

# Counselor

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## Designing Around a Patented Product

*By Patrick J. G. Stiennon and  
David R. J. Stiennon*

**I**n a competitive marketplace, the company that introduces a new product can have decided advantages in winning and keeping customers. What can be done when the new product is introduced by a competitor?

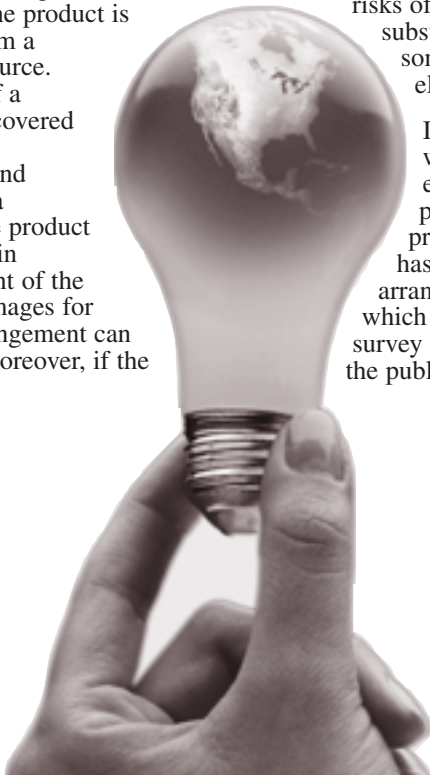
Often direct competition with a competitor's new product is necessary, not only because profits are likely to be found with such a product, but because customer demand for a full range of products may compel it. In many cases, there is nothing to prevent duplication of a competing product, so long as it is made clear that the product is coming from a different source. However, if a product is covered by a patent, designing and marketing a competitive product may result in infringement of the patent. Damages for patent infringement can be large. Moreover, if the

infringement is determined to be intentional, the amount owed to the patent owner can be equal to or greater than the total gross sales of the infringing product.

Introducing a product which will compete with a patented product can and usually does have considerable risks; nevertheless, failing to bring out products which respond to customer demands can significantly impair company performance in the market.

While not all risks can be removed, with the help of a patent attorney the risks of being sued and the risks of losing a suit can be substantially reduced and in some cases nearly eliminated.

It is important to consult with patent counsel as early in the design process as possible—preferably before design has begun. Counsel can arrange for a patent search, which may provide a general survey of designs which are in the public domain, as well as of



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those patents which are in force which a new product might possibly infringe.

The patent attorney will review the patents developed by the search as well as any specific proposed design concepts, to assess the possibility of infringement of each of the developed patents. If a patent is identified as being of particular concern—either because of the breadth of the claims or because of the ownership of the patent (for example, the patent relates to the product being designed around), that patent’s file history should be reviewed to obtain a more definite determination of the scope of a patent. The patent attorney can then draft a short memo or letter detailing the important limitations or coverage of each significant patent for reference by the design engineers.

The design engineers then lay out proposed design solutions, and the patent attorney identifies specific structures or functions which may result in infringement of one or more patent claims. Informed design revision may then result in a proposed design which appears to avoid infringement. The engineers will then consider whether the proposed design meets the various in-house criteria for functionality, cost, manufacturability, consumer appeal, etc. The patent attorney will similarly review the proposed design carefully, and if the case for noninfringement is valid, will prepare a noninfringement opinion letter.

A properly written noninfringement opinion letter performs an important legal function. If a well reasoned opinion is reasonably relied upon by a company, it will normally prevent the company from being held to be a willful infringer should a court eventually conclude that one or more patents considered in the opinion was in fact infringed. Thus an opinion can considerably reduce the risks associated with launching a new product by effectively eliminating the possibility of attorney’s fees and treble damages being awarded.

At times the existence of a patent on a product with which it is desired to compete can present a seemingly unmovable roadblock to effective response. The solution, while not always simple, is to spend time and money working with a patent attorney to find the best possible design in terms of market functionality and avoidance of patent claims. The urgency expressed by design and marketing personnel to get a product to market rapidly must be tempered by due consideration of the patent issues. It may take a little more time to get the design right the first time, but the initial investment of time

can pay off in greatly reduced risk. Product designers are accustomed to accepting limits imposed by engineering, style, and cost constraints. When a competitor has a patent, the legal constraints must be accepted as well. Under pressure, the designers should be able to develop an approach which does the job while avoiding the patent. Moreover, the new design may have advantages over the patented product, and often can itself be patented.

