STAAS & HALSEY LLP

# 2019 WINTER NEWSLETTER

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## SUPREME COURT

# *Helsinn Healthcare S.A. v. Teva Pharmaceuticals USA, Inc.*

Following up on *Helsinn Healthcare S.A. v. Teva Pharmaceuticals USA Inc.*, from our firm Fall 2018 Newsletter article, on June 22, 2019, the U.S. Supreme Court unanimously affirmed the judgment of the U.S. Court of Appeals for the Federal Circuit ("Federal Circuit"). In doing so, the Supreme Court held that a commercial sale to a third party who is required to keep the invention confidential, may bar an invention from being patentable under 35 U.S.C. § 102 ("§ 102").

With Justice Clarence Thomas writing the majority opinion for this case, the Supreme Court first determined the scope of the on-sale bar prior to the 2011 America Invents Act ("AIA"). Relying on its decision in *Pfaff v. Wells Electronics, Inc.("Pfaff")*, the Supreme Court noted that pre-AIA, a commercial sale of an invention that was ready for patenting made more than one year prior to the filing date of the U.S. patent application, was subject to the on-sale bar of § 102. After taking notice of the scope of the pre-AIA's on-sale bar, the Supreme Court next determined whether the changes to § 102 under AIA altered the meaning of the on-sale bar.

In regard to the statutory language, the Supreme Court noted the majority of the AIA's on-sale bar language was identical to that of its predecessor's. In light of Congress' recycled use of the pre-AIA language, the Supreme Court reasoned that Congress had adopted the judicial construction set forth in *Pfaff*. Subsequently, the Supreme Court analyzed whether the addition of the catchall clause, "or otherwise available to the public," was sufficient evidence that Congress intended to alter the meaning of the term "on sale."

Specifically, the Supreme Court discussed whether the catchall phrase limited the on-sale bar to the type of disclosures that reveal the claimed invention to the public. The Supreme Court concluded that the catchall phrase was added to § 102 to "capture material that does not fit into the statute's enumerated categories but is nevertheless meant to be covered." Furthermore, the Supreme Court declined to adopt a broad interpretation of the catchall phrase because the phrase "on sale" had acquired a well-settled meaning when the AIA was enacted and the adoption of such interpretation would upset that precedent.

Ultimately, the Supreme Court's decision upheld roughly two decades of precedent that any commercial sale of an invention, prior to issuance of a patent, may place an invention "on sale," within the meaning of § 102. Accordingly, the Supreme Court demonstrated its reluctance to change a well-settled judicial interpretation of a statute without clear evidence that Congress intended to change the meaning of that statute.

## SUPREME COURT

# *Return Mail, Inc. v. United States Postal Service, et al.*

On October 26, 2018, the U.S. Supreme Court granted certiorari, in part, to review *Return Mail, Inc. v. United States Postal Service, et al*. The question before the Supreme Court is whether the government is a 'person' who may petition to institute review proceedings under the 2011 America Invents Act ("AIA").

Return Mail, Inc. ("Return Mail") is a small technology company that developed an efficient and cost-effective system for processing returned mail after a failed delivery attempt, for which Return Mail received U.S. Patent No. 6,826,548 ("the ′548 patent"). The United States Postal Service ("USPS") expressed interest in licensing the ′548 patent; however, no agreement was reached. Subsequently, the USPS announced the implementation of its own system which would process returned and undelivered mail. In response, Return Mail filed suit against the USPS for unlicensed use of the ′548 patent. The USPS challenged the validity of the ′548 patent at the USPTO Patent Trial and Appeal Board ("PTAB") by filing a petition for Covered Business Method ("CBM") review. The PTAB initiated review and issued a final written decision wherein the PTAB invalidated the ′548 patent. Return Mail appealed the PTAB's decision to the U.S. Court of Appeals for the Federal Circuit ("Federal Circuit").

On appeal, the Federal Circuit upheld the PTAB's conclusion of invalidity. Although neither party argued the meaning of the term 'person,' the issue of whether the USPS qualified as a 'person' under AIA § 18(a)(1)(B) was raised in Judge Newman's Dissent. In light of the fact that § 18 does not explicitly include the government as a person, Judge Newman explained the government should be excluded unless there is strong evidence supporting the contrary. Looking at the statute as a whole, Judge Newman relied heavily on the § 18 estoppel provision to conclude the government is not a 'person' under the AIA.

Specifically, Judge Newman noted the estoppel provision of the AIA only prevents petitioners from making arguments in district court or the International Trade Commission, that were made before the PTAB. However, the government may only be sued in the U.S. Court of Federal Claims. Therefore, if the government was included as a 'person' then Congress intended to grant government the ability to file post-grant proceedings before the PTAB while simultaneously granting the government the ability to avoid the estoppel provision. Moreover, Judge Newman could not find any basis that would support the inclusion of the government as a 'person.' Thus, Judge Newman concluded the PTAB had no statutory authority to institute the USPS's CBM petition and the final written decision should be vacated. Return Mail filed a petition for a Federal Circuit en banc rehearing addressing the Dissent's issue regarding the scope of 'person' but was denied. Return Mail then filed a petition for certiorari to the Supreme Court.

## *Return Mail, Inc. v. United States Postal Service, et al. (cont'd.)*

By granting certiorari to this issue, the Supreme Court will decide whether § 18 permits the government to file petitions for post-grant proceedings. Alternatively, the Supreme Court could also issue a narrow holding where the government is barred from filing petitions for the specific CBM review. However, it seems unlikely that the Supreme Court's decision will affect non-governmental agencies. Ultimately, the outcome of this case is uncertain due to the lack of precedent regarding this matter.

## SUPREME COURT

# *Iancu v. Brunetti*

On January 4, 2019, the U.S. Supreme Court granted certiorari in *Iancu v. Brunetti*. On appeal from the U.S. Court of Appeals for the Federal Circuit ("Federal Circuit"), the Supreme Court will answer the question of whether § 2(a) of the Lanham Trademark Act ("§ 2(a)"), which prohibits the federal registration of "immoral" or "scandalous" trademarks ("scandalous provsion"), is a violation of the First Amendment's free speech clause.

In 1990, Erik Brunetti founded the clothing brand "fuct," an abbreviation for "Friends You Can't Trust," and later filed a U.S. intent-to-use application for the mark FUCT in 2011. However, the USPTO trademark examiner refused to register the mark under § 2(a), finding the mark was scandalous because it was disparaging and totally vulgar. Next, Brunetti requested reconsideration and appealed to the USPTO Trademark Trial and Appeal Board ("TTAB"). The TTAB affirmed the examiner's decision to deny registration, finding substantial evidence that that the "general public would find this [mark] vulgar." Subsequently, Brunetti appealed to the Federal Circuit.

