

Ipls P STATE BAR OF MICHIGAN PROCEEDINGS

Ford Patent Inventors Given 2009 Inventor of the Year Award

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Intellectual Property Owners Education Foundation presented the 36th Annual National Inventor of the Year Award to James Baughman; David Cook, Ph.D.; Keith Kowalsky; and Daniel Marantz on May 28, 2009, in a ceremony at the Smithsonian National Museum of American History. The inventors were recognized for their development of the Plasma Transferred Wire Arc (PTWA) Thermal Spray Apparatus and Method, which applies a coating of molten metal to the interior of aluminum engine bores. The PTWA method improves fuel consumption by reducing engine and overall vehicle weight and provides a lower cost, lower weight alternative to cast iron engine liners. By applying a wear resistant coating, the PTWA method can improve part life. It reduces internal friction losses and bore distortion and improves heat transfer, improving engine efficiency. Ford Motor Company owns 95 issued patents and pending patent applications related to the new PTWA coating technology, which will be introduced on its North American powertrain lineup within the next year.

James Baughman is retired from Ford Motor Company, where he led the thermal spray research group. David Cook was a member of the Ford team when the spray device was initially developed; he is now with Flame-Spray Industries, Inc., as are Keith Kowalsky and Daniel Marantz. “Flame-Spray Industries and Ford have enjoyed a close working relationship that has facilitated the successful development of the PTWA technology,” said Dr. Cook. Dr. Gerhard Schmidt, vice president of Ford Research and Advanced Engineering, concurred: “Without the intense cooperation between Ford and our suppliers, this technology would have never made it to production. This award is a great honor and recognizes the tireless effort of all involved to deliver on key elements of Ford’s sustainability plan,” he said.

Intellectual Property Owners Education Foundation, a non-profit subsidiary of Intellectual Property Owners Association (IPO), was established in 2005 to educate the public on the importance of intellectual property rights to the national and global economies. The National Inventor of the Year Award fosters the spirit of American innovation and highlights the protection offered to inventors by the patent system. The award is the best known honor for recent American inventors, having gone previously to those responsible for the development of the Jarvik Seven

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View from the Chair

What Goes Around Comes Around

By Denise Glassmeyer

Is there a day that goes by here in Michigan when we don't think about the economy? Are there any IP section members who can honestly say that they haven't had to make some adjustment or don't know someone who has been impacted by this turn of economic events?

With full knowledge of this uncertain economic outlook, some of us will attend the 35th Annual Intellectual Property Law Summer Institute held in Traverse City, Michigan. The IP Law Institute is sponsored by your IP Law Section of the State Bar of Michigan in conjunction with ICLE. This is part of our mission to provide and promote the practice of IP law here in Michigan. Anniversary years like the present one are a good time to take stock of where we have been with an eye toward where we are headed.

Thirty-five years ago, before ICLE was even founded, the Patent, Trademark and Copyright Law Section chaired by Ernie Gifford organized the very first Summer Institute on Mackinac Island. The inflation rate in 1974 was almost 12%. In 1974, unemployment and job loss numbers reached highs that would not be seen again – until now.

There was much discussion about what caused the economic downturn in 1974 and there is much debate on the present economic slump—and how to fix it. One thing is certain, innovation continued in 1974 and it continues now in 2009. Innovation leads to growth and growth contributes to recovery – then and now. As IP practitioners, we are the people who catch that fleeting thing called innovation and form it into a tool that can be used by industry, by business and by society at large.

IP attorneys are accorded a unique view of these economic cycles. We also have critical contributions to make to any period of economic recovery. No modern industry can flourish without an understanding of its intellectual capital. Intellectual property is one of the fundamental tools for growth and for the common good. We knew this when those 80 people convened for the first Summer Institute in 1974 and are guided by this knowledge today.

As we weather the economic challenges of 2009, let us not forget that we enjoy a wealth of technical and of IP legal talent here in Michigan. Let us do our best to provide and foster IP excellence. If we succeed in that task, recovery and renewed prosperity are inevitable. ?

Submissions to IPLS Section

Articles of interest to the membership are actively solicited for publication in this newsletter and on the IPLS website. If you have recently researched a topic of interest to our membership, please consider a submission. Submissions should be sent to one of our editors.

Submission Deadlines:

- August 10, 2009 for the September issue
- December 10, 2009 for the January 2010 issue

Commercial Success Before the Board

By Anna M. Budde

A survey of Board of Patent Appeals and Interferences (“Board”) decisions during the two years since the *KSR International v. Teleflex Inc.*¹ decision reveals that appellants have been spectacularly unsuccessful in establishing nonobviousness through evidence² of commercial success. Out of sixty-four appeals³ during this two-year period⁴ that argued for commercial success, only one appellant succeeded in getting an obviousness rejection reversed on the basis of a showing of commercial success of the claimed invention that demonstrated the invention was patentable. The 1.6% chance of winning is better odds than come with a Powerball® ticket, but certainly slim.

In *KSR*, the Supreme Court rejected a “rigid approach” to determining obviousness that it believed the Federal Circuit used to apply the teaching-suggestion-motivation (TSM) test.⁵ The Court instead endorsed “an expansive and flexible approach” using a “broad inquiry” including “any secondary considerations that would prove instructive,”⁶ citing the Court’s *Graham v. John Deere Co.*⁷ decision, which described secondary considerations, such as commercial success, as factors bearing on patentability.⁸ However, the Board’s rigid interpretation of Federal Circuit precedent in deciding whether commercial success evidence demonstrates patentability poorly serves the Court’s mandated “expansive and flexible approach” for determining obviousness. The all-but-impossible standard used in certain of the surveyed decisions resulted in palpably unjust outcomes. As the Court remarked, the “[h]elpful insights” of a test for identifying obviousness “need not become rigid and mandatory formulas; and when it is so applied, the [rigid] test is incompatible with our precedents. The obviousness analysis cannot be confined by a formalistic conception”⁹

The appellant of *Ex parte Albritton*¹⁰ was the lone winner on the issue of commercial success in the surveyed cases. Contrasting the Board’s interpretation under Federal Circuit precedent of the *Albritton* evidence with treatment of evidence, weak and strong, in the remaining cases elucidates how the Board’s criteria might be modified—and why it should be modified—to better support an “expansive and flexible approach” for determining obviousness.

Commercial success is pertinent to patentability when the claimed invention has been a commercial success and when that success is attributable to the claimed invention itself rather than to other factors such as advertising, superior workmanship, and so on that are unrelated to claim features.¹¹ In theory, if the market chose to purchase the claimed

product because of its benefits over prior art products, the market by this action endorsed the merits of the claimed product. Evidence demonstrates such an endorsement when the portion of the market purchasing the claimed product is significant enough to support this inference of endorsement and the purchasers chose the claimed invention because of a feature that was not available in the prior art.

This article examines in particular how the Board in these cases decided the first part of the test, whether the claimed invention had been a commercial success *per se* (the second part being whether the success is attributable to its features as claimed). In brief, Federal Circuit precedent finds that evidence of gross sales or units sold will not suffice to show commercial success¹² without showing market share,¹³ sales captured from competitive, prior art products,¹⁴ what sales could normally have been expected in that market for the time period,¹⁵ growth of market share,¹⁶ or other such contextual data that puts the raw sales numbers in perspective to judge whether they constitute a success. In practice, the Board decided nearly all of the surveyed cases on the basis of whether a substantial market share had been shown, most often because the appellants failed to provide any other data (or even market share data) that would put their sales numbers in perspective. However, when it was offered, the Board usually rejected other data or evidence that could better have served under the circumstances to put the sales numbers into perspective.

An evaluation of the evidence of commercial success provides “helpful insights” on nonobviousness if it measures what happened for the claimed invention against what could have been expected for an obvious variant of the prior art. And what could have been expected will, in turn, depend on the particular circumstances. First, not all sellers stand on equal footing. A company already established and known to a market will reasonably be able to reach more purchasers than will an entrepreneur not in the market (maybe not in any market) who lacks name recognition, manufacturing capacity, supplier connections, a sales network, and possibly any substantial financial backing. Apropos of commercial success, a purchaser cannot be deemed to have chosen between two products if he remained unaware of one of the products. The market share that represents commercial success will be different for these two types of sellers—the company already established and the entrepreneur—due to their different circumstances.

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Further, I would also argue that the market that should be considered in determining success in some circumstances may be narrower than a whole, hypothetical market for such products because the seller only made the product known in the narrower market. A company may sell to only a narrower market because of limited manufacturing capacity, because research and development resulting in the invention was centered on that narrower market in the first place, or because the commercial product must be tailored (by unclaimed features) to each particular market segment, for example. Under such circumstances, it is unrealistic to measure success based on a hypothetical entire market that had remained unaware of the product and to ignore the narrower, targeted market that actually evaluated the merits of the product.

The contextual data such as market share, if it is to be measured against what sales could have been expected, must reflect purchases by those who are aware of the product's existence. Commercial success should be judged based on those who, having been given a choice between the product and its competitive products, did or did not select the product over its competition. A test for whether the claimed product has been a commercial success must take into account real world factors, as the underlying question must remain: *Does the evidence demonstrate that the claimed product is significantly more commercially successful than could have been expected under the same circumstances for an obvious variant of prior art products?*

Hard Evidence of Commercial Success: The More the Better

The evidence presented in the sixty-four Board appeals surveyed covered a spectrum from one prospective buyer's expression of interest to sales of over \$1.1 billion. The Board held neither of these extremes showed commercial success under the Federal Circuit's precedents.

