

Patent Law 2008: The Year in Preview **Matthew Johnson, Jones Day**

The prospect of change continues to linger over the patent world entering 2008 with reforms from each of the three branches being real possibilities. From a series of intriguing decisions that will be handed down to the Patent Reform Act of 2008 to the continued struggle over the rules of patent practice, 2008 shows many signs of being a year to remember.

The Judiciary

A number of pending court cases offer the opportunity for clarification and guidance in several areas of patent practice this year. Of note in the early part of 2008 are a case involving the doctrine of patent exhaustion and another involving 35 U.S.C. §101 patentable subject matter.

In the realm of patent exhaustion, *Quanta v. LG Electronics* raises the question of whether the patentee, LG, may include restrictions in its license to Intel expressly excluding any customer product made by combining an Intel product with a non-Intel product. Traditionally, the doctrine of patent exhaustion extinguishes the rights of the patentee against future purchasers following a first sale of a patented article. However, the Federal Circuit reversed a lower court's finding consistent with the traditional rule because the license between LG and Intel was expressly conditional. The CAFC agreed with LG's argument that Intel made a business decision not to cover their customers resulting in a cheaper license for LG. The Supreme Court has granted certiorari to determine whether this conditional licensing practice should be permissible and effective in the future.

In the battle over exactly what is and is not patentable subject matter, *In re Ferguson* challenges the PTO's interpretation of 35 U.S.C. §101 to require that a claim have either a "useful, concrete, and tangible result" or "transform"

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something into a new physical state. The paradigm for marketing software claimed in the *Ferguson* application does not fit into either of these categories. However, the applicant asserts that the limited tests for patentable subject matter utilized by the PTO were never intended to be exclusive tests and asks the CAFC to explicitly include business methods in the definition of patentable subject matter.

The Legislature

Patent reform through Congress again appears to be a real possibility this year. While the Patent Reform Act of 2007 was successfully passed in the House, agreement could not be reached in the Senate by the end of the year. Despite this setback, Senators Patrick Leahy and Orrin Hatch addressed the subject of patent reform late in December stating the importance of patent reform and their desire to aggressively pursue reform in 2008.

Senator Hatch noted the courts' valiant struggle with interpretation of current patent statutes that have not seen a major revision since 1952 but stated that the piecemeal process of judicial interpretation has left many areas unclear

and out of balance. Thus, Congressional action is “needed, and needed urgently.” Senator Leahy echoed those concerns stating that Senate leadership is committed to take up S. 1145 “as early in the new year as possible.”

Topics which were heavily debated in the 2007 bills include damage apportionment, the PTO’s authorization to engage in substantive rulemaking, and further harmonization with foreign patent law through measures such as a switch to a first-to-file regime from the first-to-invent paradigm of today.

The Executive Branch

The PTO also continues to press changes of its own through amendments to the Federal Regulations. Attempts by the Office to place limitations on numbers of claims and continuations were brought to a standstill in late October of 2007 when a temporary injunction was issued against the implementation of the new rules. The PTO has continued to assert that the proposed claim and continuation rules are procedural rather than substantive and are within the Office’s rulemaking authority. Summary judgment briefs have been filed by both sides in the case, and a judgment is expected early this year.

Despite the setback in the implementation of 2007 rules package, the Patent and Trademark Office is also pressing a second set of rules aimed at reforming Information Disclosure Statement (IDS) requirements. Information Disclosure Statements are documents submitted by patent applicants bringing prior art which may cut against the patentability of an invention to the attention of patent examiners in accordance with the applicant’s duty of candor.

The new rules seek to limit the time periods when applicants may file IDS’s as well as the number of prior art references an applicant may identify on an IDS without a discussion of why the reference is relevant and why it does not preclude patentability. Patent prosecutors loathe making such statements as these comments are often used by defendants during infringement proceedings to attempt to invalidate or limit the scope of asserted claims.

