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Red with Envy: Why the Fashion Industry Should Embrace ADR as a Viable Solution to Resolving Trademark Disputes

By Erica S. Schwartz¹

I. Introduction

Today's fashion world has evolved into a massive industry with United States sales of more than \$200 billion per year—larger than those of books, movies, and music combined.² The fashion and apparel sector has become one of the largest and most dynamic in the global economy, accounting for nearly four percent of the total global GDP, a sum now in excess of \$1 trillion per year.³ In *The Law, Culture, and Economics of Fashion*, Harvard Law School Professors C. Scott Hemphill and Jeannie Suk argue that it is hard to imagine an area of social life that does not exhibit fashion in some way.⁴ “The desire to be ‘in fashion’—most visibly manifested in the practice of dress—captures a significant aspect of social life, characterized by both the pull of continuity with others and the push of innovation toward the new.”⁵ Similarly, Aram Sinnreich and Marissa Gluck, co-authors of *Music & Fashion: The Balancing Act Between Creativity and Control*, a book chapter about music, fashion, and copyright for The Norman Lear Center, consider fashion as “one of the most visible markers we have in contemporary society to express affiliation, lifestyle choice and identity.”⁶

While fashion trends may come and go, some designs have become

classic pieces.⁷ The 20th century marked the beginning of many of today's most famous and expensive brands, including Chanel, Balenciaga, and Dior.⁸ The fashion industry is inundated with iconic pieces, including Hermès' classic “Kelly” handbag,⁹ the timeless Chanel suit,¹⁰ Burberry trench coat,¹¹ Ralph Lauren Polo Shirt,¹² Louis Vuitton luggage,¹³ Levi 501 jeans,¹⁴ and Ray-Ban aviator sunglasses.¹⁵

Many fashion houses strive to create such everlasting designs; however, the fame and success that go along with such notoriety almost always come with a price. “Any industry that has reached this size and level of social importance will inevitably generate a number of common and repetitive legal problems and issues.”¹⁶ When designers succeed, if they have not obtained the appropriate protection, imitators will be able to take a free ride on their creative work.¹⁷ “In the legal realm, this social dynamic of innovation and continuity is most directly engaged by the law of intellectual property.”¹⁸ In recent years, owners of intellectual property are more actively protecting their assets, taking whatever steps they can to gain a competitive advantage in the market.¹⁹

Many times, however, new designs in fashion draw on previous trends, making it hard for designers and companies to fully protect or shield their pieces. It has been argued that fashion

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The growth and scope of activities undertaken by the NYIPLA are rapidly expanding as we move forward into the fall of 2013. Innovative programs are on the agenda as well as traditionally successful events.

A unique Presidents' Forum is scheduled for October 9, 2013 to address a major issue of intellectual property law. The topic of the inaugural event is "What To Do About NPEs: Do We Risk Throwing The Baby Out With The Bathwater?" A group of NYIPLA members and judicial, academic, government, and industry leaders will debate the topic. There is considerable enthusiasm for this event because it will foster high-level dialogue and debate regarding a significant issue.

It is anticipated that this will be the first of many such forums that will take place several times a year during the coming years. A number of past presidents are lending their support to the Presidents' Forum and we are grateful for their continuing contributions to the Association. We look forward to the long-term benefits of this event. The goal of the Presidents' Forum event is to promote an in-depth, high-level discussion among leaders in the field.

The Board of Directors meeting, held on September 10, 2013, was attended by the NYIPLA Committee chairs during which specific plans for the coming year were presented and discussed. The Committees are moving forward with creative programs under excellent leadership. We encourage additional participation from members of the Association. Many of the Committees would welcome additional support members to help carry out the planned programs.

For example, the Continuing Legal Education Committee will be conducting a series of valuable educational programs throughout the year. In fact, a successful trademark program already took place in July 2013. The CLE programs are expanding in content and geographic locations. Last year we were fortunate to have successful CLE programs conducted in Westchester and Nassau Counties. This year another patent law program is scheduled in Nassau County in Syosset on November 7, 2013. Further expansion of the CLE programs hopefully will take place within the near future to locations in Connecticut and New Jersey. Another successful CLE program took place in June 2013 in Buffalo,



New York and a similar program is scheduled in New York City this September. The traditional one-day patent CLE program is scheduled for January 2014 and the Day of Dinner CLE program will take place in March on the occasion of the Annual Dinner in Honor of the Federal Judiciary hosted by the NYIPLA.

Another area which is under exploration to expand the scope and range of the NYIPLA's CLE audience includes the evaluation and development of webinars. It is expected that we will be able to present this choice for CLE in the near future. The Meetings & Forums Committee is actively participating in developing this option.

Accordingly, the educational aspects of the Association's activities will be as strong as ever and increasing in scope and content. It is planned that this service will be a significant part of the NYIPLA program going forward.

It is planned that the Association will also continue with its recognized presence and support in regard to intellectual property matters in Washington, D.C. The Amicus Brief Committee continues to be active with a dedicated staff of attorneys to evaluate, promote and execute the preparation and submission of excellent amicus briefs in regard to intellectual property matters. The Association will continue in this direction with suitable filings in the Supreme Court of the United States and the United States Court of Appeals for the Federal Circuit.

In other aspects of activity at the nation's capital, the Patent Law & Practice Committee continues to monitor and work hand-in-hand with the U.S. Patent and Trademark Office. This Association activity is particularly important in view of the newly implemented America Invents Act. The Patent Litigation Committee complements the Patent Law & Practice Committee in monitoring, evaluating and advising the Association and its members with respect to changes in federal litigation procedures.

Other very active Committees in companion areas of intellectual property law, including trademark, copyright and internet and privacy law, support the scope of intellectual property law service by the Association. In addition to its efforts to address intellectual property issues in the United States, the Association continues to monitor and interface with foreign authorities in connection

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with intellectual property law through the very active U.S. Bar - Japan Patent Office Liaison Council and the U.S. Inter-Bar EPO Liaison Council.

The Association will continue in its efforts to recognize and award excellence in regard to intellectual property by conducting the annual Hon. William C. Conner Writing Competition, presenting an Inventor of the Year (IOTY) Award, granting the Hon. Giles S. Rich Diversity Scholarship award and presenting an Outstanding Public Service Award. Again in 2014 these awards will be presented at either the Annual Dinner in Honor of the Federal Judiciary on March 28, 2014 or the Annual Meeting of the Association on May 20, 2014.

As part of its efforts to monitor activities in Washington, D.C. relating to intellectual property, the Association vigorously responded when the Office of Management and Budget decided to subject the U.S. Patent and Trademark Office to sequestration. A strong letter (reproduced later in this Bulletin) was authorized and submitted urging removal of sequestration with respect to U.S. Patent and Trademark Office funds. The Association's analysis and conclusion is that voluntary payment made by users

for Patent and Trademark Office services should not be applicable to sequestration. To do so would subject the intellectual property system, which acts as a key economic driver to attract and protect investment in new technology, to severe unwarranted damages. Hopefully, the Office of Management and Budget in Washington, D.C. will see reason in this regard.

As the administration moves energetically forward, I would like to extend my grateful thanks to Tom Meloro, my predecessor as president, for an excellent and successful term in office. He has certainly made for an easy and smooth transition to the presidency. I would also like to thank Denise L. Loring, who has assumed the responsibility of treasurer for the Association, and Annemarie Hassett, who has taken on the responsibility of secretary of the Association. Additionally, I would like to welcome the four new board members, Stephen J. Quigley, Jessica L. Copeland, Raymond E. Farrell, and Matthew B. McFarlane, and to express my appreciation for their experience and willingness to serve in support of the goals of the Association. We look forward to a successful and exciting year in providing service in the world of intellectual property law.

Charles Hoffmann

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may be the most cyclical of all design industries:²⁰ “[I]deas and aesthetics constantly have been recycled, particularly from the 1930s to the present. Sleeves, collars, skirt lengths, patterns, fabrics, buttons, and hems all are elements with seemingly infinite permutations, but in reality there is a fairly limited aesthetic vocabulary, with the proven successes cropping up again and again.”²¹

As trends continue to drive the fashion industry, some argue that it is the absence of intellectual property rights that is essentially feeding the creative process:²² “With fashion, the constant frenzy of creation and imitation may actually drive rather than destroy the market for original goods.”²³ Yet, many designers and intellectual property scholars are in favor of legal protection, arguing that without it, designers would lack incentives to create and manufacturers would be reluctant to make investments in the product.²⁴ However, despite this support for intellectual property protection, copyright and patent law in the United States is quite limited in the area of fashion.²⁵ As a result, fashion houses that value their brand equity have developed bonds with their customers through their brand names and fiercely protect these through the registration of trademarks.²⁶ Trademarks, therefore, have become devices used to identify the source of consumer products in the fashion industry.²⁷

In today's market-driven economy, the economic health of a company is based in part on the strength of its intellectual property:²⁸ “The strength and vitality of the U.S. economy depends directly on effective mechanisms that protect new ideas and investments in innovation and creativity. The continued demand for . . . trademarks underscores the ingenuity of American inventors and

entrepreneurs.”²⁹ As companies increasingly invest time and capital in establishing and protecting their rights and maintaining positive reputations for their products, disputes over trademark rights in the fashion industry have inevitably arisen.³⁰ With an increase in trademark infringement cases, it is important to discuss various ways in which designers can resolve their claims.

This article proposes that based on the nature of trademark disputes in the fashion industry, discussed in more detail below, alternative dispute resolution may be a viable option to resolve these cases. These alternative methods allow parties to explore mutually beneficial solutions, while avoiding litigation and ensuring the vitality of their brand.

Part II outlines the history of fashion design protection and examines the current types of legal protection available to fashion designs in the United States. Part III addresses the role and importance of trademarks in the fashion industry and also examines the disadvantages of trademark litigation, represented by a study of *Christian Louboutin, S.A. v. Yves Saint Laurent America, Inc.* and the fight over red-soled shoes. Lastly, Part IV defines the various forms of alternative dispute resolution and analyzes how such methods are beneficial to fashion trademark disputes.

II. History of United States Protection for Fashion Design

Intellectual property protection provides tremendous value to the creation and marketing of products in the fashion industry.³¹ As the fashion industry thrives on

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innovation and original creative expression, companies must act quickly to gain intellectual property protections for their work.³²

Professor Susan Scafidi at Fordham Law School argues that intellectual property law is being re-fashioned for a new generation. At the same time, however, she recognizes that United States law has long excluded most creative fashion designs from protection.³³ Compared to other major fashion-producing countries such as Japan, India, and European nations, the United States has failed to protect American fashion designers, apart from their trademarked labels and logos.³⁴

A. Copyright Protection

Since 1914, Congress has considered more than seventy bills that would provide copyright protection to fashion designs, but none have been successful.³⁵ Today, copyright law protects the purely artistic elements of a garment that exist independent of its utilitarian features; however, the law does not currently cover useful articles themselves.³⁶ 17 U.S.C. § 102 authorizes copyright protection in “original works of authorship”; however, of the eight categories listed in § 101 of the Copyright Act, only “pictorial, graphic, and sculptural works” could logically encompass fashion. Under § 101 of the Act, such “pictorial, graphic, and sculptural works” are protected “only if, and only to the extent that, such design incorporates pictorial, graphic, or sculptural features that can be identified separately from, and are capable of existing independently of, the utilitarian aspects of the article.”

As a result of this separability requirement, fashion designs in their entirety typically fail since the design can rarely be separated from its utilitarian function.³⁷ Therefore, usually only certain fabric pattern designs, features independent of the garment, or some types of original artwork on clothing may be protectable under the current copyright law.³⁸ Because copyright law generally fails to provide a remedy to fashion designers, an “imitator may copy with impunity, and the law grants no remedy to the creator.”³⁹

B. Patent Protection

Fashion designers of “new, original and ornamental design for an article of manufacture” may be able to seek design patent protection under 35 U.S.C. § 171. As opposed to a utility patent, which protects the way an article is used and works,⁴⁰ a design patent protects the way an article looks⁴¹ for a term of fourteen years from the date of issuance.⁴² A patent holder may prevent others from making, using, selling, or importing the design⁴³; however, only a few designs have been successful in obtaining design patents since most fashion designs fail the statutory requirement of novelty, non-obviousness, and non-functionality.⁴⁴ The cyclical elements of the industry⁴⁵ result in very few sufficiently novel products being able to meet the standard.⁴⁶ The non-obviousness

element, which is analyzed from the perspective of “a designer of ordinary skill or capability” in the profession, often presents the greatest hurdle to overcome.⁴⁷

In addition, acquiring a design patent can be a costly and time-consuming process.⁴⁸ Even if a design is found to be nonfunctional and non-obvious, “the substantial length of time it takes to obtain a patent renders this protection generally ineffective against the typical, near-instantaneous knockoff”⁴⁹ or the newly emerging trend.⁵⁰ The fourteen-year term of the design patent protection may also be too long for the fashion industry.⁵¹

C. Trademark and Trade Dress Protection

Currently, trademark law serves as a designer’s best protection. While trademark law does not protect the overall design of an item, the law does protect logos, brand names, or other registered marks.⁵² Trademark law, under the Lanham Act (35 U.S.C. § 1127), provides protection to “any word, name, symbol, or device” that is distinctive to the designer. As trademarks are used to identify and distinguish goods, a distinctive mark must be capable of identifying the source or manufacturer of a particular good.⁵³ The Supreme Court has suggested that the design of a product (including a fashion work) is not inherently distinctive, and thus designers must show “secondary meaning”—that “in the minds of the public, the primary significance of a product feature or term is to identify the source of the product rather than the product itself.”⁵⁴

Protection under trademark law may also include trade dress infringement. Trade dress, a specific type of trademark protection, protects the overall appearance and packaging of a product.⁵⁵ When apparel cannot realistically include a logo, word mark, or protectable design element, trade dress law can protect the overall image of a product if it is nonfunctional,⁵⁶ distinctive,⁵⁷ and has acquired secondary meaning.⁵⁸ Under 15 U.S.C. § 1125(a), a plaintiff must show that his product is not functional and that the infringing feature is “likely to cause confusion” between the plaintiff’s and defendant’s product.⁵⁹

III. Importance of Trademarks in the Fashion Industry

In today’s dynamic economic society, where perhaps nothing carries more weight than the eternal brand,⁶⁰ a company’s name or logo is arguably its most valuable asset. Over time, consumers tend to develop a “brand image,” defined as “the total of all the information they have received about the brand—from experience, word of mouth, advertising, packaging, service and so on.”⁶¹ As technology progresses, the need to protect business clientele, reputations, and brand image has become increasingly important,⁶² thereby creating a stronger desire for protective trademark law. Trademarks perform a valuable function by identifying the source of products

and services and serving as an indicator of reliable quality to the consumer.⁶³ As such, companies spend more effort and money on building solid brands because they know that consumers often respond better to a logo or slogan than to the quality of the product.⁶⁴ The fashion industry is no exception to this phenomenon.⁶⁵

In fashion, trademark law offers “a small but significant ray of hope for fashion designers seeking protection” for their brands.⁶⁶ For example, this area of law protects designer logos like the Louis Vuitton “LV,” the Chanel “interlocking C,” the Lacoste alligator, the Ralph Lauren polo horse, and other such emblems that are placed directly on garments and accessories.⁶⁷ Fanciful⁶⁸ word marks or brand names for clothing, such as “Banana Republic,” which are non-descriptive, are easily registrable, while descriptive marks that simply describe the actual product or the name of the designer himself, “such as ‘Tommy Hilfiger,’ require a considerable amount of investment before they may become registered trademarks.”⁶⁹ In other words, fanciful emblems that are not descriptive of the products on which they are used may be enforced and registered without a showing of secondary meaning.⁷⁰

Because fashion companies are beginning to recognize that trademark law offers the best option among intellectual property rights for long-term protection,⁷¹ as opposed to the limited term protections available through patent and copyright law,⁷² they are more actively pursuing such protection, leading to a rise in trademark registration.⁷³ Such increased registrations may in turn lead to significant costs, as businesses must make legal expenditures for trademark protection and defend themselves in trademark litigation.

A. Christian Louboutin, S.A. v. Yves Saint Laurent America, Inc.

*Christian Louboutin, S.A. v. Yves Saint Laurent America, Inc.*⁷⁴ provides a tangible example of the importance of trademarks in fashion. French footwear designer Christian Louboutin (“Louboutin”) sells more than five hundred thousand pairs of shoes per year, at prices ranging from \$395 to \$6,000 a pair.⁷⁵ While the considerable price tag certainly bolsters the fame of the brand, Louboutin’s shoes are best known for their red outsoles.⁷⁶

Louboutin began applying the color red to the outsoles of his high fashion women’s shoes in 1992.⁷⁷ Since then, his shoes have grown in popularity, appearing regularly on fashion icons and celebrities.⁷⁸ To Louboutin’s loyal customers, “the red soles offer the pleasure of secret knowledge to their wearer, and that of serendipity to their beholder. Like Louis XIV’s red heels, they signal a sort of sumptuary code, promising a world of glamour and privilege.”⁷⁹

With this distinctive technique, Louboutin invested substantial amounts of capital building a reputation and

goodwill, as well as promoting and protecting his claim to exclusive ownership of the mark as his signature in women’s high fashion footwear.⁸⁰ Over the years, Louboutin’s efforts paid off:

Louboutin succeeded to the point where, in the high-stakes commercial markets and social circles in which these things matter a great deal, the red outsole became closely associated with Louboutin. Leading designers have said it, including [Yves Saint Laurent] YSL, however begrudgingly. . . . No doubt then, Christian Louboutin broke ground and made inroads in a narrow market. He departed from longstanding conventions and norms of his industry, transforming the staid black or beige bottom of a shoe into a red brand with worldwide recognition at the high end of women’s wear, a product visually so eccentric and striking that it is easily perceived and remembered.⁸¹

In January 2008, the United States Patent and Trademark Office awarded Louboutin a trademark for a “lacquered red sole on footwear” (the “Red Sole Mark”).⁸²

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Understanding Recent Changes in Patent Law and Their Effect on Litigation



**Administrative Patent Judge
Thomas Giannetti - USPTO**

**Magistrate Judge William D. Wall
U.S. District Court, EDNY**



Panels:

- Prosecution and Post-Grant Proceedings Under the AIA
- *FTC v. Actavis* and its Effect on ANDA Litigation
- Litigation and ITC Under the AIA



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Since then, Louboutin's red soles have become a powerful trademark for his brand, and a key brand identifier for the company.⁸³ As Kal Raustiala and Chris Sprigman argue on their blog, *Freakonomics*, the signature red soles scream that the purchaser "paid a lot of money for these beautiful shoes! . . . [A] signature sole color was a great marketing idea, and clearly penetrated the consciousness of the high-end shoe buying public."⁸⁴ Another article suggests that these red outsoles are "a marketing gimmick that renders an otherwise indistinguishable product instantly recognizable. . . . Louboutin's shoes issue their own press releases."⁸⁵ The trademark has become highly recognizable, especially among female consumers, and many women are willing to pay the exorbitant prices for the prestigious status the red-soled shoes impart on the wearer.⁸⁶ Louboutin's marketing and branding efforts, which promote his trademarked red soles, have arguably developed a brand image in the minds of retail consumers.⁸⁷

Yet, Louboutin's recent court battle with rival high-end footwear designer Yves Saint Laurent ("YSL") threatened the legality and vitality of the Red Sole Mark. In April 2011, Christian Louboutin, S.A. filed suit in the United States District Court for the Southern District of New York against Yves Saint Laurent America, Inc.,⁸⁸ alleging that several of YSL's shoes from its rival's Cruise 2011 collection infringed Louboutin's 2008 trademark on women's shoes with a red outsole, in violation of the Lanham Act.⁸⁹ Louboutin sought a preliminary injunction preventing YSL from marketing during the pendency of the action "any shoes, including red monochrome shoes, bearing outsoles in a shade of red identical to the Red Sole Mark, or in any shade which so resembles the Red Sole Mark as to cause confusion among customers."⁹⁰ On May 20, 2011, YSL filed its answer and counterclaims to Louboutin's complaint, seeking cancellation of the mark on various grounds, including fraud.⁹¹ Although the court recognized the law's respect for innovation,⁹² in an order dated August 10, 2011, Southern District Court Judge Victor Marrero rejected Louboutin's motion, ruling that,

[b]ecause in the fashion industry color serves ornamental and aesthetic functions vital to robust competition, the Court finds that Louboutin is unlikely to be able to prove that its red outsole brand is entitled to trademark protection, even if it has gained enough public recognition in the mark to have acquired secondary meaning.⁹³ The Court therefore concludes that Louboutin has not established a likelihood that it will succeed on its claims that YSL infringed the Red Sole Mark to warrant the relief that it seeks.⁹⁴

Louboutin appealed Judge Marrero's ruling on October 17, 2011.⁹⁵ On September 5, 2012, the Second Circuit issued its decision, affirming in part the order of the District Court, insofar as it declined to enjoin the use of the red lacquered outsole as applied to a monochrome red shoe; reversing in part the order of the District Court insofar as it purported to deny trademark protection to Louboutin's use of contrasting red lacquered outsoles; and remanding for further proceedings with regard to YSL's counterclaims.⁹⁶ Although the Second Circuit agreed with the District Court's finding that the red outsole has become closely associated with Louboutin,⁹⁷ it held that secondary meaning extended only to the use of a lacquered red outsole that contrasted with the adjoining portion of the shoe.⁹⁸ Therefore, the court modified the Red Sole Mark, limiting it to situations in which the red lacquered outsole contrasts in color with the adjoining upper portion of the shoe.⁹⁹

B. Disadvantages of Trademark Litigation in the Fashion Industry

Louboutin provides a tangible example of why litigating trademark questions in the fashion industry can be an extremely risky endeavor, especially for designers and fashion companies that rely heavily on their trademark. Even when a brand has acquired secondary meaning, its trademark may be in jeopardy. For Louboutin, and other designers in similar situations, in which their brands rely on a highly recognizable trademark, gambling everything in court becomes a precarious undertaking, and may put one of the parties at a severe disadvantage. Although both parties claimed victory after the Second Circuit's ruling,¹⁰⁰ Louboutin's trademark arguably has been severely limited, now covering only circumstances in which the red outsole contrasts with the adjoining upper portion of the shoe. In addition, YSL's counterclaims were remanded, which would have required both parties to expend substantial amounts of money in an additional proceeding had YSL not dismissed its counterclaims voluntarily.¹⁰¹

Louboutin suggests that the nature and subjectivity of such disputes often make them incompatible with litigation. Because of all the requirements and particularities of the law, it may be difficult for plaintiffs to prove their cases in court, which could lead to undesirable outcomes.