On appeal, the Federal Circuit first set out to determine whether the mark FUCT was ambiguous and not vulgar, and therefore, subject to registration. However, the Federal Circuit found that the additional evidence offered by Brunetti in support of ambiguity and non-vulgarity was substantially outweighed by the contrary evidence offered by the TTAB. Thus, the Federal Circuit held the mark as scandalous due to its vulgar meaning. Next, the Federal Circuit analyzed whether § 2(a) requires that a mark must be more than "merely vulgar," in order to be prohibited from registration. Relying on Federal Circuit precedent set forth in *In Re Fox*, the Federal Circuit reaffirmed that vulgarity alone is sufficient to establish that a mark is immoral or scandalous. Therefore, the Federal Circuit found that the TTAB did not err in concluding the mark was barred from registration under § 2(a).

Despite finding the mark was scandalous, the Federal Circuit continued its analysis by considering whether § 2(a) was a violation of the First Amendment's free speech clause. The Federal Circuit first noted the Supreme Court's recent holding in *Matal v. Tam* ("*Tam*"), which held § 2(a)'s bar on disparaging marks was unconstitutional. Furthermore, following the same rationale set forth in *Tam*, the Federal Circuit concluded that the scandalous provision was a subjective test which regulated the expressive component of speech, not the commercial component. Due to the subjective nature of the regulation of expressive conduct, the Federal Circuit found the scandalous provision was unconstitutional. Additionally, the Federal Circuit went one step further and discussed the constitutionality of the scandalous provision if it strictly regulated the commercial component of speech.

Again citing to *Tam*, the Federal Circuit stated "trademark registration is neither a government subsidy nor a limited public forum." Therefore, the government had no substantial interest in regulating speech in trademarks. Accordingly, the Federal Circuit concluded that even if the scandalous provision strictly regulated the commercial component of speech, it would still be unconstitutional.

## *Iancu v. Brunetti (cont'd.)*

By granting certiorari to this issue, the Supreme Court will decide whether § 2(a) of the Lanham Trademark Act, which prohibits the federal registration of "immoral" or "scandalous" trademarks, is a violation of the First Amendment's free speech clause. Given the Supreme Court's decision in *Tam*, it seems likely that the Supreme Court may find the scandalous provision unconstitutional.

# *Mission Product Holdings Inc. v. Tempnology, LLC*

On October 26, 2018, the U.S. Supreme Court granted certiorari to review *Mission Product Holdings Inc. v. Tempnology, LLC*. The question before the Supreme Court is whether, under 11 U.S.C. § 365 ("§ 365") of the Bankruptcy Code, a debtor's rejection of a license agreement terminates the obligations of the agreement, including the loss of a trademark license. In answering the question, the Supreme Court will finally answer "the most significant unresolved legal issue in trademark licensing," that has split the U.S. Federal Circuits.

Briefly, the two competing interpretations of § 365 stem from *Lubrizol Enters., Inc. v. Richmond Metal Finishers, Inc.* ("*Lubrizo*l"), and *Sunbeam Prods. Inc. v. Chicago Am. Mfg., LLC* ("*Sunbeam*"). In *Lubrizol*, the U.S. Court of Appeals for the Fourth Circuit ("Fourth Circuit") held that a rejection of a license agreement terminates the obligations of the agreement, including the loss of a trademark license. Conversely, in *Sunbeam*, the U.S. Court of Appeals for the Seventh Circuit ("Seventh Circuit") held that a rejection of a license agreement relieves the parties of the obligations, but does not terminate the licensee's right to continue using the trademark for the duration of the agreement.

Tempnology, LLC ("Tempnology") is a company that owned and filed for several patents directed to chemical-free cooling fabrics. Tempnology marketed the products covered by their patents using the COOLCORE and DR. COOL trademarks. In 2012, Tempnology entered into a non-exclusive marketing and distribution agreement with Mission Product Holdings Inc. ("Mission") for all products covered under the COOLCORE and DR. COOL trademarks. In addition, Tempnology granted Mission a non-exclusive, non-transferable, limited license to use the COOLCORE and DR. COOL trademarks and respective logos. Furthermore, the agreement allowed either party to terminate without cause, which would trigger a two-year phase-out period. In June 2015, Mission exercised its right to terminate the agreement without cause, which led to a series of arbitrations. Then, in September 2015, Tempnology filed a voluntary petition for Chapter 11 bankruptcy and moved to reject the agreement in bankruptcy court.

The bankruptcy court adopted the *Lubrizol* approach and concluded that Mission retained its non-exclusive license to use Tempnology's patents for the remainder of the phase-out period, but the trademark license agreement was terminated. Mission appealed to the Bankruptcy Appellate Panel for the First Circuit ("BAP"). The BAP reversed the bankruptcy court's finding the *Sunbeam* approach was controlling; therefore, while the trademark license was rejected, Mission retained mark rights of the debtor Tempnology. Subsequently, Tempnology appealed to the U.S. Court of Appeals for the First Circuit ("First Circuit").

## *Mission Product Holdings Inc. v. Tempnology, LLC (cont'd.)*

On further appeal, the First Circuit upheld the bankruptcy court's ruling by adopting the *Lubrizol* approach and rejecting the BAP's reliance on the Seventh Circuit's approach in *Sunbeam*. The First Circuit reasoned that applying the *Sunbeam* approach may produce a situation that conflicts with public policy. Specifically, the First Circuit noted a licensor, under a license agreement, must continue to "monitor and exercise control over" the use of its trademarks or it risks losing the trademark. Therefore, under *Sunbeam*, a licensor is forced to choose between continuing its obligations under the terminated license agreement and risking the permanent loss of its trademarks. Mission timely filed a petition for a writ of certiorari at the Supreme Court. Certiorari was granted.

Finally, the Supreme Court will resolve this issue that has plagued trademark licensing. More importantly, the Supreme Court will provide trademark owners with clarity on how to protect themselves if a licensor files for bankruptcy. While it is still uncertain how the Supreme Court will decide this case, recent Supreme Court intellectual property cases may provide some insight. For instance, as noted in the firm's Summer 2018 Newsletter, in *WesternGeco LLC v. ION Geophysical Corp*., the Supreme Court defined a seemingly ambiguous part of a statute by giving it meaning in view of the statute as a whole. If the Supreme Court proceeds in the same fashion, then it may come to the same conclusion as the First Circuit.