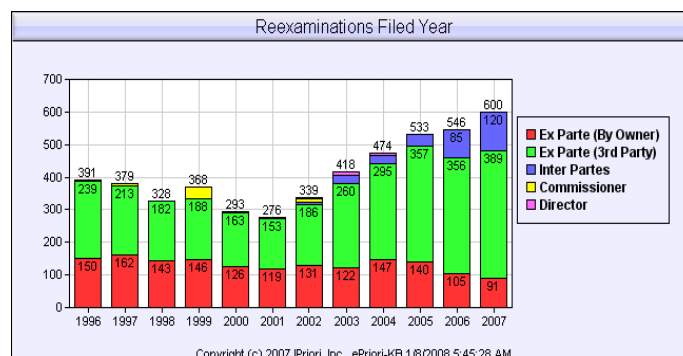
While the exact language of the proposed rules has not yet been disclosed, the rules have been approved by the Office of Management and Budget and will be published in the Federal Register in early 2008.

Perspectives of Patent Reexaminations Stuart Soffer, IPriori, Inc.

Rolling into the new year, and discussions of patent reform, provide a good opportunity to present some data on reexaminations. Among a variety of types of information, the Epriori database includes reexamination filing data since 1996, and completion data since 2005. This study combines public data from the reexamination, the patent, and litigation data.

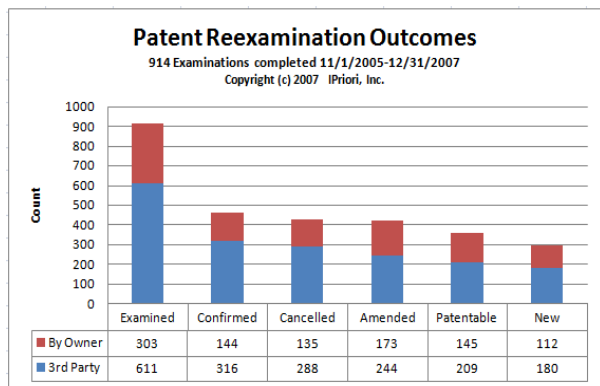
I. Overall Trends

Reviewing over 5000 reexaminations filed since 1996 shows that 2007 set new records, both in total number of reexaminations and inter-partes reexaminations. The number of reexaminations initiated by the patent owner decreased to a new low. There have not been any Commissioner/Director ordered reexaminations in several years. The origin of this data is the electronic editions USPTO weekly gazettes. As publication lags filing, 2007 numbers won’t be complete for several months.



II. Reexamination Outcomes

A reexamination may cancel, confirm, or amend one or more patent claims. New claims may also be added. There may be any combination of these results in one examination. ‘3rd Party’ data includes Inter Partes, and Ex Parte not by owner.

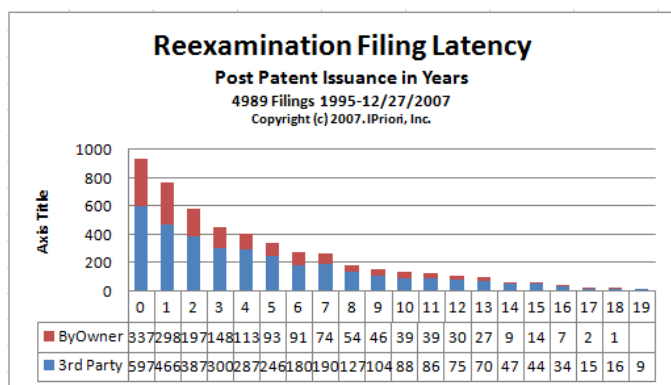


Of the 914 reexaminations, a third (304) resulted in a dispositive outcome – all claims cancelled or all claims confirmed. Meet some ‘Golden’ patents: 190 (21%) with all claims confirmed.

