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FOCUS

President's Message

Diane Hirsch

Ask any in-house lawyer you meet what their biggest budget problem is, and you'll get the same answer almost every time—outside counsel fees. We spend endless hours whining about it. We hold seminars, luncheons, workshops, and forums, all in search of an answer to our problem—how to revamp the law firm service market. Yet, despite all the focus on the problem, I've not seen any of our efforts result in any tangible industry changes.

For those of you who have not yet heard about it, ACC National is spending a lot of money, manpower, and time to tackle this beast of a problem by rolling out their ACC Value Challenge (R)evolution. The ACC Value Challenge will be launched during a special Town Hall Meeting broadcast live to interested chapters, law departments, and law firms on September 26, 2008, from Washington, DC. Per ACC National, Value Challenge focuses on reconnecting value and cost for legal services by providing hosted dialog among the relevant parties, methodologies, and metrics for assessment purposes, toolkits for inside and outside counsel, and new networks for those interested in value-focused legal services. Several regional focus groups are meeting this summer to gather feedback and to build support net

works for the new ideas and resources. Check out the ACC website if you have any interest in participating in any of these scheduled events.

For all of us who practice in the South/Central Texas region, our challenge is to receive quality legal services without paying New York City hourly rates. There will be numerous opportunities in the coming months to participate in ACC's fall launch of Value Challenge. I encourage all of you to be an active participant as the key to success of this project is the nationwide support by all ACC members. Only by sheer numbers can we finally effectuate change. As president of the South/Central Texas /region, I intend to actively participate in Value Challenge. It will take a lot of time and effort to force real change. As the national economic outlook gets bleaker, corporate budgets will tighten and the cost of outside counsel is sure to foster even more scrutiny. If you have an interest in this project, I welcome your participation at whatever commitment level you can provide. Shoot me an email or give me a call. I'll be happy to serve as a conduit to pass along your ideas, comments, or proposals to ACC National.



I hope everyone is enjoying quality time with their families this summer while on vacation. Whether you're drawn to the beaches or the mountains, make sure you make time to get away as no one goes to their grave wishing they had spent one more day in the office. So, go see the world and recharge your batteries. Enjoy your summer.

Diane M. Hirsch

Welcome New Members

(Since May 2008)

Kelly Anderson, Southwest Research Institute

Connie Basel, The Lynd Company

Deena Borden, Bexar Metropolitan Water District

Mark Tattoli, NuStar Energy LP

Summer Fun, The Reading Undone, and Everything You Need to Go Back to School This Fall

Susan Hackett

Senior Vice President and General Counsel, Association of Corporate Counsel (ACC)

Contact: hackett@acc.com

Those of you with kids in your life know that this time of year is when kids who've been enjoying a lazier pace and unlimited play time look around and realize that there is still much to do before they're sentenced to another year in the classroom. And they haven't even started plowing through their summer reading list.

I hope that summer has brought many of you some needed playtime and relaxation. Since we sometimes let the reading pile slide a little in summertime, I thought I'd help you catch up since Fall will bring challenges to you, too, that require you to be on top of your game.

SCARIEST HORROR: STORY BEACH READING **FASB and their proposed new loss contingency reporting rules**

Summer started with an unwelcome announcement from the Financial Accounting Standards Board, or FASB (pronounced FAZ-BEE), that they were going ahead with a proposal they'd been urged to discard: a revision of Financial Accounting Standard (FAS) number 5, which regulates public company reporting of disclosures regarding potential losses or liabilities of the company. This proposed rule was issued in June with a comment deadline of August 8. ACC filed comments, co-signed by more than 100 companies and many other organizations. At last count, FASB had received over 225 comment letters protesting the rule, which is a firestorm of activity in terms of these kinds of comment requests, especially considering they snuck it in while everyone was on vacation!

ACC's comments, the FAS 5 revision proposal, and a number of our co-commenter's letters are online for your perusal at www.acc.com/php/cms/index.php?id=84. When you get to this page, you'll notice that this information is housed on the privilege protection page. Why is this story on the privilege page? That's why you need to catch up on your summer reading.

