

Intellectual Property



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Chair's Comment

By Grace Han Stanton

Greetings Section Members! As of October 2005, the Section's newest Executive Committee began its term and had its first meeting on October 19, 2005, at Perkins Coie in Seattle, Washington.

I am happy to introduce the 2005-2006 IP Section leadership to you. Our tireless leader, **Liz Holohan**, (liz@intvoen.com) completed her tremendous year as Chair of the Section. We are fortunate that she will continue as the Section's Past Chair. I am honored to be serving as the Section's **Chair** with the support and leadership of **Chair-elect Michael Keyes** (jmkeyes@prestongates.com) and **Secretary-Treasurer Davina Childs** (davina.childs@t-mobile.com). Mike continues to play a key role in bridging the Section with Eastern Washington practitioners. Mike practices in Preston Gates Ellis's Spokane office and still manages to commute to Seattle for our Executive Committee monthly meetings. Davina was instrumental in organizing a joint CLE with the WSBA Business Law Section entitled *Look Before You License*, which was held on September 20, 2005. We are fortunate to have the continuing support of our at-large members, **Maurice Pirio** (mpirio@perkinscoie.com), who supports the Section's outreach activities; **Jim Baunach** (jbaunach@woodcock.com), who continues to serve as the Section's newsletter Editor; **Brian Bodine** (brianbodine@dwt.com), who co-chaired last year's IP Institute CLE and has now taken on a new role as the Section's liaison to Seattle University Law School; and **Kimton Eng** (eng.kimton@dorsey.com), who continues supports Section outreach.

The Section continues to benefit from generous volunteers, as well. **Christopher Lynch** is our Eastern Washington representative. **Signe Brunstad** is our University of Washington Law School liaison. She serves as the Assistant Director for both the law school's LL.M and CASRIP programs. **Mark Lorbriccki** is our website coordinate volunteer. **Toni Doane** of the WSBA continues to provide the Section with tremendous support and resources.

In reflecting on the Section's goals for the 2005-2006 term, we cannot help but contemporaneously look back on

the commendable roadmap set by the Section's immediate Past-chair, Liz Holohan, the 2004-2005 Executive Committee, the WSBA and you, our members. A theme that we plan to continue this year is *Outreach and Contribute*.

Last year, we continued our efforts to outreach to all three law schools, IP practitioners and Section members in Eastern Washington. We held Meet-and-Greet events at each of the three local law schools, with the most recent Meet-and-Greet event hosted at Gonzaga University Law School on October 25, 2005. The event was well-attended by law school professors, the Dean, practitioners and law students. At this event, we also had the pleasure of presenting a \$2,000 WSBA IP Section scholarship to a deserving Gonzaga law student with an interest pursuing a legal career in intellectual property.

One of Executive Committee's goals was to create opportunities to strengthen ties with Eastern Washington's intellectual property bar. Through our Eastern Washington liaisons, Christopher Lynch and Michael Keyes, we organized a well-attended joint WSBA IP Section/Gonzaga University Law School day-long CLE. The success of the Eastern Washington outreach efforts has the Executive Committee looking into other similar opportunities in other parts of Washington state for 2005-2006.

Looking ahead, we also plan to hold additional Meet-and-Greet events at Seattle University Law School and University of Washington Law School early next year. We

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will post information about these events on our website and welcome any of our Section members to attend these events. Continuing with the Section's outreach to law schools, the Executive Committee has recently decided to provide financial support to each local law school who hosts Intellectual Property-focused moot court competitions.

The other exciting events coming up next year include our annual **Intellectual Property Institute**, which will be held on **Friday, March 24, 2006**, at the Red Lion Hotel in downtown Seattle, Washington. This year's co-chairs are **Michael Stein** and **Mark Jordan**. The Executive Committee through volunteer **Mark Lorbrieki** continues to work on the Section's website redesign to bring important information and update to the Section members. The plan is to "go live" in 2006. The joint CLE collaboration in Eastern Washington and the *Look Before You License* CLE also has the Executive Committee looking into other joint CLE opportunities with other WSBA sections.

These are just several of the projects that we have in the works, and we welcome any comments, suggestions or ideas from our members concerning these projects or any other matters. On behalf of your Executive Council, we look forward to serving you, our Section's members. Thank you.

Grace Han Stanton is an Associate at Perkins Coie LLP and is in her fifth year on the IP Section Executive Committee.

