*I*pls Proceedings
State Bar of Michigan

IPLS Sponsors Fall Seminar
PCT Practice for Paralegals and Lawyers

By Jennifer S. Warren

The Intellectual Property Law Section of the State Bar of Michigan and ICLE are once again offering a fall seminar. The topic this year is "PCT Practice for Paralegals and Lawyers." Once again, the section is subsidizing this seminar to make it economical for individuals to afford and for firms to send more staff. This seminar takes place in two locations: in Troy on Monday, October 22 and in Grand Rapids on Tuesday, October 23.

Ms. Carol Bidwell, a U.S. consultant on Patent Cooperation Treaty (PCT) matters to the World Intellectual Property Organization, and Michael Neas, of the USPTO, are scheduled as speakers. Ms. Bidwell and Mr. Neas will present a fast-paced overview for attorneys and paralegals filing international applications for U.S. applicants. Before lunch, they will cover an overview of the PCT system, requirements for filing, electronic filing options, claiming priority, and the international search. After lunch, they will review international publication; PCT Internet resources; filing a demand for international preliminary examination; appointing agents; making withdrawals; changing the applicant, agent, and inventor; making amendments to the claims and specification; and the U.S. national phase entry and bypass route as an alternative.

The seminar will be moderated by Mark A. Davis of McGarry Bair PC, in Grand Rapids, Michigan and David L. Wisz of Carlson Gaskey & Olds PC, in Birmingham. Registration for the seminar, along with details and any updates to the agenda will be located on the ICLE site at *http://www.icle.org/seminars*.

Jennifer S. Warren is IP counsel with The Dow Chemical Company. Ms. Warren's practice focuses on records management and preservation of evidence for discovery. Her IP practice experience focused on research agreements, licensing, and patent obtention for a variety of chemical products. Ms. Warren is a member of the Intellectual Property Law Section Council for the State Bar of Michigan.

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Intellectual Property Valuation Standards

By J. Timothy Cromley of JPMorgan

A manager in JPMorgan's valuation advisory services group, the author was recently privileged to chair a committee that drafted intellectual property valuation standards for the American Society of Appraisers. In this article, the author recounts why the adoption of some such standards is necessary, and solicits comments on the current version of them. The author's background includes accredited senior appraiser in business valuations in the American Society of Appraisers and registered U.S. patent attorney. The author has valued numerous businesses and intangible assets in a wide array of industries including services, manufacturing, and high tech. His valuations have been used for shareholder buyouts, strategic planning, accounting, estate planning, fairness opinions, asset-based financing, bankruptcy, Employee Stock Ownership Plans, and litigation support. Statements and opinions expressed herein are those of the author, who can be phoned at (312) 661-5658 or e-mailed at tim.cromley@jpmorgan.com*; they do not necessarily reflect those of the American Society of Appraisers or JPMorgan.*

Intellectual properties, including patents, copyrights, trademarks and trade secrets, are a subset of a class of assets that accountants call intangible assets (IA). One common reason for intellectual property (IP) to be valued is for merger and acquisition accounting.[1] Other reasons include financial and tax planning, investment decisions, and litigation. Although IP is often valued by business valuation specialists for many of the same reasons that businesses are valued, professional standards for its valuation have been lacking—until recently. Draft intellectual property valuation standards now exist. They can be viewed online at the website of the American Society of Appraisers.[2]

Valuation Approaches

Currently, the American Society of Appraisers[3] has standards for three distinct approaches to business valuation (BV): asset, market, and income-based approaches.[4] To understand why important intellectual properties need to be evaluated when valuing a business, it is useful to consider the potential use of an IP evaluation within each of these approaches.

- Asset Approach – The asset approach uses the appraised values of assets to restate the accounting balance sheet of the business being valued, since generally accepted accounting principles do not necessarily reflect current value. In this approach, the value of the total equity interest in a business is the appraised value of all of the assets of the business less the value of all its liabilities. It should be apparent that an asset-based approach, by its nature and by definition, requires the valuation of any important IP owned by the business.
- Market Approach – In one variant of this approach, an appraiser develops valuation multiples based on published market prices of the stocks of corporations engaged in a similar line of business. In another variant of the market approach, the appraiser employs transaction data from the sale of comparable businesses. It should be apparent that, if the only difference between a subject company and a comparable company is a key intellectual property—e.g., a new patent—some consideration should be given to the possibility that valuation multiples might need to be adjusted for differences in the IP holdings between the subject and comparable businesses.

- Income Approach – In the discounted cash flow variant of the income approach to BV, free cash flow is projected into future periods and discounted to indicate a present value, using a discount rate that is consistent with the projected cash flows. The cash flow should include the expected contributions of any valuable IP of the business, and the discount rate should reflect the related risks of those properties.

