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ANHEUSER-BUSCH V. BUDVAR: A GLOBAL DISPUTE TURNS ON LOCAL SIGNIFICANCE-EUROPEAN COURT OF JUSTICE: CASE C-96/09 P**

by Paula Flutter and Stephen Scott

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LETTER FROM THE EDITOR

Dear Subscribers,

Our lead article in this issue provides an interesting history and analysis of the trademark battle between Anheuser-Busch Inc. and Czech undertaking Budějovický Budvar (Budvar) for exclusive use of the names “Budweiser” and “Bud.” This fight has been going on over a century. *Anheuser-Busch v. Budvar: A Global Dispute Turns on Local Significance: European Court of Justice: Case C-96/09 P*, by Paula Flutter and Stephen Scott of EIP Partnership, lays out the background to the most recent ruling from the European Court of Justice on the issue, the ruling itself, and its significance to trademark owners.

We’ve also included a recent posting by Victoria Espinel, U.S. Intellectual Property Enforcement Coordinator. In it, she discusses recommended legislative changes to ensure that American workers and businesses are protected, including significantly increased criminal penalties for criminal espionage and drug offenses, particularly for counterfeit drug offenses. Other recommendations include increased U.S. Sentencing Guidelines ranges for intellectual property offenses, better tools for enforcement agencies to combat infringement, and creating a right of public performance for copyright owners for sound recordings transmitted by over-the-air broadcast stations.

You’ll also find our usual features, *In the News*, *Intellectual Property Law Updates*, and the latest *Case Highlights* in the areas of Copyright, Trademark, Patent, and Trade Secrets.

Very truly yours,
Andrea G. Nadel
Senior Principal Attorney
Editor

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OVERVIEW

The fight for exclusive use of the names “Budweiser” and “Bud” between the United States undertaking Anheuser-Busch Inc. (Anheuser-Busch) and Czech undertaking Budějovický Budvar (Budvar) has been ongoing for over a century. Since the first episode of litigation in 1880, the dispute has been fought in numerous actions¹ across many territories (including the United States, the United Kingdom, and Japan).²

More recently, the ongoing dispute has been fought in the legal system of the European Community (EC) and the latest episode relates to the ruling from the European Court of Justice in respect of Anheuser-Busch's most recent attempts to register the word “BUD” as a Community Trade Mark (CTM). This article looks at the background to the ruling, the ruling itself, and its significance to trademark owners.

PART I-OHIM

On 1 April 1996, 28 July 1999, 11 April 2000, and 4 July 2000, Anheuser-Busch lodged four applications at the Office of Harmonisation in the Internal Market

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(OHIM) for registration of figurative and word forms of the mark “BUD” as a CTM for certain goods and services including beer.³

In response, Budvar filed notices of opposition under Article 42 of EC Regulation 40/94 on the CTM against all four Anheuser-Busch applications.⁴ In support of its oppositions, Budvar relied on two grounds. In their first ground, Budvar asserted the existence of an earlier registered trademark, namely the international figurative mark “Bud” which was registered for beer and effective at the time in Austria, the Benelux territories and Italy,⁵ and alleged that it rendered Anheuser-Busch’s applications invalid under Article 8(1)(b) of EC Regulation 40/94.⁶ Secondly, Budvar asserted that the existence of an appellation of origin for “Bud”⁷ protected in France, Italy, and Portugal under the Lisbon Agreement,⁸ and in Austria by virtue of a bilateral treaty⁹ between Austria and the Czechoslovak Socialist Republic, resulted in Anheuser-Busch’s applications being invalid under Article 8(4) of EC Regulation 40/94.¹⁰

The Opposition Division of OHIM partially upheld¹¹ Budvar’s opposition against one of Anheuser-Busch’s applications which had been filed in respect of “restaurant, bar and pub services.” The opposition succeeded on the basis that Budvar had successfully demonstrated that it had an appellation of origin relating to beer for the word “Bud” in France, Italy, and Portugal and that there was considered to be a likelihood of confusion by virtue of the similarity of the respective goods and services and the identity of the signs concerned. Conversely, the Opposition Division dismissed¹² Budvar’s oppositions filed against the other three trademark applications on the grounds that Budvar had failed to prove that the appellation of origin “Bud” in France, Italy, Austria, and Portugal satisfied the requirements of Article 8(4) of EC Regulation 40/94; namely that it was a sign which was “used in the course of trade of more than mere local significance.”

As a result of the Opposition Division’s findings, both Budvar¹³ and Anheuser-Busch¹⁴ appealed to the Board of Appeal of OHIM.

After considering the submissions of both parties, the Board of Appeal dismissed all of Budvar’s appeals and upheld Anheuser-Busch’s appeal.¹⁵ In dismissing Budvar’s appeals, the Board of Appeal noted that Budvar no longer relied on their international trademark as a basis for opposition, having previously failed to demonstrate “genuine use” of that mark. Thus, the appeals were based solely on the appellation of origin “Bud” and Article 8(4) of EC Regulation 40/94. However, the Board of Appeal held that the sign “Bud” could not be considered to be an appellation of origin or even an indirect indication of geographical origin and therefore concluded that Article 8(4) of EC Regulation 40/94 could not provide valid grounds for opposition. More specifically, the Board of

Appeal held that Budvar’s evidence was insufficient to show that the appellation of origin in France, Italy, Austria, and Portugal had been “used in the course of trade of more than mere local significance” as required by Article 8(4) of EC Regulation 40/94. Crucially, in reaching these conclusions, the Board of Appeal had considered parallel ongoing national proceedings in France and Austria in relation to the appellation of origin “Bud”—in both cases the national courts had found Budvar’s rights to be invalid and unenforceable.

PART II-GENERAL COURT

Given the parties’ record of litigation, it was not unexpected that Budvar challenged the Board of Appeal decisions in the Court of First Instance of the European Community (General Court).¹⁶ Budvar put forward a single plea comprising two parts. Firstly, Budvar contested the Board of Appeal’s finding that the sign “Bud” could not be an appellation of origin in the sense of Article 8(4) of EC Regulation 40/94. Secondly, Budvar contested the Board of Appeal’s finding that the conditions specified by Article 8(4) of EC Regulation 40/94 were not satisfied—namely that the appellation of origin was not “used in the course of trade of more than mere local significance.”

In consideration of the first part of Budvar’s plea, the General Court concluded that because the appellation of origin “Bud” had not been declared definitively to be invalid in France, the Board of Appeal should have taken account of the current position under national law in reaching its own decision in that respect. In other words, the General Court found that the Board of Appeal should have accounted for the possibility of further appeal by Budvar in the national French and/or Austrian proceedings (which had in fact subsequently taken place). Further, the General Court found that if the Board of Appeal had doubts as to the validity of the appellation of origin, it was not competent to determine the validity of the right of its own motion, but was entitled to suspend the opposition appeal proceedings until a final judgment had been delivered in the corresponding national proceedings.¹⁷

Consequently, the General Court held that the Board of Appeal had been wrong to hold that “Bud” could not be considered as an appellation of origin which could be relied upon under Article 8(4) of EC Regulation 40/94.

In consideration of the second part of Budvar’s appeal, the General Court held that the objectives and requirements for proof of “use in the course of trade,” as required by Article 8(4) of EC Regulation 40/94, were not analogous to the requirements for proof of “genuine use” of an earlier registered trademark as applied by the Board of Appeal. Thus, the General Court held that the Board of Appeal had made an error in law by applying the provisions relating to “genuine use” of a registered

trademark in analysing “use in the course of trade of a sign of more than mere local significance.” Instead, the General Court held that it was sufficient to show that the sign relied upon was subject to any commercial use with a view to economic advantage, however limited, provided that it was not a private matter.

When considering the interpretation of “more than mere local significance” the General Court noted that the Board of Appeal had assessed this requirement separately for each of the territories where Budvar had claimed that the appellation of origin “Bud” was protected, thereby disregarding evidence of use of the appellation of origin filed by Budvar in respect of the Benelux territories, Spain, and the United Kingdom. In contrast, the General Court concluded that Article 8(4) of EC Regulation 40/94 did not impose a requirement that use of the appellation of origin at issue must relate to the territory in which it was protected. Instead, the General Court held that the earlier rights relied upon by Budvar must be of more than mere local significance, within the meaning of Article 8(4) of EC Regulation 40/94, given that the associated protection extended beyond their territories of origin.

As a result, the General Court upheld Budvar’s appeal in its entirety and annulled the contested decisions of the Board of Appeal of OHIM.

