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## When clients ask about intellectual property

By Gregory L. Mayback, Shareholder



So, you just sat down with a client who told you they want to patent their song, they have a name they want to copyright, or they need to trademark their invention. If you know a little bit about intellectual property (patents, trademarks, copyrights), you understand that each example illustrates the client's lack of understanding of what they truly need. This article will assist you in distinguishing the areas and, therefore, provide a valuable service to your client.

Certain "catch words" guide you to the area of patent law, including product, software/hardware, method of doing business, and process for doing something, to name a few. The single-most important service you can provide to a client seeking a patent is to tell them three simple words: "KEEP IT SECRET!"

What most non-patent practitioners do not know is that certain potholes (no, let's call them Grand Canyons) exist that absolutely bar your client from ever, and I mean FOREVER, obtaining a patent on their invention. If an inventor makes a public use or disclosure or offers to sell or sells their invention before filing a patent application with the U.S. Patent & Trademark Office (USPTO), they will most likely lose their right to obtain a patent in most countries outside the United States. The United States, however, is more lenient because such disclosure, sale, or offer in the United States does not completely bar a client from obtaining the benefits afforded by an issued patent; instead, the client has a one-year grace period in which to file an application.

Most important, however, is the potential liability you may have as an attorney. If a client tells you about their invention and you fail to inform them about statutory patent bars, you may have to call your malpractice carrier some day for failing to instruct your client properly and promptly. Therefore, it is imperative that the client needing a patent be given, at the first instance, the cautionary instruction to seek out appropriate counsel and get correct advice.

When someone new to the patent system contacts me about protecting their innovation, they often tell me how well their product or process has been received. I immediately ask how long the product, device, or method has been in use, on sale, or published. Most clients are shocked to learn that if a patent application is not filed within one year of that first disclosure or sale, they are barred from obtaining a U.S. patent. Nearly all are shocked to learn that even if this one-year grace period has not expired, their actions before filing the U.S. patent application substantially limit their ability to obtain a foreign patent.

A disclosure prior to filing an application gives the applicant a one-year grace period for filing in the U.S., but does not mean that another entity cannot practice (and sell) your client's invention. In fact, the exact opposite is true. Only by obtaining a patent -- that is -- having a patent actually issued, is an inventor protected; the mere filing of an application does not give the client the right to prevent anyone else from making, using, or selling their disclosed invention. Thus, if your client starts marketing or selling their invention, even after filing a patent application (which may not turn into an issued patent for years), the recipient of the disclosure/product can copy, market, sell, and make oodles of money from your client's invention and your client would have no recourse if the infringer stops before the issue date of your client's patent. If, however,

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## Lerner & Greenberg obtains patent for impenetrable cockpit door

### Device Allows Free Air Flow, But Blocks Hostile Entry

**L**oren Donald Pearson, patent attorney with Lerner & Greenberg, has obtained a patent from the U.S. Patent and Trademark office for a unique cockpit door that protects pilots from unwanted visitors, bullets or other projectiles.

The inventor, Mark B. Raczowski of Coconut Creek, Fla., said existing cockpit doors are deliberately permeable because air must pass between the cabin and the pilot compartment to neutralize sudden changes in air pressure. His invention, a door made of curved, overlapping, parallel strips that can be steel, plastic or any other hard material, provides a solid barrier while allowing air to pass through. It can be locked from the inside and features a peephole and shielded window for food and beverage to be passed into the cockpit.

Raczowski said he got the idea while watching the U.S. Senate hearings on airline safety after the Sept. 11 terrorist attacks. A lifelong engineer and inventor, he set about researching how a stronger door could be created that would shield the pilots but allow air pressure to be regulated throughout the plane.

It took him about a week to come up with the concept of the curved, lockable door and another two weeks to search for competing patents. He filed his patent application on Oct. 25, 2001, about five weeks after the terrorist attacks, but "came to us after he ran into some difficulties with the patent examiner," Pearson said. "It was a pretty straightforward patent but he needed our help to present it and emphasize the improvements," Pearson said.