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Grokster and the Substantial Non-Infringing Use Test

By Charles Sipos, Perkins Coie LLP

This June the United States Supreme Court unanimously held in *MGM v. Grokster*, 125 S.Ct. 2764, that “distribut[ing] a device with the object of promoting its use to infringe copyright, as shown by clear expression or other affirmative steps taken to foster infringement,” constitutes contributory copyright infringement. That decision, and its implications for copyright holders and file-sharing networks like Grokster, has already been widely reported and discussed in the wake of the Court’s ruling.

What is equally, if not more, intriguing are the two concurring opinions by Justice Ginsburg and Justice Breyer. These concurrences address the question that many people (including the parties to the lawsuit) expected the Court to answer directly – how much noninfringing use is “substantial” in order for a product to be protected from copyright infringement liability under the Supreme Court’s prior *Sony v. Universal* decision. Justice Breyer argued that the Grokster file-sharing service was capable of substantial noninfringing use; in contrast, Justice Ginsburg argued that Grokster was not entitled to summary judgment on that issue, and suggested that the Grokster service probably would not qualify as capable of a substantial noninfringing use. Although not binding, the views of these Justices provide some insight into how courts might treat future technologies that are capable of infringing copyrights but also have some “substantial” noninfringing use. Here, after taking the reasoning of each concurrence in turn, I offer some thoughts on which justice had the better view of things based on existing copyright law and policy.

A brief review of the *Sony* decision helps frame the views expressed in Justices Breyer and Ginsburg’s concurrences. *Sony v. Universal* first articulated the “substantial noninfringing use” test as applied to copyright law. In *Sony*, television and film studios sued the makers of VCRs, claiming that the VCR contributed to copyright infringement by permitting people to tape copyrighted television programs. While acknowledging that many VCR users were indeed simply unlawfully copying programs, the Court determined that the VCR was nonetheless capable of substantial noninfringing use, because it could be used to “time-shift” programs – taping a program at its scheduled time to watch later. The Court relied on evidence showing that some television producers did not object to time-shifting and in fact supported it, and that even unauthorized time-shifting of copyrighted programs would be considered fair use. The Court, however, did very little in *Sony* to establish or explain how much use had to be noninfringing to be considered “substantial.” With this framework in place, the litigants in *Grokster* both made arguments about whether the noninfringing uses of the Grokster file-sharing service, primarily downloading non-

copyrighted files or authorized copyrighted files, was “substantial” enough under *Sony*.

Justice Breyer concluded that the Grokster service would satisfy the substantial noninfringing use standard under *Sony*, relying on a two key pieces of evidence from the record below. Justice Breyer determined that “near 10%” of the files swapped on Grokster were noninfringing, and that this percentage was “very similar” to the 9% of authorized time-shifting established in *Sony* that was considered “substantial.” Next, Justice Breyer looked to whether potential *future* uses of the file-swapping service could be noninfringing, concluding that the record supported an inference that noninfringing use would increase as file-sharing services matured. On those facts, he concluded that the Grokster service met the *Sony* substantial noninfringing use standard. He buttressed this conclusion with three policy arguments: (1) a liberal interpretation of *Sony* helps foster and protect new technology; (2) a more strict interpretation of *Sony* would “chill technological development”; and (3) increased copyright protection, through a strict reading of *Sony*, would not necessarily result in any offsetting increased creative output of copyrighted works.

In contrast, Justice Ginsburg concluded that the Ninth Circuit erred in concluding on summary judgment that the Grokster service was capable of a substantial noninfringing use. She reasoned that there was insufficient evidence in the record to make that finding. Criticizing as “anecdotal” declarations from the defendants and recording artists who did not object to their copyrighted material being swapped on Grokster, Justice Ginsburg concluded that summary judgment for Grokster on noninfringing use was improper. Justice Ginsburg asserted that these declarations demonstrating noninfringing use were nevertheless insufficient in the face of evidence of “overwhelming use of [the] software for infringement.” Although the plaintiffs could only account for 75% of the files on Grokster as infringing and 15% as likely infringing – leaving the remaining 10% in dispute – Justice Ginsburg was unwilling to assume that this 10% was indeed noninfringing. She reasoned that the *Grokster* case differed significantly from *Sony*, because in *Sony* she believed the evidence showed more clearly that there was some measurable noninfringing use of VCRs.