PART III-EUROPEAN COURT OF JUSTICE

Unsurprisingly, both Anheuser-Busch and OHIM appealed to the European Court of Justice (Court of Justice), seeking that the judgment of the General Court be set aside.

Anheuser-Busch and OHIM put forward two pleas in law. The first of Anheuser-Busch’s pleas comprised three parts and again alleged infringement of Article 8(4) of EC Regulation 40/94. The second plea alleged infringement of Article 8(4) in conjunction with Article 74(1) of EC Regulation 40/94¹⁸ which required that the Opposition Division of OHIM should examine the facts of its own motion in certain circumstances.

In the first part of the first plea, Anheuser-Busch maintained that the General Court had failed to follow the law when it held that the Board of Appeal was not competent to determine the validity of the rights relied upon by Budvar in its opposition under Article 8(4) of EC Regulation 40/94. In particular, Anheuser-Busch submitted that OHIM must determine whether rights relied upon within the meaning of Article 8(4) exist and are enforceable in opposition proceedings and that the Board of Appeal was correct to do so in the proceedings in question.

In response, Budvar contended that EC Regulation 40/94 does not provide OHIM with any power over na-

tional rights and that the General Court was, therefore, correct in its recognition that OHIM was not competent to decide upon the validity of national rights relied upon in support of an opposition before it.

After taking advice from the Advocate General,¹⁹ the Court of Justice concluded that OHIM did not have the power to make an assessment as to the effects of a national right relied upon in opposition proceedings based on Article 8(4) of EC Regulation 40/94. Thus, where an earlier right has been found invalid by a national court but appeal remains a possibility, the earlier right may still provide basis for an opposition under Article 8(4) of EC Regulation 40/94 given that it would continue to have effect in the relevant territory until an appeal was no longer possible or had been resolved. Moreover, the Court of Justice held that the status of the earlier rights claimed by Budvar in this case could easily have been established by the Board of Appeal at the time of the opposition. Accordingly, the Court of Justice rejected the first part of the first plea.

In the second part of the first plea, Anheuser-Busch alleged that the General Court had erred in its finding that a sign need only be subject to “any commercial use, however limited” in order to serve as a valid basis for an opposition under Article 8(4) of EC Regulation 40/94.

In considering the second part of Anheuser-Busch’s first plea, the Court of Justice agreed with the conclusion of the General Court that Article 8(4) of EC Regulation 40/94 does not impose a requirement that “genuine use” of a sign be proved for that sign to be relied upon in support of an opposition under that provision. In particular, the court held that the established requirement for “genuine use” laid down in relation to registered trademarks could not be applied by analogy to the earlier rights mentioned in Article 8(4) of EC Regulation 40/94. Essentially, the relative grounds for refusal based on an earlier sign are independent of those for an earlier registered trademark. In this regard, the Court of Justice further noted that Article 8(4) of EC Regulation 40/94 additionally requires that the sign concerned must provide the opponent with the right to prohibit use of a subsequent trademark in the territory in which it is protected, which is not a necessity when relying on an earlier registered trademark in an opposition. The Court of Justice also ruled that the requirement for use in the course of trade could be satisfied by deliveries of goods or services made without charge, since those deliveries could have been made in the context of commercial activity with a view to economic advantage. Thus, the court of Justice held that the General Court had not made an error in law in this respect.

In the third part of the first plea, Anheuser-Busch alleged that the General Court had incorrectly interpreted the words “more than mere local significance” contained in Article 8(4) of EC Regulation 40/94. Specifically,

Anheuser-Busch maintained that the “significance” of a right must be assessed in reference to the territory in which it is protected. In other words, Anheuser-Busch argued that the “significance” of a sign within the meaning of Article 8(4) of EC Regulation 40/94 must be assessed in relation to the territory in which it is protected (in this case France and Austria). Thus, the phrase “more than mere local significance” must be interpreted as constituting an autonomous legal requirement that must derive from use of the sign in question in the territories in which it is protected.

In response, Budvar argued that the expression “more than mere local significance” referred to the geographical extent of protection provided by the signs in question, a requirement separate to the territories in which the sign is used. Thus, in the present case the geographical extent of France and Austria provided the requisite “more than mere local significance.”

On that point, the Court of Justice noted that the common purpose of the two conditions laid down in Article 8(4) of EC Regulation 40/94 “is to limit conflicts between signs by preventing an earlier right which is not sufficiently definite from preventing registration of a new Community trade mark.” Based on this premise, the court reasoned that the significance of a sign cannot be a function of the mere geographical extent of its protection as that would lead to the conclusion that the mere existence of a sign whose protection is not merely local would prevent registration of a Community trade mark regardless of the extent to which the sign is used in the course of trade. Thus, it followed that a sign relied upon in an opposition under Article 8(4) of EC Regulation 40/94 must actually be used in a sufficiently significant manner in the course of trade with a geographical extent that is not merely local. In other words, even in cases where the territory in which the sign in question is protected is regarded as other than local, the sign must be used in a substantial part of that territory. Accordingly, the Court of Justice concluded that the General Court erred in holding that the significance of the sign concerned must be evaluated exclusively by reference to the extent of the territory in which the sign is protected, without taking account of its use in that territory, and further erred in its conclusion that the relevant territory for the purpose of evaluating the use of that sign is not necessarily the territory in which the sign is protected. Instead, the Court of Justice held that that the condition relating to use in the course of trade must be assessed separately for each of the territories in which the right relied on in support of the opposition is protected. Furthermore, it was held that the opponent must demonstrate that the sign was used in the course of trade prior to the date of application for registration of the CTM and not merely prior to its publication date.

In its second plea, Anheuser-Busch alleged that the General Court had infringed Article 74(1) of EC Regulation 40/94 when it held that the Board of Appeal had an obligation to acquaint itself with the national law of the Member State concerned when considering the validity of a sign relied upon for an opposition under Article 8(4) of EC Regulation 40/94. Specifically, Anheuser-Busch alleged that the General Court had erred when it found that the Board of Appeal should avail itself of the outcome of the relevant proceedings pending before the national courts of France and Austria. In support of this position, Anheuser-Busch argued that Article 74 of EC Regulation 40/94 specified that the burden of proof lies with the opponent in opposition proceedings and, therefore, that OHIM’s examination of the opposition should be limited to the facts presented by the parties and that it should not examine the facts of its own motion.

Budvar contended that the General Court did not infringe Articles 8(4) and 74(1) of EC Regulation 40/94 and asserted that the obligation on OHIM to acquaint itself, of its own motion, with the national law of the Member State concerned was reasonable. Furthermore, Budvar asserted that this position was consistent with Article 76(1) of EC Regulation 40/94,²⁰ which enables OHIM to take certain measures relating to the giving or obtaining of evidence.

In relation to this plea, the Court of Justice noted that the Board of Appeal had indeed been aware of the fact that the judicial decisions referred to by Anheuser-Busch were not final (since they were subject to appeal by Budvar) but had none the less relied exclusively on those decisions in concluding that the condition laid down in Article 8(4) of EC Regulation 40/94 was not met. In doing so, the Court of Justice held that the Board of Appeal had relied on reasons that were incorrect when it held that Budvar had not established that the condition laid down in Article 8(4) of EC Regulation 40/94 was met, and concluded that whilst the earlier sign may indeed be subject to challenge in the national courts, it did exist at the time of filing the opposition. Consequently, the second plea in law put forward by Anheuser-Busch in support of its appeal was rejected by the Court of Justice. Interestingly, the Court of Justice did not provide explicit guidance relating to whether, in the absence of information from the parties to the proceedings, OHIM is obliged to acquaint itself, of its own motion, with the outcome of corresponding proceedings in a Member State.

As a result of its findings that the General Court had erred in respect of the second and third parts of Anheuser-Busch’s first plea, the Court of Justice set aside the judgment of the General Court and referred the case back to the General Court.

CONCLUSIONS

Whilst in some regards this case represents only another episode in the long running saga between Budvar and Anheuser-Busch, the decision of the Court of Justice does provide guidance in relation to a number of important legal issues that are of practical relevance to trademark owners.

In particular, the decision highlights a number of considerations to be taken into account by opponents seeking to rely on appellations of origin and other unregistered rights in signs in CTM oppositions. The use “in the course of trade” requirement for such signs has been relaxed to some extent by the removal of the analogy with the “genuine use” requirement that applies to earlier registered trademarks but in other respects reliance on such rights has been limited. For example, the application date of the challenged CTM is now pertinent, rather than its publication date in establishing use “in the course of trade,” and such use must be substantial in the territory concerned. Both place a considerable burden on opponents seeking to rely on unregistered rights.