ACC's letter details our concerns over several facets of the proposal, but focuses most on the following three points:

1. These proposals are a solution in pursuit of a problem. The current standards aren't broken: there is no evidence that current disclosure requirements are insufficient or harming market transparency. Adopting significant new and ill-advised proposals without evidence that changes are necessary, without a focus on how the rules will improve reporting (rather than just suggesting we need "more"), or without assurance that the new rules will improve (rather than frustrate) meaningful disclosure is folly.
2. Heightened disclosure requirements will create unprecedented waivers of the company's attorney/client privilege and work product rights. Because the proposed amendments will require clients to produce more sensitive and speculative information about possible losses related to litigation, and require earlier production of loss analyses than currently required (namely, before an exposure is well documented or quantified by "facts" as opposed to by an attorney's initial evaluation of possible liability or harm), reporting will likely increase the risk of waiver of privilege and have related punitive effects. These required "qualitative" disclosures will broadly communicate the company's litigation assessments that previously were carefully guarded in adversarial proceedings. Additionally, independent auditors may seek more detail from counsel to test the estimates and disclosures reported, adding to the risk of privilege waiver to auditors.
3. Deeper disclosures of attorney-client privileged assessments will coerce undesirable outcomes in matters on which companies are only asked to report. The proposed amendments' requirements to provide qualitative assessments of likely outcomes, timing of resolution, and the company's assumptions on loss amounts "give away the store" to any interested

adversaries, providing invaluable detail about the company's litigation strategies and settlement coercion-points. The result would be a perverse twist on the FASB's stated desire to disclose more accurate and timely information about loss contingencies: companies' litigation counsel would likely become more circumspect about providing their clients with legal assessments and detailed contingency analyses to assist in their decision-making in order to avoid unnecessary disclosure or liability. Further, since contingency reporting under the rules must be made earlier and include disclosures on cases that are not well quantified or even likely, there's a concern that setting and publishing such numbers will become self-fulfilling prophecies—the settlement floor, even in cases that otherwise have little merit.

ACC has requested an opportunity to testify before the FASB when they meet to discuss these rules further. We'll keep you posted.

HEARTWARMING "WILL IT ALL TURN OUT ALRIGHT?" NOVELETTE

The saga continues: Can the DOJ overcome tremendous odds to save itself and untold numbers of innocent ACC members' clients from perilous privilege erosion?

In July, U.S. Attorney General Michael Mukasey announced to the Senate Judiciary Committee that new Deputy Attorney General Mark Filip was crafting another U.S. Department of Justice (DOJ) guideline that would replace the McNulty Memo and offer "real, significant proposed changes." The DOJ's McNulty Memo, like its predecessors, the Holder and Thompson Memos, have been criticized by ACC and its coalition partners for including privilege waiver, amongst other inappropriate terms, in the DOJ's list of criteria for cooperation in corporate failure investigations. Deputy Attorney General Filip issued a letter to the Senate Judiciary Com-

mittee leadership that offered an executive summary of the memo he said was still in draft, angering Senator Specter, who called for the DOJ to stop stalling and for the mark-up and passage of *The Attorney Client Privilege Protection Act of 2008*. And yet, the outlined terms of the proposed memo in this executive summary, if realized, are significant steps in the right direction. As always, the proof will be in the pudding, so watch the ACC site for info on the publication of the new DOJ Memo to be issued by the end of August. To read the Deputy Attorney General's executive summary of the memo he's promising and Senator Specter's response, visit the ACC Privilege Protection page at www.acc.com/php/cms/index.php?id=84.

TIMELESS TEAR-JERKER

You done me wrong, but our relationship—while often dysfunctional—is everything to me, so I'm taking you back. But under new terms.

More than 120 top CLOs and law firm managing partners have been in therapy with ACC this summer, and talking about how to get their relationships back in order. This sizzling summer best-seller is about to expose their clandestine meetings in top hotels around the country as they attended focus-group sessions for ACC's new initiative: the ACC Value Challenge. So tune in for this summer's hottest reality show, and see many of them caught on tape, telling everyone who will listen about the errant ways of their inside/outside counsel relationships, and how they plan to make it up to each other (and their clients).

Seriously though, we all recognize that there have been decades of conversations about the problems in-house counsel have with rising costs, a lack of focus on value (rather than profit per partner), the perverse disincentives to efficient service inherent in the billable hour system, and much more. And law firms are tired of arguing over bills, constant RFPs that have replaced the longer-term relationships that made practice satisfying for them, clients' willingness to trade in meaningful project management for a 10 percent discount, and a tendency to suggest they want innovation and a revised relationship, but at the end of the day, a decision that it's easier to chuck all that and continue to purchase over-priced billable hours

from legacy firms. What can be done that will actually move the needle? That's what these focus groups were meeting to discuss this summer. ACC hosted off-the-record discussions to explore how we can change the focus from griping to acting on what is necessary to move us out of these unproductive cycles and help in-house and outside counsel rediscover the value of their relationships.

