

Your Source for
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Updates and Tips

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COURT RULES ON KEYWORD ADVERTISING

In an opinion likely to impact how Google and other search engines provide context-based advertising, and how advertisers purchase such services, the Second Circuit in *Rescuecom v. Google* 562 F.3d 123 (2d Cir. 2009) held that Rescuecom had properly alleged that Google's fee-based advertising practices constituted a "use in commerce" within the meaning of §45 of the Lanham Act (15 U.S.C. §1127). In so holding, the Second Circuit became the first federal appellate court to rule on the issue of whether search engines tying search keywords to trademarks could constitute trademark infringement, false designation of origin, and dilution under 15 U.S.C. §§1114 & 1125.

Google's Adwords program allows advertisers to purchase ads that appear in response to keywords entered by a search engine user. These keywords can include a competitor's name or a

competitor's product. The ads generated by Adwords appear simultaneously with the relevance-based search results. However, the Adwords ads are separated from relevance-based search results and appear in boxes on the top and/or side of the searcher's screen. A related Google service, Keyword Suggestion Tool, recommends keywords—including trademarks—to advertisers. Together, Adwords and Google's Keyword Suggestion Tool, are responsible for generating the vast majority of Google's revenue.

Rescuecom alleged that Google's Adwords service could easily cause a search engine user to be misled into believing that the ads returned by the user's keyword search were in fact part of the relevance-based search results.

NEW FACES

Kinney & Lange is proud to welcome four new associate attorneys.

Brian Craggs, Matt Dushek, John McIntire and Catherine Shultz have recently joined the firm as associate attorneys. All were admitted to the Minnesota state bar this fall. Brian has a BS in Chemical Engineering from the University of Michigan, and attended the University of Minnesota Law School. Matt received Bachelor and Master degrees in Electrical Engineering from the University of Minnesota, and attended the University of St. Thomas School of Law. John received his Bachelor of Chemical Engineering from the University of Minnesota and an MBA from the University of St. Thomas; he attended the University of Minnesota Law School. Catherine received a BS in Civil Engineering from the University of Minnesota, and attended the University of Notre Dame Law School.

According to *Rescuecom*, the simultaneous appearance of a competitor's ad and link in response to a user's search for *Rescuecom* was likely to "cause trademark confusion as to affiliation, origin, sponsorship, or approval of the service."

In its decision, the Second Circuit distinguished the case before it from its 2005 precedent in *1-800 Contacts v. WhenU*, 414 F.3d 400. In *1-800 Contacts*, a panel of the Court had found that randomly triggered, category based pop-up ads, which resulted from a searcher's input of a website address, did not constitute a "use in commerce." In *Rescuecom*, the Court reasoned that unlike in *1-800 Contacts*, where the ad was triggered by the searcher's viewing an un-trademarked website address, *Rescuecom*'s trademarked name was at issue. Additionally, the Court contrasted Google's services where trademarked keywords were offered for sale and bought by advertisers, to the software program of the defendant in *1-800 Contacts*, which did not allow advertisers to purchase keywords to trigger their ads.

Sale of Trademarks as Keywords is "Use in Commerce"

The Court declined to adopt the position of Google, *amici*, and several district courts, namely that the use of a trademark in metadata or metatags did not constitute trademark "use" within the meaning of §45 of the Lanham Act. The Court also rejected the argument that

what Google's services accomplished was something akin to benign product placement (the practice of placing a trademarked product next to a generic to allow the customer to consider a lower cost alternative). In the words of the Court, Google's services could be likened to a retail seller that is "paid by an off-brand purveyor to arrange product display and delivery in such a way that customers seeking to purchase a famous brand would receive the off brand, believing they had gotten the brand they were seeking."

The *Rescuecom* decision has reverberated through the district courts of the Second Circuit and beyond. Advertisers who have purchased trademarked keyword advertising should be aware that such activity may qualify as a "use in commerce" for trademark infringement purposes. Just such activity was found to satisfy the pleading requirements for the "use" prong of plaintiff Fair Isaac's claims of trademark infringement against numerous credit rating agencies in the District of Minnesota case *Fair Isaac Corp. v. Experian Info. Solutions Inc.*, No. 06-4112 2009 U.S. Dist. LEXIS 64022 (D. Minn. July 24, 2009). Fair Isaac asserted that that the defendants had scoring ranges for their credit scores that copied or were confusingly similar to its "300-850" trademark. Fair Isaac based its claims for trademark infringement on the defendants' purchase of search engine keywords containing Fair Isaac's trademarks. The *Rescuecom* decision has also led to calls for Congress to

SEMINAR RECAP

Over 350 attorneys and businesspeople attended Kinney & Lange's 2009 Intellectual Property Law Seminar "Beyond the Basics" June 19th.

Presentations covered recent cases on copyrights and patents; on-sale bars; trademark selection; and patent prosecution post-*KSR*. Special thanks go to guest speakers James Ackley, Senior Patent Counsel at Medtronic, who spoke about "Use of Intellectual Property as a Tool for Commercialization," and James Trussell, Associate General Counsel and Chief IP Counsel at BP America, who spoke about "Practical Lessons in Enforcing Intellectual Property Rights in China". The firm and guest speakers received many favorable comments from seminar attendees.

