

# 2018 Winter NEWSLETTER

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SUPREME COURT

***WesternGeco LLC v. ION Geophysical Corp.***

On January 12, 2018, the U.S. Supreme Court (“Supreme Court”) granted certiorari in *WesternGeco LLC v. ION Geophysical Corporation*, to determine “[w]hether the court of appeals erred in holding that lost profits arising from prohibited combinations occurring outside of the United States are categorically unavailable in cases where patent infringement is proven 35 U.S.C. § 271(f).” Petition for a Writ of Certiorari at i., 2018 WL 386561 (No. 16-1011). This case questions whether a remedy of enhanced damages from a patent infringement case includes damages accrued outside the United States.

The case stems from a complaint filed by WesternGeco L.L.C. (“WesternGeco”), alleging that ION Geophysical Corp. (“ION”) infringed upon WesternGeco’s four patents, U.S. Patent Nos. 6,691,038, 7,080,607, 7,162,967, and 7,293,520. At District Court, the jury found infringement and no invalidity and awarded WesternGeco \$93.4 million in lost profits and a reasonable royalty of \$12.5 million. After some back and forth between the District Court, the U.S. Court of Appeals for the Federal Circuit (“Federal Circuit”), and the Supreme Court, the Federal Circuit ruled on July 2015 that ION cannot be liable for lost profits that have occurred outside of the United States and reversed the District Court’s award of the lost profits. Federal Circuit Judge Dyk, writing for the majority, reasoned his decision by stating that “[t]here is no indication in [enacting Section 271(f)], Congress intended to extend the United States patent law to cover uses abroad of the articles created from the exported components.” 791 F.3d 1340, 1350 (2015).

However, this judgment was vacated and remanded back to the Federal Circuit for further consideration in light of *Halo Electronics, Inc. v. Pulse Electronics*. On remand, the Federal Circuit in September 2016 vacated the District Court’s judgment of no willful infringement by ION and asked the District Court to reconsider the enhanced damages, reaffirming Halo’s holding that the determination of enhanced damages for patent infringement is left to the discretion of the District Court and that the preponderance of the evidence standard was to be used in evaluating sufficiency of evidence of willful infringement.

Subsequently, WesternGeco filed a petition for certiorari to the Supreme Court, arguing that even though U.S. patent law does not apply outside the United States when determining liability, there should not be any similar limit on damages. ION filed a brief in opposition, providing that nothing in patent law “permits for damages based on subsequent use overseas, especially in light of the presumption against extraterritorial application of the patent laws.” The U.S. Government, however, disagreed with ION and filed a brief in support of WesternGeco, asserting that the Federal Circuit erred in its holding because “the Patent Act guarantees to a prevailing patent owner ‘damages adequate to compensate for the infringement.’”

## SUPREME COURT

***WesternGeco LLC v. ION Geophysical Corp. (cont'd.)***

By granting certiorari to this issue, the Supreme Court is finally answering the question of lost profits for infringement abroad. Getting an answer from the Supreme Court will shed light on U.S. patent law and its territorial limits on damages generally and potentially on proximate cause. In any case, multinational companies should pay close attention to this case; if the Supreme Court finds in favor of WesternGeco, multinational companies will soon find a reason to file suits against infringers in the United States, even if the infringement occurred outside the United States.



FEDERAL CIRCUIT

***W-Fi One LLC v. Broadcom Corp.***

On January 8, 2018, the U.S. Court of Appeals for the Federal Circuit (“Federal Circuit”) issued its decision in *Wi-Fi One, LLC v. Broadcom Corp.*, holding that time-bar determinations under 35 U.S.C. § 315(b) (“§ 315(b)”) are appealable and overruling *Achates*’s holding that a § 315(b) time-bar determination is final and non-appealable under 35 U.S.C. § 314(d). The provision at issue, § 315(b), states that “[a]n inter partes review may not be instituted if the petition requesting the proceeding is filed more than 1 year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent.”

This case began in 2010 when Telefonaktiebolaget LM Ericsson (“Ericsson”) brought suit against multiple telecommunication companies for infringement of four different patents; however, Broadcom Corp. (“Broadcom”) was never a defendant in this litigation. In 2013, Broadcom filed petitions at the U.S. Patent and Trademark Office (“USPTO”) for inter-partes review (“IPR”) of three of the four patents. During the pendency of the IPRs, Ericsson transferred ownership of the three patents to Wi-Fi One, LLC (“Wi-Fi”). During the review, Wi-Fi argued that the defendants in the initial 2010 litigation were in privity with Broadcom, the suit was filed more than a year ago, and because of those facts, the IPR petitions were time-barred under § 315(b). However, in the Final Written Decisions, the USPTO Patent Trial and Appeal Board (“PTAB”) determined that Wi-Fi had not shown that Broadcom was in privity with the defendants in the initial 2010 litigation, and therefore, the IPR petitions were not time-barred under § 315(b).

Wi-Fi appealed the Board’s decision; however, the Federal Circuit rejected Wi-Fi’s arguments, reasoning that *Achates* renders the § 315(b) time-bar rulings non-appealable. Subsequently, Wi-Fi petitioned for rehearing en banc and the Federal Circuit granted Wi-Fi’s motion to determine whether the § 315(b) time-bar determinations are judicially reviewable.

Coming down to a 9-4 decision, the Federal Circuit held PTAB decisions finding that an IPR petition is timely can be appealed. Writing for the majority, Federal Circuit Judge Reyna first looked if there was an congressional intent to prohibit review, finding that there is “no clear and convincing” indication in the language of the AIA “that demonstrates Congress’s intent to bar judicial review of § 315(b) time-bar determinations.” Op. at 15. The opinion then compares the statutory language in § 314(a) and § 315(b). § 314(a) defines the threshold in terms of determinations that are focused on the patentability merits of particular claims, where as § 315(b) focuses on when an IPR petition can be filed in order to have an IPR be instituted. This is important to note, because § 314(d) bars judicial review of issues directed to the patentability merits of particular claims. Looking at the rest of the sections (§ 311-313), the Federal Circuit found that the § 315(b) time-bar determinations are fundamentally different from those evaluating the satisfactions of the other sections’ requirements. The Federal Circuit concluded that “the statutory scheme as a whole demonstrates that § 315 is not ‘closely related’ to the institution decision addressed in § 314(a), and it therefore is not subject to § 314(d)’s bar on judicial review.” Op. at 20.

