



## OSTROLENK Obtains \$150,000 Judgment in Theft of Trade Secrets Case

OSTROLENK partner Max Moskowitz and counsel Joseph M. Manak secured a victory for client Paz Systems, Inc., in an action against a former employee, Edward Owsinski. In a decision issued September 18, 2007, Judge Wexler of the U.S. District Court for the Eastern District of New York awarded Paz Systems compensatory and punitive damages in excess of \$150,000 for trade secret, unfair competition and breach of fiduciary duty violations.

Founded in 1985, Paz designs and sells innovative wall systems found in well-known retail stores. As the popularity and sales of the Paz systems grew, Paz acquired and compiled a wealth of data and specialized knowledge and information relating to such things as wall system designs and

fabrications, manufacturing specifications, unique customer profiles, unit pricing, inventories, historical sales order and price negotiations, vendor particulars, quote and bid histories and invoices. Paz maintained these arrays of data, known as the "DBA" database. The Court found that Paz's "DBA database represented Paz's entire financial business" and constituted protected trade secrets under New York law.

Owsinski was an employee of Paz for 18 years, and ran the day-to-day operations of the Company with "wide discretion and decision-making authority." He had access to Paz's confidential information and owed Paz a fiduciary duty to act for Paz's benefit.

In January 2005, Owsinski copied the Paz DBA database from the Paz server and began diverting Paz sales and projects to himself and a new company he was forming. Owsinski announced his intention to resign from Paz in March 2005, and his last day was March 16, 2005. His new business went into operation immediately.

In August 2005 a former employee of defendant's company gave Paz two CD-ROM disks he had previously copied from the defendant's computer, which confirmed that the defendant's had obtained a wealth of data from the Paz DBA. Defendants' former employee also testified that he saw defendant use Paz's data.

On the trade secret count, the Court ruled that the defendant had misappropriated Paz's trade secrets and that the "Paz DBA data allowed [the



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# US Patent & Trademark Office Revises Rules of Practice Before TTAB

The United States Patent and Trademark Office has adopted several significant changes to the rules of practice for the Trademark Trial and Appeal Board (TTAB), which decides trademark opposition and cancellation proceedings. Many of the amendments closely follow the Federal Rules of Civil Procedure governing trademark infringement lawsuits in Federal Court. The new rules are intended to “increase the efficiency of the processes for commencing inter partes cases” as well as to facilitate information exchange and enhance settlement prospects during the disputes. The new rules are effective November 1, 2007, with certain amendments becoming effective August 31, 2007.

Some of the key amendments are:

1. *Service of Pleadings*: When opposers or petitioners file initiating papers with the Board, they will now be required to simultaneously serve a copy of their papers on the owner of record, its attorney, or its domestic representative.
2. *Pre-Discovery Conference*: Under the amended trademark rules, parties must now participate in a pre-discovery conference to discuss discovery issues and possible settlement. The parties may conduct this conference, which is to take place within thirty days after the due date of the answer, “in person or by other means.”
3. *Initial Disclosures*: Similar to Federal Court cases, parties involved in proceedings in front of the Board will be required to make initial disclosures within thirty days of the opening of the discovery period. The initial disclosures facilitate the ease of exchanging “basic information,” such as the identities of individuals with discoverable information, copies or descriptions of the category and location of all documents, data compilations, and tangible things that a party may use to support

a claim or defense.

4. *Pre-Trial Disclosures*: Under the new rules, each party will be required to make pre-trial disclosures pursuant to Rule 26(a)(3) of the Federal Rules of Civil Procedure fifteen days prior to their testimony periods. The T.T.A.B., however, does not require pre-trial disclosure of each document or other exhibit that a party plans to introduce at trial.

5. *Standard Protective Order*: The Board’s standard protective order will now be applicable in all cases. Parties must comply with the protective order’s provisions when seeking to protect confidential information. However, parties may agree to modify the standard protective order or move for a protective order if the standard order is insufficient. This rule will take effect August 31, 2007, and will apply to all cases currently pending before the Board as of that date.

by Angela M. Martuci, Associate

## Trademark Happenings

Sean P. McMahon, Associate

### TTAB Rules Color Purple for Abrasives Functional

In *Saint-Gobain Corporation v. 3M Company*, ---- U.S.P.Q.2d ---- (TTAB Aug. 31, 2007), the TTAB was asked to consider whether a shade of purple could serve as a trademark for 3M Company’s (3M) abrasives. 3M sought registration of a particular shade of purple for its abrasive products under §2(f), claiming acquired distinctiveness. Saint-Gobain opposed the application on the basis that it used a variety of colors, including purple, on its own line of abrasives.

