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# IP SAVVY

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*THE Newsletter for the Intellectual Property Community*

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## 1 PATENT, 2 MEANINGS

In our judicial system, patent cases are first decided by a federal district court and then, if appealed, by the Court of Appeals for the Federal Circuit and then, only if accepted, by the U.S. Supreme Court. Before the creation of the Federal Circuit in 1982, it used to be that two different appellate courts involved in a case over the same patent could decide differently. For example, one appellate court could hold the patent not infringed and invalid, and a different appellate court could decide the same patent was valid and infringed.

That doesn't happen anymore at the Court of Appeals level. But, if you assert a patent against different violators in several different district courts across the country, you can expect several different interpretations of the same patent. Who decides which interpretation is correct? The Court of Appeals for the Federal Circuit. See *American Pile Driving Equipment, Inc. v. Geoquip, Inc.*, 98 USPQ 2d 1001 (2011) for an example.

## CHURCH TRADEMARK FIGHT

Can you call your church "The Reorganized Church of Jesus Christ of Latter Day Saints" if your church is not an authorized church of LDS? No. "The Reorganized Church of Jesus Christ of Latter Day Saints" is a trademark violated by unlicensed users. *Community of Christ Copyright Corp. v. Devon Park Restoration Branch of Jesus Christ's Church*, 98 USPQ 2d 1167 (8<sup>th</sup> Cir. 2011).

## ILLEGAL DOWNLOADS

Remember Joel Tenenbaum? A Boston jury found him liable for illegally downloading music and awarded the record companies \$22,500.00 per song. The copyright statute actually allows the jury to award up to \$100,000.00 per song. But, due process and fairness led the District Court, in *Sony BMG Music Entertainment v. Tenenbaum*, 98 USPQ 2d 1115 (2011) to reduce the award to \$250.00 per song.

## REASONABLE ROYALTY

What is a reasonable patent royalty? Ask 100 people and you will get 100 different answers. In *Uniloc USA, Inc. v. Microsoft Corp.*, 98 USPQ 2d 1203 (2011), the Federal Circuit put to bed the notion that a reasonable royalty is 25% of expected profits. Instead, a reasonable royalty in each case is, well, specific to each case.

## LYRICS CANNOT BE COPIED

If you listen to songs, decipher the lyrics (both difficult and disheartening with my kids' choices in music), and post the lyrics on a website, is that copyright infringement? Yep. See *Peermusic III Ltd., v. LiveUniverse Inc.*, 98 USPQ 2d 1273 (C.D. Cal. 2011).

## BABY FORMULA FALSE ADVERTISING

There isn't much difference between Mead Johnsons & Co.'s Enfamil® baby formula and PBM Products' generic formula except the generic costs a lot less. Mead first advertised that the generics did not have

sufficient calcium or folic acid and PBM sued for false advertising, won, and obtained a court order prohibiting Mead from making such false statements. Mead then advertised that generics did not contain beneficial nucleotides. Again PBM had to sue. Undeterred, Mead essentially advertised that if your baby didn't drink Enfamil, the kid would have poor vision. When PBM sued this time, Mead counterclaimed for defamation after PBM's CEO issued a press release declaring that "Mead Johnson lies about baby formula... again". Since truth is a great defense to a charge of defamation, PBM won yet again. *PBM Products LLC v. Mead Johnson & Co.*, 98 USPQ 2d 1379 (4<sup>th</sup> Cir. 2011).

## DJ ACTIONS

Beware: if a patent owner notifies a potential patent violator about the patent owner's patent, the violator can file a declaratory judgment action in its home state meaning the patent owner would have to show up there in order to litigate its patent infringement claim against the patent violator. But, there still has to be personal jurisdiction over the patent owner. In *Radio Systems Corp. v. Accession, Inc.*, 98 USPQ 2d 1485 (2011), the Federal Circuit held "principals of fair play and substantial justice afford a patentee sufficient latitude to inform others of its patent rights without subjecting itself to jurisdiction in a foreign forum". Be careful, though. In many other cases laid out in this opinion, there were times that the patentee was subject to jurisdiction in a foreign jurisdiction.

In any case, the thought that any kind of a notification from a patent owner to a violator automatically subjects the patent owner to a possible DJ action may now be incorrect.

## SOVEREIGN IMMUNITY

Indian tribes operate casinos and casinos have slot machines and slot machine technology is heavily patented. Indian tribes also enjoy sovereign immunity. So, you can't sue an Indian tribe for patent infringement if their slot machines infringe your patents. See *Specialty House of Creation Inc. v. Quapaw Tribe of Oklahoma*, 98 USPQ 2d 1503 (N.D. Okla. 2011).

## INDUCEMENT

You can violate the patent laws by infringing a patent or by causing someone else (the direct infringer)

to infringe the patent. The later version is called "inducement".

To infringe a patent, does it matter whether or not you know about the patent? Depends on which kind of infringer you are. If you are the direct infringer, it doesn't matter whether or not you knew about the patent. Intent is irrelevant.

But if you induce someone else to infringe, you have to know about the patent to be liable. Makes sense: how can you cause someone to do something unless you know what that something is. But if the reason you don't know about the patent is because you took deliberate actions to avoid learning about it and were "willingly blind" as to its existence, you can still be liable as an inducer. So says the U.S. Supreme Court in *Global-Tech Appliances, Inc. v. SEB S.A.*, 98 USPQ 2d 1665 (2011).