## FEDERAL CIRCUIT

***W-Fi One LLC v. Broadcom Corp. (Cont'd.)***

Since this decision provided that the time limitation of § 315(b) for IPR's is appealable, this decision opens the door for future cases wanting to test the reviewability of other requirements provided by statutes concerning the USPTO post-grant process.



FEDERAL CIRCUIT

***Advanced Video Tech v. HTC Corp.***

On January 11, 2018, the U.S. Court of Appeals for the Federal Circuit (“Federal Circuit”) issued its opinion in *Advanced Video Technologies LLC v. HTC Corp.*, holding that a co-inventor of a patent does not transfer ownership interests in the patent under a California employment agreement that includes a “will assign” provision, a trust assignment provision, and a quitclaim assignment provision.

In 2011, Advanced Video Technologies LLC (“AV Tech”) sued HTC, Blackberry, and Motorola (“the defendants”) for patent infringement. The U.S. District Court, however, held that AV Tech did not have full ownership of the patent at issue (“the ’788 patent”) and thus, did not have standing to sue. The District Court found that one of the co-inventors, Vivian Hsiun, never assigned her interests in the ’788 patent application to AV Tech.

Appealing the District Court’s decision, AV Tech argued that it obtained Hsiun’s interests through a series of transfers. AV Tech asserts that in 1992, Hsiun first assigned her interests to Infochips Systems Inc. (“Infochips”), pursuant to an employment agreement; and thus, after Infochips went out of business in 1993 and a series of transfers, the interests of the ’788 patent were obtained by AV Tech. AV Tech asked the Federal Circuit to dismiss the District Court’s finding for a lack of standing and to determine whether Hsiun had transferred her interests in the patent under the terms of her employment agreement with Infochips.

The Federal Circuit rejected AV Tech’s arguments and agreed with the District Court, holding that the employment agreement never assigned Hsiun’s interests in the patent to Infochips. The opinion first looked at the “will assign” provision within the employment agreement. The “will assign” provision provided that Hsiun “will assign to the Company” all her right, title, and interest in any inventions. Relying on *Arachnid, Inc. v. Merit Industries, Inc.*, 939 F.2d 1574, 1576 (Fed. Cir. 1991), the District Court found that “will” invoked “a promise to do something in the future and did not effect a present assignment.” Op. at 6. The Federal Circuit agreed with the District Court, and found that the “will assign” language alone did not create an immediate assignment of Hsiun’s rights in the invention to Infochips.

The Federal Circuit also found that the trust assignment provision undermined the existence of an immediate assignment. The Federal Circuit explained that an inventor could not hold patent rights in trust and immediately assign patent rights at the same time. Even if the AV Tech was a beneficiary of a trust, the beneficiary, under California trust law, generally is not the party in interest and may not sue in the name of the trust.

## FEDERAL CIRCUIT

***Advanced Video Tech v. HTC Corp. (Cont'd.)***

The Federal Circuit then examined the quitclaim provision, which basically waived Hsiun's rights to patents that were assigned. However, because no patent rights were ever assigned to Infochips, the Federal Circuit found that the quitclaim provision did not apply in this situation. Since none of the provisions ever immediately assigned Hsiun's interests of the patent to Infochips, AV Tech did not have full ownership of the patent after all of the transfers. Therefore, because Hsiun was never a party to the suits and did not consent to be party to the suits, AV Tech lacked standing and the District Court's dismissal of the cases was affirmed.



FEDERAL CIRCUIT

***Finjan, Inc. v. Blue Coat Systems, Inc.***

On January 10, 2018, the U.S. Court of Appeals for the Federal Circuit (“Federal Circuit”) upheld the patentability of multiple patents under 35 U.S.C. § 101 (“§ 101”) in *Finjan, Inc. v. Blue Coat Systems, Inc.*, but reversing on both infringement counts of two patents and one of the two patents’ damage amounts for failure to apportion.

In 2013, Finjan, Inc. (“Finjan”) sued Blue Coat Systems, Inc. (“Blue Coat”) for infringement of four Finjan’s patents that were directed to identifying and protecting against malware: U.S. Patent No. 6,154,844 (“the ‘844 Patent”), U.S. Patent No. 7,418,731 (“the ‘731 Patent”), U.S. Patent No. 6,965,968 (“the ‘968 Patent”), and U.S. Patent No. 7,647,633 (“the ‘633 Patent”). The U.S. District Court concluded that the ‘844 Patent was patent-eligible under §101, found that Blue Coat infringed on the ‘844, ‘731, and ‘968 Patents, and awarded Finjan approximately \$40 million for Blue Coat’s infringement. Blue Coat appealed all three decisions.

On the § 101 issue in the ‘844 Patent, Blue Coat argued that even though the claims were directed to a new idea, the ‘844 Patent did “not sufficiently describe how to implement that idea,” relying on both *Apple, Inc. v. Ameranth, Inc.*, 842 F.2d 1229 (Fed. Cir. 2016), *Affinity Labs of Tex., LLC v. DIRECTV, LLC*, 838 F.3d 1253 (Fed. Cir. 2016), and *Intellectual Ventures I LLC v. Symantec Corp.*, 838 F.3d 1307 (Fed. Cir. 2016). Claim 1 of the ‘844 Patent recites:

“A method comprising:

receiving by an inspector a Downloadable;

generating by the inspector a first Downloadable security profile that identifies suspicious code in the received Downloadable; and

linking by the inspector the first Downloadable security profile to the Downloadable before a web server makes the Downloadable available to web clients.”