There must first be evidence. Attorney argument is no substitute for objective evidence,¹⁷ but neither is an affiant's unsupported opinion. Ten cases (15.6%) offered only a conclusory opinion of commercial success in an affidavit.¹⁸ Moreover, the Board was pointedly reluctant to credit inventor or owner testimony generally: "While inventor or assignee testimony are [sic] not inherently incredible, the declarant's interest (financial, emotional etc.) in the outcome is a highly material fact to consider when assigning weight to the evidence."¹⁹ The Board also did not credit trade association awards and news releases alone as showing commercial success.²⁰

Another group of cases offered more, but still slight, evidence on commercial success, such as a single e-mail expressing interest and hoping to have a program in place in

the next year;²¹ a letter stating an intent to buy coupled with appellant's admission that only a prototype had been made so far;²² a petition to make special based on infringement;²³ the history of spell-checking in the Microsoft Word program;²⁴ sale of seven knives as claimed and a statement of "substantial interest" at a trade show;²⁵ and a statement that the assignee had been approached by a third party for a license of "technology."²⁶ As the Board said in one case, with understandable exasperation, "The fact that someone is making and selling something, without more, does not support an inference that they should receive a patent."²⁷ These first two groups, which constituted a full quarter of the cases surveyed, did not raise serious questions of commercial success.

A harder truth to accept is that big sales numbers alone, numbers on a scale that sound pretty impressive, will not make the case for patentability, either. "[E]vidence related solely to the number of units sold provides a very weak showing of commercial success, if any"²⁸ without the further contextual data. In the surveyed cases, "very weak showing" was a euphemism for "no evidence of commercial success at all." For example, in *Ex parte Jones*²⁹ the assignee's product engineer declared sales of 4,260 of the claimed safety rope system, 304,381 tree stands and 61,346 harnesses incorporating the claimed safety rope system (together about 370,000 sales), plus four competitors who sold copycat products. Still, the appellant "failed to provide persuasive evidence as to market share so as to put the evidence of gross sales figures into perspective in the context of the particular market at hand,"³⁰ and the Board held commercial success had not been shown. In *Ex parte Holland*³¹ gross sales of \$380,000 for anti-chafe sleeves for cables, hoses, and ropes "without evidence as to whether this represents a substantial share of any definable market" was "a very weak showing of commercial success."³² In *Ex parte Dombrowski*,³³ \$2.4 million in sales of snap-fastener signage, most of it in the latest year, "did not show commercial success absent evidence as to market share."³⁴ Sales in *Ex parte Tydings*³⁵ of over four million urine test systems was "insufficient to establish commercial success."³⁶ In *Ex parte ArvinMeritor, Inc.*,³⁷ the Board rejected the appellant's contention that sales of 1,261,805 units for the equivalent of about \$5 million in British pounds established commercial success because, again, there was no evidence this was a substantial share of the market.³⁸ In *Ex parte McLaughlin*³⁹ the Board questioned whether 50,000 to 60,000 magnetic knife sheaths per year was "a substantial quantity in the relevant market."⁴⁰

One factor mentioned in Federal Circuit precedential cases that may be coupled with gross sales or units sold to

show context for commercial success is sales captured from competitive, prior art products.⁴¹ Several appellants unsuccessfully tried to establish commercial success by showing market share captured from their own prior art product. The Board wanted to see competitors' market share data or, at least, information about competitors' products.⁴² Another factor mentioned is growth in sales. In *Ex parte Detroit Radiant Products Co.*,⁴³ the Board seemed willing to consider growth in sales, but faulted the appellant for including only sales for two, nonconsecutive periods, 1993-94 and 2004-05, saying that information of sales in the intervening years would be needed to show trends or growth.⁴⁴ On the other hand, the Board rejected evidence of a 25% annual increase in sales in *Ex parte Jellá*⁴⁵ because there was no evidence of market share.⁴⁶ The *Jellá* appellant also compared sales of the claimed product with the appellant's own prior art products, duly recited by the Board but not discussed (or apparently considered to be convincing evidence of commercial success).⁴⁷ Finally, the *Jellá* appellant gave a market share for all products according to his claim (that is, his own and infringers' products) as 1.24%. The Board, however, counted only his own market share of 0.175%.⁴⁸ "[W]hether we consider 1.24% or 0.175% to be the relevant market share figure, either market share is sufficiently small compared to the entire . . . market that they fail to reasonably demonstrate commercial success of the claimed invention."⁴⁹ (Keep those numbers in mind for comparison to the *Albritton* market share).

What Is the Relevant Market?

Five of the surveyed cases are particularly instructive, as they involved commercially successful products, but in four of the cases the Board held the success had either not been shown for the whole market or not for all products that could be covered by the claim.

The claimed invention in *Ex parte Newfrey LLC*⁵⁰ was a helically coiled screw thread insert for placement in a tapped hole to receive a threaded fastener. The insert was made from a nitrogen strengthened stainless steel of a specific composition, a different material than was used for prior art inserts. The commercial, claimed insert developed for and sold to the semiconductor industry replaced the prior art inserts in that industry (in other words, the whole market was captured from prior art products) in spite of substantially higher cost for the commercial, claimed inserts.⁵¹ After being adopted by the semiconductor manufacturers, the inserts began to be used in other industries. The Board agreed with the appellant that the evidence supported a finding that the claimed invention had achieved commercial success in the semiconductor manufacturing market ("nearly 100% market share").⁵² Despite this, the Board did not find the insert had been commercially successful.

The Board saw the market in which commercial success must be proved as encompassing all applications in which the invention might possibly find utility, because the claim contained no limitation to semiconductor manufacturing.⁵³ This rigid application of a formalistic approach to commercial success disregarded the underlying, commonsense question: was the product more commercially successful than could have been expected for an obvious variant of the prior art? To view the market so broadly as the Board did here, without regard to the industry or application for which the commercial product was designed and to which it was marketed, ignores reality. If the commercial insert is nonobvious in the semiconductor market, by virtue of its commercial success against those cheaper prior art inserts with which it had competed directly,⁵⁴ it is unreasonable to consider it obvious in other markets where commercial products apparently were just beginning to be offered. The claimed invention had already proved its mettle⁵⁵ in a head-to-head test against the prior art in the semiconductor market to which it had been directed. In such situations, where overwhelming success is shown in the primary market to which the product was directed, the bare existence of another potential market should not blot out the demonstrated nonobviousness.

Moreover, it was not accurate for the Board to say that the insert was "broadly claimed without limitation with respect to a specific device or industry"⁵⁶ because the insert is narrowly claimed with respect to its composition, and thus with respect to the physical and engineering properties provided by that composition (identified in the specification as anti-galling and improved yield strength) that made it uniquely suited to the semiconductor industry market to which it had been directed.⁵⁷ That the insert eventually found value in other markets does not imply that the semiconductor market was mistaken about the invention's merits.

No decision could have been more frustrating to the appellant than *Ex parte Alkermes Controlled Therapeutics, Inc.*,⁵⁸ in which the Board was unconvinced that \$1.1 billion in sales, arguably captured from a prior art product, did not demonstrate commercial success. The claimed invention was a controlled release version of an earlier patented drug, risperidone, for which a daily dose commercial product was already marketed by the appellant. The appellant sought to define the market for the controlled release product as the risperidone market, offering not only the raw sales revenue data but also evidence of sales growth over time (\$83.5 million to \$311 million to \$593 million), growth in market share of the risperidone market (from 3.3% to 10.2% to 16.7%), and growth in sales compared to appellant's other risperidone products.⁵⁹ This argument of "captured sales" makes sense if, given a doctor who had decided to prescribe risperidone, the

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doctor chose between the merits of the prior art daily dose and the claimed controlled release product.

The Board held the market to instead be “the market of atypical antipsychotic drugs or the market of neuroleptic and conventional antipsychotic drugs” for which the appellant provided no evidence of market share or evidence that the claimed drug does not compete in those markets.⁶⁰ The Board did not accept as persuasive that the closest prior art was the same drug, risperidone, not in a controlled release formulation. Still, is \$1.1 billion (that’s *billion* with a “b”) in sales really a “very weak showing of commercial success” unsupported here by any contextual evidence?