## SUPREME COURT

# *Fourth Estate Public Benefit Corp. v. Wall-Street.com*

Following up on our firm's Fall 2018 Newsletter, on March 4, 2019, the U.S. Supreme Court unanimously affirmed the U.S. Court of Appeals for the Eleventh Circuit's ("Eleventh Circuit") holding in *Fourth Estate Public Benefit Corp. v. Wall-Street.com*. Accordingly, the Supreme Court held that under § 411(a) of the U.S. Copyright Act ("§ 411(a)"), a party may sue for U.S. copyright infringement only after receiving federal registration of the copyright from the U.S. Copyright Office. Furthermore, the Supreme Court held that upon receiving registration for a copyright, the copyright holder may sue and recover for infringement that occurred before and after the registration.

In its opinion, the Supreme Court first turned to the plain text of § 411(a) determine the meaning of the term 'registration.' The Supreme Court noted that the first sentence of § 411(a) states that no civil infringement action "shall be instituted until…registration of the copyright claim has been made." However, the second sentence of § 411(a) further provides the exception that when the deposit, application, and fee required for registration have been delivered to the Copyright Office in proper form but registration has been refused, the claimant may institute a civil action. Read together, the Supreme Court concluded that § 411(a) focuses on the action of the Copyright Office, not the claimant. Therefore, a claimant cannot file a civil infringement action by simply filing an application in the Copyright Office.

The Supreme Court explained that if action by the Copyright Action–registration or refusal of registration–was not a requirement to bring a civil infringement action, then the exception that allows suit upon refusal of registration would be meaningless. Additionally, the Supreme Court rejected the argument that the exception merely serves as a requirement that a claimant must provide the Copyright Office with notice of an infringement suit. The Supreme Court reasoned that such an interpretation is improbable because it assumes Congress gave 'registration' different meanings within the same statutory provision.

The Supreme Court next analyzed the related sections of the Copyright Act to support its findings from the plain text. Specifically, the Supreme Court discussed § 410 which provides that, "after examination," the Copyright Office determines whether the applicant is granted or refused registration. Thus, the Supreme Court found § 410 is consistent with the plain text meaning of 'registration.'

Lastly, the Supreme Court turned to the legislative history of § 411(a) and the Copyright Act. The Supreme Court found that in 1976, Congress revised the Copyright Act to endorse the decision of *Vacheron & Constantin-Le Coultre Watches, Inc. v. Benrus Watch Co.*, which held action by the Copyright Office triggers a claimant's ability to sue. Furthermore, the Supreme Court found that in 1933, Congress considered, but declined to adopt, a proposal that would allow suit immediately upon submission of a registration application.

## *Fourth Estate Public Benefit Corp. v. Wall-Street.com (cont'd.)*

Given the plain text meaning of 'registration" in § 411(a) and its related sections, and the legislative history of the Copyright Act, the Supreme Court held that under § 411(a) of the Copyright Act, a party may sue for copyright infringement only after receiving registration of the copyright from the Copyright Office.

## PATENTS – FEDERAL CIRCUIT

# *Realtime Data, LLC v. Iancu*

On January 10, 2019, the U.S. Court of Appeals for the Federal Circuit ("Federal Circuit") decided *Realtime Data, LLC v. Iancu*. The Federal Circuit held that the U.S. Patent and Trademark Office ("USPTO") Patent Trial and Appeal Board ("PTAB") are not required to find a motivation to combine two references when a claim is invalid under 35 U.S.C. § 103 in view of a single prior art reference.

In April 2016, Hewlett Packard Enterprise Co. ("HP") filed an inter partes review ("IPR") of Realtime Data LLC's ("Realtime") U.S. Patent No. 6,597,812 ("the ′812 patent"). Specifically, HP argued that the ′812 patent would have been obvious over a U.S. Patent ("O'Brien") in view of Nelson, a data compression textbook. The PTAB instituted review and later issued a final written decision.

In its final written decision, the PTAB, agreeing with HP, found that O'Brien taught every claim at issue and alternatively, it would have been obvious to one skilled in the art to combine O'Brien and Nelson due to the "striking similarities," between the two references. Furthermore, contrary to Realtime's arguments, the PTAB concluded that O'Brien also disclosed the "maintaining a dictionary," limitation in the claims of the ′812 patent. Realtime subsequently appealed to the Federal Circuit.

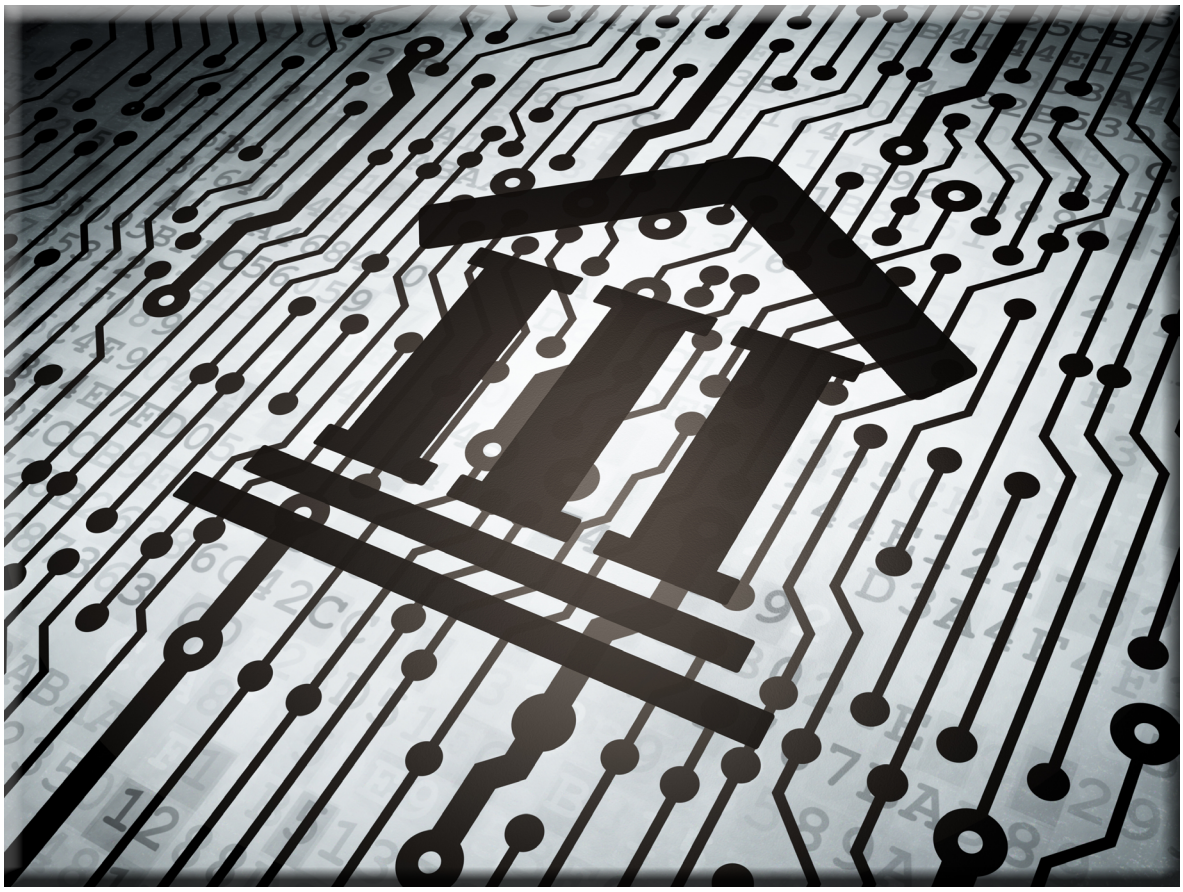
On appeal, Realtime argued that (1) the PTAB erred in its determination that a person of ordinary skill would have been motivated to combine the teachings of O'Brien and Nelson, and (2) the PTAB erred by failing to construe the "maintaining a dictionary" limitation and in finding that O'Brien disclosed the limitation.