Under § 43 of the Lanham Act, 15 U.S.C. § 1125, the standard used in trademark infringement disputes involves a question of "likelihood of confusion." Issues requiring resolution include:

the degree of distinctiveness obtained by the plaintiff's mark or trade dress; actual or likely confusion by consumers; similarity of the opponents' products or product categories; similarity of the

marks or trade dress; sophistication of the relevant potential buyers and of the marketing channels used by the parties; and the defendant's intent in choosing his mark or trade dress.¹⁰²

Because the requirements analyzed in determining the "likelihood of confusion" standard are generally considered questions of fact to be decided by a jury, the cost of discovery can be exorbitant.¹⁰³ The use of consumer perception, market data, expert witnesses, and surveys can also increase the cost of discovery and litigation significantly.¹⁰⁴ Moreover, litigation is extremely detrimental to small designers and start-ups, who can be easily decimated financially by a lawsuit.¹⁰⁵

Another drawback of litigating such disputes relates to the fast-paced nature of the fashion industry, in which product stocks are constantly refreshed. What some experts term a "fast fashion system," the fashion industry combines quick response production with enhanced product design capabilities to create "hot" products that capture the latest consumer trends and exploit minimal production times.¹⁰⁶ The goal is to produce short-cycle fashion products as quickly as possible in relatively small quantities.¹⁰⁷ The critical component of fast fashion is the ability to identify and trace apparel trends quickly and marry this knowledge to the supply chain, producing new products in an abbreviated time frame.¹⁰⁸

The fashion industry today is fast-paced; yet, the court system runs at a much slower rate. Since litigating such disputes can last months, if not years, the design in dispute is usually no longer in style at the time of resolution. Because of ever-changing trends, a court's decision may have only a minimal effect on the industry by the time the issue is actually litigated and decided.

Litigating trademark disputes can also disrupt business relationships in the industry. The fashion industry has become fairly fluid, with talent, ideas, individuals, and aesthetics constantly re-circulating within a relatively limited sphere.¹⁰⁹ Sinnreich and Gluck argue that fashion works in a globalized creative community, which thrives on "the continual circulation of ideas and mining of the creative commons."¹¹⁰ Louboutin, for example, recently expressed disappointment in having to take YSL to court, especially since he knew the CEO of PPR Group (YSL's parent) very well, and that YSL himself was someone he had worked with and had "great admiration for."¹¹¹ Moreover, in 2002, Louboutin created a shoe for YSL's farewell haute-couture show, which contained the Red Sole Mark as well as YSL's and Louboutin's house marks.¹¹² Louboutin's statements and past partnerships seem to suggest that designers seek and encourage camaraderie and respect for one another.

Alternative dispute resolution processes, discussed in more detail in Part IV, which tend to be resolved faster than litigation, may cut the amount of time spent in dispute and have a more positive effect on the industry in general.¹¹³

IV. Alternative Dispute Resolution

The uncertainty surrounding trademark disputes in the fashion industry paves the way for alternative dispute resolution ("ADR") in trademark infringement and trademark cancellation cases. For Louboutin, ADR could have provided the designer with many more possibilities, allowing him to set his own terms against YSL, and not to be subject to the court's ruling essentially limiting his trademark. ADR offers boundless possibilities, whereby the parties can design their own solution and continue to grow and work together indefinitely. Because ADR tends to be a less confrontational, more constructive form of resolution, the process is much more appealing. This solution is crucial to fashion designers and the industry as a whole.

A. Forms of ADR

In recent years, ADR methods have emerged as viable substitutes to litigation.¹¹⁴ ADR does not describe a single approach or method, but comprises many practices for settling disputes between parties.¹¹⁵ Although generally the different forms of ADR can be categorized into two categories, binding and non-binding, the combinations and permutations are virtually unlimited.¹¹⁶ Each method is distinct, and has its own benefits and shortcomings.¹¹⁷

The most common and least adjudicative form of ADR is settlement negotiations. "Settlement is the process of establishing a range of compromise options until the parties involved in a dispute reach an agreement."¹¹⁸ It is used almost universally in pre-litigation dispute resolution.¹¹⁹

Arbitration serves as one of the most popular and well-known forms of ADR.¹²⁰ Although it is the most comprehensive form of ADR, it is also ordinarily the most restrictive, as the outcome and remedy are determined by a third party and are usually binding and final.¹²¹ There is usually no appeal or judicial review,¹²² except when alleging an abuse by or impropriety of the arbitrator(s).¹²³

In arbitration, the parties may select one private arbitrator or a panel of three private arbitrators, who often possess a particular expertise in the area of the conflict.¹²⁴ By choosing the arbitrator, the parties can retain far greater control of the outcome(s) than they would by surrendering their fate to a judge or jury. Arbitration is often confidential, and awards are not published unless the parties agree otherwise.¹²⁵ In sum,

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arbitration offers parties a potentially cheaper and faster alternative to courtroom litigation, allowing them to adjudicate in front of a neutral party according to rules and regulations they set in place.

Mediation, as opposed to arbitration, provides a neutral third party who assists the conflicting parties in crafting a settlement, but does not decide the outcome.¹²⁶ Instead, a mediator merely facilitates resolution between the parties, while the parties themselves try to create a solution that will work.¹²⁷ As such, mediation can help the parties fashion a creative solution that will benefit both sides. In particular, it focuses on creating a dialogue between the parties and is more likely to result in an agreement that “will be more acceptable in the long run than one imposed by a court.”¹²⁸ This process is particularly effective for parties who have an important business relationship with each other since it provides for a less adversarial solution than arbitration.¹²⁹

Throughout the ADR process, parties may manipulate the methods to create a unique approach that works in everyone’s best interests. Such a result may lead to a combination of different types of ADR methods, such as Med-Arb¹³⁰ or Co-Med Arb.¹³¹

B. Benefits of ADR in Fashion Trademark Disputes

Given the unique characteristics of fashion trademark disputes, ADR offers substantial advantages to the resolution of these disputes, and provides companies and designers opportunities that cannot be realized through litigation. In addition, the risks of using a traditional, court-centric litigation strategy are far greater than any risks or shortcomings associated with ADR.

As a cost-containment, flexible procedure that allows the parties and the neutral to mold their own form of relief, ADR can limit the scope of discovery, thereby keeping costs down.¹³² As argued in Part III.B., the cost of discovery in determining the “likelihood of confusion” standard can be significant. Because trademarks are so vital to the fashion industry, a plaintiff seeking to prove that a defendant’s mark is confusingly similar to its own is likely to spend a substantial amount of money on survey evidence and market data in an effort to protect its trademark (*i.e.*, its sole form of legal protection). ADR can limit the amount, scope, or cost of discovery allowed.¹³³

Second, as legal protections do not currently cover all types of apparel or design,¹³⁴ it is important to find individuals familiar with the substantive law to adjudicate the proceeding. ADR allows for this discretion.¹³⁵ Parties will generally feel more comfortable with the ability to choose at least one arbitrator or mediator with the background and knowledge that will allow him to understand the issues involved.¹³⁶

Third, lengthy trials and likely appeals amount to a long time before a court may reach a final verdict, which can have adverse effects on a company’s business in a fast-paced industry.¹³⁷ Most methods of ADR, however, unlike litigation, can produce a solution in less than a year.¹³⁸ This timesaving benefit is especially important in trademark disputes, as early settlement of the dispute would “enable parties to promptly make modifications in their mark or the territories in which they use it.”¹³⁹ Because trademarks are typically used in advertising, fast resolution is necessary to prevent parties from experiencing loss of business and suffering financial setbacks.¹⁴⁰ If a company is prevented from using a particular mark, it may lose revenue through lost customers. Thus, the speedy resolution of trademark disputes through ADR, as opposed to awaiting a long trial, seems like a much better alternative for a company that depends on a good mark.

In addition, with the fast-paced nature of the fashion industry, in which new trends are constantly being created and old ones disappearing, it may be hard for the public to associate an article with the designer in order to establish secondary meaning if that designer or company were enjoined from using its mark. Thus, the faster a forum resolves the issue, the earlier a designer will be able to use these source-identifying marks.

Another important advantage of ADR in fashion trademark disputes addresses the actual parties themselves. Not including counterfeiting cases, in which the innocent party is unlikely to negotiate a settlement with an infringing party, disputes in the fashion industry can arise between amicable parties. ADR works to maintain these business relationships between parties who already have an ongoing association.¹⁴¹ In such situations, there is a substantial benefit to avoiding outright litigation, saving not only time and expense, but also preventing the dispute from escalating into a purely aggressive approach, which could destroy any potential for future collaboration.¹⁴² ADR serves as a less confrontational, more constructive form of dispute resolution, and offers flexibility to make a relationship work in the future.¹⁴³ These practices, which tend to create a dialogue between the parties, are more likely to result in a more acceptable agreement for the future, as opposed to one imposed by the court.¹⁴⁴

VI. Conclusion

The United States fashion industry has been growing exponentially in recent years, yet the law is slowly fighting to keep up. Copyright and patent law have proven only minimally effective in fashion, forcing designers and fashion companies to rely on their trademarks to protect their work. Litigating trademark disputes in the fashion industry presents a host of problems, outlined in *Christian Louboutin, S.A. v. Yves Saint Laurent America*,

Inc. ADR methods, however, are increasingly emerging as substitutes to litigation.

(Endnotes)

¹ Ms. Schwartz received a JD, with a concentration in Intellectual Property, from Benjamin N. Cardozo School of Law in May 2013, and a BA from Emory University in 2009. A longer version of this article first appeared in Volume 14.1 of the *Cardozo Journal of Conflict Resolution*, pp. 279-307 (Fall 2012), <http://cardozo.jcr.com/wp-content/uploads/2012/12/CAC110.pdf>.



² C. Scott Hemphill and Jeannie Suk, *The Law, Culture, and Economics of Fashion*, 61 *STAN. L. REV.* 1147, 1148 (2009).

³ Guillermo C. Jimenez, *Fashion Law: Overview of a New Legal Discipline*, in *FASHION LAW: A GUIDE FOR DESIGNERS, FASHION EXECUTIVES, AND ATTORNEYS* 6 (Guillermo C. Jimenez & Barbara Kolsun eds., 2010).

⁴ Hemphill & Suk, *supra* note 2, at 1149.

⁵ *Id.* at 1149-50.

⁶ Aram Sinnreich and Marissa Gluck, *Music & Fashion: The Balancing Act Between Creativity and Control*, *The Norman Lear Center*, 10 (Jan. 29, 2005), <http://learcenter.org/pdf/RTSSinnreichGluck.pdf>.

⁷ World Intellectual Property Organization, *Intellectual Property in the Fashion Industry*, *WIPO Magazine* May–June 2005, 16, available at http://www.wipo.int/sme/en/documents/wipo_magazine/5_2005.pdf.

⁸ Sinnreich & Gluck, *supra* note 6, at 20.

⁹ World Intellectual Property Organization, *supra* note 7, at 16.

¹⁰ *Id.*

¹¹ Natalia Sieukaran, *Iconic Fashion Pieces: Chanel, Louis Vuitton, Burberry, Ralph Lauren, Alligator* (Nov. 8, 2011, 12:15AM), http://www.alligator.org/blogs/ifthechoofits/article_28b3fa64-09ba-11e1-8818-001cc4c03286.html (last updated Nov. 13, 2011, 8:32 PM).

¹² *Id.*

¹³ *Id.*

¹⁴ *Icons of Fashion: The Top Must-Haves of All Time*, *FEMALE FIRST* (Feb. 29, 2008), <http://www.femalefirst.co.uk/lifestyle-fashion/styletrends/fashion-4590.html>.

¹⁵ *Id.*

¹⁶ Jimenez, *supra* note 3, at 6-7.

¹⁷ See World Intellectual Property Organization, *supra* note 7, at 17.

¹⁸ Hemphill & Suk, *supra* note 2, at 1150.

¹⁹ “The fashion industry is driven by creativity and by the intellectual capital invested in it. Protecting that intellectual capital in the form of IP assets serves to boost income through sale, licensing, and commercialization of differentiated new products, to improve market share, raise profit margins, and to

reduce the risk of trampling over the IP rights of others. Good management of IP assets in a business or marketing plan helps to enhance the value of an enterprise in the eyes of investors and financing institutions.” World Intellectual Property Organization, *supra* note 7, at 19.

²⁰ Sinnreich & Gluck, *supra* note 6, at 6.

²¹ *Id.*

²² Christine Cox and Jennifer Jenkins, *Between the Seams, A Fertile Commons: An Overview of the Relationship Between Fashion and Intellectual Property*, *The Norman Lear Center*, 16 (Jan. 29, 2005), <http://learcenter.org/pdf/RTSJenkinsCox.pdf>; see also Kal Raustiala and Chris Sprigman, *Is the Design Piracy Prohibition Act a Good Idea?*, *FREAKONOMICS* (Mar. 12, 2010), <http://www.freakonomics.com/2010/03/12/should-fashion-be-protected-by-copyright-laws-a-guest-post>. Raustiala and Sprigman argue that copying in the fashion world has hidden benefits because as copies of trendy or noteworthy garments are made, consumers recognize the need for “the new new thing,” forcing the fashion cycle to turn even faster. “The interesting effect of copying is to generate more demand for *new* designs, since the old designs—the ones that have been copied—are no longer special.” Raustiala and Sprigman agree with Leon Bendel Schmulen’s (of the Henri Bendel department store) 1947 contention that copying was “no danger to the business” and a “natural consequence of fashion.” They argue that the Design Piracy Prohibition Act is both unnecessary and unwise.

²³ Cox & Jenkins, *supra* note 22, at 17.

²⁴ Jessica Litman, *DIGITAL COPYRIGHT: PROTECTING INTELLECTUAL PROPERTY ON THE INTERNET* 105-06 (2000).

²⁵ See *infra* Part II for greater detail.

²⁶ World Intellectual Property Organization, *supra* note 7, at 17.

²⁷ Cox & Jenkins, *supra* note 22, at 12.

²⁸ See *supra* note 19.

²⁹ *The USPTO: Who We Are*, *THE UNITED STATES PATENT AND TRADEMARK OFFICE* (Jan. 10, 2007, 9:40 AM), <http://www.uspto.gov/web/menu/intro.html>.

³⁰ “The characteristics of the fashion industry and the increasing complexity of both the industry and the laws that affect it have led to a need for fashion executives to become more knowledgeable about the law and more aware of when they need professional legal advice. At the same time, increases in litigation by fashion businesses and growing specialization in the legal profession have made the fashion industry a source of opportunity for law firms.” Jimenez, *supra* note 3, at 5-6.

³¹ See World Intellectual Property Organization, *supra* note 7, at 16. “In the current business environment, the primary source of competitive advantage for all businesses, including those in the fashion industry, is innovation and original creative expressions.” *Id.*

³² See *id.* (arguing that “[b]usiness managers need to identify such valuable intangible assets in a timely manner, determine their business relevance, and agree on those to be protected and leveraged through the intellectual property (IP) system”).

³³ Susan Scafidi, *Re-Fashioning Intellectual Property Law*, *AM. CONSTITUTION SOC’Y BLOG* (Aug. 13, 2010), <http://www.acslaw.org/acsblog/re-fashioning-intellectual-property-law> (calling recent intellectual property law “the new minimalism”: “unmistakably modern, cover[ing] all the essentials, but mak[ing] a point of leaving quite a bit in the public domain.”).

³⁴ *Id.*

³⁵ See Rocky Schmidt, Comment, *Designer Law: Fashioning a Remedy for Design Piracy*, 30 *U.C.L.A. L. REV.* 861, 864-65 (1983).

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³⁶ Jerome Gilson and Anne Gilson LaLonde, 1 GILSON ON TRADEMARKS § 2A.12 (Matthew Bender 2006); Kal Raustiala and Christopher Sprigman, *The Piracy Paradox: Innovation and Intellectual Property in Fashion Design*, 92 VA. L. REV. 1687, 1699 (2006). A “useful article” is defined as “an article having an intrinsic utilitarian function that is not merely to portray the appearance of the article or to convey information.” 17 U.S.C. § 101 (2006).

³⁷ Gilson & Gilson LaLonde, *supra* note 36.

³⁸ *Id.*

³⁹ *Id.*, quoting *Millinery Creators’ Guild v. Fed. Trade Comm’n*, 109 F.2d 175, 177 (2d Cir. 1940), *aff’d*, 312 U.S. 469 (1941).

⁴⁰ 35 U.S.C. § 101 (2006). Utility patents protect any new, non-obvious, and useful process, machine, manufacture, or composition of matter.

⁴¹ 35 U.S.C. § 171 (2006).

⁴² See 35 U.S.C. § 173 (2006).

⁴³ See 35 U.S.C. § 271 (2006).

⁴⁴ See generally Laura C. Marshall, Note, *Catwalk Copycats: Why Congress Should Adopt a Modified Version of the Design Piracy Prohibition Act*, 14 J. INTEL. PROP. L. 305, 312 (2007). For apparel, “the nonobviousness standard is so demanding that even new clothing designs that do not incorporate any known design elements can still fail to qualify for design patent protection.” Anne Theodore Briggs, Note, *Hung Out to Dry: Clothing Design Protection Pitfalls in United States Law*, 24 HASTINGS COMM. & ENT. L.J. 169, 177 (2002).

⁴⁵ Sinnreich & Gluck, *supra* note 6, at 6. See also Emily S. Day, Comment, *Double-Edged Scissor: Legal Protection for Fashion Design*, 86 N.C. L. REV. 237, 251 (2007) (“[C]lothing rarely meets the criteria of patentability.” This is due to fashion’s inherently cyclical nature, which results in very few sufficiently novel and original designs.”) (citations omitted).

⁴⁶ See Alissandra Burack, Note, *Is Fashion an Art Form that Should be Protected or Merely a Constantly Changing Media Encouraging Replication of Popular Trends?*, 17 VILL. SPORTS & ENT. L.J. 605, 613 (2010) (“[P]atents within the fashion industry are rare, as many apparel designs are re-workings of original designs and unable to meet the ‘new’ standard that is required by patent law.”).

⁴⁷ See Marshall, *supra* note 44, at 312.

⁴⁸ See *id.*; see also Julie Cohen, Lydia Pallas Loren, Ruth L. Okediji, and Maureen A. O’Rourke, COPYRIGHT IN A GLOBAL INFORMATION ECONOMY 228 (2d ed. 2006) (claiming that the average examination period before obtaining a patent is eighteen months).

⁴⁹ Gilson & Gilson LaLonde, *supra* note 36, § 2A.12(2).

⁵⁰ See generally Marshall, *supra* note 44, at 312 (citing *Jack Adelman, Inc. v. Sonners & Gordon, Inc.*, 112 F. Supp. 187, 190 (S.D.N.Y. 1934), for the proposition that “designs and patterns usually are short-lived and with the conditions and time incidental to obtaining the patent, this protection comes too late, if at all.”).

⁵¹ “[D]esign patents last too long to fit comfortably into the fast-paced fashion market. If design patents, which expire fourteen years after the date on which they are granted, were regularly given to fashion works, the fashion cycle might grind to a halt because of designers’ fear of infringing another designer’s long-lasting patent. Long-term protection is particularly out-of-sync with the transitory nature of fashion designs in the Internet era.” Marshall, *supra* note 44, at 313.

⁵² See Judith S. Roth and David Jacoby, *Copyright Protection and Fashion Design*, 967 PLI/PAT 1081, 1091 (2009)

(arguing that while trademark law does not permit the copying of the registered mark, it does permit the copying of the overall design).

⁵³ Tiffany Walden, Note, *Problems with the Piracy Paradox: Rebutting the Claim That Fashion Designs Do Not Need Intellectual Property Protection*, 20 N.Y. ST. B.A. ENT. ARTS & SPORTS L.J. 16, 16 (2009).

⁵⁴ Marshall, *supra* note 44, at 314, quoting *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 851 n.11 (1982).

⁵⁵ See Roth & Jacoby, *supra* note 52, at 1092.

⁵⁶ A design is functional, and therefore not protectable, if it gives the plaintiff a competitive edge, such as when the design is necessary for the product’s usage or affects the production cost or quality. See *Qualitex Co. v. Johnson Prod. Co.*, 514 U.S. 159, 165 (1995).

⁵⁷ For definition of distinctiveness, see *supra* note 53 and 15 U.S.C. § 1127 (2006).