It is also notable that the Court of Justice did not specifically comment on the requirement of the OHIM Board of Appeal to research facts of its own volition. Accordingly, it would be prudent for parties in contentious proceedings before OHIM to make sure that the Board of Appeal is fully aware of any corresponding legal developments in relation to the rights relied upon in opposition in the Member States.

Finally, it is clear from the decision of the Court of Justice that it would have been much easier to rely on trademark registrations in this dispute, rather than on appellations of origin, particularly trademark registrations that were sufficiently “young” to avoid having to meet the onerous “genuine use” requirements. This acts as a reminder that an active strategy to maintain “genuine use” of registered trademarks and/or a regularly updated trademark filing program which avoids registrations becoming vulnerable to “genuine use” requirements is well-advised.

ENDNOTES

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1. O'Connor (op. cit., p.585) records as many as 44 different sets of proceedings around the World.
2. See Opinion of the Advocate General in case C-478/07 for a summary.
3. Classes 16, 21, 25, 32, 33, 35, 38, 41, and 42 of the Nice Agreement Concerning the International Classification of goods and services for the purposes of the Registration of Marks of 15 June 1957, as revised and amended.
4. Filed on 5 March 1999, 1 August 2000, 22 May and

5 June 2001.

5. No 361 566.
6. “Upon opposition by the proprietor of an earlier trade mark, the trade mark applied for shall not be registered: (b) if because of its identity with or similarity to the earlier trade mark and the identity or similarity of the goods or services covered by the trade marks there exists a likelihood of confusion on the part of the public in the territory in which the earlier trade mark is protected; the likelihood of confusion includes the likelihood of association with the earlier trade mark.”
7. The appellation of origin ‘Bud’ was registered with WIPO on 10 March 1975 with the number 598.
8. Lisbon Agreement for the Protection of Appellations of Origin and their International Registration of 31 October 1958, as revised at Stockholm on 14 July 1967 and as amended on 28 September 1979 (United Nations Treaty Series, vol. 828, No 13172, p. 205).
9. 11 June 1976, the Republic of Austria and the Czechoslovak Socialist Republic concluded a Treaty on the protection of indications of source, designations of origin, and other designations referring to the source of agricultural and industrial products.
10. “Upon opposition by the proprietor of a non-registered trade mark or of another sign used in the course of trade of more than mere local significance, the trade mark applied for shall not be registered where and to the extent that, pursuant to the Community legislation or the law of the Member State governing that sign: (a) rights to that sign were acquired prior to the date of application for registration of the Community trade mark, or the date of the priority claimed for the application for registration of the Community trade mark; (b) that sign confers on its proprietor the right to prohibit the use of a subsequent trade mark.”
11. Decision of Opposition Division of 16 July 2004.
12. Decisions of Opposition Division of 23 December 2004, and 26 January 2005.
13. Budvar appealed against the Opposition Division’s decisions of 23 December 2004 and 26 January 2005 and the decision of 16 July 2004 to the extent that it was dismissed in respect of some classes.
14. Anheuser-Busch appealed against the Opposition Division’s decision of 16 July 2004 in so far as it partially upheld the Budvar’s opposition.
15. Case R 234/2005-2 of 14 June 2006; Cases R 241/2005-2 and R 802/2004-2 of 28 June 2006; Case R 305/2005-2 of 1 September 2006.
16. Case T-225/06 of 26 August 2006; Cases T-255/06 and T-257/06 of 15 September 2006; Case T-309/06 of 14 November 2006.
17. Rule 20(7)(c) of EC Regulation 2868/95.
18. “In proceedings before it the Office shall examine the facts of its own motion; however, in proceedings re-

lating to relative grounds for refusal of registration, the Office shall be restricted in this examination to the facts, evidence and arguments provided by the parties and the relief sought.”

19. Case C-96/09 P.
20. “In any proceedings before the Office, the means of giving or obtaining evidence shall include the following: (a) hearing the parties; (b) requests for information; (c) the production of documents and items of evidence; (d) hearing witnesses; (e) opinions by experts; (f) statements in writing sworn or affirmed or having a similar effect under the law of the State in which the statement is drawn up.”

CONCRETE STEPS CONGRESS CAN TAKE TO PROTECT AMERICA'S INTELLECTUAL PROPERTY

by Victoria Espinel, U.S. Intellectual Property Enforcement Coordinator (posted March 15, 2011)

Today, the Administration issued 20 legislative recommendations to Congress, designed to improve intellectual property enforcement. These legislative recommendations exemplify the Administration's commitment to protect and grow jobs and exports, as well as to safeguard the health and safety of our people.

The theft of American innovation costs jobs and imperils economic growth. This must end. We have recommended legislative changes that will help us ensure that American workers and businesses are protected. Among those changes, we are seeking significantly increased criminal penalties for those selling counterfeits to our military, when counterfeiting and piracy is funding organized criminal activity, for those selling products that can harm or kill American consumers and for those stealing American innovation and transferring it overseas. We are also seeking changes to ensure that our laws can address technological changes, such as illegal streaming, and that law enforcement can share information effectively with businesses.

Selling counterfeit products for use by the military or in national defense risks public safety and the safety of our service men and women. Therefore, we proposed today to significantly increase criminal penalties for those seeking to profit at the expense of our safety. We are working intensely with the Department of Defense (DoD) and NASA to ensure counterfeit goods are not entering the U.S. Government supply chain. Yesterday, we hosted a White House meeting with DOJ, the FBI, DoD, and others to discuss how to prevent procurement of coun-

terfeit products across the Federal government. We look forward to working closely with Senator Levin and Senator McCain as the Senate Armed Services Committee investigates this critical issue.

Because of the high profit margin and shorter prison sentence for intellectual property crimes compared to other offenses, piracy, and counterfeiting are a strong lure to organized criminal enterprises, which can use infringement as a revenue source to fund their other unlawful activities. One of the most brutal drug cartels in the world—Mexico-based La Familia—manufactures and sells counterfeit software, generating more than \$2.4 million in profits each day. The Administration has recommended increased penalties for intellectual property crimes committed by organized criminal enterprises and wiretap authority for copyright and trademark offenses, which will enhance efforts to fight organized crime and bring their leaders to justice.

In this White Paper, we are seeking six legislative changes to fight counterfeit drugs, including increased criminal penalties for counterfeit drug offenses, particularly those that risk death or serious bodily injury. Many of you may have seen the 60 Minutes report this past Sunday on counterfeit drugs coming in the U.S. We are aggressively going after this problem on multiple fronts, including by significantly increasing law enforcement efforts. In fact, health and safety seizures are up 97% from last year. And we are engaging with private sector companies on this issue as well—like Google, GoDaddy, Mastercard, and other leading Internet companies that are setting up a nonprofit to fight illegal online pharmacies.

I look forward to working with Congress in the months ahead to consider and pass these legislative recommendations. As we continue to implement the Joint Strategic Plan, we will likely make additional legislative recommendations in the coming months. It is critical that we work together to make sure that we are doing all we can to combat these crimes.

So that you know the full extent of what we have proposed, I have simultaneously made our legislative proposals available on our Web site: <http://www.whitehouse.gov/omb/intellectualproperty/>.

I have also summarized below the specific proposals:

First, we recommend increasing the maximum sentence for the following offenses:

- Increase the maximum sentence for economic espionage (18 U.S.C.A. § 1831) from 15 years in prison to at least 20 years in prison; and
- Increase the maximum sentence for drug offenses under the Federal Food, Drug and Cosmetic Act (FFDCA), particularly for counterfeit drug offenses.

Second, we recommend that Congress: (1) direct the U.S. Sentencing Commission to increase the U.S. Sentencing Guideline range for intellectual property offenses; (2) require the Sentencing Commission to consider five specific categories of changes to the Guidelines; and (3) require the Sentencing Commission to act within 180 days of such legislation being adopted (including issuing a report explaining why it has not adopted any of the specific recommendations). The five categories of recommendations are:

- Increase the Guideline range for the theft of trade secrets and economic espionage, including trade secrets transferred or attempted to be transferred outside of the U.S.;
- Increase the Guideline range when infringing products are knowingly sold for use in national defense, national security, critical infrastructure, or by law enforcement;
- Increase the Guideline range for intellectual property offenses committed by organized criminal enterprises/gangs;
- Increase the Guideline range for intellectual property offenses that risk death or serious bodily injury and for those offense involving counterfeit drugs (even when those offenses do not present that risk); and
- Increase the Guideline range for repeat intellectual property offenders.