At claim construction, the District Court construed “Downloadable security profile that identifies suspicious code in the received Downloadable” to mean “a profile that identifies code in the received Downloadable that performs hostile or potentially hostile operations.” Using this interpretation, the Federal Circuit rejected Blue Coat’s argument and discerns the invalid patents-at-issue in those cases, which only describe mere results, with the ‘844 Patent, by noting that the claims in the ‘844 Patent recite more than a mere result and that the ‘844 Patent’s claims did “recite specific steps – generating a security profile that identifies suspicious code and linking it to a downloadable – that accomplish the desired result.” Finding that the claims in the ‘844 Patent are directed to a non-abstract improvement in computer functionality, the Federal Circuit ended its analysis at step one of the Alice two-step test and concluded the ‘844 Patent to be subject matter eligible.

FEDERAL CIRCUIT

***Finjan, Inc. v. Blue Coat Systems, Inc.***  
***(Cont'd.)***

In the next two parts of its opinion, the Federal Circuit agreed with the District Court's jury's finding of infringement of the '844 and '731 Patents: the Federal Circuit concluded that Blue Coat was entitled to a judgment as a matter of law of non-infringement for the '968 Patent, as "the accused products do not perform the claimed 'policy index' limitation." Therefore, the Federal Circuit affirmed the award with respect to the '844 and '731 Patents and vacated the award with respect to the '968 Patent, as there was no infringement.

This case raises questions as to the consistency of the application of the § 101 inquiry between the different Federal Circuit judges. Comparing past cases like *RecogniCorp, LLC v. Nintendo Co. Ltd* and *Smart Systems Innovations, LLC v. Chicago Transit Authority*, the claims there were much more focused and the Federal Circuit found the claims to be patent ineligible. Since the broad claims in this case were interpreted by the District Court to be more specific than its plain language, the Federal Circuit reviewed the claims in light of that construction and found the claims here to be patent eligible. This appears to suggest that in a § 101 case, it is important to get a favorable claim construction by the District Court. In turn, this may result in a favorable decision if the Federal Circuit panel that day decides to base its opinion on the construction provided at the District Court level.

## FEDERAL CIRCUIT

### ***Berkheimer v. HP Inc.***

On February 8, 2018, the U.S. Court of Appeals for the Federal Circuit (“Federal Circuit”) found in *Berkheimer v. HP Inc.* that patentable subject matter can be a question of fact that goes to trial, affirming the U.S. District Court’s decision that claims 10-19 of the patent-at-issue were indefinite and its grant of summary judgment that claims 1-3 and 9 of the patent-at-issue were ineligible under 35 U.S.C. § 101 (“§ 101”). The Federal Circuit also vacated the District Court’s grant of summary judgment that claims 4-7 were ineligible under § 101 and remand for further proceedings.

Steven Berkheimer (“Berkheimer”) sued HP Inc. (“HP”), alleging infringement of claims 1-17 and 9-19 of Berkheimer’s U.S. Patent No. 7,447,713 (“the ‘713 Patent”). The District Court found that the term “archive exhibits minimal redundancy” in claim 10 is indefinite under 35 U.S.C. § 112, rendering claim 10 and its dependent claims, claims 11-19, invalid. The District Court also found claims 1-7 and 9 ineligible under § 101.

Berkheimer appealed, arguing that “‘the archive’ [in claim 10] provides an objective baseline to measure what exhibits ‘minimal redundancy.’” Op. at 5. The Federal Circuit believes that his statement about the archive is correct, but finds that his argument “misses the point.” Id. The issue here does not center on the meaning of “archive,” but rather focuses on what constitutes as “minimal.” Neither the specification nor the prosecution history provides the “objective boundaries” or “terms of degree” of what “minimal” means. Thus, in light of the specification and the prosecution history, the Federal Circuit relied on HP’s expert and ultimately held that the term “minimal redundancy” was indefinite.

In the second part of the Opinion, the Federal Circuit determined whether claims 1-7 and 9 of the ‘713 Patent were patent eligible, finding claims 1-3 and 9 ineligible. Providing that patent eligibility is ultimately an issue of law up front, the Federal Circuit subsequently stated that “[t]he patent eligibility inquiry may contain underlying issues of fact.” *Mortg. Grader, Inc. v. First Choice Loan Servs. Inc.* The Federal Circuit first determined that Berkheimer did not waive his ability to argue that the dependent claims are separately patent eligible because he maintained that “limitations included in dependent claims 4-7 bear on patent eligibility and never agreed to make claim 1 representative,” relying on *Elec. Power Grp. V. Alstom S.A.*, 830 F.3d 1350 (Fed. Cir. 2016).

## FEDERAL CIRCUIT

***Berkheimer v. HP Inc. (Cont'd.)***

The Federal Circuit then applied the Alice two-step test. Alice's first step is to "determine whether the claims at issue are directed to a patent-ineligible concept." The Federal Circuit held that claims 1-7 and 9 were directed to the abstract idea of parsing, comparing, storing, and editing data. Alice's second step is to determine whether the claim limitations "involve more than performance of "well-understood, routine, [and] conventional activities previously known to the industry." The Federal Circuit then reiterated many times throughout that in determining "[w]hether a claim recites patent eligible subject matter is a question of law which may contain disputes over underlying facts." Op. at 12-13. The Federal Circuit then concluded that "the District Court erred in concluding there are no underlying factual questions to the § 101 inquiry." Op. at 14. Further, the Federal Circuit dispelled the fact that because something is disclosed in prior art means it was well-understood, routine, and conventional, providing that the improvements disclosed in the specifications "creates a factual dispute regarding whether the invention describes well-understood, routine, and conventional activities." Op. at 15. Analyzing each individual claim, the Federal Circuit found that claim 1-3 and 9 did not recite any of the purportedly unconventional activities disclosed in the specification. However, the Federal Circuit found that claims 4-7 "contain limitations directed to the arguably unconventional inventive concept described in the specification, a specific method of archiving that provides benefits that improve computer functionality." Op. at 16-17.