⁵⁸ Gilson & Gilson LaLonde, *supra* note 36, § 2A.12(4)(a). Although the Lanham Act does not provide protection for merely descriptive marks, it does provide an exception for descriptive marks that have acquired secondary meaning. See 15 U.S.C. § 1052(f); *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9 (2d Cir. 1976). In order to establish secondary meaning for a term, a plaintiff “must show that the primary significance of the term in the minds of the consuming public is not the product but the producer.” *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111, 118 (1938); see also Marshall, *supra* note 44, at 314.

⁵⁹ See 15 U.S.C. § 1125(a) (2006); see also *Wal-mart Stores, Inc. v. Samara Brothers, Inc.*, 529 U.S. 205, 210, 216 (2000).

⁶⁰ See David A. Aaker, *MANAGING BRAND EQUITY* (1991) (arguing that a brand is a distinguishing name and/or symbol used to identify a seller’s goods or services or to differentiate those goods or services from a competitors. A brand signals to the customer the source of the product, and protects the customer and producer from competitors who attempt to provide products that appear to be identical.).

⁶¹ Shanna M. Bruer, Nancy Cassill and Michelle Jones, *Branding to Compete: Applications to Textiles and Apparel*, 4 J. TEXTILE, APPAREL, TECH., AND MGMT 1, 12 (2005) (citing Geoffrey Randall, *BRANDING: A PRACTICAL GUIDE TO PLANNING YOUR STRATEGY* 7 (2d ed. 1997)).

⁶² See Gerard N. Magliocca, *From Ashes to Fire: Trademark and Copyright in Transition*, 82 N.C. L. REV. 1009, 1014–17 (2004).

⁶³ USPTO, *Performance and Accountability Report Fiscal Year 2011*, available at <http://www.uspto.gov/about/stratplan/ar/2011/USPTOFY2011PAR.pdf>.

⁶⁴ See Jerre B. Swann, David A. Aaker and Matt Reback, *Trademarks and Marketing*, 91 TRADEMARK REP. 787, 792 (2001) (arguing that “brands encompass not only consumer awareness, but also perceived quality, customer loyalty, and a rich set of associations.”).

⁶⁵ See Ezra Fitch, *Trademarks in Fashion*, THE WASHINGTON POST (Aug. 20, 2010, 5:18 PM), http://voices.washingtonpost.com/ezra-klein/2010/08/trademarks_in_fashion.html (arguing that the fashion industry seems enamored of logos, brand icons, and other identifying trademarks). See also *infra* Part III.A. (discussing Christian Louboutin’s reliance on his trademark, which has become a key brand identifier for the company).

⁶⁶ Gilson & Gilson LaLonde, *supra* note 36, § 2A.12(3).

⁶⁷ *Id.*

⁶⁸ The term “fanciful” used in relation to trademarks and

trade names is a term of art developed by the Second Circuit in *Abercrombie*. In *Abercrombie*, the Second Circuit created four categories to test the distinctiveness of a word mark: generic, descriptive, suggestive, and arbitrary or fanciful. See *Abercrombie*, 537 F.2d at 9.

⁶⁹ Cox & Jenkins, *supra* note 22, at 13.

⁷⁰ Gilson & Gilson LaLonde, *supra* note 36. For example, the USPTO registered Gucci's horsebit design as an inherently distinctive and source-indicating mark for eyeglass frames and sunglasses without requiring Gucci to show that this product design element had acquired secondary meaning. *Id.*

⁷¹ Cox & Jenkins, *supra* note 22, at 13 (arguing that “[p]rotection against trademark infringement has been a key objective for many fashion houses.”).

⁷² Kevin M. Lemley, *I'll Make Him an Offer He Can't Refuse: A Proposed Model for Alternative Dispute Resolution in Intellectual Property Disputes*, 37 AKRON L. REV. 287, 289–90 (2004). Currently, trademark law grants unending protection, so long as the owner renews the mark and continues to use it, as opposed to copyright protection, which last for the life of the author plus seventy years, or patent protection, which lasts for twenty years from the filing of the patent application. *Id.*

⁷³ From 1990 until 2010, trademark applications filed for registration have increased almost 300%, from 127,294 in 1990 to 368,939 in 2010. USPTO, *Performance and Accountability Report Fiscal Year 2010*, available at http://www.uspto.gov/about/stratplan/ar/2010/oai_06_wlt_16.html.

⁷⁴ *Christian Louboutin, S.A. v. Yves Saint Laurent Am., Inc.*, 696 F.3d 206 (2d Cir. 2012).

⁷⁵ See Lauren Collins, *Sole Mate: Christian Louboutin and the Psychology of Shoes*, THE NEW YORKER (Mar. 28, 2011), http://www.newyorker.com/reporting/2011/03/28/110328fa_fact_collins.

⁷⁶ The Second Circuit called the red outsole appearing on Louboutin's shoes “their most striking feature.” *Louboutin*, 696 F.3d at 213.

⁷⁷ *Id.* at 211.

⁷⁸ *Id.* at 213.

⁷⁹ Collins, *supra* note 75.

⁸⁰ *Louboutin*, 696 F.3d at 213.

⁸¹ *Christian Louboutin, S.A. v. Yves Saint Laurent Am., Inc.*, 778 F. Supp. 2d 445, 447–48 (S.D.N.Y. 2011), *overruled by Christian Louboutin, S.A. v. Yves Saint Laurent Am., Inc.*, 696 F.3d 206 (2d Cir. 2012).

⁸² *Louboutin*, 696 F.3d at 213. “The Patent and Trademark Office awarded a trademark with Registration No. 3,361,597 (the ‘Red Sole Mark’) to Louboutin on January 1, 2008.” *Louboutin*, 778 F. Supp. 2d at 448.

⁸³ On January 24, 2012, Louboutin stated that for him, this dispute with YSL is very personal. “[T]his is an intrinsic part of my life and my company, which bears my name – and which I have built over the past 20 years and still independently own.” On February 8, 2012, Louboutin told French newspaper *Libération* that “colours play a part in a brand's identity. I'm not saying that red usually belongs to me – I repeat that this is about a precise red, used in a precise location.” Elle Alexander, *The Red Sole Fight*, VogueUK.com (Feb. 16, 2012), available at <http://www.vogue.co.uk/news/2011/04/20/christian-louboutin-sues-yves-saint-laurent-for-red-sole-shoes>.

⁸⁴ Kal Raustiala and Chris Sprigman, *Can You Trademark a Color?*, FREAKONOMICS (Aug. 12, 2011), <http://www.freakonomics.com/2011/08/12/can-you-trademark-a-color>.

⁸⁵ Collins, *supra* note 75.

⁸⁶ Louboutin's shoes are highly revered and not cheap: close to four figures in many cases and sometimes more. Raustiala & Sprigman, *supra* note 84.

⁸⁷ See, e.g., Alison Frankel, *Louboutin Red-Sole Trademark Case: Color War at the 2nd Circuit*, THOMSON REUTERS (Jan. 5, 2012), http://newsandinsight.thomsonreuters.com/Legal/News/2012/01-January/Louboutin_red-sole_trademark_case_color_war_at_the_2nd_Circuit! (Louboutin is “known around the world for the flashy Chinese red on the bottom of his posh high heels . . .”).

⁸⁸ *Louboutin*, 696 F.3d at 213.

⁸⁹ *Louboutin*, 778 F. Supp. 2d at 449.

⁹⁰ *Louboutin*, 696 F.3d at 213.

⁹¹ Defendants/Counterclaim-Plaintiffs' Answer and Counterclaims, *Louboutin*, 778 F. Supp. 2d at 447.

⁹² “The law, like the marketplace, applauds innovators. It rewards the trend-setters, the market-makers, the path-finding non-conformists who march to the beat of their own drums. To foster such creativity, statutes and common law rules accord to inspired pioneers various means of recompense and incentives. Through grants of patents and trademarks registrations, the law protects ingenuity and penalizes unfair competition.” *Louboutin*, 778 F. Supp. 2d at 448.

⁹³ A showing of secondary meaning is required for non-inherently distinctive marks. Secondary meaning refers to the acquired distinctiveness a trademark gains when “as a result of its use, prospective purchasers have come to perceive it as a designation that identifies goods, services, businesses, or members. . . .” RESTATEMENT (THIRD) OF UNFAIR COMPETITION, § 13(b) (1995); see also *Inwood Labs.*, 456 U.S. at 851 n.11.

⁹⁴ *Louboutin*, 778 F. Supp. 2d at 449–50.

⁹⁵ Brief for Plaintiffs-Counter-Defendants-Appellants and Special Appendix at 3, *Christian Louboutin, S.A. v. Yves Saint Laurent Am., Inc.*, 696 F.3d 206 (2d Cir. 2012).

⁹⁶ *Louboutin*, 696 F.3d at 229. The Court did not rule on YSL's counterclaim that the trademark is invalid because a red sole is a functional element of design and therefore ineligible for protection. It also did not consider YSL's counterclaim for tortious interference with business relations, based on allegations that Louboutin used its influence to persuade department stores not to stock YSL's shoes. David Bernstein, the attorney representing YSL, told Managing IP that the company will pursue these claims. Alli Pyrah, *Lessons for Brand Owners from Louboutin v YSL*, MANAGING IP (Sept. 7, 2012), <http://www.managingip.com/Article/3086205/Managing-Trade-Marks-Archive/Lessons-for-brand-owners-from-Louboutin-v-YSL.html>.

⁹⁷ *Louboutin*, 696 F.3d at 226–27, quoting *Louboutin*, 778 F. Supp. 2d at 447–48.

⁹⁸ *Louboutin*, 696 F.3d at 228.

⁹⁹ *Id.*

¹⁰⁰ See generally Hannah Elliot, *Both Sides Claim Victory in YSL v. Louboutin Shoe Case*, FORBES (Sept. 5, 2012, 5:31 PM), <http://www.forbes.com/sites/hannahelliott/2012/09/05/both-sides-claim-victory-in-ysl-v-louboutin-shoe-case/>.

¹⁰¹ Notice of Motion to Dismiss Defendants/Counterclaim-Plaintiffs' Counterclaims Voluntarily, *Christian Louboutin S.A. v. Yves Saint Laurent Am., Inc.*, 778 F. Supp. 2d 445 (S.D.N.Y. 2011). “YSL believes it appropriate to dismiss its counterclaims voluntarily, thus resolving what remains of this litigation and allowing the parties to close the book on this litigation and refocus their attention on their respect fashion creations.” Memorandum of Law of Defendants/Counterclaim-Plaintiffs In Support of Motion to Dismiss Their Counterclaims Voluntarily, *Christian Louboutin S.A. v. Yves Saint Laurent Am., Inc.*

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778 F. Supp. 2d 445 (S.D.N.Y. 2011).

¹⁰² Scott H. Blackman and Rebecca M. McNeill, *Alternative Dispute Resolution in Commercial Intellectual Property Disputes*, 47 AM. U. L. REV. 1709, 1726 (1998); see also *Polaroid Corp. v. Polarad Elect. Corp.*, 287 F.2d 492 (2d Cir. 1961).

¹⁰³ Lemley, *supra* note 72, at 311 (explaining how, in intellectual property cases, the courts place a strong emphasis on evidentiary procedure and witness credibility, which can greatly delay the case and drive up the costs of trial).

¹⁰⁴ See Paul W. Reidl, *Understanding Basic Trademark Law: A Primer on Global Trademark Protection*, 839 PLI/PAT 175, 208 (2005) (claiming that some surveys can cost \$40,000 or more).

¹⁰⁵ See Raustiala & Sprigman, *supra* note 22.

¹⁰⁶ Gérard P. Cachon and Robert Swinney, *The Value of Fast Fashion: Quick Response, Enhanced Design, and Strategic Consumer Behavior*, 57(4) MANAGEMENT SCIENCE 778, 778 (2011).

¹⁰⁷ Sinnreich & Gluck, *supra* note 6, at 32.

¹⁰⁸ *Id.*

¹⁰⁹ *Id.* at 15.

¹¹⁰ *Id.*

¹¹¹ Alexander, *supra* note 83.

¹¹² Plaintiff's Reply Memorandum of Law in Support of Application for a Preliminary Injunction at 7, n.10, *Christian Louboutin, S.A. v. Yves Saint Laurent Am., Inc.*, 778 F. Supp. 2d 445 (S.D.N.Y. 2011).

¹¹³ See *infra* Part IV.

¹¹⁴ See generally *Dispute Resolution for the 21st Century*, WIPO ARBITRATION AND MEDIATION CENTER, <http://www.wipo.int/umc> (last visited Aug. 23, 2012).

¹¹⁵ Blackman & McNeill, *supra* note 102, at 1711; see also Charles P. Lickson, *The Use of Alternative Dispute Resolution in Intellectual Property, Technology-Related or Innovation-Based Disputes*, 55 AM. JUR. TRIALS 483, §§ 1–2 (1995) (“ADR” refers to various methods of dispute resolution in which the parties choose a process other than traditional litigation, including mediation, negotiation, and arbitration.).

¹¹⁶ See Leslie J. Lott, *Litigation Strategy Effective Use of ADR in Intellectual Property Disputes*, 579 PLI/PAT 395, 398 (1999).

¹¹⁷ See generally Blackman & McNeill, *supra* note 102.

¹¹⁸ Michael H. Diamant and Elizabeth M. Zoller, *Strategies for Mediation, Arbitration, and Other Forms of Alternative Dispute Resolution*, SJ055 ALI-ABA 131, 133 (2004).

¹¹⁹ Lott, *supra* note 116, at 399.

¹²⁰ Blackman & McNeill, *supra* note 102, at 1712; see also Lickson, *supra* note 115, § 16.

¹²¹ See Blackman & McNeill, *supra* note 102, at 1712–13.

¹²² See Lickson, *supra* note 115, § 16 (Where an arbitrator's decision is binding, it is generally final and cannot be appealed.).

¹²³ See Diamant & Zoller, *supra* note 118, at 142.

¹²⁴ Blackman & McNeill, *supra* note 102, at 1713.

¹²⁵ See Kyle-Beth Hilfer, *A Practical Guide to Arbitrating IP Disputes*, 10 THE INTELLECTUAL PROPERTY STRATEGIST, 8 (May 2004) (arguing that confidentiality is especially important for protecting underlying intellectual property, such as trade secrets).

¹²⁶ Blackman & McNeill, *supra* note 102, at 1714.

¹²⁷ *Id.*

¹²⁸ Peter K. Yu, *Toward a Nonzero-Sum Approach to Resolving Intellectual Property Disputes: What We Can Learn From Mediators, Business Strategists, and International Relations Theorists*, 70 U. CIN. L. REV. 569, 593 (2002) (quoting Jay Folberg and Alison Taylor, *MEDIATION: A COMPREHENSIVE GUIDE TO RESOLVING CONFLICTS WITHOUT LITIGATION* 10 (1984)).

¹²⁹ See Blackman & McNeill, *supra* note 102, at 1714.

¹³⁰ See Lott, *supra* note 116, at 401 (“Med-Arb is a proceeding in which the parties have agreed to participate in mediation, and to submit to arbitration in any aspect of the dispute which has not been resolved by mediation.”).

¹³¹ See *id.* at 401–02 (Although virtually the same as Med-Arb, Co-Med Arb allows different people to oversee the mediation and arbitration portions of the process, allowing the parties to select the right person for each segment of the proceeding.).

¹³² See Stephen Anway, *Mediation in Copyright Disputes: From Compromise Created Incentives to Incentive Created Compromises*, 18 OHIO ST. J. ON DISP. RESOL. 439, 450 (2003); see also Sheppard Mullin Richter & Hampton LLP, *Comprenez-vous International Arbitration?*, FASHION & APPAREL LAW BLOG (June 7, 2011), <http://www.fashionapparelblog.com/2011/06/articles/miscellaneous/comprenez-vous-international-arbitration/> (arguing that arbitration provides a fast and cheaper dispute resolution than traditional litigation).

¹³³ See Blackman & McNeill, *supra* note 102, at 1717.

¹³⁴ See *supra* Part II.

¹³⁵ Because the parties can select their neutral arbitrator and draft the requirements for their neutral arbitrator's qualifications, they can guarantee that their fact-finder will be knowledgeable about their industries and intellectual properties. The arbitrator will be more likely to understand technical information presented from experts. The result is more efficient hearings with fair results. Hilfer, *supra* note 125.

¹³⁶ Blackman & McNeill, *supra* note 102, at 1716.

¹³⁷ See Carmen Collar Fernandez and Jerry Spolter, *International Intellectual Property Dispute Resolution: Is Mediation a Sleeping Giant?*, 53 DISP. RESOL. J. 62, 62 (Aug. 1998) (arguing that gigantic corporations “simply cannot afford the . . . resources to sit around . . . waiting years and spending millions to resolve disputes pertaining to trademarks, copyrights, patents, and trade secrets.”).

¹³⁸ Hilfer, *supra* note 125.

¹³⁹ Blackman & McNeill, *supra* note 102, at 1727.

¹⁴⁰ See *Why Mediation?*, INTERNATIONAL TRADEMARK ASSOCIATION (INTA), http://www.inta.org/index.php?option=com_content&task=view&id=683&Itemid=222&getcont ent=4 (last visited Aug. 23, 2012).

¹⁴¹ See generally Sheppard Mullin Richter & Hampton LLP, *supra* note 132 (arguing that international arbitration is becoming the preferred method of resolving disputes in the fashion industry because it typically provides a private resolution so that the parties can still continue their business relationship in the future).

¹⁴² Blackman & McNeill, *supra* note 102, at 1726.

¹⁴³ See Erik Schafer, *The Use of Arbitration and Mediation for Protecting Intellectual Property Rights: A German Perspective*, 94 TRADEMARK REP. 695, 701 (2004) (“[Mediation is] especially suited to situations in which the parties must collaborate permanently or over a long period of time.”).

¹⁴⁴ See Yu, *supra* note 128.

Conversations with the New Members of the NYIPLA Board of Directors

In May 2013, four new members joined the NYIPLA Board of Directors: Stephen Quigley from Ostrolenk Faber LLP (who will be completing the term of Denise Loring, who became Treasurer), Jessica Copeland from Hodgson Russ, LLP, Raymond Farrell from Carter, DeLuca, Farrell & Schmidt LLP, and Matthew McFarlane from Robins, Kaplan, Miller & Ciresi LLP. Walter Hanley, Jr. from Kenyon & Kenyon LLP became Second Vice President of the NYIPLA. The Bulletin interviewed the new Board members to discuss their experiences with the NYIPLA.



Walter E. Hanley, Jr.

BULLETIN: How long have you been a member of the NYIPLA?

WH: I joined in 2006.

BULLETIN: Why did you first join the Association?

WH: I wanted to become involved in bar association work where there was more frequent opportunity for personal contacts. I had been active for many years in the ABA IP and Litigation Sections, but my interest in traveling to the meetings diminished over time and I became less active. My law firm, Kenyon & Kenyon LLP, has always had strong representation in the Association, and I wanted to support that.

BULLETIN: Has your membership in the Association benefited your practice and, if so, how?

WH: It definitely has benefited my practice. There are a lot of sources of practice information, but there is no substitute for talking to other lawyers outside one's firm or company to gain perspectives on IP practice. The Association provides many opportunities for that sort of interaction.

BULLETIN: With which committees have you been involved during your membership?

WH: I was a member of the Alternative Dispute Resolution Committee, and was Chair from 2006-2009. As a member of the Board, I have been the liaison for the Publications Committee, the Hon. William C. Conner Writing Competition Committee and, currently, the Website & Records Committee.

BULLETIN: How did you end up on the Board?

WH: After I completed my term as Chair of the ADR Committee, I was having a conversation with Anthony Giaccio, who had finished his term as President, about other Committee opportunities. Anthony asked whether I had any interest in serving on the Board and I said that I was very much interested. Within a few weeks, I was notified by the Nominating Committee that I was nominated.

BULLETIN: Why did you want to be on the Board?

WH: I saw service on the Board as a chance to make a broader contribution to the Association's activities than I had done as a Committee chair. I also saw it as a way to maintain the continuity of Kenyon & Kenyon's involvement in the management of the Association. And, not least, I saw it as a privilege and an honor to serve in one of the oldest and most prestigious IP bar associations.

BULLETIN: What is your role on the Board?

WH: I am Second Vice President and Board liaison to the Hon. William C. Conner Writing Competition Committee and the Website & Records Committee.

BULLETIN: Are you active in any other bar associations and, if so, which ones and in what capacity?

WH: I am active in the Intellectual Property Owners Association. I served on the Program Committee for the IPO 2007 Annual Meeting and am currently on the Arbitration & Mediation Committee.

BULLETIN: How does your involvement with the NYIPLA compare with your involvement with the IPO Association?

WH: My involvement with the NYIPLA is year-round, whereas the IPO activity is more focused on the Annual Meeting.

BULLETIN: What are your goals for your time on the Board, that is, what do you hope to accomplish?

WH: My primary goals as a Board member and now Officer are to promote the work of the Committees I am liaison for and to foster Committee participation, to look for ways to attract new members, especially among younger lawyers and in-house lawyers, and to look for additional services and networking opportunities the Association might provide to the members.

BULLETIN: Over the longer term, what do you see as the future of the Association?

WH: Because of factors including the current economic climate, the number of competing CLE providers, and, over the long term, the aging of the bar, the Association faces challenges in maintaining and growing its membership. However, I think the future is promising. Since I have been on the Board, the Association's amicus brief filings have markedly increased thanks to the committed work of the Amicus Brief Committee, new

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networking and mentoring events have been added for young lawyers, and the website has been transformed, just to mention a few developments. The Association remains the premier IP bar association in the region, and I am confident that will continue to be true for years to come.