Third, we recommend the following legislative changes to give enforcement agencies the tools they need to combat infringement:

- Ensure that, in appropriate circumstances, infringement by streaming, or by means of other similar new technology, is a felony;
- Authorize DHS (including its component CBP) to share preseizure information about, and samples of, products and devices with rightholders to help DHS to determine whether the products are infringing or the devices are circumvention devices; and
- Give law enforcement wiretap authority for criminal copyright and trademark offenses.

Fourth, we recommend the following legislative changes to allow DHS to share information about enforcement activities with rightholders:

- Give DHS authority to notify rightholders that infringing goods have been excluded or seized pursuant to an ITC order; and
- Give DHS authority to share information about, and samples of, circumvention devices with rightholders postseizure.

Fifth, we recommend the following legislative changes to improve U.S. efforts to fight illegal drugs, particularly counterfeit drugs:

- Require importers and manufacturers to notify the FDA and other relevant agencies when they discover counterfeit drugs, including the known potential health risks;
- Extend the Ryan Haight Act's definition of "valid prescription" (and its telemedicine exemption) to the FFDCA to drugs that do not contain controlled substances;
- Adopt a track-and-trace system for pharmaceuticals and related products;
- Provide civil and criminal forfeiture under the FFDCA, particularly for counterfeit drug offenses;
- As noted above, increase the statutory maximum for drug offenses under the FFDCA, particularly for counterfeit drug offenses; and
- As noted above, recommend that the U.S. Sentencing Commission increase the Guideline range for intellectual property offenses that risk death and serious bodily injury, and for those offenses involving counterfeit drugs (even when those offenses do not present that risk).

Sixth, we recommend the following legislative changes to CBP's administrative penalties:

- Permit relief when someone who unknowingly and unintentionally acquires infringing products voluntarily discloses them to CBP before becoming aware of any CBP enforcement action (or a law enforcement investigation);
- Give CBP authority to issue penalties for infringing exports; and
- Strengthen CBP's authority to issue penalties for infringing imports discovered during audits of company records.

Finally, we recommend creating a right of public performance for copyright owners for sound recordings transmitted by over-the-air broadcast stations which, in part, will allow copyright owners to obtain overseas royalties that are now denied to them. Source: <http://www.whitehouse.gov/blog/2011/03/15/concrete-steps-congress-can-take-protect-americas-intellectual-property>

FEEL FREE TO BUY YOUR RIVALS' KEYWORD SEARCH AD

by Stephanie Rabiner, *Free Enterprise* at Findlaw.com

We spend a lot of time here at *Free Enterprise* discussing intellectual property—why you should register, how to protect it, and how not to infringe upon another's. This is especially true in the case of the Internet.

Luckily for businesses, the Ninth Circuit is providing a bit more leeway in the field of Internet advertisement—specifically in the context of search engines.

In a clever move, Network Automation bought the keyword of its rival “ActiveBatch” from Google Adwords. Basically, this means that when a consumer searches for ActiveBatch, an advertisement and link to Network Automation appears in a separate sponsored link section. ASC filed suit alleging that this infringes upon their ActiveBatch trademark.

One of the main reasons a business registers a trademark is so customers can properly differentiate products and properly associate them with a certain level of quality. Trademark infringement law therefore is designed to protect against consumer confusion.

Besides being sectioned off, the offending ads did not actually contain any mention of ActiveBatch or ACS. The Ninth Circuit felt that consumers may just be sophisticated enough to understand the difference between actual search results for ActiveBatch and related links that have been sponsored. It therefore determined that this sort of advertisement practice isn’t necessarily illegal.

If the case of ActiveBatch is giving you new advertisement ideas, keep in mind that the court also didn’t say that this practice is *never* illegal. Whether you can rightfully use a competitor’s trademark as a keyword advertisement term is a determination that will require the help of a Trademark attorney. There are at least eight complicated factors that must be considered and they are all fact dependent.

IN THE NEWS

CYBERSQUATTING HITS RECORD LEVEL, WIPO CENTER ROLLS OUT NEW SERVICES

In 2010, trademark holders filed 2,696 cybersquatting cases covering 4,370 domain names with the WIPO Arbitration and Mediation Center (WIPO Center) under procedures based on the Uniform Domain Name Dispute Resolution Policy (UDRP), an increase of 28% over the 2009 level and of 16% over the previous record year, 2008. Parties took advantage of user-friendly online facilities such as the WIPO-initiated paperless eUDRP, the Legal Index of WIPO UDRP Decisions, and the Overview of WIPO Panel Views on Selected UDRP Questions (WIPO Overview) to assist their case preparation and submission.

“The WIPO Center is the leading provider of domain name dispute services and provides a rich range of re-

sources for users and the general public. The just-released major update to the WIPO Overview is an excellent illustration of these resources and reflects the long experience of the WIPO Center,” said WIPO Director General Francis Gurry. The freely available WIPO Overview is a unique tool used by parties, counsel and others around the world to find their bearings in cybersquatting jurisprudence. “The revised WIPO Overview distills panel findings in thousands of domain name cases filed with WIPO since its launch,” added Mr. Gurry.

DOMAIN NAME DISPUTE RESOLUTION

Since the UDRP’s launch in December 1999, the WIPO Center has received over 20,000 UDRP-based cases, covering some 35,000 domain names in both generic and country code Top Level Domains (gTLDs and ccTLDs). Cases filed with WIPO in 2010 included parties from 57 countries. These cases were decided by 327 panelists from 49 countries in 13 different languages, namely (in order of frequency) English, Spanish, French, Dutch, German, Chinese, Korean, Portuguese, Italian, Turkish, Romanian, Swedish, and Japanese. In 91% of cases, panels found evidence of cybersquatting, deciding in favor of complainants.

The top five areas of WIPO complainant activity were retail, banking and finance, biotechnology and pharmaceuticals, Internet and IT, and fashion. WIPO’s 2010 caseload featured well-known names from business and public interest sectors. Most of these cases (82%) concerned registrations in the .com domain.

Among WIPO cases, the percentage related to country code Top Level Domains rose to 15% of all cases in 2010 from just 1% in 2000. National registries designating WIPO to provide domain name dispute resolution services increased to 65 in 2010 from 62 in 2009. Among the new additions, the policy for the .BR domain of Brazil is inspired by the UDRP but also imports several modifications specific to expressed local needs.

Against the background of the global emergence of domain names in local language scripts, as of October 2010, the WIPO Center is providing domain name dispute resolution services for both .AE and .ا.ا.م. (dotEmarat). The United Arab Emirates now not only utilizes its existing .AE two-letter country code in Latin characters, but also the .ا.ا.م. (dotEmarat) Internationalized ccTLD in Arabic script.

NEW GENERIC TOP LEVEL DOMAINS

Building on the UDRP experience, the WIPO Center continues to provide trademark-based domain name policy input to ICANN stakeholders. WIPO’s institutional commitment to cost-and time-effective domain name dispute resolution is found in its proposals for a rapid suspension mechanism (in ICANN terms, “URS”) addressing registrants and for pre-and postdelegation

procedures addressing registration authorities. The post-delegation proposal was made to encourage responsible registry operator conduct through standards coupled with realistic safe harbors. The WIPO Center believes that alternative dispute resolution can be an important tool for enhancing business and user confidence in Internet platforms.

With ICANN's ongoing discussion of new trademark protection mechanisms subject to registration and political pressures, the WIPO Center continues to monitor and where possible assist the overall effectiveness of the various proposals being tabled.

WIPO ARBITRATION AND MEDIATION OF INTELLECTUAL PROPERTY DISPUTES

In addition to domain names disputes, the WIPO Center in 2010 continued to administer cases under the WIPO Mediation, Arbitration, and Expedited Arbitration Rules. As of December 2010, the WIPO Center had administered some 240 mediations and arbitrations, the majority of which were filed in the last six years by large companies, small and medium sized enterprises, research organizations, and universities. These cases involved a range of issues, such as patent infringement, patent licenses, information technology transactions (including telecommunications), distribution agreements for pharmaceutical and consumer products, copyright issues, research and development agreements, trademark coexistence agreements, art marketing, artistic production, and media-related agreements, joint venture agreements, and cases arising out of agreements in settlement of prior multijurisdictional intellectual property litigation. Parties were able to use the WIPO Electronic Case Facility (WIPO ECAF). WIPO ECAF allows for secure filing, storing and retrieval of case-related submissions in a Web-based electronic case file, by parties and neutrals anywhere in the world.

