



IDEAS ON INTELLECTUAL PROPERTY LAW

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If the shoe doesn't fit ...

Supreme Court steps into trademark validity case

Trademark holders who file an infringement suit risk running into an unwelcome consequence: a counterclaim that the trademark in question is invalid. Athletic shoe giant Nike recently came up with a strategy for dealing with this risk in *Already, LLC v. Nike, Inc.*, a case that made it all the way to the U.S. Supreme Court.

Putting its foot down

Nike demanded that Already cease and desist its sale of “Soulja Boys” shoes, alleging they infringed and diluted Nike’s registered “Air Force 1” trade dress. When Already refused, Nike sued the company, claiming that both the Soulja Boys and another line infringed and diluted its trademark. Already denied the allegations and counterclaimed for cancellation of Nike’s “Air Force 1” registration.

Eight months after filing its complaint, and four months after Already’s counterclaim, Nike issued a “Covenant Not to Sue.” It stated that “Already’s actions ... no longer infringe or dilute the NIKE Mark” and promised that Nike wouldn’t raise against Already or any affiliated entity any trademark or unfair competition claim based on existing footwear designs or any future Already designs that constituted a “colorable imitation” of Already’s current products.

Nike then moved to dismiss: 1) its own claims with prejudice, meaning they couldn’t be refiled at a later date, and 2) Already’s counterclaim as moot. The district court granted Nike’s motion to dismiss and the U.S. Court of Appeals for the Second Circuit affirmed. The case then went to the Supreme Court.

Becoming moot

Under the federal constitution, a party can seek relief in a federal court only by establishing standing: that the personal injury in question is traceable to the defendant’s allegedly unlawful conduct and should likely be addressed by the requested relief. As the Supreme Court noted, an actual controversy

must exist not only at the time a complaint is filed, but also throughout the litigation. Without an actual controversy, a case becomes moot.

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A defendant, however, can’t automatically moot a case simply by ending its unlawful conduct once sued. Instead, to invoke this “voluntary cessation” defense, the defendant must show that it’s absolutely clear the allegedly wrongful behavior couldn’t reasonably be expected to recur. And, according to the Court, Nike did so.



The Supreme Court further pointed out that the covenant was unconditional and irrevocable. That meant the covenant:

- Prohibited Nike from filing suit or making any claim or demand,
- Protected both Already and its distributors and customers, and
- Covered current and previous designs as well as colorable imitations.

Once Nike demonstrated that the covenant encompassed all



of Already's allegedly unlawful conduct, the burden shifted to Already to suggest it engages in or has sufficiently concrete plans to engage in activities that would arguably infringe the trademark and yet not be covered by the covenant. Already failed to do so, rendering the case moot.

Treading carefully

The Supreme Court cautioned that granting covenants not to sue might prove a risky long-term strategy for a trademark holder. Holders will need to tread carefully considering that such a move could undermine the strength and enforceability of their marks in the future. ○

Drilling down into the power of objective evidence

When an invention is obvious on its face, it can never be patented ... right? Wrong. In *Deepwater Drilling, Inc. v. Maersk Contractors USA, Inc.*, the U.S. Court of Appeals for the Federal Circuit offered a reminder that objective evidence to the contrary can overcome an invention's ostensible obviousness and make the invention patentable.

Deepwater duel

Transocean Offshore Deepwater Drilling holds two patents related to an improved apparatus for conducting offshore drilling known as "dual-activity" technology. It improves efficiency by concurrently using two stations to conduct simultaneous drilling and finishing operations.

Maersk Contractors entered into a contract with Statoil Gulf of Mexico LLC that granted Statoil the right to use an allegedly infringing drilling rig. After

several rounds of litigation, a jury found in Transocean's favor and awarded \$15 million in damages. A district court, however, ruled that Transocean's patents were invalid for obviousness and the company wasn't entitled to damages, prompting Transocean to appeal.

