

IDEAS ON INTELLECTUAL PROPERTY LAW

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A new spin on preliminary injunctions

Trademark holders now face a tougher standard

Inventive patent requires both hardware and software

Sins of omission

Inequitable conduct case turns on undisclosed information

Dude, can you copyright a hookah?

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A new spin on preliminary injunctions

Trademark holders now face a tougher standard

Many trademark holders may soon be taking a “Sentimental Journey” to “Remember When” getting a preliminary injunction was easier. In *Herb Reed Enterprises, LLC v. Florida Entertainment Mgmt.*, the U.S. Court of Appeals for the Ninth Circuit held that a trademark owner seeking a preliminary injunction against an alleged infringer must first show that it will suffer irreparable harm in the absence of an injunction.

This holding will stand even if the owner has already established a likelihood of succeeding on its infringement claim. Although the decision reverses long-standing precedent, it wasn’t totally unexpected after recent rulings by the U.S. Supreme Court.

If I didn’t care

The Platters were a successful vocal group in the 1950s. The group broke up in the 1960s, but the original members each continued to perform under some derivation of the band’s name. Not surprisingly, this resulted in decades of litigation among the original members and their current and former managers over the rights to the mark “The Platters.”

Florida Entertainment Management (FEM) claimed rights to the mark under an agreement with an entity associated with a former manager of the original group. In 2010, FEM was sued by Herb Reed Enterprises (HRE), which holds the rights of the original Platters’ founder. HRE alleged trademark infringement and sought a preliminary injunction against FEM’s continued use of the mark.

The district court found that HRE had shown a likelihood of both success on the infringement claim and irreparable harm. So it granted the injunction, and FEM appealed.

Little things mean a lot

On review, the Ninth Circuit relied on two Supreme Court cases that cast doubt on the validity of the appellate court’s previous rule that the likelihood of irreparable harm could be presumed from a showing of likelihood of success on a trademark infringement claim.

In *eBay Inc. v. MercExchange, L.L.C.*, the Supreme Court held that the traditional four-factor test for permanent injunctions — including the requirement of a showing of irreparable harm — applies in the patent context. The high court reasoned that nothing in the Patent Act indicates that Congress intended to depart from traditional principles of



Abandonment argument skips a note

The defendant in *Herb Reed Enterprises, LLC v. Florida Entertainment Mgmt.* (see main article), Florida Entertainment Management (FEM), had another argument. On appeal, FEM contended that the district court had erred in finding that the plaintiff established the likelihood of success on its infringement claim. Specifically, the defendant asserted that the court should have found that the plaintiff abandoned the trademark when it signed a settlement agreeing not to perform under the name “The Platters.”

To establish abandonment, a party must show both discontinuance of trademark use and intent not to resume use. As the U.S. Court of Appeals for the Ninth Circuit pointed out, though nonuse of a mark for three consecutive years constitutes rebuttable evidence of abandonment, the standard for nonuse is high. It requires complete cessation or discontinuance of use. (Among other examples, the placement of the mark on goods sold or transported typically qualifies as “use.”)



The Ninth Circuit found that the plaintiff’s receipt of royalties from the sale of the Platters’ previously recorded material satisfied the use requirement. Receipt of royalties, it said, certainly qualified as placement of the mark on goods sold and supported a finding of no abandonment.

equity. The Ninth Circuit similarly found here that nothing in the Lanham Act (the federal trademark law) indicates that Congress intended such a departure for trademark cases.

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In *Winter v. Natural Resources Defense Council, Inc.*, the Supreme Court underscored the requirement that a plaintiff seeking a preliminary injunction demonstrate that irreparable injury is likely, reversing the injunction at issue because it was based on only a “possibility” of such harm. Here, the Ninth Circuit found that, per *Winter*, the admonition that irreparable harm must be shown to be likely also

foreclosed the presumption of irreparable harm in trademark cases.

I’m sorry

The district court appears to have anticipated that the *eBay* and *Winter* decisions signaled a shift away from the presumption of irreparable harm. After all, it did examine the irreparable harm issue (instead of simply relying on its finding of the likelihood of success). The appellate court, though, concluded that the lower court came to the wrong conclusion and reversed.

The Ninth Circuit found the district court’s analysis to be “cursory and conclusory,” rather than grounded in any evidence in the record or showing by HRE. According to the appellate court, the district court’s pronouncements were grounded in platitudes and related neither to whether irreparable harm was likely nor to whether legal remedies such as damages were inadequate in this case.