You can read ACC's magnus opus on how we're planning to help in-house counsel begin a (r)evolution in their outside firm relationships online at www.acc.com/public/accvaluechallenge-overview.pdf. And if you're bored with all the reading and just want to veg in front of the big screen, you can tune into the launch of ACC's Value Challenge by tuning in on your computer or getting your colleagues together in the conference room over lunch to pick up the live, free video feed of the Town Hall Meeting at which we'll "reveal all!" Contact ACCValueChallengeEvents@acc.com for information on how to tune in September 26 (or download the archived version from the website).

Get past "you done me wrong": it's best left in dimestore novels. ACC's Value Challenge is committed to working with you over the course of the coming months and years to help you take control of your outside spend and "(r)evolutinize" your outside counsel relationships and in-house budget and matter management.

THE TRAVEL JOURNAL THAT TAKES YOU PLACES YOU WERE NEVER LICENSED TO GO

ABA House passes model in-house counsel registration guidance for states that are seeking to accommodate in-house lawyers who've moved to a new job, but lack a local license where they're now employed.

Two-thirds of US states have now passed a version of the rule that ACC worked so hard to "encourage" the ABA to adopt: namely, Model Rule of Professional Conduct 5.5, which authorizes lawyers who are licensed and in good standing in their "home" jurisdictions to practice on a temporary basis (when taking a deposition, or negotiating a matter, etc.) in another jurisdiction in which they are not licensed. In-house counsel got further relief under the rule; under the provisions of section

5.5(d), in-house counsel who are licensed and in good standing in one jurisdiction are authorized to engage in "permanent" practice for their employer-clients when they move to a new job in another jurisdiction in which they are not licensed. While 5.5(d) is a complete authorization in and of itself, quite a number of states adopting the rule have coupled it with a registration system that allows the state to keep track of these in-house lawyers and usually collect payment from them comparable to local members' bar dues. Unfortunately, in their zeal to regulate, many state bar licensing authorities lost sight of the purpose of the rule, and the registration systems they adopted became more like mini-Spanish Inquisitions than simple registrations.

Not liking to see great disparity amongst the state rules regulating any aspect of lawyer practice, the ABA formed a group that proposed a model in-house registration system to provide some level of consistency and to suggest best practices. The first versions were overly complex. The new and improved model was adopted by the ABA House at the ABA Annual Meeting, and could be reading that saves you from much more reading studying for the bar exam next time you move to a job in another jurisdiction!

ACC's comment letters, our concerns that the ABA not adopt a model that pre-empts the underlying logic of 5.5(d) (namely, that no registration is needed at all in states that adopt the rule—the authorization is complete and the burdens of administering a rule may not be justified by any quantifiable threat the rules seem to suggest exist), and the new rule all appear online at:

ACC's Fall 2007 comment letter to ABA ([www.acc.com/php/chapters/filespace/All\(admin\)/accabainhousecomment.pdf](http://www.acc.com/php/chapters/filespace/All(admin)/accabainhousecomment.pdf))

ACC's Summer 2008 comment letter to ABA (www.acc.com/public/acc-comment-aba.pdf)

ABA Model In-House Counsel Registration Rules (www.acc.com/public/aba-sect-lega-educ-admi.pdf)

Alright, now that you're caught up on the essentials and can approach fall equipped with the knowledge you need to move to the next grade, enjoy these last few days of warm weather and summer fun!

Member Spotlight: Kelli Cubeta

Kelli Cubeta, General Counsel, BSG Clearing Solutions, Inc.

How long have you been a member of ACC? What is the greatest value you get from the organization and how have you seen it grow over the years?

I have been an ACC member since 2004. Our chapter has a highly impressive collection of local in-house attorneys. I have thoroughly enjoyed getting to know people within our chapter and enjoy being a part of the ever-growing tradition of Ethics Follies.

Tell us something about yourself that may surprise other people.

I don't like syrup on my pancakes or milk in my cereal. I can throw a football really well and hold my own against most people in basketball, but I can't sing a note to save my life.

What is your most embarrassing moment? How did you handle it?

I've certainly had my share of embarrassing moments, but I don't think there is any one embarrassing moment worthy of publication.

Where did you attend law school and college? What did you enjoy most about your college and law school experience?

I received a BA in Management from Texas A&M University and a JD and MBA from Texas Tech University. I am an Aggie at heart; however, I had a great time at Texas Tech and I met my husband there too.

Why did you become an in-house counsel?

I was fortunate to get an in-house position at BSG right out of law school after an internship and I have been there for the past five years. I love being a part of a team that is focused on providing the best product and service to our customers. I really enjoy my job, but most importantly, I have the pleasure of working with a great group of people.

What has been your most challenging legal issue to date and how did you handle the situation? What are your most memorable or significant accomplishments as a lawyer?