The bottom line is that it is an extremely rare patent which completely blocks a competitive response. If properly carried out, a design around may result in a better product at only marginally greater design cost and little probability of being sued. With the help of patent counsel, costly patent litigation can be avoided while the ability to compete on the basis of better marketing, better services, and better designs remains unimpeded. The ability to bring competitive products into a marketplace with many existing patented products can confer a considerable competitive advantage. This advantage is achieved by developing a working relationship between patent counsel, designers, and corporate management. The objective is to achieve innovative products which do not infringe existing patents, and to reduce litigation risks to acceptable levels. ■



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# Changes in State and Federal Law Provide Higher Education Investment Incentives

By Chris A. Jenny

Families continually worry about how they will pay for a child's higher education. These fears are legitimate as the price of a higher education is substantial and it continues to rise at a rate much greater than the rate of inflation.

There are various ways for students and their families to finance the rising costs of higher education. In the past, financial aid was relied upon as the primary means of financing a student's higher education. However, while the total amount of financial aid available is rising, the composition of the financial aid is changing. For example, in 1982, federal grants comprised 54.6 percent of financial aid packages, and federal loans 41.4 percent. By 1996, federal grants dropped to only 39.7 percent and loans increased to 58.9 percent.

In an effort to make higher education affordable and to reduce the reliance on loans as the primary method of financing a higher education, the state and federal governments have passed legislation providing numerous tax benefits and other financial incentives to families and students.

## EdVest II: Wisconsin's College Savings Program

In early 1999, in response to new federal legislation and certain IRS rule changes, Wisconsin substantially modified its state sponsored college savings program. The new program is commonly referred to as EdVest II. EdVest II now offers many unique benefits and features not available under its predecessor program, which are intended to encourage families and students to save for future higher education needs.

EdVest accounts can be opened by any relative, guardian, trust, or friend for the

purpose of assisting another individual to pay for higher education costs. Furthermore, an individual may open an account for his or her own personal use. Account disbursements can be used to cover undergraduate *and* graduate costs for tuition, books, supplies, equipment, room, and board at any accredited institution of higher education in the United States.

One new feature of the program is that contributions are considered tax-free and a \$3,000 per child state income tax deduction is available for contributions made by parents or by students who open their own account. At this time the deduction is not available to grandparents, however, legislation is being proposed that would enable grandparents to receive the same deduction parents currently receive.

The EdVest legislation also authorized the State Treasurer to contract with a private vendor for the purpose of offering new investment choices. Strong Capital Management, Inc. of Milwaukee has been chosen to manage the program. EdVest is now offering six new market-based investment options, ranging from conservative to aggressive. The six new options include: (1) An index portfolio that is comprised of stock funds and is managed to track the S&P 500 Index; (2) A bond portfolio which invests only in bond funds; (3) An aggressive portfolio comprised of primarily international and U.S. stock funds; (4) A moderate portfolio consisting of primarily U.S. stock funds; (5) A balanced portfolio where investments are balanced between stock and bond funds; (6) An age-based option which invests in a series of portfolios that become more conservative as the beneficiary nears enrollment age. Under the age-based option, portfolios for younger children will invest more heavily in stock funds, while older children's portfolios will have more conservative bond investments.

EdVest offers numerous other benefits to investors. First, account balances will not affect a student's eligibility for financial aid or the investor's eligibility for the federal HOPE and Lifetime Learning tax credits. Furthermore, there is not a residency requirement or income limit for investors. These are just a few of the many attributes of EdVest II and with the proper planning investors can achieve numerous tax and estate planning benefits while saving for higher education expenses.