In conclusion, the Federal Circuit found claims 1-3 and 9 of the '713 Patent ineligible under § 101. It also found that "there is at least a genuine issue of material fact in light of the specification regarding whether claims 4-7 archive documents in an inventive manner that improves these aspects of the disclosed" invention. Op. at 17. Thus, the Federal Circuit concluded that the summary judgment on claims 4-7 was improper, vacated the District Court's grant of summary judgment that claims 4-7 were ineligible under §101, and remanded for further proceedings.

Because the Federal Circuit found that patentable subject matter can be a question of fact, this ruling can significantly change costs, timing, and thus leverage for patent owners defending the eligibility of a patent. The ruling also questions the practice of representative claim rulings, which was also mentioned during the Alice case. These Federal Circuit findings may result in the USPTO having to update its § 101 guidance for examiners and the PTAB.

## TRADEMARKS – USPTO

### USPTO Trademark Trends\*

#### U.S. TRADEMARK APPLICATIONS AND REGISTRATIONS Fiscal Year 2017 v. Fiscal Years 1996-2016†:

Trademarks Applications Filed			
Year	Registration	Renewal	§ 8 Affidavit
1996	200,640	7,543	22,169
1997	224,355	6,720	20,781
1998	232,384	7,413	33,231
1999	295,165	7,944	33,104
2000	375,428	24,435	28,920
2001	296,388	24,174	33,547
2002	258,873	34,325	39,484
2003	267,218	35,210	43,151
2004	298,489	32,352	41,157
2005	323,501	39,354	47,752
2006	354,775	36,939	48,444
2007	394,368	40,786	49,241
2008	401,392	42,388	68,470
2009	352,051	43,953	65,322
2010	368,939	48,214	61,499
2011	398,667	49,000	65,771
2012	415,026	63,636	76,646
2013	433,654	74,280	93,174
2014	455,017	67,865	107,823
2015	503,889	63,981	88,486
2016	530,270	72,744	87,447
<b>2017</b>	<b>594,107</b>	<b>79,557</b>	<b>92,138</b>

Trademarks Registered and Renewed		
Regis. Issued	Renewed	Regis. (Inc. Classes)
78,674	7,346	91,339
97,294	7,389	112,509
89,634	6,504	106,279
87,774	6,280	104,324
106,383	8,821	127,794
102,314	31,477	124,502
133,225	29,957	164,457
143,424	34,370	185,182
120,056	34,735	155,991
112,495	32,279	143,396
147,118	37,305	188,899
150,064	47,336	194,327
209,904	42,159	274,250
180,520	42,282	241,637
164,330	46,734	221,090
177,661	44,873	237,586
182,761	59,871	243,459
193,121	63,709	259,681
206,555	56,166	279,282
208,660	58,284	282,091
227,407	62,604	309,188
<b>242,709</b>	<b>84,727</b>	<b>327,314</b>

\* Except where otherwise noted, all data comes from USPTO Performance and Accountability Report (Fiscal Year 2017).

† USPTO fiscal year: October 1 through September 30.

## TRADEMARKS – USPTO

### USPTO Trademark Trends (Cont'd.)

#### NON-U.S. ORIGIN APPLICATIONS:

Top 6 Foreign Countries to have Filed U.S. Applications in FY 2017	
Country	Number of Filings
China	50,942
United Kingdom	15,953
Germany	14,617
Canada	13,855
France	7,953
Japan	7,340

Residents of foreign countries filed 180,487 U.S. trademark and service mark applications in Fiscal Year (FY) 2017 – an increase of 27.78% over Fiscal Year 2016 numbers.

Residents of the United States\* filed 413,620 U.S. trademark and service mark applications in Fiscal Year (FY) 2017 - an increase of 6.33% over Fiscal Year 2016 numbers.

\* Includes residents of American Samoa, Guam, and miscellaneous U.S. Pacific Islands.

#### TRADEMARK PENDENCY:

	FIRST ACTION & TOTAL PENDENCY OF U.S. TRADEMARK APPLICATIONS (FISCAL YEARS 2006-2016)											
PENDENCY (Avg. Months Elapsed)	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Between Filing and Examiner's First Action	4.8	2.9	3	2.7	3.0	3.1	3.2	3.1	3.0	2.9	3.1	<u>2.7</u>
Between Filing and Notice of Allowance (including suspended and <i>inter partes</i> proceedings)	18	15.1	13.9	13.5	13.0	12.6	12	11.7	11.5	11.5	11.3	<u>10.9</u>
Between Filing and Notice of Allowance (excluding suspended and <i>inter partes</i> proceedings)	15.5	13.4	11.8	11.2	10.5	10.5	10.2	10.0	9.8	10.1	9.8	<u>9.5</u>

TRADEMARKS – USPTO

**USPTO Trademark Trends (Cont'd.)**

**U.S. TRADEMARK TRIAL AND APPEAL BOARD:**

Activity	Ex Parte	Opposition	Cancellations	Concurrent Use	Total
Cases pending as of 9/30/2016 (Total)	1,316	5,236	1,694	36	8,282
Cases filed During FY 2017	3,158	6,156	2,101	30	11,445
Disposals During FY 2017 (Total)	3,182	5,989	1,940	24	11,135
Before oral hearing or briefing	2,693	5,874	1,895	24	10,486
After hearing (no oral hearing)	423	99	25	-	547
After oral hearing	66	16	20	-	102
Cases pending as of 9/30/2017 (Total)	1,292	5,403	1,855	42	8,592
Awaiting Decision	65	18	10	-	93
In process before hearing or final briefing	1,227	5,385	1,845	42	8,499
Requests for Ext. of Time to Oppose FY 2017	18,490	-	-	-	-

**MADRID PROTOCOL<sup>‡</sup>**

Year	2010	2011	2012	2013	2014	2015	2016	2017
International Registrations Designating the U.S. Office	14,252	15,890	16,411	17,322	17,268	20,045	17,942	22,698
U.S. Origin International Applications	4,182	4,913	5,445	6,034	6,617	7,509	7,813	7,279

<sup>‡</sup> All data comes from the World Intellectual Property Organization Statistics Data Center, available at <https://www3.wipo.int/ipstats/pmindex.htm?tab=madrid>. Indicator is 6a and 1b. Report type is Yearly statistics. Office of Origin is United States of America.