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## *In Personam*

- We are pleased to announce that Angela M. Martucci (right) has joined our firm as an Associate. Prior to joining OSTROLENK, Ms. Martucci was an Associate at Heller Ehrman, where she practiced trademark and commercial litigation. Her trademark related experience includes providing advice and counsel to one of the largest tobacco companies in the world regarding Lanham Act issues, anti-counterfeiting issues, gray market goods and various Internet-related matters.

Ms. Martucci holds a B.A. from SUNY Geneseo and graduated *summa cum laude* from Albany Law School at Union University in 2004. Ms. Martucci is admitted to practice in New York State and the U.S. District Courts for the Southern and Eastern Districts of New York.

- OSTROLENK is also pleased to announce that Israel Nissenbaum has joined its ranks as counsel to the firm. Mr. Nissenbaum has decades-long experience in the patent field including senior legal positions with corporations such as Duracell and Pfizer Inc., as well as similar large scale companies with extensive international IP holdings. He was formerly with Graham & James, LLP, where he conducted all patent prosecution and headed the trademark department from 1997-1999.

Mr. Nissenbaum received his B.S. from Brooklyn College and M.A. from Yeshiva University, both in Chemistry. He received his J.D. from St. John's University School of Law, and his LLM in Trade Regulation from New York University. He also holds a Certificate in Computer Information Systems from Pace University.

- OSTROLENK also welcomes back Brenda Danek for her second tenure as a student associate. Brenda received her BSE in Chemical Engineering from the University of Michigan in 1997 and her Ph.D. in Biochemical Engineering from the University of Delaware in 2003. Her thesis was



entitled "The Role of Cysteines and Disulfide Bonds in the P22 Tailspike Protein Folding Pathway." She has several publications on the role of disulphide bonds during folding and assembly of proteins, including "Nonnative interaction between cysteines direct productive assembly of P22 tailspike protein", 85 *Biophysical J.* 3237 (2003) .

After receiving her Ph.D., Brenda spent 2 years conducting research at Harvard Medical School and Dana-Farber Cancer Institute, focusing on HIV infection and drug development.

Following her post-doctoral position, she practiced as a patent agent for several months at an IP boutique law firm in Cambridge, MA before beginning law school. She is currently in her third year at New York University School of Law, and will graduate in May 2008 with her J.D.

Welcome Angela and Israel, and welcome back, Brenda.

**OFGS**

## Trademark Happenings

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Saint-Gobain argued that the color purple was not distinctive of 3M's abrasives and that, in the alternative, even if it was proper the mark could still not be registered because color is functional when applied to abrasives. In support of its claim for acquired distinctiveness, 3M offered the testimony of four witnesses, an expert, along with evidence of sales and advertising.

The TTAB was "unimpress[ed]" by the testimony of the witnesses offered. When the sales and advertising evidence was considered, the Board pointed to inconsistencies in the different colors used on 3M's goods. 3M had sought to register one specific shade of purple but evidence on record demonstrated that there were even different shades of this purple seen on products.

Moreover, Saint-Gobain submitted evidence including proof of third-party use of purple and of color coding systems for abrasive coatings. Saint-Gobain also undertook and submitted the results of a telephone market survey, which, despite 3M's objections, the Board found to provide "some support" for its position. In sum, the Board found that there was "little direct evidence of customer recognition" and 3M's circumstantial evidence was not persuasive.

Although the Board found that 3M failed to demonstrate acquired distinctiveness it still ruled on Saint-Gobain's alternative claim that the mark itself was functional. Saint-Gobain claimed that the color purple featured in abrasives was a "by-product of the manufacturing process", and also used in color-coding. 3M contended that Saint-Gobain's first argument failed because "there are simply too many variables at play in the manufacturing process." The Board, however, found that "with respect to competitive need" Saint-Gobain set out a prima facie case that coated abrasive manu-

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defendant] to have [his company] up and running immediately upon his resignation from Paz." Further, noting that the theft was "particularly egregious", the Court awarded punitive damages against the individual and corporate defendant due to the "apparently calculated nature of the misappropriation and the lengths to which [the defendant] went to hide his acts, including destroying evidence during this action. On the unfair competition count, the defendant was found liable for compensatory and punitive damages due to the willfulness of the data misappropriation. Finally, on the issue of breach of fiduciary duty, the Court also sided with Paz, holding that the defendant "had discretion to run all of Paz's operations, and he had access to Paz confidential information. As such, he owed a fiduciary duty to act for the benefit of Paz and not to exploit its confidential information for the benefit of himself and others."

**OFGS**

facturers have to be able to use various shades of purple, including 3M's.

Ruling on the color-coding argument, the Board found that "when color is so subject to variables that applicant itself sells its own 'distinct' shade of purple in a different shade of purple, it would place competitors at a disadvantage if they were forced to vary their production techniques... to avoid subjecting themselves to claims of infringement." The Board further observed that a deep purple color would be one of a limited number of darker colors that would enable manufacturers to dye their products to avoid streaking or other imperfections.

The Board refused 3M's application. **OFGS**