## Federal Tax Incentives

Changes in federal law have also been made for the purpose of encouraging families to

invest in higher education. Earlier this year, Congress passed and President Bush signed into law the Economic Growth and Tax Relief Reconciliation Act of 2001, which provides certain incentives including the following:

## Modifications to Education IRAs

Education IRAs provide a tax-favored method for saving and paying for higher education expenses. An education IRA is a tax-exempt trust or custodial account established for the purpose of paying the higher education expenses of a designated beneficiary. Contributions were limited to \$500 per child, per year, however, that limit was increased to \$2,000 by the Tax Relief Reconciliation Act.

## Modifications to the Student Loan Interest Deduction

Individuals are allowed to take a deduction for interest paid on qualified education loans up to an amount of \$2,500, during the first sixty months in which interest payments are required. The maximum deduction was phased out for individual taxpayers with adjusted gross incomes of \$40,000 to \$55,000 and \$60,000 to \$75,000 for married couples filing a joint return. However, the income phase-out amounts have been increased by the Tax Relief Reconciliation Act to \$50,000 to \$65,000 for single taxpayers and to \$100,000 to \$130,000 for married taxpayers. Furthermore, these income phase-out ranges will be adjusted annually for inflation after 2002.

## Deduction for Qualified Higher Education Expenses

The Tax Relief Reconciliation Act also provides taxpayers a deduction for qualified higher education expenses, including tuition, fees, room, and board, paid by the taxpayer during a taxable year. In 2002 and 2003, taxpayers with adjusted gross incomes not exceeding \$65,000 (\$130,000 for married couples) are entitled to a maximum deduction of \$3,000 per year. In 2004 and 2005, the maximum deduction will increase to \$4,000 per year, and taxpayers with gross incomes not exceeding \$80,000 (\$160,000 for married couples) are entitled to a maximum deduction of \$2,000.

These are just a few of the changes in state and federal law that are intended to increase the investment in higher education by families and students. With the proper planning, investors can achieve numerous tax and estate planning advantages while saving for and

investing in higher education. The attorneys of Lathrop & Clark LLP would be happy to discuss what the EdVest program or federal legislation means for you in your individual circumstances. ■



Chris A. Jenny is one of Lathrop & Clark LLP's newest associates. Chris's practice will focus on assisting individuals and businesses with their tax, real estate, estate planning, and litigation needs. In addition to practicing in the Madison office, Chris is also a member of Lathrop & Clark's Poynette office.

# Proper Marking Helps Protect Valuable Intellectual Property

*By Theodore J. Long*

Owners of patents, trademarks and copyrights can greatly enhance their rights by proper notice marking of their products, advertising and promotional materials.

Marking products provides notice and warning to competitors who might otherwise assume a right to copy. Such marking can also create and enhance the owner's right to damages from infringers.

For example, notice of a prospective patent can be given with the marking, "Patent Applied For" or "Patent Pending." That marking can be applied to products, literature and promotional materials.

However, such markings cannot be placed on the article until an application for patent has been actually filed in the U.S. Patent & Trademark Office (PTO), and must be removed in the event that all patent applications covering the product are finally rejected and abandoned. Although not specifically required under patent law, such markings give fair warning that a manufacturer is seeking patent protection for a product.

Once a patent has issued, marking the word "Patent," and the patent number, on the product provides public notice of the patent and the scope of its protection. Placement of the notice on all products sold by the patent owner will subject all infringers to a claim of damages resulting from sales of infringing products, whether or not the infringers have actual knowledge of the patent. In the absence of such notice, the patent owner can generally collect damages only for products sold after the infringer had actual knowledge of the patent.

Words, phrases, slogans and artistic depictions that distinguish a company's goods and services from the competition often function as a trademark or service mark to protect exclusivity. Placing those marks with notice markings on products and materials serves to alert the public to the owner's claims of exclusivity. For example, the symbol "®" properly signifies that the accompanying mark is the subject of an issued federal trademark registration.

Competitors normally avoid use of marks that are confusingly similar to marks previously registered by competitors, or are known to be in use by another, on any relevant goods or services.

Marks that are not registered, or for which registration is being sought but has not yet been approved by the PTO, should be identified by the symbol "TM" or "SM". This provides notice that the person using the mark considers it to be a trademark or service mark, subject to rights of exclusivity when applied to particular goods and services.