In my view, Justice Breyer got it right as a matter of copyright law, and he got it right as a matter of policy, too. Article I of the Constitution authorizes copyright and gives Congress the power to regulate copyright as necessary to protect that “limited” right. Copyright law has been promulgated and authorized, then, as *statutory* law. Although

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contributory and vicarious infringement are now well entrenched aspects of copyright doctrine, they are not statutory rights. As the *Sony* Court recognized, the Supreme Court has traditionally, and appropriately, taken a cautious approach to expansion of copyright protection into areas that are not explicitly authorized under statute. There are good reasons for this. Congress is better suited – and constitutionally directed – to weigh the competing interests of copyright holders and innovators, and determine the right balance to strike between the two in order to “Promote the progress of ...useful Arts” that the Constitution provides.

The passage of the Digital Millennium Copyright Act (“DMCA”) is a good example of Congress’s ability to address these competing concerns in ways that courts cannot. During the passage of the DMCA, dozens of rights holders and online service providers gave input to Congress regarding the interests at issue if online service providers were provided some limited immunity to secondary copyright liability. These voices helped inform Congress on how to strike a balance between appropriate copyright protection and encouragement of technological innovation. Indeed, the DMCA stands as a marked example of Congress’ willingness to recalibrate the statutory protections offered under copyright if it is necessary. Erring on the side of limited copyright protection when Congress has been silent is the sounder, and legally justified, approach. The interpretation of *Sony* advocated by Justice Breyer recognizes and respects this approach by, in close cases, choosing not to expand the scope of copyright protection to impinge on technological development where that protection has not been sanctioned by Congress.

Justice Breyer’s application of *Sony* is also the better approach from a policy perspective. Copyright protection is meant to provide incentives for artists and authors to produce creative works, knowing those works will be protected. But the broader objective of copyright is to make sure that society as a whole benefits from production of more creative works. Critics of *Grokster* and similar file-sharing services – including the plaintiffs – frequently point to declining record sales as evidence of the evils engendered by file-swapping. But even if those critics could draw some causal line between online file sharing and decreased record sales, that would miss the point. Copyright protection is meant to foster *creative* output, not *economic* output. There was no evidence put forward in *Grokster* that the number of albums released, or the number of songs written and distributed, had been on the decline. Absent some evidence on diminished creative output, and when faced with clear evidence that the challenged technology does foster and provide for some noninfringing uses, the copyright policy justification is weak. At the very

least, it is not strong enough for judges to extend copyright protections beyond their existing spheres.

In contrast, both the method and reasoning of Justice Ginsburg’s concurrence takes a narrower view of the scope of *Sony*. First, Justice Ginsburg essentially revisited findings of fact made by the District Court regarding substantial noninfringing use, deeming evidence that the trial court found persuasive to be “anecdotal.” Whether or not a noninfringing use is “substantial” is a fact-intensive question, and the court in *Sony* deferred considerably to the trial court’s determinations on that point, noting that the appeals court in *Sony* had left the findings of fact undisturbed. Justice Ginsburg nevertheless essentially revisited the findings of fact in *Grokster* on substantial noninfringing use. Next, Justice Ginsburg focused on what percent of the infringing files the plaintiff owned (70-75%), instead of looking to what percentage of files were noninfringing. Under Justice Ginsburg’s approach, a court is improperly focused on whether or not the plaintiff can persuasively show that many of its copyrights are being infringed, rather than looking to the quantity and nature of noninfringing use. Moreover, Justice Ginsburg largely ignored any forward-looking assessment of whether the technology was “capable” of noninfringing use. She gave little account to the evidence that showed that noninfringing use of *Grokster* was on the rise and had the potential to expand. Of course, Justice Ginsburg made no attempt to show how her more restrictive reading of *Sony* might promote the aims of copyright law, or what effect that reading might have on technological developments. In doing so, she largely ignored the *Sony* Court’s admonition that courts should not infer authority to cast a wide net for infringement in cases that implicate the “competing interests that are inevitably implicated by [] new technology.”

Unfortunately, neither Justice Breyer nor Justice Ginsburg’s concurrence provides lawyers with clear law to counsel clients developing new technologies or those who seek to protect their portfolio of copyrights. Ironically, the *Grokster* opinion probably leaves this aspect of *Sony* more muddled than it was before. One thing that can be drawn from these opinions, however, is that determining noninfringing use under *Sony* eludes a simple mathematical calculus. For parties litigating these issues, it will nevertheless continue to be critical to offer some quantification of how much use is noninfringing, as both Justice Breyer and Ginsburg recognized this as a crucial fact in their respective opinions. Beyond that, the Supreme Court in *Grokster* has once again effectively deflected the call for guidance on just how much noninfringing use is enough to protect new technology against copyright claims.