Thus, regardless of valuation approach, important steps in valuing a business include evaluating its IP, and making any valuation adjustments that may be necessary as a result of such an evaluation. Of course, selecting the right professional to do the job is also important.

The Appraisers

The valuation of intellectual properties is often considered to be within the purview of business valuation professionals. According to the preeminent appraisal group, the American Society of Appraisers (ASA): "Business valuation professionals provide independent, unbiased opinions of value for businesses and business interests of all sizes …. They also value specific intangible business assets such as patents, trademarks, employment agreements, copyrights, securities, and goodwill."[5]

In fact, the business appraisal profession in North America includes several professional organizations that certify business appraisers,[6] including the ASA (founded in 1936), the oldest and only major appraisal organization representing all of the disciplines of appraisal specialists.[7] In 1981, the ASA established a Business Valuation Committee to accredit members in the business valuation discipline. Currently, in order to become an ASA-accredited senior appraiser in business valuation, one must:

- Pass intensive written and oral examinations in the business valuation discipline
- Submit representative appraisal reports for peer review
- Be screened for ethical behavior, and pass an ethics examination
- Pass an examination on the uniform standards of professional appraisal practice (USPAP) within a specified period of time
- Have a minimum of five years of full-time equivalent appraisal experience
- For re-accreditation, must meet continuing education and other requirements, including 100 hours of credit for a full five-year re-accreditation period

Although an ASA-accredited senior appraiser in business valuation, or equivalent specialist, may be highly qualified to value most businesses, he or she is not necessarily an expert on patents, trademarks, copyrights, or trade secrets, and thus, may need to

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Submissions to IPLS Section

Articles of interest to the membership are actively solicited for publication on the IPLS website. If you have recently researched a topic of interest to our membership, please consider a submission.

Submission deadlines:

- January 15, 2008 for the February 2008 issue
- April 15, 2008 for the May 2008 issue

Submissions should be sent to:
Jennifer Sheehan Anderson
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Section Calendar

October 11, 2007
Council Meeting at 9:30 a.m.*

October 22, 2007
PCT
(Patent Cooperation Treaty)
Practice for Paralegals and Lawyers
MSU Management Education
Center - Troy, Michigan
registration and event details at
http://www.icle.org/seminars

October 23, 2007
PCT
(Patent Cooperation Treaty)
Practice for Paralegals and Lawyers
GVSU Eberhard Center –
Grand Rapids, Michigan
registration and event details at
http://www.icle.org/seminars

November 8, 2007
Council Meeting at 9:30 a.m.*

December 6, 2007
Council Meeting at 9:30 a.m.*

January 10, 2008
Council Meeting at 9:30 a.m.*

February 14, 2008
Council Meeting at 9:30 a.m.*

March 13, 2008
Council Meeting at 9:30 a.m.*

March 17, 2008
IPLS Meeting and Spring Seminar
Kellogg Center, East Lansing

April 10, 2008
Council Meeting at 9:30 a.m.*

May 8, 2008
Council Meeting at 9:30 a.m.*

June 12, 2008
Council Meeting at 9:30 a.m.*

July 17-19, 2008
33rd Annual Intellectual Property
Law Summer Institute
Grand Hotel, Mackinac Island
registration and event details at
www.icle.org

July 19, 2008
Annual Meeting,
including Election of Council
Members and Officers, 8 a.m.
Grand Hotel, Mackinac Island

* Contact a council member for the meeting location.

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associate with an IP attorney when performing an important or complex IP valuation. To better understand why this is so, it is useful to consider the longstanding inadequacies of BV standards with regard to IP.

Existing Standards

The ASA has BV standards that cover such things as financial statement adjustments, the three approaches to valuation, valuation discounts and premiums, reaching a valuation conclusion, and comprehensive valuation reports. However, until recently, professional appraisal groups, including the ASA, have traditionally not had *any* technical standards *specifically* targeting the valuation of IP.

For several decades, U.S. Internal Revenue Service (IRS) Revenue Ruling 5960 has served as a guiding light for many professional business valuations in the U.S. However, this Ruling, which outlines the approach, methods, and factors to be considered in valuing shares of the capital stock of closely-held corporations for estate tax and gift tax purposes, gives only broadbrush treatment to the valuation of intangibles, stating merely: "Whatever intangible value there is, which is supportable by the facts, may be measured by the amount by which the appraised value of the tangible assets exceeds the net book value of such assets."

About two decades ago, the Appraisal Foundation, a group recognized by the U.S. Congress as a source of real estate appraisal standards, adopted the Uniform Standards of Professional Appraisal Practice (USPAP) in response to a savings and loan crises. USPAP includes two BV standards, Standards 9[8] and 10,[9] which deal with valuation development and reporting requirements, respectively. Although USPAP'S coverage extends to BV, it does *not* specifically address any of the unique issues surrounding the valuation of IP.