BULLETIN: Is there anything else that you wish to share or comment upon?

WH: I would just encourage everyone to attend Association events, and if you have ideas about other things the Association can do to make membership more beneficial, please share them.



Stephen J. Quigley

BULLETIN: How long have you been a member of the NYIPLA?

SQ: Since 1989.

BULLETIN: Why did you first join the Association?

SQ: My first position in IP law was at the Kane Dalsimer firm. David Kane was President of the Association at that time and the firm registered me.

BULLETIN: Has your membership in the Association benefited your practice and, if so, how?

SQ: It has. In tangible ways, I have learned a great deal through numerous CLE programs, I have made contacts in a variety of firms, and have even learned a fair amount of patent law by editing articles for the *Bulletin*! An intangible benefit has been the opportunity to step outside my law firm practice to focus on the broader aspects of IP law. This has given me a greater appreciation of the value of intellectual property to our society.

BULLETIN: With which committees have you been involved during your membership?

SQ: I am a member of the Trademark Law & Practice Committee. I have been a member of and Chair of the Publications Committee.

BULLETIN: How did you end up on the Board?

SQ: I was recommended by William Dippert.

BULLETIN: Why did you want to be on the Board?

SQ: As Chair of the Publications Committee, I had an opportunity to work directly with the Board. Becoming a Director is the next logical step in contributing to the Association.

BULLETIN: What is your role on the Board?

SQ: I am liaison to the Copyright Committee.

BULLETIN: Are you active in any other bar associations and, if so, which ones and in what capacity?

SQ: I have been a member of the International Trademark

Association for many years and am currently a member of its Nonprofit Committee. I am also a member of the Association of Intellectual Property Firms (AIPF, formerly the APLF), where I served for two years on its newsletter committee.

BULLETIN: How does your involvement with the NYIPLA compare with your involvement with these other bar associations?

SQ: My NYIPLA responsibilities take precedence. Indeed, I resigned from the AIPF newsletter committee upon being appointed to the NYIPLA's Board.

BULLETIN: What are your goals for your time on the Board, that is, what do you hope to accomplish?

SQ: I hope to encourage the growth and outreach of the Association by working to maintain and enhance its relevancy to the IP bar.

BULLETIN: Over the longer term, what do you see as the future of the Association?

SQ: Although there are vast resources available at an instant in IP law, the human element and personal contacts remain paramount for successful practitioners. This will never change regardless of how sophisticated our electronic gadgets become. The Association promotes live human interactions through its programs and social events that benefit the individual lawyer and build and strengthen the IP community. The Association has been and will continue to be an invaluable resource in meeting these objectives.



Jessica L. Copeland

BULLETIN: How long have you been a member of the NYIPLA?

JC: I have been a member of the NYIPLA since 2003.

BULLETIN: Why did you first join the Association?

JC: I joined as a student, when I was a summer associate at Morgan & Finnegan, LLP.

BULLETIN: Has your membership in the Association benefited your practice and, if so, how?

JC: Absolutely. The NYIPLA is one of the most prestigious Intellectual Property associations in the country. The content of its programs has helped me develop my skills as an IP attorney over the past decade. Additionally, it has afforded me the opportunity to meet and learn from seasoned practitioners in this field.

BULLETIN: With which committees have you been involved during your membership?

JC: I was Co-Chair of the Inventor of the Year (IOTY) Award Committee for three years, as well as an active member of the Continuing Legal Education (CLE) and Membership Committees.

BULLETIN: How did you end up on the Board?

JC: Terri Gillis invited me to join the Board.

BULLETIN: Why did you want to be on the Board?

JC: After spending several years as an active member of the Association and enjoying the opportunities that the NYIPLA continues to offer to me, I wanted to contribute my time and focus on expanding the organization's reach. I believe that working on the Board will help me achieve that goal.

BULLETIN: What is your role on the Board?

JC: I am the liaison to the Internet & Privacy Law Committee. I hope to work closely with this Committee to continue its success in providing quality presentations and articles in this field to existing members of the Association. I also hope to entice new members to join the Association through marketing this Committee's timely subject matter in future presentations.

BULLETIN: Are you active in any other bar associations and, if so, which ones and in what capacity?

JC: Yes. I am Vice President of the Western District of New York chapter of the Federal Bar Association.

BULLETIN: How does your involvement with the NYIPLA compare with your involvement with the Federal Bar Association?

JC: I am most active in the NYIPLA. Between my work as Co-Chair of the IOTY Award Committee and planning CLE events to entice new members to the Association, this has been a very busy few years and I look forward to continuing my work and dedication to the NYIPLA this year.

BULLETIN: What are your goals for your time on the Board, that is, what do you hope to accomplish?

JC: I would like to expand the NYIPLA's presence throughout New York State, including Syracuse, Rochester and Buffalo, where I now work.

BULLETIN: Over the longer term, what do you see as the future of the Association?

JC: I see the Association expanding geographically, to encompass the entirety of the Second Circuit. I also see the Association continuing to have an influence on critical issues related to patent law through the hard work and dedication of the Amicus Brief Committee.



Raymond E. Farrell

BULLETIN: How long have you been a member of the NYIPLA?

RF: Since 1992.

BULLETIN: Why did you first join the Association?

RF: When I moved back to NY from

the Washington, DC area I wanted to plug into the local IP community and the NYIPLA was far and away the best organization for that.

BULLETIN: Has your membership in the Association benefited your practice and, if so, how?

RF: It definitely has. Through the NYIPLA I have been able to stay in regular contact with several friends and colleagues that I've known since college. I've also had the opportunity through the organization to meet many people that I probably would never have met if it weren't for attending an NYIPLA function. These contacts have proven invaluable over the past 20+ years both in learning more professionally as well as through reliable guidance, networking and business development opportunities.

BULLETIN: With which committees have you been involved during your membership?

RF: Most recently, I've been involved in the Meetings & Forums Committee, which is also the Committee for which I now serve as the Board liaison. I have also been involved as a Liaison to the US Bar – Japan Patent Office and with the Trademark Law & Practice Committee.

BULLETIN: How did you end up on the Board?

RF: There were some discussions regarding the possibility of someone from my firm serving on the Board going back about a year and a half based on our participation in the Association. Also around the same time, I had several strategic long-range planning discussions with Tom Meloro, the NYIPLA's immediate past president, about expanding the physical presence of the Association's functions beyond Manhattan. Through a lot of planning and follow-through by the great team on the Meetings & Forums Committee and particularly its Co-Chair, Colman Ragan, we were able to put together highly successful CLE programs in Westchester County at Philips Research North America's campus as well as on Long Island at The Morrelly Homeland Security Center in Bethpage in cooperation with Long Island's leading technology-based organizations, the Long Island Forum for Technology (LIFT), Accelerate Long Island, and LISTnet (Long Island Software and Technology Network). At some point I received a call from Dorothy Auth to discuss the possibility of me joining the Board.

BULLETIN: Why did you want to be on the Board?

RF: My decision to join the Board was a natural extension of the long-range planning discussions I had with Tom Meloro. I wanted to continue with similar efforts for the future of the Association.

BULLETIN: What is your role on the Board?

RF: I am the Board Liaison to the Meetings & Forums Committee.

BULLETIN: Are you active in any other bar associations and, if so, which ones and in what capacity?

RF: I am active in the AIPLA and particularly its IP

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Practice in Japan and IP Practice in Europe Committees.

BULLETIN: How does your involvement with the NYIPLA compare with your involvement with the AIPLA?

RF: I find that my involvement in the NYIPLA in many ways is a natural extension of my involvement in the AIPLA, but it is special in that this is my home turf so to speak. I was born and raised in New York City and would like to continue to focus a good portion of my efforts on helping this region emerge as an innovative engine. The NYIPLA certainly plays a key role in that effort.

BULLETIN: What are your goals for your time on the Board, that is, what do you hope to accomplish?

RF: I would like to help the Association continue to evolve and adapt to meet the changing ways in which we all work and communicate. The recent changes in the economy, and the IP practice makeover throughout the world, will require us as an organization to be creative in supporting our members' needs, *e.g.*, providing them with regular opportunities and convenient programs to gather either electronically or in-person at several locations throughout the region from which we draw our membership.

BULLETIN: Over the longer term, what do you see as the future of the Association?

RF: The future of the Association, I believe, requires us (members, officers, and the Board), as its current custodians, to continually strive to find new ways in which to not only maintain our standing in the national and global IP community but to raise it to new heights. Our members are some of the most talented and dedicated IP professionals in the world. Thus, the future of the Association must be guided in such a way as to give collective voice to that constituency not just for local reach and respect but globally as well.



Matthew B. McFarlane

BULLETIN: How long have you been a member of the NYIPLA?

MM: I have been a member since 2005.

BULLETIN: Why did you first join the Association?

MM: While still in law school, I was a law clerk at Kaye Scholer LLP, which continues to be a strong supporter of the NYIPLA. The firm encourages associates in its patent litigation group to become members, and I became a member as a first-year associate.

BULLETIN: Has your membership in the Association benefited your practice and, if so, how?

MM: Yes. The NYIPLA is one common connection shared by most IP professionals in my network. Also, through its CLE programs, the NYIPLA has expanded

my knowledge about IP law generally.

BULLETIN: With which committees have you been involved during your membership?

MM: I have been most involved with the Amicus Brief Committee.

BULLETIN: How did you end up on the Board?

MM: Terri Gillis gave me a call and invited me to participate as a Board member.

BULLETIN: Why did you want to be on the Board?

MM: I am excited to be in a position to contribute to such a vibrant organization at this point in my career.

BULLETIN: What is your role on the Board?

MM: I am the Board Liaison to the Amicus Brief Committee.

BULLETIN: Are you active in any other bar associations and, if so, which ones and in what capacity?

MM: I am a member of other bar associations, but I am not as active in those associations as I have been with the NYIPLA.

BULLETIN: How does your involvement with the NYIPLA compare with your involvement with these other bar associations?

MM: Perhaps because of geography, I feel more connected with the NYIPLA community as compared with other bar associations. The NYIPLA's rich history, the solid support of its members and organizations, and the frequent opportunities for professional and social events, all make it relatively easy to contribute to its continued success.

BULLETIN: What are your goals for your time on the Board, that is, what do you hope to accomplish?

MM: I want to work to promote the NYIPLA generally as a forward-looking public forum that thrives on the diverse views of its members. I am also eager to help establish new activities of the Association that offer additional member benefits.

BULLETIN: Over the longer term, what do you see as the future of the Association?

MM: As it has been in the past, the NYIPLA will continue to be an important guiding force for our local IP law community in the future through its various programs, advocacy and networking opportunities. In my short time on the Board, I have seen my colleagues' tireless efforts to make the Association even better tomorrow than it is today. Their energy and commitment makes the NYIPLA's future a bright one.

BULLETIN: Is there anything else that you wish to share or comment upon?

MM: Please don't hesitate to share your ideas with me about how the NYIPLA – your Association – can better serve you and your professional needs.

Maddeningly Mismatched Matches:

Two Ninth Circuit Cases Balance the First Amendment Against IP Interests

By Jonathan E. Moskin*

In a pair of opinions rendered the same day (July 31) by the same judge (Jay Bybee), the Ninth Circuit reached seemingly directly contrary conclusions in virtually identical cases concerning the balancing of intellectual property rights and First Amendment interests. In one of the two decisions, *Brown v Elec. Arts, Inc.*, 724 F.3d 1235 (9th Cir. July 31, 2013), the court upheld the dismissal on First Amendment grounds of a Lanham Act false endorsement claim by football star Jim Brown, who objected to use of his likeness in Electronic Arts' "Madden NFL" video game. In the other, *In re NCAA Student-Athlete Name & Likeness Licensing Litig.*, 724 F.3d 1268 (9th Cir. July 31, 2013), the same court sustained the district court's refusal to dismiss a putative class action claim by former college football star Samuel Keller, whose likeness was used in another Electronic Arts video game, "NCAA Football." Here, the court held that Electronic Arts had no viable First Amendment defense.

The basis of the ruling against Brown was the Second Circuit decision *Rogers v. Grimaldi*, 875 F.2d 994 (2d Cir. 1989), which affirmed a grant of summary judgment that the Federico Fellini film "Ginger & Fred" did not infringe the rights of the actress and former dancing partner of Fred Astaire, Ginger Rogers. Construing the Lanham Act narrowly so as to avoid needless Constitutional conflict with the First Amendment, the Second Circuit noted that "though consumers frequently look to the title of a work to determine what it is about, they do not regard titles of artistic works in the same way as the names of ordinary commercial products." *Id.* at 1000. In short, consumers are not so simple-minded as to judge a book (or movie) merely by its cover. *Rogers* thus held that where a title has some artistic relevance to the work, it will not be deemed to violate the Lanham Act unless it is explicitly misleading. Rejecting Ms. Rogers' proposal that a title should be protected only if there is "no alternative means" to convey the intended meaning, the court explained:

We believe that in general the Act should be construed to apply to artistic works only where the public interest in avoiding consumer confusion outweighs the public interest in free expression. In the context of allegedly misleading titles using a celebrity's name, that balance will normally not support application of the Act unless the title has no artistic relevance to the underlying work whatsoever, or, if it has some artistic relevance, unless the title explicitly misleads as to the source or the content of the work.

Id. at 999. The court applied the exact same standard in dismissing Ms. Rogers' right of publicity claim.

Jumping forward 24 years, *Brown* relied on *Rogers* and other intervening precedent adhering to the Second Circuit's 1989 ruling (and expanding its scope to encompass expressive *content* of a work, not merely titles), explaining that the *Rogers* test is now "a black and white rule" under which "'the level of [artistic] relevance [of the trademark or other identifying material to the work] merely must be above zero' for the trademark or other identifying material to be deemed artistically relevant." 724 F.3d at 1243 (quoting *E.S.S. Entertainment 2000, Inc. v. Rock Star Videos, Inc.*, 547 F.3d 1095, 1100 (9th Cir. 2008)). Because any realistic depiction of the 1965 Cleveland Browns football team would have included its star running back Jim Brown, and because realism was deemed an artistic choice of Electronic Arts in making the video, Brown's likeness was deemed relevant to the video game. The court further explained that it would not assess the artistic merit of the accused work itself, noting that "[a]s expressive works, the *Madden NFL* video games are entitled to the same First Amendment protection as great literature, plays, or books." 724 F.3d at 1248. The court thus declined Brown's argument that the work lacked sufficient expressive content to be granted broad First Amendment protection. Having concluded that realism is a sufficiently worthy artistic goal, the court did not further consider either the artistic merit of the video game or the relevance of Brown's likeness in relation to any such artistry, and thus upheld the dismissal of Brown's Lanham Act claim.

By contrast, in *NCAA Student-Athlete*, the same court held that the video game "NCAA Football" was *not* entitled to First Amendment protection because it was not sufficiently transformative under a state law test applied in right of publicity cases. The state law transformative use test, which bears some similarity to the identically-named analysis under the copyright fair use defense, is "'a balancing test between the First Amendment and the right of publicity based on whether the work in question adds significant creative elements so as to be transformed into something more than a mere celebrity likeness or imitation.'" 724 F.3d at 1273 (quoting *Comedy III Productions, Inc. v. Gary Saderup, Inc.*, 21 P.3d 797, 799 (Cal. 2001)). The court stated: "EA's use does not qualify for First Amendment protection as a matter of law because it literally recreates Keller in the very setting in which he has achieved renown." *Id.* at 1271. "[U]sers manipulate the characters in the performance of the same activity for which they are known in real life – playing football in this case...."

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The context in which the activity occurs is also similarly realistic – ... realistic depictions of actual football stadiums....” That no one player had a predominant role and that the avatars could be modified in game play hence was deemed immaterial: “that the avatars appear in the context of a video game that contains many other creative elements[] does not transform the avatars into anything other than exact depictions ... doing exactly what they do as celebrities.” *Id.* at 1275 (quoting *No Doubt v. Activision Pub., Inc.*, 122 Cal. Rptr. 3d 397, 411 (Ct. App. 2011), *petition for review denied*, 2011 Cal. LEXIS 6100 (Cal. June 8, 2011)).

In short, the very same realism that was deemed so artistically worthy as to warrant First Amendment protection in *Brown* was deemed non-transformative in *NCAA Student-Athlete* and hence not a basis for establishing First Amendment rights. Notwithstanding that the “Madden NFL” video in *Brown* also literally recreates Jim Brown in the very setting in which he has renown, Judge Bybee explained in *NCAA Student-Athlete* the different results under virtually identical circumstances by noting that the right of publicity serves a purpose different from the commercial rights secured under the Lanham Act: “The right of publicity protects the *celebrity*, not the *consumer*. Keller’s publicity claim is not founded on an allegation that consumers are being illegally misled into believing that he is endorsing EA or its products....The reasoning of the *Rogers* and [other] courts – that artistic and literary works should be protected unless they explicitly mislead consumers – is simply not responsive to Keller’s asserted interests here.” 724 F.3d at 1281.

A dissent in *NCAA Student-Athlete* calibrated the constitutional scale quite differently, characterizing the video game as “a work of interactive historical fiction.” In reaching a conclusion directly contrary to the majority, the dissent noted the many ways in which the avatars could be modified and used in inventive ways in the game so as to warrant First Amendment protection: “The athletic likenesses are but one of the raw materials from which the broader game is constructed....The creative and transformative elements predominate over the commercial use of likenesses. The marketability and economic value of the game comes from the creative elements within, not from pure commercial exploitation of a celebrity image. The game is not a conventional portrait of a celebrity, but a work consisting of many creative and transformative elements.” 724 F.3d at 1286 (Thomas, J., dissenting). The dissent thus was more closely aligned with *Brown*, where the commercial interests of Jim Brown were deemed subordinate to Electronic Arts’ First Amendment interests in publishing “Madden NFL.”

The sharp contrast between the two cases does indeed raise questions as to what is the proper balance. Even assuming *Rogers* and other like cases correctly curtail trademark owners’ rights where a mark is used in an expressive work, if the First Amendment entails

limiting the commercial interests of trademark owners, the question arises why it does not equally require limiting the rights of celebrities. Put differently, in *NCAA Student-Athlete* the NCAA video was deemed non-transformative and hence lacking in sufficient artistic merit to warrant First Amendment protection, yet in *Brown*, the same type of video was presumed to be of equal artistic stature to *Anna Karenina* or *Citizen Kane* (examples actually cited by the majority). Alternatively, to assess the balance from the opposite perspective, it is curious how little weight *Brown* gave to consumers’ interests in not being confused, instead observing that *Rogers* and other cases following it created a sharp rule under which only explicitly misleading content could cross the line deemed black-and-white in *Brown*. Almost making the lack of artistic merit to “Madden NFL” a virtue, the Ninth Circuit was unreceptive to any facts supporting a finding of likelihood of confusion, including survey evidence.

Regardless of whether there are sufficient differences between the commercial interests protected by the Lanham Act and the right of publicity to warrant disparate treatment, the First Amendment considerations would appear to be identical. Moreover, to the extent a court might simply seek to adhere strictly to the holding in *Rogers*, as the Ninth Circuit did try to do, the Second Circuit’s balancing of Ginger Rogers’ commercial interests against broader First Amendment considerations gave identical weight to her Lanham Act and right of publicity claims.

The law is the law. Without suggesting that either *Brown* or *NCAA Student-Athlete* is at odds with existing precedent following *Rogers*, what is striking is the contrast revealed by the two decisions, penned in parallel and published the same day by the same judge and involving essentially identical facts, yet leading to opposite results. In sum, treating the *Rogers* test as a strict black-and-white rule seems to yield inconsistent results and entails little actual balancing of commercial versus First Amendment interests.

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The AIA Meets the ANDA

By James W. Gould*

Having the first generic drug on the market can be very profitable through formulary listing and supplier contracts with distributors and retail chains. Having a guarantee of being the only generic for 180 days by filing an Abbreviated New Drug Application (“ANDA”) followed by being the first to successfully challenge a patent’s validity or refute infringement is even more valuable. But to initiate such a challenge, typically a generic has to file its ANDA, by statute an act of infringement, then wait for the branded Pharma patent holder to sue in a district court, and only then assert a counterclaim of invalidity. Once suit is filed, the FDA cannot approve the ANDA for commercialization until the earlier of 30 months or a court judgment that the patent is invalid or not infringed. Of course, the branded company is usually in no hurry for a decision. If the case runs beyond 30 months, the generic may launch, but it faces the daunting prospect of a lost-profits-damages claim that may exceed its gross revenue.

The America Invents Act (“AIA”), however, provides a possible alternative (or perhaps parallel) route in the Patent Office to a faster decision on validity. The odds of success for the generic in this alternative route may also be better because of its preponderance-of-the-evidence standard of proof, which is a lower bar than the clear-and-convincing test in the district courts.

This alternative route is the new *Inter Partes* Review (“IPR”), set forth at 35 U.S.C. §§ 311-319, which is a conversion of the prior *inter partes* reexamination procedure. IPRs apply to all patents, not just newly issued ones, but can only be used to challenge validity, not infringement. Thus, this strategy is not available to an ANDA filer whose defense in its Paragraph IV certification is non-infringement.

A generic company has two basic choices as to when it might initiate an IPR. Choice A is to file the ANDA, wait to be sued, and then file an IPR and move to stay the district court action. (The IPR can be filed up to 12 months after suit is filed, but waiting would not help the strategy suggested here.) Filing a declaratory judgment counterclaim of invalidity in the suit does not bar filing an IPR. Thus, the generic company may be able to keep parallel paths going, increasing the odds that one will be decided sooner.