## TRADEMARKS – USPTO

### *In re Brunetti*

On December 15, 2017, the U.S. Court of Appeals for the Federal Circuit (“the Federal Circuit”) found that 15 U.S.C. §1502(a)’s bar on registering immoral or scandalous marks is an unconstitutional restriction of free speech. Therefore, the Federal Circuit reversed the decision of the U.S. Patent and Trademark Office (“USPTO”) Trademark Trial and Appeal Board (“TTAB”) holding that Mr. Brunetti’s mark was unregistrable.

In 1990, Erik Brunetti (“Brunetti”) founded a clothing brand named “fuct.” In 2011, two individuals filed a U.S. trademark application for the mark FUCT and assigned the application to Brunetti. However, the USPTO refused to register the mark under 15 U.S.C. § 1502(a) (“§ 2(a)”), because the mark comprised immoral or scandalous matter, reasoning that FUCT is the past tense of a vulgar word, and is therefore scandalous. Brunetti appealed this refusal to the TTAB, affirming the USPTO’s decision and reasoning that the mark was vulgar and therefore unregistrable under § 2(a) of the Lanham Act. Brunetti appealed the decision, arguing 1) that the mark is not vulgar and 2) even if the mark is vulgar, §2(a)’s bar on immoral or scandalous marks is unconstitutional.

The Federal Circuit disagreed with Brunetti’s first argument, providing that the mark FUCT was indeed vulgar and therefore scandalous. The Federal Circuit first analyzed the mark itself, agreeing with TTAB’s “finding that ‘fuct’ is a ‘phonetic twin’ of f\*cked, the past tense of the f\*ck.” Op. at 6. The Federal Circuit then looked at the use of the mark, finding the term on “products containing sexual imagery” and thus “mak[ing] it more likely that the mark will be perceived as the phonetic equivalent of the word ‘f\*cked.’” Op. at 7. Unsurprisingly, the Federal Circuit concluded that the mark FUCT was vulgar and therefore the TTAB did not err in concluding the mark was not registrable under § 2(a).

On the second argument, the Federal Circuit agreed with Brunetti, holding that § 2(a)’s bar on immoral or scandalous marks is unconstitutional under the First Amendment. Relying on the holding from *Matal v. Tam*, 137 S. Ct. 1744 (2017), where the Supreme Court concluded that § 2(a)’s bar on the registration of disparaging marks discriminated based on viewpoint, the Federal Circuit concluded that the § 2(a)’s bar on immoral or scandalous marks is a content-based restriction. The Federal Circuit then spent the rest of the opinion countering the government’s arguments: 1) § 2(a)’s content-based bar on registering immoral or scandalous marks does not implicate the First Amendment because trademark registration is either a government subsidy program or limited public form; 2) trademarks are commercial speech implicating only the intermediate level of scrutiny set forth in *Central Hudson Gas & Electric Corp. v. Public Service Commission*, 447 U.S. 557 (1980); and 3) under a less exacting degree of scrutiny, the immoral or scandalous provision is an appropriate content-based restriction tailored to substantial government interests.

## TRADEMARKS – USPTO

### *In re Brunetti (Cont'd.)*

Per the government's first argument, the Federal Circuit found that U.S. federal trademark registration is neither a government subsidy program nor a limited public forum, both of which might permit content-based restrictions. The Federal Circuit reasoned its conclusion by stating that the government's involvement in processing and issuing trademark registrations does not transform trademark registrations into a government subsidy. Further, if the government's listing of registered trademarks creates a limited public forum, the Federal Circuit provided that every government registration program could similarly implicate a limited public forum. Thus, the Federal Circuit found that the registration of trademarks does not create a limited public forum in which the government can more freely restrict speech.

Per the government's second argument, the Federal Circuit again rejected the government's argument, holding that because the bar targets "the expressive content of speech," the bar must receive strict scrutiny, and not intermediate scrutiny. The Federal Circuit then analyzed whether the more permissive test of intermediate scrutiny would even apply in this case, finding that the bar is still unconstitutional, as the government failed to identify a substantial governmental interest served by the regulation. Additionally, Congress has never indicated that the bar was not carefully tailored in either its design or application.

The opinion ends with the Federal Circuit providing that there is no reasonable definition of the statutory terms, "scandalous" or "immoral," that would preserve constitutionality, and it has no means of trying to create a definition as this duty belongs to Congress.

Since the First Amendment protects private expression, even private expression which is offensive to the general public, and because the government had not shown a substantial governmental interest for policing offensive speech in the trademark registration process, the Federal Circuit held that the bar in § 2(a) against immoral or scandalous marks is unconstitutional due to it violating the First Amendment. The Federal Circuit reversed the TTAB's holding that Brunetti's mark was unregistrable under § 2(a).

## TRADEMARKS – USPTO

### ***Booking.com v. Matal***

On August 9, 2017, the U.S. District Court for the Eastern District of Virginia (“District Court”) reversed a decision by the U.S. Patent and Trademark Office (“USPTO”) Trademark Trial and Appeal Board (“TTAB”) that “Booking.com” is unregistrable as a trademark, holding that the addition of “.com” to a generic term allows the term to potentially have a secondary meaning and thus protectable under the Landam Act.

From December 2011 to November 2012, Booking.com (“Plaintiff”) filed four different U.S. trademark applications for the mark, “Booking.com” (“mark-at-issue”). The examiner for each of the applications rejected each application on the ground that the mark-at-issue was merely a descriptive mark and therefore unregistrable. After the Plaintiff asserted that the mark-at-issue had acquired distinctiveness, the examiner rejected once, providing that the mark-at-issue was generic and merely descriptive and the Plaintiff failed to establish acquired distinctiveness.

