

# insight

A RATNERPRESTIA PUBLICATION

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## OBTAINING PERMANENT INJUNCTIONS POST-EBAY

BY: HARRIE SAMARAS, ROBERT SEITTER, STEPHEN WEED, AND KEITH WALTER

The threat of a permanent injunction had long been considered the most powerful weapon in a patent holder's arsenal because district courts routinely entered a permanent injunction upon a finding of infringement. Depending upon the circumstances, a permanent injunction could shut down portions of, or even entire, companies in a single blow rendering equipment and facilities obsolete and putting large numbers of people out of work. Thus, a permanent injunction could indeed be considered a weapon of mass destruction in the business world – at least until the Supreme Court stepped in last year.

On May 15, 2006, the Supreme Court in *eBay, Inc. v. MercExchange*, 126 S.Ct. 1837 (U.S. 2006) unanimously rejected the routine entry of permanent injunctions in patent cases and held that district courts should apply the traditional four-factor test used in every other type of case. These four-factors are (1) irreparable injury; (2) the remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) the balance of hardships between the plaintiff and defendant; and (4) the public interest.

At the time of the decision, some predicted that the Supreme Court's *eBay* decision would create a sea change in the relative bargaining positions of patent holders. Over the past year, this prediction seems to have only partially materialized. Since the decision, we are aware of 29 district court decisions, in 17 different jurisdictions, addressing the merits of a permanent injunction. In only 7 of those decisions did the district court deny the patent holder's request for a permanent injunction.



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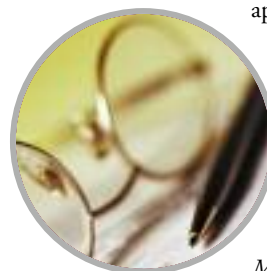
A survey of the post-*eBay* cases indicates at least one significant trend throughout the district courts – permanent injunctions are still readily obtainable where the parties are in direct competition. This is due to the irreparable harm caused by the direct competition. See e.g., *O2 Micro Int'l Ltd., v. Beyond Innovation Technology Co., Ltd.*, 2007 U.S. Dist. LEXIS 25948 (E.D. Tex. March 21, 2007) (granting a permanent injunction because the patentee suffered irreparable harm due to the infringer being a direct competitor, which “weighs heavily in the Court’s analysis”); *Brooktrout, Inc. v. Eicon Networks Corp.*, 2007 U.S. Dist. LEXIS 43107 (E.D. Tex. June 14, 2007) (finding that entry of a permanent injunction was warranted because the plaintiff’s loss of market share due to the direct competitive relationship between the parties demonstrated irreparable harm); *MPT, Inc. v. Marathon Labels, Inc.*, 2007 U.S. Dist. LEXIS 3992 (N.D. Ohio Jan. 19, 2007) (holding that the patentee suffered irreparable harm because “MPT invented a method, actively created a market, and established a strong market position and customer goodwill” which the defendant will usurp by practicing MPT’s new method). Indeed, in all the cases where a court found irreparable harm, an injunction was issued. On the other hand, where irreparable harm was not found, the request for an injunction was denied.

Accordingly, the ability of the patent holder to demonstrate irreparable harm is paramount. If a patent holder can present any of the hallmarks of the harm associated with direct competition such as lost market share, lost brand recognition, or lost customer base, a permanent injunction will likely issue.

It is important to note, however, that even where there is direct competition, patent holders cannot rest on their laurels. They must demonstrate their entitlement to an injunction. As a result, a patent holder in direct competition with a defendant should provide specific evidence of irreparable harm, such as describing what market share, revenue, and customers it has lost. A patent holder should also explain in detail why money damages are inadequate to compensate for lost opportunities, such as lost market share. Failure to do so may result in a denial of a permanent injunction. In *Praxair, Inc. v. ATMI, Inc.*, 2007 U.S. Dist. Lexis 21589 (D. Del. March 27, 2007), the district court held that a general statement that the plaintiff is likely to lose additional market share, profits, and good will without further detail is not sufficient to meet the burden of proving entitlement to an injunction.

