
IP SAVVY

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NAKED LICENSING

IP Tip: IP licenses are really nothing more than contracts but there are traps for the unwary in IP cases. A big one exists if the IP is a trademark as made clear in the following case.

The Freecycle Network (TFN) promotes the "green" practice of giving an unwanted item to a stranger rather than disposing of it. TFN allows member groups to use the "Freecycle" trademark. One of the member groups was called FreecycleSunnyvale (FS). A dispute arose between TFN and FS and TFN ordered FS to stop using the "Freecycle" trademark. In response, FS sued. In the case, it was determined that TFN engaged in "naked licensing" meaning TFS has no trademark rights in "Freecycle". In other words, if a trademark owner engages in naked licensing, the owner's trademark rights evaporate.

"It is well established that a trademark owner may grant a license and remain protected providing quality control of the goods and services sold under the trademark by the licensee is maintained." 97 USPQ2d 1131.

Naked licensing occurs when the licensor fails to exercise adequate quality control over the licensee. Naked licensing may results in the trademark ceasing to function as a symbol of quality and a controlled source. We have previously declared that naked licensing is inherently deceptive and consti-

tutes abandonment of any rights to the trademark by the licensor. Consequently, where the licensor fails to exercise adequate quality control over the licensee, a court may find that the trademark owner has abandoned the trademark, in which case the owner would be estopped from asserting rights to the trademark."

The absence of an agreement with provisions restricting or monitoring the quality of goods or services produced under a trademark supports a finding of naked licensing.

Id.

Accordingly, if a trademark is licensed, it is essential to include proven and defensible quality control provisions.

WHO OWNS THE SOFTWARE

A good small business legal issue case study is Woods v. Resnick, 97 USPQ2d 1114, (W.D. Wis. 2010). There, Adam Resnick conceived of a software product for the finance and insurance side of car dealerships. He wrote spreadsheets, worked up diagrams, and drafted specifications. But, he was not a computer programmer so he hired his friend Erick Woods. The two formed a company with each being a 50% owner. Woods then wrote the code for the software product.

When the friendship ended (like they all seem to do in business), guess who ended up owning the copy-right in and to the software product: Resnick, the company, or Woods?

Woods. Resnick couldn't prove he authored any computer code and there was no written agreement assigning Woods' code to the company. Moreover, since Woods was an owner as opposed to an employee of or independent contractor to the company, he, not the company, owns the code.

PROSECUTION LACHES

Prosecution laches, a little known defense to patent infringement, can be used to invalidate a patent in a situation where a patentee purposefully took too long to obtain a patent after filing a patent application. In *Cancer Research Technology Ltd. v. Barr Laboratories, Inc.*, 96 USPQ2d 1937, CRT filed a patent application for a brain cancer treatment in 1982 but delayed having the patent issue until 1993. Barr Laboratories was then sued for patent infringement by CRT and asserted the prosecution laches defense. But, Barr was required to prove prejudice due to the long pendency of the CRT patent application. Since Barr did not seek to sell an infringing drug until well after the CRT patent issued, Barr could not establish prejudice and the prosecution laches defense failed.

EXCEPTIONAL CASES

Anyone who desires a memorandum regarding what constitutes an "exceptional case" in trademark infringement (Lanham Act) cases entitling a party to a recovery of its attorneys' fees should read *Nightingale Home Healthcare Inc. v. Anodyne Therapy, LLC*, 96 USPQ2d 2017 (7th Cir. 2010). Turns out recovery of attorneys' fees depends, to a certain extent, on what court you are in:

It is surprising to find so many different standards for awarding attorneys' fees in Lanham Act cases. The failure to

converge may be an illustration of "circuit drift": the heavy case-loads and large accumulations of precedent in each circuit induce courts of appeals to rely on their own "circuit law", as if each circuit were a separate jurisdiction rather than all being part of a single national judiciary enforcing a uniform body of federal law. But whether the difference in standards generates actual differences in result is unclear because the opinions avoid commitment by using vague words and explicit escape clauses, with the Tenth Circuit's catchall ("perhaps for other reasons as well") taking the prize. To decide whether the standards differ more than semantically would require a close study of the facts of each case.

Id. at 2019

What did the 7th Circuit decide in this particular case?