Below the surface

A patent is invalid for obviousness if the differences between the invention and the "prior art" are such that the invention as a whole would have been obvious at the time it was made to a person having ordinary skill in the art to which the invention pertains.

On appeal, the Federal Circuit found that Maersk had made a prima facie case of obviousness because a prior U.K. patent application and a U.S. patent described the claims in Transocean's patents. The finding meant that Maersk had raised a presumption of obviousness.



But, as the Federal Circuit was quick to point out, the establishment of a *prima facie* case isn't a conclusion on the ultimate issue of obviousness. Courts must also consider evidence arising out of so-called "secondary considerations." This type of objective evidence might establish that an invention that appeared at first blush to have been obvious in light of the prior art actually wasn't.

7 types of evidence

In fact, the Federal Circuit found that the jury made findings on the following seven types of objective evidence of nonobviousness and concluded that each one supported the nonobviousness of Transocean's patent claims:

1. Commercial success. Transocean showed that its dual-activity rigs commanded a market premium over single-activity rigs — particularly because some customers require dual-activity rigs. Testimony also indicated that dual-activity rigs account for an increasing percentage of rigs sold and have become the industry standard.

2. Industry praise. Many documents, including articles in an industry trade magazine, praised the dual-activity technology.

3. Unexpected results. Industry members had doubted whether the dual-activity feature would

increase drilling efficiency, but evidence demonstrated that the apparatus produced unexpected efficiency gains.

4. Copying. Evidence showed that Maersk was aware of the patents and decided to incorporate the dual-activity feature anyway because it believed the patents were invalid. An internal document specifically stated that Maersk needed to incorporate dual activity.

5. Industry skepticism. Transocean's customers, in addition to industry experts, were skeptical of the dual-

activity feature because of fears that the two drill strings would collide.

6. Licensing. Transocean established that its licenses to customers and competitors were based on the merits of the claimed invention — not on litigation or the threat of litigation.

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7. Long felt but unsolved need. Evidence indicated that the patents fulfilled a need in the drilling industry for a more efficient way to drill in deep water.

Slick move unsuccessful

Interestingly, in its defense, Maersk claimed that it didn't ultimately *deliver* an infringing rig — because it had modified the rig in question to avoid infringement. The jury and Federal Circuit, however, based Maersk's liability for patent infringement on its attempt to *sell* an infringing drilling rig. ○

Who gets the patent?

USPTO issues final rules on first-to-file system

This past February, the U.S. Patent and Trademark Office (USPTO) released its long-awaited final rules and examination guidelines on the first-inventor-to-file provisions of the America Invents Act (AIA). Many of the regulations, which took effect March 16, 2013, are similar to the earlier proposed regulations — but some significant amendments have been made.

Notable changes

Among the most notable changes instituted by the AIA was a shift from a “first-to-invent” patent system to a “first-inventor-to-file” system. Now, if two individuals separately invent the same invention and both file patent applications for it, the first person to file an application will receive the patent.

Also, the AIA expands the scope of what counts as “prior art” that can be cited against a patent application to show that the claimed invention isn’t patentable because it isn’t “new” under the U.S. patent law. International patent application publications and patents will now be prior art as of their earliest effective foreign or international filing date, so long as a corresponding U.S. or Patent Cooperation Treaty application designating the U.S. was filed. The AIA eliminates the requirement under pre-AIA law that a prior public use or sale be “in this country” to be prior art.

Exceptions and clarifications

The law and regulations do provide a limited exception to what will be considered a prior art bar under one of two circumstances. A disclosure made publicly available or contained in a published patent filing with a date less than one year before the effective filing date of a patent application doesn’t qualify as prior art if:

1. The disclosure was made by/for/from the inventor or joint inventors, or the subject matter disclosed had previously been publicly disclosed by/for/from the inventor or joint inventors, or

2. The disclosure is contained in an earlier patent filing that’s subject to common ownership or assignment rights.

When it comes to the scope of the second of these exceptions based on prior public disclosure, the final regulations clarified that the initial “shielding disclosure” by/for/from the inventor need not be in the exact same form as the intervening disclosure sought to be disqualified. For example, an inventor might disclose his or her invention at a trade show, while the intervening disclosure by a third party appeared in a peer-reviewed journal.