A few months ago my company settled a large litigation matter that consumed my life for two years. I was constantly dealing with the litigation matters as well as juggling my daily general counsel duties. There

were many times when I was flying around the country for depositions or meetings, and a critical issue would percolate back at the office. Although there were several stressful months, I learned to effectively delegate, manage, and stay calm when it matters most.

My most significant accomplishment has been my promotion to general counsel in 2006. I was fortunate to have a remarkable mentor to help train and develop my skills during my first few years as an attorney. As a result, the transition to my new position was much easier.

What are some of your hobbies and interests?

What do you enjoy doing outside of work?

I really enjoy running and reading. I am also a National Public Radio fan. When I'm in the car, it's all that I listen to.

Who influenced you the most to become an attorney? In what ways?

Who do you "lean on" for moral or spiritual support?

My father is an attorney and he had a tremendous influence on



me and my desire to become an attorney. Since the age of five, I cannot recall ever wanting to be anything else.

My husband is definitely my source of support. He is a great listener and I value his honesty. He's also a great in-house attorney. He's very helpful when I need someone to discuss issues with and he doesn't charge

me for his time.

What is your favorite book or movie? Why?

Catch 22 by Joseph Heller. If you haven't read it, you should.



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The Perils of E-Discovery

By Mario A. Barrera, Bracewell & Giuliani, LLP

In February 2002, Laura Zubulake (Zubulake) filed a routine gender discrimination and retaliation lawsuit against her employer, UBS Warburg (UBS). Unfortunately for UBS, this routine case turned into a nightmare when Zubulake's attorneys made the following RFP: "all documents concerning any communications by or between UBS employees concerning plaintiff." UBS produced 100 or so e-mails, but upon further inquiry, it was discovered that it had not searched its back up tapes for archived e-mails. The search for these archived e-mails eventually covered hundreds of thousands of electronic documents at a significant cost to UBS. Unfortunately, UBS was unable to timely produce all such documents and in certain instances, it even destroyed relevant emails. As a result, in the now-famous decision, the trial court sanctioned UBS for its actions.¹ The case eventually went to trial and in April 2005, the jury awarded her over \$29 million—\$9.1 million in compensatory damages and approximately \$20.1 million in punitive damages.²

It has been speculated that the high punitive damages award was directly related to UBS's destruction of relevant electronic evidence. As a result, companies have since been on a quest to re-assess their IT systems and procedures to make sure they are able to meet the demands of the federal discovery rules. While such an analysis is beyond the scope of this article, the purpose herein is to briefly examine the federal e-discovery rules amendments as well as recent case developments in order to determine how a company can achieve e-discovery compliance.

The Federal Rules of Civil Procedure were amended to address questions relating to e-discovery. The amended rules³ address five related areas: (1) early attention to

1. *Zubulake v. UBS Warburg* ("Zubulake V"), 229 F.R.D. 422 (S.D.N.Y. 2004).

2. *Zubulake VII*, 382 F. Supp. 2d 536 (S.D.N.Y. 2005).

3. See Rule 16(b), Rule 26(a)(1)(B), Rule 26(b)(2), Rule 26(b)(5), Rule 26(f)(3) & (4), Rule 33(d), Rule 34, Rule 37(f) and Rule 45.

electronic discovery including form of production and preservation of information; (2) inaccessible electronic information; (3) retention of privilege protection for documents that are inadvertently disclosed; (4) reaching agreement on the form of electronic production or promptly submitting the issue to the Court; and (5) limiting sanctions for loss of electronic information as a result of routine operation of computer systems.⁴

Since those amendments, courts have addressed a variety of e-discovery topics. For example, in *Qualcomm v. Broadcom*⁵, Qualcomm sued claiming infringement of two of its key patents. Broadcom claimed that the patents were invalid because they were developed at a time when Qualcomm was participating in an international joint video team. Qualcomm denied participating in this team so not surprisingly; Broadcom directed its discovery requests at that defense. Qualcomm claimed that it did not have any documents and after several years, the case proceeded to trial. After several weeks, one of Qualcomm's witnesses admitted that she had 21 e-mails related to the company's participation in the international group. Broadcom immediately complained to the trial judge but Qualcomm's attorneys assured the judge that while they had looked at the e-mails, they were not responsive and there was no cover up as Broadcom was alleging. The trial continued and Broadcom prevailed. After trial, Broadcom requested a complete investigation into the email issue. Incredibly, it was discovered that in addition the 21 e-mails testified to at trial, Qualcomm had failed to produce over 46,000 e-mails with attachments totaling over 300,000 pages. Qualcomm's patents were voided

4. *Electronically Stored Information Target of New Rules*, The Third Branch, Vol. 38 No. 11 (Administrative Office of the U.S. Courts Nov. 2006).

