



# IP

The Tennessee Bar Association's newsletter for the  
Intellectual Property Section  
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## Regulatory Action Against Patent Assertion Entities and Their Lawyers

By Judy Winegar Goans

*For lawyers who deal with licensing and infringement, the FTC action signals a duty to ensure that communications on behalf of clients are scrupulously honest and not misleading — or risk their own FTC investigation.*

Patent assertion entities (PAEs, aka *patent trolls*), and their lawyers may face regulatory action by the Federal Trade Commission (FTC), the Federal agency charged with preventing fraudulent, deceptive, and unfair business practices. Although no new laws or regulations are involved, a recent administrative complaint by the FTC serves as a reminder of obligations under existing law and may signal a crack-down on methods employed by PAEs and the law firms that represent them.

On November 6, the FTC announced that it had settled charges that MPHJ Technology Investments, LLC, had used deceptive sales claims and false and misleading legal claims in connection with its assertion of patent rights. The FTC asserted that MPHJ had written letters to thousands of small businesses around the United States, accusing them of infringing MPHJ's patents. MPHJ's lawyer, the Texas firm, Farney Daniels P.C., was also implicated in the regulatory action. The FTC asserted that Farney Daniels had authorized sending the letters on the firm's letterhead. The company and its law firm have agreed to a settlement of the FTC charges. "This is the first time the FTC has taken action using its consumer protection authority against a patent assertion entity (PAE)," according to the FTC.

The FTC complaint was not directed against PAEs *per se* but targeted what the FTC considered to be deceptive

Infringing and non-infringing list



Consistent with the North Pole's new policy of "zero tolerance for infringement," this year's "Naughty or Nice" list will have a few changes.

and misleading assertions made in the course of the company's efforts to license its patents. "Patents can promote innovation, but a patent is not a license to engage in deception," said Jessica Rich, Director of the FTC's Bureau of Consumer Protection. "Small businesses and other consumers have the right to expect truthful communications from those who market patent rights."

According to the FTC's administrative complaint, which you can read here <http://www.ftc.gov/system/files/documents/cases/141106mphjcmpt.pdf>, MPHJ purchased rights to four U.S. patents and one pending application from another PAE in September 2012. The patents pertain to networked scanning systems invented by Laurence C. Klein. The four Klein Patents "cover certain computer management

IP Specialization Survey — see page 3

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## Mark Your Calendar



Photo: © iStockphoto.com

### Intellectual Property Spring Institute April 17, 2015 – Nashville, Tenn. Tennessee Bar Center

This entertaining and informative program will feature presentations and panels relating to a variety of hot topics, including

- Patent Litigation Update and Anti-Troll Legislation
- Nominative Fair Use
- Copyright Licensing Methods and Orphan Works
- Patentable Subject Matter in the Life Sciences and Business Method Patents After Alice
- Ethics Case Analysis (GM Case)

Don't miss this opportunity to network with other practitioners and speak with our panelists and speakers. This is a chance to get 6 hours of CLE credit.

### CLE Opportunities

If you missed the last year's Spring Institute, you can still watch the presentations online and get CLE credit. Sign up through the TBA website to watch online videos of the excellent presentations that you missed! They will be available to view on the site until May 2015. Links are shown for each presentation.

- **Section 101: Software and Bio-Patents**  
Presented by Gary Montle & Hilary Lang, Wadley & Patterson PC:  
<https://cle.tba.org/catalog/course/3031>
- **Recent Developments in Copyright Law**  
Presented by Suzanne Kessler & Laurie Hughes, Hughes-Kessler Consulting  
<https://cle.tba.org/catalog/course/3032>
- **Trademark Law: Reverse Confusion**  
Paul Kruse, Bone, McAllester, & Norton PLLC
- **Rights of Publicity**  
Presented by Brittany Simpson & Maia Woodhouse, Baker, Donelson, Bearman, Caldwell & Berkowitz PC  
<https://cle.tba.org/catalog/course/3033>
- **Design Patents & the Patent Law Treaties Implementation Act of 2012**  
Presented by Douglas Johnson, Miller & Martin PLLC <https://cle.tba.org/catalog/course/3034>

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#### IP Editorial Board 2014-2015

Judy Winegar Goans, Editor-in-Chief

<http://www.tba.org/section/intellectual-property-section>

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# Specialization for Intellectual Property Lawyers?

Should intellectual property be a recognized legal specialty? Tennessee's Commission on Specialization and Continuing Legal Education certifies attorneys as specialists in 14 areas of law that range from accounting malpractice to DUI defense, and from family law to criminal trial defense. You can view the entire list on the Commission's website at <http://www.cletn.com/index.php/general-information/specialist>. If you check, you will find that recognized specialties in Tennessee do not include intellectual property or any of its subcategories such as patents, trademarks, copyright, or intellectual property litigation.