In May 2010, the WIPO Center established a presence in Singapore. With the increasing economic importance of the Asia Pacific region, the disputes that are an unavoidable part of doing business can benefit from alternative dispute resolution options, especially in cross-border transactions. This new Singapore activity includes the provision of party guidance and training in intellectual property alternative dispute resolution.

In addition to case services under the WIPO Rules, the WIPO Center also works with industry associations to develop dispute resolution procedures tailored to their specific needs. For example, in 2010 the WIPO Center developed WIPO Expedited Arbitration Rules for EGEDA, the collecting society that represents and defends the interests of audiovisual producers in Spain.

BACKGROUND ON WIPO ARBITRATION AND MEDIATION CENTER

Based in Geneva, Switzerland, the WIPO Arbitration and Mediation Center was established in 1994 to offer Alternative Dispute Resolution (ADR) options for the resolution of international commercial disputes between private parties. Developed by leading experts in cross-border dispute settlement, the arbitration, mediation, and expert determination procedures offered by the WIPO Center are widely recognized as particularly appropriate for technology, entertainment and other disputes involving intellectual property. Since 2010, the WIPO Center also has an office at Maxwell Chambers in Singapore.

The WIPO Center is committed to understanding user needs. It is currently undertaking an International Survey on Dispute Resolution in Technology Transactions which will bring WIPO closer to the expectations of all parties in technology-related disputes and enable the WIPO Center to further improve its mediation, arbitration and expert determination services. A report on the results of the Survey is expected later in 2011. Other examples of the WIPO Center's focus on innovation are the contributions it has been making to further rights protection mechanisms under consideration by the Internet Corporation for Assigned Names and Numbers (ICANN), which is responsible for the Domain Name System.

BACKGROUND ON UDRP

The Uniform Domain Name Dispute Resolution Policy (UDRP), which was proposed by WIPO in 1999 and has become accepted as an international standard for resolving domain name disputes outside the traditional courts, is designed specifically to discourage and resolve the abusive registration of trademarks as domain names, commonly known as cybersquatting. Under the UDRP, a complainant must demonstrate that the disputed domain name is identical or confusingly similar to its trademark, that the respondent does not have a right or legitimate interest in the domain name and that the respondent registered and used the domain name in bad faith.

Disputes are decided by independent panelists drawn from the WIPO Center's list of trademark specialists. The domain name registration in question is frozen (suspended) during the proceedings. After reviewing a case, panelists submit their decision within a period of 14 days. If a panelist's decision to transfer a domain name is not challenged in a competent court within a period of 10 business days, the registrar is legally bound to implement the panelist's decision. The entire case normally takes no more than about two months. Source: http://www.wipo.int/pressroom/en/articles/2011/article_0010.html (annexes omitted)

APPLE SUES SAMSUNG, SAYS STOP COPYING U.S.

Apple Inc. sued Samsung Electronics claiming the South Korean firm's Galaxy line of mobile phones and tablets "slavishly" copies the iPhone and iPad, according to court papers, a move analysts say is aimed at keeping its close rivals at bay. Apple is one participant in a Web of litigation among phone makers and software firms over who owns the patents used in smartphones, as rivals aggressively rush into the smartphone and tablet market which the U.S. firm jumpstarted with iPhone and iPad. Nokia and Apple have sued each other in numerous courts and as recently as last month Nokia filed a complaint with the U.S. trade panel alleging that Apple infringes its patents in iPhones, iPads, and other products. Samsung is one of the fastest growing smartphone makers and has emerged as Apple's strongest competitor in the booming tablet market with models in three sizes but it remains a distant second in the space. Samsung's Galaxy products use Google's Android operating system, which directly competes with Apple's mobile software. However, Apple's claims against Samsung focus on Galaxy's design features, such as the look of its screen icons, the lawsuit said. Source: <http://www.reuters.com/article/2011/04/19/apple-samsung-idUSN1812566520110419>

USPTO HOSTS CLEAN TECHNOLOGY PARTNERSHIP MEETING

The United States Patent and Trademark Office hosted its first Clean Technology Partnership Meeting on April 27th to bring clean technology stakeholders together to share ideas, experiences and insights and provide a forum for discussion on how the USPTO can improve and expand on its clean technology programs. "Green technology innovations can help us protect our environment and improve our planet, and every day that an important new clean tech innovation is held back from the market represents a lost opportunity to create 21st century jobs and businesses," Under Secretary of Commerce for Intellectual Property and Director of the USPTO David Kappos said. "The feedback clean tech stakeholders provide is essential in our efforts to continuously improve the quality of our programs and services." Clean technology includes products and services that improve operational performance, productivity, or efficiency while reducing costs, inputs, energy consumption, waste, or pollution. Alternative energy sources, water and gas purification and soil remediation, as well as other technologies centered on increasing energy efficiency and nontoxic production incorporate clean technology. Leading industry experts provided an overview of

the clean technology landscape, addressed the importance of regional accelerators, gave an update on clean tech patents, and highlighted the benefits of the USPTO's Green Technology Pilot Program. Source: <http://www.uspto.gov/news/pr/2011/11-27.jsp>

USPTO UPDATES REGISTRATION EXAM FOR PATENT PRACTITIONERS

The United States Patent and Trademark Office updated its registration examination and provided new reference materials effective April 12, 2011. The changes will help ensure that newly registered patent attorneys and agents are fully qualified in the most current patent laws, rules and procedures. All applicants wishing to practice in patent cases before the USPTO must pass the registration exam consisting of 100 multiple choice questions. The revised exam questions will be based on the Manual of Patent Examining Procedure (MPEP) Edition 8, Revision 8, along with other published USPTO policy and procedure reference materials. Administration of the previous version of the registration examination ceased April 4, 2011.

The computer-delivered registration examination will be updated to utilize the following reference materials:

- Manual of Patent Examining Procedure (MPEP), Edition 8, Revision 8
- Examination Guidelines Update: Developments in the Obviousness Inquiry After *KSR v. Teleflex*
- New Interim Patent Subject Matter Eligibility Examination Instructions, August 2009
- Interim Guidance for Determining Subject Matter Eligibility for Process Claims in View of *Bilski v. Kappos*
- Interim Guidance for Determining Subject Matter Eligibility for Process Claims in View of *Bilski v. Kappos*, July 2010
- Supplementary Examination Guidelines for Determining Compliance with 35 U.S.C.A. § 112 and for Treatment of Related Issues in Patent Applications Source: <http://www.uspto.gov/news/pr/2011/11-26.jsp>

U.S. AND UK HIGHLIGHT PROGRESS ON PATENTS COOPERATION

The governments of the United States and United Kingdom highlighted the progress made on a joint ac-

tion plan launched in March 2010 to combat the problem of patent backlogs and their effects on the economy and job creation. The announcement was made in London by David Kappos, Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office, and Baroness Wilcox, UK Parliamentary Under Secretary for Business, Innovation and Skills. The action plan is a follow-up to the study commissioned by the UK Intellectual Property Office (UKIPO) and released in March 2010 entitled “Economic Study on Patent Backlogs and a System of Mutual Recognition,” which examined the economic impact of delays in processing patents. The study found that patent office delays stifle innovative competitiveness, drag down R&D investments, and minimize incentives to create, especially for inventions in the hi-tech sectors. The USPTO-UKIPO action plan is designed to allow a patent examiner in one office to reuse work done by an examiner in the other office on a corresponding application to the maximum extent possible in order to reduce duplication of work, speed up processing and improve quality in both offices. Source: <http://www.uspto.gov/news/pr/2011/11-25.jsp>

USPTO AUTOMATES FILING AND DECISION PROCESS FOR EIGHT PATENT PETITION TYPES TO IMPROVE CUSTOMER SERVICE

The United States Patent and Trademark Office announced the automation of the filing and decision process for eight patent-related petition types through its new e-Petition system. “We’ve heard complaints that it takes too long to get a decision from the Petitions Office,” said Under Secretary of Commerce for Intellectual Property and Director of the USPTO David Kappos. “To address this issue, we’re processing and issuing more petition decisions electronically, which will deliver better service to patent applicants and help improve efficiency at the USPTO.” The eight patent related petition types cover approximately one-third of the work of the Petitions Office and join two other types of patent petitions that are already decided electronically—petitions to make special on the basis of age and petitions to accept unintentionally delayed payment of the maintenance fee. The automated petition process uses the USPTO’s new e-Petition system. With e-Petition, data is input through a secure Web interface and the petition is decided automatically, eliminating months of waiting for these types of petitions to be docketed, decided and uploaded into Public PAIR (Patent Application Information Retrieval). Petitioners will also have more control over when their petitions are filed and answered. This is especially advantageous for

critical petitions, such as petitions to withdraw from issue. Electronic petition decisions will also decrease the need for renewed petitions and reduce the inventory of petitions awaiting decision, freeing up resources currently used to decide these eight types of petitions. Source: <http://www.uspto.gov/news/pr/2011/11-23.jsp>