## NAKED TRADEMARK LICENSE

In the last issue, we talked about naked trademark licenses and the fact that a naked license can render a trademark, even if it's registered, invalid.

In a newer case, a woman had established a successful bridal shop called "Eva's Bridal". She allowed her children to open their own bridal shops under her name and one daughter later sold her shop to Halanick Enterprises, Inc. The deal, in writing, was \$75,000.00 per year for the right to use "Eva's Bridal" as the shop name.

When Halanick failed to pay, Eva's daughter sued for trademark infringement. But, because there were no quality assurance provisions in the written contract and because Eva's exercised no control over the operation of the licensed bridal shop, the \$75,000.00 license was deemed a naked license and any trademark rights in "Eva's Bridal" evaporated. *Eva's Bridal Ltd. v. Halanick Enterprises, Inc.*, 98 USPQ 2d 1662 (7<sup>th</sup> Cir. 2011).

## 8 MILLION PATENTS

You'd probably have to be patent geek like me to appreciate this little fact: on August 16, 2011, the 8,000,000<sup>th</sup> patent issued.

Patent No. 1,000,000 issued on August 8, 1911 for a tubeless vehicle tire. It then took 24 years for patent 2,000,000 to issue and, interestingly enough, it was for a vehicle wheel which purportedly increased the safety and longevity of pneumatic tires. It took about the same amount of time (actually 26 years) for patent 3,000,000

to issue (on September 12, 1961) for an automated system that translated letters, numbers, and symbols to data processing code.

Things then started moving much faster. On December 28, 1976, Patent No. 4,000,000 issued for a process for recycling asphalt-aggregate compositions and just fifteen years later Patent No. 5,000,000 issued on March 19, 1991 for a new strain of E. Coli which contained ethanol – producing operons. After only eight years, on December 7, 1999, 3Com Corp. won patent 6,000,000 for its HotSync® technology. About six years later, patent 7,000,000 issued to du Pont for biodegradable cotton-like fibers useful in textile applications.

The next million patents has only taken five and a half years. No. 8,000,000 is by Second Sight Medical Products, Inc. located in California's San Fernando valley. The patent covers a refinement in digital prosthesis devices that enhances visual perception in people who have gone blind. A video camera housed in special eye glasses transmits video to a processing unit which converts the video images to stimulation patterns sent to an implanted retinal stimulation device. According to its website, Second Sight's ArgusII® product is undergoing U.S. clinical trials. Development of the patented technology was funded by a grant by the National Institute of Health.

## PATENT REFORM

Ever had a battle that lasted so long you forgot what you were fighting over? In the patent reform battle, we may have lost sight of why reform was thought to be needed in the first place.

At a press conference in June, President Obama asked Congress to send him a “bill that would make it easier for entrepreneurs to patent a new product or idea, because we can't give innovators in other countries a big leg up when it comes to opening new businesses and creating new jobs.” The patent reform legislation he refers to is not a new idea. The House proposed a patent reform bill in 2005; the Senate in 2006. Like the debt ceiling bill, patent reform is both controversial and the subject of many gives and takes. Unlike the debt ceiling bill, the House and the Senate cannot agree on whose bill should become law. For six years. Now the Executive branch wants an end to the infighting. After President Obama's recent statement, the idea of patent reform was even recast as a “jobs creation bill” in an attempt to move Congress into action. Maybe it will also save lives.

The reality is patent reform was initially proposed to address concerns about the U.S. Patent Office's grant of flimsy, silly, and business method patents. Six years

ago, the patent system was thought to be broke and needed fixing. Senator Orrin Hatch, in his introduction to the Senate version of a patent reform bill, referred to the oft reported patent for the crustless peanut butter sandwich. Every year since then was going to be the year a patent reform bill made its way into law but, alas, division over key features in the patent reform movement kept the various bills in committee.

One thing is clear: making it easier to obtain patents is the goal of neither patent reform bill. If you really wanted to make it easier for inventors to obtain patents, you would lower the fees the government charges for them, increase the number of Patent Office employees to reduce the patent application pending backlog, and lower the standard for patentability.

But, in the bill signed by the President, some of the user fees charged by the Patent Office will go up. Worse, new provisions regarding post patent grant procedures will likely increase the cost of obtaining some patents.

If the Patent Office was able to keep the fees it charges, it could presumably hire more Examiners reducing the patent pending backlog. That, however, was one of the biggest fights regarding the two competing versions of the patent reform bill: the Senate version allows the Patent Office to keep its fees, the House version does not. It was the House version which became law.

Finally, there is no serious argument for lowering the standard for patentability. There is active debate concerning business method patents, gene patents, medical diagnostic patents, software patents, patent trolls, and other areas where the courts and/or Congress might want to change the law. But, no observers of the patent system appear to want to make it easier to obtain patents by lowering the standards for patentability.

The most controversial components of patent reform actually have little to do with making it easier or harder to obtain a patent. Take the change from the first to invent system we use in the U.S. to a first to file system used internationally and now law. The argument is that fights over who invented first are costly and wouldn't it be easier, if like in the rest of the world, we just granted the patent to the first applicant?

It's true that an interference, the vehicle by which the Patent Office decides, as between two applicants, who is the first to invent and thus the winner of the patent, is both expensive and time consuming.

But, it doesn't happen very often (less than a couple of hundred each year from the half a million patent applications filed) and, in the vast majority of cases, the first filer wins anyway. As a result, some commentators have quipped we already have a *de facto* first to file system. Maybe that's why patent reform has languished – it proposes solutions to problems we don't