5. 2008 US Dist. LEXIS 911 (S.D. Cal. January 7, 2008).



and it was ordered to pay \$9,259,985.09 in attorneys' fees and costs. In addition, Qualcomm was sanctioned (\$8,568,633.24) and its attorneys were referred to the California State Bar for investigation and sanctions (that part of the order has since been vacated).

In *Gibson v. Ford Motor Co.*,⁶ the plaintiffs, who were suing for negligent design of the F-350 cab roof, directed discovery requests towards the "litigation hold" sent to Ford's employees. Specifically, they requested the list of materials Ford employees were required to maintain for the litigation. The trial court denied the request, holding that the information was not related to Ford's business and instead, was created for the sole purpose of assuring compliance with discovery and was therefore likely privileged.

In *Williams v. Taser Int'l*,⁷ the court addressed a discovery dispute between the parties about the manner in which searches would be performed. The trial court strongly encouraged the parties to settle their differences but they were unable to so the court fashioned its own protocol that included procedures which did not involve the plaintiffs' active participation in the searches (e.g. the plaintiffs' protocol included among other things the right for their counsel to engage in active participation at Taser's facility). The court recognized that its protocol would likely impose additional burdens on both parties, but it noted that discovery had progressed very little.

In *Butler v. K-Mart Corp.*,⁸ the plaintiff asked the court to compel production of documents relating to a K-Mart store that had closed. The trial court held that although K-Mart had provided ample documentation of its diligence in attempt

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6. 2007 WL 41954 (N.D. Ga. Jan. 4, 2007).

7. 2007 WL 1630875 (N.D. Ga. June 4, 2007).

8. 2007 WL 2406982 (N.D. Miss. August 20, 2007)

continued from page 5

ing to locate “tangible things,” it was not clear that the company had acted with similar diligence in searching its electronically stored information. The court, however, refused to grant plaintiff’s request for “unfettered access” to K-Mart’s computer databases.

Finally, in *Benton v. Dlorah, Inc., d/b/a/ National American University*⁹, the plaintiff filed suit against her employer alleging gender discrimination, retaliation and non-payment of wages. In discovery, the University requested all documents evidencing communications between Plaintiff and her students as well as between her and its employees. Plaintiff’s attorney responded that she had deleted e-mail correspondence with her students from her personal computer’s hard drive. The University moved to compel production of her computer’s hard drive but the trial court denied the request. It noted that the Plaintiff had affirmatively stated she had produced all of the requested information or that there were no responsive documents. The court also noted that the University was fully capable of accessing e-mails between its employees and Plaintiff from its own server.

These are but a handful of hundreds of cases that have arisen in the past two years on e-discovery. While the lessons learned from each particular case will undoubtedly vary, in general, some easy lessons to follow include: (1) understanding the company’s IT structure; specifically its’ records retention policies and practices as well as its document destruction policies; (2) identifying the key personnel who will be involved in the electronic production; (3) imposing a “litigation hold” notice on all relevant documents and make sure the notice is given to all key personnel; (4) checking and re-checking everything before signing discovery responses or making key points in court; and (5) telling the truth. Failure to follow these basic points could quickly compromise a case and lead to costly sanctions against the company and its attorneys (both in house and outside trial counsel).

9. 2007 WL 2225946 (K. Kan. Aug. 1, 2007).

Fraud: The “F” Word Trademark Owners Should Avoid

By Purvi Patel and David Bell, Haynes & Boone

As we approach the five-year anniversary of one of the most significant decisions impacting United States trademark prosecution practice, *Medinol Ltd. v. Neuro Vasx Inc.*, 67 U.S.P.Q.2d 1205 (TTAB 2003), we continue to be reminded that trademark applications and registrations can be easily voided due to misstatements or overstatements as to the goods and services offered under a trademark.

While the US Trademark Office’s stated standard for fraud is quite high and envisions a specific intent to mislead, the U.S. Trademark Trial and Appeal Board (“TTAB”) has recently taken the position that, in certain circumstances, mere carelessness can constitute fraud.

Pre-Medinol case law recognized that to commit fraud in procuring or renewing a U.S. trademark registration, the applicant must make a material representation of fact, which it knows or should know is false or misleading. *Torres v. Cantine Torresella S.r.l.*, 808 F.2d 46, 49 (Fed. Cir. 1986).

Moreover, fraud had to be proven to the hilt by clear and convincing evidence and does not exist where the applicant had a reasonable and honest belief that a statement in a trademark filing was true. *Woodstock’s Enters. Inc. v. Woodstock’s Enters. Inc.*, 43 U.S.P.Q.2d 1440, 1444 (TTAB 1997), aff’d, No. 97-1580, 1998 U.S. App. LEXIS 3777 (Fed. Cir. Mar. 5, 1998).