While it may be true that the Supreme Court’s *eBay* decision has not made much of an impact on obtaining an injunction when the parties are direct competitors, the same cannot be said for a patent holder who does not compete in the marketplace. With

some exceptions that are discussed below, there



appears to be a trend not to issue a permanent injunction if the patent holder does not compete in the marketplace with the alleged infringer.

For example, in *Paice LLC v. Toyota Motor Corporation*, 2006 U.S. Dist.

LEXIS 61600 (E.D. Tex. Aug. 16, 2006), the

District Court for the Eastern District of Texas denied the request for a permanent injunction because Paice did not compete in the marketplace and instead chose to license its patents. The court also found that Paice did not demonstrate that monetary damages would be inadequate.

Likewise, in *z4 Technologies, Inc. v. Microsoft Corp.* 434 F.Supp.2d 437 (E.D. Tex. 2006), the District Court for the Eastern District of Texas found that z4 Technologies (“z4”), a small Michigan software firm that does not make any products, could not show that it would suffer irreparable harm in the form of loss of brand name recognition or the loss of market share because the defendant Microsoft was not competing with z4 in the patented technology. The court further held that because, among other things, Microsoft was incorporating the technology as only a small part of its own product, z4 did not demonstrate that monetary damages would be insufficient.

The District Court for the Western District of Oklahoma, in *Voda v. Cordis, Corp.*, 2006 U.S. Dist. LEXIS 63623 (W.D. Okla. Sept. 5, 2006), denied a plaintiff’s request for a permanent injunction for failing to demonstrate irreparable injury. The plaintiff in that case, Dr. Voda, was an individual inventor who obtained three patents relating to an angioplasty guide catheter. Dr. Voda then granted Scimed an exclusive license to his patents. Although Scimed and the defendant are direct competitors, Scimed elected not to sue to enforce the patent rights. In denying the motion for permanent injunction, the court found it determinative that while Dr. Voda proved harm to Scimed, he identified no harm to himself.

After the Supreme Court’s *eBay* ruling, district courts began a general trend of granting permanent injunctions only against

direct competitors. For the most part, entities that do not sell products, but instead prefer to license their patents, have been left with only the prospect of money damages, and in at least some cases, compulsory licenses. For example, in *Finisar Corp. v. DirectTV Group, Inc.* (E.D. Tex. 2006), the district court denied the request for a permanent injunction and found that a compulsory license would be adequate compensation “especially since Finisar never had the will nor the means to implement the patent itself.” A compulsory license, a concept from copyright law, seems to be in line with the *eBay* decision when no injunction is issued.

The district courts do, however, appear willing to carve out some exceptions to the post *eBay* general trend that permanent injunctions can only be obtained against direct competitors, such as where a parent patent holder licenses a subsidiary that directly competes with the infringer. For example, in *Novozymes A/S v. Genecor Int., Inc.*, 474 F. Supp. 2d. 593 (D. Del. 2007), the District Court for the District of Delaware concluded that Novozymes A/S (“Novozymes”) had suffered irreparable harm despite not being in direct competition with the defendant. The court held that Novozymes licensed its patents to its subsidiary not only in exchange for a royalty, but also with the expectation that the value of its subsidiary would increase with the successful marketing of the licensed technology. Further, the court noted that the U.S. subsidiary marketed one of the two enzymes claimed in the patents, and that Novozymes expected its patents to exclude competitors from marketing either of them. Under that circumstance, the district court found that even though Novozymes did not market the enzymes itself, it suffered harm beyond the reasonable royalty that it could recover from the defendants, and that harm would continue unless the defendants were permanently enjoined.