Would we like for members of the public to be able to search for intellectual property specialists on the Commission's website? If we had a specialization in intellectual property, what form would it take? Would there be, for example, a general specialty in intellectual property or a collection of more defined specialties like trademark pros-

ecution or patent litigation? How would certification be carried out? Would this benefit intellectual property lawyers? Most importantly, how would certification serve the public interest?

The Intellectual Property Section Executive Committee would like to hear section members' views on the merits (or lack of merit) of specialization for intellectual property lawyers. Section Chairman Mark Graham has asked for feedback on two general questions:

If intellectual property were, in some manner, recognized as a legal specialty, do you feel it would be beneficial to you as a practitioner? Do you feel it would benefit your clients or potential clients? **P**

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Send feedback to Mark Graham at [mgraham@graham-iplaw.com](mailto:mgraham@graham-iplaw.com). Yes/No responses are fine, or feel free to share your views in more detail.

## News

### WHO TOOK THAT PICTURE?

BBC News reports a dispute between photographer David Slater and *Wikipedia* over a photograph that was taken when Mr. Slater handed his camera to an unnamed subject who snapped his own photo. The subject is a *Macaca nigra*, aka a Celebes crested macaque, although the non-zoologists who have been writing about him apparently think he's just a monkey and have dubbed the photograph a "monkey selfie." The image — viewable at [https://commons.wikimedia.org/wiki/File:Macaca\\_nigra\\_self-portrait\\_\(rotated\\_and\\_cropped\).jpg](https://commons.wikimedia.org/wiki/File:Macaca_nigra_self-portrait_(rotated_and_cropped).jpg) — appears to have been edited, presumably not by the subject who snapped the shot, a fact that may raise other copyright issues — or does it? Read the BBC story at <http://www.bbc.com/news/uk-28684353> and let your editor know your opinion: who exactly is the author of that picture?

### LEGALZOOM VICTORY IN SOUTH CAROLINA

LegalZoom, a company that provides legal forms, has been under fire in several states for the unauthorized practice of law. Reporting in the *ABA Journal*, Robert Ambrogi reports that LegalZoom is "poised for growth" after South Carolina okayed its practice. You can read his article and analysis here: [http://www.abajournal.com/magazine/article/latest\\_legal\\_victory\\_has\\_legalzoom\\_poised\\_for\\_growth/?utm\\_source=internal&utm\\_medium=navigation&utm\\_campaign=most\\_rea](http://www.abajournal.com/magazine/article/latest_legal_victory_has_legalzoom_poised_for_growth/?utm_source=internal&utm_medium=navigation&utm_campaign=most_rea). On the *LawSites* blog, <http://www.lawsitesblog.com/2014/06/correction-legalzoom-lawsuits.html>, Mr. Ambrogi gives the status of the legal actions that have been taken against LegalZoom and their status. LegalZoom's website (<http://www.legalzoom.com/>) offers a number of intellectual property services including patent and trademark searches, trademark and copyright registration, and trademark monitoring. For some of its

services, notably preparation of a utility patent and filing patent applications and filing international trademark applications, the website indicates that the services are carried out by a patent attorney or a trademark attorney, respectively.

### PATENT APPLICATION ON FILMING YOGA CLASS

Writing for the *ABA Journal*, Leslie Gordon reports that "an attempt to patent the filmed perspective of streamed classes" is creating more than a little consternation within a normally tranquil community. Check out the article at [http://www.abajournal.com/magazine/article/online\\_yoga\\_providers\\_patent\\_application\\_causes\\_stir\\_in\\_otherwise\\_tranquil/?utm\\_source=maestro&utm\\_medium=email&utm\\_campaign=tech\\_monthly](http://www.abajournal.com/magazine/article/online_yoga_providers_patent_application_causes_stir_in_otherwise_tranquil/?utm_source=maestro&utm_medium=email&utm_campaign=tech_monthly).

### NON-COMPETITION CLAUSE IN ATTORNEY CONTRACT GROUNDS FOR DISCIPLINE IN INDIANA

On November 6, 2014, the Indiana Supreme Court issued an order approving a public reprimand of an attorney who hired an associate to work in his law office and included in the employment agreement a non-competition clause. Six years later, the hiring attorney fired the associate and sent letters to clients notifying them that he was taking over their representation and enclosing forms to appoint him as their representatives. Despite the non-competition clause, the fired associate continued to practice in the same field (social security disability law) and represented two of his former clients. Violations of Indiana's Professional Conduct rules were found even though the hiring attorney never attempted to enforce the non-competition agreement. You can read the order at <http://www.in.gov/judiciary/files/order-discipline-2014-49s00-1410-di-616.pdf>. **P**

# International News

## ACCESSIONS BY MADAGASCAR

The Republic of Madagascar has deposited its instruments of accession for the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty. These two treaties will enter into force for Madagascar on February 24, 2015.