With respect to Realtime's first argument, the Federal Circuit stated that "it is well settled that a disclosure that anticipates under § 102 also renders the claim invalid under § 103." The Federal Circuit reasoned that because the PTAB did not rely on Nelson when it first concluded that O'Brien alone taught every claim at issue, it had no obligation to find a sufficient motivation to combine. Therefore, the PTAB did not err when it concluded that the claims at issue were invalid for obviousness under 35 U.S.C. § 103 based on O'Brien alone. Furthermore, the Federal Circuit noted that even if the PTAB was required to show a motivation to combine, it still provided sufficient evidence for finding a motivation to combine O'Brien with Nelson.

Regarding Realtime's second argument, the Federal Circuit found that the PTAB correctly construed the "maintaining a dictionary," claim limitation. Realtime conceded that O'Brien disclosed the steps for maintaining a dictionary; however, Realtime argued that because the ′812 patent used the term "comprising," it permitted consideration of additional unstated limitations, not present in O'Brien, when interpreting, "maintaining a dictionary." The Federal Circuit emphasized that the word "comprising," did not mean that a claim can be read to require additional unstated elements, rather, it did not foreclose the addition of further elements.

## *Realtime Data, LLC v. Iancu (cont'd.)*

Ultimately, the Federal Circuit held that there is no obligation to find a motivation to combine two references when one reference alone discloses all claim elements. Furthermore, the Federal Circuit reiterated the long held rule that "comprising" does not mean that the claim can be read to require additional unstated elements, only that adding other elements to the device or method is not incompatible with the claim.



## PATENTS – FEDERAL CIRCUIT

# *Supernus Pharmaceuticals, Inc. v. Iancu*

On January 23, 2019, the U.S. Court of Appeals for the Federal Circuit ("Federal Circuit") decided *Supernus Pharmaceuticals, Inc. v. Iancu*. The Federal Circuit reversed the U.S. District Court for the Eastern District of Virginia, holding the U.S. Patent and Trademark Office ("USPTO") may not reduce a Patent Term Adjustment ("PTA") by an "applicant delay" period during which there was no action that the applicant could take to conclude prosecution of the patent application.

On April 27, 2006, Supernus Pharmaceuticals, Inc. ("Supernus") filed U.S. Patent Application No. 11/412,100 ("the ′100 application") and a corresponding international application claiming priority on the ′100 application in the European Patent Office ("EPO"). On August 20, 2010, the USPTO issue a final rejection, and in response, on February 22, 2011, Supernus filed a Request for Continued Examination ("RCE"). On October 13, 2011, the EPO issued the international application as a European Patent ("the EP patent"). On August 21, 2010, the EPO notified Supernus' European Office of ten documents filed in opposition of the EP patent. After Supernus received knowledge of the opposition documents, it filed an Information Disclosure Statement ("IDS") at the USPTO on November 29, 2012. The ′100 application later issued on June 10, 2014 with a PTA of 1,260 days.

The USPTO attributed 2,321 days for Type A delays (for the USPTO's failure to meet the mandated statutory response deadlines), and 665 days for Type B delays (for the USPTO's failure to issue a patent within three years of the application's filing date). Next, the USPTO reduced the PTA of 2,321 days by 175 days to account for overlapping Type A and Type B delays. Lastly, the USPTO further reduced the PTA by 886 days for applicant delays, of which 646 days counted as the period between filing the RCE and submission of the IDS. Despite Supernus filing a request for Reconsideration of Patent Term Adjustment, the USPTO rejected the request because it found that filing an IDS after an RCE constituted an interference with the USPTO's ability to process an application.

After the appeal to the Eastern District of Virginia concluded in favor of the USPTO, Supernus appealed to the Federal Circuit. On appeal, the Federal Circuit concluded that the plain meaning of the PTA statute, 35 U.S.C. § 154(b)(2)(C)(i), clearly and unambiguously barred the USPTO's and Eastern District of Virginia's statutory reading. The PTA statute reads: the period of adjustment of the term of a patent under paragraph (1) shall be reduced by a period equal to the period of time during which the applicant failed to engage in reasonable efforts to conclude prosecution of the application. Specifically, the Federal Circuit focused on the terms, "equal to," "during which," and "reasonable."

## *Supernus Pharmaceuticals, Inc. v. Iancu (cont'd.)*

The Federal Circuit reasoned that the PTA statute requires that any PTA reduction be equal to the period of time during which an applicant fails to engage in reasonable efforts. Simply, if there is no period of time during which the applicant could have engaged in reasonable efforts, then there can be no reduction to the PTA. Upon finding that Supernus could not have reasonably engaged in efforts to conclude prosecution of the ′100 application because Supernus did not have knowledge of the opposition documents until the EPO notification, the Federal Circuit concluded that the USPTO erred in reducing the PTA. Thus, the correct applicant delay was restricted to the period of time between the date of EPO's notice of the opposition documents and the submission of the IDS.

## TRADEMARKS – FEDERAL CIRCUIT

# *Converse v. International Trade Commission*

On October 30, 2018, the U.S. Court of Appeals for the Federal Circuit ("Federal Circuit") decided *Converse v. International Trade Commission*, holding a registered trade dress carries a presumption of secondary meaning only after its registration as a trademark. However, prior to registration, an owner of a mark may maintain an infringement suit by proving secondary meaning was established before the first infringing use by the accused infringer(s).

Converse filed an International Trade Commission ("ITC") action against several competitors based on U.S. Trademark Registration No. 4,398,753 ("the '753 trademark") it acquired for the design of its Chuck Taylor All Star shoes. Converse had implemented the mark in 1932, but received the federal trademark registration in 2013. The ITC Administrative Law Judge ("ALJ") issued an initial determination finding the registered '753 trademark was valid, relying on the presumption of secondary meaning afforded to the registered mark, and infringed by Converse's competitors. However, the ALJ also concluded that the common-law mark was invalid because it did not acquire secondary meaning. The competitors and ITC staff petitioned for review.