In addition to formal standards, many books have been written about how to value a business. However, many of these BV books substantially omit the topic of IP valuation or discuss IA valuation in a general way, without describing the legal characteristics of copyrighted works, trademarks, trade secrets, and patents, which can drive value. Often, one must review specialized articles about IP valuation—e.g., "20 Steps for Pricing a Patent" (see *http:// www.aicpa.org/pubs/ jofa/nov2004/ cromley.htm*) or books about IA valuation[10, 11] rather than business valuation books themselves, to find out how IP should be valued.

Need for IP Standards

Although fairly detailed standards for valuing *businesses* exist, and although litigation, such as the recent BlackBerry® patent-infringement dispute, has shown that some intellectual properties can be quite valuable, until recently, no standards detailing the unique factors that must be considered when valuing IP have been promulgated in final form. As such, there appears to be a compelling need for IP valuation standards within the business appraisal profession.

If books about BV don't address IP valuation, and if BV standards give IP short shrift, is there not the danger that business valuers will give IP aspects of their valuations short shrift as well, especially in the absence of truly substantive IP valuation standards? If articles are being written about how to value patents and if whole books are now being written about intangible asset valuation, there is obviously not a paucity of information from which to write standards. Thus, there does not seem to be any excuse for a standard-setting business valuation group not to have standards specifically governing intellectual property valuation. Some believe the time has arrived for the promulgation of such standards.

ASA Committee Action

Two years ago, the BV Standards Committee of the ASA invited the author to chair a new IA Valuation Standards (IAVS) Subcommittee having as its mission the development of standards for the valuation of intangible assets. The subcommittee also included a former president of the ASA, a former president of the Canadian Institute of Chartered Business Valuators (CICBV), and three authors of books on IA valuation.[12]

One of the challenges facing the IAVS Subcommittee was to structure intangible asset valuation standards in such a way as to adequately address the need to have substance and specificity with regard to the major categories of IP, without getting bogged down in the multiplicity of IA. Some business valuers are wont to say that there are over 100 different kinds of IA. In fact, Financial Accounting Standards Board (FASB) Statement 141 describes six marketing-related IA categories: four that are artistic-related; five, customer-related; nine, contract based; and five that are technology based. Interestingly, while FASB 141 was written in terms of IA, most of its major categories of IA relate directly to various kinds of IP, e.g.:

- Marketing-related intangible assets include trademarks, which are IP;
- Artistic-related intangible assets include copyrighted works, which are IP;
- Customer-related include customer lists (often a trade secret);
- Contract-based include licenses (which often have IP as their subject); and

- Technology-based intangible assets include patents and trade secrets.

The subcommittee's solution to the challenge posed by the multiplicity of IA subcategories was to specify key considerations only for the four major kinds of IP—i.e., for patents, trademarks, copyrights, and trade secrets—and to treat all other IA generically. This measured approach enabled the subcommittee to develop a draft standard with reasonable promptness. Subsequently, our parent committee, the BV Standards Committee, divided the draft standard into two parts: an IA valuation standard, and a statement on IP valuation, and sent it out as an exposure draft. The exposure draft, which was dated November 8, 2005, went online on February 7, 2006, with the request that individuals and organizations send written comments on the proposed standards [see *http://www.bvappraisers.org/ASA-BV exposure_files/IAS.pdf*].

Draft IA Standard

The first part of the proposed standard applies to all intangible assets and is termed a "standard" (see *http://www.bvappraisers/org/ASA-BVexposure_files/IAS.pdf*) The draft "IA Standard" includes general principles considered basic to any asset valuation—e.g., identification and disclosure of the asset to be valued, the effective date of the valuation, the definition of value, and the purpose and use of the valuation. The IA Standard states that, in valuing an IA, the appraiser should consider the bundle of legal rights, protections, and limitations pertaining to the intangible to be valued, and the history of the IA.

Also to be considered are the asset's expected remaining economic life and the economic benefits, direct or indirect, that an IA is likely to provide to its owner during the asset's life. The IA Standard also states that the income, market and cost valuation approaches should be considered.

Draft IP Statement

The second part of the standard deals specifically with intellectual property valuation. The draft "IP Statement" is called a "statement" rather than a "standard" for ASA-specific organizational reasons—e.g., to signify that it *amplifies a standard*— however, the IP Statement has the same force as a

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Legislative Update

By Laura Slenzak

Omnia mutantur, nos et mutamur in illis **(All things change, and we change with them).—Matthias Borbonius**

The **TTAB recently issued its final ruling-making** on August 1. You can see the Federal Register notice at *http://www.uspto.gov/web/offi ces/com/sol/notices/72fr42242.pdf.* There are many changes, some big and some small. Some of the small changes are things like requiring plaintiffs to serve their complaints on defendants at their last known address, as opposed to the prior practice of service by the Board after the plaintiff's filing, and deleting the option of making CD-ROM submissions to the Board. The bigger changes are how TTAB practice is becoming more and more like "regular" litigation, such as requiring a "meet and confer," imposing mandatory evidentiary disclosures, and requiring disclosure of expert testimony.