The strongest evidence, which wasn’t actually cited by the district court, was an e-mail from a potential

customer complaining to FEM's booking agent that the customer wanted the original Platters founder's band rather than another tribute band. But, the Ninth Circuit said, this evidence suggested only customer confusion — not irreparable harm.

Under previous precedent, once the plaintiff in an infringement action established a likelihood of confusion, it was presumed that the plaintiff would suffer irreparable harm if an injunction weren't granted. Now a trademark owner seeking an injunction must

offer sufficient evidence to establish a likelihood of irreparable harm.

(Not) helpless

Trademark owners are far from helpless, however. The Ninth Circuit did reject FEM's assertion that a district court can consider only admissible evidence (unlike the e-mail cited above) when determining irreparable harm. To the possible benefit of mark owners, the rules of evidence don't necessarily apply to preliminary injunction proceedings. ○

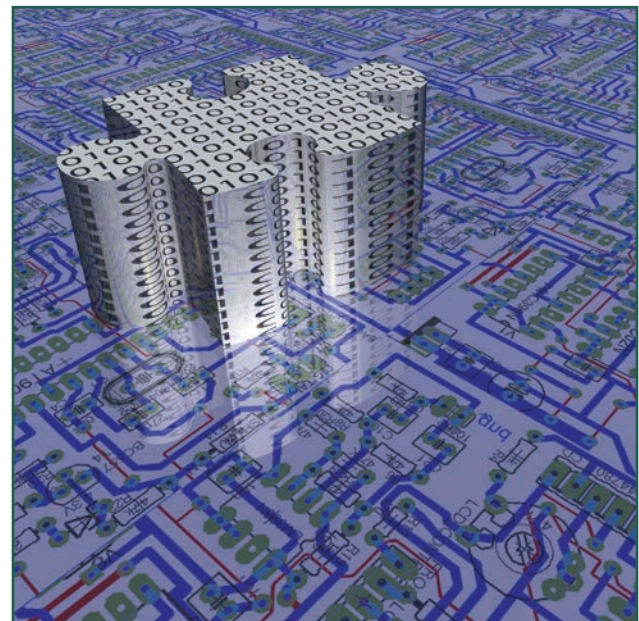
Inventive patent requires both hardware and software

In these technology-oriented times, it seems that more and more patents claiming computer-related inventions are being filed. But, when looking to nip infringers in the bud, holders of such patents will need to take care in drafting claims. Specifically, they should include separate claim sets to hardware, software, and a combination of hardware and software to cover all variations of the alleged infringing product. Case in point: *Nazomi Communications, Inc. v. Nokia Corp.*

Booting the claims

Nazomi Communications holds two patents covering a hardware-based Java Virtual Machine (JVM) apparatus "capable of" processing both stack-based and register-based memory systems. The invention facilitates faster processing speeds.

Western Digital Corporation and Sling Media are consumer product manufacturers that incorporate various processors into their products. Western's MyBook World edition and Sling's Slingbox Pro-HD have central processing units (CPUs) containing a core that includes a hardware component called Jazelle licensed from a third party. That hardware, however,



can't perform the functions described in Nazomi's patent without software known as the Jazelle Technology Enabling Kit (JTEK). Western and Sling didn't license JTEK from the third party and have never installed it on their products.

In February 2010, Nazomi filed a patent infringement lawsuit against various technology companies,

including Western and Sling. The two companies sought summary judgment of noninfringement. They contended that the patents should be interpreted (or “construed”) to require that the apparatus perform the claimed functions itself and, therefore, their accused products didn’t infringe because they included only the hardware and not the necessary software. After the district court granted them summary judgment, Nazomi appealed.

Drawing a hard line

The district court found that the patent covered an apparatus comprising *both* hardware and software capable of performing register-based and stack-based instructions. Without the enabling JTEK software, the court noted, Jazelle hardware can’t process stack-based instructions. Therefore, it rejected Nazomi’s argument that the patent required only hardware that was capable of performing the claimed functionality, regardless of whether the apparatus ever actually does so.

The U.S. Court of Appeals for the Federal Circuit agreed with the lower court. It found that the patent described a CPU that can perform particular functions — namely, the processing of both register-based and stack-based instructions. Because

hardware can’t perform those functions without enabling software, the patent was indeed properly interpreted as covering an apparatus comprising a combination of hardware and software capable of performing the functions. “There is nothing unusual or improper in construing device claims to require the particular functionality,” the court said.