The Plaintiff appealed to the TTAB, providing evidence that the mark-at-issue had acquired distinctiveness through winning awards and gaining popularity. The TTAB affirmed the examiner’s refusal, providing that the “.com” did not negate the generic character of the term “booking” and that the combined term “Booking.com” would be understood by consumers “primarily to refer to an online reservation service for travel, tours, and lodging,” making the mark generic for the services offered. The TTAB concluded that the mark-at-issue was descriptive of Plaintiff’s services and that the Plaintiff “failed to demonstrate that the term has acquired distinctiveness.”

The Plaintiff then appealed the TTAB’s decision to the District Court, bringing suit against the USPTO for its denial of registration of the four trademark applications. The U.S. Court of Appeals for the Federal Circuit (“Federal Circuit”) has repeatedly ruled that URLs like “Mattress.com” and “Hotels.com” are generic and unregistrable, holding that top-level domains (“TLD”), like “.com,” have “no source-indicating function” themselves. For a descriptive mark to be registrable, the owner must prove that the mark has acquired distinctiveness through a showing of secondary meaning. This means that adding a main generic word, also known as a second-level domain (“SLD”) to a TLD does provide distinctiveness and thus does not make that word registrable.

## TRADEMARKS – USPTO

### ***Booking.com v. Matal (Cont'd.)***

However, in this case, the District Court found that a mark with a “.com” suffix was able to acquire distinctiveness and therefore is not generic. The District Court expressly denied to rely on that precedent and instead, relied on *In re 1800MATTRESS.COM IP, LLC*, 586 F.3d 1359 (Fed. Cir. 2009), to determine whether the descriptive mark-at-issue had secondary meaning. The District Court provided that “[a]lthough a TLD, like an area code, has no source identifying significance by itself, in combination with a[n] SLD, it indicates a domain name, which like a telephone number, is unique... [T]he combination of a TLD and a generic SLD creates a descriptive mark by indicating that services relating to the generic SLD are available by accessing the domain name.” In conclusion, the District Court reversed the TTAB’s decision and remanded the applications back to the TTAB for reconsideration of the applications under this new rule.

Ever since the internet was created, the USPTO has been holding that TLDs are generic and as a result, not registrable. The USPTO will probably still continue that practice until the Federal Circuit makes a decision on this issue. But for now, companies that are looking to obtain a trademark registration for its website may have to travel to District Court to get a favorable result.



## PATENTS – USPTO

### USPTO Patent Trends

#### USPTO Patent Trends: Fiscal Year 2017 v. Fiscal Year 2016<sup>1</sup>

Recent statistics published by the United States Patent and Trademark Office (“USPTO”) showed a general decrease in U.S. patent application filings across utility, reissue, and plant applications with a slight increase in U.S. design patent application filings in fiscal year 2017. Statistics also showed a general increase in U.S. patent issuances across utility and design applications in fiscal year 2017. Additionally, the average time for a first office action to issue slightly increased from 16.2 months to 16.3 months. Finally, the number of Inter Partes Review (IPR) petitions filed significantly increased from 1,565 in 2016 to 1,812 in 2017. However, in that same period of time, institution rates of all post-grant proceedings decreased from 67% (1,011 institutions of 1,507 petitions) to 63% (955 institutions of 1,521 petitions).

#### U.S. PATENT APPLICATION & ISSUED PATNET TRENDS<sup>2</sup>:

Patent		2016	2017	Δ%
Filings	Utility	607,753	602,354	-0.89%
	Design	40,406	43,272	7.09%
	Plant	1,180	1,056	-10.51%
	Reissue	1,072	706	-34.14%
Issued	Utility	304,568	315,366	3.55%
	Design	27,830	30,270	8.77%
	Plant	1,250	1,247	-0.24%
	Reissue	459	360	-21.57%

**Average Application Pendency to First Office Action:** 2016: 16.2 months  
2017: 16.3 months

#### U.S. POST-GRANT PROCEEDINGS TRENDS<sup>3</sup>:

Post-Grant Proceedings Petitions Filed		
	2016	2017
Inter Partes Review (IPR)	1,565	1,812
Covered Business Methods (CBM)	94	48
Post Grant Review (PGR)	24	41

Institution Rate		
	2016	2017
Petitions Instituted	1,011	955
Petitions Denied	496	557
Percentage of Petitions Instituted	67%	63%

<sup>1</sup> USPTO fiscal year: October 1 through September 30

<sup>2</sup> All data comes from USPTO Performance and Accountability Report (Fiscal Year 2017), available at <https://www.uspto.gov/sites/default/files/documents/USPTOFY17PAR.pdf>

<sup>3</sup> All data comes from USPTO Patent Trial and Appeal Statistics September 2017, available at [https://www.uspto.gov/sites/default/files/documents/Trial\\_Stats\\_2017-09-30.pdf](https://www.uspto.gov/sites/default/files/documents/Trial_Stats_2017-09-30.pdf)

PATENTS – USPTO

**USPTO Patent Trends (Cont'd.)**

2017 Top 20 US Patent Assignees<sup>4</sup>:

Rank	Company	2017 Grants	2016 Grants
1	International Business Machines Corp. (IBM)	9,043	8,090
2	Samsung Electronics Co. Ltd.	5,837	5,521
3	Canon KK	3,285	3,665
4	Intel Corp.	3,023	2,793
5	LG Electronics Inc.	2,701	2,430
6	Qualcomm Inc.	2,628	2,925
7	Google LLC	2,457	2,842
8	Microsoft Technology Licensing LLC	2,441	2,410
9	Taiwan Semiconductor Manufacturing Co. Ltd. (TSMC)	2,425	2,288
10	Samsung Display Co. Ltd.	2,273	2,025
11	Apple Inc.	2,229	2,103
12	Sony Corp.	2,135	2,184
13	Amazon Technologies Inc.	1,963	1,672
14	Toyota Motor Corp.	1,932	1,672
15	Ford Global Technologies LLC	1,868	1,525
16	General Electric Co.	1,577	1,660
17	Toshiba Corp.	1,555	1,965
18	Telefonaktiebolaget LM Ericsson	1,552	1,552
19	Fujitsu Ltd.	1,538	1,568
20	Huawei Technologies Co. Ltd.	1,474	1,202

<sup>4</sup> All data comes from ifi Claims Patent Services 2017 Top 50 US Patent Assignees, available at <https://www.ificlaims.com/rankings/rankings-top-50-2017.htm>

## PATENTS – USPTO

### USPTO MPEP's 2018 January Revision

On January 25, 2018, the U.S. Patent and Trademark Office (“USPTO”) updated the Manual of Patenting Examining Procedure (“MPEP”) with revisions to most of the chapters. Most importantly, the update added many new sections providing guidance on Patent Subject Matter Eligibility in Chapter 2100, Section 2106.