Medinol and its progeny have changed the playing field—a trademark owner essentially has no margin for error or mistaken belief when it comes to declaring what goods and services are being provided under a mark. At least two trademark rules contribute to this treacherous landscape in trademark prosecution.

First, the U.S. Patent and Trademark Office (“USPTO”) requires sworn declarations of use for filings in which the trademark owner confirms that a trademark is being used in commerce, and in doing so, Applicants must swear that the mark is being used to provide

all listed goods or services. Second, the USPTO requires a trademark application to very specifically list the products or services that will be provided, or are currently being provided, in connection with the trademark. An application cannot simply list “clothing”; rather, a sufficiently definite listing of goods might read: “men’s clothing, namely, suits, T-shirts, polo shirts, trousers, shorts, skirts, sweaters, jackets, gloves, and ties.”

In the *Medinol* case, a company called Neuro Vasx listed its anticipated goods as “stents and catheters” in a trademark application, then later filed a document declaring that it was using its trademark to distribute all listed goods. However, it had actually only used the mark to distribute catheters. *Medinol* filed with the TTAB a petition to cancel Neuro Vasx’s registration due to fraud. Neuro Vasx attempted to remedy its registration by amending the registration to delete stents. The TTAB held that deletion of stents at a later point could “not remedy an alleged fraud” and thus cancelled Neuro Vasx’s entire registration. *Id.* at 1208.

Stating that Neuro Vasx should have “investigated thoroughly prior to signature,” the TTAB held that its actions constituted “reckless disregard for the truth,” which was deemed sufficient for a finding of fraud. *Id.* at 1209-10.

While the *Medinol* case has caused quite an uproar, it was not the first holding of its kind. In one case, a trademark registration covered several food products, but only some were ever offered to customers. *Duffy Mott Co. v. Cumberland Packing Co.*, 165 U.S.P.Q. 422, 423 (C.C.P.A. 1970). The owner’s predecessor had filed a form with the USPTO to maintain the registration, stating that all food items covered by the registration were still being sold under that mark.

When the owner filed a TTAB proceeding against another company that owned a trademark registration for the identical mark, the defendant argued that the pleaded

registration was invalid due to fraudulent procurement. The plaintiff claimed mere carelessness, but the court did not view this as an acceptable excuse.

Accordingly, the presiding judge ruled that the plaintiff was precluded from enforcing its registration. The TTAB heard a case three years later with an analogous fact pattern, involving the erroneous inclusion of “meats” in the registration’s goods listing. *Western Farmers Assoc. v. Loblaw Inc.*, 180 U.S.P.Q. 345, 346 (TTAB 1973). The TTAB deemed the registrant’s argument of inadvertent mistake to be “not in the least persuasive.” *Id.* at 347.

Evidently not amused by the question “where’s the beef,” the TTAB canceled the plaintiff’s entire registration.

So if these holdings were already in place, why is *Medinol* so significant? The frequency by which subsequent decisions have relied upon its reasoning is a key reason. *Medinol* is one of the relatively few citable TTAB decisions to issue in the past several years.

Many Board decisions have, in fact, relied upon *Medinol* in the few short years since its issuance to rule upon fraud allegations. In each of the following cases, the Board expressed no sympathy for the applicant’s or registrant’s excuses, and voided the registration or application at issue on the ground of fraud:

A company used its mark to sell swimwear, but not the other clothing articles listed in its declaration of use. The document’s signatory later stated that he did not have the goods listing “before him” and had assumed the document was in order. *Hawaiian Moon Inc. v. Doo*, Opposition No. 91165327 and Cancellation No. 92042101 (TTAB Apr. 29, 2004) (unpublished).

Companies have blamed language difficulties and misunderstanding for erroneous inclusion of goods not in use. *Orion Elec. Co. v. Orion Elec. Co.*, Opposition No. 91121807 (TTAB Mar. 19, 2004) (unpublished); *Hachette Filipacchi Presse v. Elle Belle, LLC*, 85 U.S.P.Q.2d 1090 (TTAB 2007). Residents of Australia offered several explanations as to why they erroneously claimed use of their trademark in U.S. commerce. They stated that they misunderstood the

meaning of use in commerce, as they had used that mark in Australia.

They also noted that they had sold CDs through the Internet, which could reach consumers anywhere in the world. The applicants, moreover, stressed that they acted in good faith. Finally, they explained that they had been distracted by a major coronary infarct suffered by one of the applicants. *Hurley Int’l LLC v. Volta*, 82 U.S.P.Q. 1339 (TTAB 2007).