There is a division of authority on whether the evidence must show nonobviousness of the entire claim scope, with more recent authority holding that commercial success need not be demonstrated for every possible embodiment of the claim. It is an all-but-impossible standard to ask an applicant to market and demonstrate success of every conceivable product that could be manufactured within the claim scope. It is hard to imagine a claim for which, no matter how many products were put on the market, another embodiment could not have been made and marketed, too. In nine of the surveyed decisions, including *Ex parte DBC*,⁶¹ the Board cited the earlier authority *In re Tiffin*⁶² for the rule that success must be shown for all embodiments of the claim. The claim in *DBC* was to a beverage comprising pericarp [rind] and juice from mangosteen fruit and “at least one second juice selected from the group consisting of fruit juice and vegetable juice.”⁶³ The commercial product, however, contained only various fruit juices in addition to the mangosteen juice, and the Board concluded there was “no persuasive evidence in the record of commercial success as to the entire second category, vegetable juice.”⁶⁴ On appeal, the Federal Circuit found the Board had erred: “*DBC* need not sell every conceivable embodiment of the claims in order to rely upon evidence of commercial success, so long as what was sold was within the scope of the claims.”⁶⁵ The Federal Circuit cited its 1996 decision in *Applied Materials, Inc. v. Advanced Semiconductor Materials America, Inc.*, in which it held “a patentee need not show that all possible embodiments within the claims were successfully commercialized in order to rely on the success in the marketplace of the embodiment that was commercialized.”⁶⁶ While the rules are sometimes different during patent prosecution and infringement litigation, the Federal Circuit in *DBC* unambiguously held that the *Applied Materials* rule applied during a reexamination proceeding. Moreover, the court in *DBC* found that this rule applied even when the alternative embodiments were named in the claim. What

happened in the other eight cases citing *In re Tiffin*? They were not appealed to the Federal Circuit.⁶⁷

Since the Federal Circuit’s *DBC* decision in November, 2008, nevertheless, the Board continues to cite and rely on *Tiffin* in rejecting commercial success evidence of a product if the claim could cover other embodiments. In the *Newfrey LLC* decision six months after *DBC*, the Board found evidence of commercial success of a claimed helical coiled fastener insert that had captured 100 percent of the semiconductor market to be insufficient because the claim would cover differently dimensioned inserts (not a claim limitation) that could have other applications (not a claim limitation) “for which no evidence of commercial success has been proffered.”⁶⁸ *Albritton*, our sole victorious appellant on the issue of commercial success, avoided *In re Tiffin*, perhaps because he cited the *Applied Materials* decision in the appeal brief.⁶⁹ One would do well to cite both *DBC* and *Applied Materials* unless the only possible embodiments for the claimed invention are commercially successful products.⁷⁰

For an entrepreneur, who will need some time to make his product known to the entire potential market, market share alone will be a poor measure of whether or not the entrepreneur’s product was endorsed by those who became aware of it. The Federal Circuit’s alternative measures of what sales could normally have been expected, i.e., comparison of sales growth to what growth was experienced by the market as a whole during that period or growth of market share, should better reflect whether the entrepreneur’s product was a success. *Ex parte Bauman*⁷¹ and *Ex parte Albritton*, in which two entrepreneur inventors attempted to show nonobviousness of their inventions through commercial success and met with very different fates, illustrate the problem and its solution.

Dr. Natan Bauman invented a hearing aid that has a speaker in the ear canal that does not block the ear canal with any obstructing mass. He formed a company and started selling the hearing aid at the beginning of 2004, with sales of \$27,000 in the first quarter. His sales climbed each quarter, and by the fourth quarter of 2005, they stood at \$3,375,000.⁷² His annual sales growth was from \$3.42 million in 2004 to \$14.5 million in 2005,⁷³ a 424 percent increase, despite the company’s being unknown. (For 2004, the sales growth was from \$0 in 2003 to \$3.42 million in 2004, also impressive). During 2004, the company sold 3643 units, and during 2005, 12,332 units, a 339% increase. His sales were generated principally by word of mouth and side-by-side demonstrations of his hearing aid system with other hearing aids.⁷⁴

Instead of considering the growth trend, the Board looked at only total sales for 2004 and 2005 (remember, in 2004 the company was starting at zero) compared to total sales of all hearing aids for those two years of 4,359,801, a 0.37% share. More telling, though, was the more than three-fold *increase* in market share from 0.17% in 2004 (3,643 units sold out of 2,145,378 industry-wide) to 0.56% in 2005 (12,332 units sold out of 2,214,423 industry-wide). The Bauman sales were growing at a much faster rate (339%) than was the hearing aid market as a whole (3.22%). The Board mysteriously stated that the claimed product's "increase in sales from 2004 to 2005 generally matches the overall trend in domestic hearing aid sales for the same period."⁷⁵ It does not, unless one considers two orders of magnitude greater to "generally match." The industry as a whole sold about 69,000 more units in 2005 than in 2004, and Dr. Bauman himself accounted for nearly 9,000 of those. The Board, while conceding that the appellant "may be an entrepreneurial success story," found his market share too small to overcome the prima facie case of obviousness.⁷⁶

In considering the *Bauman* evidence, the Board should have taken into account the circumstances of the individual inventor who was marketing his product in head-to-head comparisons and by word of mouth and against well-situated, nationally based competitors. The Board's analysis should have included what sales growth could normally have been expected in that market for the time period—only 3.22%—compared to actual sales growth—339%—and the three-fold growth of market share, two factors that are particularly able to put this entrepreneur's data in perspective to judge whether it constitutes commercial success. As the Board admitted, "Vivatone's sales are impressive considering they were achieved by a small startup company with no prior reputation or name recognition which generated nearly \$18,000,000 in two years by selling products that were not advertised on radio or television. Given these facts, buyers were clearly interested in Vivatone's products and were willing to pay for them."⁷⁷ The only other thing the Board should have added was "rejection reversed." The sales growth proved the market of buyers aware of the Bauman product endorsed its merits.

A Flexible Approach to Fit the Circumstances

What should have happened in *Ex parte Bauman* was what did happen in *Ex parte Albritton*.

Kenneth Albritton, the single appellant to establish commercial success in the survey group, persuaded the Board on evidence of a growth of sales, like Dr. Bauman's, markedly greater than the sales growth for the whole market (i.e., the sales growth that could normally have been expected in that market for the time period). Mr. Albritton claimed a backpack that unzips to provide a well-organized sports locker

adjunct that can be hung over a locker door for easy access to equipment.

Mr. Albritton's sales were \$56,150 in 2003 (a 384% increase over 2002, when he started the company) and \$108,756 in 2004 (a 94% increase over 2003), relative to average sales increases for the general market (luggage) reported by Albritton to be 10% in 2003 over 2002 and 24% in 2004 over 2003.⁷⁸ This evidence was complemented by industry praise and "specific licensing agreements, one of which is drawn to the product of the instant U.S. Patent Application."⁷⁹ Although the Board did not discuss the market share for the invention based on total sales in the identified market, Albritton's market share in 2003 was a mere 0.0035% and in 2004 had only increased to 0.0054% (roughly one percent of the yearly market share Dr. Bauman had captured). While the increase in market share was about 55%, and the increases in sales pointed out by the Board were greater than that of the market as a whole, one would be hard-pressed to describe 0.0054% as the substantial market share the Board has sought out in its other commercial success cases. But here the Board made the right call in (implicitly) taking into account the circumstances of this case and this entrepreneur when making its determination.

The *Albritton* appellant attached to his declaration copies of about 400 invoices documenting each sale, an excellent way to impress on the Board that market share increase had been won by hard-earned sales that this start-up company had documented on simple, legalese-free forms. In addition, the *Albritton* appellant relied in his brief on *Pro-Mold & Toll Co. v. Great Lakes, Inc.*⁸⁰ for the rule that a lack of previous experience in the relevant field combined with high sales infers a nexus of the commercial success to the features of the claimed product. The *Albritton* appellant was also able to augment his commercial success evidence with "industry praise, both in winning the grand prize of the United Inventors Association and in letters from purchasers."⁸¹ The strength of objective evidence of nonobviousness evaluated cumulatively, not individually, carried the day.⁸²

The Board gave every consideration, as it should have, to the particular circumstances that colored the *Albritton* appellant's ability to reach a market for his product. In the *Albritton* decision, the Board applied *KSR*'s "expansive and flexible approach" in evaluating the appellant's evidence of commercial success to reach a just outcome. ?