INTERNATIONAL PATENT SYSTEM MARKS TWO MILLIONTH FILING—U.S. MOBILE TECHNOLOGY INNOVATOR, QUALCOMM, FILES LANDMARK APPLICATION

The two millionth international patent application under WIPO’s Patent Cooperation Treaty (PCT) was filed recently by U.S.-based mobile technology company Qualcomm. The PCT makes it easier for companies and inventors to seek patent rights in multiple countries. A single international patent application under the PCT has legal effect in all 142 countries bound by the treaty. PCT applicants receive valuable information about the potential patentability of their inventions and have more time than under the traditional patent system to decide in which of the PCT countries to continue pursuing patent protection. The PCT system consolidates and streamlines patenting procedures, postponing the payment of sizeable costs and providing applicants with a sound basis for important decision-making. WIPO Director General Francis Gurry welcomed this development and noted that “Rapidly growing use of the PCT over the past six years—the time it took to go from one to two million international patent applications—reflects continuously increasing investments in innovation and the growing importance of protecting innovation outputs in international markets,” noting, by comparison, that it took 26 years to receive the first one million PCT applications. He added that “significant growth in PCT membership has increased the attractiveness of the system and thereby contributed to healthy filing growth.” Source: http://www.wipo.int/pressroom/en/articles/2011/article_0013.html

INTELLECTUAL PROPERTY LAW UPDATES

STAY SOUGHT IN POP-UP-WINDOW SUIT

Google and 10 other big-name companies are seeking to have a patent infringement lawsuit brought by a

research group closely aligned with Microsoft cofounder Paul Allen put on hold pending the outcome of administrative review of the patents at issue. See *Interval Licensing LLC v. AOL Inc. et al.*, No. 10-CV-01385-MJP, motion to stay filed (W.D. Wash., Seattle Div. Mar. 17, 2011). The defendants' motion seeks to stay Interval Licensing LLC's lawsuit against them while they petition the U.S. Patent and Trademark Office to re-examine the validity of the disputed patents.

Interval Licensing is the patent holding company of Interval Research, which was cofounded by Allen and David Liddle in 1992, according to a company press release. Interval sued Google, AOL, Apple, eBay, Facebook, Netflix, Office Depot, OfficeMax, Staples, Yahoo, and YouTube in August 2010 in the U.S. District Court for the Western District of Washington, alleging infringement of four key patents related to basic e-commerce technology. The patents relate to online advertising methods such as pop-up windows and displaying lists of "related items."

Earlier, the defendants moved to dismiss the complaint, arguing it did not fulfill the tightened "notice pleading" standard that the U.S. Supreme Court outlined in *Ashcroft v. Iqbal*, 129 S. Ct. 1937, 173 L. Ed. 2d 868, 73 Fed. R. Serv. 3d 837 (2009), and *Bell Atlantic Corp. v. Twombly*, 550 U.S. 544, 127 S. Ct. 1955, 167 L. Ed. 2d 929, 68 Fed. R. Serv. 3d 661 (2007). Under the old, more liberal standard set forth in *Conley v. Gibson*, 355 U.S. 41, 78 S. Ct. 99, 2 L. Ed. 2d 80 (1957), a case would survive a motion to dismiss unless "it appeared, beyond a doubt, that plaintiff can prove no set of facts in support of the claim that would entitle him to relief."

The *Twombly* court, ruling in an antitrust case, said a well-pleaded complaint "requires more than labels and conclusions, and a formulaic recitation of the elements of a cause of action will not do." It also said the *Conley* language has "earned its retirement" and is "best forgotten."

In a case involving the post-September 11 detention of terrorism suspects, the *Iqbal* court clarified that the *Twombly* standards apply to all civil actions, not just antitrust ones.

U.S. District Judge Marsha J. Pechman granted the motion to dismiss but allowed the case to proceed after Interval filed an amended complaint. In their motion, the defendants urge the judge to put the case on hold pending the PTO's re-examination proceedings. They point out numerous references to "prior art," or previously published inventions, that they say may invalidate or significantly narrow the scope of the patents at issue. The defendants further note that nearly three of four re-examination proceedings result in patents being canceled outright or significantly narrowed.

"No matter the outcome of the re-examinations, substantial economies will be gained from a stay," the mo-

tion says. "[I]f no stay is granted, there exists a strong likelihood that some or all of the anticipated work to be conducted by the parties and the court prior to final disposition by the PTO would be for naught."

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SUPREME COURT TO REVIEW COPYRIGHT-PROTECTION ISSUE

The U.S. Supreme Court, in *Golan v. Holder*, 131 S. Ct. 1600 (2011), has agreed to decide whether a congressional amendment to the Copyright Act that restored copyright protection to thousands of works that had been in the public domain for many years violated constitutional principles.

A group of artists argues that the amendment, codified at § 514 of the Uruguay Round Agreements Act of 1994, Pub. L. No. 103-465, violates the First Amendment and the Constitution's copyright clause. The statute, which amended the Copyright Act, 17 U.S.C.A. § 104A(d)(1)(1)-(2), restored the copyrights of foreign holders whose works were held ineligible for copyright protection in the United States because the authors were unfamiliar with the technicalities of U.S. law.

The works previously in the public domain include those by C.S. Lewis, Virginia Woolf, Pablo Picasso, and Federico Fellini.

The rationale for restoring the rights was to achieve harmony with the international community by establishing copyright relations with foreign countries. By protecting the rights of foreign authors, the United States presumably would ensure its own authors will enjoy copyright protection in other countries.

The petitioners say the works of foreign authors previously had been freely available for them to perform or adapt. They say the enactment of § 514 has adversely affected their rights to free speech and freedom of expression by eliminating their right to perform or use the works. The petitioners challenged the law in the U.S. District Court for the District of Colorado, which dismissed the suit. *Golan v. Gonzales*, 74 U.S.P.Q.2d 1808, 2005 WL 914754 (D. Colo. 2005).

The Tenth U.S. Circuit Court of Appeals affirmed the decision as to the copyright clause allegations but reversed and remanded the First Amendment claims. *Golan v. Gonzales*, 501 F.3d 1179 (10th Cir. 2007). On remand, the district court ruled that § 514 violated the petitioners' First Amendment rights. *Golan v. Holder*, 611 F. Supp. 2d 1165 (D. Colo. 2009). On appeal for the second time, the Tenth Circuit again reversed, ruling the government had a substantial interest in securing foreign copyright protection for U.S. authors.

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BOOK SLAMMED ON GOOGLE BOOKS-SCANNING SETTLEMENT

In *The Authors Guild v. Google, Inc.*, 98 U.S.P.Q.2d 1229, 2011-1 Trade Cas. (CCH) P 77387, 2011 WL 986049 (S.D. N.Y. 2011), a New York federal judge has rejected a proposed settlement of a long-running lawsuit filed by various authors and publishers over the scanning of mostly out-of-print books into Google's Print Library service. The long-awaited ruling by U.S. District Judge Denny Chin of the Southern District of New York represents the second rejection of a proposed settlement of the nearly six-year-old lawsuit by the Authors Guild and others against the online giant.

The judge said the deal was not fair, adequate or reasonable because it would give Google a de facto monopoly over so-called "orphaned works," or books whose copyright chain of ownership is not easily ascertainable.

Google's Print Library program scans books from the New York Public Library, Harvard University, and other institutions to make the texts searchable online. The Authors Guild, which represents more than 8,000 published writers, sued Google in the district court, alleging it unlawfully reproduced works that still enjoyed copyright protection, even if the copyrights' chain of ownership could not be easily determined. The plaintiffs sought damages, injunctive relief, and attorney's fees.

