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# IP SAVVY

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*THE Newsletter for the Intellectual Property Community*

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## LESSONS IN PATENT VALIDITY I

The accused violator of a patent in a patent lawsuit can attempt to prove the patent owner engaged in "inequitable conduct" by failing to apprise the Patent Office of relevant prior art. A finding of inequitable conduct can result in the patent being held unenforceable. In an important case, The United States Court of Appeals for the Federal Circuit stated inequitable conduct requires proof of two things: 1) failure to disclose material information to the Patent Office (or submission of false information) and 2) an intent to deceive the Patent Office. Proving that the patent owner knew about a material reference and did not bring it to the attention of the Patent Office but failing to prove an intent to deceive means a claim of inequitable conduct will fail. Optum Corp. v. Emcore Corp., 94 USPQ 2d, 1925 (Fed. Cir., 2010).

Still, it is usually best to inform the Patent Office about all prior art references you know about. And, understand that "prior art" means not only prior patents, scientific articles, and the like but also your own and other people's products and any information concerning sales, uses, and demonstrations concerning the invention.

For a case where both materiality and intent were proven and a patent was held unenforceable, see Taltech Ltd. v. Esquel Enterprises Ltd., 95 2d, 1257 (Fed Cir. 2010).

## LESSONS IN PATENT VALIDITY II

In Advanced Magnetic Closures, Inc. v. Rome Fastener Corp., 95 USPQ 2d, 1513 (Fed. Cir. 2010), a patent for magnetic snaps used in purses was held

unenforceable when it was proven the President of the patent owner corporation who was listed as the sole inventor of the patent was in fact not the inventor. Lesson: list only the true inventors in a patent application and remember that inventorship is based on the claims of the patent application.

## U.S. IP IS ONLY FOR THE U.S.

U.S. IP generally doesn't provide protection in foreign countries. Thus, when Mike Love, owner of the trademark "The Beach Boys," became upset after Brian Wilson's (an ex Beach Boy) CD in Europe included pictures of the Beach Boys, the trademark claims were properly dismissed because U.S. trademark law does not apply overseas. Love v. Sanctuary Records Group LTD., 95 USPQ 2d 1855 (9th Cir. 2010).

Also, in IP Law, it's not one world. In Solvay SA v. Honeywell International Inc., 96 USPQ 2d 1870 (Fed. Cir. 2010), Russian engineers working in Russia under a Honeywell research contract invented a compound called HFC-245fa and Honeywell engineers' then followed the Russian engineers work and produced HFC-245fa in the US. Thereafter, a company called Solvay SA filed a patent application for HFC-245fa. When Solvay sued Honeywell for patent infringement, Honeywell alleged a first inventor defense. But, that only works if Honeywell is an inventor which it is not because the Russian engineers were the true inventors and they didn't invent in the U.S. So, as unfair as it sounds, Honeywell was found to be guilty of patent infringement by violating Solvay's patent.

## ® FOR COLORS?

The color of a product can, in limited circumstances be a trademark, but be careful: color cannot be granted trademark protection if the color performs a utilitarian function in connection with the goods it identifies or if the color provides specific competitive advantages for its use. One example of a color performing a utilitarian function is the color black for outboard motors. The utilitarian function of the color black? The color black is compatible with a wider variety of boat colors. Moreover, proof of secondary meaning must be established in order to protect a color via a trademark. In short, courts do not like one company protecting a product via its color. Thus, in *Erbe Elektromedizin GmbH v. Canady Technology, LLC*, 97 USPQ 2d 1048 (Fed. Cir. 2010), blue for surgical probes was held not protectable.

## LESSONS IN GETTING IT IN WRITING

Here is fact pattern of a recent case – you predict the outcome and determine what these guys did wrong:

DSPT founded and owned by Paolo Dorigo, designs, manufactures and imports men's clothing. The company sells clothes to between 500 and 700 retailers. It sells mostly shirts, but also some knitwear, trousers, and t-shirts. Its brand name since 1988 had been Equilibrio. To serve a younger market with somewhat "trendier, tighter fitting fashion," the company created the EQ brand name in 1999.

At about that time, Dorigo brought his friend Lucky Nahum into the business. Dorigo lived in Los Angeles, Nahum in Rochester, New York. They decided to set up a site on what was then the fledgling internet, and Nahum's brother, a hairdresser, was doing part-time website design, so DSPT had Nahum arrange to have his brother prepare the site. The website, www.eq-Italy.com: (eq for the brand, Italy for Dorigo's and the style's origin) was created solely for DSPT for the purpose of showing DSPT clothes. Nahum's brother designed the website in consultation with Dorigo, though Nahum registered the site to himself.

This seemed trivial at the time, since Nahum was working exclusively for DSPT and registration cost only \$25. Dorigo, who was not knowledgeable or interested in computer matters, was unaware that the registration was in Nahum's name.

DSPT International Inc., v. Nahum, 97 USPQ 2d 1022, 1023 (Fed. Cir. 2010).

Your prediction as to what happened? Hint – when do fact patterns in lawsuits turn out good? Never.

The result was this. Years later, the website had become key to DSPT's business, Nahum left DSPT for a competitor, and the website went with him. After the lawsuit, DSPT got the website back and \$152 K in damages.

Now be the armchair lawyer. The website should have been in DSPT's name, there should have been a contract between DSPT, Nahum, and Nahum's brother that DSPT owned the website, its content, the domain name, all similar domain names, and the like. And, maybe Nahum should have been subject to a non-compete.

That way, maybe a lawsuit wouldn't have been required.