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Endnotes

- 1 550 U.S. 398, 127 S. Ct. 1727 (2007).
- 2 Cases in which commercial success was alleged in the appeal or reply brief without supporting evidence (via declarations or affidavits) were not included in this study.
- 3 Of the appeals examined, forty were from applications, twenty-one were from reexaminations of patents, two were from interferences, and one was from a patent reissue proceeding. Three of these cases offered the same evidence of commercial success as in another, sister case in the survey. The successful case was an appeal from a patent application.
- 4 The survey was of cases decided from April 30, 2007, the date of the *KSR* decision, to May 22, 2009.
- 5 *KSR*, 550 U.S. at 415
- 6 *Id.*
- 7 383 U.S. 1 (1966).
- 8 *Id.* at 17-18.
- 9 *KSR*, 550 U.S. at 419
- 10 Appeal 2008-5023 (B.P.A.I. Mar. 13, 2009).
- 11 *Ruiz v. A.B. Chance, Inc.*, 234 F.3d 654 (Fed. Cir. 2000); *Demaco Corp. v. F. Von Langsdorff Licensing Ltd.*, 851 F.2d 1387, 1392 (Fed. Cir. 1988); *In re Huang*, 100 F.3d 135, 140 (Fed. Cir. 1983).
- 12 *Huang*, 100 F.3d at 140 (“[E]vidence related solely to the number of units sold provides a very weak showing of commercial success, if any.”)
- 13 *Cable Elec. Prods., Inc. v. Genmark, Inc.*, 770 F.2d 1015 (Fed. Cir. 1985).
- 14 *Kansas Jack, Inc. v. Kuhn*, 719 F.2d 1144, 1150-51 (Fed. Cir. 1983) (“The evidence of commercial success consisted solely of the number of units sold. There was no evidence of market share, of growth in market share, of replacing earlier units sold by others or of dollar amounts, and no evidence of a nexus between sales and the merits of the invention.”); *Ex parte Remark*, 15 U.S.P.Q.2d (BNA) 1498, 1505 (B.P.A.I. 1990) (“The declarant has chosen not to furnish us with any idea of the size of the market Also, there is no evidence that the sales . . . have come at the expense of other prior art [devices].”).
- 15 *Ex parte Standish*, 10 U.S.P.Q.2d (BNA) 1454 (B.P.A.I. 1988).
- 16 *Kansas Jack*, 719 F.2d at 1150-51.
- 17 I did not include among the sixty-four cases reviewed those cases in which the appellant provided only allegations of commercial success in the appeal brief. The Board curtly dispatched the cases with only such contentions. *See, e.g., Ex parte Malik Jr.*, Appeal 2008-6301 at 10 (B.P.A.I. May 1, 2009) (“We are not convinced by Appellant’s argument that ‘Appellant has had commercial success in selling many of these types of connectors with visible indicia on them’ (App. Br. 9). . . . Appellant’s ‘evidence’ consists of bare assertions by Appellant’s representative that the invention has been a commercial success. *See In re Pearson*, 494 F.2d 1399, 1405 (CCPA 1974) (‘Attorney’s argument in a brief cannot take the place of evidence.’)”). Moreover, the Board will not consider evidence not entered by the examiner. *Ex parte Melea Ltd.*, Appeal 2008-0485 (B.P.A.I. June 17, 2008) (noting examiner’s decision to not enter evidence is a procedural issue not reviewable by the Board).
- 18 *See, e.g., Ex parte Duncan*, Appeal 2007-2581 (B.P.A.I. Mar. 25, 2008) (“Appellant’s affidavit proclaiming commercial success is not persuasive”); *Ex parte Neefe*, Appeal 2007-6301 at 22 (B.P.A.I. July 31, 2007) (“Patentee has provided only conclusory statements.”); *Ex parte Zimmer*, Appeal No. 2007-2064 at 7 (B.P.A.I. May 25, 2007) (“completely anecdotal” evidence); *Ex parte Fond*, Appeal No. 2008-3600 at 11 (B.P.A.I. Dec. 9, 2008) (“commercial success statements . . . are not supported by objective evidence”); *Ex parte Muskovitz*, Appeal No. 2007-3209 at 8 (B.P.A.I. May 30, 2008); *Ex parte Vrana*, Appeal No. 2008-6318 at 19 (B.P.A.I. Apr. 30, 2009); *Ex part Pro-Cord SpA*, Appeal 2008-5248 at 17 (B.P.A.I. Dec. 18, 2008) (affiant’s testimony to “several licensing agreements with several major chair manufacturers” under which “[r]oyalties have been continuously paid by these manufacturers every year during the last 15 years” was characterized as “averments [that were] very general in nature and such vague assertions [that were] not persuasive evidence of commercial success”).
- 19 *Ex parte Prazoff*, Appeal 2007-2577 at 29 (B.P.A.I. July 30, 2007) (citing in comparison *Ferring B.V. v. Barr Labs. Inc.*, 437 F.3d 1181, 1188 (Fed. Cir. 2006) for the proposition that information withheld of a relationship was highly material in determining inequitable conduct); *see also Ex parte Zimmer*, Appeal No. 2007-2064 at 7 (B.P.A.I. May 25, 2007) (“Given that the testimony is offered by a co-inventor, we do not view the statements as particularly objective.”). *But cf., In re DBC*, 545 F.3d 1373, 1383 (attorney’s declaration of personal knowledge

- that commercial product was commensurate in scope with the claims, based on discussions with employees, contractors, and officers, was sufficient to demonstrate the fact, particularly when supported by a product label).
- 20 *Ex parte* Nycamp, Appeal No. 2008-0510 at 13 (B.P.A.I. Mar. 28, 2008).
- 21 *Ex parte* Trainello, Appeal 2008-1366 (B.P.A.I. Jan. 8, 2009). This was a *pro se* prosecution and included an argument that the cited prior art patent “is over 75 years old. There is no available knowledge that the patent was ever made available to the public, or if Mr. Kurtz Jr. had the patent hidden in a safe place for the past 75 years.” Brief for Appellant at 11, *id.*
- 22 *Ex parte* Steinbring, Appeal 2008-3718 (B.P.A.I. Sept. 25, 2008) (no evidence any device according to the claims had been sold or licensed).
- 23 *Ex parte* Zebedee, Appeal 2008-4574 (B.P.A.I. Nov. 30, 2008) *appealed* (Fed. Cir. Nov. 20, 2008). The market share of the infringer might have been of more use in support of commercial success.
- 24 *Ex parte* Reiffin, Appeal 2007-2127 (B.P.A.I. Sept. 25, 2007), *appealed* (Fed. Cir. July 14, 2008). The appellant argues that, after filing his parent application in 1982, it took Microsoft until 1995 to implement “as you type” spell checking. The Board held none of the appellant’s earlier or present applications described or enabled “as you type” spell checking, rejecting unified contentions of long-felt need, failure of others, and commercial success. I remain mystified as to the appellant’s specific point.
- 25 *Ex parte* McCann, Appeal 2008-0785 (B.P.A.I. May 29, 2008).
- 26 *Ex parte* Rivera, Appeal 2008-1937 (B.P.A.I. Sept. 10, 2008) *appealed* (Fed. Cir. Nov. 10, 2008).
- 27 *Ex parte* Harris, Appeal 2009-1274 at 20 (B.P.A.I. Apr. 3, 2009).
- 28 *Huang*, 100 F.3d at 140; *In re* Baxter Travenol Labs., 952 F.2d 388, 392 (Fed. Cir. 1991) (“[I]nformation solely on numbers of units sold is insufficient to establish commercial success.”); *Kansas Jack* at 1150-51 (“The evidence of commercial success consisted solely of the number of units sold. There was no evidence of market share, of growth in market share, of replacing earlier units sold by others or of dollar amounts, and no evidence of a nexus between sales and the merits of the invention. Under such circumstances, consideration of the totality of the evidence, including that relating to commercial success, does not require a holding that the invention would have been nonobvious at the time it was made to one skilled in the art.”).
- 29 Appeal 2009-0269 (B.P.A.I. Mar. 20, 2009).
- 30 *Id.* at 17.
- 31 Appeal 2007-2262 (B.P.A.I. Nov. 13, 2007) and Appeal 2007-1962 (B.P.A.I. Nov. 13, 2007).
- 32 *Id.* at 20-21.
- 33 Appeal 2007-1917 (B.P.A.I. Aug. 3, 2007).
- 34 *Id.* at 21.
- 35 Appeal 2009-1622 (B.P.A.I. Feb. 6, 2009).
- 36 *Id.* at 16. A sister case decided the same day, *In re Tydings*, Appeal 2008-5799 (B.P.A.I. Feb. 6, 2009), reached the same conclusion on page 15.
- 37 Appeal 2007-3869 (B.P.A.I. July 17, 2008), *appeal docketed*, No. 2009-1287 (Fed. Cir. Apr. 8, 2009).
- 38 *Id.* at 45-46.
- 39 Appeal 2007-1400 (B.P.A.I. May 30, 2007).
- 40 *Id.* at 25. The Board also queried, “[w]ho are the buyers, what are comparable products, and how do the features and costs of the comparable products compare to the features and costs of the patented products.” *Id.*
- 41 *Kansas Jack* at 1150-51 (Fed. Cir. 1983); *Ex Parte* Remark, 15 U.S.P.Q.2d (BNA) 1498, 1505 (B.P.A.I. 1990).
- 42 *Ex parte* Siegal, Appeal 2008-0430 at 12 (B.P.A.I. Feb. 23, 2009) (“gross sales of the [claimed product] per quarter in comparison to sales of [appellant’s own prior art product] of 500,000 units per quarter” was weak showing of commercial success because lacking evidence of whether it was a “substantial share of any definable market”); *Ex parte* DelDuca, Appeal 2009-1245 at 26 (B.P.A.I. Mar. 17, 2009) (“Appellants only compare the sales of the improved ActiveTech product to their own traditional ActiveTech product, without disclosing what technology their competitors were using.”); *Ex parte* Pharis-Biotec GmbH, Appeal 2007-4005 at 20 (B.P.A.I. Mar. 30, 2009) (Appellant’s declaration “failed to exclude other possible factors which may have resulted in increased [claimed product] sales and decreased [appellant’s prior art product] sales, e.g., extensive advertising and position as a market leader before the introduction of the claimed [product] or recent changes in related technology or consumer demand.”) (citation omitted).
- 43 Appeal 2008-6291 (B.P.A.I. Jan. 22, 2009).
- 44 *Id.* at 26.
- 45 Appeal 2008-1619 (B.P.A.I. Nov. 3, 2008). This opinion is designated as precedential. The application claim at issue was for a garage door section with a finished height of twenty-eight inches. The Board held that the nexus of

[Continued on next page](#)

