

Colorado Bar Association  
**INTELLECTUAL PROPERTY SECTION**  
**NEWSLETTER**

**June 2009**

**Upcoming IP Section Events:**

**June IP Section Event**

***Wyers v. Master Lock Co.: A Look at Validity and Reasonable Royalties ...Without An Expert***  
**June 23, 2009, 11: 45 a.m. - 1:15 p.m.**  
**Denver ChopHouse, Large Banquet Room**

The *Wyers v. Master Lock Co.* case is the most recent patent case in Colorado to go to verdict. On March 12, 2009, a U.S. District Court in Colorado jury (Judge Babcock presiding) found the three patents at issue valid and infringed, and awarded Wyers damages in the amount of \$5,350,000. Notably, Wyers did not present expert testimony on validity or royalty rates. In contrast, Master Lock presented experts in both areas, including an expert that concluded that a reasonable royalty would have been 2.5%. Despite the lack of expert testimony on behalf of Wyers, the jury rejected Master Lock's invalidity defense and held that Wyers superior bargaining position entitled him to a 24% royalty rate -- arguably higher than Master Lock's claimed net operating profit.

Mr. Bradford and Mr. Dulin represented Wyers in the case, and will give a presentation on the business and litigation strategies that helped to overcome the increasing challenges to validity that have occurred since KSR. Their presentation will focus on the evidence that supported the jury's finding of patent validity and conclusion that Wyers would have secured a 24% royalty rate had a "hypothetical negotiation" occurred with Master Lock at the time of the infringement began.

Presenters:

Aaron P. Bradford, Of Counsel, Hensley Kim & Holzer

Mr. Bradford is a civil trial attorney. Mr. Bradford's national trial practice focuses on complex commercial, patent infringement, professional liability, mass tort and intellectual property litigation. Mr. Bradford also works with clients in the area of risk management and litigation avoidance. He has tried fifteen complex matters to verdict and litigated hundreds of matters to successful resolution. Prior to joining Hensley Kim & Holzer, he was a shareholder and manager of a prominent trial firm.

Michael P. Dulin, Of Counsel, Hensley Kim & Holzer

Mr. Dulin focuses on commercial litigation. Mr. Dulin has been responsible as lead counsel for cases involving trademark, copyright and patent infringement, trade secret theft, anticybersquatting, and unfair competition in a variety of jurisdictions. He works with clients engaged in a variety of industries, including data storage, electronics, mechanical devices, geophysical exploration, nanotechnologies, internet marketing, manufacturing, and retail sales. In addition, Mr. Dulin has effectuated successful resolutions to administrative actions, including those pending before the USPTO and the FTC. Mr. Dulin also represents clients in litigation regarding commercial contracts, joint ventures, franchises, investor fraud and other types of commercial litigation.

*Cost: \$35 for IP Section Members, \$45 for the general public, and CU/DU Law students are free. Includes a catered lunch and parking. RSVP by calling (303) 860-1115 ext. 727 or by e-mailing [lunches@cobar.org](mailto:lunches@cobar.org) before Noon on Friday, June 19, 2009.*

*Cancellations after Friday, June 19, 2009 and no-shows will be billed for the cost of the program. Checks can be sent to the Colorado Bar Association, 1900 Grant St., Suite 900, Denver, CO 80203. Also, please call or e-mail your RSVP when sending a check. Checks should be made payable to the CBA. If leaving a message, please spell your name, specify that you are attending the Intellectual Property Section June Luncheon, leave your phone number, and specify if you would prefer a vegetarian lunch.*

## July IP Section Special Event

### **IP Practice Update: The Changing Dynamics of the IP and Patent Markets**

**July 8, 2009, 4:30 p.m. – 5:30 p.m. (Presentation) & 5:30 p.m. – 6:30 p.m. (Networking)**

**Denver ChopHouse, Large Banquet Room**

Many law firms are in crisis mode, laying off talent, fretting over seemingly unrealistic client demands, and worried about the viability of the law firm business model itself. Corporate departments are seeing prosecution and patent budgets slashed by management, while non-practicing entities reap in record licensing revenues.

The past two decades have seen seismic shifts in how patent and IP law are practiced. How does the current legal recession affect the IP Bar? What does the future hold, and what steps do practitioners need to take to affirm their role or simply gain entry into this special practice field?

Join national IP recruiter Katharine Patterson for a discussion of the changing landscape of IP and patent law practice. Ms. Patterson will brief attendees on current market forces and trends, offer insight on long-term options for IP practice, and address questions about how to take advantage of the changing economic climate. The discussion will be of interest to current law students interested in IP, junior IP associates, and seasoned IP practitioners.