Meanwhile, sweeping patent law changes continue to wind their way through the committee process. I could fill the whole newsletter with what is proposed, but suffice it to say that it isn't anywhere near being a "done deal." You should plan on attending the IPLS's Spring Seminar on Monday March 17, 2008 at the Kellogg Center to get your fill (and then some) of patent office rule changes. Even if we don't get to a first-inventor-to-file regime any time soon, you can still bet that we'll be grappling with the fall-out of the recently stuffed-down-our-throats 25/5 continuation rules (see *http://www.uspto.gov/web/offices/com/sol/notices/72fr46716.pdf*), and the (as of this writing) proposed ex parte appeal rules (see *http://www.uspto.gov/web/offices/com/sol/notices/72fr41472.pdf*).

While it may not seem like there's been much progress on "harmonization," little things keep creeping into practice that at least help streamline things on the administrative end. Take, for example, the **priority document exchange between the U.S., EP, and Japan**. Filing internationally just got a little easier, although you will need to become familiar with PTO Form SB-38. *See http://www.uspto.gov/web/patents/notices/prioritydocexch.html* for the full notice.

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standard. The IP Statement advises that factors to be considered in valuing IP include past or present litigation, the distinction between an asset and a fractional interest in the asset, and the feasibility and character of potential commercial exploitations. The IP Statement also describes certain specific factors that should be considered in valuing specific kinds of IP, for example (paraphrased):

- Patents – jurisdictional coverage, status of registrations, breadth of patent claims, alternatives to the patented invention, risks of infringement and invalidity, and the possibility of blocking patents
- Trade Secrets – the reasonableness and effectiveness of measures taken to ensure secrecy; the possibility that the secret could be legitimately discovered by competitors through independent research; and if potentially patentable, the potential benefits, costs, and risk of patenting versus holding the trade secret as a trade secret
- Copyrights – whether the copyright is for the original work, or for a particular derivative of it
- Trademarks – ability to be extended to related products or services without infringing on the trademarks of others, the nature and status of any registrations, the possibility of abandonment due to non-use, and the possibility that a mark might have become generic

Reactions to Drafts

Several comments were received on the draft IA Standard (BVS-IX), and the IP Statement (SBVS-3), including online comments posted publicly on ASA's BV website.

The comments and responses that were received were positive and constructive. The first substantive responder, an accredited senior appraiser in BV, stated: "These are well written documents, i.e., BVS-IX and SBVS-3. …. They are logical, well organized, and complete."[13] The second responder, another accredited senior appraiser in BV, expressed similar sentiments: "Congratulations and thanks to the authors of BVS-IX and SBVS-3. These are well-written and very concise, and necessary additions to the BV Standards."[14] Numerous other comments and suggestions for improvement were also gratefully received.

The BV Standards Committee of the ASA is scheduled to meet over the weekend of March 24-25, 2007, at which time, these draft standards, perhaps with minor modification, could be approved for official promulgation by the ASA. Interested readers of this publication, and other interested parties, are invited to submit comments about the draft standards before March 17, 2007.

Summary and Conclusions

Proposed intellectual property valuation standards of the American Society of Appraisers can be viewed online at the website of the ASA as noted in this article. Comments may be directed to the committee chair at *tim.cromley@jpmorgan.com,* and should ideally be received no later than March 17, 2007.

