions, Inc.*, 2006 U.S. Dist. Lexis 14226, \*11-12 (S.D.N.Y. Mar. 30, 2006).
24. *George Basch Co., Inc. v. Blue Coral, Inc.*, 968 F.2d 1532, 1538 (2d Cir. 1992).
25. *Hamilton-Brown Shoe Co. v. Wolf Bros. Co.*, 240 U.S. 251, 259 (1916) (holding trademark holder entitled to the profits infringer realized on the sale of shoes that infringed the trademark); see also *Michel Cosmetics, Inc. v. Tsirkas*, 282 N.Y. 195 (1940).
26. 15 U.S.C. § 1117(a).
27. In order to invoke collateral estoppel, there “must be an identity of issue which has necessarily been decided in the prior action and is decisive of the present action, and there must have been a full and fair opportunity to contest the decision now said to be controlling.” *Launders v. Steinberg*, 2007 N.Y. Slip Op. 7499, 2007 N.Y. LEXIS 2707 (Oct. 11, 2007); *Buechal v. Bain*, 97 N.Y. 2d 295 (2001).
28. See generally Dee R. Edgeworth, *Asset Forfeiture: Practice and Procedure in State and Federal Courts* 168–70 (American Bar Association 2004).

**Peter A. Crusco is executive assistant district attorney in charge, Investigations Division, Office of the Queens County District Attorney.**



# IP Rights and Licenses Within Virtual Worlds: Second Life

By Francis X. Taney, Jr.

## I. Introduction

Virtual worlds and the computer-simulated environments they contain are capturing the attention and imagination of increasing numbers of people, with some pundits suggesting that virtual environments are the future of the Internet, or a so-called “Web 3.0.” Regardless of whether that prediction ultimately will prove to be true, there has been an undeniable upsurge in the extent of personal and corporate participation in virtual worlds. While virtual worlds are not all the same, they all have the potential to present interesting and in some senses, novel intellectual property issues. In this article, I will first describe virtual worlds in general and then focus on what I consider to be one of the more interesting virtual worlds, Second Life. I will explore the manner in which Second Life’s owner has structured Second Life and discuss some of the intellectual property issues that flow from that structure. Finally, I will discuss a pending case pitting one Second Life user against another over claims of copyright infringement and false designation of origin under the Lanham Act arising from the defendant’s activities within Second Life.

## II. What Is a Virtual World?

As most commonly used, the term “virtual world” refers to an Internet-hosted computer simulation that allows users to experience, create, and interact with the content in the simulation. Typically, the content in the virtual world consists in large part of computer graphics rendered to give the objects in the simulation a three-dimensional or “virtual” appearance. Many virtual worlds allow users to experience sounds and, in some cases, simulated physical contact insofar as objects within the simulation are linked to real-world objects that can send impulses or sensations to users.

Many virtual worlds are designed as games or contests in which users compete. The purpose of such games may be to accumulate points, objects, or virtual treasure or to kill virtual monsters and villains within the virtual world. Some of these game-oriented virtual worlds have millions of users or players. Commentators describe these games as massively multiplayer online role-playing games or “MMORPGs.” Other virtual worlds are less game-oriented. These virtual worlds may contemplate that users engage in many kinds of role-playing not necessarily dictated by the intended themes or “rules” of the virtual world.

Virtual worlds also vary in the extent to which they allow users to create or contribute content or other creative works within or to the virtual worlds. Some virtual worlds do not allow users to alter or create content; others allow or even encourage such alteration or creation. Virtual worlds in the latter category may provide users with programming, scripting, or other design tools to enable them to create content for the virtual world.

The virtual world owners typically provide access to the content of virtual items for a fee on a subscription basis. The owners usually require users to agree to be bound by a set of contractual terms and conditions, often referred to as “terms of service,” in order to have access to the virtual world. These terms of service usually contain a wide range of protective and exculpatory provisions benefiting the owner, including, for example, disclaimers of express and implied warranties, limitations on the recoverability of all manner of direct and indirect damages from the owner, and indemnification by the user of the owner with respect to claims arising from the user’s participation in the virtual world. Traditionally, through their terms of service, platform owners have claimed ownership of the intellectual property rights inherent in all content that users place or create in the virtual world.

## III. Second Life and the Second Life Terms of Service

Second Life is a virtual world owned and operated by San Francisco-based Linden Research, Inc. (“Linden”). Second Life is not a game-oriented virtual world as I have used the term above. Instead, Linden allows users to engage in all manner of activities within Second Life, subject to the overall limitations contained within the Second Life Terms of Service (“TOS”) that the activities be, *inter alia*, legal, noninfringing, and nonabusive or harassing toward other users. In addition, as explained in more detail below, Linden (through the TOS) allows users to retain ownership of the intellectual property rights in content that they create or place within Second Life, including content created by use of a number of scripting and programming tools Linden makes available to users.

As a consequence of these features, Second Life users are currently engaged in a wide range of more or less “virtual” activities, including, but not limited to, religious worship; education and instruction; corporate training; sex; architectural and engineering design; socializing (in virtual nightclubs, virtual bars, or otherwise); advertising

and marketing research; fashion content creation; combat; role-playing games; sports; and politics. Second Life utilizes an in-world currency called the Linden, which usually trades in the range of 250 to 270 Lindens per U.S. dollar. Second Life users typically use Lindens to purchase virtual goods and services within Second Life.

According to Linden, Second Life users conduct transactions worth well over one million U.S. dollars within Second Life each day. This figure likely does not account for all of the commerce that occurs within Second Life, nor does it account for the real-world fees that content-creation companies derive from performing services within Second Life for real-world companies. Linden claims that there are almost 10,000,000 unique user accounts within Second Life.

Numerous merchants and content creators sell all manner of virtual objects within Second Life. These virtual objects include but certainly are not limited to virtual cars, home furnishings, shoes, clothes, and animals. The virtual objects consist of graphics that are visible to users and underlying code. Depending on the nature of the object, the object also may include animations and sounds. A growing number of these merchants and content creators derive most or all of their income from the sale of virtual objects. In addition, numerous companies create entire simulated islands or spaces for real-world companies to use as marketing channels for their products and services. These real-world companies, which include significant media properties such as NBC, the National Basketball Association, Showtime Networks, and many others, are placing and displaying their own content within Second Life as well.

The Second Life TOS contains a number of key provisions directed toward intellectual property rights and that necessarily shape the nature of the commerce occurring within Second Life. Section 1.3 requires users to acknowledge that by participating in Second Life, they will have access to "Content"<sup>1</sup> and that Linden and other providers of Content have rights in their respective Content under copyright and other applicable laws. Section 2.3 requires that users select an account name to identify themselves and that a user's chosen name not violate any trademark, copyright, or other proprietary right.