Ever since *Alice Corp. v. CLS Bank Int'l*, the U.S. Court of Appeals for the Federal Circuit (“Federal Circuit”) has been providing rulings that gives patent practitioners a sense of what is patent eligible subject matter under 35 U.S.C. § 101 (“§101”). In response, every half year or so, the USPTO issues guidance memorandums to mainly examiners, and also patent practitioners, about how to apply these rulings. With this guidance now implemented and centralized in the MPEP, communication between examiners and practitioners will improve as both parties can point to a specific section of the MPEP whenever an issue about patent eligibility arises. A few updated sections worth highlighting are MPEP §§ 2106.04(a) and 2106.07.

MPEP § 2106.04(a), “Abstract Ideas,” provides the method in which the Federal Circuit determines whether a claim is an abstract idea. This section states that courts “have often identified abstract ideas by referring to earlier precedent,” further claiming that “software and business methods are not excluded categories of subject matter.” In fact, this section discusses the Federal Circuit’s analysis on subject matter eligibility in *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327 (Fed. Cir. 2016), *McRO, Inc. v. Bandai Namco Games Am. Inc.*, 837 F.3d 1299 (Fed. Cir. 2016), and *Visual Memory LLC v. NVIDIA Corp.*, 867 F.3d 1253 (Fed. Cir. 2017). Practitioners can use this analysis within the MPEP to help bolster their argument or weaken the examiner’s argument when faced with an §101 rejection.

Going further to MPEP § 2106.04(a)(1), “Examples of Claims That Are Not Directed To Abstract Ideas,” this section outlines further examples of claims that are not directed to abstract ideas. This section begins with providing cases that contain claims that “are not directed to an abstract idea because they do not recite anything similar to a judicially-identified abstract idea, although it may be apparent that at some level they are based on or involve an abstract idea.” The section then provides non-limiting hypothetical examples of claims that do not describe an abstract idea. This section then notes that “claims reciting an abstract idea are not directed to the abstract idea because they also recite additional elements (such as an improvement) demonstrating that the claims as a whole clearly do not seek to tie up the abstract idea.” The section again provides non-limiting hypothetical examples of claims that are not directed to an abstract idea because of an improvement or other limitation that renders the eligibility of the claim self-evident. Applicants should familiarize themselves with the cases in this section, so that they can draft patent applications with these cases in mind to avoid § 101 rejections.

**PATENTS – USPTO**

**USPTO MPEP's 2018 January Revision  
(Cont'd.)**

MPEP § 2106.04(a)(2), “Examples of Concepts The Courts Have Identified As Abstract Ideas,” is another important tool for applicants, as this will be the section where the examiners will likely cite to support their § 101 rejections. This section provides cases where the Federal Circuit found the patents to be patent-ineligible because the claims contained abstract ideas. Applicants should also familiarize themselves to the cases in this section, so they can avoid the pitfalls and mistakes that occurred in these cases. Also, when facing a § 101 rejection, applicants can use the analysis provided in this section to distinguish their patent applications from these cases.

Another important section to highlight is MPEP § 2106.07, “Formulating and Supporting Rejections For Lack of Subject Matter Eligibility.” This section structures the examiner’s rejection and should help applicants understand the examiner’s reasoning behind a § 101 rejection. It is also important for applicants to read through MPEP §2106.07(b) to understand how the examiners respond to the applicants’ responses. By centralizing the §101 analysis into the MPEP, examiners and the applicants will be “on the same page” when discussing §101 issues within patent applications. Better understanding each other will lead to a higher likelihood of success for an allowance.

**PATENTS – USPTO**

**U.S. Senate’s Approval of Andrei Iancu as  
USPTO Director**

On February 5, 2018, the United States Senate finally approved President Trump’s nomination of Andrei Iancu to direct the United States Patent and Trademark Office (“USPTO”).

President Trump first announced his pick back on August 25, 2017. Iancu was confirmed in an overwhelmingly bipartisan 94-0 vote in the Senate on the first Monday of February. Iancu will be relieving Joseph Matal, the acting USPTO director, at the USPTO. In answering questions at his confirmation hearing, Iancu provided that he would “pursue a balance between patent owners and practitioners,” pointing out that Congress has already implemented the American Invents Act (“AIA”) to decrease the amount of lawsuits brought on by “patent trolls.” Being a litigator, Iancu understands the reality of the patent review process and hopes to better balance that process. It is also interesting to note that Iancu is the only one of Trump’s Commerce Department appointees who has been moved through the Senate in recent weeks. Twelve other Senate-confirmable positions in the agency are still unfilled.

## PATENTS – USPTO

### **USPTO Maintenance Fees for Reissue Patent Families**

For USPTO patent maintenance fees due on or after January 16, 2018, a separate payment of the maintenance fee for each reissued patent based on a single and original patent is required. The separate payment of the maintenance fee is also required for the original patent if there is a pending reissue application based on the original patent. The purpose of this separate maintenance fee is to maintain each reissued patent(s) and the original patent in force beyond the 4th, 9th, or 12th anniversary of the grant date of the original patent.