Raczowski said each door will cost between \$5,000-\$10,000, including installation. "I am currently seeking an interested party, which could be an airline, an aircraft manufacturer or an airline subcontractor," he said. "If this project is treated seriously, as it should be, production could start in a few months."



## The patent license agreement—more than a contract

by Denise Lettau

**I**n the fast-paced business world, there is tendency to view license agreements as mere contracts. Worse, attorneys working on both sides are perceived as being meddlesome "deal-breakers" harboring fears that seem beyond the scope of reality. While it is true that patent licenses are contracts, the interpretation of these agreements extends beyond the parameters of contract law. The correct approach in entering a patent license agreement should be: How can both parties maximize this government-sanctioned patent monopoly to the fullest without running afoul of antitrust principles?

It is crucial that this is the controlling mindset because courts have traditionally cast equitable contractual principles aside in favor of the application of the antitrust principle of "patent misuse." The following scenario is the perfect case in point.

The U.S. Court of Appeals in *Scheiber v. Dolby Laboratories, Inc.* (293 F.3d 1014, 7th Cir, cert. denied, 123 S. Ct. 853, January 2003), as recently as June 17, 2002, upheld, albeit with skepticism, the 1964 *Brulotte* decision. (*Brulotte v. Thys Co.*, 379 U.S. 29, 1964).

The plaintiff *Scheiber* sought to enforce a patent licensing agreement which was entered into to settle a patent infringement suit brought by *Scheiber*. *Scheiber* held patents in the United States and Canada for the audio system commonly known as "surround sound." At the suggestion of *Dolby*, it was agreed that, in exchange for a lower royalty rate, *Dolby* would pay royalties on all the patents until the Canadian patent expired, (which had the latest expiration date), so that it could pass the entire royalty rate into its sublicensees "without their balking at the rate." *Dolby* then refused to pay royalties on any patent after it expired and this breach of contract was upheld based upon *Brulotte*.

*Brulotte* established that the duty to pay royalties on any patent covered by an agreement is terminated once the patent expires and requirement of payment beyond the term would constitute "patent misuse," which has been defined as "employing the patent to violate antitrust law or unlawfully attempting to expand the scope of the patent." (Mayers, Harry R. and Brian G. Brunsvold, *Drafting Patent License Agreements*, Washington, D.C.: The Bureau of National Affairs, 1991, p. 89).

At that time, the Supreme Court feared sanctioning the extension of a monopoly by upholding an agreement willfully entered into by two parties with payment extending beyond the life of the patent. The U.S. Court of Appeals stated clearly, what today seems obvious, that royalty payments beyond the life of a patent does not extend the monopoly but that the court had "no authority to overrule the Supreme Court decision no matter how dubious its reasoning strikes us, or even how out of touch with the Supreme Court's current thinking the decision seems."

Purely from the perspective of contract law, the agreement would have been enforced on equitable terms. *Dolby* bargained for the lower rate over a longer period of time. Not only did *Dolby* come to the court with "unclean hands," i.e. meaning the apparent intent to dupe *Scheiber* from the outset, it may have been unjustly enriched. Clearly both sides knew the value of the patents and adjusted the payment installments accordingly. With *Dolby* then refusing to pay, it has in effect profited from its breach. This is an outcome that is generally abhorred and ultimately reversed by courts. Judge Posner, the presiding judge goes so far as to state that had *Scheiber* argued unjust enrichment, the agreement may have been enforceable if *Dolby* did in fact pay less than fair market value of its use of the patents. Unfortunately, *Scheiber* failed to argue this point.

This decision further strengthens the standpoint that a license agreement must be carefully framed not only to reflect the understanding between both parties, but also to avoid even the appearance of violating antitrust laws. Thus, all terms must be reviewed with regard to avoiding the appearance of extending the life of the patent.

The *Scheiber* case is only one example of a deal gone awry for a party through license negotiations. In order to avoid this and other possible pitfalls, it is advisable that management act as follows: (1) establish policy as to the proper approach to license agreements; (2) develop guidelines for negotiations; and (3) employ and fully utilize the services of an attorney.