Section 3.2, which is rather unique among terms of service for virtual worlds, provides that "subject to the terms and conditions of [the TOS, the user] will retain any and all applicable copyright and other intellectual property rights with respect to any Content you create using [Second Life], to the extent you have such rights under applicable law." Linden has used this feature of its TOS as a key marketing tool in the promotion of Second Life, and, indeed, in my opinion, this feature is the catalyst for the substantial content creation and commerce that occurs within Second Life.

Within Section 3.2, Linden also requires users to grant Linden a royalty-free, worldwide, fully paid-up, perpetual, irrevocable, nonexclusive right and license to make certain uses of user Content, including, *inter alia*, using and analyzing Content for debugging, testing, and diagnostic purposes and displaying Content in promoting or advertising Second Life, as well as deleting Content from Second Life without compensation. In addition, Section 3.2 requires users to grant both Linden and all other Second Life users a royalty-free, worldwide, fully paid-up, perpetual, transferable, irrevocable, nonexclusive right and license under any and all patent rights that users have or may obtain with respect to Content to use Content for all purposes within Second Life. Linden has described this provision as an attempt to maintain "patent peace" within Second Life. Section 3.3 provides that notwithstanding the fact that users retain their intellectual property rights in their Content, users do not own their account and do not own any data Linden stores on its servers, including, but not limited to, data embodying or representing user Content.

Section 4.1 requires users to refrain from posting Content that infringes any third-party rights. Section 4.2 prohibits users from modifying, reverse engineering, or attempting to discover the source code for any Linden software. Section 4.3 alerts users that Linden follows the procedures of the Digital Millennium Copyright Act in addressing alleged instances of copyright infringement within Second Life and requires users to abide by those procedures as well. Section 4.4 prohibits users from making any use of Linden's trade and service marks not permitted by Linden's trademark usage guidelines. Section 5.6 requires users to indemnify and hold Linden harmless against any claims that user Content infringes the intellectual property rights of any person or entity.

#### IV. Copyrights Within Second Life

Copyright extends to original works of authorship fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device.<sup>2</sup> To qualify for copyright protection, a work must be the original work of an author, i.e., not copied from a preexisting work, and must exhibit a minimal amount of creativity.<sup>3</sup> The creativity requirement is not very difficult to satisfy; even a slight amount of creativity will suffice.<sup>4</sup>

Many of the virtual items created and sold by the merchants and content creators within Second Life would seem to be potentially copyrightable. Courts have long recognized that the computer graphics associated with video games satisfy the fixation requirement of section 102 in that the graphics are embodied in the memory devices of computers, from which the graphics may be perceived with the aid of other components that interact

with the memory devices.<sup>5</sup> These graphics therefore are potentially copyrightable as visual or audiovisual works.

Courts also have long recognized that the object and source code underlying an item of software is copyrightable as a literary work.<sup>6</sup> In appropriate cases, copyright protection may extend beyond the literal elements of a computer program to the nonliteral structures of the program.<sup>7</sup> There appears to be no reason why the computer code and programs underlying virtual objects within Second Life should not receive similar treatment.

I represent a number of persons and entities active in creating and selling virtual items within Second Life who enable real-world companies to market their products and services within Second Life. Anecdotal, I understand that considerable unauthorized copying, creation of derivative works from, and display and distribution of virtual objects occur within Second Life on a daily basis.

In many cases, the monetary value of the unauthorized copies is small, and users resolve disputes by resort to the Digital Millennium Copyright Act “takedown” procedure administered by Linden. Second Life users have, however, expressed increasing frustration at Linden’s perceived slowness of response or lack of response in addressing reports of copyright infringement within Second Life. We can expect that as the volume of commerce within Second Life grows, and as the platform attracts users intent on copying items on a larger and more systematic scale, merchants will find it more economical to resort to litigation to address copyright infringement occurring within Second Life. The lawsuit *Eros v. Doe*, in which I represent the plaintiff and which I discuss below, is the first such suit, but I expect that it will not be the last.

## V. Trademarks Within Second Life

The Lanham Act defines a trademark as a word, name, symbol, device, or any combination thereof which is used to distinguish the goods of one person from goods manufactured or sold by others and to indicate the source of the goods.<sup>8</sup> To qualify for trademark protection, a mark must be sufficiently distinctive to distinguish the mark holder’s goods from those of others.<sup>9</sup> The Lanham Act “federalizes” existing common-law protection of trademarks used in interstate commerce.<sup>10</sup> “Used in commerce” for trademarks means a bona fide sale or transportation in commerce “which may lawfully be regulated by Congress.”<sup>11</sup>

As an initial matter, there would appear to be no reason why content creators and other merchants could not obtain trademark protection for marks that have become distinctive as applied to their virtual goods. These merchants are making bona fide sales to Second Life users throughout the United States and in numerous foreign countries using the Internet and so would seem to easily be able to satisfy the requirement of use of their

marks within interstate commerce. Indeed, I am aware of a number of merchants who have obtained federal trademark registration for their marks, including one who has obtained trademark registration for her distinctive avatar. Many other designers and merchants have developed substantial followings for their products within Second Life and also are pursuing federal registrations.

Through my representation of Second Life merchants and content creators, I am aware that disputes have arisen among Second Life users with respect to alleged palming off occurring in connection with the sale of unauthorized copies of the virtual products of popular merchants. In other words, on occasion, users have made unauthorized copies or modified copies of virtual items and passed these copies off as the “genuine” products of the merchants, in the process creating actual customer confusion as to the source of the virtual goods and diverting sales of the genuine items from the merchants. *Eros* involves just such a situation.

Another source of disputes among Second Life users arises from false or misleading comparative advertising, also actionable under the Lanham Act. Disputes have arisen where users have described their virtual items as, *inter alia*, “just like,” “the same as,” or “containing the same animations as” other products, where this was not the case. As with claims for copyright infringement based on unauthorized copying, display, and distribution of virtual items, I expect that as the volume of commerce within Second Life grows, we will see more lawsuits between Second Life users arising from palming off, counterfeiting, and false advertising.

## VI. Patents Within Second Life

Second Life, like other virtual worlds, is an Internet-hosted simulation consisting mainly of software and other data residing on Linden’s servers and installed on the computers of users. This limits the nature of the patentable inventions that users can create or deploy within Second Life.

Computer programs consist of algorithms. The Supreme Court has held that algorithms and other mathematical formulas are akin to laws of nature, natural phenomena, and abstract ideas, which are not patentable in and of themselves.<sup>12</sup> In *Diamond v. Diehl*,<sup>13</sup> however, the Court held that where a process incorporated a computer program as one step in the process, the computer program may be patentable subject matter when used as part of the process. In *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*,<sup>14</sup> the Federal Circuit held that where the inventor is claiming protection in an application of an algorithm that produces a “useful, concrete and tangible result,” as opposed to protection in the algorithm in the abstract, the invention is potentially patentable. In *AT&T Corp. v. Excel Communications, Inc.*,<sup>15</sup> the Federal Circuit applied the *State Street* test to a business method incorporating an algorithm.