Additionally, the shielding disclosure isn’t required to be a verbatim disclosure of the intervening disclosure. The exception may apply to a subject in an intervening disclosure that’s simply a more general description of the subject previously publicly disclosed by the inventor or a joint inventor. But



the second exception in the list above won't apply to shield an alternative embodiment that wasn't included in the subject matter disclosed in the shielding disclosure.

Some examples are helpful to understand the second exception based on a published shielding disclosure. If the shielding disclosure teaches a fastener and the intervening disclosure teaches glue, the intervening disclosure won't be subject to the second exception. The same goes if the shielding disclosure teaches a nail, and the intervening disclosure teaches glue. However, the second exception *would* apply to a scenario in which the shielding disclosure teaches glue *and* nails, while an intervening disclosure of a fastener may be subject to the second exception.

The law and regulations do provide a limited exception to what will be considered a prior art bar under certain circumstances.

Despite these clarifications, the final regulations narrowly interpret the second exception, which makes reliance on the exception difficult. The best practice for inventors will be to file patent applications first before any public disclosure of their inventions to maximize both U.S. and international patent protection.

Transitional applications

The first-to-file rules generally apply to any patent application filed on or after March 16, 2013. The regulations also deal with so-called transitional applications that have priority dates both before and after March 16. If an application filed after March 16 claims priority to an application filed before that date, the transitional application will be governed by the first-to-invent rules as long as it doesn't have any claims to any new subject matter added after March 16.

For any transitional application, the applicant may need to provide a statement as to whether there

are any claims in the transitional application that would cause it to be governed by the AIA laws. If this statement is needed, it generally needs to be made within four months from the filing date of the transitional application.

Still to come

As holds true for most regulations, some aspects of the new AIA rules are open to conflicting interpretations that will likely end up in court. Your intellectual property attorney can get and keep you up to speed on the latest. ○

How to obtain priority from foreign applications

Under the America Invents Act (AIA), U.S. patents and patent applications can reach back to a foreign priority date in certain circumstances.

An applicant must file a certified copy of the foreign application or an interim copy of the foreign application within the later of four months from the actual filing date of the U.S. application or 16 months from the foreign application's filing date, with two exceptions. A certified copy isn't required if:

1. The foreign application was filed in a foreign intellectual property office that participates in a priority document exchange agreement with the U.S. Patent and Trademark Office (USPTO), or
2. A copy of the foreign application was filed in an application subsequently filed in a participating foreign intellectual property office that permits the USPTO to obtain such a copy, and the applicant timely requests — in a separate document — that the USPTO obtain a copy from the office.

Current participating foreign intellectual property offices are the European Patent Office, the Japanese Patent Office, the Korean Intellectual Property Office and the World Intellectual Property Office.

Infringement standard for photographs comes into focus

A news photographer who captures a historic image generally holds the copyright to that photo. But, as one photographer learned the hard way in *Harney v. Sony Pictures Television, Inc.*, that doesn't necessarily mean others can't use the image for profit.

Case composed

In April 2007, freelance photographer Donald Harney took a photo of a young girl riding piggyback on her father's shoulders as they emerged from a Palm Sunday service in Boston's Beacon Hill neighborhood. The photo was subsequently published in a neighborhood newspaper.

In July 2008, the same father and daughter grabbed national headlines after the father abducted the little girl. The same photo was even used in an FBI "Wanted" poster and widely distributed in the media. Sony Pictures Television later produced a made-for-television movie based on the story. The movie depicted the photo, with actors in a similar pose and a composition similar to the original.

Harney eventually sued Sony for copyright infringement. A district court dismissed the case before trial, but Harney appealed.