Under Choice B, the generic files its IPR at the same time as (or shortly before) filing its ANDA. An IPR has no standing requirement akin to declaratory judgment actions for initiating an IPR, so neither reasonable apprehension of suit nor an ANDA is necessary. Also unlike filing an ANDA, filing an IPR is not a statutory act of infringement. Thus by filing an early IPR, the generic can choose to have it both ways, staying in the pre-ANDA safe harbor while still launching an early attack on the patent. Of course, the branded company will likely sue once the ANDA is filed.

Choice B (filing the IPR early) may be the best choice to challenge patents covering what the FDA calls a New Chemical Entity (“NCE”). 21 C.F.R. § 314.108(a) defines an NCE as a drug that contains a new chemical moiety that has been approved by the FDA via an NDA under 21 U.S.C. § 355(b). As the C.F.R. explains, changing from a salt to an ester complex or chelate is not an NCE if it does not change the active moiety. Regardless of any patent questions, an NCE gets five years of commercial exclusivity, barring even the filing of an ANDA. 21 U.S.C. § 355(c)(3)(E)(ii). However, if the ANDA has a Paragraph IV certification (21 U.S.C. § 355(j)(2)(A)(vii)(IV)) that the patent is invalid or not infringed, then the ANDA may be filed after four years from NDA approval. If the NDA in question is a supplement which does not change the active chemical moiety itself, but rather its strength, dosage form, route of administration or conditions of use, then the exclusivity is three years. 21 U.S.C. § 355(c)(3)(E)(iv). Filing an ANDA on such a supplement is allowed at two years from approval of the supplemental NDA.

Under Choice B, one tactic might be to file the IPR before the NCE five- (or three-) year exclusivity ends. By statute, such an early filing of a declaratory judgment (“D.J.”) is not possible. Under 21 U.S.C. § 355(j)(5)(C)(i)(I), a generic company can file a D.J. of invalidity on non-infringement only as a counterclaim in a suit for infringement or after the patent holder fails to sue within 45 days of the ANDA notice. The problem with this tactic under Choice B is that it does not preserve the generic’s claim to the 180-day exclusivity, which requires an ANDA filing. While removing an invalid patent for all the world is laudable, generics much prefer the 180-day exclusivity.

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While by statute an IPR must be decided in 12 to 18 months after the petition is granted, the status of the generic company's ANDA must be considered because failure to market within 75 days of a final decision in a court can forfeit the 180-day exclusivity. 21 U.S.C. § 355(j)(5)(D)(i)(I). Thus, under this Choice B tactic the goal is to have the IPR decision just when the ANDA is approved (but for the Paragraph IV patent question).

Another wrinkle is that the IPR decision in the PTO may not be a sufficient victory to obtain the 180-day exclusivity because it is unclear whether the FDA will consider an IPR decision by administrative law judges in the PTO to be a "court" decision. Fortunately, the IPR can be appealed directly to the Federal Circuit. Thus, any timing decisions should take into account the likelihood of an appeal as well to establish finality. (For purposes of this section, filing a petition in the Supreme Court for a writ of certiorari does not prevent finality. 21 U.S.C. § 355(j)(5)(D)(i)(I)(bb)(AA)).

The FDA should thus accept a successful decision in the Federal Circuit on appeal from the PTO as a final judgment. If for some reason it does not, the binding precedent should enable a rapid summary judgment in the district court, which would be final because as a practical matter it would be unappealable again to the Federal Circuit.

Thus, in strategizing the timing of Choice B, consider whether you want a decision from the Federal Circuit that will be binding on the district court for a quick summary judgment. If so, you may want to file the IPR even earlier. There is also the (somewhat remote) possibility that an early IPR decision may dissuade a patent holder from suing based on the ANDA filing. If the patent holder fails to sue within 45 days of an ANDA filing with a Paragraph IV certification of invalidity or non-infringement, the FDA will approve the generic for launch.

As noted above, for both Choices A and B filing a counterclaim of declaratory judgment of invalidity in an infringement suit does not bar filing an IPR. However, filing an initial action of declaratory judgment of invalidity does bar a later IPR.

Both choices A and B also involve other sub-choices, such as whether to move to stay the district court ANDA action in whole or in part; the AIA does not mandate a stay. While motions to stay an ANDA action pending a PTO proceeding have been granted sometimes, it is unclear what courts will do when faced with a parallel AIA IPR *inter partes* proceeding. Further, an IPR only decides §§ 102 and 103 issues based on patents and

printed publications. An IPR will not decide invalidity under §§ 101 and 112, prior public sale, inventorship or infringement. If you have any of these defenses as well, you may decide to move to stay only the subject matter of the IPR to try to avoid delaying the other defenses. (Courts may not be as amenable to a partial stay as a full stay.) Conversely, if your Paragraph IV certification to the FDA is based only on infringement, then an IPR is moot.

In making a choice about whether to file an IPR there are also other considerations. An IPR petition must show a "reasonable likelihood" of prevailing on at least one claim. This is a change from the old *inter partes* reexamination test of a substantial question of patentability. Discovery in an IPR is limited to depositions of affiants/declarants and "as justice requires," and thus is much narrower (and cheaper) than discovery in a district court. An IPR will be decided on the preponderance of the evidence by three administrative law judges who by statute must have "competent legal knowledge and scientific ability." Under the new AIA, appeal from an IPR decision is only to the Federal Circuit. If the parties settle an IPR, it may be dismissed in the PTO. (For IPR provisions, see 35 U.S.C. §§ 311-319). Query if settlement of an IPR will be subject to scrutiny on antitrust grounds.

On the downside, you will be estopped from raising in the district court what you actually raised or reasonably could have raised in an IPR. Thus, once you go the IPR route, do not hold back any good prior art.

Also, in an IPR the patent owner may try to substitute a claim that reads on the accused product while avoiding the prior art. While enforcement of a changed claim may be barred by intervening rights under 35 U.S.C. § 252, it is unclear how that would apply to pre-ANDA non-commercial (and safe harbor non-infringing) activity.

If the broad estoppel of an IPR bothers you, there is another alternative called Post-Grant Review ("PGR") under 35 U.S.C. §§ 321-29, albeit with a narrow window of a 9-month period after a patent issues. Estoppel under PGR applies only to what is actually submitted and decided. The test for grant of the PGR petition is whether under the submitted evidence, if not rebutted, it is more likely than not that at least one challenged claim is unpatentable, or that the petition presents a novel or unsettled legal question. The grounds for a PGR are also broader than those for an IPR, including §§ 101, 102, 103 and 112. Like in an IPR, appeal is only to the Federal Circuit with a decision within 12-18

months of grant of the petition to review. Note that the PGR provisions, which became effective on September 16, 2012, apply only to patents that claim priority to an application filed 18 months or more after enactment of the AIA (*i.e.*, September 16, 2011).

Given the narrow 9-month window for filing a PGR, this option may not be practical for many generic companies who will not have decided whether to pursue a particular generic drug, especially one that is an NCE. However, a PGR might be useful for follow-on or product lifecycle patents on such things as extended release, formulation or method of administering, especially where the NCE exclusivity and patent exclusivity on the active ingredient has expired. Remember that an ANDA on such improvements can be filed after two years of the three-year exclusivity, but nothing bars filing a PGR during the first two years.

In summary, the AIA puts another arrow (maybe two) in a generic drug maker's quiver. Add them to your checklist of things to consider before deciding on a final ANDA strategy.

A final thought is whether any health insurance organizations will file IPRs (remember, no declaratory judgment-type standing needed) to challenge patents on billion dollar drugs which have huge insurance payouts. Stay tuned.

*James W. Gould was an IP litigator for nearly 40 years, but retired at the end of 2012. He continues to act as an AAA arbitrator in patent matters and has self-published 12 books on travel, how-to topics and adult and children's fiction. He recently completed a 15,000 mile motorcycle trip of America and Canada (half of it camping) and is writing a book about it and a similar trip at age 18 titled Lifecycle. Other current writing projects include a memoir and a screenplay.



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Claim Scope Statements in U.S. Patent Office Litigation Proceedings

By Kenneth R. Adamo*

As part of the recent American Invents Act (“AIA”) revision of the United States patent law, the U.S. Congress revised 35 U.S.C. § 301 to allow submissions of a “claim scope statement” to the United States Patent and Trademark Office (“USPTO”) for use in patent office litigation proceedings. AIA, Section 6(g). These include *inter partes* review (IPR) proceedings and the post-grant review (PGR) proceedings that will be applicable to U.S. patents with an effective filing date on or after March 16, 2013.

I. New 35 U.S.C. § 301(a)(2)

Basically, 35 U.S.C. §§ 301(a)(2) and (e) allow a third party to anonymously submit a claim scope statement: a statement of the patentee, filed in a proceeding before a federal court or the USPTO, “in which the patent owner took a position on the scope of any claim of a particular patent.” The third party must submit with the patentee’s statement any other documents, pleadings or evidence from the proceeding that addresses the statement. 35 U.S.C. § 301(c). Deposition testimony of the patent owner occurring during the course of the federal court proceeding may be submitted in redacted form. 77 FR 46617. Also, the third party must present a detailed explanation, in writing, as to how the information in the submission is pertinent to the claim(s) of the patent and how it is applied to each of those claims. 37 C.F.R. §1.501 (a)(3), (b)(1).

The submission must identify (1) the forum in which the statement was made; (2) the proceeding designation (case citation or USPTO numerical designation); (3) the specific papers of the proceeding containing the statement of the patent owner; and (4) the portion(s) of the papers that show how the written statement being asserted as a claim scope statement of the patent owner under 35 U.S.C. § 301(a)(2) constitutes such a statement. See 37 C.F.R. § 1.501(a)(3). The USPTO is limited to considering such “claim scope statements” only to determine the proper meaning of a patent claim in an *ex parte* reexamination, *inter partes* review or post-grant review that has already been initiated. 35 U.S.C. § 301(d). Consideration of such statements

in the course of deciding whether to initiate a USPTO review is prohibited.

Submissions to the United States International Trade Commission (“ITC”) do not come within 35 U.S.C. § 301(a)(2), as the ITC is a federal agency and not a federal court. 77 FR 46617.

II. Why Congress Added 35 U.S.C. § 301(a)(2)

The promulgating comments in the Federal Register regarding 37 C.F.R. § 1.501(a)(2), the USPTO rule that effects 35 U.S.C. § 301(a)(2), made the reasoning behind the revised statute clear:

Section 1.501(a)(2) permits any person to submit to the Office statements of the patent owner that were filed by the patent owner in a proceeding before a Federal court or the Office in which the patent owner took a position on the scope of any claim of the patent. As long as the statement was filed by the patent owner in the proceeding, the statement is eligible for submission under §1.501(a)(2) even if originally made outside the proceedings. **Permitting submission of these claim scope statements is intended to limit a patent owner’s ability to put forward different positions with respect to the prior art in different proceedings on the same patent.** See H.R. Rep. No. 112-98, Part 1, at page 46 (2011) (“[t]his addition will counteract the ability of patent owners to offer differing interpretations of prior art in different proceedings.”).

77 FR 46617 (emphasis added). Plainly, the patent owner is not to be allowed to speak out of both sides of his/her mouth, telling the USPTO one thing while saying quite another thing to a federal trial judge.

How the USPTO is to make use of such statements was further addressed in Changes To Implement Miscellaneous Post Patent Provisions of the Leahy-Smith America Invents Act, 77 FR

46615 (August 6, 2012), especially in comment 18:

Comment 18: Several comments requested clarification of the phrase “proper meaning of a patent claim” as set forth in 35 U.S.C. 301(d) and in § 1.510(b)(2) and § 1.552(d). The comments suggested that claim construction of patent claims in post-patent proceedings at the Office should be based on the same standards as patent claim construction in the courts, following *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005), and *Thorner v. Sony Computer Entertainment Inc.*, 669 F.3d 1362 (Fed. Cir. 2012). **These comments also questioned how statements by patent owners will be used to determine the proper meaning of a patent claim.**

Response: The Office standard for claim construction, *i.e.*, “the proper meaning of a claim,” is the “broadest reasonable interpretation” (BRI) consistent with the specification. See *In re Am. Acad. of Sci. Tech Ctr.*, 367 F.3d 1359, 1364 (Fed. Cir. 2004), *In re Morris*, 127 F.3d 1048, 1053-54 (Fed. Cir. 1997), and *In re Zletz*, 893 F.2d 319, 321 (Fed. Cir. 1989); see also MPEP § 2111. During reexamination, claims of an unexpired patent will be given the broadest reasonable interpretation consistent with the specification. See *In re Yamamoto*, 740 F.2d at 1571-72 (Fed. Cir. 1984). In a reexamination proceeding involving claims of an expired patent, claim construction is performed pursuant to the principles set forth in *Ex parte Papst-Motoren*, 1 USPQ2d 1655 (Bd. Pat. App. & Inter. 1986); and MPEP § 2258 I.(G) (8th ed. 2001) (Rev. 8, July 2010). **Written statements submitted pursuant to 35 U.S.C. 301(a)(2) will not be used when ordering reexamination, but will be used during reexamination to assist in construing the claims.** See 35 U.S.C. 301(d).

77 FR 46621 (emphasis added). *But cf.* Comment 5 and Response, 77 FR 46619 (“The effect of a patent owner claim scope statement on the merits of an ordered or instituted post-patent proceeding will be addressed on a case-by-case basis.”).

The statute, rule and promulgating comments, then, all appear to leave little if any discretion on the USPTO’s part regarding the use that is to be made of a claim scope statement if one is submitted: it “will be used” to assist in construing the claims.

This “will be used” directive strongly contrasts with the USPTO’s prior position, before 35 U.S.C. § 301(a)(2) was added by the AIA, that was set out in MPEP § 2258. F. 1: “The examiner *may* rely on admissions of the patent owner that are part of the court record.” (Emphasis added.) See also 37 C.F.R. § 1.104(c)(3). The USPTO did not consider itself bound to apply patent owner admissions in court proceedings to claim construction determinations in reexamination situations. In fact, the USPTO would often flatly ignore such statements, which, if made in the context of a related federal court proceeding, usually constituted evidentiary admissions. See the disregard of litigation admissions in a merged *ex parte/inter partes* reexamination as to claim construction, *The J.M. Smucker Co. v. Mack-Ray Inc.*, Appeal No. 2010-011461 (BPAI Dec. 30, 2010).

III. What Has the USPTO Done Regarding Claim Construction Statements to Date

To date, however, in three PTAB decisions, the USPTO appears to be resisting the letter of 35 U.S.C. § 301(a)(2). In *Garmin Int’l Inc. v. Cuozzo Speed Technologies LLC*, Case IPR 2012-00001 (JL) (PTAB Jan. 9, 2013), Decision to Initiate Trial for Inter Partes Review, the Board noted that its decision hinged on the meaning of “integrally attached” in independent claims 1 and 10. In addressing the meaning of “integrally attached,” the Board stated that:

Petitioner does not make known its construction of “integrally attached.” **Instead, Petitioner states that the term has to mean, in this proceeding, what the Patent Owner asserts it means in the infringement suits**

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the Patent Owner has filed against various parties including Petitioner. That argument is without merit. The meaning of claim terms is not governed by what the Patent Owner says they mean in filing an infringement suit based on the ‘074 Patent. There is no reason to assume that the Patent Owner’s litigation position is correct. Litigation positions taken subsequent to issuance of the patent are unreliable. See *Philips v. AWH Corp.*, 415 F.3d at 1318. In any event, the Petition itself does not disclose or discuss the Patent Owner’s position and Petitioner even states that the Patent Owner’s litigation position in the infringement suits is not necessarily correct. (Petition 18: n.1).

On this record, we construe “integrally attached” as applied to the colored display and the speedometer in the context of the disclosure of the ‘074 Patent as meaning that the two elements are discrete parts physically joined together as a unit without each part losing its own separate identity.

Slip op. at 7-8 (emphasis added). Note that the decision does not state whether the requirements of 35 U.S.C. § 301(a)(2), (c) and 37 C.F.R. § 1.501(a)(2)-(3), (b) were followed by Garmin International, the petitioner.

Another panel of the Board, in *Motorola Mobility LLC v. Arnouse*, Case IPR 2013-00010 (MT) (PTAB Feb. 12, 2013), Decision to Institute Trial for Inter Partes Review, noted that Motorola had indicated that the ‘484 patent in issue was in litigation between itself and Arnouse (slip op. at 2). The claim term in issue was “the *portable computer excludes* means for a user to interact directly with the portable computer.” In the related district court proceeding, Arnouse construed this limitation as:

By itself the portable computer cannot provide information to a user or receive information from a user....

Motorola submitted the same construction. Again, however, the decision was silent on whether the submission was made pursuant to 35 U.S.C. § 301(a)(2), (c) and 37 C.F.R. § 1.501 (a)(2)-(3), (b). In any event, because that construction was also consistent with the specification of the ‘484 patent and the plain meaning of the claim terms, the Board adopted it for the proceeding.

Footnote 2, however, noted that:

Statements made in a related litigation may shed useful light to the meaning of the claim terms. Notably, the Joint Claim Construction and Prehearing Statement submitted by Motorola in Exhibit 1013 indicates how the parties construe the claim terms and where in the specification of the ‘484 patent provides support for the terms. **However, we recognize that statements made in the course of litigation may include some degree of bias and may support an interpretation more narrow than the broadest reasonable interpretation given by the Office. We thus discount any conclusory unsupported statements to the definition of a claim term, and any statements that are contrary to the plain meaning of a term or the written description of the patent.**

Slip op. at 7 n.2 (emphasis added).

Most recently, in *Research in Motion Corp. v. Wi-Lan USA, Inc.*, Case IPR 2013-00126 (JL) (PTAB June 20, 2013), Decision to Institute Inter Partes Review 37 C.F.R. § 42.108, the PTAB addressed RIM’s proposed claim construction as to the ‘088 patent in issue. Wi-Lan argued that the claim interpretation “urged by RIM in its petition is drastically different from and inconsistent with that urged by RIM in the related civil litigation between the parties, *i.e.*, *Wi-Lan USA, Inc. et al. v. Research in Motion Ltd., et al.*, Case No. 12-cv-20232 (S.D. Fla.).” (Slip op. at 12.) To demonstrate the point, Wi-Lan provided a table in its preliminary response illustrating the comparison (*id.* at 13).

APJ Lee, in view of the table, found that:

The allegation of drastic difference and inconsistency is not explained adequately. For instance, the discussion in the right column does not require the first portion to include a portion of the body of an alphanumeric message. Nothing appears inconsistent. It is not even clear that the discussion in the right column concerns what must be included in the first portion of the message.

Id. at 13. (The Board’s “does not require” language appears to be directed to the “message containing a [first, second] portion” phrase emphasized, particularly the term “containing.”)

In what rigorously is dicta, though, the Board went on to state:

In any event, the contention is unhelpful that RIM should be estopped from arguing a claim interpretation that is different from what it has urged in parallel civil litigation. Whether or not estoppel applies to RIM, it does not apply to the Board. Thus, the Board may itself interpret a claim term as a matter of law notwithstanding what is or is not argued by a party. The Board’s conclusion is not subject to any restriction based on a party’s contentions in another proceeding or even this proceeding.

Id. (emphasis added). Irrespective of the apparent lack of any basis for the Board’s references to an “estoppel” as being the position taken by Wi-Lan (*cf.* slip op. at 12, “drastically different from and inconsistent with,” is Wi-Lan’s exact contention), this statement arguably appears, yet again, to be some sort of attempt at “nullification” of 35 U.S.C. § 301(a)(2).

IV. The Board Is Fully Aware of Its Congressionally Mandated Obligation to Follow 35 U.S.C. § 301(a)(2)

That the PTAB is fully aware of the existence of 35 U.S.C. § 301(a)(2) is shown by its final

written decision in *SAP America, Inc. v. Versata Development Group, Inc.*, Case CBM 2012-00001 (MPT) PTAB June 11, 2013), an opinion written by APJ Tierney. In the Analysis section of the opinion, which contains a substantial explanation (slip op. at 7-18) for the Board’s adoption of the “Office’s BRI construction” (slip op. at 7; *see In Re Yamamoto*, 740 F.2d 1569, 1571 (Fed. Cir. 1987)), the Board noted that:

The final rules adopted 37 C.F.R. § 42.300(b) as set forth in the proposed rule above and identified the statutory basis for the adoption of the rule, how it was supported by the legislative history,¹³ and how the rule was consistent with the settled expectations arising from Federal Circuit precedent where a party is afforded an opportunity to amend claims. *Id.* at 48693.

Slip op. at 15-16 and n.13. Footnote 13 reads:

Senator Kyl stated:

This [district court] information should help the Office understand and construe the key claims of a patent. It should also allow the Office to identify inconsistent statements made about claim scope--for example, cases where a patent owner successfully advocated a claim scope in district court that is broader than the “broadest reasonable construction” that he now urges in an inter partes review.

157 Cong. Rec. S1375 (daily ed. Mar. 8, 2011) (emphasis added).

(While the opinion notes that the Board intended to emphasize some part of Senator Kyl’s statement, it apparently was lost in the opinion’s preparation.)