Endnotes

1. In the U.S., *Statement of Financial Accounting Standards No. 141: Business Combinations*, Financial Accounting Standards Board of the Financial Accounting Foundation, June 2001 (FASB 141) requires the valuation of all assets including intellectual properties, immediately following a business combination. Subsequently, *Statement of Financial Accounting Standards* No. 142: "Goodwill and Other Intangible Assets," Financial Accounting Standards Board of the Financial Accounting Foundation, June 2001 (FASB 142) requires that, if goodwill impairment appears likely, a unit's assets, including its IP, be re-valued for the purpose of determining the amount of goodwill impairment.
2. To read the exposure draft, see *http://www.bvap praisers.org/ASA-BVexposure_files/IAS.pdf.* For public comments, go to *http://www.appraisers.org: 8080/~BVexposureDRAFT* or *http:// www.bv appraisers.org/news.cfm?typeid=3&contentID =1561&fuseaction=one content* and follow the links.
3. Founded in 1936, the American Society of Appraisers (ASA) is the oldest and only major appraisal organization representing all the disciplines of appraisal specialists (see "About ASA" at *http://www.appraisers.org/about/).*
4. The BV standards of the ASA can be viewed at *http://www.bvappraisers.org/standards/bv standards.pdf.*
5. *http://www.bvappraisers.org/about_bv/*
6. Organizations accrediting BV expertise, besides the ASA, include the Canadian Institute of Chartered Business Valuators (CICBV), the Institute of Business Appraisers (IBA), the American Institute of Certified Public Accountants (AICPA), the National Association of Certified Valuation Analysts (NACVA). See Professional Accreditation Criteria, Judges and Lawyers Business Valuation Update January 1999, page 3, at *http://www.bvappraisers.org/why_hire/accred_ch art.pdf.*
7. About ASA, American Society of Appraisers, *http://www.appraisers.org/about/*
8. *http://commerce.appraisalfoundation.org/html/ 2006%20USPAP/std9.htm.*
9. *http://commerce.appraisalfoundation.org/html/ 2006%20USPAP/std10.htm.*
10. Reilly, Robert F., and Schweihs, Robert P., *Valuing Intangible Assets,* McGraw-Hill, NY, NY, 1998.
11. Smith, Gordon V., Parr, Russell L., *Valuation of Intellectual Property and Intangible Assets,* John Wiley & Sons, NY, NY, 2002.
12. In addition to the author of this article, who served as committee chair, the Intangible Asset Valuation Standards Subcommittee included Claire H. Donias, Richard M. Wise, Gordon V. Smith, Russell L. Parr, Robert P. Schweihs, and Jeffrey D. Jones.
13. Jay Abrams, ASA; February 08, 2006. 14. Chris Mellen, ASA; March 28, 2006.

Editor's Note: This article was originally published in the January 2007 issue of *Intellectual Property Today* (*www.iptoday.com*).

View from the Chair

By Laura Slenzak

What is my "View from the Chair"? I have to snicker, because the first thought that comes to mind is me sitting in a chair, looking off blankly. So if you have a suggestion for a better title for this "column" or "article" or whatever you want to call it, please feel free to drop me a note.

But on to the substance of the matter at hand, that being my opportunity to discuss a few items that have been on my mind of late.

The first item is the death of Ernie Brooks on August 2. I'd venture to say everyone knew Ernie at some level. Perhaps you met him at an event – Ernie was a dependable "regular" at MIPLA and SBM IPLS events. In fact, I'd dare to say he added some welcome spice at last month's Summer Institute (more on that later). Or perhaps you worked with him—besides co-founding Brooks and Kushman, Ernie was an alumnus of Harness Dickey & Pierce, a place that I also have on my c.v. Or perhaps you faced him in a lawsuit or negotiated against him in a contract matter—Ernie gained national recognition and acclaim for his skills as a lawyer. Ernie took his profession very seriously, but it struck me that he didn't take himself too seriously because he was always quick to laugh. His presence will be missed by many.

Which leads me to the next item that has been on my mind: the July 12-14 Summer Intellectual Property Law Institute held on Mackinac Island. By all accounts, it was another rousing success. The Thursday evening "pre" seminars on the advanced topics were a big hit and solved the problem of making you pick between attending an advanced seminar versus attending an updates seminar. But now we're hearing that you wished you could have attended all of the advanced topics. This sounds like a good problem for us to have, because that means the seminars were considered very valuable to you. Thank you for your record attendance, and for your thoughtful comments and critiques that help us in our efforts to make each year better than the year before.

I missed attending my own inauguration at last month's Institute, due to a very untimely run-in with poison sumac. While I could have pitied myself as being very unlucky, I was actually quite thankful—not for the sumac (that I could have certainly done without!) but for the wonderful support and teamwork of the rest of the council. Beverly Bunting and Denise Glassmeyer stepped in and, without missing a beat, took over all of the "mistress of ceremonies" duties that I should have been fulfilling. I could go on and on, but suffice it to say that it was comforting to know that I really wasn't needed that weekend.

So let me close with this thought—as you go through your day, whether at work or home, recognize and be thankful that you have others all around you who care and who are dedicated to the same values and beliefs that you hold. Sometimes it takes a tragedy or a mishap to be forced into remembering that fact. It is a blessing if you can take the time to remind yourself of that before you begin each day.

Laura M. Slenzak is senior intellectual property counsel with Siemens, in Auburn Hills, Michigan. Ms. Slenzak's practice focuses on technology portfolio strategy and litigation management for Siemens Automotive, Transportation, and Building Systems operating companies. Ms. Slenzak is the 2007-2008 chair of the Intellectual Property Law Section for the State Bar of Michigan.

Where Do We Get Our Information?