A trademark owner’s attorney had edited the language in the application’s declaration, to read that the owner has used the mark on “goods”—rather than “the goods”—listed in the application. *Nougat London Ltd. v. Garber*, Cancellation No. 92040460 (TTAB July 30, 2003) (unpublished). In short, most excuses are likely to be considered by the TTAB to be an invalid defense to fraud.

The TTAB is also freely granting parties leave to amend to allege fraud. Approximately two years after a defendant filed its original answer in a TTAB proceeding, the Board granted the defendant leave to amend its answer to add a *Medinol* fraud counterclaim. *TurboSportswear Inc. v. Marmot Mountain Ltd.*, 77 U.S.P.Q.2d 1152, 1155 (TTAB 2005); See also *Hurley Int’l*, *supra*.

Additionally, the TTAB and even courts are deciding *Medinol* fraud cases on summary judgment where there is no dispute as to the use of the items covered by the registration or application sought to be invalidated for fraud. So, must your client despair if it makes an erroneous statement about its trademark use? Not necessarily.

First, even if its registration is voided, a trademark owner still owns its common law rights in its mark. Second, in some instances, the TTAB has indicated that the burden for proving fraud was not met. (Remember, the standard for fraud before the USPTO is “to the hilt” by “clear and convincing evidence.”)

The Board has declined to find fraud where a mark was used for certain products, but not necessarily used in interstate commerce as required under the law.

In that case, a pro se applicant expended considerable efforts to market his products in the U.S., including maintaining some U.S.

operations and an Internet presence, but he had primarily shipped his products between China and Egypt only. *Haldex Brake Corp. v. Haldex Brake Prods. Ltd.*, Opposition No. 91160715 (Sep. 5, 2006).

Additionally, where a mark was used in only limited instances across state lines, the TTAB failed to infer fraud as to statements made by the registrant that the mark was used in interstate commerce. *Maids to Order of Ohio Inc. v. Maid-to-Order Inc.*, 78 U.S.P.Q.2d 1899 (TTAB 2006).

To potentially salvage an erroneous statement to the USPTO, according to dicta in two recent TTAB cases, an applicant may try to amend the application before publication with respect to use in connection with all of the listed goods and services. *Hurley Int’l LLC, supra*, at 16-18 n.5; *Kipling Apparel Corp. v. Rich*, Opposition No. 91170389 (TTAB Apr. 16, 2007) (unpublished). Cf. *Sinclair Oil Corp. v. Kendrick*, Opposition No. 91152940 (TTAB Jun. 6, 2007) (unpublished) (finding fraud and voiding application, where applicant filed an application claiming mark was being used to render services, then moved after publication to amend it to an intent-to-use filing basis).

To date, there have been no holdings to clarify the TTAB’s position, but as it stands, such an action could be a possible remedy.

Going forward, the following practice pointers should be considered: Offer to audit clients’ portfolios for *Medinol* concerns, particularly in cases involving applications filed pro se or without trademark counsel. It may be prudent to file new applications to replace tainted filings. Waiting until a client desires to enforce its registrations is an unfortunate time to discover that its registrations are voidable.

Explain to your client—preferably in writing—that a misstatement due to mere carelessness can result in a loss of rights.

Ensure that no confusion or uncertainty exists on the part of your client contacts and signatories (who may be different persons), or on your part, as to what the client has offered in commerce under the mark.

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continued from page 7

When filing use-based applications or evidence of use documents with the USPTO, even though specimens for each product/service are not required for filing, request that your clients locate documentation supporting use of the mark in connection with all of the goods and services and maintain a file for that documentation.

To the extent that they cannot find supporting evidence of use, advise them to err on the side of deleting the good or service at issue.

File separate applications for separate offerings. This will force focus on the goods and services, and moreover, if any problem should arise with respect to one filing, the client will hopefully still own a valid trademark application or registration covering other offerings.

Since foreign applications and registrations are often broadly described and use is not always a prerequisite to registration in the home country, pay particular attention to Section 8 & 15 Declarations and Renewals for US registrations originally based on foreign applications and registrations pursu-

ant to Sections 44 or 66 of the Trademark Act—those descriptions will likely need to be narrowed significantly.

In conclusion, although declarations of use appear to be straightforward (particularly in this age of electronic filing), due diligence and investigation regarding how a mark is truly used is critical.

Given the devastating implications of a mere misstatement, practitioners and clients need to exercise extreme caution in making declarations regarding the scope of a mark's use during the prosecution process.