Issues framed

To prevail on a copyright infringement claim, a plaintiff must prove ownership of a valid copyright and illicit copyright. The accused work must be "substantially similar" to the original. Two works are substantially similar if an ordinary observer, unless he or she set out to detect the disparities, would be disposed to overlook them and regard their aesthetic appeal as the same.



As the U.S. Court of Appeals for the First Circuit explained, the substantial similarity analysis requires consideration of two prongs:

1. Which elements of a plaintiff's work are original and protectable, and
2. Whether the defendant's copying substantially appropriated those elements.

The first prong is known as "dissection." In dissecting Harney's photo, the appellate court found that the piggyback pose, the pair's clothing and items carried, and the church shown with a bright blue sky behind it weren't protectable.

The framing of father and daughter against the background of the church and blue sky, with each holding a symbol of Palm Sunday, was protectable. The tones of the photo — bright colors alongside prominent shadows — and the placement of the pair in the center of the frame, with only parts of their bodies depicted, were also protectable.

But, regarding the second prong, the court found that almost none of the protectable elements were replicated in Sony's image. Absent the Palm Sunday symbols and the church or any identifiable location, the Sony photograph didn't re-create the original combination of father-daughter, Beacon Hill or Palm Sunday.

Developments revealed

The ruling clarifies that photographers must establish more than a similar subject or composition to win infringement cases. They need to show that the defendant copied the photo's original and, therefore, protectable elements. ○

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Trademark Clearinghouse Opens as Part of Domain Name Expansion

by Kyle Peterson

The Internet Corporation for Assigned Names and Numbers (ICANN) has recently opened a Trademark Clearinghouse (TMCH), where brand owners can record their trademarks. The TMCH is a central repository for verified trademark information that can help guard against unauthorized registrations of trademarks as second-level domains (SLDs) within the new gTLD program. The TMCH is designed to assist in protecting against unauthorized uses of brands as second-level domains, i.e. the word before the “dot” like Apple.store or Toyota.car.

Trademark owners enjoy two main benefits from recording a mark with the TMCH. First, they are entitled to a “Sunrise” registration period of at least 30 days, during which brand owners who have registered with the TMCH can register a second-level domain identical to their trademark, thereby preventing a third party from doing so. Second, third party applicants who apply for a SLD name that is identical to a trademark on file with the TMCH, but not previously registered as a SLD name, will receive notification of the trademark owner’s prior rights. If the domain name applicant proceeds to register that domain name anyway, brand owners will also receive notice of the third party’s registration.

The TMCH offers a streamlined process for trademark owners to oppose SLDs. Once the trademark owner has documented its registered rights in a mark with the TMCH, this information is used each and every time the trademark owner challenges an attempt to register a SLD incorporating the mark. It also will give gTLD Operators easier access to information to better review and evaluate claims by trademark owners.

While recording a trademark with the TMCH offers some advantages, it is important to understand its limitations. It is primarily a repository of verified information. Recording a mark in the TMCH will not automatically bar registration of any SLD. In addition, notification is required only with respect to SLDs that are identical to the recorded mark. No notification will be sent with respect to even slight variations or misspellings of the recorded mark.

Even with these limitations, trademark owners should consider recording key brands with the TMCH. The greatest benefit is likely to be the sunrise registration period, which will give trademark owners an early opportunity to register their mark as an SLD, thereby foreclosing a proactive third party from registering the brand and forcing the brand owner to spend time and money challenging the registration.

In order for trademarks to be eligible for inclusion in the TMCH, they must be (1) a federally registered trademark (a trademark registered only at the state level does not qualify); (2) a court-validated trademark; or (3) a trademark protected by statute or treaty. Detailed information proving the validity of a mark may be requested and proof of actual trademark use is required to participate in the sunrise registration period detailed below. Registration fees for one year will cost around \$150 per mark.

For more information about protecting your IP in the digital age, contact Kyle Peterson. Kyle can be reached at (612) 252-1554 or peterson@ptslaw.com.

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