All claims:	Cancelled	Confirmed
By Owner	23	53
3 rd Party	91	137

III. Reexamination Latency Post Original Patent Issuance

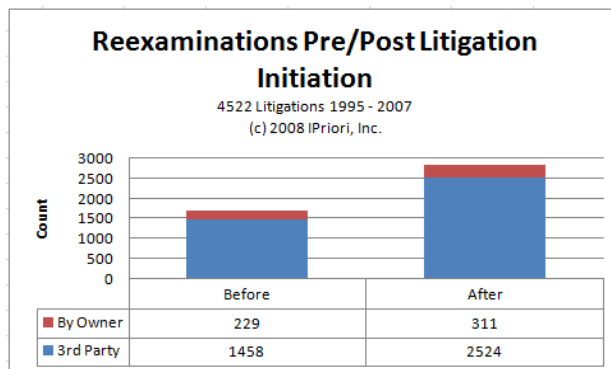
When are reexaminations initiated in relation to the issuance date of the original patent? The next chart examines this factor. About 18.7% of reexaminations occur in the first year post grant, and 54.7% within 4 years of the original grant.



IV. Litigation Latency Pre/Post Reexamination Filing

The next profile reviews reexamined patents that were subject of litigation, where known. The database notes 4522 such instances for 1365 distinct patents in both Federal Court and ITC. As a reexamined patent may be litigated multiple times (and a patent may be reexamined multiple times) that is similarly counted multiple times in this

dataset. Nonetheless, the data may suggest that a reexamined patent is less likely to be litigated.



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Third Circuit Decides Trade Dress Case Related to Private Label Sweeteners

Ashley L. O’Neill, K&L Gates

The U.S. Circuit Court of Appeals for the Third Circuit recently considered the issue of trade dress infringement related to packaging of store brand products. The case, *McNeil Nutritionals LLC v. Heartland Sweeteners, LLC and Heartland Packaging Corp.*, was appealed from the U.S District Court for the Eastern District of Pennsylvania and was argued before Judges Fisher, Stapleton, and Cowen on October 24, 2007. Judge Fisher wrote the Opinion of the court, which was filed on December 24, 2007.

The Plaintiff-Appellant, McNeil Nutritionals LLC (“McNeil”) manufactures a sucralose-based artificial sweetener, which it markets under the name “Splenda.” The defendants, Heartland Sweeteners, LLC and Heartland Packaging Corp (collectively, “Heartland”) manufacture and distribute various store brands of sucralose-based artificial sweeteners. These products are sold to consumers by grocery stores such as Safeway, Giant, and Food Lion, as well as by other retailers. On December 5, 2006, McNeill filed suit against Heartland, alleging trade dress infringement and various other federal and state law claims. On December 14, 2006, McNeill moved for a preliminary injunction. At issue on appeal was the

district court's denial of McNeill's motion for preliminary injunction.

Trade dress, or the design or packaging of a product which serves to identify the source of the product, is protected under the Lanham Act, 15 U.S.C. § 1125(a). The Third Circuit stated that, in order to succeed on claim of trade dress infringement under the Lanham Act, a plaintiff must establish that (1) the allegedly infringing design is non-functional; (2) the design is inherently distinctive or has acquired secondary meaning; and (3) consumers are likely to confuse the source of the plaintiff's product with that of the defendant's product. The district court considered only the likelihood of confusion prong of the Lanham Act analysis, however, and the Third Circuit similarly limited its analysis.

On appeal, McNeill set forth arguments that the district court erred in its analysis under several *Lapp*¹ factors, including the first *Lapp* factor, the degree of similarity between the plaintiff's trade dress and the defendant's. In reviewing the district court's application of first *Lapp* factor for clear error, the Third Circuit made particular note of the fact that the allegedly infringing products did not display the trade name "Splenda" but rather included the

name and logo of the respective store from which the product is sold.

Noting that the absence of the Plaintiff's trademark cannot cure an otherwise infringing trade dress, Judge Fisher indicated that the prominent display of another well-known word or design mark may be sufficient to prevent the finding of a likelihood of confusion. In its analysis under the first *Lapp* factor, the district court found in favor of Heartland for products whose packaging prominently displayed a well-known store mark, such as Foodland or Safeway. However, for certain products, referred to in the opinion as the "Ahold" products, the district court found in favor of McNeill. The packaging of the "Ahold" products did not prominently display a well-known store brand but rather displayed the product name "Sweetener."

