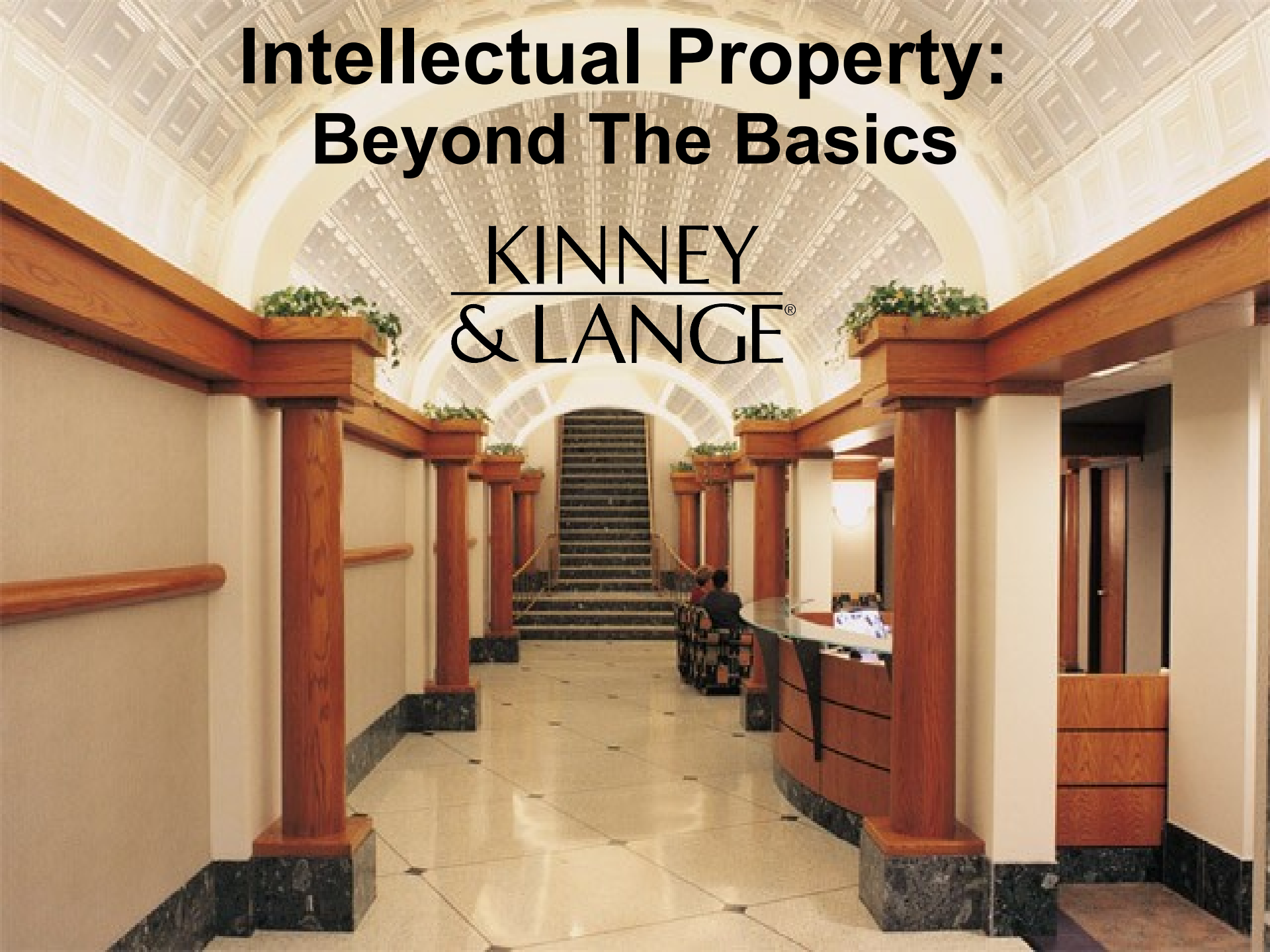


# Intellectual Property: Beyond The Basics

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# In re Chippendales USA, Inc.

No. 2009-1370 (Fed. Cir. Oct. 1, 2010)

*Catherine Shultz*

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# The Mark

- Cuffs & Collar
- Adult entertainment services, namely, exotic dancing for women in the nature of live performances



# The Mark in Use



# Background

- In use since 1979
- Application under inherent distinctiveness and acquired distinctiveness in 2000
- Registered under acquired distinctiveness only
- USPTO procedures at the time prevented contesting the basis without canceling registration
- Application under inherent distinctiveness 2005
- Examiner refused inherently distinctive registration
- TTAB affirmed

# Trade Dress

- Cuffs & Collar falls under the category of Trade Dress
- Trade Dress encompasses the design and appearance of the product and its packaging
  - ◆ “almost anything at all that is capable of carrying meaning” may be used as a “symbol or device” and constitute trade dress that identifies the source or origin of a product. *Qualitex*, 514 U.S. At 162.
- Two issues:
  - Functionality – must be non-functional
  - Distinctiveness – must be distinctive