The full text of Senator Kyl’s cited statement confirms the Board’s full knowledge of 35 U.S.C. § 301(a)(2), Congress’ intention in putting that provision in the AIA, and the integral part that such a statement is mandated to play in application of the “broadest reasonable interpretation” claim construction standard (*cf.* slip op. at 7):

Section 5(a) of the 2009 version of the bill, which would amend section 301, has been modified and moved to

section 5(g) of the bill. This provision allows written statements of the patent owner regarding claim scope that have been filed in court or in the Office to be made a part of the official file of the patent, and allows those statements to be considered in reexaminations and inter partes and post-grant reviews for purposes of claim construction. This information should help the Office understand and construe the key claims of a patent. It should also allow the Office to identify inconsistent statements made about claim scope—for example, cases where a patent owner successfully advocated a claim scope in district court that is broader than the “broadest reasonable construction” that he now urges in an inter partes review.

157 Cong. Rec. S1375 (daily ed. March 8, 2011).

The Board’s juxtaposition of the allowing of amendments as justifying its adoption of the “broadest reasonable interpretation” standard, with Senators Kyl’s statement of the use of 35 U.S.C. § 301(a)(2) to identify inconsistent statements made about claim scope, especially in the context of a successful patent owner’s claim construction broader than the “broadest reasonable construction” urged in an IPR, supports an understanding of the law that mandates Board consideration of contradictory district court constructions, particularly successful constructions, when arriving at what the legally “broadest reasonable construction” really is.

V. How to Enforce USPTO Compliance With 35 U.S.C. § 301(a)(2)

If the petitioners in *Garmin International*, *Motorola Mobility* and *Research In Motion* were each not fully in compliance with 35 U.S.C. § 301(a)(2), (c) and 37 C.F.R. § 1.501 (a)(2)-(3), (b), the Board might have noted that circumstance as the reason for its viewing of the patent owners’ litigation positions as “unreliable” or “including some degree of bias,” which in turn might have furnished that panel’s “basis” for effectively ignoring the claim scope statement otherwise within 35 U.S.C. § 301(a)(2).

But if the submissions were, in fact, in compliance with the statute and the rule, particularly in *Motorola Mobility*, then the injection of conclusions of purported “unreliability” and “bias” may well reflect the USPTO’s continued resistance to what 35 U.S.C. § 301(a)(2) was added to the statute to do: to keep the patent owner “honest,” blocking any ability to tell two different claim construction stories—one to the USPTO and another to a federal trial judge. Whether supposedly “biased” or “unreliable,” the statute and rule mandate consideration of the merits of such submissions under the BRI standard used in the USPTO in such proceedings.

It is suggested that rigorous adherence to 35 U.S.C. § 301(a)(2), (c) and 37 C.F.R. § 1.501 (a)(2)-(3), (b) be practiced by any petitioner in an IPR or PGR, to unarguably block any PTAB injection of further conclusory “end-arounds” of Congress’ intent in holding the patent owner to a consistent claim construction story before the USPTO, one that tracks any claim meaning statement filed in a federal court.

Should the PTAB continue in presenting similar statements in IPR initiation decisions or later claim construction rulings, however, immediate review by petition or motion for rehearing before the PTAB should be sought, or the statement should be held out as evidence of reversible error on later Federal Circuit review.

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SUPREME COURT 2012-2013 IP CASE REVIEW

by Mayer Brown LLP's Supreme Court & Appellate Practice

Already, LLC v. Nike, Inc.,
No. 11-982, 133 S. Ct. 721 (January 9, 2013)

Issue: Patent Law – Article III – Mootness

Article III of the United States Constitution confers jurisdiction on the federal courts to adjudicate “Cases” and “Controversies.” A case or controversy becomes moot when the dispute “is no longer embedded in any actual controversy about the plaintiffs’ particular legal rights.” *Alvarez v. Smith*, 558 U.S. 87, 93 (2009). In 2000, the Supreme Court held that when a defendant voluntarily ceases the conduct alleged to be unlawful, the dispute does not automatically become moot; rather, the defendant “bears the formidable burden of showing that it is absolutely clear the allegedly wrongful behavior could not reasonably be expected to recur.” *Friends of the Earth, Inc. v. Laidlaw Envtl. Servs. (TOC), Inc.*, 528 U.S. 167, 190 (2000). On January 9, 2013, in *Already, LLC v. Nike, Inc.*, 133 S. Ct. 721, the Court held that the defendant in a trademark dispute had met that burden.

The Court’s opinion is of general interest to all businesses that face claims based on hypothetical future conduct, and is of particular interest to businesses that face trademark invalidation claims premised on nothing more than the plaintiff’s status as a competitor.

Both petitioner *Already* and respondent *Nike* design and market athletic footwear. *Nike* holds the registered trademark “Air Force 1” for one of its product lines; *Already* offers a product line that *Nike* contended violated that trademark. *Nike* filed suit, claiming that *Already* infringed and diluted its Air Force 1 trademark, and *Already* filed a counterclaim challenging the trademark’s validity. *Nike* then issued an unconditional and irrevocable “Covenant Not to Sue,” promising that it would not “raise against *Already* or any affiliated entity any trademark or unfair competition claim[s] based on any of *Already*’s existing footwear designs, or any future *Already* designs that constituted a ‘colorable imitation’ of *Already*’s current products.” 133 S. Ct. at 725. *Nike* moved to dismiss its own claims with prejudice, and to dismiss *Already*’s counterclaim without prejudice as moot. The district court granted *Nike*’s motion to dismiss because *Already* had not offered any evidence that it intended to offer

a product line not covered by *Nike*’s covenant. The Second Circuit affirmed, agreeing that *Already* “ha[d] not asserted any intention to market any such shoe,” and therefore could not establish an injury sufficient to confer continuing Article III jurisdiction. *Id.* at 726 (quoting *Nike, Inc. v. Already, LLC*, 663 F.3d 89, 97 (2d Cir. 2011)).

In a unanimous opinion by Chief Justice Roberts, the Supreme Court affirmed. The Court reasoned that the broadly worded covenant not to sue satisfied *Nike*’s burden under the voluntary cessation doctrine to establish that *Nike* could not reasonably be expected to pursue further trademark claims against *Already*. *Id.* at 727-29. Because *Nike* had asserted that there was no prospect of a shoe that would infringe *Nike*’s trademark but be outside the scope of the covenant, the Court observed that *Nike* would likely be estopped from subsequently asserting claims against *Already* over future shoe designs. *Id.* at 728. And because at no point during the litigation had *Already* “assert[ed] any intent to design or market a shoe that would expose it to any prospect of infringement liability” in light of *Nike*’s covenant, the Court concluded that *Already* lacked a cognizable injury under Article III. *Id.* at 729. The Court rejected *Already*’s alternative theories of Article III injury, concluding that (1) given *Nike*’s covenant, the conjectural or hypothetical concerns of *Already*’s investors could not confer standing; (2) the covenant removed any legitimate basis for *Already*’s concern about being sued again; and (3) *Already*’s role as *Nike*’s competitor did not confer automatic standing to challenge trademark validity. *Id.* at 729-33. Finally, the Court concluded that remand was unnecessary because *Already* had repeatedly declined to offer record evidence that would support a finding of continuing injury. *Id.* at 732-33.

In a concurrence joined by Justices Thomas, Alito, and Sotomayor, Justice Kennedy observed that the lower courts had improperly shifted to *Already* the burden of defeating *Nike*’s mootness argument. The concurrence emphasized that *Nike*, as the counterclaim defendant, bore the burden of showing that, under the covenant, “*Already* can have no reasonable anticipation of a future trademark infringement claim from *Nike*.” 133 S. Ct. at 733 (concurring op.). The concurrence also observed that

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a trademark holder's litigation conduct – in this case, filing a trademark infringement claim and then issuing a covenant not to sue – may result in continuing injury to a competitor by, for example, deterring the allegedly infringing manufacturer's business partners. *Id.* at 733-34. The concurrence reasoned that, in future cases, the defendant trademark holder should have to “make a substantial showing that the business of the competitor and its supply network will not be disrupted or weakened by satellite litigation over mootness or by any threat latent in the terms of the covenant itself.” *Id.* at 734.

[*Gunn v. Minton*, No. 11-1118, 133 S. Ct. 1059 \(February 20, 2013\)](#)

Issue: Federal Jurisdiction – Legal Malpractice Claims Involving Patent Disputes

Under 28 U.S.C. § 1338(a), federal courts have exclusive jurisdiction over any suit arising under federal patent law. On February 20, 2013, in a unanimous opinion authored by Chief Justice Roberts, the Supreme Court held in *Gunn v. Minton*, 133 S. Ct. 1059, that this jurisdiction does not extend to state law claims for legal malpractice that raise questions of patent law. The decision reverses a decision of the Texas Supreme Court, and also abrogates contrary holdings by the Federal Circuit in *Air Measurement Technologies, Inc. v. Akin Gump Strauss Hauer & Feld, L.L.P.*, 504 F.3d 1262 (Fed. Cir. 2007), and *Immunocept, L.L.C. v. Fulbright & Jaworski, L.L.P.*, 504 F.3d 1281 (Fed. Cir. 2007).

The case arose from a legal malpractice action in Texas state court that Minton had filed against his lawyers based on their handling of his earlier patent infringement action. Minton alleged that the lawyers had caused him to lose the earlier action – and committed malpractice – by failing to assert on a timely basis the “experimental use” exception to the bar on issuance of patents for items that have been “on sale” for more than a year before the filing of the patent application. The trial court granted summary judgment to the lawyers. But Minton persuaded the Texas Supreme Court that federal courts had exclusive jurisdiction over his claims under 28 U.S.C. § 1338(a) because his suit involved issues of federal patent law, thus requiring that the judgment against him be vacated (so that he could then re-file in federal court).

The Supreme Court reversed, holding that 28 U.S.C. § 1338(a) did not deprive the Texas courts of jurisdiction over Minton's legal malpractice suit. The Supreme Court explained that the suit did not satisfy

the four-part test, articulated in *Grable & Sons Metal Products, Inc. v. Darue Engineering & Mfg.*, 545 U.S. 308, 313-314 (2005), for determining when a state law claim “arises under” federal law – as required for there to be *any* federal court jurisdiction, much less *exclusive* jurisdiction under § 1338(a).

The Supreme Court concluded that the first two *Grable* factors were met: The federal patent law issue underlying Minton's malpractice suit was “necessarily raise[d]” and “actually disputed.” 133 S. Ct. at 1065-66 (quoting *Grable*, 545 U.S. at 313-14). But, the Court concluded, the federal issue was not “substantial in the relevant sense.” *Id.* at 1066. The Court explained that determining whether an issue is “substantial” requires considering “the importance of the issue to the federal system as a whole,” not merely to the parties themselves. *Id.* Here, the federal question posed was hypothetical (*what if* Minton's lawyers had timely raised the experimental use argument?), and the resolution of the malpractice case would have no effect on the validity of Minton's patent as determined in the earlier patent infringement action. Moreover, a state court's resolution of hypothetical patent issues in a legal malpractice case would not undermine the uniformity of federal patent law because it would have no precedential effect on federal courts in deciding real patent cases. Finally, the Court rejected the argument that federal courts' greater familiarity with patent issues was sufficient to trigger federal jurisdiction when what was at stake was only the risk that a state court might wrongly decide a state law claim based on a misapprehension of patent law.

For essentially the same reasons, the Court held that the fourth *Grable* factor – the “balance between federal and state judicial responsibilities” – also weighed against a finding of jurisdiction. The Court observed that there was no reason to suppose that Congress intended to bar states from fulfilling their “great” and “special responsibility” to regulate the conduct of lawyers when it vested federal courts with exclusive jurisdiction over patent cases. 133 S. Ct. at 1068.

[*Kirtsaeng v. John Wiley & Sons, Inc.*, No. 11-697, 133 S. Ct. 1351 \(March 19, 2013\)](#)

Issue: Copyright Act – First Sale Doctrine – No Geographic Limitation

The Copyright Act of 1976 provides that the owner of a copyright has certain “exclusive rights,” including the right “to distribute copies . . . of the copyrighted work

to the public by sale or other transfer of ownership.” 17 U.S.C. § 106(3). The Act contains several limitations on these rights, including the “first sale” doctrine. That doctrine entitles the buyer of a “lawfully made” copy of a copyrighted work to sell the copy without permission from the copyright owner. *See* 17 U.S.C. § 109(a). On March 19, 2013, in *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351, the Supreme Court resolved a conflict among the courts of appeals over whether the first sale doctrine likewise applies to copies lawfully manufactured abroad. The Court held that it does.

Respondent John Wiley & Sons, Inc. publishes and owns the copyright to academic textbooks in the United States. Wiley assigned its rights to publish, print, and sell its English-language textbooks outside the United States to a wholly owned subsidiary in Asia. Petitioner Supap Kirtsaeng is a citizen of Thailand. While he was studying in the United States, Kirtsaeng would ask his relatives and friends to buy copies of Wiley’s textbooks in Thailand at a lower cost than they could be purchased in the United States. Kirtsaeng would then sell the books in the United States at a profit. In 2008, Wiley sued Kirtsaeng for copyright infringement. Both the district court and a divided panel of the Second Circuit ruled that the first sale doctrine did not apply to copies of American copyrighted works manufactured outside the United States.

In an opinion by Justice Breyer, the Supreme Court reversed. The Court concluded that Section 109(a)’s requirement of “lawfully made under this title” means “made ‘in accordance with’ or ‘in compliance with’ the Copyright Act.” 133 S. Ct. at 1358. The Court observed that there was no geographic limitation contained within the statute, and reasoned that the historical and statutory context suggests that Congress did not intend such a limitation. The Court also reasoned that the first sale doctrine derives from a common law doctrine that contained no geographic limitation. In doing so, the Court dismissed as dicta its earlier statement (in *Quality King Distributors, Inc. v. L’anza Research Int’l, Inc.*, 523 U.S. 135, 148 (1998)) that “presumably only those [copies] made by the publisher of the United States edition would be lawfully made under this title within the meaning of § 109(a).” 133 S. Ct. at 1368 (internal quotation marks omitted).

Justice Kagan, joined by Justice Alito, concurred in the Court’s opinion, but wrote separately to suggest that Congress consider statutorily overriding *Quality King* because “the Court’s decision” in the present case, “when combined with *Quality King*, substantially

narrows” the Copyright Act’s ban on unauthorized importation of foreign-made copies of copyrighted works. 133 S. Ct. at 1372-73 (concurring op.).

Justice Ginsburg dissented, joined by Justice Kennedy and joined in part by Justice Scalia, expressing the view that foreign-made copies are not “lawfully made under” the Copyright Act, so the first sale doctrine should not apply. 133 S. Ct. at 1373-74 (dissenting op.).

Bowman v. Monsanto Co., No. 11-796, 133 S. Ct. 1761 (May 13, 2013)

Issue: Patents – Exhaustion Doctrine – Self-Replicating Technologies

Under the doctrine of patent exhaustion, the initial authorized sale of a patented item terminates all patent rights to that item, and confers on the purchaser or any subsequent owner the right to use or sell the item as he sees fit. On May 13, 2013, the Supreme Court decided *Bowman v. Monsanto Co.*, 133 S. Ct. 1761, holding that the patent-exhaustion doctrine does *not* permit a farmer to reproduce patented genetically modified seeds through planting and harvesting without the patent holder’s permission. The Court unanimously rejected the farmer’s argument that the patent-exhaustion doctrine and the “self-replicating” nature of the seeds allowed such use.

Monsanto’s patented Roundup Ready soybean seed is resistant to certain herbicides. Because the herbicide-resistant genes are passed down to successive generations of seed, Monsanto requires purchasers to sign a Technology Agreement that allows them to use the Roundup Ready seed to plant a commercial crop in a single season only, and prohibits them from saving any of their crop for use as seed for future plantings. Monsanto does, however, permit growers to sell second-generation seed to local grain elevators as a commodity, and does not require them to place any restrictions on the grain elevators’ subsequent use or sale of the seed.

Indiana farmer Vernon Bowman purchased Roundup Ready seed, signed Monsanto’s Technology Agreement, and used the seed for his first planting of the season. For his second planting, however, he purchased “commodity seeds” from a local grain elevator, expecting that they would possess Monsanto’s patented Roundup Ready genes. Bowman then saved some of the seed harvested from his second crop for replanting in future years. Monsanto sued Bowman for patent infringement.

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The District Court and Federal Circuit rejected Bowman's patent-exhaustion defense, holding that patent exhaustion does not confer on the first or subsequent purchasers the right to make copies of a patented article. The Supreme Court affirmed in a unanimous decision authored by Justice Kagan. The Court reasoned that the "right to use" a patented article following an authorized sale "restricts a patentee's rights only as to the 'particular article sold'" and "leaves untouched the patentee's ability to prevent a buyer from making new copies of the patented item." 133 S. Ct. at 1766 (quoting *United States v. Univis Lens Co.*, 316 U.S. 241, 249-50 (1942)). The Court ruled that Bowman was "mak[ing] additional patented soybeans without Monsanto's permission" by harvesting and replanting further generations of Roundup Ready seeds, irrespective of the fact that Bowman had initially obtained the seeds from a grain elevator after an authorized purchase. *Id.* at 1766.

The Court rejected Bowman's arguments based on the "automatic" self-replicating nature of seeds, reasoning that Bowman actively engaged in infringement by planting, watering, and otherwise nurturing his crop. The Court made clear that its holding was limited to the situation before it, and specifically recognized that the analysis might differ if the "article's self-replication . . . occur[red] outside the purchaser's control" or was necessary to the ordinary use of the article upon the first sale. Even with that limitation, the ruling has implications for many aspects of modern agriculture and for businesses based on vaccines, cell lines, and software – all of which can involve products characterized by different types of self-replication.

The NYIPLA filed an amicus curiae brief in this case. See <http://www.nyipla.org/images/nyipla/Documents/Amicus%20Briefs/BowmanVMonsanto11-796.pdf>.

Association for Molecular Pathology v. Myriad Genetics, Inc., No. 12-398, 133 S. Ct. 2107 (June 13, 2013)

Issue: Patent Law – Patentability of Human Genes

On June 13, 2013, in a unanimous decision, the Supreme Court held in *Association for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, that isolated DNA sequences are not patentable, while "complimentary DNA" molecules – molecules with non-coding DNA portions removed – are patentable. In doing so, the Supreme Court further clarified its long-held view that, under 35 U.S.C. § 101, "[l]aws of nature, natural phenomena, and abstract ideas" are not

patentable." *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289, 1293 (2012) (quoting *Diamond v. Diehr*, 450 U.S. 175, 185 (1981)).

The respondent, Myriad Genetics, identified and isolated two genes in the human genome, BRCA1 and BRCA2, that are linked to an increased risk of breast and ovarian cancer. After the discovery, Myriad obtained patents on the DNA sequences and portions of those sequences. In addition, Myriad obtained patents on corresponding cDNA or "complimentary DNA" molecules for these genes. The cDNA molecules were created by first obtaining naturally created mRNA for the genes, and then using the mRNA to create DNA molecules with portions of the original DNA removed. The removed DNA portions (the "introns") are not involved in the creation of proteins and are therefore referred to as "non-coding."

The Court's opinion, written by Justice Thomas, focused on previous cases applying the "laws of nature" exception to patentability. In *Diamond v. Chakrabarty*, 447 U.S. 303 (1980), the Court held that a specially designed bacterium capable of breaking down oil molecules was patentable because the bacteria did not otherwise exist in nature. In contrast, in *Funk Brothers Seed Co. v. Kalo Inoculant Co.*, 333 U.S. 127 (1948), the Court held that a particular collection of nitrogen-fixing bacteria was not patentable, because each type of bacteria was naturally occurring. From these and similar cases, the Court concluded that Myriad could not patent the naturally occurring gene sequences, explaining that "Myriad found the location of the BRCA1 and BRCA2 genes, but that discovery, by itself, does not render the BRCA genes 'new . . . composition[s] of matter,' § 101, that are patent eligible." 133 S. Ct. at 2117.

The Court likewise rejected a number of other arguments from Myriad. First, the extensive effort that Myriad put into discovering the location of these genes was not, by itself, sufficient to render them patentable. Nor was it enough that the U.S. Patent and Trademark Office had a practice of granting patents on identified genes. The fact that the isolated DNA molecules also differed slightly in their chemical composition from molecules in their natural state was also insufficient. The Court did, however, distinguish the cDNA sequences created by Myriad. Because cDNA sequences generally do not occur naturally, the Court found Myriad's patent claims on these molecules to fall outside the "laws of nature" exception.

Justice Scalia did not join the introductory portion of the opinion describing the biological processes relating to DNA.

The NYIPLA filed an amicus curiae brief in this case. See http://www.nyipla.org/images/nyipla/Documents/Amicus%20Briefs/AMPvMyriad12_398.pdf.

Federal Trade Commission v. Actavis, Inc.,
No. 12-416, 133 S. Ct. 2223 (June 17, 2013)

Issue: Patent Infringement Suits – Generic Drugs – Reverse-Payment Settlement Agreements

Under the Drug Price Competition and Patent Term Restoration Act (*i.e.*, the Hatch-Waxman Act), a generic drug manufacturer may obtain FDA approval to market and sell a generic version of a patent-protected drug by certifying that the patent is invalid or unenforceable. 21 U.S.C. § 355(j)(2)(A)(vii)(IV). The patent holder may then initiate a patent infringement suit against the generic drug manufacturer, in what is known as “Paragraph IV litigation.” *FTC v. Actavis, Inc.* arose from the settlement of one such lawsuit. Under a 2006 settlement agreement, the patent holder, Solvay Pharmaceuticals, and the generic drug manufacturers, Watson Pharmaceuticals and Paddock Laboratories, entered into joint ventures to manufacture and promote the drug AndroGel, and Watson and Paddock received licenses allowing their generic versions to enter the market in 2015, more than five years before the AndroGel patent expired. The FTC alleged that this was a “reverse payment” settlement agreement that violated the federal antitrust laws. The district court dismissed the FTC’s complaint for failure to state a claim, and the Eleventh Circuit affirmed, holding that reverse-payment settlement agreements are lawful so long as their “anticompetitive effects fall within the scope of the exclusionary potential of the patent.”