Calling the game

The Federal Circuit went on to find that Western’s and Sling’s products didn’t infringe the patent as construed. The court acknowledged that, in the past, it has held that an apparatus claim related to a computer described in functional terms is nonetheless infringed if the accused product is designed to enable a user to use the function without having to modify the product. But it dismissed Nazomi’s argument that installation of the JTEK software isn’t a modification that precludes a finding of infringement.

Rather, the purchase and installation of the software clearly constitutes a “modification” of the accused products. The installation of JTEK in the accused products wouldn’t merely unlock existing functionality — it would add new functionality. Therefore, the court said, “there is no infringement.” ○

Sins of omission

Inequitable conduct case turns on undisclosed information

You probably know that so-called “inequitable conduct” during the patent application process can undermine the enforceability of said patent. But disclosing bad information is not the only thing that can trip up an applicant. As one patentee recently learned in *The Ohio Willow Wood Co. v. Alps South, LLC*, “sins of omission” can come back to haunt you as well.

Reexaminations conducted

The Ohio Willow Wood Co. owns a family of patents related to cushioning devices that go over the

residual limbs of amputees to make the use of prosthetics more comfortable. It sued Alps South in 2004, alleging infringement of a patent for “gel and cushioning devices.”

Over the course of the litigation, the patent claims at issue went through two reexaminations with the U.S. Patent and Trademark Office (PTO). During the first reexamination, the examiner rejected the claims based on “prior art” in the form of a device called the Silosheath, made by a company called Silipos. In response, Ohio Willow amended its patent language

to limit the invention to devices that don't allow gel seepage to the exterior surface.

The second reexamination considered a product called the Single Socket Gel Liner (SSGL), also made by Silipos. Alps argued that the SSGL, which was made from a fabric called Coolmax that prevented gel seepage, invalidated Ohio Willow's claims. It supported its argument, in part, with testimony from an executive who had been affiliated with Silipos in developing both the Silosheath and the SSGL. The examiner rejected Ohio Willow's claims.

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Summary judgment granted

Ohio Willow then appealed to the Patent Trial and Appeal Board (formerly known as the Board of Patent Appeals and Interferences; commonly referred to as "the Board"). It reversed the examiner's rejection, asserting that it was improper because it relied on the executive's uncorroborated testimony.

Eventually, the case made it to the district court. It considered, among other things, Alps's defense of inequitable conduct. Alps argued that Ohio Willow had withheld from the Board material information unearthed during the litigation that could corroborate the executive's testimony. The district court found no inequitable conduct and granted summary judgment to Ohio Willow on the issue before trial. Alps appealed.

Evidence withheld

To establish inequitable conduct, a party must show, by clear and convincing evidence, that the patent applicant — with the intent to deceive the PTO — withheld or misrepresented information that would have prevented a patent from being issued. The U.S.



Court of Appeals for the Federal Circuit held that a reasonable judge or jury could have found that Ohio Willow withheld evidence that corroborated the executive's testimony during the second reexamination.

For example, before the reexamination proceedings, Ohio Willow was provided with three declarations from prosthetists who were aware of prosthetic liners available on the relevant date. All three supported the executive's testimony, but Ohio Willow didn't disclose them to the PTO.

Ohio Willow was also aware that Silipos had filed a patent application that covered the SSGL. Neither the examiner nor the Board was aware of this evidence, which the Federal Circuit said provided further contemporaneous evidence supporting the executive's testimony.

In addition, Ohio Willow failed to provide SSGL samples that were used during the executive's deposition to the PTO or the Board. Those devices would have corroborated his testimony, too.

Corroboration sufficient

The Federal Circuit concluded that the withheld evidence provided sufficient corroboration of the executive's testimony. Therefore, the inequitable conduct defense shouldn't have been dismissed before trial. The appellate court sent the case back to the district court to determine whether Ohio Willow's withholding was material, as well as whether the company had acted with the intent to deceive the PTO. ○

Dude, can you copyright a hookah?

A dispute between the makers of two different hookah water containers (a device for smoking tobacco) came to a bitter end in court recently. Along with resolving the dispute, *Inhale, Inc. v. Starbuzz Tobacco, Inc.* answered a question that might be raised in many college dorm rooms: Dude, can you copyright a hookah?

Design sparks lawsuit

Inhale Inc. registered a copyright for the shape of a hookah, which included skull-and-crossbones images, on April 21, 2011. Less than a month later, it sued Starbuzz Tobacco Inc. for infringement.