A Summary of Key Provisions of the Patent Reform Act of 2005

By David R. Bailey and Chad E. Ziegler, Woodcock Wahsburn LLP

On June 8, 2005, Congressman Lamar Smith (R-TX) introduced the Patent Reform Act of 2005 ("the 2005 Act"). The bill, H.R. 2795, proposes various changes to the United States patent laws. The changes, if enacted, will have implications for both the prosecution and litigation of U.S. patents. It is unlikely, however, that these changes will be enacted into law this year. Rather, the proposal will likely go through committee mark-up and be revised for further discussion this year and into next year.

Below we review some of the major proposed changes, and highlight the implications such changes may have for patent owners. The proposed changes examined include:

- (1) changing the United States from a "first-to-invent" to a "first-to-file" system;
- (2) changing the definition of "prior art" under § 102;
- (3) instituting post-grant opposition proceedings;
- (4) changing the judicial standards for a finding of willful infringement;
- (5) curtailing the defense of inequitable conduct;
- (6) changing the judicial standards for the grant of an injunction;
- (7) removing the "best mode" requirement for patentability;
- (8) codifying elements to a reasonable royalty damages analysis;
- (9) potentially limiting continuation application practice; and
- (10) third-party prosecution submissions.

1. Implement a First-to-File System

Currently, the United States stands alone among developed countries by granting patents on a *first-to-invent* standard. Other countries use a *first-to-file* standard. The difference is that under current U.S. law, the right to a patent is judged not upon whether the inventor was the first to file a patent application, but whether the inventor was the first to invent the claimed subject matter. Under the present U.S. system, where two applications claim the same invention, an interference is instituted in the Patent Office to determine who was first to invent. The current system imparts uncertainty and is costly for applicants.

The 2005 Act removes interferences and replaces them with "inventor's right contests." The Patent Office would no longer conduct interferences to determine who was the *first to invent* the subject matter, but rather an "inventor's right contest" will be used to determine who can lay claim

to the earliest "*effective filing date*" – the date of the earliest filed application.

The proposed change to a first-to-file system raises policy concerns. A first-to-file system may further patent policy by encouraging the prompt filing of applications and disclosure of new technology (the Act calls for publication within 18 months of filing). Such a system, however, may disadvantage sole inventors, universities, and small companies that typically do not have the procedures in place to quickly and effectively file applications.

2. Redefining "Prior Art" Under § 102

A change to a first-to-file system requires a change to what is "prior art" under the patent laws. The 2005 Act completely replaces §102 of the patent laws, which defines the scope of prior art. The new definition of prior art is subject matter that was "patented, described in a printed publication, or otherwise publicly known" prior to the effective filing date for the patent. The proposed legislation retains the one-year statutory prior art bar (any subject matter published or otherwise publicly known for more than a year before the effective filing date is automatically prior art) and the one-year grace period for inventors to disclose their invention without creating prior art.

The gray area for "prior art" under the 2005 Act is the definition for "publicly known." The Act states that subject matter is "publicly known" if it is "reasonably and effectively accessible" through its "use, sale, or disclosure by other means." Subject matter is also "publicly known" if it is "embodied or inherent" in something that is reasonably and effectively accessible. Something is "reasonably and effectively accessible" if one can gain access to the subject matter or comprehend its content "without resort to undue efforts."

The first to file aspect of the 2005 Act significantly expands the scope of "prior art." Patentees can no longer remove certain types of potential prior art by proving that they had possession of the invention prior to the date of the prior art (referred to as "swearing behind" potential § 102(a), (e) and (g) prior art).

The Act does, however, take out of the definition of prior art certain subject matter disclosed only in a prior filed application that has not published more than a year before the effective filing date of the claimed invention. Prior art will not include subject matter in such earlier filed applications if the applications are commonly owned or, for purposes of obviousness only (not novelty), where both the subject matter and the claimed invention were part of a joint research agreement.

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A SUMMARY OF KEY PROVISIONS OF THE PATENT REFORM ACT OF 2005 *continued from previous page*

The major changes by redefining prior art is that the standard will be changed to the "publicly known" standard. The proposal does away with subject matter being prior art by way of it being sold or publicly used by anyone, even if the subject matter was not "publicly known" by its sale or use.