# Inherent Distinctiveness

- Inherent Distinctiveness inquiry:
  - Whether it is a design that a buyer will immediately rely on to differentiate the product from those of competing manufacturers. *Tone Brothers, Inc. v. Sysco Corp.*, 28 F. 3d 1192 (Fed. Cir. 1994)
  - Seabrook Factors
    - Whether it was a “common” basic shape or design
    - Whether it was [not] unique or unusual in the particular field
    - Whether it was a mere refinement of a commonly-adopted and well-known form of ornamentation for a particular class of goods viewed by the public as a dress or ornamentation for the goods, or
    - Whether it was capable of creating a commercial impression distinct from the accompanying words.
- Public Policy: If not inherently distinctive, it is unfair to others in the industry to allow what is in the public domain to be registered and appropriated, absent a showing of secondary meaning

# Inherent Distinctiveness

- Registration under Inherent Distinctiveness
  - ◆ Benefits:
    - Rights attach upon first use
      - Easier to establish priority than if one has to establish exactly when mark acquired distinctiveness
    - Often regarded as a stronger mark than acquired distinctiveness
      - Can be difficult to prevent infringing uses on related goods or services not listed in the acquired distinctiveness registration
      - Potential infringers often demand evidence of acquired distinctiveness related to goods not listed
    - Benefits in infringement suits
      - Less time and money spent on establishing priority dates and scope of protection

# Appeal

- Appeal to the Federal Circuit
- Inherent distinctiveness involves:
  - Legal question of standard to apply
  - Factual determinations made by the Board
- Burden:
  - Initial burden on PTO to establish a *prima facie* case of no distinctiveness
  - Burden then shifts to applicant to present evidence to rebut the *prima facie* case
- Reviewed de novo the Board's factual findings for substantial evidence

# Appeal – Issues Decided

- Whether the granting of a §2(f) acquired distinctiveness registration moots the request for an inherent distinctiveness registration?
- When is the appropriate time for measuring the inherent distinctiveness of a mark?
- Whether the PTO erred in holding the Cuffs & Collar mark is not inherently distinctive as of the date of the Board's decision?

# Appeal – Issues Decided

- Whether the granting of a §2(f) acquired distinctiveness registration moots the request for an inherent distinctiveness registration?
  - No
  - Court recognized the potential benefits in an infringement suit for an inherently distinctive mark
    - “A mark's strength is measure both by its conceptual strength (distinctiveness) and its marketplace strength (secondary meaning) ... so whether a particular mark is inherently distinctive may affect the scope of protection accorded in an infringement proceeding”
  - These potential benefits created a viable controversy

# Appeal – Issues Decided

- When is the appropriate time for measuring the inherent distinctiveness of a mark?
  - ◆ At the time of registration
  - ◆ Determined on the basis of the factual situation as of the time registration is being sought
  - ◆ “Judging at the time of first use would be unfair as a term or device once inherently distinctive may lose its distinguishing characteristics over time... and measuring at the time of first use would allow an applicant to delay application for registration and then preempt intervening uses that might have relied on the fact that the registration...had not been sought at an earlier time.”

# Appeal – Issues Decided

- Whether the PTO erred in holding the Cuffs & Collar mark is not inherently distinctive as of the date of the Board's decision?
  - Board did err in suggesting any costume in the context of the adult entertainment industry would lack inherent distinctiveness
  - Board did not err in finding the Cuffs & Collar mark is not inherently distinctive
    - Based on Seabrook Factors

# Appeal – Issues Decided

- Seabrook Factors

- Whether it was a “common” basic shape or design?

- Not applicable – no showing Cuffs & Collar dress is common generally

- Whether it was [not] unique or unusual in the particular field?

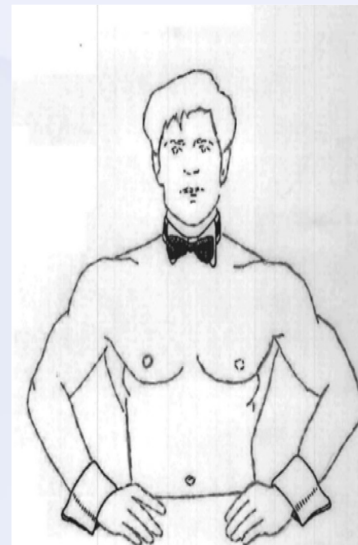
- No decision on whether this factor was applicable

- Whether it was a mere refinement of a commonly-adopted and well-known form of ornamentation for a particular class of goods viewed by the public as a dress or ornamentation for the goods?