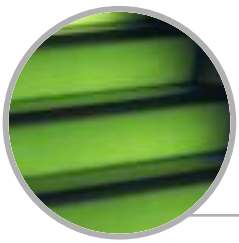
Also, in *Commonwealth Scientific and Industrial Research Organization v. Buffalo Technology Inc.*, 2007 U.S. Dist. LEXIS 43832 (E.D. Tex. June 15, 2007), the District Court for the Eastern District of Texas recently granted a permanent injunction on behalf of a research institution even though that institution was not in direct competition with the infringer. In that case, the court found that although the Commonwealth Scientific and Industrial Research Organization (“CSIRO”) did not compete in the marketplace with Buffalo Technology Inc. (“Buffalo”), it did compete with other research institutions for resources. The court held that competition could lead to lost opportunities, such as lost research capabilities and lost opportunities to accelerate existing projects or begin new ones, that would result in

irreparable harm. The court also found that the remedies available at law were inadequate since CSIRO’s reputation as a research institution was impugned and because the patented invention was not a small component of the infringing product.

With respect to the remaining elements of the four-factor test, the court held that the balance of hardships weighed in CSIRO’s favor because the effects on CSIRO would be far reaching in that it would not only suffer financially but also severely impact CSIRO’s research efforts, whereas Buffalo would only lose one product in the U.S. which made up only 11% of Buffalo’s business. The court further found the public interest factor favored CSIRO, noting that public policy generally favors enforcement of patent rights and there is a strong public interest in research institutions because they benefit society.

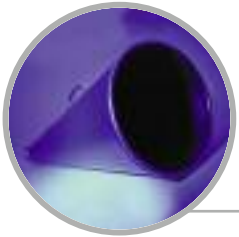
Collectively, the post-*eBay* cases indicate that district courts will no longer automatically grant injunctive relief upon a finding of infringement in patent cases. Instead, the district courts will adhere to the traditional four-factor framework. Although the post-*eBay* trend is to not issue an injunction where the parties do not directly compete in the marketplace, courts may be willing to find irreparable harm in order to grant an injunction when it comes to certain types of patent holders that do not generally directly compete in the marketplace, such as individual inventors, universities and research institutions. In contrast, entities whose primary business purpose is to acquire patents in order to offensively assert them against market participants may be left with obtaining money damages, quite possibly in the form of a compulsory license.

*Note: The contributors to this article comprise a diverse cross-disciplinary group, consistent with RatnerPrestia’s philosophy of serving clients using teams of individuals who offer a broad range of knowledge and experience. This article was a joint effort by representatives of the firm’s Litigation/Dispute Resolution, IP Transactions, and Patent Prosecution practice areas.*



## RP ON THE MOVE

We are pleased to announce that **Steve Weed** has become a Shareholder of the firm. Steve has been with the firm since 2003 and has focused his practice on intellectual property (IP) matters relating to the electrical, electro-mechanical, and computer science arts. As a member of the firm's Risk Management, IP Transactions, and Patent Practice Groups, Steve is actively involved in preparing opinions, counseling clients, and securing patent rights.



## ANNOUNCING

On June 5, 2007, **Jon Spadt** met in Washington, D.C. at the offices of Congressman Charlie Dent (R-PA 15) and Congressman Jim Gerlach (R-PA 6) to review pending legislation known as the Patent Reform Act of 2007. Discussions included a review of the proposed legislation with Peter Richards, Esq., General Counsel to Congressman Dent, and Ms. Jordan Slopey, Legislative Assistant to Congressman Gerlach. In addition to reviewing the major changes proposed in the pending legislation, the meeting provided an opportunity to relay the thoughts of several major innovative employers in the Congressmen's districts. Many of the largest economic contributors in Pennsylvania's 6th and 15th Districts are also clients of RatnerPrestia and have great interest in an effective U.S. patent system.



and Ben noted for his "impressive patent and trademark practice." Additionally, RatnerPrestia was ranked as one of the six leading intellectual property law firms in Pennsylvania.

**Ben Leace, Chris Lewis, Ken Nigon, and Paul Prestia** have been honored as 2007 Pennsylvania Super Lawyers by *Law & Politics* magazine. Chris, Ken, and Paul were honored for Intellectual Property, while Ben was named for Intellectual Property Litigation.

**Lauren Schmidt** authored an article for *The Legal Intelligencer's* Summer Associate Supplement, entitled "12 Steps for Proper Email Etiquette." Lauren's article gave helpful tips for communicating at the workplace through email, while avoiding bad habits.