Here is another good one. Bryan Roberts has a patent for "flying wind turbine" and agreed with a venture capitalist to form a new company which would own the patent and exploit the patented technology. No written contract. When things inevitably went wrong, a lawsuit was filed, and the venture capitalist and Roberts settled via a settlement agreement that released each party from any and all losses, liabilities, claims, expenses, demands and causes of action of every kind and nature, known and unknown, suspected and unsuspected, disclosed and undisclosed, fixed and contingent, whether direct or by way of indemnity, contribution or otherwise... After the ink on that deal dried, the VC filed a suit to invalidate Roberts' patent. A release in the patent world must be clear and non-ambiguous to be effective. That is, the settlement language in this case would have to had explicitly stated that the VC could not challenge Roberts' patent. It didn't and the VC could. *Baseload Energy Inc. v. Roberts*, 96 USPQ 2d 1521 (Fed. Circuit 2010).

See why we all need to think a little before blindly cutting and pasting boiler plate stuff into a contract?

## ©, BOTS, AND DMCA

Here's a case the copyright people will be talking about this year. World of Warcraft is a hugely profitable on-line game. MDY Industries, LLC created a "bot" called "Glider" that automatically plays WOW for you (to get you to higher levels of the game more quickly). As a result, WOW lost a lot of money in subscription fees because Glider users were able to reach higher levels of the game more quickly. Players of WOW are clearly contractually prohibited from using bots (like Glider) via the WOW user agreement. But, is MDY guilty of any kind of copyright violation?

To arrive at the correct answer takes some analysis. First, MDY doesn't directly infringe any rights in the WOW program. In order for MDY to be secondarily liable, the WOW players using Glider must be directly liable for copyright infringement. They are not: running a bot violates the user agreement but that does not constitute a copyright law violation since bots do not infringe any of the exclusive copyright rights in WOW. Since the players are not liable for copyright infringement, neither is MDY. The analysis under the Digital Millennial Copyright Act, however, is different and a little more difficult. The prevailing view is that if there is no copyright infringement, there can be no violation of the DMCA. But, in this particular case, the 9th Circuit held that the Glider bot, which avoids detection by the WOW software, constitutes a circumvention of a technological measure that controls access to a copyrighted work in violation of the DMCA. So, the 9th Circuit alone can find a violation of the DMCA without a Copyright violation.

## THE OTHER WHITE MEAT®

The National Pork Board, yes, Pork Board, which owns the trademark "The Other White Meat," successfully kept a registration for "The Other Red Meat" (for Salmon) from issuing based on dilution in *National Pork Board v. Supreme Lobster and Seafood Co.*, 96 USPQ 2d 1479 (TTAB 2010).

## DOUBLE PATENTING

Here is yet another "ouch" case. Eli Lily has a first patent for the compound gemcitabine which can be used to treat viral infections and a second method patent for using the compound to treat cancer. Since treating cancer using the compound was disclosed in the first patent, the second patent is invalid for double patenting. *Sun Pharmaceutical Industries Ltd. V. Eli Lily and Co.*, 95 USPQ 2d 1797 (Fed. Cir. 2010).

## INEVITABLE DISCLOSURE?

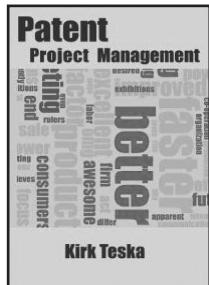
Chris Botticella was a Vice President of Bimbo Bakeries (whose brands include Thomas', Entenmanns, and Boboli), had no non-compete, and then went to work for Hostess. Without a non-compete, there is nothing Bimbo Bakeries can do, right? Wrong. In *Bimbo Bakeries USA v. Botticella*, 96 USPQ 2d 1151 (2010), the 3rd Circuit held an ex-employee can be enjoined from working at a new place of employment if the new employment "threatens" to lead to a misappropriation of trade secrets.

## IP HAPPENINGS

- The Supreme Court took up yet another patent case late in 2010 to decide whether proof of patent invalidity should be by the clear and convincing standard long used by the lower courts or by the less demanding preponderance of the evidence standard. Can juries really decide whether or not they are 85% sure rather than just 51% sure? Will it matter? Alas, you'll have to wait awhile for the decision in *i4i L.P. v. Microsoft Corp.* My prediction is lots of hype and then either no change to the existing standard or, if there is a change, no practical effect.
- 2010 marks yet another year the Federal patent reform legislation did not make it into law. The current status of this much talked about legislation? In committee, again. Congress did, however, manage to change the name of the bill from "The Patent Reform Act of 2009" to "The Patent Reform Act of 2010".

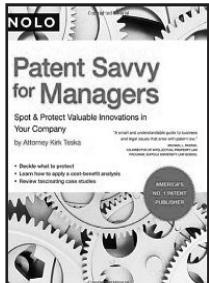
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- Massachusetts is not immune to legislative IP hype either. A proposed bill outlawing employee non-competes in the state made headlines in 2010 until it was quietly dropped in July. Our own First Circuit, late in 2009, decided that non-competes are, in fact, valid binding contracts in *Astro-Med Inc. v Nihon Kohden America Inc.*, 591 F.3d 1.

## NEW TROLL

The new troll in 2009 was the Patent Marketing Troll. In 2010, it was the Über Troll. Funded to the tune of \$5 billion and armed with 30,000 patents and patent applications, Intellectual Ventures LLC located in Bellevue, Washington urges high tech companies to become “investors” in the company lest they find themselves defendants in patent litigation lawsuits. Recently, when a few targeted companies balked, Intellectual Ventures promptly sued them. A byproduct of the Über Troll are companies like RPX Corp. which is paid by other companies to buy up potentially threatening patents. Are we to call them “Troll Shields”?



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