- Satisfied due to the existence of the Playboy mark

# Appeal – Issues Decided

- **Mere refinement of a commonly-adopted and well-known form of ornamentation** for a particular class of goods
  - Finding based on similarity to the Playboy mark
    - cuffs and collar with bunny ears
    - Widely used 20 years prior to Chippendale mark



# Appeal – Issues Decided

- Mere refinement of a commonly-adopted and well-known form of ornamentation **for a particular class of goods**
  - ◆ Playboy: “operating establishments which feature food, drink and entertainment”
    - Board found pervasive association between Playboy brand and adult entertainment
  - ◆ Chippendale: “adult entertainment services, namely, exotic dancing for women in the nature of live performances.”
    - Worn by waiters and bartenders (as well as dancers) at Chippendales

# Appeal – Issues Decided

- Playboy bunny mark raised sua sponte by Board
  - Court approved raising the issue without giving Chippendale's a chance to respond due to Chippendales own expert (in an affidavit) providing comments on Playboy mark including:
    - “the collar and cuffs, like the bunny suit which inspired them, has become a trademark recognized, wherever women take their entertainment seriously, as a symbol of professional and classy sexy fun”
    - Characterizing the relevant market as “adult entertainment” and not differentiating between male and female adult entertainment.

# Practice Tips

- Registration under inherent distinctiveness can be beneficial in infringement proceedings
- Inherent distinctiveness is judged at the time of application
- Carefully review all evidence submitted to the Board – it can be used against you
- If in the adult entertainment industry, costumes can qualify as inherently distinctive

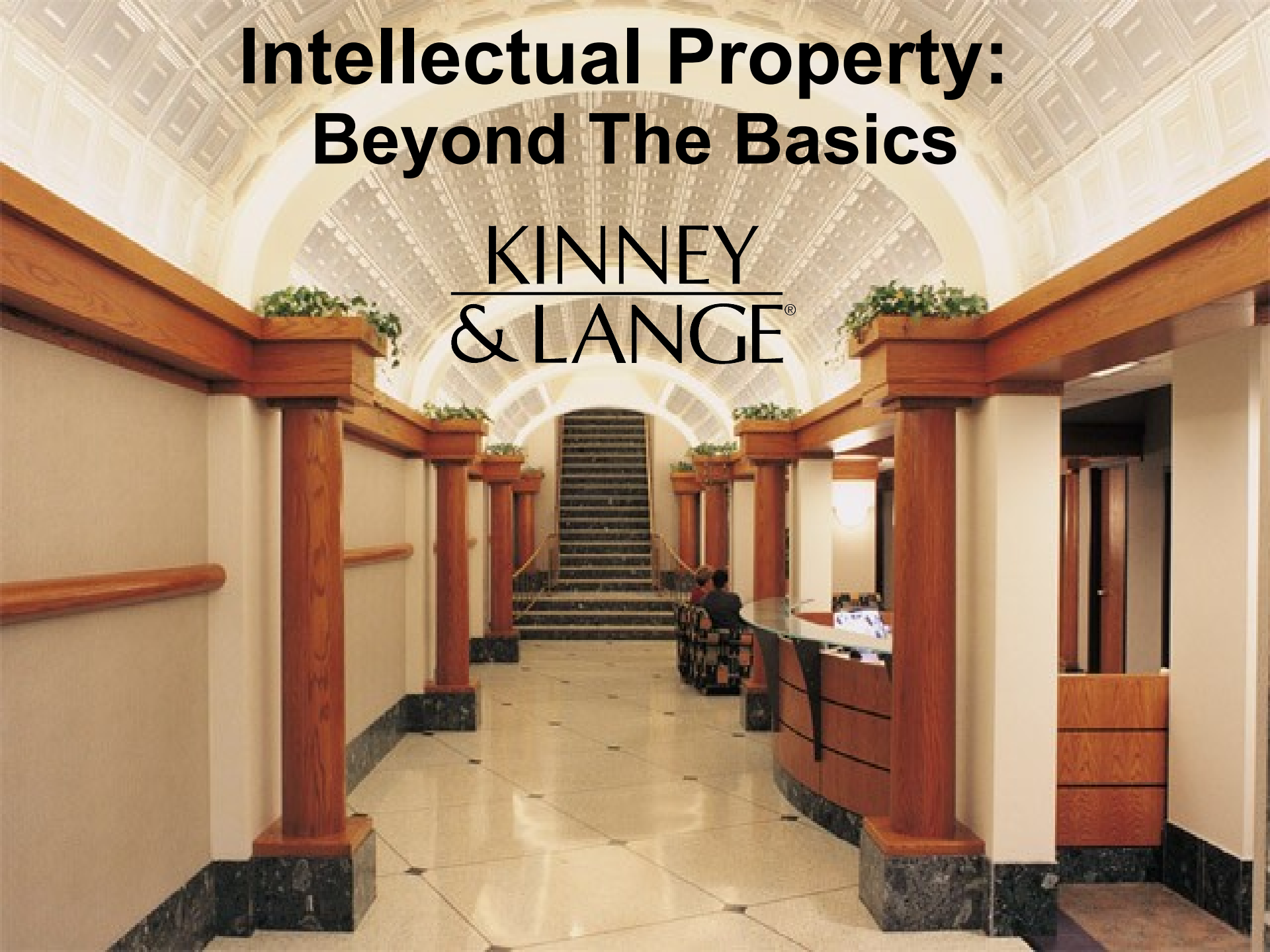


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# Patentable Subject Matter

*Stephen M. Komarec*

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# Outline

- Patentable subject matter
  - *Bilski* and its progeny
- History of patents
  - A brief review
- Policy
  - Overview of theories
- Practices

# Legal Basics

- Constitution
  - ♦ “to promote the progress of science and useful arts ...”
- 35 U.S.C. § 101
  - ♦ “Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof ...”