Entering into license agreements must be granted a higher priority than "just" business routine. The procurement and protection of intellectual property rights must be accorded special treatment in order to avert disaster.

# Inventor hopes fishermen will spend \$29.95 to save pricey fishing gear

A promise to a friend, an increasingly popular sport and a South Florida inventor's drive to fill a need each played a role in the creation of a fly fishing rod holder that promises to let fishermen really get a grip.

On their expensive fly fishing rods, that is. Gregory L. Mayback and Werner H. Stemer recently obtained a patent (U.S. Patent 6,626,409) for the adaptor, designed by David Thompson of Hollywood, Fla.

The adaptor allows fly fishing rods to be secured to standard rod holders on boats. Without the adaptor, standard rod holders aboard fishing boats cannot accept fly fishing rods because the short distance between the reel and the butt of the rod prevents the rod from entering far enough into the holder, Mayback said.

Thompson, whose company, Signature Marine, manufactures acrylic boat parts in Hollywood, Fla., designed the adaptor as a favor to a friend, he said.

"My friend had a shop in Stuart where he manufactured and sold fly fishing rods. He guaranteed the rods and was tired of fulfilling warranty claims because the rods were stepped on or flew off the deck when the boat hit a wave," because they could not fit into conventional holders, Thompson said.

"It took me almost a year to sit down and do something about it, during which time my friend probably thought I had no idea what to do and was just stalling," Thompson said. But, little by little, an idea was taking shape.

Thompson used acrylic because he has considerable experience with the material; a significant part of his business in manufacturing windshields for boats.

Once he concentrated on the project, it took Thompson two to three months to design the patented adaptor, which is three pieces of pipe glued together.

The adaptor is flexible enough so that, when the rod is slipped in the adaptor, the groove allows the butt of the rod to enter sufficiently far therein to eliminate unintentional removal.

Also, an L-slot in the adaptor can be used to lock the rod in place, so that it stays mounted on the boat deck,

rather than on the floor of the boat — or at the bottom of the ocean.

The adaptor, which retails for \$29.95, can prevent the loss of a fly fishing rod, which can cost as much as \$3,000, Thompson said. "This is not cheap equipment — it can run into hundreds and thousands of dollars."

The device is featured in major catalogues, including Bass Outdoors, and Thompson also supplies the adaptor to fishing and outdoor sports shops. At Captain Harry's in Miami, "they're selling like wild," Thompson said. This is Thompson's second patent; the first was for a device to manage fishing line.

Thompson anticipates sales of his adaptor could be in excess of \$500,000, especially because fly-fishing is gaining in popularity in South Florida.

"It's just going crazy," he said. "Ten years ago, you never heard of anybody fly fishing in salt water, but now there must be 5-10 million people out there who are interested in fly fishing here," as tourists or weekend boaters.

Part of the allure of fly fishing is that, "it's more difficult than hand-casting," Thompson said. "You throw to the fish behind the boat and you see the fish come up to take your lure. You're fighting the fish one-on-one and there's more sportsmanship involved." Most people fly fish for bonefish or marlin, he said.

In addition to the visual excitement of seeing the fish following the bait, fly fishing provides a test of the fisherman's skill, in part because lighter test line is used with this method.

"It's not much of a challenge fishing with 6-pound line for a 200-pound marlin, but the smaller weight line you use, the better the fisherman you are. If you've got a 200-400-pound fish on the line and you can drop him with 2-pound line, that's really something," Thompson said.

It seems that, to successfully design and market a product for fishermen, understanding the sport is as important as understanding the manufacturing process.

"I enjoyed working with David," Mayback said. "He's a really nice guy, very laid back."

Though the patent process took nearly four years — the patent application was filed on January 7, 1999, and issued in September, 2003 — the wait was worth it, Mayback and Thomson said.

"This is a very strong and broad patent that should protect Mr. Thompson against any potential competitor," Mayback said.