Given the patentability of software under these standards, it would be reasonable to expect that most if not all of the patentable subject matter that users will create or deploy within Second Life would be expressed as software as part of a business method or a physical apparatus that interacts with Second Life. Indeed, there are numerous existing patents involving software applications designed for applications within or involving virtual worlds.

Linden's requirement that users grant Linden and other users a license in all patent rights in user content is obviously likely to reduce the extent to which Second Life users will exploit patent rights in Content placed or created within Second Life, although users still would have copyright protection for the code inherent in the invention. By its terms, however, the license applies only to Content placed within Second Life and to use of the Content within Second Life. Arguably the license would not apply to aspects of a business method that incorporated code that is not placed within Second Life but is rather resident on a third-party server, for example. To date there has apparently been no patent litigation arising out of Second Life. In the future, however, there likely will be litigation between Second Life users over the scope and effect of the license when applied to a business-method patent for a method with both in-world and out-of-world aspects, assuming that Linden does not materially change the construction of the license.

## VII. *Eros v. Doe*

I am currently counsel for the plaintiff in a lawsuit captioned *Eros LLC v. John Doe*, pending in the United States District Court for the Middle District of Florida, Tampa Division, which implicates a number of the issues discussed above. Numerous commentators have described the case, which involves claims of copyright infringement and Lanham Act false designation of origin arising within Second Life, as one of first impression. I regard the case as involving straightforward application of intellectual property principles, albeit within the exotic context of a virtual world.

My client, plaintiff Eros LLC ("Eros"), is one of the most successful merchants within Second Life. Eros sells numerous items of virtual adult-themed merchandise within Second Life. One of Eros' most popular items is the "SexGen" bed, which is an item of virtual furniture that contains more than 150 adult-themed animations. Eros has sold thousands of copies of the SexGen bed to users within Second Life located throughout the United States and in foreign countries for the equivalent of approximately 45 U.S. dollars per copy. Eros sells the SexGen beds on a "no-copy" basis, meaning that Eros does not permit purchasers to make copies of the beds.

Through Eros' promotion and advertising, the SexGen mark has become distinctive as a means to identify

Eros as the source of the virtual beds. Eros has filed an application for federal trademark registration with respect to the SexGen word mark.

Earlier this year, Eros discovered that a Second Life user with an avatar named Volkov Catteneo ("Catteneo") was making and selling multiple unauthorized copies of two versions of the SexGen bed, using the SexGen mark. Catteneo was selling the SexGen beds for approximately 12 U.S. dollars per copy and, in the process, taking sales away from Eros. From examination of one of the beds that Catteneo sold and Eros has obtained, it is apparent that Catteneo copied both the graphical images and textures that appear on a user's computer screen as well as the computer code that underlies the object and the animations.

On July 3, 2007, Eros filed a two-count complaint against Catteneo alleging copyright infringement and Lanham Act false designation of origin. Eros' theories of recovery, notwithstanding the "virtual" environment in which the offending conduct took place, are straightforward. By making copies of the SexGen beds and selling them to others, Catteneo had copied, displayed, and distributed Eros' works in violation of Eros' copyrights. Because Catteneo falsely claimed that the unauthorized copies of the SexGen beds were in fact copies made by Eros, and because the unauthorized copies bore the SexGen mark, Catteneo had "palmed off" or falsely designated the origin of the SexGen bed copies he had made.

Because Eros was not certain of Catteneo's real-world identity at the time of the filing of the Complaint, and because Catteneo refused to disclose his or her real-life identity, Eros proceeded against a John Doe. This obviously complicated prosecution of the claims.

Simultaneously with the filing of the complaint, Eros filed an *ex parte* motion for leave to issue subpoenas directed toward Linden and PayPal, Inc. Eros sought to serve the subpoena on Linden to obtain whatever personally identifying information Catteneo had provided to obtain the account, Catteneo's transactional history, and "chat records" within Second Life, as well as transaction and the Internet protocol (IP) addresses associated with the occasions on which Catteneo logged on to Second Life. Eros served the subpoena on PayPal to obtain the personally identifying information provided with a PayPal account to which Catteneo had directed payment be made for one of the SexGen beds.

In support of the motion, Eros argued that while the First Amendment protects the right to speak anonymously on the Internet and elsewhere, this protection is not absolute, citing *Sony Music Entertainment Inc. v. Does 1-40*.<sup>16</sup> Eros further argued that the First Amendment does not protect copyright infringement or other violations of intellectual property rights, citing, *inter alia*, *Harper & Row Publishers, Inc. v. Nation Enters.*<sup>17</sup>

Eros was unable to locate any controlling Eleventh Circuit precedent on the standards to be applied to attempts to discover the identity of an anonymous Internet user but suggested to the Court that the five-part test articulated in *Sony* was an appropriate guide for the Court in considering whether to authorize issuance of the subpoenas, in light of any First Amendment rights Catteneo might have to Internet anonymity. These factors were (1) whether the plaintiff had made a concrete showing of a prima facie claim of actionable harm; (2) the specificity of the discovery request; (3) the absence of alternative means to obtain the subpoenaed information; (4) a central need for the subpoenaed information to advance the claim; and (5) the defendant's expectation of privacy.

Eros argued that it satisfied the first element of the *Sony* test because the Complaint adequately alleged the requisite elements for violations of the Copyright and Lanham Acts. Eros argued that it satisfied the second factor by seeking limited sets of specific information that were reasonably calculated to lead to discovery of the information necessary to determine Catteneo's identity and address.

Eros argued that the third *Sony* factor favored Eros because Eros, after reasonable efforts, including making requests of the two entities of which Eros was aware that were likely to have accurate information relating to Catteneo and attempting to contact Catteneo directly online, was unable to determine Catteneo's true identity and address. Eros argued that it established the fourth factor, a central need for the information to advance Eros's claim, because absent the information, Eros would be unable to serve process. Finally, Eros argued that because both Linden and PayPal advise all users who supply information that they reserve the right to disclose the information in response to a valid subpoena, Catteneo had no legitimate expectation under the circumstances that Catteneo's information would be kept private and immune from discovery. The Court granted the motion.

Interestingly, while the motion was pending, Catteneo gave an in-world interview to a Reuters reporter in which he admitted selling fifty copies of the SexGen beds and claimed to have given the sale proceeds to an unidentified third party. Catteneo also claimed to have given false identifying information to Linden in connection with obtaining the Second Life account and expressed confidence that neither Linden nor PayPal would be able to provide information that would enable Eros to identify Catteneo. Catteneo has since given a number of interviews to Reuters in which he or she confidently predicts that Eros will not be able to identify or locate him or her.