# Current Law

- Bilski v. Kappos

- Supreme Court - 1320 S. Ct. 3218 (2010)

- “Machine or Transformation” Test for Processes

- Tied to a particular machine or apparatus OR
- Transforms a particular article into a different state or thing

- Not the only test!

- Not abstract (*Benson*)
- Can't preemptively claim a formula (*Flook*)
- No laws of nature or physical phenomena (*Chakrabarty*)
- Can use a formula in specific application (*Diehr*)

# Subject Matter Analysis - I

- Section 101 analysis
  - New (102), Useful (101), Class (101)
- Statutory Classes
  - Process, machine, manufacture or composition
- Not within the Classes
  - Law of nature, abstract idea, mathematical formula
- Exceptions to Classes
  - Medical treatment?, Software?, DNA?

# Digital Image Processing

- Research Corp. Techs., Inc. v. Microsoft Corp.
  - ♦ Federal Circuit - 627 F.3d 859 (2010)
    - “utilizing a comparison”



# Abstract Idea

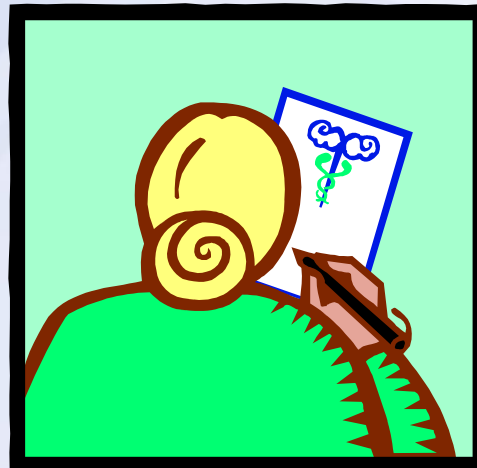
- Method of halftoning images “utilizing” a comparison of an image with a mask
  - ▶ Per se “method”
  - ▶ Not law of nature or physical phenomena
  - ▶ Not abstract
    - “should exhibit itself so manifestly as to override the broad statutory categories of eligible subject matter”

# Analysis

- Practical application of technology
  - ▶ “functional and palpable application in the field”
  - ▶ “address 'a need in the art'”
  - ▶ “specific applications or improvements to technologies in the marketplace”
- Claims recite physical computer components

# Medical Treatment Method

- Prometheus Labs. Inc. v. Mayo Collaborative Services.
  - ♦ Federal Circuit - 628 F.3d 1347 (2010)
    - “Administering” and “Determining”



# Natural Correlation

- Method of correlating naturally occurring metabolite levels and toxicity
  - Claims require *use* of the correlation, not the correlation itself
    - Specific treatment steps recited
    - Applied to specific disease
  - Administration of drug “transforms” the human body
  - “Determining” alone requires manipulation

# Analysis

- Centrality

- “not merely insignificant extra-solution activity” - *Flook*

- Mental Steps

- Additional mental steps do not bar patentability
  - So long as there is at least one “transformative” step

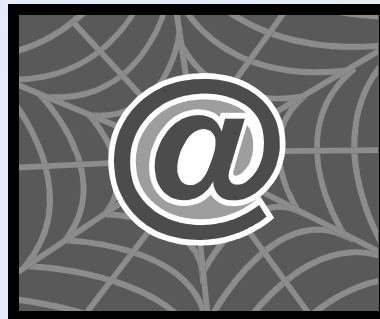
# “Software” Claims

- CLS Bank Int'l v. Alice Corp. PTY. LTD.
  - Dist. Ct. for Dist. Columbia
    - CV 07-974 (RMC) (2011) - Memorandum Opinion
    - Computer components not essential to financial transaction invention



# “Internet” Claims

- Ultramercial, LLC v. Hulu, LLC
  - Dist. Ct. for Cent. Dist. California
    - CV 09-06918 RGK (PLAx) (2010)
    - “nothing inherently computer-specific” about recited steps relating to advertising sales on internet



# DNA Patents

- Ass'n for Molecular Pathology v. USPTO
  - Southern Dist. of New York
    - 702 F.Supp.2d 181 (2010)
    - Pending at Federal Circuit
  - Extracted & purified DNA



# Analysis

- Exception to “composition of matter”
  - ▶ *American Fruit Growers*
    - “new or distinct form, quality or property”
  - ▶ *Funk Brothers*
    - Invention must be “markedly different”
- Extraction “process” is abstract
  - ▶ “analyzing” & “comparing” purely mental
  - ▶ “isolating” and “sequencing” do not transform
    - merely “data gathering”

# Subject Matter Analysis - II

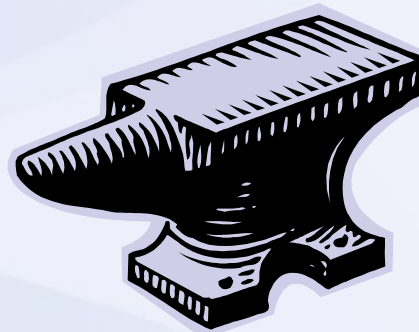
- How do we know what is patentable?
  - ▶ Image processing can be tied to a machine
  - ▶ Diagnostic methods are transformative
  - ▶ Beauregard claims not always a “process”
  - ▶ The internet is not part of a machine
  - ▶ Purified DNA is a product of nature