- commercial success to the claimed invention cannot rest on aesthetic appearance of the claimed invention—people can't buy it because they like the way it looks. The desirable feature prompting purchase must be functional to support commercial success as objective evidence of patentability. *Id.* at 18.
- 46 *Id.* at 20.
- 47 *Id.* at 21.
- 48 *Id.* at 22.
- 49 *Id.* at 23.
- 50 Appeal 2009-0721 (B.P.A.I. May 13, 2009).
- 51 *Id.* at 7.
- 52 *Id.* at 17.
- 53 *Id.*
- 54 *Id.* (“the only difference between the prior art and the claimed helical coiled fastener inserts is the material composition”).
- 55 More specifically its *metal*, as its distinction from the prior art type 304 and 326 stainless steel inserts was its use of a nitrogen-strengthened stainless steel alloy. *Id.* at 4; U.S. Patent No. 6,494,659 col. 2 1.21-25 (filed Feb. 4, 2000).
- 56 *Id.*
- 57 *Compare*, *Ormco Corp. v. Align Tech. Inc.*, 463 F.3d 1299, 1311-12 (Fed. Cir. 2006) (commercial success attributed to claimed invention when “the marketed product embodies the claimed features, and is coextensive with them”) (quoting *Brown & Williamson Tobacco Corp. v. Phillip Morris, Inc.*, 229 F.3d 1120, 1130 (Fed. Cir. 2000)); *J.T. Eaton & Co. v. Atlantic Paste & Glue Co.*, 106 F.3d 1563, 1571 (Fed. Cir. 1997) (“[T]he asserted commercial success of the product must be due to the merits of the claimed invention beyond what was readily available in the prior art.”).
- 58 Appeal 2007-2360 (B.P.A.I. June 19, 2008).
- 59 *Id.* at 23.
- 60 *Id.* at 28-29. These types of drugs were mentioned in a declaration; in the declaration, risperidone was identified as an atypical antipsychotic drug, which were said to offer advantages over conventional antipsychotic drugs. As a result of reexamination, all claims were cancelled. *Ex parte* Reexamination Certificate (6600th) issued Jan. 6, 2009.
- 61 Appeal 2007-1907 at 26 (B.P.A.I. Aug. 24, 2007).
- 62 *In re* Tiffin, 448 F.2d 791 (CCPA 1971) (evidence showing commercial success of thermoplastic foam “cups” used in vending machines was not commensurate in scope with claims directed to thermoplastic foam “containers” broadly).
- 63 *DBC* at 3-4.
- 64 *Id.* at 28.
- 65 *In re* DBC, 545 F.3d 1373, 1384 (Fed. Cir. 2008), *aff'd on other grounds*. A lot of fruit and vegetable juices exist, and all combinations (and all percentages of each combined juice), not to mention different product sizes and so on, could fill the whole grocery store.
- 66 98 F.3d 1563, 1570 (Fed. Cir. 1996).
- 67 Disposition of the sixty-four cases in this survey was as follows: Of the forty applications, nineteen were abandoned without any continuing applications filed; six were abandoned with a continuation filed; an RCE was filed in five; two are patented with claims other than those for which commercial success was argued; two have been appealed to the Federal Circuit (*Zebedee* and *Ex parte Rivera*, decided Sept. 10, 2008); one, *Jellá*, is not available on PAIR; one, *Albritton*, is allowed but not yet issued; and the remaining four have no action yet after the Board decision. Of the twenty-one reexaminations, eleven have had reexamination certificates issued, five cancelling all claims and six confirming patentability of claims other than those for which commercial success was argued; one continues examination after an RCE; one was appealed to the D.C. Circuit (with appellant’s statement that the court would be able to receive information on commercial success from the patent’s infringers); three are on appeal to the Federal Circuit (*Reiffin*, *CBC Industries, Inc.*, and *ArvinMeritor Inc.*); one, *DBC*, has petitioned for certiorari on a different ground than commercial success; two have requested reconsideration by the Board, and two have no action yet after the Board decision.
- 68 *Newfrey* at 17.
- 69 Appeal 2008-5023, Second Substitute Appeal Brief of Appellant at 27 (filed May 12, 2007).
- 70 The *Ex parte Alkermes Controlled Therapeutics, Inc.* appellant cited *Applied Materials, Inc.* The Board distinguished it, finding that in *Applied Materials* the commercial product was “similar in scope to the prior art” while the *Alkermes* controlled-release product was injectable and “much narrower than both the claimed invention and the prior

art.” *Alkermes* at 33. The Board reasoned that prior art risperidone patent disclosed that it could be administered orally (the actual commercial prior art product was oral), rectally, percutaneously, or by parenteral injection. *Id.* at 34. The evidence on appeal was a comparison with the oral, daily dose, prior art product; the Board implies the market share for the daily dose prior art product might have been higher if it were an *injectable* daily product. I find this argument hard to credit. It is difficult to imagine patients clamoring for a daily injection when they could just take the pill.

71 Appeal 2008-3704 (B.P.A.I. Feb. 25, 2009).

72 *Id.* at 11 (from 24 to 3,731 units).

73 *Id.* at 12.

74 *Id.* at 14, 38.

75 *Id.* at 37.

76 *Id.* at 39.

77 *Id.*

78 *Albritton* at 27, 32. Albritton in his affidavit reported luggage sales of over \$1.6 billion in 2003 and about \$2.0 billion in 2004. Brief of Appellant, “Market Share” page of appendix. The Albritton claims at issue were directed to a backpack. *Id.* at 2-6. The Travel Goods Association separately reports sales in the US market for luggage, travel/sports bags, and backpacks for the years 2003 and 2004 (<http://www.travel-goods.org/press/release/tgamarket2007.pdf>, last visited June 7, 2009) as shown in the following table along with the market share the Albritton sales would represent for each category.

	2003 (percent increase over 2002)	2003 Albritton share (at sales of \$56,150)	2004 (percent increase over 2003)	2004 Albritton share (at sales of \$108,756)
Luggage	\$1,486,532,503 (-8.5%)	0.0038%	\$1,732,936,731 (16.6%)	0.0063%
Travel/ Sports Bags	\$4,441,322,389 (-1.9%)	0.00126%	\$5,060,866,062 (13.9%)	0.00215%
Backpacks	\$1,085,748,047 (6.06%)	0.00517%	\$1,166,454,924 (7.4%)	0.00932%

79 *Id.* at 31-32.

80 75 F.3d 1568 (Fed. Cir. 1996) (Pro-Mold’s “lack of market power in this field would seem to suggest that it was the features of the patented invention that led to the commercial success.”).

81 *Albritton* at 31. The *Bauman* appellant also introduced other objective evidence of nonobviousness.

82 *Applied Materials* at 1570 (“The objective evidence of unobviousness is not evaluated for its ‘separate knockdown ability’ against the ‘stonewall’ of the prima facie case but is considered together with all other evidence, in determining whether the invention as a whole would have been obvious to a person of ordinary skill in the field of the invention.”) (citation omitted).

Ford Patent Inventors . . .

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Artificial Heart and Bose speaker technology, as well as to Dr. Raymond Damadian of Fonar Corporation for the development of Upright MRI technology and to Dr. Ihor Lys of Philips Solid-State Lighting Solutions for development of the more efficient Powercore® LED technology. “We are pleased to honor this team of inventors with this year’s award,” said Phil Johnson, president of the Education Foundation. “Given the concerns about the environment and the global competitiveness of the American auto industry, we feel it is more important than ever to point out that the tradition of innovation in this industry continues, as reflected by the commercialization of this important invention.” 

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Recent Developments in U.S. Trademark and Unfair Competition Law*

By Theodore H. Davis Jr.

The past twenty-four months have produced a number of significant developments in U.S. trademark and unfair competition law. Nevertheless, few were as potentially far reaching as a holding by the Eleventh Circuit¹ that *eBay Inc. v. MercExchange, L.L.C.*,² in which the Supreme Court overturned the Federal Circuit's practice of ordering injunctive relief in virtually any case in which patent infringement had been demonstrated, may apply with equal force to trademark litigation. Both before and after *eBay*, most courts to address the issue have held that a showing of a likelihood of confusion in an infringement action creates a presumption of irreparable harm, and this pattern was for the most part characteristic of recent case law as well.³ Although the Sixth and Ninth Circuits previously had acknowledged *eBay's* possible significance to trademark litigation in cursory discussions affirming the entry of relief,⁴ the Eleventh Circuit became the first federal appellate court to vacate a preliminary injunction based on *eBay's* rejection of categorical presumptions in the area. Rather than reversing the district court outright, the appellate court instead remanded the action for a reexamination of the issue of irreparable harm; in doing so, however, it strongly suggested that the days of a prevailing trademark infringement plaintiff being automatically entitled to injunctive relief may be coming to a close.⁵