On review, the ITC reversed the ALJ's holding of validity and infringement of the registered mark, but affirmed the invalidity of the common-law mark. The ITC invalidated the registered mark because it did not find it acquired secondary meaning. Accordingly, after finding Converse had no valid common-law mark or registered trademark, the ITC concluded the competitors could not be infringing. Subsequently, Converse appealed to the Federal Circuit.

On appeal, the Federal Circuit first addressed the proper timing of the secondary meaning analysis. With respect to the first issue, the Federal Circuit stated there was a presumption of acquired secondary meaning in a registered trademark that is not available for a common-law mark. Therefore, each period required its own inquiry regarding whether Converse acquired secondary meaning. Accordingly, the Federal Circuit found the ITC erred by not distinguishing the pre-registration period from the post-registration period.

## *Converse v. International Trade Commission (cont'd.)*

Next, the Federal Circuit clarified the secondary meaning standard. The Federal Circuit found the ITC improperly utilized its seven factor test for determining the existence of secondary meaning. Therefore, the Federal Circuit set forth a simplified six factor test. Specifically, to determine if trade dress has acquired secondary meaning, it is important to factor the: (1) association of the trade dress with a particular source by actual purchasers (typically measured by customer surveys); (2) length, degree, and exclusivity of use; (3) amount and manner of advertising; (4) amount of sales and number of customers; (5) intentional copying; and (6) unsolicited media coverage of the product embodying the mark. The Federal Circuit noted that all six factors are to be weighed together in determining whether secondary meaning was acquired.

Accordingly, the Federal Circuit reversed and remanded the ITC's decision. In view of these clarified standards, common-law mark owners should obtain a registered trademark as soon as possible.

## TRADEMARKS – FEDERAL CIRCUIT

# *Adidas America, Inc. v. Skechers USA, Inc.*

On appeal from the U.S. District Court for the District of Oregon ("District Court") in *Adidas America v. Skechers USA, Inc.*(9th Cir. 2018), the U.S. Court of Appeals for the Ninth Circuit ("Ninth Circuit") reversed, in part, the preliminary injunction the District Court issued against Skechers USA, Inc. ("Skechers").

Adidas America, Inc. ("Adidas") designs and manufactures one of the most influential sneakers of all time, the Stan Smith. Additionally, Adidas is best known for its federally registered Three-Stripe mark, which has been consistently placed on Adidas' products throughout the years. Adidas sued Skechers in 2015, alleging that Skechers' Onix shoe infringed Adidas' Stan Smith shoe, and Skechers' Cross Court infringed Adidas' Three Stripe mark. Adidas filed a motion for preliminary injunction to stop Skechers from making, distributing, selling, or offering for sale, the Onix and Cross Court shoes. The District Court granted the preliminary injunction. Subsequently, Skechers appealed.

The Stan Smith Shoe

The Onix

The Cross Court

On appeal, the Ninth Circuit reviewed Skechers' arguments that Adidas did not sufficiently show a likelihood of success on its claim that the Onix and Cross Court infringes and dilutes Adidas' unregistered Stan Smith trade dress and registered Three-Stripe mark, respectively.

First, Skechers argued the Onix did not infringe the Stan Smith because (1) the Stan Smith trade dress did not acquire secondary meaning, and (2) there was no substantial likelihood of confusion between the Stan Smith and the Onix. Given Adidas' exclusive use of the Stan Smith trade dress since the 1970s and its acquired fame, the Ninth Circuit found the Stan Smith trade dress did acquire secondary meaning. With respect to Skechers' second argument, the Ninth Circuit found that the striking similarities between the related goods was sufficient to show there was a likelihood of confusion between the two shoes. Accordingly, the Ninth Circuit found that Adidas was likely to succeed on its infringement claim. Lastly, the Ninth Circuit found Adidas carefully controls the supply of its Stan Smith shoes in the market and that Sketchers flooding the market with the Onix would irreparably harm Adidas.

## *Adidas America, Inc. v. Skechers USA, Inc (cont'd.)*

Next, the Ninth Circuit discussed whether the Adidas was likely to succeed on its claims that the Cross Court infringes Adidas' Three-Stripe mark. The District Court found that although both the Cross Court and Adidas's designs have three stripes, and while there are distinctions between the marks, the similarities outweighed the differences. Thus, the District Court held Adidas was likely to succeed on its infringement claim. The Ninth Circuit held that the District Court did not err in its infringement analysis.

Furthermore, the Ninth Circuit found Adidas was likely to succeed on its claim for mark dilution by both the Onix and the Cross Court. Noting the elements for determining dilution substantially overlapped with the elements for determining likelihood of confusion, the Ninth Circuit held that the District Court did not clearly err in its dilution analysis.

However, the Ninth Circuit agreed with Skechers that Adidas did not show that it was likely to succeed on its claim that it would irreparably be harmed from sale of the Cross Court. The District Court found Skechers harmed Adidas's ability to control its brand image post-sale because consumers who see others wearing Cross Court shoes associate the allegedly lesser-quality Cross Courts with adidas and its Three-Stripe mark. The Ninth Circuit found no evidence to support the District Court's analysis of irreparable harm. In fact, the Ninth Circuit noted that the post-sale confusion analysis contradicted the District Court's likelihood of confusion analysis. Specifically, the Ninth Circuit stated, "How would customers who confused Cross Courts for adidas shoes be able to surmise, from afar, that shoes were low quality?... Even if Skechers does make inferior products, there is no evidence that adidas theory of post-sale confusion would cause consumers to associate such lesser-quality products with adidas."

Accordingly, the Ninth Circuit reversed the District Court's issuance of the preliminary injunction in regard to the Cross Court and affirmed the preliminary injunction in regard to the Onix.

# USPTO'S January, 2019 Revised Guidances[1]

On January 7, 2019, the USPTO's revised guidance for subject matter eligibility under 35 U.S.C. § 101 and revised guidance for computer-implemented inventions under 35 U.S.C. § 112 took effect. These guidances are aimed to improve the clarity, consistency, and predictability of Office Actions throughout the USPTO.

Previously, § 101 rejections proved difficult to overcome, especially for software and computer claims. However, the revised § 101 guidance made two primary changes to how patent examiners determine whether a claim is "directed to" a judicial exception under the Mayo/Alice test.