Although the Third Circuit concluded that the district court did not misapply the *Lapp* factors, the appellate court did hold that the district court committed clear error in not ultimately finding a likelihood of confusion between McNeill's trade dress and that of the "Ahold" products. In reversing the district court's denial of McNeill's motion for preliminary injunction with respect to the "Ahold" products, the Third Circuit again emphasized the distinction between store-brand products that prominently display a well-known store mark and those that do not. Accordingly, the case was remanded back to the district court for consideration of McNeill's likelihood of success on the remaining elements of trade dress infringement and of the extent to which McNeill would suffer irreparable harm absent injunctive relief, the extent to which Heartland would suffer irreparable harm if injunctive relief were granted, and the public interest.

Use of Internet Sources in Trademark Prosecution

Jeffrey M. Gitchel, Bayer Corporate and Business Services LLC

Two recent precedential decisions provide guidance in relying on internet sources in matters before the USPTO and TTAB.

In *In re IP Carrier Consulting Group*, 84 USPQ2d 1028 (TTAB 2007), the applicant attempted to

¹ In *Interpace v. Lapp*, 721 F.2d 460 (3rd Cir. 1983), the Third Circuit set forth several factors relevant to an analysis of trademark infringement under the Lanham act. These factors, modified semantically by the Court for application in the trade dress context, are as follows: (1) degree of similarity between the plaintiff's trade dress and the allegedly infringing trade dress; (2) strength of the plaintiff's trade dress; (3) the price of the goods and other factors indicative of the care and attention expected of consumers when making a purchase; (4) the length of time the defendant has sued its trade dress without evidence of actual confusion; (5) the intent of the defendant in adopting its trade dress; (6) the evidence of actual confusion; (7) whether the goods, though not competing, are marketed through the same channels of trade and advertised through the same media; (8) the extent to which the targets of the parties' sales efforts are the same; (9) the relationship of the goods in the minds of consumers because of the similarity of the functions; and (10) other facts suggesting that the consuming public might expect the plaintiff to manufacture a product in the defendant's market, or that the plaintiff is likely to expand into the market.

overcome the examining attorney's descriptiveness refusal by relying on information contained in Wikipedia. The examining attorney refused registration of the marks ipPICS and ipPIPE, concluding that "IP" was an abbreviation for "internet provider," that "pics" described applicant's services of providing high speed access to images and that "pipe" described the technology applicant used. The examining attorney relied on a variety of internet sources, including online dictionaries, the Acronym Finder (www.acronymfinder.com) and online discussions in reaching her decision.

The applicant submitted a Wikipedia entry to show that the most common abbreviation for "Internet Provider" was "ISP." Before considering the evidence, the TTAB commented on its admissibility. The Board began by noting that there are inherent problems with the reliability of Wikipedia entries because they can be edited by anyone. The Board also observed, however, that internet evidence is generally admissible for purposes of evaluating a trademark.

Weighing these considerations, the Board agreed with a district court in the Southern District of New York, that held that "the information provided there [Wikipedia] is not so inherently unreliable as to render inadmissible any opinion that references it' especially when the opposing party 'may apply the tools of the adversary system to his report.'" *In re IP Carrier*, 84 USPQ2d at 1032 (citing *Alfa Corp. v. OAO Alfa Bank*, 475 F. Supp. 2d 357, 362 (S.D.N.Y. 2007)). As a result, evidence from Wikipedia is admissible before the TTAB under circumstances where the non-offering party has an opportunity to rebut that evidence. The Board cautioned, though, that the better practice is to corroborate the information from Wikipedia with other sources.

Although the Board accepted the applicant's Wikipedia evidence, it nonetheless affirmed the examining attorney's refusal. The Board found the Wikipedia evidence unpersuasive because it addressed the question of the most common acronym for "Internet Provider" and not the meaning of the abbreviation "IP" that appeared in its mark.