After obtaining and analyzing information provided by Linden and PayPal in response to the subpoenas, including the Internet protocol addresses Catteneo used to

access Second Life, Eros filed a second *ex parte* motion for leave to issue subpoenas to AT&T and Charter Communications, Inc., the two Internet service providers associated with the two accounts Catteneo used to log on to Second Life, seeking the personally identifying information associated with the accounts. The court granted this motion as well.

Neither AT&T nor Charter resisted production of the information but advised Eros that they would notify the account holders to allow the account holders an opportunity to object to the production of the information. Neither account holder objected, and in early October 2007 both AT&T and Charter produced the identifying information for the respective account holders. By following up on the identifying information, Eros was able to identify the account holder (a resident of Texas) and filed an amended complaint against him and a number of John Does. The account holder has admitted using and having had access to the Volkov Catteneo account but claims others did so as well and that he was not responsible for the copying.

Whatever the outcome of the case, I feel privileged to have the opportunity to contribute in a meaningful way to the development of the intellectual property law of virtual worlds.

## Endnotes

1. The TOS, at section 1.3, defines "Content" as including "graphics, sound effects, music, video, audio, computer programs, animation, text, and other creative output."
2. 17 U.S.C. § 102.
3. *Feist Publications, Inc. v. Rural Telephone Service Co., Inc.*, 499 U.S. 340 (1991).
4. *Id.*
5. *See, e.g., Williams Electronics, Inc. v. Artic Intern., Inc.*, 685 F.2d 870 (3d Cir. 1982).
6. *Apple Computer, Inc. v. Franklin Computer Corp.*, 714 F.2d 1240 (3d Cir. 1983).
7. *Computer Associates Intern., Inc. v. Altai, Inc.*, 982 F.2d 693 (2d Cir. 1992).
8. 15 U.S.C. § 1127.
9. *Star Industries, Inc. v. Bacardi & Co. Ltd.*, 412 F.3d 373 (2d Cir. 2005).
10. *CAE, Inc. v. Clean Air Engineering, Inc.*, 267 F.3d 660 (7th Cir. 2001).
11. *Avakoff v. Southern Pacific Co.*, 765 F.2d 1097 (Fed Cir. 1985).
12. *Parker v. Flook*, 437 U.S. 584 (1978).
13. 450 U.S. 175 (1981).
14. 149 F.3d 1368 (Fed Cir. 1998).
15. 172 F.3d 1352 (Fed. Cir. 1999).
16. 326 F. Supp. 2d 556 (S.D.N.Y. 2004).
17. 471 U.S. 539, 555-56, 569 (1985).

**Francis X. Taney, Jr. is a shareholder in Buchanan Ingersoll & Rooney PC in Philadelphia, PA.**

## Annual Meeting of the Intellectual Property Law Section



**Tuesday, January 29, 2008  
New York Marriott Marquis  
1535 Broadway, New York City**

**MORNING PROGRAM, 9:00 a.m.**  
Marquis Ballroom, 9th Floor

**LUNCHEON, 12:50 p.m.**  
16th Floor Sky Lounge

**AFTERNOON PROGRAM, 2:10 p.m.**  
Marquis Ballroom, 9th Floor

**COCKTAIL RECEPTION, 5:25 p.m.**  
16th Floor Sky Lounge

### IMPORTANT INFORMATION

**Under New York's MCLE rule**, this program has been approved for a total of up to 7.5 credit hours, consisting of 7.5 credit hours in areas of professional practice. This program will not qualify for credit for newly admitted attorneys because it is not a basic practical skills program.

**Discounts and Scholarships:** New York State Bar Association members may apply for a discount or scholarship to attend this program based on financial hardship. Under that policy, any member of our Association who has a genuine financial hardship may apply in writing not later than two working days prior to the program, explaining the basis of his/her hardship, and if approved, can receive a discount or scholarship, depending on the circumstances. For more details, please contact: Linda Castilla at: New York State Bar Association, One Elk Street, Albany, New York 12207.

#### Section Chair/Program Co-Chair

**Debra I. Resnick, Esq.**  
FTI Consulting  
New York City

#### Program Co-Chair

**Tamara Carmichael, Esq.**  
Holland & Knight LLP  
New York City

**9:00 - 9:10 a.m. Welcoming Remarks and Election of Section Officers and Executive Committee Members-At-Large**

**Debra I. Resnick, Esq.,** Section Chair

**Debra I. Resnick, Esq. and Tamara Carmichael, Esq.,** Program Co-Chairs

**9:10 - 10:00 a.m. "Crimes and Misdemeanors" in IP Cases**

Enforcement of intellectual property rights today increasingly incorporates aspects of criminal law and prosecution. Our panelists will discuss the various federal IP criminal laws currently in effect; recent trends in IP crime tradecraft; the use of white collar and criminal law that can be used to combat IP offenses, and how to implement those concepts as tools in civil cases against direct infringers and third-parties who can be held civilly liable for the IP violations of others.

**Speakers:** **Joseph V. DeMarco, Esq.,** DeVore & DeMarco LLP, New York City  
**Steven Kimelman, Esq.,** Arent Fox LLP, New York City

**10:00 - 10:50 a.m. KSR, MedImmune, AT&T v. Microsoft and Seagate: Lessons Learned**

Last year's rulings by the Supreme Court and CAFC fundamentally changed the way attorneys practice patent law. Our panel will discuss lessons learned from these cases and the practical application as they relate to the pharmaceutical and high-technology industries.

**Moderator:** **Joseph DeGirolamo, Esq.,** Morgan & Finnegan, LLP, New York City

**Speakers:** **Pharmaceutical industry perspective**  
**Joshua Krumholz, Esq.,** Holland & Knight LLP, New York City  
**Technology industry perspective**  
**Brian Ferguson, Esq.,** McDermott Will & Emery LLP, Washington, DC

**10:50-11:00 a.m. Coffee Break**  
Coffee Break sponsored by Holland & Knight LLP

**11:00 - 11:50 a.m. The Great Debate: Should the Right of Publicity Survive Death?**

When the SDNY rejected the estate of Marilyn Monroe's claim that it owns rights of publicity in the actress's likeness, it opened the door for people to use her images commercially without permission from the estate, and also brought to



light the differing state laws on post-mortem rights of publicity. Chris Serbagi, who represented the defendant in the Monroe case, will debate the proposed amendment to New York's Right of Publicity Law to cover dead celebrities.

**Moderator:** **Hugh C. Hansen, Esq.,** Fordham University School of Law, New York City

**Speakers:** **Alan J. Hartnick, Esq.,** Abelman, Frayne & Schwab, New York City  
**Chris Serbagi, Esq.,** Law Offices of Chris Serbagi, New York City

#### **11:50 - 12:40 p.m. Intellectual Property in India**

India is becoming a nation that is changing its course on IP. With new laws, new courts, and new decisions on IP, India is beginning to embrace the world standard for IP protection. Those changes promise new opportunities and present unique challenges to participate in the growing Indian market. For the last decade, our panelists have led numerous delegations to India to contribute to those changes. Come hear their perspectives on the opportunities and challenges of confronting the new Indian IP market.