A competitor may have the PTO database searched to determine whether the user has obtained or applied for a registration of a mark accompanied by the "®", "TM" or "SM" symbols. A competent PTO trademark database search will reveal pending applications for trademark registrations, and important information including claimed dates of first use, the goods or services for which the mark is sought to be registered, and

whether the application has been abandoned or is still pending.

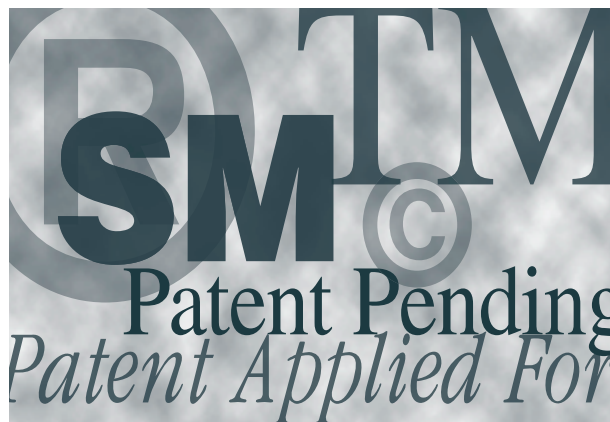
One of the advantages of applying for federal trademark registration is that the application immediately enters the national trademark database, and will be seen by other companies considering the adoption and registration of new trademarks. In such cases, the existence of the application for registration may be as effective as an issued registration to deter others from adopting a similar mark for similar goods or services.

The effect of using a trademark notice is similar to that of a patent notice. In any suit for infringement under the Trademark Act, failure of the registrant to give notice of the registration will preclude recovery of profits and/or damages unless the infringer had actual notice of the registration.

Notice of copyright is also important in the assertion and protection of rights. Copyright protection attaches to any original works that are fixed in a tangible medium of expression, for example, literary works, music, plays, advertising, computer software, motion pictures and other audio-visual works. In today's commercial world, packaging, advertising and promotional materials, and instructional materials should be assumed to contain content protectable by copyright.

While federal law establishes copyright protection for all works at inception, registration is required for enforcement of a copyright in the U.S. courts, and early registration can enhance an award of damages. The copyright notice (© or "Copyright" with the year date of first publication and the owner's name) should be attached to each work at the time of first publication and thereafter.

The copyright notice serves two principal functions. First, it provides the viewer with notice of the claim of copyright in the work. Second, the notice of copyright can prevent a defense of innocent infringement in mitigation of actual or statutory damages.



Falsely marking goods with the words “Patent Applied For”, “Patent Pending” or “Patent” may be punishable by a fine of up to \$500, which can be assessed per marked article. Any person, including a competitor or former disgruntled employee, may sue and receive 50 percent of any penalty assessed by the court.

A fraudulent copyright notice may subject the perpetrator to a fine of up to \$2,500. A false notice of trademark registration could preclude legal registration or enforcement of the mark.

The smart business takes advantage of all rights granted to patent, trademark and copyright owners. That means all eligible products and materials must be clearly but properly marked. ■



Theodore J. Long is a member of the Patent, Trademark and Copyright Group at Lathrop & Clark LLP, where he counsels clients on patents, trademarks, copyrights, unfair competition and the licensing of intellectual property.

## Notes From The Chair

Our laws, at the federal, state and local levels, provide a set of rules governing human behavior and relationships. In the establishment and operation of these rules, certainty, consistency and stability are high objectives.

But, the law is not, and cannot be, inert. Rather, our rules must be capable of adjusting to changes in the underlying cultural, social and economic conditions affecting society. The central purpose of our legal system is, after all, to serve the needs and interests of those governed by it, and as such needs and interests change so must the system.