Similar to the previous test, the revised § 101 guidance provides that examiners must determine: (1) if the claimed subject matter is a process, machine, manufacture, or composition of matter; (2A) if the claimed subject matter is directed to a judicial exception; and (2B) if the claim is directed to a judicial exception, evaluate whether the claim provides an inventive concept that is not well-understood, routine, or conventional. However, the new test provides further guidance at step 2A. Specifically, examiners must now:

(1) Evaluate whether the claim recites a law of nature, a natural phenomenon, or an abstract idea rooted in one of the following three groups:
   A. Mathematical concepts - mathematical relationships, calculations, formulas, or equations;
   B. Certain methods of organizing human activity - fundamental economic principles or practices (including hedging, insurance, mitigating risk); commercial or legal interactions (including agreements in the form of contracts; legal obligations; advertising, marketing or sales activities or behaviors; business relations); or managing personal behavior, relationships, or interactions between people (including social activities, teaching, and following rules or instructions); or
   C. Mental processes - concepts performed by the human mind (including an observation, evaluation, judgment, or opinion).

(2) If a claim recites a judicial exception, identify and evaluate all additional elements, individually and in combination to determine if they integrate the exception into a practical application.

[1] The complete revised guidances and additional information can be found: https://www.uspto.gov/about-us/news-updates/us-patent-and-trademark-office-announces-revised-guidance-determining-subject.

# USPTO'S January, 2019 Revised Guidances *(cont'd.)*

Under step 2A(1), claims that do not recite matter that falls within the newly enumerated groupings of abstract ideas should not be treated as reciting abstract ideas. Essentially, step 2A(1) effectively defines what constitutes an abstract idea. Furthermore, under step 2A(2), the revised § 101 guidance provides what is considered an integration into a practical application by citing to Supreme Court and Federal Circuit cases. For example, an additional element that reflects an improvement in the functioning of a computer, or an improvement to other technology or technical field is considered an integration of an abstract idea into a practical application.[2] Lastly, it is important to note that all additional elements evaluated at step 2A must be reconsidered when determining if there is an inventive concept at step 2B.

With respect to the revised § 112 guidance, the USPTO Revised Guidance describes proper application of means-plus-function principles under § 112(f), definiteness under § 112(b), and written description and enablement under § 112(a).

First, the USPTO set forth the procedures for determining whether a claim should be interpreted as a means-plus-function claim under section 112(f). Under the § 112 guidance, examiners must determine: (1) whether the claim recites a "means" or a similar generic placeholder term (for example, "mechanism for," "module for," "device for," "unit for," "component for," "element for," and "member for"), (2) whether the term is modified by functional language, and (3) whether the term is not modified by sufficient structure performing the function.

Furthermore, the revised § 112 guidance also provides the requirements for definiteness under section 112(b) for computer-implemented § 112(f) claims limitations. Specifically, the revised §112 guidance states that the specification for a computer-implemented means-plus-function claim limitation "must disclose an algorithm for performing the claimed specific computer function, or else the claim is indefinite." Moreover, the algorithm must be sufficient to perform "the entire claimed function(s)." Lastly, the revised § 112 guidance notes that the requirement for the disclosure of an "algorithm cannot be avoided by arguing that one of ordinary skill in the art is capable of writing software to convert a general-purpose computer to a special purpose computer to perform the claimed function."

Finally, the revised § 112 guidance clarifies the written description and enablement requirements under section 112(a), for describing the algorithm for performing a specific claim limitation. Precisely, examiners should now determine whether the specification discloses the computer and the algorithm(s) that achieve the claimed function in sufficient detail that one of ordinary skill in the art can conclude that the inventor possessed the claimed subject matter at the time of application filing.

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[2] More examples of abstract ideas integrated into a practical application can be found in the 2019 Revised Subject Matter Eligibility Guidance

# A Year in Review: 2018 Patent Trends*

In January, 2019, United States Patent and Trademark Office ("USPTO) released its annual Performance and Accountability Report for Fiscal Year 2018. Overall, the report showed a slight decrease in patent application filings and patent issuances across utility, design and plant applications. Further, comparing fiscal year 2018 to fiscal year 2017, the average time for a first action to issue dropped from 16.3 months to 15.8 months and the total average pendency dropped from 24.2 months to 23.8 months.

| Patent | | 2017 | 2018 | Δ |
|---|---|---|---|---|
| Filings | Utility | 604,298 | 595,683 | -1.43% |
| | Design | 43,932 | 45,625 | 3.85% |
| | Plant | 1,071 | 1,058 | -1.21% |
| | Reissue | 1,049 | 983 | -6.29% |
| Issued | Utility | 315,366 | 306,909 | -2.68% |
| | Design | 30,270 | 29,441 | -2.74% |
| | Plant | 1,247 | 1,251 | 0.32% |
| | Reissue | 360 | 471 | 30.83% |

| UPR Pendency Statistics by Technology Center (in months) | Average First Action Pendency | Total Average Pendency |
|---|---|---|
| **Total UPR Pendency** | **15.8** | **23.8** |
| Tech Center 1600—Biotechnology and Organic Chemistry | 12.5 | 22.9 |
| Tech Center 1700—Chemical and Materials Engineering | 18.0 | 27.3 |
| Tech Center 2100—Computer Architecture, Software, and Information Security | 19.4 | 28.4 |
| Tech Center 2400—Networks, Multiplexing, Cable, and Security | 15.9 | 25.3 |
| Tech Center 2600—Communications | 11.0 | 19.9 |
| Tech Center 2800—Semiconductor, Electrical, Optical Systems, and Components | 12.7 | 21.6 |
| Tech Center 3600—Transportation, Construction, Agriculture, and Electronic Commerce | 18.2 | 25.8 |
| Tech Center 3700—Mechanical Engineering, Manufacturing, and Products | 19.0 | 28.4 |

Total UPR Pendency for 2017 Average First Action Pendency: 16.3 months

Total UPR Pendency for 2017 Total Average Pendency: 24.2 months

* USPTO Fiscal Year: October 1 through September 30
- All data comes from USPTO's 2017 and 2018 Performance and Accountability Report, available at https://www.uspto.gov/about-us/performance-and-planning/uspto-annual-reports