Federal District, Washington, DC

**Raj Davé, Esq.,** Darby & Darby, P.C., Washington, DC

#### **12:40 - 12:50 p.m. Annual Law Student Writing Competition**

First Prize: \$2,000, sponsored by Weil, Gotshal & Manges LLP

Second Prize: \$1,000 sponsored by Morrison & Foerster LLP

#### **12:50 - 2:00 p.m. Lunch**

Lunch co-sponsored by:

Arent Fox LLP                      DeVore & DeMarco LLP

#### **2:10 - 3:00 p.m. New Patent Office and TTAB Rules**

As the PTO was enjoined, on October 31, 2007, from implementing the revised patent rules, the status quo prevails for patent applicants. Our panel will address the basis for the injunction and any likely response by the PTO including modification of the revised rules. Our panel will also address the impact of the new TTAB rules on *inter partes* proceedings, especially regarding the initiation of new proceedings and discovery.

**Patent Office Rules, Margaret A. Pierri, Esq.,** Morrison & Foerster LLP,  
New York City

**TTAB Rules: Gerard Rogers, Judge,** USPTO Trademark Trial and Appeals Board,  
Washington, DC

#### **3:00 - 4:15 p.m. Legal and Business Objectives and Issues in Establishing a Global Brand**

Faced with a global economy and the necessity of building new brands, growing existing brands and protecting IP interests related to the same, businesses today face new challenges at a lightning pace. Our panel will address issues related to global branding positives and pitfalls; consider issues surrounding challenges for advertising and promotion in a world where consumers can determine what they view through DVR services, pop-up blocking software, and other multi-media controls; and discuss cutting edge multi-media branding sources including podcasting, blogs and other social and media outlets.

**Moderator:** **Tamara Carmichael, Esq.,** Holland & Knight LLP, New York City

**Speakers:** **Alan Blum, Esq.,** Quinn Emanuel Urquhart Oliver & Hedges, LLP, New York City  
**Nadine Flynn, Esq.,** Bristol Myers-Squibb, New York City  
**Edward Moed,** Peppercom, New York City

#### **4:15 - 4:25 p.m. Coffee Break**

Coffee Break sponsored by Fross Zelnick Lehrman & Zissu, P.C.

#### **4:25 - 5:15 p.m. Competitive Intelligence and Pretexting: What Is An IP Attorney To Do?**

Intellectual property attorneys and their clients face many issues that require the use of internal investigations and outside investigators. In the wake of the pretexting controversy at Hewlett-Packard, attorneys must be mindful of the ethical rules applicable to investigations, retention of outside investigators, the types of investigations (i.e., pretexting) and any limits thereof, and disclosure obligations with respect to information gathered during the course of investigations.

**Speakers:** **Stephen W. Feingold, Esq.,** Day Pitney LLP, New York City  
**Bruce Proctor, Esq.,** Diageo, Norwalk, Connecticut

#### **5:15 p.m. Closing Remarks**

**Debra I. Resnick, Esq.,** Section Chair

**Debra I. Resnick, Esq. and Tamara Carmichael,** Program Chairs

#### **5:25 p.m. Cocktail Hour and Young Lawyer Reception**

Sponsored by Thomson CompuMark



Intellectual  
Property Law  
Section

# Fall Meeting

October 4–7,  
2007

The Sagamore  
Bolton Landing, NY

*Photos by Richard L. Ravin  
(Immediate Past Chair) and  
Nancy Baum Delain*















**ANNOUNCING THE**  
**Intellectual Property Law Section's**  
**ANNUAL LAW STUDENT WRITING COMPETITION**

To be presented at the **Annual Meeting of the Intellectual Property Law Section, January 29, 2008, New York, NY** to the authors of the best publishable papers on subjects relating to the protection of intellectual property **not published elsewhere, scheduled for publication, or awarded another prize.**

**First Prize: \$2,000**  
**Sponsored by Weil, Gotshal and Manges LLP**

**Second Prize: \$1,000**  
**Sponsored by Morrison & Foerster LLP**

**COMPETITION RULES ARE AS FOLLOWS:**

To be eligible for consideration, the paper must have been written solely by students in full-time attendance at a law school (day or evening program) located in New York State or by out-of-state students who are members of the Section. One hard copy of the paper and an electronic copy in Word format on a 3.5" H.D. disk must have been submitted by mail, postmarked not later than **November 6, 2007**, to the person named below. As an alternative to sending the disk, the contestant may have e-mailed the electronic copies, provided that they were e-mailed before 5:00 p.m. EST, **November 6, 2007**.

Papers will be judged anonymously by the Section and must meet the following criteria or points will be deducted: no longer than 35 pages, double-spaced, including footnotes; and one file with a cover page indicating the submitter's name, law school and expected year of graduation, mailing address, e-mail address, telephone number, and employment information, if applicable.

Winning papers may be published in the Section's publication *Bright Ideas*. Reasonable expenses will be reimbursed to the author of the winning paper for attendance at the Annual Meeting to receive the Award.

The judges reserve the right to: not consider any papers submitted late or with incomplete information, not to publish papers, not award prizes, and/or to determine that no entries are prizeworthy or publishable.

**Entries by hard copy and e-mail to: Naomi Pitts, NYSBA, One Elk Street, Albany, NY 12207 (e-mail: npitts@nysba.org).** Comments and/or questions may be directed to the Co-Chairs of the Young Lawyers Committee: Michael J. Kelly, Kenyon & Kenyon, 1 Broadway, New York, NY 10004, (212) 425-7200 (e-mail: mkelly@kenyon.com) or Dana L. Schuessler, Greenberg Traurig LLP, 200 Park Avenue, New York, NY 10166, (212) 801-6707 (e-mail: schuesslerd@gtlaw.com).



# Trade Winds

*Trade Winds* offers Section members a way to keep up on the comings and goings of their colleagues and upcoming events of interest. Has there been a change in your practice? Any recent or forthcoming articles or lecture presentations? Won any awards recently? Please e-mail submissions to Jonathan Bloom at [jonathan.bloom@weil.com](mailto:jonathan.bloom@weil.com).