We conclude that a Lanham Act case is "exceptional" in the sense of warranting an award of reasonable attorney's fees to the winning party if the losing party was the plaintiff and was guilty of abuse of process in suing, or if the losing party was the defendant and had no defense yet persisted in the trademark infringement or false advertising for which he was being sued, in order to impose costs on his opponent.

Id. at 2020

In other words, in the 7th Circuit, no one will likely get their attorneys' fees reimbursed.

POLE SPANNER

You know that thing above the gas pumps at service stations? The little roof with the station's emblem and, usually, the pump numbers? It's called a "pole spanner" sign. Anyway, Chevron's design for its pole spanner sign was held not to be a trademark in *In re Chevron Intellectual Property Group LLC*, 96 USPQ2d 2026 (TTAB, 2010) since Chevron's pole spanner was not distinctive.

THUMB DRIVE®

Is "thumb drive" generic for those memory sticks and thus unregistrable as a trademark? Surprisingly, no. In *In re Trek 2000 International, Ltd.* (97 USPQ2d 1106), the Trademark Trial and Appeal Board held Trek had been selling portable storage devices under the brand name "thumb drive" since 2000 with U.S. sales totaling over \$3.4 million. Thus, Trek's marketing effort rendered "thumb drive" protectable despite a few situations where others had begun using "thumb drive" generically.

OBAMA PAJAMAS

In *in re Hoefflin*, 97 USPQ 2d 1174 (TTAB 2010) Richard Hoefflin sought registration of "Obama Bahama Pajamas". He was not successful.

VINCE LOMBARDI©

In *Title Craft, Inc. v. National Football League* 97 USPQ2d 1315 (D. Minn., 2010), Title Craft sold trophies to fantasy football leagues. Said trophies looked a lot like the NFL's Vince Lombardi trophy given to the winner of the super-bowl. Title Craft was held to infringe the NFL's copyright.

OPPOSE, LOSE, CANCEL, LOSE AGAIN

If party A doesn't like Party B's trademark, A can seek to oppose registration during the application process or A can seek to cancel B's trademark after it registers. But, A cannot oppose registration, lose, and then seek to cancel the registered mark. In the law, you generally only get one bite of the apple. See *Orouba Aggregfoods Processing Co. v. United Food Import*, 97 USPQ2d 1310 (TTAB 2010).

INTENT TO USE

You can file a trademark registration application for a trademark before you actually use the mark, but you better have evidence you actually intend to use it or your application can be held invalid. See the mark *Smith Klein Becham Corp. v. Omnisource DDS, LLC*, 97 USPQ 2d 1300 (TTAB 2010). As a practice pointer, put all e-mails, PowerPoint presentations, plans, and the like concerning the trademark in the trademark file.

NOT OBVIOUS BUT STILL CLOSE ENOUGH

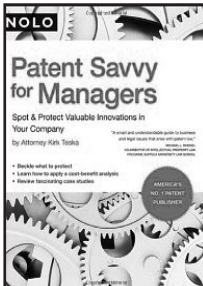
Seimens Medical Solutions U.S.A v. Saint-Gobain Ceramics & Plastics, Inc., 97 USPQ2d 1897 (2011) is a case only a patent geek could love. Seimens has a patent for a scintillation detector including LSO crystals. Saint-Gobain sells LYSO crystals which Seimens alleges infringe Seimens' patent under the doctrine of equivalents. For that to be true, LYSO crystals must be only an "insubstantial change" from LSO crystals. And yet, LYSO crystals are the subject of a later patent and thus are presumed to be a non-obvious invention with respect to LSO crystals. Can LYSO crystals be non-obvious with respect to LSO crystals and at the same time be only an insubstantial change from LSO crystals? Yes held the Federal Circuit – obviousness and insubstantial differences involve different tests and involve different factors.

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So, under our patent laws, A can be a substantial change from B and yet also obvious in light of B and A can be an insubstantial change for B and yet also not obvious in light of B. The next sentence is true. The preceding sentence is false.

TENACITY

Despite a failure to enact "patent reform" every year for the last few years, some U.S. senators are trying again with a bill that would, among other things, change our U.S. patent system from a first to invent system to a first to file system. My biggest problem with this proposed change is there aren't really that many fights over who was the first to invent something. So, there is no real problem here in need of a solution. Let's not forget the law of unintended consequences.



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