# A Year in Review: 2018 Patent Trends*(cont'd.)*

2018's Top 20 U.S. Patent Assignees:*

| Rank | Company | 2017 Grants | 2018 Grants | Δ |
|---|---|---|---|---|
| 1 | *IBM* | 9,100 | 9,043 | -0.63% |
| 2 | *Samsung Electronics Co Ltd* | 5,850 | 5,837 | -0.22% |
| 3 | *Canon Inc* | 3,056 | 3,285 | 7.49% |
| 4 | *Intel Corp* | 2,735 | 3,023 | 10.53% |
| 5 | *LG Electronics Inc* | 2,474 | 2,701 | 9.18% |
| 6 | *Taiwan Semiconductor Manufacturing Co Ltd* | 2,465 | 2,425 | -1.62% |
| 7 | *Microsoft Technology Licensing LLC* | 2,353 | 2,441 | 3.74% |
| 8 | *Qualcomm Inc* | 2,300 | 2,628 | 14.26% |
| 9 | *Apple Inc* | 2,160 | 2,229 | 3.19% |
| 10 | *Ford Global Technologies LLC* | 2,123 | 1,868 | -12.01% |
| 11 | *Google LLC* | 2,070 | 2,457 | 18.70% |
| 12 | *Amazon Technologies Inc* | 2,035 | 1,963 | -3.54% |
| 13 | *Toyota Motor Corp* | 1,959 | 1,932 | -1.38% |
| 14 | *Samsung Display Co Ltd* | 1,948 | 2,273 | 16.68% |
| 15 | *Sony Corp* | 1,688 | 2,135 | 26.48% |
| 16 | *Huawei Technologies Co Ltd* | 1,680 | 1,474 | -12.26% |
| 17 | *BOE Technology Group Co Ltd* | 1,634 | 1,413 | -13.53% |
| 18 | *General Electric Co* | 1,597 | 1,577 | -1.25% |
| 19 | *Hyundai Motor Co* | 1,369 | 1,304 | -4.75% |
| 20 | *Telefonaktiebolaget LM Ericsson AB* | 1,353 | 1,552 | 14.71% |

* All data was compiled on January 2, 2018, using USPTO source data by assignee name, by ifi CLAIM Patent Services, available at: https://www.ificlaims.com/rankings-top-50-2018.htm

# A Year in Review: 2018 Trademark Trends

U.S. Trademark Applications and Registrations for Fiscal Years 1998-2018:*

| Year | Applications Filed | Applications Renewed | § 8 Affidavits | Registrations Issued | Registrations Renewed | Registrations (Including Classes) |
|---|---|---|---|---|---|---|
| 1998 | 232,384 | 7,413 | 33,231 | 89,634 | 6,504 | 106,279 |
| 1999 | 295,1 65 | 7,944 | 33,104 | 87,774 | 6,280 | 104,324 |
| 2000 | 375,428 | 24,435 | 28,920 | 106,383 | 8,821 | 127,794 |
| 2001 | 296,388 | 24,174 | 33,547 | 102,314 | 31 ,477 | 124,502 |
| 2002 | 258,873 | 34,325 | 39,484 | 133,225 | 29,957 | 164,457 |
| 2003 | 267,218 | 35,210 | 43,151 | 143,424 | 34,370 | 185,182 |
| 2004 | 298,489 | 32,352 | 41 ,157 | 120,056 | 34,735 | 155,991 |
| 2005 | 323,501 | 39,354 | 47,752 | 112,495 | 32,279 | 143,396 |
| 2006 | 354,775 | 36,939 | 48,444 | 147,118 | 37,305 | 188,899 |
| 2007 | 394,368 | 40,786 | 49,241 | 150,064 | 47,336 | 194,327 |
| 2008 | 401,392 | 42,388 | 68,470 | 209,904 | 42,1 59 | 274,250 |
| 2009 | 352,051 | 43,953 | 65,322 | 180,520 | 42,282 | 241,637 |
| 2010 | 368,939 | 48,214 | 61,499 | 164,330 | 46,734 | 221,090 |
| 2011 | 398,667 | 49,000 | 65,771 | 177,661 | 44,873 | 237,586 |
| 2012 | 415,026 | 63,636 | 76,646 | 182,761 | 59,87 1 | 243,459 |
| 2013 | 433,654 | 74,280 | 93,174 | 193,1 2 1 | 63,709 | 259,681 |
| 2014 | 455,01 7 | 67,865 | 107,823 | 206,555 | 56,166 | 279,282 |
| 2015 | 503,889 | 63,981 | 88,486 | 208,660 | 58,284 | 282,091 |
| 2016 | 530,270 | 72,744 | 87,447 | 227,407 | 62,604 | 309,188 |
| 2017 | 594,1 07 | 79,557 | 92,138 | 242,709 | 84,727 | 327,314 |
| **2018** | **638,847** | **85,563** | **96,091** | **273,808** | **90,192** | **367,382** |

* USPTO Fiscal Year: October 1 through September 30
- All data comes from USPTO's 2017 and 2018 Performance and Accountability Report, available at https://www.uspto.gov/about-us/performance-and-planning/uspto-annual-reports

# A Year in Review: 2018 Trademark Trends *(Cont'd.)*

2018's Top 10 U.S. Trademark Applicants:

| Top 10 Trademark Applicants | | |
|---|---|---|
| **Rank** | **Company** | **2018** |
| 1 | *Target Brands, Inc.* | 645 |
| 2 | *Aristocrat Technologies Australia Pty Ltd.* | 580 |
| 3 | *Amazon Technologies, Inc.* | 510 |
| 4 | *Lidl Stiftung & Co. KG* | 324 |
| 5 | *Samsung Electronics Co., Ltd.* | 300 |
| 6 | *Novartis AG* | 294 |
| 7 | *Walmart Apollo, LLC* | 291 |
| 8 | *ALDI, Inc.* | 266 |
| 9 | *MIPH, LLC* | 264 |
| 10 | *BRANDSTER BRANDING LTD.* | 255 |

Trademark Applications Filed by Residents of Foreign Countries:

| Top 10 Foreign Countries to File U.S. Trademark Applications | | | |
|---|---|---|---|
| **Country** | **2017** | **2018** | **Δ** |
| **China** | 50,942 | 57,879 | 12.0% |
| **United Kingdom** | 15,953 | 14,925 | -6.9% |
| **Germany** | 14,617 | 15,095 | 3.2% |
| **Canada** | 13,855 | 15,470 | 10.4% |
| **France** | 7,953 | 7,642 | -4.1% |
| **Japan** | 7,340 | 7,883 | 6.9% |
| **Australia** | 6,600 | 7,275 | 9.3% |
| **Italy** | 5,759 | 5,705 | -0.9% |
| **Switzerland** | 5,741 | 6,433 | 10.8% |
| **Korea** | 4,529 | 5,011 | 9.6% |
| **Total** | **133,289** | **143,318** | **7.0%** |

Residents of foreign countries filed a total of 143,318 U.S. Trademark and Service Mark applications in Fiscal Year 2018 – an increase of 7% over Fiscal Year 2017. Comparatively, U.S. citizens filed a total of 445,941 U.S. Trademark and Service Mark application in Fiscal Year 2018 – an increase of 7.2% over Fiscal Year 2017.