The Supreme Court reversed 5-3, holding that a reverse-payment settlement agreement is not immunized from antitrust liability merely because it might fall within the scope of the exclusionary potential of the patent.

Writing for the majority, Justice Breyer explained that in Paragraph IV litigation, a court must conduct a full rule-of-reason analysis of a reverse-payment settlement agreement. It is not enough to measure the validity of a reverse-payment agreement “against the length of the patent’s term or its earnings potential.” Rather, a court must also consider “traditional antitrust factors such as

likely anticompetitive effects, redeeming virtues, market power, and potentially offsetting legal considerations present in the circumstances.” 133 S. Ct. at 2231.

The Court rejected the Eleventh Circuit’s view that the “general legal policy favoring” settlement of “time consuming, complex, and expensive” antitrust litigation overrides anticompetitive factors. In doing so, the Court noted the likelihood of anticompetitive effects of a patentee’s agreeing to pay a substantial amount, and suggested that the “patentee likely possesses the power to bring that harm about in practice.” *Id.* at 2236. The Court also reasoned that its holding does not preclude parties from settling patent litigation in a manner that is not anticompetitive.

At the same time, the majority rejected the FTC’s contention that reverse-payment settlement agreements are presumptively unlawful and that reviewing courts should assess challenges to these agreements under a “quick look” approach. Rather, given the numerous factors at issue, courts should apply the rule of reason to the agreements.

Chief Justice Roberts, joined by Justices Scalia and Thomas, dissented, criticizing the majority’s decision for “unsettl[ing] the established relationship between patent and antitrust law” and discouraging parties from settling “particularly complex, and particularly costly” patent lawsuits. *Id.* at 2242-43 (Roberts, C.J., dissenting). The dissenters also noted the “irony” that the majority’s opinion “may very well discourage generics from challenging pharmaceutical patents in the first place.” *Id.* at 2248.

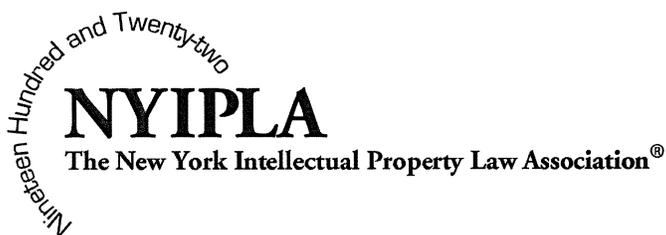
This case is of substantial interest to any party involved in patent infringement proceedings. As noted by the dissent, *Actavis* may open the door to increased antitrust attacks by the FTC or private parties on patent infringement settlements, including settlements within the scope of the patent rights at issue, because the Court’s holding leaves some uncertainty about the scope of the required rule-of-reason inquiry. At the same time, it is questionable how eagerly the FTC or other antitrust plaintiffs will take on the challenge of demonstrating that any given infringement settlement is anticompetitive under the rule of reason.

The NYIPLA filed an amicus curiae brief in this case. See <http://www.nyipla.org/images/nyipla/Documents/Amicus%20Briefs/FederalTradeCommission-vActavis12-416.pdf>.

The NYIPLA's Letter to the Office of Budget and Management Regarding the Application of Sequestration to the U.S. Patent & Trademark Office

When sequestration went into effect earlier this year, the long-range effects were not readily apparent. As implementation occurred, the Office of Management and Budget (OMB) determined that it would include the U.S. Patent and Trademark Office (USPTO). The Association studied the decision and concluded that sequestration should not be applied to the USPTO. The Association decided to raise an objection with the OMB and identify the reasons why sequestration is not appropriate and would result in severe, unwarranted damage to the intellectual property

system, which acts as a key economic driver to attract and protect investment in new technology. A letter was prepared and transmitted to the OMB in Washington, D.C., setting forth the Association's analysis and conclusion that the voluntary payment made by users for USPTO services should not be applicable to sequestration. It is believed that recipients of the *Bulletin* should be aware of the NYIPLA's efforts to correct an inequity and have the USPTO removed from sequestration. Therefore, the letter of June 18, 2013 is being included in this issue of the NYIPLA *Bulletin*.



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June 18, 2013

The Honorable Sylvia Mathews Burwell
Director
Office of Management and Budget
725 17th Street, NW
Washington, DC 20503

Re: Adverse Impact of Sequestration on USPTO Funding and Operations

Dear Director Burwell:

I write on behalf of the New York Intellectual Property Law Association (NYIPLA) to express our serious concerns regarding sequestration as it is being applied to the U.S. Patent and Trademark Office (USPTO).

The NYIPLA is a professional association of approximately 1,300 attorneys whose interests and practices lie in the area of patent, trademark, copyright, trade secret and other intellectual property law. The Association's members include a diverse array of attorneys specializing in patent law, from in-house counsel for businesses that own, enforce and challenge patents, to attorneys in private practice who represent inventors in various proceedings before the USPTO and U.S. Federal Courts.

Budget sequestration was implemented on March 1, 2013. The Office of Management and Budget determined that USPTO fees are not exempt from sequestration.¹ As a result, sequestration is being applied to actual fee collections through year-end at a 5% annualized rate.² Coupled with budget savings identified earlier in the fiscal year, spending at the USPTO has been cut by estimated \$240 million.³

We believe an incorrect interpretation of the sequestration statute has been applied by the Office of Management and Budget (OMB) as regards the USPTO Budget. The USPTO is a unique agency in that its operations budget is exclusively funded by user fee collections based on services the USPTO provides to its customers. Section 255 of the Balanced Budget and Emergency Deficit Control Act of 1985 ("BBEDCA") (2 U.S.C. 905) provides a list of exemptions from sequestration including "[a]ctivities financed by voluntary payments to the Government for goods or services to be provided for such payments." 2 U.S.C. 905(g)(1)(a). A plain reading of this statute dictates that this exemption applies to the fees collected by the USPTO in that these fees

¹ <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2013/assets/receipts.pdf>, p. 227.

² Tony Scardino, Patent Public Advisory Committee Meeting USPTO Fiscal Update 4 (May 16, 2013).

³ *Id.* at 6.

are from voluntary users in exchange for patent and trademark examination services.

The ability of the USPTO to retain access to all of its fees is at the heart of the Leahy-Smith America Invents Act (AIA), signed into law by President Obama only 20 months ago. The USPTO had been implementing the AIA, which included sweeping changes to USPTO procedures to improve patent quality while promoting a more efficient patent system. The hoped-for improvements from the AIA were just starting to be felt in that (1) new examiners were just starting to tackle the backlog of pending patent applications, (2) essential new IT systems were being developed, and (3) new administrative procedures and proceedings were being put into place.⁴ However, since the announcement of sequestration the USPTO has been forced to reduce and/or eliminate many of these needed activities.⁵ The hiring of new Examiners has been dramatically cut. Information technology modernization has been stalled. Travel and training has been virtually eliminated. The hiring of most support personnel has been completely stopped. This curtailment of progress is already producing system-wide reductions in the timeliness and quality of the services provided by the USPTO, where timeliness and quality are critical to the ability of the Office to serve our creative community effectively and to support the United States in its quest to increase its competitiveness in the world economy, where intellectual property is our leading asset.

It is vitally important for the USPTO to have full access to all its fee collections to be able to do the best job possible to help secure and maintain our intellectual property system as a key economic driver to attract and protect investment in new technology. The sequestration provisions should not be applied to the USPTO's budget because the Office is funded by voluntary payments by users for USPTO services and therefore is exempt under 2 U.S.C. 905(g)(1)(a). The NYIPLA strongly urges that action is taken to exclude the USPTO's budget from sequestration.

Sincerely,



Charles R. Hoffmann
NYIPLA President

⁴ *Id.* at 5.

⁵ *Id.*

Moving UP ▲ & Moving ON ►►►

- ▶ Joseph Saphia and Erika Selli have joined the Intellectual Property Litigation department and Laura Chubb has joined the Litigation department at Frommer Lawrence & Haug LLP. They were all formerly with Wiggin and Dana LLP. Joseph is a Partner in the Life Sciences and Business Methods Litigation practice groups. Erika and Laura are both associates, and Laura is a member of the Life Sciences practice group.
- ▶ Christian Samay has also joined Frommer Lawrence & Haug LLP as an Intellectual Property Litigation Partner. He was formerly with SNR Denton.
- ▶ Michael B. Eisenberg, formerly of Kasowitz Benson Torres & Friedman LLP, has joined the Litigation Department of Latham & Watkins LLP as a partner.
- ▶ Lisa D. Tyner, formerly of Baker Botts LLP, joined the intellectual property practice of McCarter & English, LLP, as Special Counsel.

The Bulletin's Moving Up and Moving On feature is for the Association's members. If you have changed your firm or company, made partner, received professional recognition, or have some other significant event to share with the Association, please send it to the Bulletin editors: Mary Richardson (mary.e.w.richardson@gmail.com) or Robert Greenfeld (rgreenfeld@mayerbrown.com).

As Time Goes By – Patent Office is Saved and an Association Born

The logo on the first page of each NYIPLA Bulletin attests to the NYIPLA's birth in 1922. Perhaps you may wonder why it happened then, and not at some earlier or later time.

By way of contrast, Chicago's sister organization, the Intellectual Property Law Association of Chicago, was founded almost four decades sooner in 1884. Its founding was so early, in fact, that, at its inception, it was simply named the "Patent Law Association" – the first of its kind in the nation.

As it turns out, the idea of creating our Association went hand-in-hand with a need to urgently organize and mobilize patent attorneys in the New York region to respond to a patent crisis. The crisis concerned lack of adequate United States Patent Office funding that hampered the Office's operations and ability to provide adequate pay to its employees.

Things were so bad that, in his annual report of September 8, 1921, the Commissioner of Patents succinctly stated: "Sir: I have the honor to submit herewith the following report of the business of the United States Patent Office for the fiscal year ended June 30, 1921: The Patent Office is in a deplorable condition."

Since no patent law association existed in the New York region, the Commissioner of Patents reached out to general bar associations for help. It was the New York County Lawyers Association ("NYCLA"), which had been established a decade earlier in 1908, that took up the gauntlet to save the day. From its inception, that organization prided itself as being both democratic and activist. The Chair of the NYCLA's Committee on Patents and Trademarks in 1921 was William Houston Kenyon, who was destined to serve as NYIPLA President from 1922-25. Mr. Kenyon held a meeting of interested persons on November 29, 1921 at the NYCLA offices, located at the time at 165 Broadway.



The meeting had a short-term goal and a longer-term one. The short-term goal was to help save the Patent Office by lobbying federal legislators, particularly those from

Dale Carlson, a partner at Wiggin and Dana, is NYIPLA Historian and a Past President.

New York, to pass a pending bill to enhance Patent Office funding. In order to accomplish that goal, a committee was established. It was called the "Committee of the New York Patent Bar on Relief of the Patent Office." In December of 1921 the Committee sent a delegation to Washington, D.C. to lobby New York members of Congress in what became a successful effort to get the bill passed.

The longer-term goal related to establishing a permanent organization devoted to patent law. Richard Eyre, who was destined to become NYIPLA President in 1930-31, explained the concept as follows: "there has been suggested that a . . . committee be asked to perfect plans for a permanent organization in this city for persons professionally interested [in] patents whether as lawyers, solicitors only or as experts so that we can get [such] quick action (on patent-related issues). This difficulty of getting everybody together and find[ing] who to get is avoided and can perhaps be somewhat approaching the organization that exists in Chicago and the other states [sic-cities?] in the power that we can exert and also in becoming known to each other and so I have [as] a suggestion . . . for this meeting that can serve at least for the present."

And so it was that, on November 29, 1921, the idea for the NYIPLA was verbalized and a resolution adopted that would enable our Association to become a reality. To that end, another committee was established, this one chaired by William H. Davis, and having as additional members William R. Kennedy, Oscar Jeffery, Edwin M. Bentley and Albert F. Nathan. Mr. Davis went on to become NYIPLA President in 1932-33, and Mr. Jeffery in 1933-34.

Early in 1922, the NYIPLA was founded. At a meeting held on March 7, 1922 at NYCLA offices a constitution and by-laws for our Association were adopted. Later that year, on December 6, 1922, a total of 252 persons attended the first NYIPLA Dinner in Honor of the Judiciary at the Waldorf Astoria. In addition to Judges Learned and Augustus Hand, the attendees included nine other judges, the Commissioner of Patents, and the presidents of the Chicago, Cleveland, Pittsburg and American patent law associations. Happily, the tradition continues!

With kind regards,

Dale Carlson

Notable Trademark Trial and Appeal Board Decisions

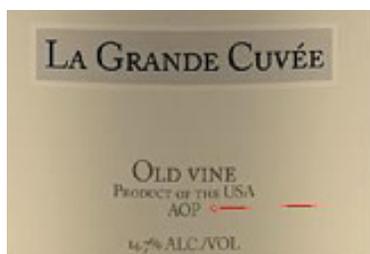
By Stephen J. Quigley*

(All decisions are precedential.)

AOP for Wine is Deceptive

A trademark is deceptive under Section 2(a) if: 1) it misdescribes or misrepresents the goods; 2) consumers are likely to believe the misdescription or misrepresentation; and 3) the misdescription or misrepresentation will materially affect the decision to purchase the product.

AOP is used in the European Union to designate a particular quality and geographical origin of wine. The applicant did not deny this, but argued that U.S. consumers will not be aware of the AOP designation or its significance because it does not appear on most European wines sold in this country. The Examining Attorney found numerous websites describing the AOP designation and concluded that AOP misdescribed the applicant's wine, because the applicant's products did not necessarily originate in Europe. The Examining Attorney further found that, because AOP serves as an indicator of quality and origin, the misdescription was material to the purchasing decision. The Board upheld the refusal to register.



In re AOP LLC, Serial No. 85/009,094, 2013 TTAB LEXIS 344 (July 12, 2013).

Registration Refused for Failure to Adequately Describe the Goods

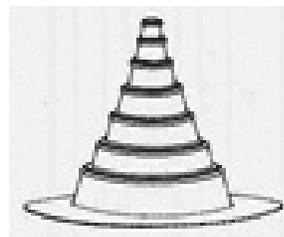
The Examining Attorney requested information regarding the material composition of the “choke seals” identified by a stylized “F” mark in order to determine the correct classification for the goods and whether there may be a likelihood of confusion. The

applicant contended that “choke seals” is the common commercial name for the product and failed to provide the requested information.

The Board, affirming the refusal to register, concluded that the identifications provided by the applicant did not meet the standards of the Acceptable Identification of Goods and Services Manual, and that the applicant had not offered sufficient information to properly classify the goods.

In re Faucher Industries Inc., 107 U.S.P.Q.2d 1355 (TTAB 2013).

Product Design is Functional



The applicant's “pipe flashing for use in sealing openings for pipe” was *de jure* functional and lacked acquired distinctiveness. The Board applied the *Morton-Norwich* factors finding that a utility patent claiming features of the product design was “strong evidence that those features are functional.” The applicant's catalog also touted the utilitarian feature of the configuration. Although there was limited evidence regarding alternative designs, and the parties disagreed as to the cost and simplicity of manufacturing the product, the Board noted that a design could be *de jure* functional even if the product was more expensive or more difficult to make.

The Board also held that the applicant failed to show that “the primary significance of the design in the minds of consumers is not that of the product itself, but rather is the source of that pipe boot.” Therefore, acquired distinctiveness had not been established.

AS Holdings, Inc. v. H & C Milcor, Inc., *f/k/a Aquatico of Texas, Inc.*, Opposition No. 91/182,064, 2013 TTAB LEXIS 388 (August 6, 2013).

cont. on page 36

Scandalous Mark Denied Registration

The Board affirmed a ruling that AWSHIT WORKS for baseball caps and other clothing items was an unregistrable scandalous term.

A mark is scandalous when it is clear from dictionary definitions alone that the mark is regarded as vulgar to a substantial portion of the public. The Examining Attorney had relied on the meaning of “aw shit” in the Urban Dictionary, where definitions are submitted by visitors to the website. While there is a reliability issue regarding the source of these definitions, the Board treated the entries in the same manner as the Wikipedia website, *i.e.*, definitions will be accepted as long as the non-offering party has an opportunity to rebut them. The applicant failed to provide any alternative meanings of “aw shit.”

In re Star Belly Stitcher, Inc., Serial No. 85/247,730 (August 12, 2013).

Hundreds of Requests for Admission Are Appropriate

In an opposition proceeding, the Phillies objected to 507 requests for admission and moved for a protective order on the ground that the number of requests alone demonstrated that the applicant had not made any effort

to seek only relevant discovery. While the Board did strike 96 requests as duplicative or seeking irrelevant information, it upheld the rest because the Phillies had pleaded 26 marks in its notice of opposition. Because the Phillies drafted the opposition so broadly, the number of requests was not *per se* oppressive or unduly burdensome. According to the Board, “[t]hese requests are relevant to opposer’s allegations and claims as pleaded, as admitted by the parties, as they seek information about the scope of use, relatedness of the parties’ goods and/or the basis for potential counterclaims.”

The Phillies v. Philadelphia Consolidated Holding Corp., Opposition No. 91/199,364, 2013 TTAB LEXIS 438 (August 19, 2013).

* Stephen J. Quigley is Of Counsel to Ostrolenk Faber LLP, where his practice focuses on trademark and copyright matters. He is also a member of the NYIPLA Board of Directors.



2013 US Bar - JPO Liaison Council Meeting

By John B. Pegram*

Thirteen U.S. members of the U.S. Bar – JPO Liaison Council met with officials of the Japan Patent Office in Tokyo on June 17, 2013. John Pegram represented the NYIPLA. The JPO side was led by Takashi Sakurai, Deputy Commissioner, and the Director of the International Affairs Division, Susumu Iwasaki. Other JPO participants were from the International Affairs Division, the Examination Policy and Standards Planning Offices, and other planning and research offices.

Deputy Commissioner Sakurai made introductory remarks. He believes that the U.S. and Japan have never had a stronger IP relationship. Since 2003 when the Japan IP Strategy Headquarters was established, IP policy and debate have led to great steps forward in Japan. On June 7, 2013, the basic policy concerning intellectual property, which was compiled by the IP Strategy Headquarters, led by Prime Minister Shinzo

Abe, was approved by the Prime Minister’s Cabinet. The policy’s aims include further steps to (1) strengthen patent examination and (2) implement a more robust patent examination system.

The Council meeting proceeded with a succession of presentations by each side on current topics of interest. The JPO was particularly interested in learning about the current law and practice in the United States concerning employee inventions, claim drafting, patentable subject matter, written description and obviousness. This article focuses on some of the JPO presentations and related discussions.

One presentation topic was machine translation of patent documents. The JPO confirmed that it had purchased the commercial-based software used for translations of examination materials in the Dossier Access System. The JPO shares information regarding translation services with KIPO on a regular basis.

However, there seems to have been no discussion yet about whether to streamline overlapping translation services among IP offices. The JPO said it is evaluating the possibility of arranging for searching Notices of Reasons for Refusal in English.

Regarding patent classification, the JPO said that the IP5 offices have decided to use the Global Classification Initiative (“GCI”), and that both the EPO and USPTO want to use good aspects of each existing classification system. In response to a question about the JPO’s position on the relative advantages/disadvantages of other classification systems, *e.g.*, F/FI (JPO’s) vs. the EPO’s, and IP5’s schedule to move forward, the JPO stated that some pharma classes are better in the joint U.S. and EPO Common Patent Classification (“CPC”) system and that their international patent classification (“IPC”) should be revised based on the CPC.

There was considerable discussion concerning the Patent Prosecution Highway (“PPH”) programs, which originated with the JPO. U.S. applicants frequently encounter rejections based on the relatively strict JPO requirements for support in the specification for the claim limitations. In response to a question as to whether the JPO support requirement accounts for the relatively lower U.S. to Japan PPH allowance rates, as compared with the Japan to U.S. allowance rates, the JPO speaker said that—based on his own experience—overly broad translation and relatively broader interpretations of means-plus-function limitations at the JPO were also significant factors. Ambiguous translations that fail to satisfy Japan’s Art. 36 clarity requirements are often the basis for rejections.

The NYIPLA delegate stated that the 27.5% allowance rate on first actions in Japan, after an indication of U.S. allowance, discourages U.S. applicants from filing under the PPH in Japan. He suggested that the JPO provide guidelines to assist U.S. applicants achieve PPH first action success, which would make filing under the PPH a more user-friendly experience and thereby increase JPO filings. The JPO stated that, in the coming week, it would propose common guidelines at the IP5 PPH plurilateral forum. The JPO further stated that the requirements in various patent offices differed, but that their integration was something to consider and the JPO will endeavor to do so through the IP5.