Continuation from cover

## When clients ask about intellectual property

your client is about to show or sell their invention, a provisional application may be filed inexpensively in the U.S. to preserve the grace period in which to file U.S. and foreign applications. Therefore, you should counsel a client to consult a patent attorney before selling or marketing their invention

Recognizing when a client needs a trade or service mark to protect a name, slogan, or logo (which can include words and/or designs) used to identify origin in conjunction with sale of the goods and/or services is important. The label "trademark" is used generically for both goods and services but "service mark" applies only to providing services. So, if your client is asking you about the goods that they are selling or the services they are providing, and they want no one to use their mark, you can let them know that a competent trademark attorney can submit an application for their mark with the USPTO for less than \$1,000, including the current \$335 USPTO fee for one trademark class of goods/services.

The minimum requirements necessary for filing a trademark application include the owner's name and address, the trademark class, the mark, the date of first use anywhere, and the date of first use in interstate or international commerce. If your client is not going to conduct business across a state line, a federal trademark will not likely be necessary. Instead, a trademark under their state's laws would be more appropriate.

You should also be aware that mere incorporation in a state does not reserve your client's mark and exclude others from its use. A mark should be registered in the USPTO (or in your client's state if their mark is only used statewide), which serves as notice to others of ownership to the mark and right to exclude others.

There are two kinds of federal trademark applications. The first is an "actual use" application, the type most commonly understood as being a trademark application. "Actual use," as you would expect, is an application for a trademark that your

client has already used in interstate commerce and is still using. Lesser-known is an "intent-to-use" application, in which your client tells the USPTO they would like to use and intend to use their mark, but they have not used it yet. The examination of the intent-to-use trademark application is conducted in the same way as an actual use application, except for one important feature -- when an actual use application is filed, a specimen of the mark as it is used in commerce is required. For an intent-to-use application a specimen is not required because, by definition, intending to use the mark means that a specimen does not exist. The client will be required to file a specimen after actual use occurs. It is important to note that rules and penalties apply to the proper and improper use of the trademark registration notice ®.

Copyright law covers more ground than both patent and trademark because many types of expressions, including pictorial, graphic, sculptural, architectural, literary, musical, dramatic, motion

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# Invention disclosures and documentation... a good beginning adds value to the patenting process

by F. Donald Paris

**W**hile guidelines are never a substitute for legal advice, the following discussion will serve to acquaint inventors, both private and corporate, with the importance of good invention disclosures and also should serve as a reminder to all to be on the alert for patentable ideas.

Patenting can help maximize the protection of an important asset... technology. Technology that is not patented but still desirable of protection, is protected by maintaining it as trade secret. A patent is a legal limited statutory monopoly for a specified period of time depending on the country (20 years from filing an application in the U.S.) - granting the right to exclude others from practicing the claimed invention, while simultaneously providing a potential licensing asset on new developments. The issuance or publication of the patent also can prevent others from subsequently obtaining patent protection for essentially the same invention - often referred to as "freedom of operation."

It is an inventor's responsibility to bring his/her new inventions, discoveries, and ideas, to the attention of his/her patent attorney. The principal way in which this may be accomplished is to document any invention or discovery in an Invention Disclosure (ID). Additionally, the ID when properly completed is a legal document which helps, inter alia, to establish inventorship, the date of conception, and often the breadth of the invention, all of which are important in the successful preparation and prosecution of a patent application, and obtaining a patent.

An ID is not a proposal to do research work or a suggestion to a laboratory to obtain supporting data. However, IDs can act as catalysts to initiate such actions.

An inventor typically prepares the ID and thereafter, works with his/her patent attorney to obtain maximum protection for the technology. Inventors also are expected to disclose all relevant facts and material that could bear on the novelty of the invention.

Inventions and ideas are an expression of engineering/research creativity, and when complete and operable they become valuable as proprietary assets, either as trade secrets or know-how or when protected by patents.