3. Post-Grant Opposition Proceedings

Current U.S. law permits limited *inter partes* and *ex parte* procedures for reexamination of a patent by the Patent Office. The 2005 Act would establish post-grant opposition proceedings to enable any person to oppose an issued or reissued patent in a litigation-style proceeding before an administrative panel.

Under the 2005 Act, opposition proceedings will be heard by a panel of three administrative patent judges. The burden of proof to prove invalidity is by a preponderance of the evidence, not clear and convincing evidence. Appeals to the CAFC are allowed.

An opposition request must be filed either (1) within nine months after the patent grant; or (2) within six months after an opposing party receives notice of an alleged infringement. If the patent owner files suit alleging infringement within these deadlines, the opposition proceeding will be stayed if requested by the patent owner.

A request may be based on any of number of grounds of invalidity, including the requirements for patentability under §§ 102, 103 and 112. Moreover, a request may be based not only on patents and printed publications but also on declarations, expert opinions, and "other factual evidence."

After an opposition has been instituted, the patent owner is entitled to file a response. The patent owner is also entitled to narrow the claims and to request new claims. Limited deposition discovery is permitted during the opposition proceeding. In general, discovery is limited to depositions of persons offering declarations and affidavits.

4. Willful Infringement

Currently, willful infringement is governed by Federal Circuit precedent. Generally, willfulness may be found if the infringer did not exercise a duty of due care after becoming aware of the patent. The difficulty to avoid charges of willfulness for various companies is that while their employees may be aware of a patent, the employees often do not think to bring it to the attention of management. Many have also argued that the present system discourages the use of patents to further research because companies fear a baseless charge of willfulness brought on by sheer awareness of the patent. Thus, it is argued that

patents are not used like other research publications to advance technology.

The 2005 Act states statutory grounds for what acts can constitute willfulness. The Act provides prerequisites for a finding of willfulness under three grounds:

- 1) after having received a detailed written notice of infringement identifying the accused acts and the asserted patent claims, the accused infringer, after a reasonable opportunity to investigate, thereafter conducted acts of infringement;
- 2) intentional copying with knowledge that the subject matter was patented; or
- 3) the accused infringer continues to infringe after having been found by a court to have infringed the patent (contempt proceedings).

In addition, the Act sets forth express limitations for a finding of willfulness. No willful infringement can be found if the infringer had an informed good faith belief that the patent is invalid, unenforceable or not infringed. Reasonable reliance on advice of counsel establishes the informed good faith belief. In addition, the Act states that the decision not to present evidence of advice of counsel shall not factor into the willfulness determination. Finally, a patentee may not plead willful infringement until after a determination that the patent in suit is valid, enforceable, and infringed.

The 2005 Act would reduce the fear many corporations have with respect to willful infringement charges. Commonly after receiving a notice of infringement, corporations will obtain advice of counsel in the form of an opinion letter. Under the 2005 Act, reliance upon such an opinion would bar a finding of willfulness.

5. Inequitable Conduct

Inequitable conduct is predicated upon a finding of a patent applicant or prosecuting attorney withholding or misrepresenting material information from the PTO with an intent to mislead the patent examiner. As commentators have noted, the issue of inequitable conduct finds its way into nearly every patent infringement suit, with a corresponding cost to the litigants. The 2005 Act attempts to address this perceived problem in three ways.

First, the Act requires a district court to refer any issue of a violation of the duty of candor to the Patent Office if the court determines that an issue of possible misconduct exists. The Patent Office is directed to set up a special office with authority to investigate possible violations of the duty of candor. Violations of the duty include fines of up to \$1,000,000 for each separate act of misconduct, except that

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A SUMMARY OF KEY PROVISIONS OF THE PATENT REFORM ACT OF 2005 *continued from previous page*

conduct deemed fraudulent or "particularly egregious" may carry fines up to \$5,000,000 for each such act.

Second, rather severe limitations are placed upon the right of an accused infringer to plead a charge of inequitable conduct before a district court. Under the Act, the accused infringer must first successfully obtain a judgment that the patent claims are invalid before a requesting an amendment to the pleadings to add the inequitable conduct charge.

Third, the 2005 Act requires a showing of actual fraud in order to prove a charge of inequitable conduct before a district court. In other words, the accused infringer must demonstrate that an invalidated claim would not have issued but for the alleged misconduct or the claim issued on account of the alleged misconduct.

In a way, the legislation balances the willfulness charge of the patentee with the inequitable conduct charge of the accused infringer. Both are taken away from a litigation until after a finding of infringement or invalidity, respectively. Thus, in a normal case, trial will proceed without the jury hearing evidence on either willfulness or inequitable conduct.