The JPO reported that it had revised its examination guidelines, “Requirements of Unity of Invention” and the “Amendment that Changes a Special Technical Feature of an Invention,” effective July 1, 2013. The revisions were explained at the Council meeting. (See http://www.jpo.go.jp/cgi/linke.cgi?url=/tetuzuki_e/t_tokkyo_e/revision201307.htm). Under these new guidelines, there will be greater ability to amend claims, as long as the amended claims include the same Special Technical Feature (“STF”) that the Examiner indicated provided the basis for patentability of one or more claims. In response to a question about the procedure for examination after a first claim having an STF (“STF claim”) is found, the JPO stated that the Examiner will examine all claims that have the STF and/or terms related to/preceding the claim with the STF. Instead of simply examining claims that have each and every limitation of the STF, essentially two types of claims will be examined now:

- (1) all claims with the same STF as the STF claim (and all claims with a corresponding STF, which seems to include claims worded a bit differently or in a different category of invention); and
- (2) all claims that can be efficiently examined considering the limitations reviewed in claims prior to the STF claim, *i.e.*, for the same category of invention and that include all limitations in claim 1.

No presentation was made regarding the JPO’s description requirements. Rather, the JPO referred the Council attendees to its website’s provisional English translation at http://www.jpo.go.jp/tetuzuki_e/t_tokkyo_e/1312-002_e.htm and the detailed discussion of the revisions at www.jpo.go.jp/cgi/linke.cgi?url=/tetuzuki_e/t_tokkyo_e/description_claims_rev.htm.

The next meeting with the JPO is tentatively scheduled for June or July 2014, in Washington, D.C.

* John B. Pegram is a Senior Principal at Fish & Richardson P.C., a Past President of the NYIPLA and a long-time NYIPLA delegate to the US Bar – JPO Liaison Council.



Attorney Feud: Name One Thing Corporate and Private Practice Attorneys Wish the Other Knew

By Alexandra Frisbie

On Tuesday, May 21, 2013, the Corporate Committee sponsored a CLE presentation entitled, “Attorney Feud: Name One Thing Corporate and Private Practice Attorneys Wish the Other Knew,” at the Princeton Club in New York City.

A short survey was available online to NYIPLA members prior to the event, with questions relating to the relationship between in-house counsel and their law firm counterparts. Over 100 survey responses were received. The survey results were collected and tallied and formed the basis of the panel presentation materials.

The presentation format included two “families,” the “private practice” family and the “corporate practice” family, squaring off against each other with several rounds of questions, followed by detailed discussions on various topics affecting both families. The topics, ranging from client billing and communications to maintaining clients, kept the presentation moving. Kevin Ecker (Philips Intellectual Property and Standards) served as the host and Alexandra Frisbie (UTC Climate, Controls & Security) provided valuable assistance with setting up the event as well as working on the survey questions. The private practice team featured Chris Hughes (Cadwalader, Wickersham & Taft LLP), Tom Meloro (Willkie Farr & Gallagher LLP), Robert J. Lane, Jr. (Hodgson Russ LLP), Leora Ben-Ami (Kirkland & Ellis LLP), and Marylee Jenkins (Arent Fox LLP). The corporate practice team featured

Heather Champion Brady (Johnson & Johnson), Peter Welch (Take-Two Interactive Software, Inc.), Alexandra Frisbie (UTC Climate, Controls & Security), Frank Sedlarcik (IBM), and Mark Schildkraut (Becton, Dickinson & Co.).

Over the course of several rounds, each team presented a contestant to answer a question taken from the survey. Correct answers were then presented based on the tallied online survey results. Each team or panel was then given an opportunity to discuss the issue. Discussion topics included how in-house attorneys can work more efficiently with their outside counsel, law firm billing practices, and effective ways for law firms to attract business and strengthen client relationships.

The panel presentation generated lively audience participation and spirited competition between the law firm and corporate practice teams. Based on the positive reviews of the program, the committee is considering doing a similar game-show themed panel presentation on the day of the Annual Meeting next year.



Young Lawyers Roundtable: Expert Depositions in Intellectual Property Litigation

By Jonathan Auerbach

On May 29, 2013, the Young Lawyers Committee hosted the first Young Lawyers Roundtable at Goodwin Procter LLP. Tom Meloro, NYIPLA Past President and partner at Willkie Farr & Gallagher LLP, and Elizabeth Holland, partner at Kenyon & Kenyon LLP, led a lively discussion about preparing for, taking, and defending expert witness depositions. Rather than making formal presentations,

Tom and Elizabeth fielded questions from the attendees on a wide range of topics, issues, and hypotheticals. The Committee intends to make this Roundtable the first in a series of practice-oriented roundtable discussions over the course of the year. Future planned topics include legal writing, oral advocacy, claim construction, and pre-trial preparation. Please be on the lookout for information about future Roundtable events.

Patent Law Developments in China Full Day Symposium

By Peter G. Thurlow

The New York Intellectual Property Law Association (“NYIPLA”) organized a full-day CLE program at Cardozo Law School on June 3, 2013 on Intellectual Property Developments in China. The NYIPLA was pleased to have representatives from the China State Intellectual Property Office (“SIPO”) attend the meeting, including Commissioner Tian from SIPO, who is one of the leading voices in China on intellectual property matters. Commissioner Tian gave a keynote address to the meeting and emphasized China’s commitment to intellectual property issues and its work with international organizations to enhance China’s intellectual property system. Mr. Tian also discussed his upcoming plans for the IP5 meeting later that week with representatives from the U.S., Japan, Europe, and Korea.

After Commissioner Tian’s remarks, the meeting included several panel discussions on China patent prosecution matters involving Articles 26.3 and 33; employment-related inventions and remuneration; a practical implication of *Tivo v. Echostar* and good faith issues; patentability of DNA and the *Myriad*

case; and USPTO prosecution matters, including AIA prioritized examination. More than 200 practitioners from around the country attended the meeting, and exchanged helpful information with representatives from SIPO about China and U.S. patent matters.

The Patent Law & Practice Committee (Co-Chairs Peter Thurlow and Brian Rothery) and NYIPLA staff worked on this meeting for more than six months with Cardozo Law School, patent practitioners from around the country, and SIPO representatives. The meeting provided an excellent example of the NYIPLA’s efforts to bring interesting CLE programs to its members.



Oh the Places You’ll Go! Diverse Careers in IP Law and Strategies for Achieving Success

By Colman Ragan

On July 9, 2013, the Meetings & Forums Committee and the Young Lawyers Committee hosted a networking event and panel discussion at the offices of Kaye Scholer LLP addressing the variety of career paths available to young intellectual property lawyers in today’s market place entitled, “Oh the Places You’ll Go! Diverse Careers in IP Law and Strategies for Achieving Success.” The panel included Winston Henderson of Nano Terra, Inc., Eugene Chang of Willkie Farr & Gallagher LLP, and Hanna Cohen of Kaye Scholer LLP. Colman Ragan, Co-Chair of the Meetings & Forums Committee, moderated the panel.

The panel discussion addressed how young intellectual property lawyers can take charge of their careers while avoiding common pitfalls that befall many young attorneys. Winston Henderson provided a

unique perspective as an intellectual property attorney who left law firm practice to pursue a career helping to build and run several biotechnology companies. Eugene Chang provided insights that he gained as a partner in the Intellectual Property Group at Willkie Farr & Gallagher LLP and his experiences with legal recruiting and mentoring of junior associates, while Hanna Cohen provided much-needed perspective on how an associate in a law firm can best succeed.

The conversation was lively and the audience participated, peppering the panel with interesting questions throughout the presentation, making for an open and educational forum. After the panel discussion concluded, the panelists and attendees enjoyed light refreshments and conversed about how young lawyers can navigate the quickly changing legal landscape.

Hot Topics in Trademark, Advertising, Copyrights & Design Patents

By Pina Campagna and Kathleen McCarthy

On July 17, 2013, the Trademark Law & Practice Committee hosted the 2013 Half-Day Trademark CLE seminar, co-sponsored by the NYIPLA Continuing Legal Education (CLE) Committee. The program, which was held at the Princeton Club, is an annual event presented by the NYIPLA. This year's program included advertising, copyright and design patent topics, in addition to trademark topics.

Honorable Garrett E. Brown, Jr. (ret.), former Chief Judge for the United States District Court for the District of New Jersey, delivered the keynote address. Robert Rando of The Rando Law Firm P.C., and Co-Chair of the CLE Committee, introduced Judge Brown. Judge Brown spoke about the adverse effects on the Federal Judiciary of the sequestration and federal budget cuts and urged attendees to take action to address the issue.

Trademark Law & Practice Committee Co-Chairs Kathleen McCarthy of King & Spalding LLP and Pina Campagna of Carter, DeLuca, Farrell & Schmidt, LLP, served as moderators. In addition, CLE Committee Co-Chairs Mark H. Bloomberg of Zuber Lawler & Del Duca LLP and Robert Rando were instrumental in developing the program agenda and securing speakers.

William R. Covey, Deputy General Counsel and Director of the Office of Enrollment and Discipline of the United States Patent and Trademark Office, provided an overview of the updated USPTO Rules of Professional Conduct, which are based on the ABA's Model Rules.

Jonathan King of Cowan Liebowitz & Latman, P.C. discussed the *Capitol Records v. ReDigi* case in which Capitol Records obtained summary judgment establishing that the "world's first and only marketplace for used digital music" directly and secondarily infringed Capitol's copyrighted sound recordings.

Three panelists then discussed protecting design rights from different perspectives. Lisa Simpson of Orrick, Herrington & Sutcliffe LLP discussed recent trade dress cases involving protection for designs ranging from the Apple iPad, to red-soled shoes, to dripping wax on liquor bottles, to green-tinged frying pans. Jonathan Moskin of Foley & Lardner LLP, and former Co-Chair of the Internet & Privacy Law Committee, spoke about copyright protection for design-based works, including logos, novelty masks and characters and designs used in a video game. William Thomashower of Schwartz & Thomashower LLP provided an overview of design patent rights, including cases involving hand tools and shrimp platters.

Leslie Fair of the Federal Trade Commission described recent advertising enforcement actions taken by the agency. Ms. Fair's written materials include 100 pages of case summaries outlining remedies secured by the FTC, required substantiation for ad claims, endorsement issues, green claims, dietary claims and a variety of other advertising issues.

Marty Schwimmer of Leason Ellis LLP provided practical advice on handling the upcoming launch of new gTLDs.

CLE Committee Co-Chair Mark Bloomberg provided the closing remarks.

The NYIPLA would like to express its gratitude to the speakers again for their efforts preparing and presenting their interesting and lively perspectives on some of today's hot topics, and to the attendees of the program. The Trademark Law & Practice Committee continues to welcome any and all comments, requests and recommendations regarding the content and timing of this annual program. In addition, the Trademark Law & Practice Committee will continue to accept members for the 2013-2014 year for those still interested in participating.

NYIPLA ONE-DAY PATENT CLE SEMINAR

Thursday, January 16, 2014

The Princeton Club, 15 West 43rd Street, New York NY

KEYNOTE SPEAKER

Chief Judge Carol Bagley Amon

United States District Court for the Eastern District of New York

EARN NYS/NJ CLE 7.0 CREDITS INCLUDING 2 ETHICS CREDITS
FOR BOTH NEWLY ADMITTED & EXPERIENCED ATTORNEYS

EARLY BIRD ENDS WEDNESDAY, November 13, 2013

Save the Date!

March 28, 2014

*92nd Annual Dinner
in Honor of the
Federal Judiciary*

Waldorf Astoria New York

MINUTES OF MAY 21, 2013
Meeting of The Board of Directors of
THE NEW YORK INTELLECTUAL PROPERTY LAW ASSOCIATION

The Board meeting was called to order at The Princeton Club, 15 West 43rd Street, New York, NY 10036, at 6:00 p.m. by President Charles Hoffmann. In attendance were:

- | | |
|-------------------|-------------------|
| Dorothy Auth | Raymond Farrell |
| Anthony Lo Cicero | Tom Meloro |
| Jessica Copeland | Walter Hanley |
| Denise Loring | Richard Parke |
| Kevin Ecker | Annemarie Hassett |
| Matthew McFarlane | |

Past Presidents in attendance included Chris Hughes, Ed Filardi, David Kane, John Pegram and Ed Vassallo. Absent and excused from the meeting were Wanli Wu, Alexandra Frisbie, Bruce Haas and Stephen Quigley. Feikje van Rein and Robin Rolfe were in attendance from the Association's executive office.

Charles Hoffmann called the meeting to order. The Board approved the Minutes of the April 9, 2013 Board meeting.

Charles Hoffmann welcomed the new members to the Board and thanked the Past Presidents for their attendance. Charles made a brief statement to the Board, observing how

both the NYIPLA and the practice of intellectual property law had evolved over the course of his long-term involvement. Charles noted the spirit of open discussion and consensus building that has characterized the deliberations of the Board. Recognizing that much had been accomplished in the prior year, Charles looks forward to a productive and successful year working with the Board in the year ahead.

Treasurer Denise Loring reported that the organization continued to be in a strong financial position. The Board discussed the success of the various Committees, which over the past year have been very active, and the increased attention being paid to organizing events in locations in upstate New York and the tri-state area that improve access for members and audiences outside Manhattan. The Board acknowledged the success of the NYIPLA's first-ever celebration of World IP day this year. The Board also discussed enlarging the active membership of the Committees and encouraging the Committees to collaborate on activities. The meeting was then adjourned by Charles Hoffmann.

MINUTES OF JUNE 11, 2013
Meeting of The Board of Directors of
THE NEW YORK INTELLECTUAL PROPERTY LAW ASSOCIATION

The Board meeting was called to order at the offices of Willkie Farr & Gallagher LLP, 787 Seventh Avenue, New York, NY 10019, at 12:32 p.m. by President Charles Hoffmann. In attendance were:

- | | |
|------------------|-------------------|
| Dorothy Auth | Bruce Haas |
| Jessica Copeland | Annemarie Hassett |
| Walter Hanley | Matthew McFarlane |

Attending by telephone were Kevin Ecker, Raymond Farrell, Alexandra Frisbie, Anthony Lo Cicero, Richard Parke, Stephen Quigley and Wanli Wu.

Absent and excused from the meeting were Thomas Meloro and Denise Loring. Feikje van Rein was in attendance from the Association's executive office.

Charles Hoffmann called the meeting to order. The Board approved the Minutes of the May 21, 2013 Board meeting.

On behalf of Treasurer Denise Loring, Feikje van Rein reported that the organization continued to be in a strong financial position. The annual audit was completed on June 10 and all financial matters appeared to be in order. A full written report from the auditor is forthcoming. The Board discussed and voted in favor of finalizing a plan for moving certain cash assets to interest-bearing accounts.

The Board discussed how to best use the organization's assets to expand the membership and the educational and networking activities of the organization. It was noted that corporate membership has not increased despite the recent decrease in corporate membership annual dues. Feikje van Rein advised that more time may be needed to assess the impact of lowering corporate annual membership dues. Bruce Haas suggested that the Board consider offering programs at lower cost to reach a wider audience

cont. on page 42

and enhance the membership. Charles Hoffmann and others observed that strategies to increase corporate membership likely must include an expanded offering of programs in venues outside Manhattan, such as White Plains, Long Island and New Jersey, where many corporate headquarters are now located. The Board discussed various approaches to continue its recent expansion of programming outside of Manhattan.

The Board reviewed and approved the list of new applicants for membership, followed by reports regarding various Committee activities. Matthew McFarlane reported that the Amicus Brief Committee did not currently require any action by the Board. Anthony Lo Cicero and Richard Parke discussed preparations for the July 17 Trademark Law & Practice Committee program. Bruce Haas reported on new and renewal membership activity; the number of members in the active 3+ years category is somewhat lower compared to last year. Dorothy Auth conveyed a proposal by the Patent Law & Practice Committee to send a letter to the Office of Management and Budget expressing the NYIPLA's concern regarding sequestration of funding for the U.S.

Patent and Trademark Office, which the Board approved. Raymond Farrell and Annemarie Hassett reported that the Meetings & Forums Committee and the Young Lawyers Committee are sponsoring a joint program on July 9 focusing on practice pointers and pitfalls.

Charles Hoffmann relayed that both Fordham Law School and Cardozo Law School have reached out to the NYIPLA regarding potential co-sponsorship of IP programs each is planning. Fordham will present a program on the America Invents Act in November 2013, and Cardozo will host a Patent Law Summer Institute. The Board discussed potential options, and asked Bruce Haas and Annemarie Hassett to contact Fordham for details regarding the type of sponsorship that Fordham envisions.

The Board discussed and decided to further review at the next meeting a proposal by the Licensing Executives Society for a joint CLE program in March 2014 during the week ending with the Judges Dinner.

The meeting was adjourned by Charles Hoffmann at 2:12 p.m.

MINUTES OF JULY 9, 2013
Meeting of The Board of Directors of
THE NEW YORK INTELLECTUAL PROPERTY LAW ASSOCIATION

The Board meeting was called to order at the offices of Amster Rothstein & Ebenstein LLP, 90 Park Avenue, New York, NY 10016 at 12:30 p.m. by President Charles Hoffmann. In attendance were:

Dorothy Auth	Walter Hanley
Denise Loring	Annemarie Hassett
Bruce Haas	Stephen Quigley
Matthew McFarlane	Richard Parke
Tom Meloro	Anthony Lo Cicero

Attending by telephone were Jessica Copeland, Kevin Ecker, Alexandra Frisbie and Wanli Wu.

Raymond Farrell was absent and excused from the meeting. Robin Rolfe and Feikje van Rein were in attendance from the Association's executive office.

Charles Hoffmann called the meeting to order. The Board approved the Minutes of the June 11, 2013 Board meeting.

The meeting began with Loeb & Troper's presentation regarding its audit of the Association's 2012 financial statements, which were reported to be in order. Thereafter Treasurer Denise Loring reported that the Association continues to be in a strong financial position, noting that (compared to 2012) assets and expenses are up, and income is down somewhat. The Board then discussed various investment options (including alternative checking and money market accounts, as well

as phasing of certificates of deposit) to improve yield on the Association's financial assets while maintaining safety and adequate liquidity of the funds.

The Board reviewed and approved the list of new applicants for membership, followed by reports regarding various Committee activities. The Amicus Brief Committee did not require any action by the Board. On behalf of the Amicus Brief Committee, Matthew McFarlane reported on recent court decisions, including *Myriad* and *FTC v. Actavis*, in which the Association submitted amicus briefs, as well as on cases on the horizon for potential amicus submissions, including *Medtronic*, *Sony*, *Lexmark*, and *Limelight*. The Board considered taking steps to focus timely media attention on Association positions that are the subject of newly issued Supreme Court or Federal Circuit decisions. The Board also discussed guidelines for the Association's amicus briefs, and it anticipates recommendations from the Amicus Brief Committee on that subject in the near future.

Charles Hoffmann reported that, following the submission of letters by the Association and other intellectual property law organizations to the Office of Management and Budget expressing concern regarding sequestration of funding for the U.S. Patent and Trademark Office, a bill was introduced in Congress to prevent sequestration.

Richard Parke reported on the status of the July 17, 2013 Trademark Law & Practice Committee program. The Board discussed the changing nature of trademark practice and how to structure the Association's trademark programs in response. Anne Hassett invited Board members to attend the program jointly sponsored by the Meetings & Forums Committee and the Young Lawyers Committee on July 9.

Dorothy Auth reported, on behalf of an ad hoc committee, on the development of a new program called The Presidents' Forum. The Ad Hoc Presidents' Forum Committee includes Dorothy Auth, Charles Hoffmann, Anthony Lo Cicero, Matthew McFarlane, Anne Hassett, Jeffrey Butler, Christopher Hughes, Melvin Garner, and Marylee Jenkins. Rather than focusing on continuing legal education, the goal of the program is to generate high-level "think-tank" type discussion on topics and policy issues of interest to the intellectual property law community. The format, which is still being developed, will include Association facilitators to guide the discussion in the context of a modified Oxford-style debate format, with guest speakers as debaters/commenters. The target audience is senior Association members and, to foster discussion, the audience will be kept small. The first

Presidents' Forum is tentatively set for October 9, 2013 and will focus on the issue of non-practicing entities.

Dorothy Auth and Feikje von Rein reported on the status of contracts for the 2014 Judges Dinner and concomitant cost increases relating to rising sleeping room rates. After discussion, the Board voted to further negotiate with The Waldorf Astoria New York Hotel and to increase slightly the table cost for non-Association members.

Bruce Haas reported that Fordham University School of Law will present a program on the Leahy-Smith America Invents Act on November 18-19, 2013. Senator Patrick Leahy, one of the Act's sponsors, and various judges are expected to participate. The Board discussed cooperating with Fordham University School of Law to advertise this program to the Association's membership and, in view of the sound quality of Fordham University School of Law's program, agreed to do so.

The Board discussed the proposal by the Licensing Executives Society (LES) for a joint CLE program in March 2014 during the week ending with the Judges Dinner. The Board agreed to make a counterproposal to LES.

The meeting was adjourned by Charles Hoffmann at 2:27 p.m. ■

NYIPLA Calendar

www.nyipla.org

NYIPLA Presidents' Forum

- BY INVITATION ONLY -

➤ WEDNESDAY, OCTOBER 9, 2013 5:30 PM to 8:30 PM ◀

Diverse Careers in IP Law and Strategies for Achieving Success

➤ THURSDAY, OCTOBER 10, 2013 6:30 PM to 8:00 PM ◀

New York Law School, 185 West Broadway, New York, NY

In-House Counsel Mixer

- BY INVITATION ONLY -

➤ THURSDAY, OCTOBER 17, 2013 6:00 PM to 8:00 PM ◀

Understanding Recent Changes in Patent Law and Their Effect on Litigation

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Full-Day Patent CLE Seminar

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➤ THURSDAY, JANUARY 16, 2014 ◀

The Princeton Club, 15 West 43rd Street, New York, NY

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