The Internet has opened up a world of opportunity to locate just about any type of information you can imagine. A couple of links you may find interesting and helpful to your practice are:

http://www.ustr.gov - The Office of the U.S. Trade Representative (USTR) is responsible for developing and coordinating U.S. international trade, commodity, and direct investment policy, and overseeing negotiations with other countries.

http://www.Stopfakes.gov - The International Trade Administration, U.S. Department of Commerce, manages this global trade site to provide access to ITA information on promoting trade and investment, strengthening the competitiveness of U.S. industry, and ensuring fair trade and compliance with trade laws and agreements. This site contains links for customs registration and combating counterfeiting and piracy.

http://www.training.ipr.gov - The international Intellectual Property Rights (IPR) Training Database, maintained by agencies of the United States government and industry associations who provide training and technical assistance relating to protecting IPR.

Practice Alert

By Jake Grove

The U.S. Supreme Court and the federal circuit have recently lowered the standard for declaratory judgment actions in patent cases, and this has at least two key implications that Michigan practitioners must know: 1) practitioners must take care in approaching accused infringers to avoid having the accused infringers file a declaratory judgment action in a remote jurisdiction; and 2) practitioners representing accused infringers now may have an easier time filing a declaratory judgment action for convenience and tactical purposes.

The U.S. Supreme Court recently rejected the test that the federal circuit used for determining the propriety of a declaratory judgment action. *MedImmune, Inc. v. Genentech, Inc.*, 127 S.Ct. 764 (2007). The federal circuit had a two-part test that first considered whether the conduct by the patentee creates a reasonable apprehension on the part of the declaratory judgment plaintiff that it will face an infringement suit, and second examined whether conduct by the declaratory judgment plaintiff amounts to infringing activity or concrete steps taken with the intent to conduct such activity.

The federal circuit addressed this new *MedImmune* decision in *SanDisk Corp. v. STMicroelectronics, Inc.,* 480 F.3d 1372 (Fed. Cir. 2007):

> The Supreme Court's opinion in *MedImmune* represents a rejection of our reasonable apprehension of suit test.
>
> ****
>
> We hold only that where a patentee asserts rights under a patent based on certain identified ongoing or planned activity of another party, and where that party contends that it has the right to engage in the accused activity without license, an Article III case or controversy will arise, and the party need not risk a suit for infringement by engaging in the identified activity before seeking a declaration of its legal rights.

A few days later, another federal circuit panel also followed *MedImmune,* though in a somewhat more muted way. *Teva Pharm. USA Inc. v. Novartis Pharm. Corp.,* 482 F.3d 1330 (Fed.Cir. 2007). In any event, it appears that the federal circuit will no longer use the "reasonable apprehension" test, and declaratory judgment cases that might have been rejected previously under this test may possibly go forward now.

"The U.S. Supreme Court and the federal circuit have recently lowered the standard for declaratory judgment actions in patent cases . . ."

This development has implications for lawyers representing patent owners and those representing accused infringers, as suggested by Judge Bryson in his concurring opinion in *SanDisk* at 1385:

> In sum, the rule adopted by the court in this case will effect a sweeping change in our law regarding declaratory judgment jurisdiction. Despite the references in the court's opinion to the particular facts of this case, I see no practical stopping point short of allowing declaratory judgment actions in virtually any case in which the recipient of an invitation to take a patent license elects to dispute the need for a license and then to sue the patentee. Although I have reservations about the wisdom of embarking on such a course, I agree with the court that a fair reading of footnote 11 of the Supreme Court's opinion in *MedImmune* compels that result, and I therefore concur in the judgment reversing the district court's dismissal order in this case.

Accordingly, practitioners representing patentees must take care in approaching accused infringers. Patentees apparently have a higher risk now of provoking a declaratory judgment action by sending a "cease and desist" letter, or even a more mildly presented offer to license. Perhaps patentees could consider filing suit before communicating with accused infringers to preserve a choice of forum. On the other hand, practitioners representing accused infringers now might have an easier time filing a declaratory judgment action for convenience and tactical purposes.

In any event, Michigan practitioners must realize that practice has changed in a significant way.

Andrew (Jake) Grove is a shareholder in the IP firm, Reising, Ethington, Barnes, Kisselle, P.C. in Troy, Michigan. Mr. Grove is also co-author of West's student case book, Patent Law, *and he serves as an adjunct professor at the University of Detroit Mercy School of Law. Mr. Grove is also a member of the Intellectual Property Law Section Council for the State Bar of Michigan.*

US PTO
Electronic Trademark Filing Tips

Here are a few filing tips that may help when using the *Trademark Electronic Application System (TEAS). (http://www.uspto.gov/teas)*