■ Matthew J. DeRuyter

amend §45 of the Lanham Act to clarify what constitutes "use in commerce" or to alternatively provide for a statutory exclusion from §45 for search engines selling keywords to advertisers.

■ David L. Buck

EN BANC PATENT DECISIONS

The Court of Appeals for the Federal Circuit recently issued *en banc* decisions in two patent cases. *Cardiac Pacemakers, Inc. v. St. Jude Med., Inc.*, Nos. 2007-1296 & 1347 (Fed. Cir. Aug. 19, 2009) (*en banc*) involved interpretation of 35 U.S.C. §271(f), which deals with the extra-territorial effect of U.S. patents, namely the supplying of components of a patented invention to a foreign jurisdiction. In a reversal from holdings and dicta in several previous high profile decisions, the Court determined that §271(f) does not apply to method claims. According to the Court, the steps recited in method claims can not be "supplied", as supplying an intangible step is a physical impossibility. Put another way, methods do not have exportable components. Thus, the Court overruled any cases that held or implied that §271(f) applies to method claims.

Abbott Labs. v. Sandoz, Inc., Nos. 2007-1400 & 1446 (Fed. Cir. May 18, 2009) (*en banc*) involved interpretation of the scope of product-by-process claims. The Court previously had two divergent lines of cases: a first line holding that the infringement of product-by-process claims requires practicing the claimed process steps, and a second line holding that product-by-process claims are not limited

to products prepared by the process set forth in the claim. The Court accepted the reasoning in the first line of cases. The Court majority explained that because the inventor chose to claim the product in terms of a process, the definition of the process governs enforcement of the bounds of the patent.

■ Larrin Bergman

PLEADING INEQUITABLE CONDUCT

In *Exergen Corp. v. Wal-Mart Stores*, Nos. 2006-1491 & 2007-1180 (Fed. Cir. Aug. 4, 2009), the Federal Circuit held that allegations of inequitable conduct during patent prosecution must be pled with specificity and with a particularized factual basis. That factual basis must include identification of the *individual* responsible for the alleged conduct and why the alleged conduct is relevant to the claims. A finding of inequitable conduct renders a patent unenforceable.

Pleading inequitable conduct under Fed. R. Civ. P. 9(b) "requires identification of the who, what, when, where, and how of the material misrepresentation or omission committed before the PTO." Knowledge and intent can be averred generally if there are sufficient underlying facts to support a reasonable inference of *scienter*, that a specific individual had "(1) knowledge of the withheld material information or of the falsity of the material misrepresentation, and (2) specific intent to deceive the PTO." The court identified three specific deficiencies in the pleading. First, the allegations

RECENT PATENTS

Kinney & Lange P.A. files hundreds of new patent applications each year in a wide variety of technology areas. Below are a few recently issued U.S. patents for which the firm is listed as the legal representative.

7,506,583

“Flexographic Printing Reflector”

7,520,124

“Asymmetric Serrated Nozzle for Exhaust Noise Reduction”

7,550,953

“Coarse Voltage Regulation of a Permanent Magnet Generator (PMG)”

7,555,459

“Automated Loan Processing System and Method”

7,561,379

“Laminated Return Pole for Suppressing Side Track Erasure”

7,566,336

“Left Atrial Appendage Closure Device”

stated “Exergen, its agents and/or attorneys” but did not name a specific individual. Based on 37 C.F.R. §1.56 and MPEP §2001.01, the court determined that the pleading must point to the individual who allegedly made the misrepresentation or omission. Second, the information is only relevant if it relates to the patentability of a claim. Third, the pleading needs to establish how the omitted or misrepresented information would have affected the claims. In essence, the reference must be cited against the claims as an examiner would have done had he or she cited it during prosecution, including identification of specific material information *within* such a prior art reference.

Inequitable Conduct Must Be Plead With Particularity Under Rule 9(b)

The *Exergen* decision raises the bar for pleading inequitable conduct and makes it clear that party alleging a material omission must identify, in the pleadings, a specific individual who knew of the uncited reference, knew of the materiality of its contents, and who acted with *scienter*. The effect of the decision remains to be seen, but it may reduce frivolous claims of inequitable conduct (and the cost of defending against them). Unfortunately for Exergen, the Court also found its patents anticipated and invalid, resulting in the loss of their \$2.5 million verdict. ■ Matt Dushek

PTO RULE CHANGES WITHDRAWN

The United States Patent and Trademark Office, under the direction of new Director David Kappos, has recently made changes to internal administrative policies and has taken a new position with respect to controversial rules packages that were previously proposed. The “count system” employed to determine the production requirements for examiners has been modified, in an attempt to reduce the pendency of patent applications and to improve the overall quality of examination. The Patent Office has also officially rescinded the rules package initially published in 2007 that would have placed limits on the number of claims in patent applications and the number of continuing applications that could be filed on an invention. These changes have been hailed by the intellectual property bar as positive steps toward more efficient and effective administration of the U.S. patent system.

■ Alan M. Koenck



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