This dynamic nature of the law is revealed by the growth and evolution of our laws over time. Consider the ways in which society’s

rules affecting individuals and families have changed over the past 25 years (corresponding with the period since my graduation from law school):

- In 1976, the large majority of estates were subject to payment of death taxes (i.e., the federal estate tax and/or the state inheritance tax.) Since then, the Wisconsin inheritance tax has been repealed, the assessment of death taxes on transfer of property to a surviving spouse has been completely eliminated, and general exemption levels have been progressively increased to a point where the large majority of estates are free from payment of any death taxes.
- In 1978, Wisconsin law was amended to permit the granting of divorces without requiring proof of cause or “fault.”
- In 1982, Wisconsin law was amended to allow the use of durable powers of attorney, permitting a grantor to empower an agent to make business, financial and legal decisions on behalf of the grantor over a period extending beyond the time of incapacitation of the grantor.
- In 1984, Wisconsin approved the use of declarations to physicians (i.e., the “living will”) allowing a person to direct whether life support systems should be used to sustain life in cases of terminal illness or persistent vegetative state.
- In 1986, Wisconsin became a community property state, converting from a common law system of ownership of assets between spouses to a system of equal ownership of income and property earned and acquired during marriage.
- In 1990, Wisconsin approved the use of health care powers of attorney, permitting the appointment of an agent to make health care decisions for persons suffering from incapacitation.
- In 1999, Wisconsin substantially revised its probate code and significantly expanded the ability to use summary means for the distribution of assets from small estates.

Each of these changes has affected individuals and families in significant ways; in their totality, the impact of these changes has been profound.

This dynamic of change is ongoing, affecting us as we move into the future as it has affected us moving to the present. Current trends and emergent forces driving change include the following:

# Ventures

## New Faces

(a) **Estate tax reform.** Congress has recently enacted legislation providing for gradual relief from, and in 2010 total elimination of, the federal estate tax. This will, in many cases, significantly re-order estate planning objectives and priorities.

(b) **The aging of our society.** With the aging of the “baby boom” generation and advances in the health sciences, we are entering a period of significant increase in the population of elderly persons. Personal planning in the areas of medical directives, preservation of wealth and management of assets, payment of costs of health and residential care, and estate planning will become increasingly important issues for a large sector of our society.

(c) **The continuing expansion of technology.** The widespread availability and broad utilization of technology within our society will not only transform how legal services are accessed, but will broadly create new capabilities and opportunities within society requiring the support and protection of our legal system.

(d) **The utilization and popularity of innovative and non-conventional estate planning tools.** For a variety of reasons, the popularity and use of revocable and irrevocable trusts, family partnerships and charitable giving techniques as planning tools has increased significantly over the past several years. It is likely that this trend will continue.

(e) **Multi-disciplinary practice.** The integration of legal services with other financial and business service sectors will likely change the ways in which legal services are packaged, delivered and priced in the future.

Our firm has, throughout its history, practiced extensively in the areas of tax, family law, estate planning and administration, elder law and real estate law. You will note elsewhere in this edition of *The Counselor* the recent additions to our staff which, we believe, strengthen our capabilities and experience in these areas. We remain committed to serving the needs and interests of our clients in a changing world. ■



**David P. Weller** earned his B.S.B. from the Curtis L. Carlson School of Business, University of Minnesota in 1993 and his J.D. from the University of Wisconsin Law School in 1997. He is also a certified public accountant. David’s practice concentrates in the areas of taxation, estate planning and trusts, and business planning. He is a member of the American, Wisconsin and Dane County Bar Associations and the Wisconsin Institute of Certified Public Accountants. Prior to joining Lathrop & Clark, David worked for several years at a public accounting firm where he dealt with all tax aspects related to trusts and estates. In addition, David worked as an accountant in industry for a period of time. David’s recreational interests include outdoor activities, like camping and fishing, as well as participation in team sports, like softball and basketball. ■



**Chris A. Jenny** initially started working at Lathrop & Clark in May of 2000 as a law clerk and he continued to work for Lathrop & Clark as he completed law school. During law school, Chris was actively involved in the Wisconsin International Law Journal and his course work focused on topics in business and tax law and estate planning. Chris received his J.D. (*cum laude*) from the University of Wisconsin Law School in May of 2001 and has joined the firm as a general practice associate with an emphasis in business and tax law, real estate, estate planning, and litigation. A native of Platteville, Wisconsin, Chris spent two years at Lake Forest College in Lake Forest, Illinois, before he transferred to the University of Wisconsin – Whitewater where he graduated *magna cum laude* with a Bachelor of Business Administration degree in economics in 1998. Chris’s recreational interests include participating in and being a spectator of all sporting activities, particularly basketball and golf. He also enjoys camping trips with his wife, Sara, and each of their families. ■