- The USPTO now accepts PDF files for specimens and evidence attached to electronic applications and responses to office actions. Note that the entire office action response cannot be submitted in PDF—only the attachments for items not found in the online form. Drawings still must be files in JPG format. *www.uspto.gov/teas/eTEASupcoming.html#PDFFileAccepted*
- You can avoid the 60-minute time-out period for electronic forms. If the USPTO's server does not detect any activity within 60 minutes, it will end your session. However, at 54 minutes into your session, you will receive a pop-up window warning you that your session will expire in six minutes. To "renew" your session, you simply need to click on the "OK" button at the bottom of the pop-up window, and you will automatically get another 60-minute time period. *www.uspto.gov/teas/eTEASimportantnotice.htm#SessionLimit*
- The Withdrawal of Attorney form now works with both the pending applications and registrations. In the past, the Withdrawal of Attorney form was limited to use with pending applications. However, the system still requires that a serial number be entered, even if an application is registered. The form is located as *http://teas.uspto.gov/V2.0/woa250/.*
- You can search for marks published in the Official Gazette through the Trademark Electronic Search System (TESS) by publication or registration date. TESS permits you to search by publication date. To find that option, see *http://tess2.uspto.gov/bin/gate.exe?f=tess&state=plre8c.1.1*

Copyright Update -
Improved Copyright Search System to Replace Current Search Systems in Mid-August

The Copyright Office has launched a powerful new records search system that accesses more than 20 million digital records of registrations and recorded documents from 1978 to the present. The new system allows searching by title, name, keyword, and registration or document number. Through a command keyword search, elements of any or all fields can be combined to search the records.

Users can also search by type of work, such as sound recordings, dramas, motion pictures, visual materials, or pre-registrations. The search method combines three separate databases that previously permitted only limited searching. The search tool uses Voyager software, the same system used by the Library of Congress online catalog. (See "View Searching Tutorial" at *http://www.copyright.gov/records/#* on searching with the new system.)

Source: U.S. Copyright Office - *http://www.copyright.gov/eco/index.html*

State Bar of Michigan
Practice Management Resource Center

Helpline

Have a question about disposing of your old files, creating a conflicts checking system, or purchasing a personal digital assistant? The PMRC Helpline is a confidential, informal service designed to quickly assist SBM members with practice management issues. To reach a practice management advisor, e-mail your questions or call the Helpline at (800) 341-9715.

Educational Center

The PMRC's Educational Center offers programs on a variety of topics, including "hands-on" software demonstrations at its Lansing base of operations and sites across the state. SBM members and their staff can use the Educational Center and its resources to test software applications on an informal, individual basis. Call (800) 341-9715 to reserve time for training or a demonstration, or to request a reservation online.

Lending Library

The PMRC Lending Library provides a variety of law practice management publications, CDs, DVDs, and other resources to State Bar members. Request items of interest online or by visiting the SBM building in Lansing.

Some recently added publications include:

- *How to Capture and Keep Clients*
- *Essential Little Book of Great Lawyering*
- *Lawyers and Reporters*
- *Microsoft Plain & Simple series*
- *Microsoft Step by Step series*
- *Adobe Acrobat 8 In the Office*

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Canadian IP Regulations Amended

By Ronald D. Faggetter, David E. Schwartz, and Philip D. Lapin

On June 2, 2007, amendments to the Patent Rules came into force. These amendments affect small entity fees, title documents, and sequence listings. Minor amendments were also made to regulations under other IP statutes.

Patent Rules

Small entity. The definition of a "small entity" has been amended to exclude (a) an entity controlled directly or indirectly by another entity, other than a university, that employs more than 50 employees; and (b) an entity that has transferred or licensed or has an obligation, other than a contingent obligation, to transfer or license any right in the invention to an entity, other than a university, that employs more than 50 employees.

In the event of a mistaken small entity payment, the Patent Office may grant an extension of time to pay the proper fee if the applicant or patentee states that, to the best of its knowledge, the small entity fee was paid in good faith and the request for the extension is being filed without undue delay.

The time extension is at the discretion of the Patent Office. Further, the definition of small entity retains imprecise language from the previous definition. As a result, at least until the policy and practice of the Canadian Patent Office in respect of accepting corrective fee payments become clear, we are maintaining our policy of submitting all fees at a standard level.

Assignments. A new requirement for an applicant to file a declaration of entitlement replaces the former title document registration requirements.

The declaration must state the basis for the applicant's entitlement to apply. For example, the applicant may declare it is entitled as employer of the inventor(s), or by virtue of an assignment identified in the declaration.

It remains necessary to register title documentation to show any change of title from the original applicant, and any change of title after issuance of the patent.

Sequence listings. The amendments extend the use of the *Standard for the Presentation of Nucleotide and Amino Acid Sequence Listings in International Patent Applications Under the PCT* to non-PCT applications.

If a sequence listing is required, the specification must contain a sequence listing in electronic form. A paper copy of the sequence listing is no longer required.

It is not yet known how the Canadian Patent Office will catalogue, safeguard, and publish sequence listings in electronic form. We therefore currently recommend that applicants include the content of the sequence listing in the text of the specification, in the form of a table.

Further information. A more detailed summary of these amendments to the Patent Rules may be found on our website. To request a copy, please contact the editors of this newsletter.