The proper scope of monetary relief under Section 35 of the Lanham Act⁶ came into play in a pair of decisions from the First and Seventh Circuits, which slanted the field in those jurisdictions rather dramatically toward prevailing plaintiffs pursuing accountings of defendants' profits. Under Section 35(a), such a plaintiff must demonstrate the defendant's "sales only," with the defendant then bearing the burden to prove "all" offsets from those sales. In contrast to the Copyright Act, which allows a prevailing plaintiff to recover "any profits . . . that are attributable to the infringement,"⁷ Section 35 does not expressly define the starting point of the analysis – "the defendant's sales only" – in accountings. Although the statute's express terms leave open the question of whether a prevailing plaintiff must apportion the defendant's revenues between infringing sales and noninfringing sales or, alternatively, whether the defendant bears the burden of this apportionment, both appellate courts adopted the latter rule.⁸ Under it, a defendant failing to prove by a preponderance of the evidence that portions of its *gross* (and not *infringing*) revenues arise from lawful sales may be subject to the disgorgement of the entirety of those revenues.⁹

Of course, a senior user seeking any form of relief must demonstrate protectable rights and liability first. As to validity, federal courts continued to diverge in their treatment of the evidentiary significance of registrations that have not passed their fifth anniversary or that have otherwise not become incontestable. Consistent with the majority rule (but perhaps not with the arguable trend), some courts held that such a registration shifts the burden of *proof*, and not merely the burden of production, on the issue of the validity of the underlying mark.¹⁰ In contrast, the Fourth Circuit confirmed its rule that such a registration shifts only the burden of *production* to the defendant.¹¹ In doing so, the court noted that:

[W]hatever support [the registrant] might be able to claim from the registrations is in this case undermined by the fact that the PTO only grudgingly issued the registrations after intervention by North Carolina's congressional delegation. . . . Before then, the PTO examiners rejected [the registrant's] application five times¹²

If the Patent and Trademark Office succumbed to political pressure in the case before the Fourth Circuit, the agency has otherwise continued its hard line toward applicants for registration of non-traditional marks. For example, in a case of first impression, the Trademark Trial and Appeal Board held that a showing of secondary meaning is necessary for the registration of a sound emitted in the normal operation of the associated good.¹³ In another case, and despite coming to the table with evidence of "look-for" advertising, an applicant to register a product design fell short of showing secondary meaning because it failed to demonstrate the extent and effectiveness of that advertising.¹⁴

In contrast to this judicial and administrative skepticism in the distinctiveness context, recent case law has been uniform in its rejection of claims of aesthetic functionality by defendants.¹⁵ For example, the Fifth Circuit rejected the theory that the color schemes used by colleges and universities were aesthetically functional merely because they made apparel bearing the schemes more attractive to consumers.¹⁶ Likewise, a district court rejected a defendant's claims that the gold and green color scheme featured on the packaging for an antibiotic ointment was aesthetically functional, in

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part because “[o]ther colors, such as blue, white, and orange are prevalent in the packaging of first-aid products that are customarily sold in the aisle in which [the parties’] products are sold.”¹⁷

Assuming that a plaintiff can overcome the hurdles of proving the distinctiveness and nonfunctionality of its mark, it must then demonstrate that the defendant’s use is one in commerce to bring it within the scope of the Lanham Act’s primary statutory causes of action.¹⁸ On that subject, and clarifying its past decision in *1-800 Contacts, Inc. v. When U.com, Inc.*,¹⁹ the Second Circuit vacated a district court opinion dismissing a challenge to Google’s Keyword advertising program, pursuant to which trademarks and service marks can be “bought” as triggers for sponsored advertising.²⁰ A different court addressing the defendants’ use of the plaintiff’s marks as domain names, triggers for sponsored advertising, and metatags was similarly unsympathetic to a no-use-in-commerce defense.²¹ In contrast, the Tenth Circuit held that that the online use of a challenged mark to criticize the mark’s owner was not an actionable one in commerce.²² And another opinion confirmed that, just as the mere filing of an intent-to-use application does not give the applicant standing to prosecute an action to protect the underlying mark, so too does such a filing not, in and of itself, trigger potential liability for the applicant.²³

When courts and the Trademark Trial and Appeal Board actually reached the question of whether the parties’ marks were likely to be confused, they often allowed junior users to escape with relative ease. The Board led the way, holding at the pleading stage in one opposition that the parties’ marks – BOSS AUDIOSYSTEMS and PAC BOOSTER THE PERFECT SOUND, both used for audio components – were so dissimilar that the opposer had failed to state a claim.²⁴ The Seventh and Eleventh Circuits were only marginally less hostile to the need for full likelihood of confusion analyses in cases before them. Affirming entry by one district court of summary judgment of nonliability, the former observed that “[o]verwhelming visual dissimilarity can defeat an infringement claim, even where the other six [likelihood of confusion] factors all weigh in favor of the plaintiff.”²⁵ The latter went further still in a case in which the appellate record included pictures of the parties’ packaging:

What [the plaintiff] wants us to do is to ignore the pictures and the lack of any reason to believe that anyone ever has been befuddled. Like other courts, this circuit has articulated a multi-factor approach to assessing the probability of confusion.

These factors include whether the trademarks use the same word, whether they sound alike, and so on. . . . A list of factors designed as *proxies* for the likelihood of confusion can’t supersede the statutory inquiry. If we know for sure that consumers are not confused about a product’s origin, there is no need to consult even a single proxy.²⁶

The Board served as a less accurate harbinger of the prospects for dilution claimants availing themselves of the revised Section 43(c).²⁷ In one case, it acknowledged that the BIG GULP mark was sufficiently famous to qualify for protection against likely dilution but nevertheless declined to sustain a Section 43(c)-based opposition by that mark’s owner to an application to register the GULPY mark for portable pet dishes.²⁸ In contrast, and with the Seventh Circuit serving as a notable exception,²⁹ courts were far more receptive to allegations of likely dilution, especially those in the Ninth Circuit, which between them delivered opinions favorable to the owners of the HOT WHEELS mark for miniature vehicles,³⁰ the EBAY mark for online auction services,³¹ the NIKE mark for footwear,³² and a serrated three-stripe design mark for footwear.³³ Of perhaps greatest interest to students of dilution doctrine, however, was the latest installment of Victor and Kathy Moseley’s longstanding dispute with Victoria’s Secret: Although having once trounced the retailer’s licensing subsidiary before the Supreme Court,³⁴ the Moseleys were held liable under Section 43(c) based on a summary judgment record establishing that their VICTOR’S SECRET and VICTOR’S LITTLE SECRET marks were likely to tarnish the VICTORIA’S SECRET mark.³⁵

Finally, the past two years have seen a number of significant decisions bearing on practice before the United States Patent and Trademark Office. In *Herbaceuticals Inc. v. Xel Herbaceuticals Inc.*,³⁶ the Board held yet again that an inaccurate recitation of goods or services in an amendment to allege use can be a basis for a finding of fraud, and a later decision extended this rule to one applicant’s misguided agreement to an amended identification of goods suggested by the examining attorney.³⁷ In *Herbaceuticals*, however, the Board suggested in dictum that partial cancellation of the registration’s coverage of particular classes may be an appropriate remedy for a fraudulent filing, rather than cancellation of the registration in its entirety.³⁸ That dictum subsequently became law in *G&W Laboratories, Inc. v. G.W. Pharma Ltd.*,³⁹ in which the Board allowed a registrant to escape a finding of fraud by deleting a “problem” class in its entirety. According to the Board:

[A] multiple-class application can be viewed as a series of applications for registration of a mark in connection with goods or services in each class, combined into one application. As a general matter, the filer of such an application is in the same position it would be had it filed several single-class applications instead. . . . [E]ach class . . . must be considered separately . . . , and judgment on the ground of fraud as to one class does not in itself require cancellation of all classes in a registration.⁴⁰

The Board also unexpectedly produced a burst of precedential opinions driving home the point that the Lanham Act and the Trademark Rules of Practice mean what they say. Consequently, USPTO customers often learned the hard way the consequences of, *inter alia*, filing an application in the name of the wrong entity,⁴¹ failing properly to make applications or registrations a matter of record,⁴² asserting a bona fide intent to use an applied-for mark without corroborating documentation,⁴³ supporting an application with a “drawing” of a specimen, rather than the specimen itself,⁴⁴ refusing to respond to an examining attorney’s request for information,⁴⁵ asserting the so-called “*Morehouse*” defense without a registration to back it up,⁴⁶ neglecting to serve pleadings on an opponent,⁴⁷ failing to pursue discovery in a diligent manner,⁴⁸ and improperly attempting to file notices of opposition by fax.⁴⁹ The message from the Board is clear: Details matter, even procedural ones, and parties failing to sweat them will pay the price. ❓

Mr. Davis is a partner, Kilpatrick Stockton LLP, Atlanta, Georgia. Mr. Davis will be a featured speaker at the 35th Annual Intellectual Property Law Summer Institute, July 23-25, 2009.

In the interest of full disclosure, the author notes his participation in WMS Gaming Inc. v. WPC Prods. Ltd., 542 F.3d 601 (7th Cir. 2008) as lead counsel for the appellant. The author’s firm (but not the author) represented the plaintiffs in Bd. of Supervisors v. Smack Apparel Co., 550 F.3d 465 (5th Cir. 2008) and Univ. of Kan. v. Sinks, 565 F. Supp. 2d 1216 (D. Kan. 2008).

Endnotes

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1 See *N. Am. Med. Corp. v. Axiom Worldwide, Inc.*, 522 F.3d 1211 (11th Cir. 2008).

2 547 U.S. 388 (2006).