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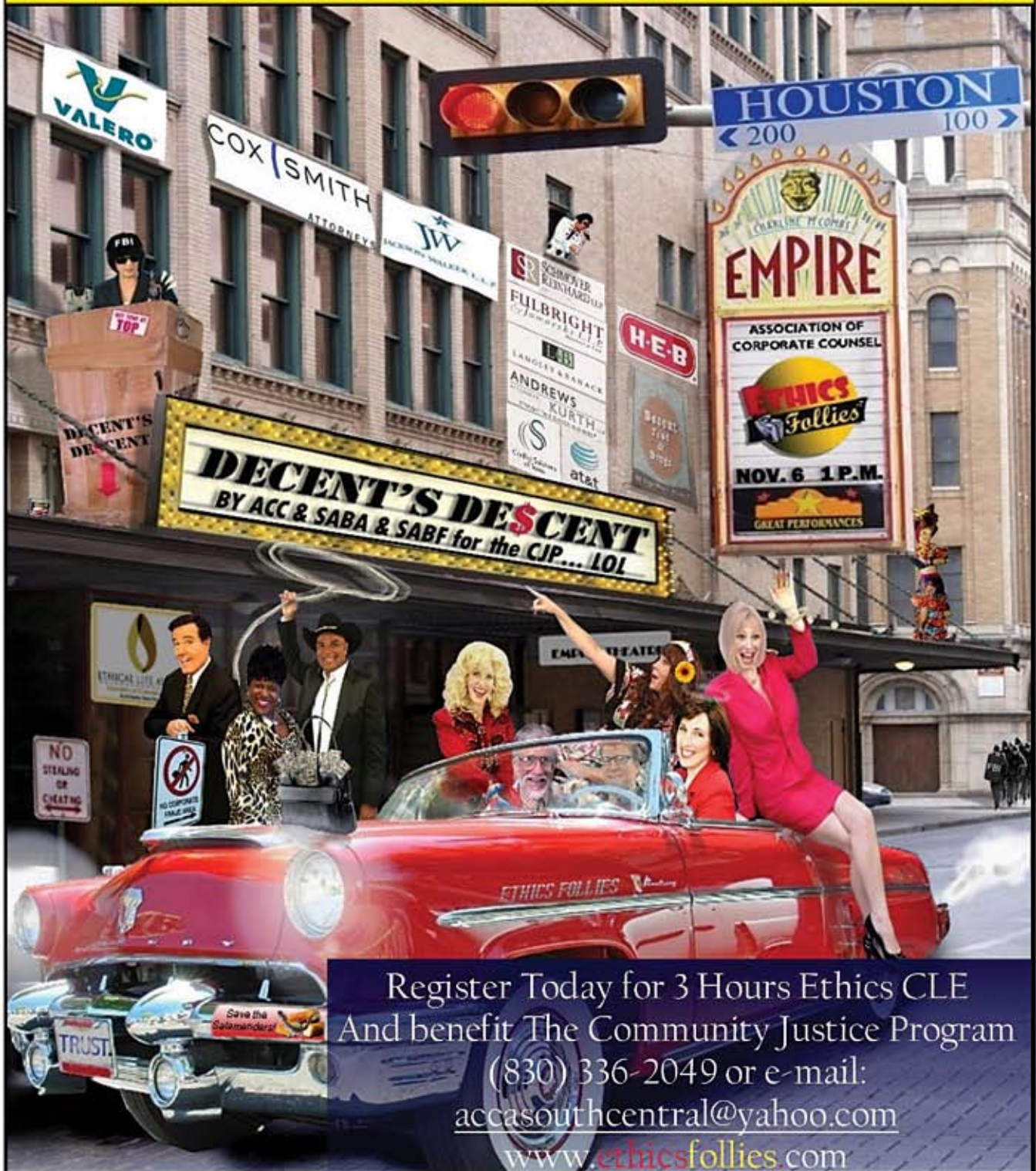
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Signs Your Company is Planning a Layoff

- CEO frequently overheard mumbling, “Eeny, meeny, miney, moe.”
- Kervorkian hired as “Transition Consultant.”
- Windows 95 shutdown screen reads, “It is Now Safe to Start Looking for Work.”
- Company softball team downsized to chess team.
- Sudden proliferation of teen-age geek interns.
- Your boss keeps asking you when he can “show your cubicle.”
- Company president now driving a Hyundai.
- Annual company holiday bash moved from Sheraton banquet room to abandoned Fotomat Booth.
- Guard at front desk nervously fingers his revolver whenever you pass by.
- Giant yard sale in front of corporate headquarters.
- Employee Discount Days discontinued at Ammo Outlet.
- Company dental plan now consists of pliers and string.