# Wide Scope

- Jefferson
  - ▶ “ingenuity should receive a liberal encouragement”
- *Diamond v. Chakrabarty*
  - ▶ Congress' use of “any” in statute indicates “permissive approach” & “wide scope”
- *Diamond v. Diehr*
  - ▶ “anything under the sun”

# History – Early Concepts

- Greece
  - ▶ “recipes” – 500 B.C.
  - ▶ Origin of word “monopoly”
- Dark ages and Rome
  - ▶ Guilds
    - Local, communal knowledge
    - Protection of workers



# History – Early Laws

- Italy

- Written Pronouncement - 1474
  - Encourage immigration of skilled foreigners

- England

- “Letters Patent” - 1331
  - Royal grant
  - Privilege, not right
- Statute of Monopolies – 1623
  - Codification of equal standards



# Policy

- Economic stimulus
- “Promote” science
- Incentivize research
- Natural Rights



# What does all this mean?

- *Bilski*

- ◆ “But times change.”
- ◆ “new technologies call for new inquiries”

- *Research Corp.*

- ◆ “in the field”
- ◆ “in the art”
- ◆ “in the marketplace”

# Patent Drafting

- Process Claims

- ▶ “Machine” claimed must be “functional and palpable application of the invention in the field.”
  - Not just any computer, but a specific computer system in the marketplace
- ▶ “Transformation” may occur indirectly
  - If “central to the purpose” of the claims

- Specification

- ▶ Describe a “need in the art”

# Litigation

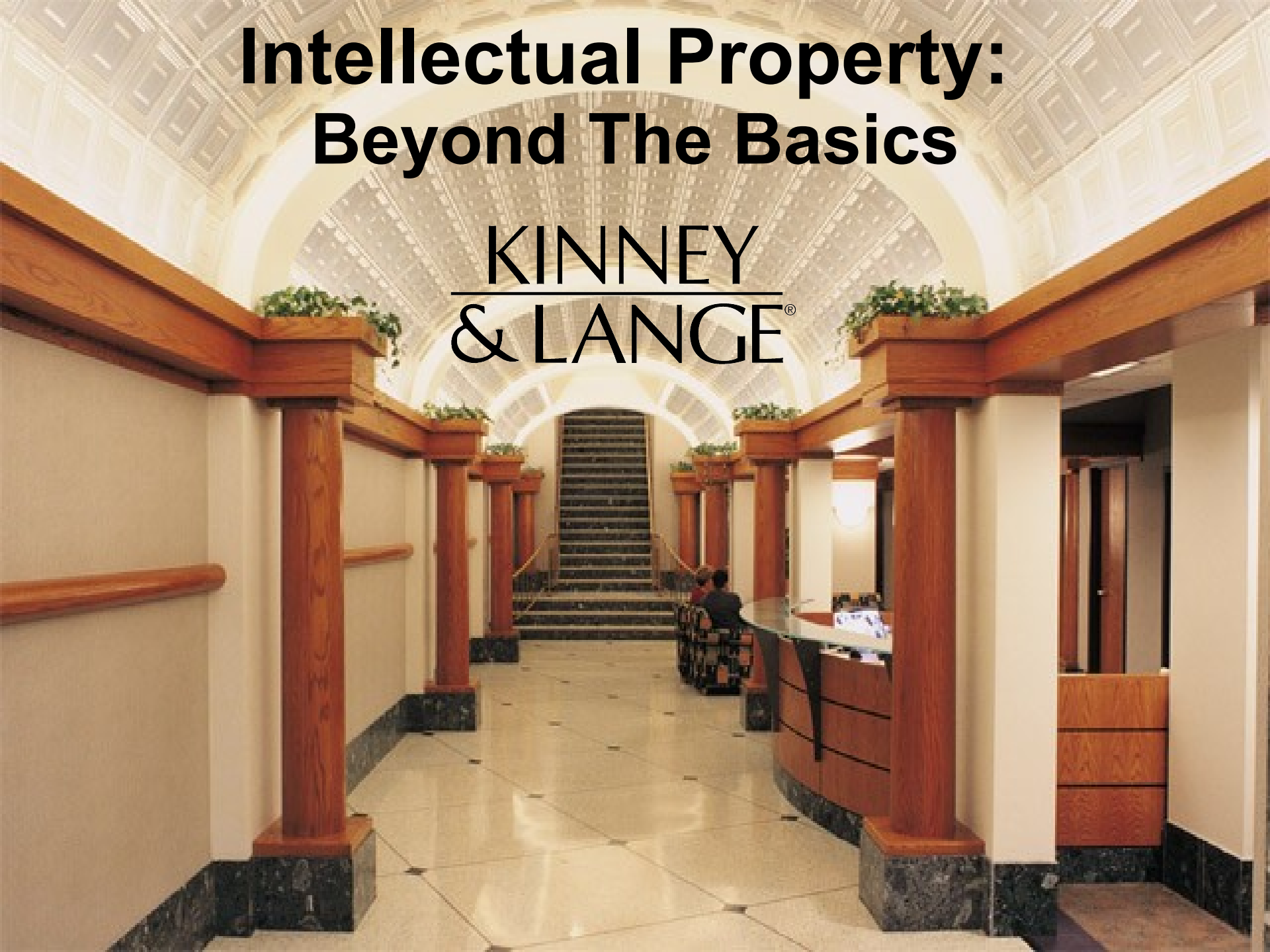
- Invalidation under Section 101 is tough
  - District courts are more willing to invalidate
    - Fitting precedent to make silent policy decisions
      - Under “new and useful” requirement?
  - Appeals courts are sticking to narrowly tailored exceptions
    - Rely on congressional intent and stare decisis to liberally preserve patent protection
      - There are no statutory exceptions