In *Paris Glove of Canada, Ltd. v. SBC/Sporto Corp.*, 84 USPQ2d 1856 (TTAB 2007) the Board granted a motion to strike certain internet evidence, while

cautioning that the Board "takes a more permissive stance with respect to admissibility and probative value of evidence in an *ex parte* proceeding than it does in an *inter partes* case."

Petitioner proffered a Google hit list and printouts from two online catalogs with its response to Respondent's motion for summary judgment to show that genuine issues of material fact remained as to whether Respondent was still using the registered design mark in the form covered by the registration.

Petitioner did not authenticate the evidence, arguing that it was self-authenticating under Trademark Rule 2.122(e), 37 C.F.R. § 2.122(e). Petitioner argued that the principle announced in *Raccioppi v. Apogee, Inc.*, 47 USPQ2d 1368 (TTAB 1998) that internet printouts that are not electronic equivalents of printed publications do not fall within the parameters of Rule 2.122(e) no longer applied, in light of the Internet Archive and its Wayback Machine function.

The Board found this argument unpersuasive – the Internet Archive is not self-authenticating and, in any event, has serious flaws that make it unreliable for authentication purposes. As Petitioner noted, the Wayback Machine captures each date on which a "significant" change is made to a website. Significance is, however, a subjective standard, and what is insignificant to the Wayback Machine could be significant from an evidentiary perspective.

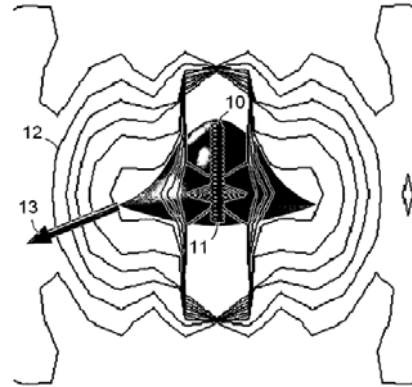
In any event, Petitioner's evidence does not appear to have been terribly relevant. Respondent admitted, for purposes of the summary judgment motion, that it was not using the mark in the identical form as appeared in the registration. The Board found, however, that respondent had not materially altered the mark and thus, had not abandoned it. The Board granted summary judgment in favor of Respondent and also granted its pending request to amend its registration.

WACKY PATENTS

Photon Spacecraft

(U.S. Patent Application Publication US2006/0144035)

The applicant discloses a spacecraft that uses low-density hyperspace energy to fill its hull to make the spacecraft lighter in mass and a radial electric field to generate lift on the hull. The spacecraft is constructed from a two part aluminum hull, ceramic insulators, an electrostatically charged aluminum ring, and a direct current solenoid. The upper hull and the lower hull are attached to the electrostatically charged aluminum ring by the ceramic insulators and the direct current solenoid is placed in the center of the upper hull. The spacecraft relies on the magnetic field produced by the direct current solenoid and the electric field produced by the electrostatically charged aluminum ring to decelerate electrons emitted by the electrostatically charged aluminum ring as the electrons spiral around the hull. The process of decelerating the electrons is used to open a wormhole between space and hyperspace and allow low-density hyperspace energy to the spacecraft's hull. The electrostatically charged aluminum ring then generates lift on the spacecraft's hull by using the electric field it generates to counteract the electric field generated by the earth. The applicant relies upon real world experiences such as his experiments with his magnetic vortex wormhole generator and having a plate of toast lift off the breakfast table and disappear into thin air to prove the existence of hyperspace. This application has been abandoned because of the applicant's failure to submit a written statement required by the National Aeronautics and Space Act of 1958.



The National Aeronautics and Space Act states (42 U.S.C. § 2457 (c)):

No patent may be issued to any applicant other than the Administrator for any invention which appears to the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office (hereafter in this section referred to as the "Director") to have significant utility in the conduct of aeronautical and space activities unless the applicant files with the Director, with the application or within thirty days after request therefor by the Director, a written statement executed under oath setting forth the full facts concerning the circumstances under which such invention was made and stating the relationship (if any) of such invention to the performance of any work under any contract of the Administration. Copies of each such statement and the application to which it relates shall be transmitted forthwith by the Director to the Administrator.