The proposed settlement would have established the Book Rights Registry, which Google planned to fund with a minimum of \$67.5 million. Authors whose complete works were scanned and uploaded to Print Library would have received at least \$60 from the registry. The agreement provided that books not under copyright would be fully available and searchable online. Users would be able to view 20% of the contents of books that are under copyright but out of print, unless the publisher chose to block access. In return, Google would enjoy immunity from suit for copyright infringement. The rejected settlement also would have set aside funds from the sale of orphaned works to be used to locate their rightful owners.

The Justice Department objected to the deal, saying the liability protections Google would have enjoyed to the exclusion of competitors effectively created a new market in which Google was the only player. More than 6,800 authors and publishers also objected, and Judge Chin said in his ruling that the settlement would give Google "a significant advantage over competitors, rewarding it for engaging in wholesale copying of copyrighted works without permission."

The judge suggested that an "opt-in" settlement agreement in which authors affirmatively give their permission for each work copied likely would be acceptable, and he urged the parties to negotiate toward such an deal.

Consumer and digital rights groups hailed the judge's decision.

"Google's entire business model is to never ask permission but to seek forgiveness if necessary," John M. Simpson, director of Consumer Watchdog's Privacy Project, said in a statement on the group's Web site. "Judge Chin has ruled simply that you can't take other people's property and use it without asking."

"[O]pening up far greater access to out-of-print books through new technologies that create new markets is an idea whose time has come," Authors Guild President Scott Turow said in a statement. "Readers want access to these unavailable works, and authors need every market they can get."

"There has to be a way to make this happen," Turow said. "It's a top priority for the Authors Guild."

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SITE OF COPYRIGHT INJURY IS WHERE HOLDER IS, NEW YORK HIGH COURT RULES

Answering a question posed by the Second U.S. Circuit Court of Appeals, New York's highest court, in *Penguin Group (USA) Inc. v. American Buddha*, 16 N.Y.3d 295, 2011 WL 1044581 (2011), has ruled that, for purposes of long-arm jurisdiction, the site of a copyright injury is where the copyright holder is, not where the infringement occurred.

The state court's ruling may decide whether publisher Penguin Group can proceed with its lawsuit against out-of-state Web site operator American Buddha. Penguin's principal place of business is in New York. American Buddha is based in Oregon, with its principal place of business in Arizona. It operates two online libraries whose servers are located in Oregon and Arizona.

In 2009, Penguin sued American Buddha in the U.S. District for the Southern District of New York, alleging it published four copyrighted books on its library sites, making them available to the public free of charge. Penguin asserted long-arm jurisdiction under a New York law, N.Y. C.P.L.R. 302(a)(3)(ii), which permits jurisdiction over nonresidents who commit torts outside of New York that result in injuries within the state. American Buddha moved to dismiss, asserting that Penguin did not suffer any injury in New York. The district ruled in American Buddha's favor, and Penguin appealed to the Second Circuit. In June

2010, appeals panel certified a question to the New York Court of Appeals, asking the state's highest court whether the site of an injury for purposes of determining long-arm jurisdiction is the location of the infringing action or the location of the copyright holder.

Acknowledging that the Second Circuit said distribution over the Internet may be a factor in the New York court's analysis, the high court modified the certified question to include a reference to the effect of uploading works to the Internet in its jurisdictional analysis.

The state court said it is difficult to identify and quantify a copyright injury when the infringement involves the Internet, which is "intangible" and "ubiquitous." The court observed that digital technology enables pirates to reproduce and distribute copies easily and virtually at no cost. Although in most commercial tort cases a plaintiff's injury is where its business is lost or threatened, the court of appeals said it was illogical to extend that concept to online copyright cases, where the place of uploading is inconsequential and may not correlate to lost sales in a particular geographic area. Ultimately, the role of the Internet in cases alleging the uploading of copyrighted books distinguishes them from traditional commercial tort cases where the place of injury is where sales or customers are lost, the court said.

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CASE HIGHLIGHTS— COPYRIGHT

ALLEGED INSTANCE OF ACTUAL COPYING OF QUOTATION FROM PLAINTIFF'S WORK WAS PROTECTED UNDER "FAIR USE" DOCTRINE

In a copyright infringement case, an alleged instance of actual copying was protected under the "fair use" doctrine. The use of a quotation from the plaintiff's work was transformative. The copying was intentional, but the source was attributed and quotation marks were used. The quote was so small in comparison to the overall content of both works that it could not have affected the potential market for or value of the plaintiff's work. *Institute for Development of Earth Awareness v. People for Ethical Treatment of Animals*, 2011 WL 838902 (S.D. N.Y. 2011)

RAPPER'S SONG "STRONGER" DID NOT INFRINGE ON ANOTHER SONGWRITER'S COPYRIGHT

An ordinary observer would not find a songwriter's musical composition entitled "Stronger" to be substantially similar to a rapper's song with the same title, for purposes of copyright infringement. Even though both songs had the same title, used similar hooks, and referenced the English model Kate Moss, once these three unprotectable elements had been filtered out, the two works no longer had any similarities and were of different content and style. Although the songs did contain fragmented literal similarities, the similarities were not so significant as to constitute copyright infringement. *Peters v. West*, 97 U.S.P.Q.2d 2019, 2011 WL 831137 (N.D. Ill. 2011)

EVIDENCE OF BAR OWNER'S WILLFUL INFRINGEMENT OF COPYRIGHTS TO MUSICAL COMPOSITIONS WARRANTED AWARD OF STATUTORY DAMAGES

There was sufficient evidence of a bar owner's willful infringement of copyrights to musical compositions to warrant an award of statutory damages. The owner believed that it was the responsibility of a disc jockey and karaoke service provider to obtain the licenses. However, the provider never told him it was licensed. The owner received notices from the licensor regarding his need for a license, but he disregarded them, and continued to host public performances of the compositions. *Stygian Songs v. Johnson*, 2011 WL 824957 (N.D. Tex. 2011)

CASE HIGHLIGHTS— TRADEMARK

PURPORTED TRADEMARK OWNER AND ITS LICENSEE FAILED TO ESTABLISH STRONG LIKELIHOOD OF SUCCESS IN INFRINGEMENT ACTION

A purported trademark owner and its licensee failed to establish a strong likelihood of success on their trademark infringement claims against competitors, and thus

were not entitled to a preliminary injunction. The competitors plausibly alleged that the owner's assignor had breached an agreement to jointly acquire the marks, and thus lacked authority to assign the marks. There was no evidence of irreparable harm. The plaintiffs were aware of the ownership dispute when they acquired the marks. *CLT Logistics v. River West Brands*, 2011 WL 833802 (E.D. Mich. 2011)

THERE WAS NO LIKELIHOOD OF CONFUSION BETWEEN GIFT BASKET VENDOR'S TRADEMARK AND PRETZEL COMPANY'S MARK

There was no likelihood of confusion between an Internet-based gift basket vendor's mark "A Taste of Philadelphia," and pretzel company's mark "A Taste of Philly' Hand Twisted Soft Pretzel Bakery," as required to support the vendor's claim for trademark infringement and unfair competition under the Lanham Act. Although the parties' marks coexisted for several years, and during that time there was some evidence of actual confusion, the marks of the parties were dissimilar. The vendor's mark was weak both conceptually and commercially. There was little overlap between the parties' target consumers and the degree of care each parties' customer base used in making purchasing decisions was different. The parties' products were marketed and sold to different audiences employing different marketing strategies. The vendor depended on the Internet for the bulk of its revenues while the company did not make sales over Internet. The parties' products were not products customers would expect to come from a single source. The parties' products had markedly different price points. *R.J. Ants, Inc. v. Marinelli Enterprises, LLC*, 2011 WL 611809 (E.D. Pa. 2011)

"SICK BOY'S BAD HABIT LOUNGE" MARK DID NOT INFRINGE ON CLOTHING SELLER'S "SICK BOY" TRADEMARK

There was no actual confusion in the consuming public between a clothing seller's "Sick Boy" trademark and that of a restaurant and bar owner's mark, "Sick Boy's Bad Habit Lounge." The restaurant and bar owner used the entire phrase "Sick Boy's Bad Habit Lounge" on signs, advertisements, promotional materials, and its Web site. The letter "o" in the restaurateur's mark had been replaced by a stylized flaming vinyl record, suggestive of a rock music-themed establishment. The bar did

not employ elements commonly associated with motorcycle lifestyle, such as skulls or motorcycle crosses, like the "Sick Boy" clothing and product line did. And, although there was some overlap between the rebellious attitudes the two parties sought to tap into amongst their customers, the products they offered were distinctly different. *Blackwall Group, LLC v. Sick Boy, LLC*, 2011 WL 612334 (M.D. Fla. 2011)