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# Patent Crowdsourcing: Anything You Can Do, a Crowd Can Do Better

*Michael A. Collins*

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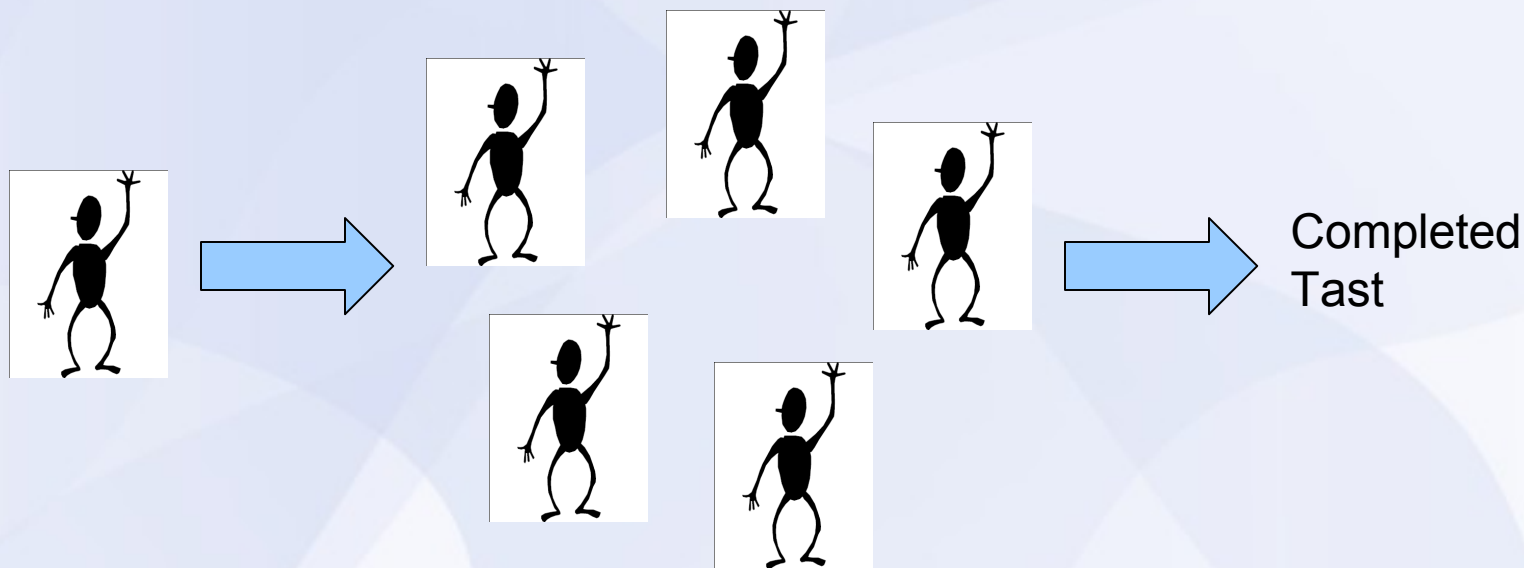
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# Crowdsourcing 101