## The ID is a record of your invention or idea.

The ID is a written disclosure and evidence of your invention at an early stage in its development or can disclose your completed invention. It constitutes a legal record of the conception and evidences what you believe to be the breadth and nature of your invention. When properly completed, it also serves to transmit your invention to an appropriate patent committee and/or patent attorney for review and further appropriate action. Laboratory notebooks for recording daily activities are an ancillary part of the patent process and are usually provided to company employees who are involved in research and development. The notebooks should be maintained in accordance with procedures and guidelines established by the company.

The ID should be written as soon as possible after you feel that you have a complete and operable invention (a mere thought or suggestion for research is usually too soon). Emphasis on speed in documenting your idea is well founded in many instances of close conception dates among different inventors within your company and from other companies, especially in active technical areas. In accord with the U.S. patent law, the company files in the name of the inventor(s) who has the earliest documented conception

date for the complete invention. Your patent attorney will determine proper inventorship pursuant to U.S. or applicable patent law. When appropriate, the successful reduction to practice of the invention will be considered by the responsible attorney in determining proper inventorship.

Do not be overly critical of your inventions or ideas when deciding whether they are worth writing up as an ID. Any process, product, or equipment invention, which you believe to be new or patentable and which strikes you as being valuable (especially where it has good technical or economic advantages over the prior art), should be the subject of an ID. If you are in doubt on the question of novelty or patentability, complete an ID and consult your patent attorney to decide whether there is a basis to seek patent protection. Good research and engineering practices dictate the inventor being familiar with the prior art, such as by having a search made for the invention. This is particularly desirable to have before starting a substantial research or development effort. Do not prejudge your inventions negatively - it could be the wrong decision and adverse to you and/or your company's interests.

The ID should represent a complete disclosure of your invention.

## What Goes Into the ID?

Keep the ID brief, but be complete, concise and accurate in describing your invention. Particularly describe or show data that supports your invention, to the extent available. Attach drawings or extracts from reports, etc., if available. If subsequently it is decided to file a patent application based on your ID, the attorney may ask for any additional data, drawings, etc. needed to prepare the application for filing in the U.S. Patent and Trademark Office.

The title should be descriptive and specific. The abstract, if provided, should clearly summarize the invention, its use, and its novelty and advantages over the prior art (that is, presently known conventional equipment or methods). In many cases, the people who evaluate your ID may be influenced by what your abstract says (especially if it is their first impression). A clear and definitive abstract, therefore, can be a real asset. It is important that the ID contain all of the facts available in a clear and accurate manner. And don't omit the bad data - the attorney needs the complete story.

The ID should include a description of the invention, a brief discussion of all of the prior art that you are aware of, and an outline of the benefits you claim for your invention over the prior art.

Drawings or sketches should be included if the invention lends itself to illustration. And very important - if you have data to support the statements in your ID, include the data in your writeup or in a summary table. Your case is much stronger with data, particularly for chemical type inventions where data often is necessary to file a patent application. If the invention was made under a government contract, also make note of that.

## Mechanics of Preparing the ID.

The final copy of the ID should be signed by the inventor(s) in ink on each page, including sketches, figures and tables, which are on separate sheets. The sketches and figures may be drawn freehand, but they should be made in ink. Each signature should be witnessed and dated by someone who has read and understands the invention disclosed in your ID but is not a coinventor. The witness should always date his or her signature as of the day the witness (not the inventor) actually signs.

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## When clients ask about intellectual property

picture, and audiovisual works are covered, as are sound recordings, performances, and artistic expressions. Like a trademark, it is important to properly label copyrighted material with the copyright notice ©. Unlike a trademark, immediate use of the symbol is proper and encouraged. Your client may be pleased to know that the current Copyright Office filing fee is \$30.

Filing a valid copyright application has important benefits because registration is a prerequisite to obtaining the two most important remedies under the Copyright Act (1) statutory damages and (2) attorney's fees and costs. Simply put, if your client registers their copyright before knowledge of infringement, there is a greater likelihood that an attorney would take your client's case knowing these remedies will be available.

This article only scratches the surface of intellectual property. Nonetheless, you should now have enough information to properly identify the appropriate action for your client. © 2004 Gregory L. Mayback. All rights reserved.