## Welcome New Members:

Moriah R. Agovino	Christopher N. Doval	Oisin Lambe	Jade Regavim
Gina R. Alfano	Jane Dryer	Sean LaRoque-Doherty	Carl Frederick Regelman
Frederick J. Anton	Jeffrey Evan Dupler	Lori M. Laubich	Elizabeth C. Reilly
Jean Paul Archambault	Alan Lewis Edwards	Jae Soog Lee	Michael Allan Richter
Phoebe Louise Arcus	Lucy Elizabeth Emhardt	Sandra Sohee Lee	Elizabeth I. Robbins
Natalia Azava	Anthony Emmi	Song-Chu Lee	Sofia Rodriguez
Amanda M. Babb	Stacey Evans	Leia Diana LeFay	Felicia Rovegno
Stefan Michael Belinfanti	Robert C. Faber	Richard M. Lehrer	John A. Safarli
Megan N. Bentley	Edward C. Fargis	Eric Ronald Leibowitz	Todd Reuben Samelman
Rita Lynn Berardino	Filomena Fazzino	Tiffany Ann Levato	Richard Samson
Mari H. Bergeron	Raymond S. Fersko	Jonathan Levine	Jaime Samuel
Blaine Bettinger	Victoria Elizabeth Ford	Stanley J. Lewis	Richard I. Samuel
Lindsay A. Bleir	Rebecca Friedman	Fred Lichtmacher	Sarah B. Samuelson
Russell Lewis Bogart	Gustavo Nicolas Fuentes	Irene Ann Lippa	Kaleena E. Scamman
Jason Todd Bowden	Joy Latoia Ganes	Yekaterina Lomako	Stanley H. Schneider
Jaevon Boxhill	Raymond Garguilo	Meichelle R. MacGregor	Leonard B. Schoen
Justin Samuel Bridge	Timothy Kelso Gilman	Louis Ladislav Mangin	Marc A. Schwartz
Robert M. Brill	Marvin S. Gittes	M. Michael Maoz	Christopher Seidman
Bellamy W. Brown	Kimberly Ann Giuliano	Sheri S. Mason	Eric John Setliff
Michelle Bugbee	Kendra Paige Goldenberg	Thomas Jeremiah McIntyre	Maureen Walsh Sheehan
Amelia A. Buharin	Blake G. Goldfarb	Gabriel Ethan Meister	Michelle H.W. Shen
Jennifer Helen Burdman	Ira J. Goldstein	Chi Mety	Mee-Sung Shim
Aoife E. Butler	Ross F. Goodman	Peter Milne	Mark William Shiner
Ryan A. Cappiello	Rebecca Leigh Griffith	Cathryn A. Mitchell	Navindra Anand Singh
Patricia D. Cappuyns	Anne E. Hardcastle	Erin Molyneux	Scott M. Smedresman
Charles-Christophe Carter	Eric Dion Harris	Gary Howard Monka	John Paul Son
Carlotta Cassidy	Zachary D. Helprin	Charles A. Muserlian	Pankaj Soni
Mona C. Chammas	Michael Hirschfeld	Naoko Nakatsukasa	Kenneth H. Sonnenfeld
Douglas R. Chartier	Veronique Anne Hodeau	Cindy Ellen Nelson	Gary D. Spivey
Chehrazade Chemcham	Tamara L. Hrivnak	John P. Norman	Michael Douglas Steger
Liu-ming Chen	Nadia Ilham Mariam Ishaq	Stanley U. North	Eric Jon Stenshoel
Lin-Yun Cheng	Yoshiaki Ishida	Alice Okwuchi Ohaya	Irene Meilin Sterquelle
Casey M. Chisick	Lonn Russell Itzkovich	Elizabeth J. Oliner	Arshi Suhail
Seung Won Cho	Catherine Ivers	Jason Stephen Oliver	Danielle Claire Sullivan
Jacqueline Clary	Janice Veronica Jabido	Toshisada Onishi	Ahmadou Sylla
Linda Claude-Oben	Sean E. Jackson	Yasuhide Ono	William H. Tennant
Bruno F. Codispoti	Harold A. Jerry	Heidi Ellen Opinsky	George A. Thompson
Steven E. Cole	Adam Jones	Ieback Paick	Mark Traphagen
David Beebe Collier	Jennifer A. Juengst	Orin Paliwoda	Kate Tsyvkin
Alfred R. Cowger	Simi N.A. Junior	Christopher Paradies	Kelley Mark Tyson
Patrick A. Craig	David A. Kalow	Hillel I. Parness	Alexander Van Gaalen
Anne Caroline Crichlow	Aida Kane	Ameet I. Patel	Alexander Viderman
Paul Andrew Czech	Asli Karatas	Rosy Minako Pazdera	Daniel H. Walsh
Stephen John D'Ardis	Robert J. Kenney	Daniel Pelletier	Thomas Walsh
Gloria J. D'Souza	Dae Hoon Kim	Aaron Ligoury Joseph	Aaron Warshaw
La-Keshia Dandy	Jennifer Alison Klear	Pereira	Coleman Watson
David John Davoli	Sagie S. Kleinlerer	Matthew J. Perez	Deena Levy Weinhouse
Monisha Deka	Jeffrey Klembczyk	Sarah J. Pheral	Matthew Aaron Windman
Emily Kristine Den Herder	Dimitry Kogan	Graceann Anita Pisano	Howard Wizenfeld
Christopher Denton	Kimberly Korn	Lee Matthew Pollack	Xiaoshu Wu
Bartholomew J. Di Vita	James G. Koutras	Lucrecia Zagorka Ponce	Toshiki Yano
Elizabeth Shasta Dipchand	Adam E. Kraidin	Delphine Aure Puybureau-	Fatih Yigit
John Paul DiScala	Gabriel P. Kralik	Manaud	Wei Yu
Priscilla Djirackor	Craig B. Kravit	David M. Quinlan	Ma'anit Tzipora Zemel

## **MEMBERSHIP APPLICATION**

### **New York State Bar Association:**

## **INTELLECTUAL PROPERTY LAW SECTION**

Membership in the New York State Bar Association's Intellectual Property Law Section is a valuable way to:

- enhance professional skills;
- keep up-to-date with important developments in the legal profession;
- join colleagues in exciting Section events.

### **OPPORTUNITIES FOR EDUCATION**

The Intellectual Property Law Section offers both the experienced and novice practitioner excellent opportunities to enhance their practical and legal knowledge and expertise. Through Section activities, including conferences on intellectual property (an annual fall event), members may examine vital legal developments in intellectual property law. The Section's Web site provides current information regarding Section events and offers "members only" access to current issues of *Bright Ideas* and current Committee bulletins providing updates on intellectual property law. The Section plans to sponsor continuing legal education (CLE) credit-bearing programs for Section members at reduced rates. Recent programs offered by the Section related to computer software and biotechnology protection, conducting intellectual property audits, and practical considerations in trade secret law. The Section sponsors an annual Intellectual Property Law writing contest for New York State Law Students.

### **OPPORTUNITIES FOR PROFESSIONAL DEVELOPMENT**

Intellectual Property Law Section committees address unique issues facing attorneys, the profession and the public. The Section offers opportunities to serve on committees such as Patent Law; Trademark Law; Copyright Law; Internet Law; Trade Secrets; Technology, Transfer and Licensing and Young Lawyers.