The due date for a maintenance fee is the last day the maintenance fee may be paid without a surcharge under 37 CFR 1.362(d). Maintenance fee payments due on January 15, 2018, will be the last maintenance fees payable under the former practice. However, to ensure that all patentees have a six-month period to pay maintenance fees without a charge, the USPTO is establishing procedures for patentees to request a refund of the surcharge under 37 CFR 1.20(h) for payments made from January 17, 2018 to July 16, 2018. The request for refund is limited to the surcharge accompanying the maintenance fee payments that are newly required by this change in practice. The request for refund may be submitted by January 16, 2019 via EFS-Web using document code PET.OP or by mail directed to Mail Stop Petition, Commissioner for Patents, P.O. Box 1450, Alexandria, VA 22313-1450.

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## FIRM NEWS



## STAAS & HALSEY LLP

### SPONSORING THE 2017 IPCON IN INDIA



Staas & Halsey LLP was pleased to announce sponsorship of IPCON 2017 – “Changing IP Landscape in India” – organized by Confederation of Indian Industry (CII) - <http://www.cii.in/> Western Region, and in association with ProdyoVidhi, The Intellectual Edge.

Mr. Mehdi Sheikerz, a partner at the firm, also was speaking at the Conference. The conference explored Intellectual Property Rights (IPR) topics including creation and protection of IPR in pursuit of innovation in India and global markets, and exploiting opportunities created by IPR assets.

The one day conference was held on November 24, 2017 at: Mayfair Banquets, 254-C, Dr. Annie Besant Road, Worli Shivaji Nagar, Mumbai, Maharashtra 400030.

## FIRM NEWS

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## STAAS & HALSEY<sup>LLP</sup>

### GLOBAL IP EXCHANGE, BERLIN, GERMANY.



Mr. Gene M. Garner



Mr. Richard Gollhofer

Staas & Halsey<sup>LLP</sup> is pleased to announce that Mr. Gene M. Garner and Mr. Richard Gollhofer, partners in Staas & Halsey<sup>LLP</sup>, attended the Global IP Exchange conference in Berlin, Germany, from March 12 to March 14, 2018.

Mr. Garner and Mr. Gollhofer lead a round-table discussion on recent developments in patent law in the U.S. and worldwide.

The discussion is part of Staas & Halsey<sup>LLP</sup> ongoing efforts to inform applicants about recent patent law developments with regard to software/computer-implemented inventions.

To further contact Mr. Garner and Mr. Gollhofer about the conference presentations, please email Mr. Garner at [ggarner@s-n-h.com](mailto:ggarner@s-n-h.com) or Mr. Gollhofer at [ragollhofer@s-n-h.com](mailto:ragollhofer@s-n-h.com)

FIRM NEWS



# STAAS & HALSEY LLP

## LIVE WEBINAR



Staas & Halsey LLP is pleased to announce that Mr. Paul Kravetz, a partner in Staas & Halsey LLP, was a panelist on the webinar hosted by The Knowledge Group, at <https://www.theknowledgegroup.org>, entitled "Artificial Intelligence and The Patent Law: Promises and Perils Event." This live webinar was on Tuesday, March 20, 2018. To contact Mr. Kravetz, about the webinar presentation, please email Mr. Kravetz at [pkravetz@s-n-h.com](mailto:pkravetz@s-n-h.com).

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## FIRM NEWS



# STAAS & HALSEY LLP

## TO ATTEND THE 2018 INTA ANNUAL MEETING

Several trademark-experienced attorneys from Staas & Halsey LLP will be attending the May, 2018 International Trademark Association (INTA) Annual Meeting.

The 2018 Annual Meeting will be from Saturday, May 19 to Wednesday, May 23, 2018 in Seattle, Washington. For more information about our firm's attendance at INTA, please contact us at [trademarks@s-n-h.com](mailto:trademarks@s-n-h.com).

## Winter in Washington, D.C.

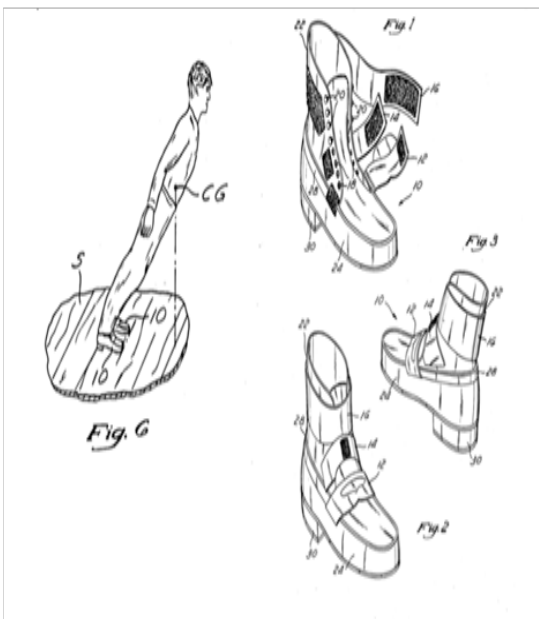


During this winter in Washington D.C., the weather changed to cold and wet conditions with shorter and darker days. However, when December drew closer, Washington D.C. as usual added a lot of Christmas activities and traditions while people enjoyed their time with their families. After the Christmas activities were over, there was still plenty of things to do for both locals and guests alike such as light displays and seasonal events in the nation's capital. Discovering pure joy in Washington D.C. means you can dine in a cozy restaurant by the fire or ice skate by the waterfront. However, everyone here at the firm are looking forward shortly to spring and the Cherry Blossoms.

## FIRM NEWS

**Celebrity Patent Inventor: Michael Jackson**

In the video for "Smooth Criminal" Michael Jackson seemingly leaned in defiance of gravity, how did he do that? He did that by wearing a pair of shoes that were specially designed to be able to hitch into a device hidden underneath the stage. Jackson and two co-inventors patented this "method and means for creating anti-gravity illusion" in 1993. The shoes have a specially designed heel slot which can be detachably engaged with the hitch member by simply sliding the shoe wearer's foot forward, thereby engaging with the hitch member.



**U.S. Patent 5255452**  
**A. Granted October**  
**26, 1993**



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