*William L. Fahey*



**Sara Buscher** is an Attorney and Certified Public Accountant in private practice in Madison, Wisconsin, where she also serves as Of Counsel to Lathrop & Clark LLP. She received her J. D. *with honors* from the University of Wisconsin Law

School in 1994. She was elected to the Order of the Coif. Her B.B.A. was granted *summa cum laude* in 1974 by the University of Wisconsin-Oshkosh. She practices in the areas of elder law, estate planning, retirement planning and taxation. She was recently voted one of the best elder law attorneys in Madison in Madison Magazine's annual poll. She litigated and won a nationally recognized decision, *Keip v. WDHFS*, 2000 WI App 13, 232 Wis. 2d 380, 606 N.W.2d 543 (1999), *rev. denied*. It allows people whose spouses are in nursing homes to receive Medical Assistance benefits without having to liquidate their own pensions, 401K plans or IRAs. She serves on the boards of the Madison Estate Council and State Bar of Wisconsin's Elder Law Section. She is a frequent seminar presenter and writer for the State Bar of Wisconsin and the Alzheimer's Association in Wisconsin. Her professional memberships also include the American and Dane County Bar Associations, the National Academy of Elder Law Attorneys, and the Wisconsin Institute of Certified Public Accountants. She enjoys reading books about spies and international intrigue and travel to exotic tropical climates. ■



**Joanne Harmon Curry, Ph.D.** is an associate at Lathrop & Clark LLP, joining the firm full-time upon receiving her J.D. (*cum laude*) from the University of Wisconsin-Madison in May, 2001. She was Associate Editor of the *Wisconsin Law Review*.

Ms. Curry received her B.S. (*magna cum laude*) degree from South Dakota State University, and her M.Ed. and Ph.D. (*with distinction*) in Special Education from the University of North Carolina-Chapel Hill. Ms. Curry is a member of the American, State, and Dane County Bar Associations as well as the Federal Indian Bar Association. She is admitted to practice in Wisconsin and the United States District Courts for the Eastern and Western Districts of Wisconsin. She has extensive experience in the area of special education, having served on the faculty of several universities conducting teaching, research and policy-related analyses. In 1988 she received the Outstanding Faculty Award at Northern Arizona University. She has authored over 45 articles in the field of special education and rehabilitation. She competed in the National Native American Law Students'

Association Moot Court competition and also plans to practice federal and tribal Indian law. Ms. Curry is an enrolled member of the Cherokee Nation. ■

## Honors & Awards

**Don Heaney, Ron Kotnik, and John Frank** were selected by their peers as among the best in their fields on the Leading American Attorneys web site, [www.LAWLEAD.com](http://www.LAWLEAD.com). Don is listed for achievement in the areas of commercial litigation and business transactional law, Ron appears under the categories of insurance law, general employment law, and general trial law, and John appears under the category of trusts and estates planning law. ■ Madison Magazine also featured Lathrop and Clark attorneys in its January 2001 survey of area attorneys, with **John Frank** (Trusts and Estate Planning Law) and **Ted Long** (Intellectual Property Law), named as among the area's best lawyers. ■ **Bill Fahey** was elected to a three year term on the Education Commission for the Queen of Peace Elementary School in Madison. ■ The firm's School, Municipal, Labor and Employment Team will be holding a client seminar for public school districts on September 7, 2001, at the Monona Terrace Convention Center. Details on the event will be made available later this summer. ■ **Mike Julka** will again appear at the annual Bill Kahl seminar in Door County this summer on July 25-27, 2001. Mike will also be a panel member for "An Overview and Update on the ADEA-What the Courts Are Saying" at the National Association of School Boards annual Advocacy Seminar in Alexandria, Virginia. ■

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