NO LIKELIHOOD OF CONFUSION WITH CITIBANK MARKS WOULD ARISE FROM REGISTRATION OF BANK'S FOUR APPLIED-FOR CAPITAL CITY BANK MARKS

No likelihood of confusion with the competitor's CITIBANK marks would arise from registration of a bank's four applied-for standard character service CAPITAL CITY BANK marks. Although the competitor's CITIBANK marks were famous, the bank's marks did not employ the competitor's C-I-T-I spelling or compound word structure that contributed to the fame of the competitor's marks, and the fame factor was thus less persuasive than was typical. Additionally, pervasive third-party use of the phrase "City Bank" for financial services limited the protection afforded to the CITIBANK marks, whereas the dissimilarity of the marks in their entireties strongly supported a finding of no likelihood of confusion, and there were no instances of actual confusion despite concurrent use of the marks for decades. *Citigroup Inc. v. Capital City Bank Group, Inc.*, 98 U.S.P.Q.2d 1253, 2011 WL 1108255 (Fed. Cir. 2011)

PROVIDER OF SHOWROOM SERVICES TO FASHION INDUSTRY WAS NOT LIABLE FOR COUNTERFEITING OF TRADEMARK FOR WEARING APPAREL

There was no evidence that the trademark, "Charlotte Solnicki," appearing on wearing apparel that the provider of showroom services to the fashion industry displayed on behalf of a client and brokered sales to wholesalers, was spurious, identical with, or substantially indistinguishable from the mark, "CHARLOTTE," for wearing apparel. Thus, the provider was not liable for a trademark counterfeiting claim asserted, under the Lanham Act, by the owner of the "CHARLOTTE" mark. *GMA Accessories, Inc. v. BOP, LLC*, 2011 WL 446196 (S.D. N.Y. 2011)

CASE HIGHLIGHTS—PATENT

CORPORATE LICENSEE'S CONTROLLING SHAREHOLDER WAS NOT UNJUSTLY ENRICHED BY LICENSOR'S DISCLOSURE TO CONFIDENTIAL TECHNOLOGY TO LICENSEE

Absent evidence warranting piercing the corporate veil, licensors were precluded from recovering, on a theory of unjust enrichment, from a corporate licensee's controlling shareholder the benefit the shareholder received by virtue of the increased value of the licensee's stock due to technical assistance provided by the licensors. Assuming that the licensors' technical assistance was valuable, that value was realized by the corporate licensee, the company undertaking to improve the licensor's technology, rather than by the shareholder individually, and the value of the confidential technology disclosed to the licensee's employees could not be said to have been conferred on the shareholder, and thus he was not the unjust recipient of the value of that technology. *Johnson v. Ross*, 2011 WL 1042246 (4th Cir. 2011)

REISSUE APPLICATION THAT RETAINED ORIGINAL PATENT CLAIMS AND ADDED DEPENDENT CLAIM PRESENTED PROPER BASIS FOR REISSUE

A reissue application which retained all of the original patent claims, in a patent describing an alternator pulley, and added a dependent claim as a hedge against the possible invalidity of a broad claim presented a proper basis for seeking reissue under the statute governing the reissue of defective patents. Although the rule that adding a dependent claim as a hedge against possible invalidity was a proper reason to seek reissue had apparently not been formally embodied in a holding by the court of appeals, it had been adopted and adhered to in the court's prior rulings. *In re Tanaka*, 98 U.S.P.Q.2d 1331, 2011 WL 1437887 (Fed. Cir. 2011)

ACTIONS OF HEALTHCARE PROVIDERS AND PATIENTS COULD NOT BE COMBINED SO AS TO GIVE RISE TO FINDING OF DIRECT INFRINGEMENT

Actions of healthcare providers and patients could not be combined so as to give rise to a finding of direct infringement of the "initiating a communication" step of a patented communications system for providing automated, electronic communications between a health-care provider and a health-care provider's patients. The providers simply controlled the users' access to the system and the users chose whether to initiate communications with their providers and were under no obligation to do so. *McKesson Technologies Inc. v. Epic Systems Corp.*, 98 U.S.P.Q.2d 1281, 2011 WL 1365548 (Fed. Cir. 2011)

PATENT AND TRADEMARK OFFICE (PTO) SATISFIED ITS PROCEDURAL BURDEN OF ESTABLISHING PRIMA FACIE INVALIDITY OF PATENT APPLICATION

On examination of a patent application for photo-detector array system, the Patent and Trademark Office's (PTO's) rejection of claims satisfied the PTO's procedural burden of establishing prima facie invalidity due to anticipation. The PTO examiner clearly conveyed his understanding that the applicant's well-charge-level controller was broad enough to encompass the controller in a prior art reference, and the examiner's specific column and line cites to the prior art reference would have put any reasonable applicant on notice of the examiner's rejection. Indeed, the applicant's understanding of the rejection was manifested by the applicant's response, which did not assert that there was no on-the-record claim construction, or that the applicant did not understand the rejection, instead, the applicant responded to the substantive basis upon which the claims were rejected. *In re Jung*, 98 U.S.P.Q.2d 1174, 2011 WL 1235093 (Fed. Cir. 2011)

ACCUSED PRODUCT LITERALLY INFRINGED PATENT FOR CHESS-LIKE BOARD GAME USING LASER BEAMS

The key pieces in an accused board game were capable of being positioned in different spaces during set up. Thus, the accused product literally infringed the patent for a chess-like board game using laser beams and mirrored pieces that required the key pieces to be “moveable.” It did not matter that the accused product’s instructions indicated that the key pieces were not to be moved during standard game play. *Innovation Toys, LLC v. MGA Entertainment, Inc.*, 98 U.S.P.Q.2d 1013, 2011 WL 941563 (Fed. Cir. 2011)

CASE HIGHLIGHTS—TRADE SECRETS

PUBLISHED PATENT APPLICATION DESTROYED SECRECY OF ITS CONTENTS FOR PURPOSES OF TRADE SECRET MISAPPROPRIATION

Under Texas law, any information disclosed in patent applications by the owner of a meat-packing method creating a zero parts-per-million oxygen-storage atmosphere was no longer a trade secret, and such information thus could not be subject to trade secret misappropriation by the lamb wholesaler, where the wholesaler signed its nondisclosure agreement concerning the method, and the owner demonstrated method to wholesaler, after the patent application was made. Although no post-2000 Texas case directly addressed whether a published patent application destroyed the secrecy of its contents for trade secret purposes, the weight of authority from other jurisdictions held that it did. The court of appeals further held, however, that the owner’s unique combinations of previously disclosed elements could constitute trade secrets. *Tewari De-Ox Systems, Inc. v. Mountain States/Rosen, L.L.C.*, 2011 WL 1238008 (5th Cir. 2011)

IMAGE OF THE CONTENTS OF LAPTOP COMPUTER MADE WITH FORENSIC SOFTWARE WAS NOT PROPERLY AUTHENTICATED BY GOVERNMENT

An image of the contents of a laptop computer made with forensic software was not properly authenticated by the government, for purposes of showing what was on the laptop prior to its seizure by the owner of the defendants’ employer, in a prosecution for wire fraud and theft of trade secrets. The fact that the employer’s owner had filed a civil lawsuit against a defendant raised question about his motive to change the information on the laptop. An expert explained that from the time the image was made to the time when the FBI took possession of the laptop over 1,000 files or folders were accessed, altered, or deleted. Furthermore, an analyst’s actions in turning the computer on, moving a private folder to the desktop, and installing nonforensic software altered the contents and data configuration of the hard drive. *U.S. v. Hock Chee Koo*, 2011 WL 777965 (D. Or. 2011)

LICENSEES’ CLAIMS ARISING FROM FORMER LICENSEE’S MISAPPROPRIATION OF TRADE SECRETS WERE NOT BARRED BY DOCTRINE OF RES JUDICATA

Licensees’ New York law claims arising from a former licensee’s misappropriation of trade secrets for railway products were not precluded, under the doctrine of res judicata, as a result of prior arbitration proceeding in which the former licensee was determined to have misappropriated the licensor’s trade secrets. The licensees and the licensor were not in privity for purposes of res judicata. The licensees neither actively participated in the arbitration nor authorized the licensor to represent their interests before the arbitration tribunal. *Faiveley Transport USA, Inc. v. Wabtec Corp.*, 2010 WL 4860674 (S.D. N.Y. 2010)