3 According to one district court, “[i]n the context of trademark litigation, irreparable harm is generally presumed if a plaintiff demonstrates a likelihood of success on the merits.” *Commerce Bank & Trust Co. v. TD Banknorth, Inc.*, 554 F. Supp. 2d 77, 87 (D. Mass. 2008); see also *McNeil Nutritionals, LLC v. Heartland Sweeteners, LLC*, 566 F. Supp. 2d 378, 393 (E.D. Pa. 2008); *Fin. Express LLC v. Nowcom Corp.*, 564 F. Supp. 2d 1160, 1178 (C.D. Cal. 2008); *Ligotti v. Garofalo*, 562 F. Supp. 2d 204, 227 (D.N.H. 2008); *DS Waters of Am., Inc. v. Princess Abita Water, L.L.C.*, 539 F. Supp. 2d 853, 863 (E.D. La. 2008); *BioSafe-One, Inc. v. Hawks*, 524 F. Supp. 2d 452, 462 (S.D.N.Y. 2007); *Best W. Int’l, Inc. v. Patel*, 523 F. Supp. 2d 979, 991 (D. Ariz. 2007); *Paul Frank Indus. v. Sunich*, 502 F. Supp. 2d 1094, 1102 (C.D. Cal. 2008); *Ptak Bros. Jewelry Inc. v. Ptak*, 83 U.S.P.Q.2d 1519, 1523 (S.D.N.Y. 2007); *J&B Wholesale Distrib. Inc. v. Redux Beverages LLC*, 85 U.S.P.Q.2d 1623, 1629 (D. Minn. 2007); *Community of Christ Copyright Corp. v. Miller*, 85 U.S.P.Q.2d 1314, 1316 (W.D. Mo. 2007); *MSP Corp. v. Westech Instruments, Inc.*, 500 F. Supp. 2d 1198, 1217 (D. Minn. 2007).

4 See *Audi AG v. D’Amato*, 469 F.3d 534 (6th Cir. 2006) (affirming entry of permanent injunction); *Reno Air Racing Ass’n v. McCord*, 452 F.3d 1126 (9th Cir. 2006) (affirming permanent injunction).

5 See *N. Am. Med. Corp.*, 522 F.3d at 1227-28.

6 15 U.S.C. § 1117 (2006).

7 17 U.S.C. § 504(b) (2006).

8 See *WMS Gaming Inc. v. WPC Prods. Ltd.*, 542 F.3d 601, 607 (7th Cir. 2008); *Venture Tape Corp. v. McGills Glass Warehouse*, 540 F.3d 56, 64 (1st Cir. 2008).

9 For an example of a district court subsequently applying this rule in a false advertising action under Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a) (2006), see *Trilink Saw Chain, LLC v. Blount, Inc.*, 583 F. Supp. 2d 1293, 1323 (N.D. Ga. 2008) (“[O]nce the plaintiff produces evidence regarding the defendant’s gross sales, the burden is on the defendant-wrongdoer to demonstrate that its profits are not due to its Lanham Act violation rather than vice-versa.”).

10 See *Aktieselskabet AF November 21 v. Fame Jeans Inc.*, 525 F.3d 8, 14 (D.C. Cir. 2008); *Johnson & Johnson Consumer Cos. v. Aini*, 540 F. Supp. 2d 374, 388-89 (E.D.N.Y. 2008).

11 See *OBX-Stock, Inc. v. Bicast, Inc.*, 558 F.3d 334, 342 (4th Cir. 2009).

Continued on next page

Recent Developments . . .

Continued from page 15

- 12 *Id.*
- 13 See *In re Vertex Group LLC*, 89 U.S.P.Q.2d 1694, 1700 (T.T.A.B. 2009).
- 14 See *In re Udor U.S.A. Inc.*, 89 U.S.P.Q.2d 1978, 1986-87 (T.T.A.B. 2009).
- 15 See, e.g., *Johnson & Johnson v. Actavis Group hf*, 87 U.S.P.Q.2d 1125, 1128 (S.D.N.Y. 2008) (finding appearance of packaging of ointment nonfunctional in part on ground that “[o]ther colors, such as blue, white, and orange are prevalent in the packaging of first-aid products that are customarily sold in the aisle in which [the parties’] products are sold.”).
- 16 See *Bd. of Supervisors v. Smack Apparel Co.*, 550 F.3d 465, 488 (5th Cir. 2008). In a different university T-shirt case, the defendants presented a claim of utilitarian functionality on similar facts that might have been better treated under the rubric of aesthetic functionality. See, e.g., *Univ. of Kan. v. Sinks*, 565 F. Supp. 2d 1216, 1261 (D. Kan. 2008) (rejecting claims of functionality for verbal and design marks used in connection with T-shirts on ground that “there is no evidence that [the] marks are essential to the quality of [the] T-shirts, or affect how the T-shirts ‘work’”).
- 17 *Johnson & Johnson*, 87 U.S.P.Q.2d at 1128
- 18 See 15 U.S.C. §§ 1114, 1125(a), 1125(c) (2006).
- 19 414 F.3d 400 (2d Cir. 2005).
- 20 See *Rescuecom Corp. v. Google, Inc.*, No. 06-488, 2009 WL 875447 (2d Cir. Apr. 3, 2009).
- 21 See *Fin. Express LLC v. Nowcom Corp.*, 564 F. Supp. 2d 1160, 1173-74 (C.D. Cal. 2008).
- 22 See *Utah Lighthouse Ministry v. Found. for Apologetic Info. & Research*, 527 F.3d 1045, 1049 (10th Cir. 2008).
- 23 See *Rexel, Inc. v. Rexel Int’l Trading Corp.*, 540 F. Supp. 2d 1154, 1161 (C.D. Cal. 2008).
- 24 See *Ava Enters. v. P.A.C. Trading Group*, 86 U.S.P.Q.2d 1659, 1661 (T.T.A.B. 2007) (“We . . . conclude that, notwithstanding the overlap of the respective goods, a likelihood of confusion cannot exist as a matter of law and that this case should be decided based on the [mark similarity] factor alone as being dispositive.”).
- 25 *Welding Servs., Inc. v. Forman*, 509 F.3d 1351, 1361 (11th Cir. 2007).
- 26 *Top Tobacco, L.P. v. N. Atl. Operating Co.*, 509 F.3d 380, 383 (7th Cir. 2007) (citation omitted).
- 27 15 U.S.C. § 1125(c) (2006).
- 28 See *7-Eleven Inc. v. Wechsler*, 83 U.S.P.Q.2d 1715, 1726 (T.T.A.B. 2007) (“The differences between the parties’ products and the marks under which they are sold more than offset the public recognition and renown of opposer’s mark BIG GULP and, therefore, serve to negate any likelihood of confusion.”).
- 29 See *Top Tobacco*, 509 F.3d at 383 (affirming finding as a matter of law that the TOP mark for loose tobacco was insufficiently famous and distinctive to qualify for protection under Section 43(c)).
- 30 *Jada Toys, Inc. v. Mattel, Inc.*, 518 F.3d 628 (9th Cir. 2008).
- 31 See *Perfumebay.com Inc. v. eBay Inc.*, 506 F.3d 1165 (9th Cir. 2007).
- 32 See *Nike Inc. v. Nikepal Int’l Inc.*, 84 U.S.P.Q.2d 1820 (E.D. Cal. 2007).
- 33 See *adidas-Am., Inc. v. Payless Shoesource, Inc.*, 546 F. Supp. 2d 1029 (D. Or.), reconsideration denied, 540 F. Supp. 2d 1176 (D. Or. 2008).
- 34 See *Moseley v. V. Secret Catalogue, Inc.*, 537 U.S. 418 (2003).
- 35 See *V. Secret Catalogue v. Moseley*, 558 F. Supp. 2d 734 (W.D. Ky. 2008).
- 36 86 U.S.P.Q.2d 1572 (T.T.A.B. 2008).
- 37 See *Grand Canyon W. Ranch, LLC v. Hualapai Tribe*, 88 U.S.P.Q.2d 1501 (T.T.A.B. 2008) (finding that agreement to examiner’s suggested amendment to identification of goods to sweep in those not actually sold under mark constituted fraud).
- 38 See *id.* at 1577.
- 39 89 U.S.P.Q.2d 1571 (T.T.A.B. 2009).
- 40 *Id.* at 1574 (citations omitted).
- 41 See *Great Seats Ltd. v. Great Seats, Inc.*, 84 U.S.P.Q.2d 1235 (T.T.A.B. 2007) (holding application filed by party not the actual owner of the underlying mark void *ab initio*).