Other IP Regulations

The *Trademarks Regulations* have been amended to eliminate a number of government fees. The rules regarding service of documents in trademark oppositions have been revised to make it easier to serve documents.

Further amendments to shorten the timeframes in trademark oppositions will come into effect on October 1, 2007.

Under the *Copyright Regulations* and the *Industrial Design Regulations*, the fees for obtaining certified copies of documents for use in certain court proceedings have been eliminated.

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First TTAB Decision Under Federal Trademark Dilution Revision Act Finds No Dilution

By Jessica S. Sachs

In its first decision under the Trademark Dilution Revision Act, the Trademark Trial and Appeal Board (TTAB) denied 7-Eleven's dilution claim and dismissed its opposition against Lawrence I. Wechsler's registration of the mark GULPY for "portable animal water dishes and animal water containers sold empty." The TTAB also denied 7-Eleven's claim of likelihood of confusion. *7-Eleven, Inc. v. Lawrence I. Wechsler* (Opposition No. 91117739, May 15, 2007).

7-Eleven had opposed registration of GULPY on the basis that the mark created a likelihood of confusion with and dilution of its family of GULP marks for fountain drinks, including GULP, BIG GULP, SUPER BIG GULP and DOUBLE GULP.

With respect to the dilution claim, the TTAB found that although 7-Eleven's mark BIG GULP had acquired the fame necessary to support a dilution claim (as illustrated by a research study showing a 73 percent unaided awareness), there was insufficient evidence to show that BIG GULP "ha[d] acquired an extraordinary degree of recognition relative to other famous marks." The Board further found that the applicant's GULPY mark was not "essentially the same" as the BIG GULP mark because it engendered a different commercial impression; whereas the BIG GULP mark created the impression that 7-Eleven "provides enormous quantities of liquid," the GULPY mark engendered the impression of "a playful puppy lapping water or of a pet's name." Finally, 7-Eleven had not demonstrated that there was any association in the minds of potential customers between the GULPY mark and its BIG GULP mark. Accordingly, the TTAB concluded that "the registration of applicant's mark will not dilute [7-Eleven's] BIG GULP trademark."

The TTAB also denied 7-Eleven's likelihood of confusion claim, concluding that the GULPY mark was sufficiently different from 7-Eleven's GULP family of marks. In addition, the TTAB found that the applicant's "portable animal water dish [was] a distinctly different product than [7-Eleven's] fountain drinks" and not within 7-Eleven's natural area of expansion, such that use of the respective marks on these "disparate products" would not give rise to a likelihood of confusion.

Jessica S. Sachs is an associate with Harness, Dickey & Pierce, P.L.C. in, Troy, Michigan. Ms. Sachs is a trademark and copyright attorney. Her practice is primarily devoted to domestic and foreign trademark prosecution, including handling opposition and cancellation proceedings before the Trademark Trial and Appeal Board.

Back copies of *IPLS Proceedings* can be found at http://www.michbar.org/ip/archive.cfm

2007 Economics of Law Practice Survey Preliminary Results are Now Available

Preliminary results for the 2007 Economics of Law Practice Survey are available online at *http://www.lawpracticeeconomics.com/*

To access results click on the above link – enter your P number and the password created when you completed the survey and you will be on your way to the interactive results tables and charts.

If you have not yet completed the survey – it's not too late! Click on the above link – follow the prompts to register and complete the survey. You will then have full and immediate access to the results.

The 2007 Economics of Law Practice Survey is a powerful new research tool that will help attorneys monitor changes in the profession. This online format replaces the paper version of the survey that was previously conducted every three years. Now it will be possible to access the most up to date results through the searchable database that will updated several times each year.

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Find Proceedings. By Year.Â L. Norgaard, A. Saudland, J. Wagner, J. P. Nielsen, L. Munck, and S. B. Engelsen, "Interval Partial Least-Squares Regression (iPLS): A Comparative Chemometric Study with an Example from Near-Infrared Spectroscopy," Appl. Spectrosc. 54, 413-419 (2000). IPLS. started its activity with the ambition to become a successful Albanian think tank that would provide Albanian society with objective and profound insights in legal and public policy matters. In its legal program the Institute has focussed on law drafting as well as legal education and training. IPLS has been aware during this time that the legal drafting should involve prior research on the topics involved and a process of awareness after its adoption so that the laws passed have a real opportunity to be enforced. Ipls Proceedings. State Bar of Michigan. Volume 27 â€¢ Issue 1 â€¢ 2016.Â The Projectâ€™s 2014-2015 Annual Report is printed beginning on page_ of this issue of IPLS Proceedings. Additional information about the program is available on the IPLS website: http://connect.michbar.org/iplaw/patent. I. 14 pls Proceedings Volume 27 â€¢ Issue 1 â€¢ 2016.