6. Injunctions

Currently, 35 U.S.C. § 283 permits a court to grant injunctions in patent infringement cases "in accordance with the principles of equity and to prevent the violation of any right secured by patent, on such terms as the court deems reasonable." Courts have interpreted that statutory language to mean that a patent owner who prevails in a patent infringement action is generally entitled to an injunction absent strong countervailing public interests.

The 2005 Act seeks to limit the injunction remedy by modifying the "equity" standard. Thus, the 2005 Act would add that "the court shall consider the fairness of the remedy in light of all facts and the relevant interest of the parties associated with the invention." Moreover, the 2005 Act would require that a court should stay the injunction pending an appeal upon an affirmative showing that the stay "would not result in irreparable harm to the owner of the patent that the balance of hardships form the stay does not favor the owner of the patent."

7. Best Mode

The 2005 Act removes the requirement under 35 U.S.C. § 112 to disclose the best mode for the patented invention. The change here will significantly affect patent prosecution. Many applicants will welcome not having to disclose their best mode to their competitors. Currently, applicants often make a hard choice between patent or trade secret protection because choosing patent protection can require disclosure of trade secrets.

8. Damages Limits

The 2005 Act codifies the common-law principle that in the case of an infringing combination product, the damages analysis should include such factors as the portion of the product's value that is attributable to the patented invention as distinguished from other valuable features of the product (including benefits from the manufacturing process and the business risks in bringing the product to market). This change reflects the sentiment that far too often, patent awards are not based on the value of the invention, but rather based on the overall value of the product with its other beneficial, but not patented, features.

9. Continuation Applications

The 2005 Act states that the "Director *may* by regulation limit the circumstances under which an applicant ... may be entitled" to file continuation applications. Thus, the Act provides for the ability of the Patent Office to regulate continuation practice to curb "submarine patent" practice. However, in view of the new 20-year term for patents from the effective filing date, this aspect may prove to be unnecessary.

10. Third-Party Prosecution Submissions

The 2005 Act would allow any person to submit for consideration and inclusion in the record of a patent application, any patent, published patent application, or any other publication of potential relevance for consideration during examination of the application.

Trademark Clearance, Use and Registration Considerations for Geographical Designations

By Shannon M. Jost, Stokes Lawrence, P.S.

Trademark practitioners have long been aware of the various hurdles that must be overcome to obtain U.S. federal registration of marks that include a geographical designation.¹ With recent developments and the continuing convergence of U.S. and international trademark laws, clearance, enforcement and registration of geographical designations is becoming more complicated.

First, a skills test: With your hands firmly positioned away from your computer mouse, identify which of the following marks were granted registration by the USPTO and which were refused or cancelled. (1) HOLLYWOOD (for fast foods and restaurants); (2) TOSCANA (furniture); (3) PARIS BEACH CLUB (clothing); (4) US WEAR (clothing); (5) COLORADOSTEAKS (restaurants and food products); (6) ZHIGULY (beer); (7) CALIFORNIA INNOVATIONS (miscellaneous bags and organizers). (For those of you who cannot wait, answers are at the end of this article.)

Next, the legal primer:

U.S. Trademark laws:

Marks that are primarily geographically descriptive:

Under §§ 2(e) and 2(f) of the Lanham Act, 15 U.S.C. § 1052, a mark that is primarily geographically descriptive (but not deceptive) may be registered if (1) it has become distinctive to consumers of the applicant's goods in commerce, or (2) it falls within the collective and certification marks provisions of Lanham Act § 4. A mark that includes a geographic designation that is not construed by consumers primarily as a geographic indication of source may be registered without proof of secondary meaning, so long as the mark is not geographically misdescriptive and would not deceive consumers.

Geographically deceptively misdescriptive marks:

Under §§ 2(a) and 2(e)(3) of the Lanham Act, 15 U.S.C. §§ 1052, the PTO must deny registration of a mark if: 1) the primary significance of the mark is a generally known geographic location; 2) consumers are likely to believe the place identified by the mark indicates the origin of the goods bearing the mark, when in fact the goods do not come from that place; and 3) the misrepresentation was a material factor in the consumer's decision.

Trademark laws of other countries and principal international treaty considerations:

The application of other countries' trademark laws and/or the provisions of international treaties such as the North American Free Trade Agreement (NAFTA) or the

TRIPS Agreement of GATT also impact the registrability and enforcement of a given mark.