## DIPLOMATIC CONFERENCE ON APPELLATIONS OF ORIGIN AND GEOGRAPHICAL INDICATIONS

The World Intellectual Property Organization (WIPO) has announced a decision to hold a diplomatic conference from May 11 to 21, 2015, at WIPO headquarters in Geneva. The diplomatic conference relates to the possible adoption of a new act of the Lisbon Agreement for the Protection of Appellations of Origin and their International Registration.

This diplomatic conference bears watching, even though the United States is not a member of the Lisbon Agreement, because of the conference's possible implications for geographical indications in the context of

the World Trade Organization (WTO). Geographical indications are addressed in the WTO's Agreement on Trade-Related Aspects of Intellectual Property (TRIPS), while the largely European concept of appellations of origin is addressed in the Lisbon Agreement. The two concepts are closely related but reflect different ideas about the appropriate use of geographical terms, like *Swiss chocolate* or *Vidalia onions*, that indicate something about the goods to which they apply.

The European concept is considerably more restrictive than TRIPS provisions on geographical indications, and European interests would be served by preventing other countries from labeling goods produced in other countries, including the United States, with terms of European origin, such as *feta* or *cheddar* for cheeses or *champagne* or *Chablis* for wines. European members of the WTO have made a number of attempts to "claw back" ground they lost in TRIPS negotiations by raising the issue in other venues, including agriculture where they framed the issue as "usurpation" of geographical terms needed for "food specificity."

## WIPO CONFIRMS NEW SENIOR MANAGEMENT TEAM

In September, WIPO confirmed a new senior management team proposed by Director General Francis Gurry, who was re-elected for a second six-year term that began on October 1, 2014. The new team consists of four deputy directors general and four assistant directors general, who began their appointments on December 1. The new appointees are Ms. Anne Leer (Norway), Deputy Director General, Culture and Creative Industries Sector; Mr. Mario Matus (Chile), Deputy Director General, Development Sector; Mr. John Sandage (United States of America), Deputy Director General, Patents and Tech-

nology Sector; Ms. Wang Binying (China), Deputy Director General, Brands and Designs Sector; Mr. Minelik Getahun (Ethiopia), Assistant Director General, Global Issues Sector; Mr. Naresh Prasad (India), Assistant Director General, Chief of Staff; Mr. Ramanathan Ambi Sundaram (Sri Lanka), Assistant Director General, Administration and Management Sector; and Mr. Yoshiyuki Takagi (Japan), Assistant Director General, Global Infrastructure Sector.

## PASSPORT AS TRADEMARK INFRINGEMENT?

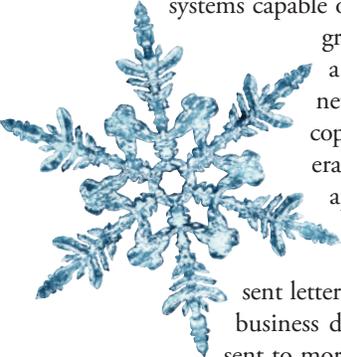
In what sounds like the worst possible resolution of a sticky problem, the United Kingdom has issued a passport to a woman who legally changed her name to Skywalker but then refused her signature on grounds of trademark infringement, according to *World Intellectual Property Reports*, <http://www.worldipreview.com/news/skywalker-passport-signature-rejected-due-to-trademark-claim-6994>.

## WORLD INTELLECTUAL PROPERTY INDICATORS — 2014 EDITION

The World Intellectual Property Organization has announced the release of its 2014 edition of World Intellectual Property Indicators, a statistical report on intellectual property activities of the previous year. WIPO reports that

- The number of patent applications increased by 9 percent compared with 2012, to a total of 2.6 million in 2013. Of these, 81 percent were filed in five intellectual property offices: in China, the United States, Japan, Republic of Korea, and European Patent Office, in decreasing order. Five fields — computer technology; electrical machinery, apparatus, energy; measurement; digital communication; and medical technology — accounted for 28 percent of the total.
- Trademark filings hit 7 million, with 46 percent of applications being filed in China, the United States, OHIM, France, and the Russian Federation, in decreasing order, with applications increasing in China by 13.8 percent and in the United States by 13.4 percent over 2012. Trademark filings were concentrated in three sectors — agriculture, research and technology, and clothing — that accounted for 45 percent of filings.
- Industrial design filings reached 1.2 million, with China, OHIM, Republic of Korea, Germany, and Turkey accounting for 75 percent of applications, but Ukraine, with a growth rate of 71.9 percent and Iran, at 28.8 percent, showing the highest rates of growth in filings.
- Plant variety applications rose to 15,200 in 2013, with the top five offices for plant variety applications being the Community Plant Variety Office, by far the leader, followed by Ukraine, China, the United States and Japan.