RatnerPrestia is pleased to announce its pro bono representation of the Upper Darby High School FIRST Robotics team, Royal Assault, and the filing of two U.S. provisional patent applications covering technology developed during the design and construction of the team's 2007 robot entry in the FIRST Robotics Competition.



**Paul Prestia** has been named, with three others, as the leading intellectual property lawyers in Pennsylvania by *Chambers & Partners* in its 2007 publication, *America's Leading Lawyers for Business: The Client's Guide*.

According to the reviewers' comments, Paul Prestia is "extremely client oriented" and offers a "wealth of experience." Also ranked as leading intellectual property attorneys in Pennsylvania are RatnerPrestia Shareholders, Ken Nigon and Ben Leace. According to Chambers' research, Ken was acclaimed as "scholarly, professional and knowledgeable..."



The Upper Darby High School Robotics Team and their patent counsel meet with U.S. Patent & Trademark Office Commissioner John Doll and Deputy Commissioner Peggy Focarino on April 23, 2007.



# SPEAKER'S FORUM

On June 22, 2007, **Harrie Samaras** presented "Practical Tips for Conducting a Patent Infringement Lawsuit - Prefiling Considerations & Commencing the Litigation" at the AIPLA Advanced Patent Litigation Seminar in Portland, Oregon.



Harrie also presented the same on June 8, 2007 at the AIPLA Advanced Patent Litigation Seminar in Washington.

On April 17, 2007, Harrie presented "ADR in Intellectual Property Cases, No Longer the Road Less Traveled" at PBI's Intellectual Property Law Institute in Philadelphia, PA.



**Bob Seitter** spoke at the Law Seminars International conference on Complex Licensing Transactions held in Philadelphia on June 21 - 22, 2007. Bob discussed recent and pending developments in the European Union's competition law as it applies to licensing arrangements, recent changes in China's licensing regulations and

the impact of U.S. Export Control Regulations as they apply to technology transfer arrangements with companies over seas.

**Rex Donnelly** presented "Using the European Community (CTM) Registration" for HalfMoon Seminar's International Trademark Practice for Paralegals, held on June 13, 2007 at the Crowne Plaza Philadelphia Center City.



**Steve Weed** spoke at the Twenty-Third Annual Joint Patent Practice Continuing Legal Education Seminar in New York on May 9, 2007. Steve's presentation illustrated how to identify and avoid conflicts of interest.

Shareholder, **Jacques Etkowicz**, shares his experience volunteering in New Orleans with Habitat for Humanity:

Earlier this year as part of a visit to New Orleans for the AIPLA Mid-Winter Meeting, my wife Marlene and I decided to hire a driver to take us through the portions of New Orleans that were damaged by Hurricane Katrina. What we saw was absolutely shocking. Upon our return home, we decided to sign-up as volunteers for Habitat for Humanity (HFH) to offer whatever help we could. Upon our arrival at the New Orleans staging area for HFH, we were heartened to see busloads of volunteers. We were given the opportunity to work on a home, installing railings, interior trim and completing block work and fencing. It is impossible to describe the satisfaction that we got from doing this for them. So much so, that we are already planning a further trip to New Orleans later this year to continue where we left off.



Jacques Etkowicz volunteers for Habitat for Humanity to help rebuild a New Orleans home affected by Hurricane Katrina.



## THE IMPORTANCE OF BEING ABLE TO PROVE BONA FIDE INTENT TO USE

In the Trademarks section of the last issue of INSIGHT®, we stressed the importance of using marks in connection with all the goods and services listed in a Statement of Use, Combined Affidavit of Use and Incontestability, or Renewal. If a mark is not being used in connection with a particular good or service and the applicant or registrant incorrectly states that the mark is being used in connection with that good or service in one of the aforementioned filings relating to use, the subject registration may be unenforceable and vulnerable to cancellation for fraud. Further evincing its intolerance of fraud, a recent non-precedential decision by the United States Patent and Trademark Office’s Trademark Trial and Appeal Board (TTAB) held that an applicant’s lack of objective evidence of a *bona fide* intention to use a mark when filing an intent-to-use application under Section 1(b) of the Trademark Act can be the basis for invalidating an otherwise valid trademark application.