45 plus YEARS OF EXCELLENCE SINCE 1971

# STAAS & HALSEY LLP

## GLOBAL IP EXCHANGE, BERLIN, GERMANY.

Mr. Gene M. Garner

Mr. Richard Gollhofer

Staas & Halsey LLP is pleased to note that Mr. Gene M. Garner and Mr. Richard A. Gollhofer, partners in Staas & Halsey LLP, are attending the Global IP Exchange conference in Berlin, Germany, from March 11 to March 13, 2019.

Mr. Garner and Mr. Gollhofer will be leading a round-table discussion on patent claim drafting to continue Staas & Halsey's participation in protecting the technology of the future.

To contact Mr. Garner and Mr. Gollhofer for content of their patent claim drafting presentation at the conference in Germany, please email Mr. Garner at ggarner@s-n-h.com or Mr. Gollhofer at ragollhofer@s-n-h.com

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# Staas and Halsey in Top 10 U.S. Law Firms with Best Alice § 101 Patent-Eligible Subject Matter Allowance Rates

On February 7, 2019, Juristat.com released an analytical study of which U.S. law firms were the best at overcoming Alice rejections under 35 U.S.C. § 101. The study included firms with at least 500 disposed applications ("high-volume firms") that had experienced an Alice § 101 patent-ineligible rejection. Staas and Halsey has been named one of the Top 10 high-volume firms with the best Alice allowance and overcome rates.

"Since June of 2014, Alice has become one of the most feared names in patent prosecution. Rejections citing Alice have multiplied exponentially since then, and they now account for more than 60% of §101 rejections and more than 8% of all rejections." Currently, the USPTO average Alice allowance rate is roughly 54%.

The results are as follows:

(1) In the category of "High-Volume Firms with the Best Alice Allowance Rate", Staas and Halsey LLP ranked as the top 6th U.S. law firm at a 60.07% allowance rate.

(2) In the category of "High-Volume Firms with the Best Alice Overcome Rate", Staas annd Halsey LLP ranked as the top 4th U.S. law firm, at a 42.58% overcome rate.

The Alice allowance rate is the percentage of applications that had one or more Alice rejections but were eventually allowed, and the Alice overcome rate is the success rate at overcoming Alice rejections on the first try.

[1] All information is provided by: https://blog.juristat.com/firms-overcoming-alice

# Staas and Halsey Welcomes New Patent Attorney: Sunil Chacko

Staas and Halsey is pleased to announce that patent attorney Sunil Chacko has joined the firm. He specializes in providing clients with patent application analysis and recommendations, preparations of responses and amendments to Office Actions, and provides claim reviews before filing applications to avoid potential 35 U.S.C. 112(f), 112(b), and 101 issues. Mr. Chacko worked as a Wire Field Engineer where he performed Wireline operations to provide clients with reliable reservoir data as well as producing and updating technical documents and handbooks for Navigational Landing Systems (NLS).

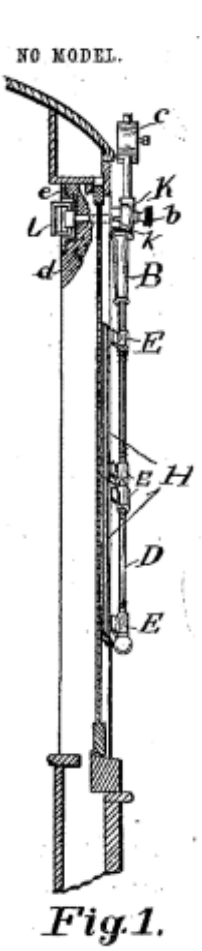
Mr. Chacko has an electrical engineering degree (B.S.EE) from the University of Oklahoma. He has a law degree (J.D.) from the George Washington University law school. Mr. Chacko worked as a Patent Examiner at the United States Patent and Trademark Office where he examined patent applications, performed art searches, identified patentable subject matter, and wrote Office Actions. He is admitted to the Virginia State Bar and is a registered U.S. patent attorney.

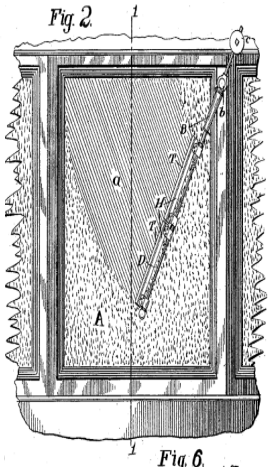
# Winter in Washington, D.C.

During the winter months, Washington D.C. sparkles with many neighbourhoods showing light displays, holiday activites and many things to do and see. From going ice-skating at the Washington Harbor to taking a tour through the grounds of ZooLights at the Smithsonian's National Zoo. Stay warm and cozy on a tour bus while visiting some of the most popular attractions, such as the Washington Monument and the Lincoln Memorial at the National Mall. Shoppers can visit the Downtown Holiday Market while also trying some of the best restaurants around. If you are in the area, do not hesitate to visit our firm's office here in Washington.

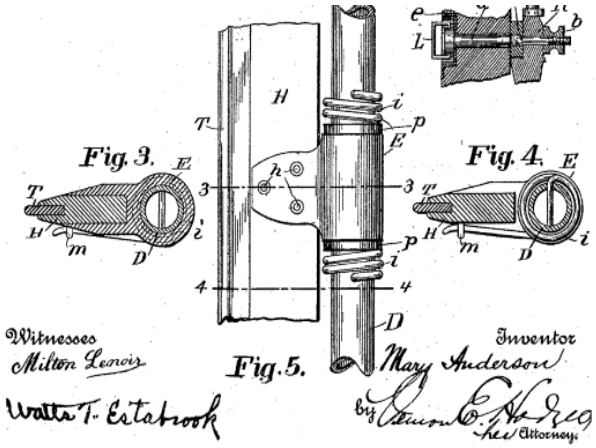
# March in the U.S. Honors Contributions of Women: Inventor Mary Anderson

In the United States, the month of March is declared to highlight the contributions of women in history and society. For this newsletter issue, Staas and Halsey recognizes one of the most important woman-inventors in recent history. Going back to the early 1900s, cars were not very popular and in 1903 car drivers generally accepted that rain on windshields of moving vehicles was a problem that could not be eliminated. Typically, drivers were manually wiping off the windshield moisture or stopping the car frequently due to their inability to see clearly. All of that changed when Mary Anderson who was an American real estate developer, rancher, and viticulturist invented the windshield wiper. The windshield wiper caused a spring-loaded arm with a rubber blade to swing across the windshield and then back again to its original position, thus removing droplets of rain or flakes of snow from the windshield's surface. A century later, it is hard to imagine what driving cars would be like without windshield wipers.




**U.S. Patent No. 743,801**
**November 10, 1903**

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