- 42 See *Syngenta Crop Protection, Inc. v. Bio-Chek, LLC*, Opposition No. 91175091, slip op. (T.T.A.B. Mar. 12, 2009) (precedential) (rejecting opposition in light of opposer's failure to introduce either self-authenticating or authenticated certificates of registration).
- 43 See *Honda Motor Co. v. Winkelmann*, Opposition No. 91170552, slip op. (T.T.A.B. April 8, 2009) (precedential) (sustaining opposition based on applicant's lack of bona fide intent to use mark); *Boston Red Sox Baseball Club LP v. Sherman*, 88 U.S.P.Q.2d 1581 (T.T.A.B. 2008) (same); *L.C. Licensing, Inc. v. Berman*, 86 U.S.P.Q.2d 1883 (T.T.A.B. 2008) (same).
- 44 See *In re Chica Inc.*, 84 U.S.P.Q.2d 1845 (T.T.A.B. 2007) (sustaining examining attorney's rejection of applicant's "temporary" specimens).
- 45 See *In re Cheezwhse.com Inc.*, 85 U.S.P.Q.2d 1917 (T.T.A.B. 2008) (sustaining rejection of application based on applicant's refusal to provide responsive information concerning the geographic origin of its goods).
- 46 See *Green Spot (Thailand) Ltd. v. Vitasoy Int'l Holdings Ltd.*, 86 U.S.P.Q.2d 1283 (T.T.A.B. 2008) (rejecting *Morehouse* defense in light of absence of prior registration of same mark owned by applicant).
- 47 See *Schott AG v. L'Wren Scott*, 88 U.S.P.Q.2d 1862 (T.T.A.B. 2008) (sanctioning opposer that had failed to serve its notice of opposition as required by the Board's new rules by dismissing the opposition with prejudice); *Springfield Inc. v. XD*, 86 U.S.P.Q.2d 1063 (T.T.A.B. 2008) (declining to allow opposer to amend certificate of service to reflect service of notice of opposition on applicant twenty days after filing with Board).
- 48 See *Nat'l Football League v. DNH Mgmt. LLC*, 85 U.S.P.Q.2d 1852 (T.T.A.B. 2008) (denying motion for extension of discovery period based on opposer's failure to serve written discovery or notice depositions of until last day of scheduled discovery period).
- 49 See *Vibe Records Inc. v. Vibe Media Group LLC*, 88 U.S.P.Q.2d 1280 (T.T.A.B. 2008) (dismissing opposition as untimely filed).

State Bar Launches "A Lawyer Helps" Program to Celebrate and Support Attorneys' Contributions to Society

"A Lawyer Helps" — and the State Bar of Michigan wants everyone to know just how much.

The Bar, in cooperation with a host of partners including civil legal aid agencies, bar associations, law schools, law firms and the Michigan State Bar Foundation, has launched a program to celebrate and support lawyers' public service.

"A Lawyer Helps" has two goals: recognizing how lawyers make a difference everyday for people and society and providing tools for them to continue doing so.

"Thousands of Michigan lawyers contribute pro bono or free legal services to low-income people every year, and thousands more give generous financial support for legal aid. They also give time by volunteering in their local communities," said Ed Pappas, president of the State Bar of Michigan. "We are extremely proud of that record, and 'A Lawyer Helps' will shine a light on their efforts."

"A Lawyer Helps" focuses on the legal profession's priority of pro bono free legal help for the poor and financial donations to help nonprofit legal aid agencies, and it recognizes that many lawyers also provide other community service. These volunteer efforts will be featured extensively in State Bar publications including the May issue of the Michigan Bar Journal, and on a new website at www.alawyerhelps.org. Attorneys interested in getting involved in pro bono and community service opportunities can seek information at that website, and lawyers can also find a link to donate online to the Access to Justice Fund for the statewide endowment or for a local legal aid program. In addition, the website provides information on how to obtain "A Lawyer Helps" gear such as t-shirts, aprons, or buttons to wear while volunteering and ways to recognize lawyer volunteers.

European Practice—Past, Present, Future

By Dr. David Moreland

Practice before the European Patent Office (EPO) has changed more in the past 18 months or so than it had in the preceding 30 years. Further changes are scheduled in the next 12 months. The intent of this article is to provide a brief chronology of some of the most important of these changes, and also to provide some practical tips for best practice.

Past—December 13, 2007

The European Patent Convention 2000 (EPC 2000) was the first major revision of the EPC, and came into force on December 13, 2007. Some of the most relevant changes and additions were:

- Euro-PCT: Multiple inventions can only be searched during the international phase. It is no longer possible to have additional searches on a pending Euro-PCT regional phase application, regardless of when filed. Further inventions can only be searched by filing a European divisional application. TIP: It is advisable to request any desired additional searches during the international phase in respect of any unsearched claims likely to be of future interest to the applicant.
- Novelty (Article 54): An earlier filed but later published European application will be prior art for a later European application for all designated states. This only applies to applications filed on or after December 13, 2007. Previously, an earlier filed but later published application was considered prior art only for commonly designated states.
- Central Limitation and Revocation (Art 105a): A proprietor can now request revocation or limitation at the EPO at any time after grant, except during opposition proceedings. The procedure is quick, taking only a few months. This change was implemented, in particular, to facilitate and accelerate amendment and limitation of a granted European patent in each validated state. Such may be desirable in light of new prior art which may have been subsequently highlighted in other jurisdictions. Prior to EPC 2000, this procedure would have had to be carried out separately in each national jurisdiction. TIP: This procedure may be of import in ensuring integrity of the European patent, e.g., if due diligence or litigation is envisaged.

Present—April 1, 2009

Considerable changes have been made to the EPO official fee structure, both last year, and again this year, as follows:

Prior to April 1, 2008:

- No Excess Claim Fees were payable for up to 10 claims; however, a €45 fee was payable for each claim above 10.

From April 1, 2008:

- No Excess Claim Fees were payable for up to 15 claims; however, a €200 fee was payable for each claim above 15.

From April 1, 2009:

- No Excess Claim Fees are payable for up to 15 claims; however, a €200 fee is payable for each additional claim up to 50; and a €500 fee is payable for each additional claim above 50.
- No Excess Page Fees are payable for up to 35 pages (including drawings); however, a €12 fee is payable on filing for each page of the application above 35 pages.
- A single Designation Fee of €500 is payable regardless of the number of states designated.

TIP: It is strongly recommended to reduce the number of claims on entry into European regional phase, wherever possible. Markush-type claims are being allowed by many European examiners. Also, the use of multiple dependent claims can be a particularly attractive and simple way of achieving this. It should also be noted that excess claims fees only depend on the total number of claims, regardless of whether the claims are independent, dependent, or multiply dependent. Reduction of the number of claims of a Euro-PCT application can be undertaken either upon European regional phase entry or when invited to do so by the EPO.

Future—April 1, 2010

Further changes are scheduled as from April 1, 2010. These include:

- **European Divisional Applications**

Under current legislation, an applicant can file a European divisional application at any time up to the date of grant or refusal of the parent application. However, from April 1, 2010, strict time limits will apply to the filing of divisional applications, as follows:

- *Voluntary divisional applications (i.e., not resulting from a lack of unity objection) can be filed up to 24 months from the date of the Examining Division's first communication in respect of the earlier parent Application.*
- *Mandatory divisional applications (i.e., resulting from a lack of unity objection) can be filed up to 24 months from any communication in which the Examining Division has first raised an objection of lack of unity, provided it was raising that specific objection for the first time.*

These new provisions are in addition to the current requirement that the earlier parent application is still pending. These new rules will apply to all cases, including pending cases. However, there will be a six-month grace period in which a divisional application may still be filed thereupon, i.e., up to October 1, 2010.

TIP: In practice, for any pending European Application for which an official action has issued, it will be important to consider whether any divisional, or further divisional application may be required, as such a divisional application may need to be filed either no later than October 1, 2010, or within two years of the date of the first official action, or first lack of unity objection, whichever is the later.

- **Response to Written Opinions**

The EPO may carry out a search either for a European application, or for a Euro-PCT application where a supplementary search is required (i.e., a PCT application not searched by the EPO in the international phase), and issue a search report including a written opinion. There is currently no requirement to respond to the written opinion until substantive examination has commenced.

Beginning April 10, 2010, the applicant will have to respond to the written opinion; otherwise, the application will be deemed withdrawn. This will apply in respect of any application for which the search report is issued after April 1, 2010.

TIP: For any European applications for which no search has been received prior to April 1, 2010, applicants should be prepared to respond quickly to any objections raised in the written opinion.

- **Opportunity to Amend**

Beginning April 10, 2010, an applicant will only have the right to make amendments when responding to the written opinion. This replaces the current procedure in which an applicant can amend an application once after issuance of the search report and prior to substantive examination. Any further amendments, e.g., during substantive examination, will require consent of the Examining Division.

Conclusion

The EPO has made important changes to European practice, and further changes are on the horizon. A driver for these was, and is, the EPO's desire to help applicants help the EPO to reduce its backlog of pending applications. Common themes in many of the changes are, therefore, the EPO's desire to give incentive to applicants (more by stick than carrot) to file applications of a particular size and shape, and also make decisions regarding scope more quickly.

The EPO favours the problem/solution approach to inventive step analysis, and only time will tell if these "solutions" address the EPO's backlog "problem." In the meantime, one needs to be awake to, and aware of, the need to adopt new practices before the EPO to ensure best representation for clients. ?

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July 23-25, 2009

35th Annual Intellectual Property Law Summer Institute
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July 25, 2009

Annual Meeting, 8:00 a.m.
Grand Traverse Resort, Traverse City

October 5-6, 2009

Fall Seminar: Intellectual Property Practice Management for Lawyers and Paralegals
October 5, 2009 at GVSU Eberhard Center, Grand Rapids,
October 6, 2009 at MSU Management Education Center, Troy

March 22, 2010

Spring Seminar
Kellogg Center, Lansing

*The IPLS council meets monthly on the second Thursday of the month.
Contact one of the council members for further details.*