### INTEL CORP. V. EMENY

In *Intel Corp. v. Emeny*, Opposition No. 91123312 (May 15, 2007), the TTAB, in a non-precedential opinion, sustained an opposition by Intel to Mark Emeny’s registration of IDEAS INSIDE for “computerized on line ordering service featuring the wholesale and retail distribution of” an extensive and wide variety of goods, digital transmission of messages and data, and search engine services. The applicant’s failure to provide any evidence of his *bona fide* intent to use the mark allowed the Board to rule in Intel’s favor on the issue and sustain the opposition to registration.

Intel opposed the IDEAS INSIDE application based on likelihood of confusion with and dilution of Intel’s registered trademarks INTEL INSIDE, in standard characters, and INTEL INSIDE Design, as well as a Intel’s family of “INSIDE” marks. After discovery, the Notice of Opposition was amended by Intel to include an allegation that Emeny did not have a *bona fide* intent to use the IDEAS INSIDE mark in commerce at the time the subject application was filed. Before final briefs were submitted, Intel sought to delete the likelihood of confusion and dilution claims, and the Board responded by dismissing the Notice of Opposition with prejudice with respect to the likelihood of confusion and dilution claims. The sole remaining issue was whether Intel had proven that Emeny lacked the requisite intent to use IDEAS INSIDE in commerce at the time the application was filed.

Intel had, and ultimately met, the burden of proving, by a preponderance of the evidence, that Emeny lacked the requisite

*bona fide* intention to use its mark in connection with the services identified in the subject application.

The Board noted that the absence of a *bona fide* intent to use a mark that is the subject of an intent-to-use application invalidates the application, and though “*bona fide*” is not defined within the Trademark Act itself, the legislative history of the Trademark Law Revision Act of 1988 was found to reveal that Congress intended the test of “*bona fide*” to be “‘objective’ evidence of ‘circumstances’ showing ‘good faith.’” Accordingly, where an applicant supplies no objective evidence, e.g., documentation, of its plans to use a mark in connection with the goods or services identified in an application, this may be sufficient for another party to prove that the applicant lacked the requisite intent to use the mark, unless the applicant has an explanation that outweighs the absence of objective evidence.

The Board continued by finding that a number of circumstances in the *Intel* case support the conclusion that Emeny lacked the requisite *bona fide* intent to use the mark. First, the application contained an “unreasonably broad” identification of goods and services (in particular, the Board noted that the identification included services for the online sale of nearly every type of clothing listed in the United States Patent and Trademark Office’s Manual of Acceptable Identification of Goods and Services Manual, and the clothing was listed in alphabetical order). Emeny, however, supplied no evidence of business plans or correspondence with potential business partners, e.g., clothing manufacturers, website designers, etc., that would allow Emeny to offer the services identified in his application. To the contrary,

on cross-examination Emeny admitted that he wanted to “make sure that nobody else [can] take advantage” of the mark. The Board found this defensive posture to be inconsistent with the claim of a *bona fide* intent to use the mark contained in Emeny’s application. Second, Emeny had filed nine intent-to-use-based applications during a three year period, all covering similarly wide ranges of apparel and services, and Emeny had not proven use of any of the subject marks (in fact, at the time of the decision, only the application for IDEAS INSIDE had not become abandoned). The Board found Emeny’s history of filing intent-to-use-based applications with the United States Patent and Trademark Office for different marks but covering the same services called into question Emeny’s *bona fide* intent to commercially use any of those marks.

Emeny completely failed to rebut Intel’s *prima facie* showing that Emeny lacked a *bona fide* intent to use IDEAS INSIDE in commerce: Emeny provided no documentation supporting an intent to use the mark, despite Intel’s discovery requests for marketing or business plans; Emeny admitted he never did any specific planning to use IDEAS INSIDE; and Emeny admitted that he had never used IDEAS INSIDE in commerce. Emeny provided no evidence or testimony in support of his *bona fide* intent to use IDEAS INSIDE on or in connection with the services identified in the subject application and the failure to produce any such evidence allowed the Board to rule in Intel’s favor and find that Emeny had no such intent.