Committees allow you to network with other attorneys from across the state and give you the opportunity to research issues and influence the laws that can affect your practice. Committees are also an outstanding way to achieve professional development and recognition. Law students are automatically members of the Young Lawyers Committee. Section members may join more than one committee.

### **A VOICE IN THE ASSOCIATION**

The Intellectual Property Law Section takes positions on major professional issues that affect practitioners and advocates those positions within the New York State Bar Association, the legislature, and the public.

**See page 29 to become a member of the Intellectual Property Law Section**

## COMMITTEE ASSIGNMENT REQUEST

Please designate, from the list below, those committees in which you wish to participate. For a list of Committee Chairs and their e-mail addresses, please refer to page 30 of this issue.

- |                                                       |                                            |
|-------------------------------------------------------|--------------------------------------------|
| ___ Copyright Law (IPS1100)                           | ___ Meetings and Membership (IPS1040)      |
| ___ Diversity Initiative (IPS2400)                    | ___ Patent Law (IPS1300)                   |
| ___ Ethics (IPS2600)                                  | ___ Pro Bono and Public Interest (IPS2700) |
| ___ International Intellectual Property Law (IPS2200) | ___ Trademark Law (IPS1600)                |
| ___ Internet & Technology Law (IPS1800)               | ___ Trade Secrets Law (IPS1500)            |
| ___ Legislative/Amicus (IPS2300)                      | ___ Transactional Law (IPS1400)            |
| ___ Litigation (IPS2500)                              | ___ Young Lawyers (IPS1700)                |

Please e-mail your committee selection(s) to Naomi Pitts at: [npitts@nysba.org](mailto:npitts@nysba.org)

\* \* \*

To be eligible for membership in the Intellectual Property Law Section, you first **must** be a member of the NYSBA.

- ☐ As a member of the NYSBA, I enclose my payment of \$30 for Intellectual Property Law Section dues.  
(Law student rate: \$15)
- ☐ I wish to become a member of the NYSBA and the Intellectual Property Law Section. I enclose both an Association and Section application with my payment.
- ☐ Please send me a NYSBA application. No payment is enclosed.

Name \_\_\_\_\_

Office \_\_\_\_\_

Office Address \_\_\_\_\_

Home Address \_\_\_\_\_

E-mail Address \_\_\_\_\_

Office Phone No. \_\_\_\_\_

Office Fax No. \_\_\_\_\_

Home Phone No. \_\_\_\_\_

*Please return payment and application to:*

**Membership Department**  
**New York State Bar Association**  
**One Elk Street**  
**Albany, New York 12207**  
**Telephone: 518/487-5577**  
**FAX: 518/487-5579**  
**<http://www.nysba.org>**



# Section Committees and Chairs

The Intellectual Property Law Section encourages members to participate in its programs and to contact the Section Officers or Committee Chairs for information.

## **Committee on Copyright Law**

Jeffrey Barton Cahn  
Sills Cummis & Gross P.C.  
One Riverfront Plaza  
Newark, NJ 07102  
jcahn@sillscummis.com

Robert W. Clarida  
Cowan Liebowitz and Latman  
1133 Avenue of the Americas  
New York, NY 10036  
rwc@ccl.com

## **Committee on Ethics**

Philip Furgang  
Furgang & Adwar, LLP  
1325 Avenue of the Americas, 28th Floor  
New York, NY 10019  
philip@furgang.com

Rory J. Radding  
Morrison & Foerster LLP  
1290 Avenue of the Americas  
New York, NY 10104-0185  
rradding@mofo.com

## **Committee on Internet and Technology Law**

Rory J. Radding  
Morrison & Foerster LLP  
1290 Avenue of the Americas  
New York, NY 10104-0185  
rradding@mofo.com

Antonella T. Popoff  
SharedBook Inc.  
14 Wall Street, 27th Floor  
New York, NY 10005  
antonella@nycmail.com

## **Committee on International Intellectual Property Law**

Sheila Francis  
Rouse & Company International  
38E Heritage Drive  
New City, NY 10956  
sfrancis@iprights.com

David Jonathan Saenz  
Greenberg Traurig LLP  
200 Park Avenue, 34th Floor  
New York, NY 10166-0005  
saenzd@gtlaw.com

## **Committee on Legislative/Amicus**

Noel D. Humphreys  
Connell Foley LLP  
85 Livingston Avenue  
Roseland, NJ 07068-1765  
nhumphreys@connellfoley.com

Richard S. Schurin  
Gottlieb, Racman & Reisman P.C.  
270 Madison Ave.  
New York, NY 10016-0601  
rschurin@grr.com

## **Committee on Litigation**

Marc Ari Lieberstein  
Day Pitney LLP  
7 Times Square  
New York, NY 10036  
mlieberstein@daypitney.com

Ira Jay Levy  
Goodwin Procter LLP  
599 Lexington Avenue #30  
New York, NY 10022  
ilevy@goodwinprocter.com

## **Committee on Meetings and Membership**

Thomas H. Curtin  
Lathrop & Gage L.C.  
230 Park Avenue, Suite 1847  
New York, NY 10169  
tcurtin@lathropgage.com

Charles Thomas Joseph Weigell III  
Fross Zelnick Lehrman & Zissu PC  
866 United Nations Plaza  
New York, NY 10017  
cweigell@frosszelnick.com

## **Committee on Nominating**

Richard L. Ravin  
Hartman & Winnicki, PC  
115 West Century Rd  
Paramus, NJ 07652  
rick@ravin.com

## **Committee on Patent Law**

Joseph A. DeGirolamo  
Morgan & Finnegan LLP  
Three World Financial Center  
New York, NY 10218-2101  
jdegiralamo@morganfinnegan.com

Richard LaCava  
Dickstein Shapiro Morin and Oshinsky LLP  
1177 Avenue of the Americas  
New York, NY 10036  
lacavar@dicksteinshapiro.com

## **Committee on Pro Bono and Public Interest**

Brian Nolan  
McDermott Will & Emery  
340 Madison Avenue  
New York, NY 10173  
bnolan@mwe.com

Steven Everett Savage  
The Law Offices of Steven E. Savage  
21 Winding Way, West Orange NJ 07052  
ssavage2007@verizon.net

## **Committee on Trademark Law**

George R. McGuire  
Bond, Schoenack & King, PLLC  
One Lincoln Center  
Syracuse, NY 13202  
gm McGuire@bsk.com

Tamara Carmichael  
Holland & Knight LLP  
195 Broadway, 24th Floor  
New York, NY 10007-3100  
tamara.carmichael@hklaw.com

## **Committee on Trade Secrets**

Adam E. Kraidin  
GE Commercial Finance  
120 Long Ridge Road  
Stamford, CT 06927  
adam.kraidin@ge.com

Douglas A. Miro  
Ostrolenk, Faber, Gerb & Soffen LLP  
1180 Avenue of the Americas  
7th Floor  
New York, NY 10036  
dmiro@ostrolenk.com