Outsourcing of tasks to an undefined group (crowd) of participants

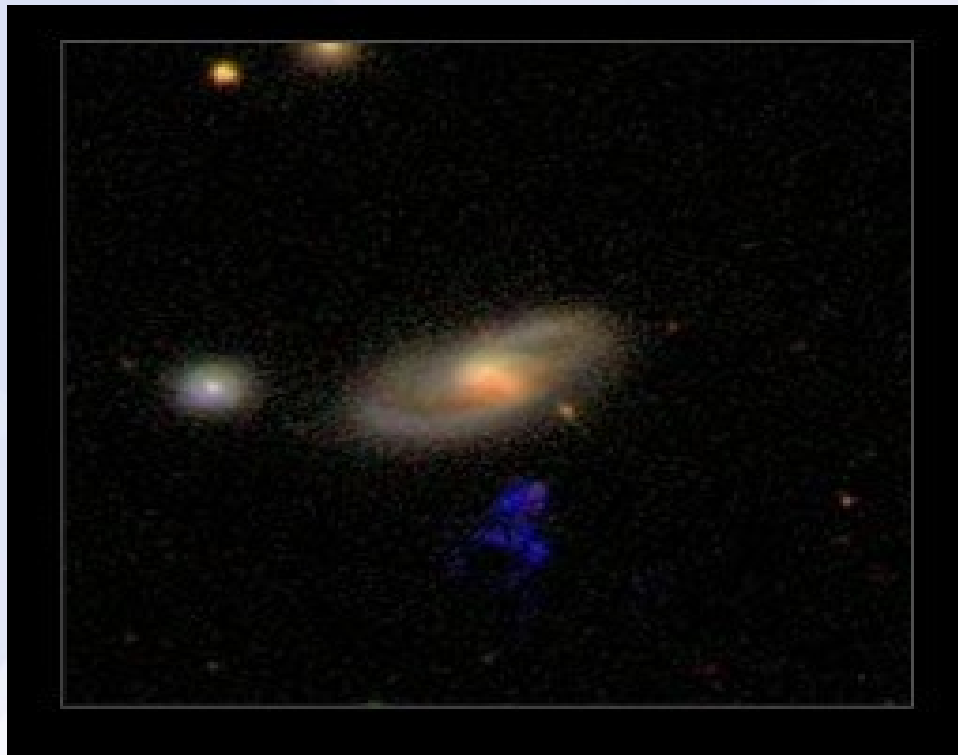


# Problems Solved by Crowdsourcing

- The answer is provided by the collective knowledge of the crowd, not any one individual in the crowd
- The answer is provided by a single member of the crowd

# Crowdsourcing and the Internet

- Cool Examples of Crowdsourcing
  - [www.galaxyzoo.org](http://www.galaxyzoo.org) - galaxy classification