## RAMIFICATIONS

While *Intel Corp. v. Emeny* makes clear that an absence of objective evidence of one’s *bona fide* intent to use a mark leaves an intent-to-use-based application vulnerable to opposition, particularly where there is compelling evidence of no *bona fide* intent, a remaining question is whether a lack of objective evidence of an applicant’s *bona fide* intent to use a mark at the time of filing the intent-to-use-based application could leave any resulting registration vulnerable to challenge. For example, one can imagine the scenario where an application is filed based on intent to use, but the applicant creates no objective evidence of an intention to use the mark for six months after the application has been filed. The applicant subsequently uses the mark in commerce, submits evidence of such with the United States Patent and Trademark Office, and the application ultimately

matures into a registration. A third party then initiates a cancellation proceeding challenging the validity of the registration by asserting that the registrant did not have a *bona fide* intent to use the mark at the time the application was filed, and the registrant had no objective evidence of its intent to use the mark for six months after the application was filed. Would the registrant’s ultimate use of the mark in commerce be sufficient to refute a *prima facie* case by a canceling party that the registrant lacked the requisite *bona fide* intent to use the mark at the time of filing? Presumably the fact that the mark was ultimately used in commerce in connection with the relevant goods and services, taken in conjunction with the registrant’s incurring the expenses associated with filing an application, would suffice as evidence of the registrant’s *bona fide* intent to use the mark at the time the application was filed. Until such a case is decided, however, the answer cannot be certain.

## APPLICABILITY TO U.S. APPLICATIONS BASED ON FOREIGN REGISTRATIONS

A more troubling scenario may come in the context of an application claiming a foreign registration as a basis for U.S. registration. Such applications can mature to registration based solely upon the foreign registration plus a declaration of intent to use the mark in the U.S. in connection with all of the listed goods and services. Because most foreign countries do not require actual use of a mark, many foreign registrations recite more expansive lists of goods and services than are in actual use abroad or in the U.S. A foreign registrant may therefore enjoy U.S. registration for an exhaustive list of goods and services on which there is no actual use, at least until the end of the sixth year after registration, when an Affidavit of Use must be filed declaring actual use in connection with any remaining goods and services, at which time any goods or services in connection with which the mark is not in use must be canceled from the registration.

The TTAB’s ruling in *Intel Corp. v. Emeny* suggests that the TTAB may be inclined to cancel a registration for which the registrant cannot show a *bona fide* intent to use the mark in the U.S. in connection with all of the goods and services listed in a U.S. registration based upon foreign rights. Accordingly, owners of such registrations may be at risk if they lack documentation of their *bona fide* intent to use the mark in connection with all of the goods and services listed in the U.S. registration.

# INSIGHT...

INTO BUSINESS APPROACHES  
TO DISPUTE RESOLUTION

## ADDING A “PEACEMAKER” TO YOUR LITIGATION TEAM



Federal government statistics indicate that in 2006, only 3.8%, 1.3% and .7% of the patent, trademark and copyright cases that were filed in federal district courts ever reached trial.<sup>1</sup> Many of the remaining cases were settled by litigation counsel. Even if the litigation counsel settling the majority of those cases are skilled negotiators, the question remains: Are litigation counsel in the best position to settle a case, particularly at the early stages of a case? Similarly, do litigation counsel have the same arsenal of settlement tools as they have litigation tools?

A practice that bears serious consideration is adding a settlement counsel to the litigation team. Although litigation counsel may serve the role of settlement counsel, there are various considerations that militate against having litigation counsel fill the “peacemaker” role while he/she simultaneously fills the “warrior” role. A litigation counsel's training and orientation are focused on discovering information as well as developing and implementing strategies for defeating the opponent. That adversarial (as opposed to a conciliatory) focus and message is typically manifested in all communications with opposing counsel. Furthermore, the attention that litigation counsel would otherwise invest in settling a case is often eclipsed by the attention he/she must give to the myriad of issues that arise in intellectual property cases even at the earliest stages (e.g., e-discovery issues, preparing and propounding discovery, motion practice, preparing Markman and summary judgment briefs, identifying and preparing experts). Another consideration relates to the message that may be sent to an opponent when litigation counsel is the conduit for settlement. A settlement overture, which by its very nature signals a desire to compromise, may jeopardize a client's competitive position. That is, opposing counsel may perceive a settlement overture, no matter how beneficial to their client, as a signal that the offeror does not have a strong case or they cannot afford the lawsuit. Thus, to avoid the appearance of weakness, initial settlement offers may be extreme, thus inviting polarizing counter-offers that not only fail to stimulate a productive dialogue, but instead stifle it entirely.