The allegation was that Starbuzz sold hookahs identical in shape to Inhale's design but didn't include the same images. The district court granted summary judgment to Starbuzz before trial, and Inhale appealed.

It's conceptual, man

To prove infringement, a copyright holder must prove, among other things, that it owns a valid copyright. And, of course, a copyright isn't valid if the subject is not, in fact, copyrightable.

The parties agreed that Inhale's hookah is a useful article. Under the federal Copyright Act, the

design of a useful article is copyrightable only if — and only to the extent that — it incorporates sculptural features that can be identified separately from, and exist independently of, the article's utilitarian aspects.

As the U.S. Court of Appeals for the Ninth Circuit explained, the Copyright Act's standard is satisfied by either physical or conceptual "separability." Inhale didn't argue that its container's shape satisfied the physical separability requirement, so the court considered only conceptual separability.

Claim burns out

In arguing for conceptual separability, Inhale emphasized the distinctive shape of its hookah. The court, however, questioned whether distinctiveness of shape affects separability and opted to defer to the relevant Copyright Office interpretations.

The Copyright Office has determined that whether an item's shape is distinctive doesn't affect separability based on the principle that analogizing the general shape of a useful article to works of modern sculpture is insufficient for conceptual separability. Thus, though Inhale's hookah has a distinctive shape, the shape of its alleged artistic features and that of the container itself are "one and the same." The shape of a container isn't independent of the container's utilitarian function (to hold the contents within its shape) because the shape accomplishes the function.

Court clears the air

It's worth noting that the courts won't always defer to Copyright Office interpretations. The Ninth Circuit cleared the air by stressing that it defers to the office's views "only to the extent that those interpretations have the 'power to persuade'" — as they apparently did here. ○



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Discovering and Protecting Innovation within Your Company

By Tye Biasco

Most businesses understand that innovation is crucial for long-term growth or, for many, just survival. While innovation can be an instantaneous inspiration, it usually does not present itself as a lightning bolt out of the blue. Innovation typically surfaces incrementally, brought about by employees from different business units collaborating and through a great deal of trial-and-error. In today's competitive marketplace, it is vital to capture the value in that innovation.

A study published in 2003 determined that 67% of U.S. companies owned intellectual property assets that they did not exploit to the tune of approximately \$115 billion. To maximize the value of your company's innovation you have to first identify your IP, both that which is protected (via patents, copyrights, and trademarks) and that which may be valuable in other ways (trade secrets, business practices, etc.). One mechanism for identifying IP is to use invention disclosure forms that memorialize one idea per form. Those forms are then shared with others in the organization on a regular basis to determine the viability of the idea. This process prevents ideas from being overlooked that could be valuable to the company. It also exposes ideas to others who may understand that innovations which lack direct value to the company may have unrecognized value in licensing the idea to companies in other markets. Most importantly, the disclosure forms are kept in a centralized location so the company can revisit records in the future.

Another mechanism for better identifying your IP is to have processes and events that capture innovation. Encourage employees to innovate both through a standard process (e.g., suggestion box) and by having regularly-scheduled innovation meetings where ideas can be exchanged in a less formal environment. Marissa Mayer, CEO of Yahoo and the former innovation czar at Google, held regular brainstorming sessions where engineers were given 10 minutes to pitch ideas and then a group of 100 others would discuss whether proffered ideas were worthy of further consideration. For these methods to be successful your employees must understand that everyone in your company, no matter what level, shares in the responsibility of innovation.

Regular IP audits are also useful to not only identify your IP, but to claim ownership and protect it. Larger companies rely upon law firms specializing in IP to conduct regular audits or have internal capabilities via dedicated in-house counsel and marketing personnel. While regular consultant audits may not be economically feasible for smaller companies, using an outside consultant is useful when first attempting to identify IP assets. Once the initial assessment of a company's IP portfolio is made, internal staff can conduct future audits to add newly-acquired assets.

Companies also must have a broader view of how that IP can be used in new markets. Many companies understand the value of their IP to themselves and their competitors, but overlook the potential opportunities for licensing their IP to businesses in other industries. IP consultants typically have a diversified understanding of the business potential for an idea, so this is one aspect of mining your company's IP that can benefit from outside help.

Mining your company's intellectual property is not a quick process. It takes significant time and effort to fully capitalize on underutilized assets. In an upcoming issue of Ideas on Intellectual Property Law, we will further explore an important piece of the puzzle—encouraging innovation.

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