The report includes a wealth of statistical information and can be downloaded from a link at <http://www.wipo.int/ipstats/en/wipi/>. **P**



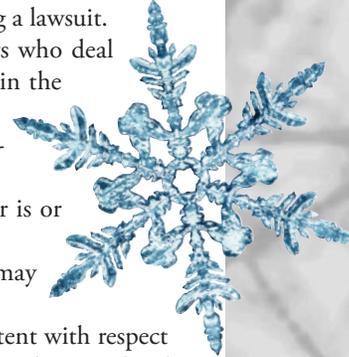
systems capable of transmitting electronic images, graphics, and/or documents through a communications network from a network addressable scanner, digital copier, or other multifunction peripheral to external devices, files, and applications.” With knowledge of the law firm, MPHJ and a series of subsidiaries it created sent letters to small businesses chosen from business directory databases. A first letter, sent to more than 16,000 businesses, offered to discuss a license; a second letter, sent to more than 10,000 businesses, was sent by the law firm and also offered to discuss a license; and a third letter, which the FTC claimed went to 4,800 businesses, was signed by a Farney Daniels attorney. This letter threatened litigation if there was no response within two weeks and enclosed a complaint.

The FTC complaint identified two basic problems with these letters. One involved claims made in the first letter that the company had received a positive response to its licensing offer from “many companies” when, in fact, “Respondents had not sold a single license for the Klein Patents through Respondents’ nationwide campaign of letters.” The Complaint alleged that these letters were “false or misleading, or were not substantiated at the time the representations were made.” The other problem related to the claim that legal action would be taken unless there was a response within two weeks when, in fact, “At the time Respondents sent the Third Letters and accompanying Complaints, Respondents were not prepared to initiate legal actions for infringement of the Klein Patents against the small businesses that did not respond to the Respondents’ letters, and did not intend to promptly initiate such litigation.” Moreover, the FTC complaint continued, “To date, the Respondents have not initiated a single legal action for infringement against any of the small businesses that did not respond to the Third Letters and accompanying Complaints.” The FTC Complaint alleged that these representations were “false and misleading.” On these two grounds, the Complaint alleged that “The acts or practices of the Respondents as alleged in this Complaint constitute deceptive acts or practices in or affecting commerce in violation of Section 5(a) of the Federal Trade Commission Act.”

The Respondents reached an agreement with the FTC to settle the complaint, which you can read here: <http://www.ftc.gov/system/files/documents/cases/141106mphjagree.pdf>. The terms of the settlement are quite reasonable. Respondents were ordered, inter alia, not to make any representation in a patent assertion communication that a particular patent has been licensed to a substantial number of licensees or has been licensed at particular prices or within particular price ranges, or otherwise make representations concerning the results of licensing, sales, settlement, or litigation of a particular Patent, unless the representation is non-misleading *and*, at

the time the representation is made, the “Respondents possess and rely upon competent and reliable evidence sufficient to substantiate that the representation is true.” Similar requirements were made to prevent misleading representations about patent licenses, the responses of recipients of their patent assertion communications, and whether the Respondents or an affiliate have taken or will take any action with respect to filing a lawsuit.

An important take-home for lawyers who deal with patent infringement suits is that, in the consent order, the FTC noted that a statement in a patent assertion communication that Respondents

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- (1) believe the recipient of the letter is or may be infringing a patent;
  - (2) believe the recipient does or may need a license to a Patent; or
  - (3) reserve their rights under the Patent with respect to the recipient’s conduct would not be considered, in and of itself, to be a representation” that Respondents will initiate a lawsuit.

Putting some teeth in the settlement agreement, the order required Respondents to maintain records for the next five years of any written patent assertion communication that was authored, distributed, signed, or endorsed by the Respondent or by a business that the Respondent owned or controlled; names, addresses, and telephone numbers of all intended recipients, and other documents to demonstrate the Respondent’s compliance with the provisions of the consent order, and to make them available, upon, to the FTC for inspection and copying.

The FTC notes that it issues an administrative complaint when it has “reason to believe” that the law has been or is being violated, and it appears to the FTC that a proceeding is in the public interest. A final consent order “carries the force of law with respect to future actions,” and each violation of a consent order can result in civil penalties of up to \$16,000 per letter.

This action signals to PAEs and their lawyers that selling licenses is subject to the same requirements of honest dealing as selling toothpaste or insurance. For lawyers who deal with licensing and infringement, the FTC action signals a duty to ensure that communications on behalf of clients are scrupulously honest and not misleading — or risk their own FTC investigation. **IP**



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