**What are the roles of “settlement counsel”?** Many and varied. They assist a party in identifying alternatives to litigation, objectively considering those alternatives and effectuating one or more of the alternatives. When a lawsuit is pending, settlement counsel may perform their roles in parallel with litigation counsel. By focusing on settling the case, settlement counsel are likely to probe issues from a different perspective (e.g., a business perspective), identify broader issues involving the parties (e.g., not just the legal and factual issues in the case) and develop more creative options for settling a case, than if their attention were focused simultaneously on defeating the opponent by exposing and exploiting every weakness in their case. And settlement counsel's perspective of the case differs from litigation counsel's perspective. Whereas litigation counsel's primary focus is on the activities of the parties in the past as they relate to the claims and damages at issue, settlement counsel's focus is: (1) on the future instead of the past; (2) on possibly restoring or restructuring relationships or permitting peaceful disengagement instead of faultfinding; and (3) on interests instead of positions.

Settlement counsel may assume the difficult role of telling a client that his or her case has problems and should be settled. Most litigation counsel would prefer that the client hear that message from the other side or from a mediator. Settlement counsel provide insights regarding the other party that may not be apparent with an adversarial backdrop, and they keep the lines of communication open at times when no one else may be talking.

**When Might Settlement Counsel be Used?** Settlement counsel should be identified to opposing counsel from the inception of a case, absent a good reason for not informing your opponent. Using settlement counsel, particularly at the early stage of a case, can create the greatest opportunity for cost

<sup>1</sup> <http://www.uscourts.gov/judbus2006/appendices/c4.pdf>

savings. Because of their unique position and skills, settlement counsel can use a conciliatory approach to foster early resolution. Weakness is not conveyed to the opponent when settlement counsel is identified. Settlement counsel can “test the waters” and assess their opponent’s commitment to settlement by way of their response to a settlement overture. If that response is not forthcoming or is not cooperative or productive, settlement counsel can take whatever measures are appropriate to leave the door to settlement communications open, while simultaneously communicating that henceforth the opponent will be dealing with trial counsel, who will be focused on an entirely different mission: winning at trial.

Frequently, not enough is known about the case at an early stage to make a reasoned judgment about settlement. It may be necessary for settlement counsel to work closely with litigation counsel to obtain through discovery the information that both attorneys will need to serve their roles. A structured, reciprocal information exchange may be the first step in a negotiation that ultimately leads to resolution. In most cases, opportunities for settlement present themselves throughout the life of the case. Intellectual property cases are no exception. Those opportunities include awaiting a claim interpretation (Markman determination), summary judgment or even an appellate ruling, reevaluating the importance or value of the subject matter involved in the litigation, and possibly noticing the deposition of a key executive. It has become common in most federal courts for cases to proceed to mediation at some point in the process. Settlement counsel can serve their clients in the mediation process by assisting in the selection of the mediator; preparing the client for mediation (including preparing the mediation submission), and advising in or leading the negotiation for the client. Having an individual serve in the settlement counsel role for your opponent is optimal for settling a case, however; settlement counsel can perform their role unilaterally.

**Who might you use as settlement counsel?** You may consider an experienced litigation counsel who is not part of the team and is capable of becoming quickly familiar with the subject matter of the dispute. It is also important that settlement counsel is well schooled in all of the varieties of modern dispute resolution practice used in intellectual property disputes, not only mediation and arbitration, but also processes including mini-trials, the use of neutral experts, case evaluation and med-arb (i.e. a combination of mediation and arbitration), to name a few. Likewise, settlement counsel should be experienced in employing tools such as risk analysis to examine possible outcomes and interest-based negotiation. Ideally, they are also familiar enough with individuals in the intellectual property field who may serve as neutrals or early neutral evaluators. Thus, attorneys who serve as neutrals as well as advocates are good selections for settlement counsel.