For example, the NAFTA prohibits U.S. registration of a geographically misdescriptive mark unless it attained secondary meaning prior to the effective date of before December 8, 1993, the date that the NAFTA-mandated amendments were enacted.² This is true even if the trademark applicant can show secondary meaning by a later date or admits descriptiveness by moving the application to the Supplemental Register.

The TRIPS Agreement also governs member states' protection and enforcement of geographical indicators. In a well-publicized and quite politicized March 2005 Panel decision, the World Trade Organization ("WTO") addressed a long-standing dispute regarding the interplay between geographical indications and trademarks, including previously registered trademarks, that incorporate those designations. The trademark issue at the root of the dispute was whether a later-named geographical indication could trump the "exclusivity" of a previously registered trademark. EU Counsel Regulation No. 2081/92 in effect required a mandatory coexistence, irrespective of whether there was a likelihood of confusion, between a prior mark and a later-designated geographical indication. The United States and Australia challenged the EU Regulation on grounds that it violated Article 16.1 of the TRIPS Agreement of the GATT, which governs priority, exclusivity and territoriality and, at least as to the United States, because in application the EU Regulation discriminated against U.S. geographical indicators and failed to protect U.S. trademarks because of differences between the EU and U.S. national systems of protection for geographical indicators.

The Panel decision was claimed as a victory for both sides, finding (1) that Article 16.1 requires that at least on a territorial basis, a prior trademark can block a later, confusingly similar geographic indication, but (2) that Article 17 of the TRIPS Agreement, which allows a member state to provide on a national basis for an exception to the provisions of Article 16.1, permits a state to allow the coexistence of a prior trademark and a later geographical indication so long as consumer confusion is not likely. The Panel also determined (3) that the EU Regulation could only protect geographical indicators as registered, and not translations of those geographical indicators. The effect of the third part of the ruling appears to be that a United States company holding EU trademark rights to a mark of which a translation is later named a geographical indicator would

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be able to block use of the translation of the geographical indicator if it were confusingly similar to the U.S. company's trademark.

At present, Article 23 of the TRIPS Agreement gives added teeth to nations seeking to protect their national geographical indications and to prevent use of a geographical indication for wines or spirits not originating in the place indicated by the geographical indication, even where the actual place of origin of the goods is clearly marked on the product and no confusion is likely. The next showdown on the international front concerning geographical indications is likely to involve efforts, led again by the EU, to extend that special protection to products other than wines and spirits.

Other sources of regulation of geographically descriptive marks:

Depending on the products or services at issue, additional regulations may also apply. For instance, a company wishing to use an American geographical place name on wine must comply not only with the Lanham Act but also with the regulations of the Alcohol and Firearms Tax and Trade Bureau (TTB, formerly the BATF) pursuant to the Federal Alcohol Administration Act. The TTB prohibits use of the name of any federally recognized viticultural area unless at least 85% of the grapes were grown in that area, and prohibits use of an "appellation of origin" (examples include a country, U.S. state or foreign equivalent, or U.S. county) unless at least 75% of the volume of the wine is derived from grapes (or other agricultural commodity) grown in the labeled appellation of origin.

Putting it into practice:

So how might the various U.S. and international laws and regulations play out? Let's take for example the mark "Short Hills" proposed for use in connection with wines in International Class 33.

Is the designation "Short Hills" geographically descriptive? Readers from the East Coast may recognize "Short Hills" as a portion of Millburn Township, New Jersey, known for its high-end shopping and sprawling estates. Regardless of their location, few would instinctively understand the phrase "Short Hills" to designate Short Hills, New Jersey, as the geographic origin of wine products. But Virginia – which happens to be the home of around 75 wineries – has a "Short Hill Mountain." It may be conceivable (particularly to a PTO examiner who grew up in Virginia) that some consumers familiar with Virginia geography and conscious of its burgeoning wine industry would perceive a connection between the "Short Hill" designation and Short Hill Mountain. However, here the

applicant would seem to have a fairly strong argument that consumers would not perceive the term "Short Hills" as primarily a geographic indicator.

If the mark is deemed to be primarily geographically descriptive, has secondary meaning of the term "Short Hill" as a geographic descriptor "penetrated" the relevant market? Unless the applicant has already commenced substantial use and advertising of the term "Short Hill" in connection with a wine product, it seems unlikely that the applicant could successfully argue that the designation had acquired distinctiveness.