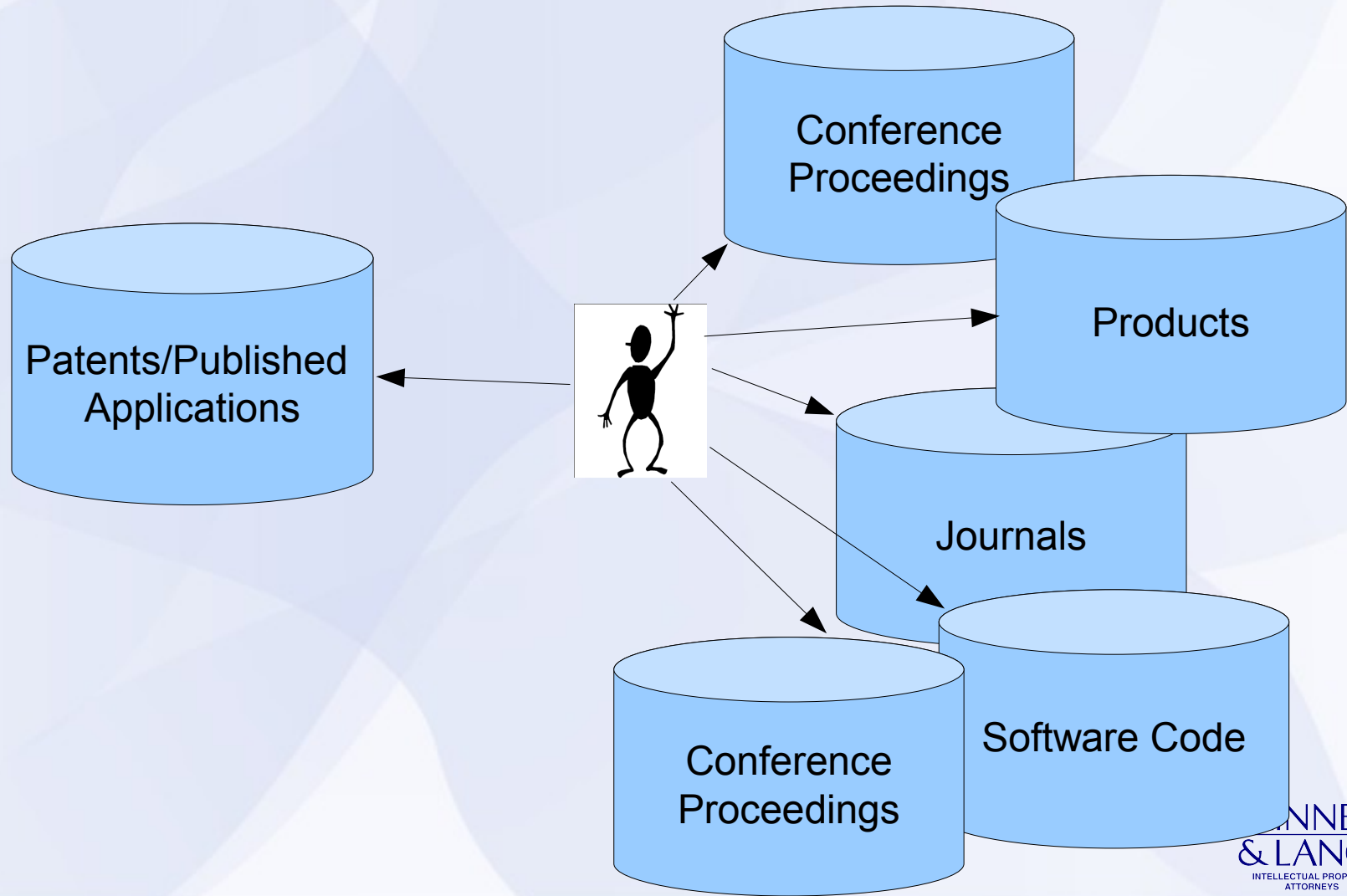


# Crowdsourcing and the Internet

- Cool Examples of Crowdsourcing
  - [www.fold.it](http://www.fold.it)



# Crowdsourcing Patents

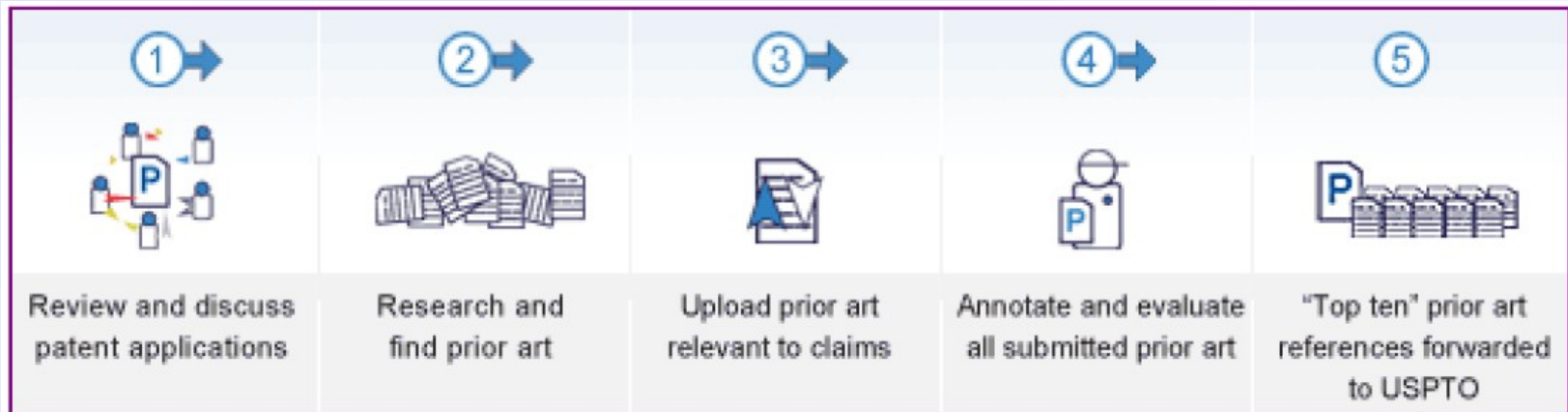


# Peer-to-Patent

- US Patent Office Initiative to improve quality of patents issued by the USPTO
  - ▶ First pilot program 2008-2009
  - ▶ Second pilot program 2010-2011
  - ▶ Eligibility initially limited to software and business method patents
  - ▶ Expanded to include biotechnology, telecommunications
  - ▶ <http://www.peertopatent.org>

# Peer-to-Patent

- Crowdsourcing prior art searches during patent examination



# Peer-to-Patent

- As a patentee, why would you participate?
  - Expedited prosecution
  - Better prior art; better patent

# Peer-to-Patent

- Who is in the “crowd”?
  - Volunteers
  - 2,800 people participated in the initial trial
  - Reasons for participating
    - Professional; personal or competitive interests; interests in a particular applicant; subject matter
    - Limit software patents; defeat applications; abolish patents; keep open source code open

# Peer-to-Patent

- If adopted more broadly, provides a chance to submit prior art/arguments against competitors' applications
- Broader involvement than current 3<sup>rd</sup> party submissions under 37 CFR 1.99
  - 3<sup>rd</sup> party submission rules may be modified shortly by patent reform legislation and pending Fed. Cir. cases

# Peer-to-Patent

- As a competitor, is submitting art a good idea?
  - Pros:
    - More chance to submit arguments/interact with examiners under peer-to-patent
  - Cons:
    - Presumption of validity/better to hold your bullets for re-examination or litigation
    - Notice/willful infringement

# Crowdsourcing Invalidation Searches

- Websites post patents (usually those involved in litigation) and offer rewards to whomever submits invalidating prior art

# Crowdsourcing Invalidity Searches

- Incentive for the crowd is clear: monetary (but only one person wins, everybody else loses)
- Incentive for the party requesting the search: Reward limits the cost of an invalidity search
  - ♦ “There is no such thing as a valid patent, only limits to money spent invalidating the patent”

# Crowd Conclusions

- Peer-to-Patent
  - ▶ Test pilot was successful, will volunteers continue to contribute time/energy without compensation
  - ▶ Pilot program continues/expands this year
- Crowd/Invalidity Searches
  - ▶ Clear incentives for both parties

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