**Is there an added cost for using settlement counsel?** Yes, by one way of thinking. Yet, if a case can be settled early, then the cost of not using settlement counsel is higher than having the dual track. Cases in which the stakes are small may not warrant the additional expense associated with educating an additional attorney on the team – settlement counsel and litigation counsel. In high stakes cases, however, the investment in an additional lawyer is usually worth it because the opportunity for savings is substantial. Likewise, with the high cost of discovery today (the largest expense in an intellectual property case), using settlement counsel early in the case to effect a settlement can reap tremendous cost savings for the client, regardless of their size. Also, fee arrangements may be utilized that work for both the client and settlement counsel.

**In summary, the roles of settlement counsel may include:**

- Understanding and monitoring the client’s objectives throughout the life of the dispute/case;
- Providing insights and information from an opposing party regarding what it might take to settle the case so that offers and counteroffers will foster continual discussions and progress;
- Analyzing the client’s business interests to determine which strategies and dispute resolution methods might satisfy those interests;
- Preparing a settlement strategy and participating in the settlement of the case;
- Optimizing preparation for the dispute resolution process; and
- Initiating settlement negotiations or consideration of the settlement process with opposing counsel and client representatives.

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You have choices and we’re here to help you make the best ones.

*Harrie Samaras*  
*RatnerPrestia’s Alternative Dispute Resolution Group Leader*

## RECOMMENDATIONS

*Intel Corp. v. Emery* illustrates that the failure to maintain documentation of one's plans to use a mark in commerce leaves one's intent-to-use application vulnerable to challenge for lack of the requisite *bona fide* intent to use the mark. Accordingly, it is very important that an applicant keep some objective evidence memorializing its *bona fide* intent to use a mark that is the subject of an intent-to-use-based application for registration. Suitable objective evidence could be: notes taken during meetings at which plans for the mark were discussed; prototypes; dated sketches, drawings, or photographs of the proposed mark as it will be used; correspondence relating to the mark between the applicant and business partners, advertising agencies or market research firms; draft advertisements or publicity releases; and any other business document tending to memorialize the intention to use the mark in commerce. While a general intent to license use of a mark to others in broad, as of yet unspecified, categories of goods and services may support a *bona fide* intent to use a mark in connection with a long list of goods and services, documentation of such a business plan should be retained for safekeeping to avoid problems later.

Given the United States Patent and Trademark Office's recent emphasis on truthfulness and treatment of fraud, applicants and

registrants alike would be well advised to maintain objective evidence of a *bona fide* intent to use any mark that is the subject of an intent-to-use-based application, regardless of whether the mark is ultimately used in commerce and is federally registered.

Maintaining adequate documentation may be particularly important for foreign registrants who are relying solely upon a foreign registration plus intent to use in the U.S. as the basis for registration. If no such documentation exists, it may be prudent for foreign registrants to pare down the list of goods and services in their U.S. application to include only those goods and services that can be supported by good documentation.

RatnerPrestia can assist your company or organization with keeping records that document your intent to use a particular mark. Although you are not required to provide evidence of intent to use when applying for registration of a mark, your intent to use the mark may be called into question after the mark is registered. In such a case, we can maintain evidence of intent to use in our files to refute any allegation that your application was filed without a *bona fide* intent to use the mark. If you are interested in more information about this service, please contact RatnerPrestia's Trademark Center in Wilmington, Delaware.

RatnerPrestia specializes in patent, trademark, and copyright matters and realizes an obligation to keep its clients, and others, informed in those areas. The articles in this newsletter are intended to provide only a brief, general overview of each subject and are not necessarily the opinion of this firm. Nothing herein should be construed as legal advice. RatnerPrestia recommends that readers seek specific information and/or legal advice on particular matters of concern.

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