Do consumers care whether the product actually comes from the designated geographic area? The applicant may argue the goods-place association is not material and that customers would not make the association and would not be deceived. The PTO would likely argue that the ordinary consumer cares about the location from which wine goods originate, and thus the geographical designation may change the buying decision. *See, e.g., In re California Innovations, Inc.*, 329 F. 3d 1334 (Fed. Cir. 2003), *reh'g denied* (Aug. 2003). Here, though, if consumers are not likely to perceive the term "Short Hills" as referring to any specific geographic area, it seems likely that the PTO would have a difficult time establishing that consumer deception is likely.

Is confusion likely vis-a-vis any previously used or registered mark or registered geographical indication? Maybe. There is no recognized U.S. viticultural area that includes the name "Short Hill," nor does a Google search immediately reveal any wineries that are using the term. A quick search of the PTO online database does not reveal any pending or registered marks for "Short Hill" or close variations in connection with wines. But at least one winery, the Windham Winery, of Loudon County, Virginia, describes itself as standing "in the lee of Short Hill Mountain." Moreover, a search of the TTB registry of label approvals (<https://www.ttbonline.gov/colasonline/publicSearchColasBasic.do>) reveals several entries for wines using variations on the "Short Hill" designations (including from Virginia's Windham and also from a California source), and even a "Short Hills Summer Ale" used by a New Jersey entity. A full search of the term, including state trademark registries and common-law uses, may reveal additional uses.

If the applicant is considering using the designation outside the United States, additional inquiry may be warranted. For instance, a search of the relevant country trademark registries for identical or confusingly similar marks, in English or as translated. It can be more difficult to review existing registered geographical indicators, but the Foreign Agricultural Service U.S. Mission to the European

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Union maintains a list of registered geographical designation and geographical indications on a country and product basis (<http://www.useu.be/agri/GI.html>).

Mark selection guidelines:

What does all this mean for clients seeking to select marks that may be registered not just in the United States but also in selected foreign countries? Clients should be encouraged to provide a list of possible marks for initial screening in the United States and in any other relevant country as well as, for alcohol products, in the TTB registry. Based on the client's prioritization, those marks that appear to be clear after the initial screening should be searched based on a full examination of U.S. federal, state and common law uses, including the Internet. Finally, the client should select from those marks cleared for use in the United States the priorities for clearance in the countries deemed to be of primary importance for future distribution of the client's product or services, and clearance in association with any related goods that would be important to the client's marketing efforts.

Quiz Results:

Refused: TOSCANA (geographically deceptively misdescriptive because goods did not originate from Tuscany); COLORADO STEAKHOUSE (geographically deceptively misdescriptive); ZHIGULY (geographically deceptively misdescriptive of the town Zhiguli in the Samara region of Russia, when used for beer imported from Lithuania).

Allowed: HOLLYWOOD (no disclaimer required; not likely to be perceived as a geographic designation); PARIS BEACH CLUB (viewed as arbitrary, not likely to be perceived as primarily a geographic designation; US WEAR (allowed notwithstanding that applicant's clothing was manufactured in Canada; Board found was likely to be perceived as geographic designation, was geographically misdescriptive, but that examiner failed to establish was material to consumers' purchasing decisions, hence the "deceptive" prong was not met); CALIFORNIA INNOVATIONS (allowed after appeal and remand by the Federal Circuit with instructions for the PTO to assess whether consumers were likely to make a goods-place association between the mark and applicant's products, and to apply the materiality test in assessing whether deception was likely).

- 1 A "geographic designation" or "geographical indication" ("GI") is an indication which identifies a good as originating in a specific geographic territory, region or locality, where a given quality, reputation, or other characteristic of the good is essentially attributable to its geographic origin. See Article 22, World Trade Organization TRIPS Agreement (Agreement on Trade-Related Aspects of Intellectual Property Rights). Examples of terms recognized as GI's are Roquefort cheese, Vidalia onions, Idaho potatoes, and Washington apples.
- 2 Article 1712 of NAFTA provides: 1. Each party [United States, Mexico, Canada] shall provide, in respect of geographical indications, the legal means for interested persons to prevent:
 - (a) the use of any means in the designation or presentation of a good that indicates or suggests that the good in question originates in a territory, region or locality other than the true place of origin, in a manner that misleads the public as to the geographical origin of the good ... See NAFTA, Dec. 17, 1992, art. 1712, 32 I.L.M. 605, 698.

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