## **Committee on Transactional Law**

A. John P. Mancini  
Mayer Brown Rowe & Maw, LLP  
1675 Broadway  
New York, NY 10019  
jmancini@mayerbrownrowe.com

Robin E. Silverman  
Golenbock Eiseman Assor Bell & Peskoe LLP  
437 Madison Avenue  
New York, NY 10022  
rsilverman@golenbock.com

## **Committee on Young Lawyers**

Matthew Dechtiar Asbell  
66 West 85th Street  
New York, NY 10024  
general@asbellm.com

Michael James Kelly  
Kenyon & Kenyon LLP  
1 Broadway  
New York, NY 10004-1007  
mkelly@kenyon.com

Dana Lauren Schuessler  
Greenberg Traurig LLP  
200 Park Avenue  
New York, NY 10166  
schuesslerd@gtlaw.com

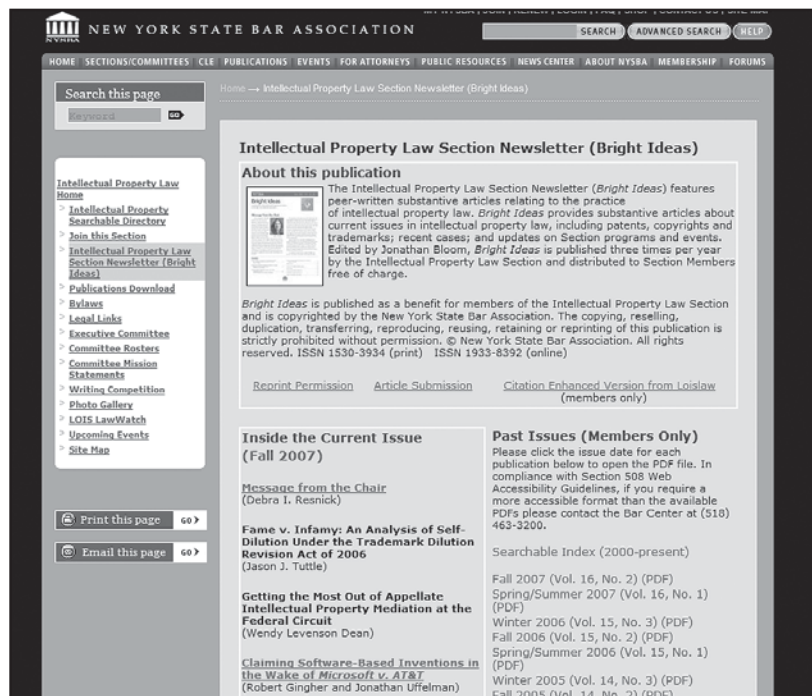
Your key to professional success...

A wealth of practical resources at [www.nysba.org](http://www.nysba.org)

- Downloadable Forms organized into common practice areas
- Comprehensive practice management tools
- Forums/listserves for Sections and Committees
- More than 800 Ethics Opinions
- NYSBA Reports – the substantive work of the Association
- Legislative information with timely news feeds
- Online career services for job seekers and employers
- Free access to several case law libraries – exclusively for members

The practical tools you need.  
The resources you demand.  
Available right now.  
Our members deserve nothing less.

## And now . . . *Bright Ideas* (the Intellectual Property Law Section's Newsletter) has a new online look!



## Go to [www.nysba.org/BrightIdeas](http://www.nysba.org/BrightIdeas) to access:

- Past Issues (2000-present) of *Bright Ideas*\*
- *Bright Ideas* Searchable Index (2000-present)
- Searchable articles from *Bright Ideas* that include links to cites and statutes. This service is provided by Loislaw and is an exclusive Section member benefit\*

\*You must be an Intellectual Property Law Section member and logged in to access. Need password assistance? Visit our Web site at [www.nysba.org/pwhelp](http://www.nysba.org/pwhelp). For questions or log-in help, call (518) 463-3200.

For more information on these and many other resources go to [www.nysba.org](http://www.nysba.org)



## Submission of Articles

Anyone wishing to submit an article, announcement, practice tip, etc., for publication in an upcoming issue of *Bright Ideas* is encouraged to do so. Articles should be works of original authorship on any topic relating to intellectual property. Submissions may be of any length.

Submissions should preferably be sent by e-mail to Jonathan Bloom, Editor-in-Chief, at the address indicated on this page. Submissions for the Spring/Summer 2008 issue must be received by March 3, 2008.

### ***Bright Ideas* Liaisons**

Trademark Law—Jonathan Matkowsky  
Internet Law—Marc D. Hiller

### **At-Large Members of the Executive Committee**

Neil S. Baumgarten	Raymond A. Mantle
Walter J. Bayer	Miriam M. Netter
Philip A. Gilman	



**Visit Us  
on Our  
Web Site:**

**<http://www.nysba.org/ipi>**

## BRIGHT IDEAS

### **Editor-in-Chief**

Jonathan Bloom  
Weil, Gotshal & Manges LLP  
767 Fifth Avenue  
New York, NY 10153  
e-mail: jonathan.bloom@weil.com

### **Executive Editor**

Rory J. Radding  
Morrison & Foerster LLP  
1290 Avenue of the Americas  
New York, NY 10104  
e-mail: rradding@mofo.com

### **Section Officers**

#### **Chair**

Debra Ivy Resnick  
FTI Consulting  
Three Times Square, 11th Floor  
New York, NY 10036  
e-mail: debra.resnick@fticonsulting.com

#### **Vice Chair**

Joyce L. Creidy  
Thomson CompuMark  
530 Fifth Avenue, 7th Floor  
New York, NY 10036  
e-mail: joyce.creidy@thomson.com

#### **Treasurer**

Paul M. Fakler  
Moses & Singer LLP  
405 Lexington Avenue  
New York, NY 10174  
e-mail: pfakler@mosessinger.com

#### **Secretary**

Kelly Slavitt  
ASPCA  
424 East 92nd Street  
New York, NY 10128  
e-mail: kslavitt@yahoo.com

*Bright Ideas* is a publication of the Intellectual Property Law Section of the New York State Bar Association. Members of the Section receive a subscription to the publication without charge. Each article in this publication represents the author's viewpoint and not that of the Editors, Section Officers or Section. The accuracy of the sources used and the cases, statutes, rules, legislation and other references cited is the responsibility of the respective authors.

Copyright 2007 by the New York State Bar Association.  
ISSN 1530-3934 (print) ISSN 1933-8392 (online)



**NEW YORK STATE BAR ASSOCIATION  
INTELLECTUAL PROPERTY LAW SECTION**

**NYSBA** One Elk Street, Albany, New York 12207-1002

**ADDRESS SERVICE REQUESTED**

NON PROFIT ORG.  
U.S. POSTAGE  
**PAID**  
ALBANY, N.Y.  
PERMIT NO. 155