#### Presenter:

As the President of Patterson Davis Consulting, Kate Patterson has specialized in intellectual property recruiting since 1980. She counsels law firms, Fortune 100 companies, venture capital groups and investors on how best to meet their IP human resource needs. She has structured IP functions in corporations from inception to the Fortune 100. She plans, architects and advises IP practice groups in law firms globally.

Ms. Patterson strategizes with clients to develop creative solutions to their current and future concerns about staffing IP practice groups. Her firm has built practices from conception and, as they grow and mature, solved continuing concerns about compensation, hiring, benefit and workload analysis. Her pro bono work is assisting law students entering the IP field. In 2008 she spoke at over 15 law schools nationally. She is a regular presenter at NALP and for the Practising Law Institute (PLI).

*Cost: \$15 for IP Section Members, \$ 20 for the General Public and \$10 for students includes two drink tickets and appetizers. RSVP by calling (303) 860-1115 ext. 727 or by e-mailing [lunches@cobar.org](mailto:lunches@cobar.org) before Noon on Friday, July 3, 2009.*

*Cancellations after Friday, July 3, 2009 and no-shows will be billed for the cost of the program. Checks can be sent to the Colorado Bar Association, 1900 Grant St., Suite 900, Denver, CO 80203. Also, please call or e-mail your RSVP when sending a check. Checks*

*should be made payable to the CBA. If leaving a message, please spell your name, specify that you are attending the Intellectual Property Section July Special Event, and leave your phone number.*

## July IP Section Event

### **You Tube, My Space and The User Generated Content Revolution: Key Legal Issues and Potential Liability**

**July 28, 2009; 11: 45 a.m. - 1:15 p.m.**

**Denver ChopHouse, Large Banquet Room**

User generated content has rapidly emerged as an Internet phenomenon, as growing numbers of bloggers, Facebook users, music remixers, amateur video creators, wikipedians, tweeters, Flickr photographers, and Amazon.com feedback contributors prove that "social media" has hit the mainstream. The rapid shift from traditional media to user-created media raises significant legal questions, ranging from intellectual property issues to questions of consumer privacy to calls for regulation to protect children and guard against defamation in this emerging medium. For example, the advent of user-generated content has strained an already criticized Digital Millennium Copyright Act, causing some to suggest that the safe harbor regime did not contemplate user generated and submitted content. Viacom and YouTube are actively litigating these issues as we speak, and the outcome of this case and several cases raising similar questions could significantly impact the advent of user generated content and the extent to which established media companies can turn the UGC phenomenon into viable ventures. Likewise, the broad and potentially destructive reach of content posted on the Internet has caused some courts to question the absolute immunity previously afforded ISPs under Section 230 of the Communications Decency Act in cases involving UGC. Separately, state and federal authorities are increasingly seeking to hold ISPs and websites responsible for invasions of privacy and decency by their users.

#### Presenter:

Ashlie Beringer, a partner in Gibson, Dunn & Crutcher's Palo Alto office who specializes in representing new media, Internet and technology companies, will address these and other key legal issues arising from the dramatic proliferation of UGC as mainstream media.

*Cost: \$35 for IP Section Members, \$45 for the general public, and CU/DU Law students are free. Includes a catered lunch and parking. RSVP by calling (303) 860-1115 ext. 727 or by e-mailing [lunches@coabar.org](mailto:lunches@coabar.org) before Noon on Friday, July 24, 2009.*

*Cancellations after Friday, July 24, 2009 and no-shows will be billed for the cost of the program. Checks can be sent to the Colorado Bar Association, 1900 Grant St., Suite 900, Denver, CO 80203. Also, please call or e-mail your RSVP when sending a check. Checks should be made payable to the CBA. If leaving a message, please spell your name, specify that you are attending the Intellectual Property Section July Luncheon, leave your phone number, and specify if you would prefer a vegetarian lunch.*

## **August IP Section Event**

### **GLOBAL IP STRATEGY: USING DATA TO HELP SECURE A FIRST WIN**

**August 27, 2009; 11: 45 a.m. - 1:15 p.m.**

**Denver ChopHouse, Large Banquet Room**

In the increasingly global marketplace, and the ever-present reality of limited resources, the question facing many corporate patentees is now "Where in the world should I sue?" and, more specifically, "Where in the world should I sue first?" A favorable first litigation outcome may increase the chance of a favorable settlement globally. The Global IP Project, initiated in 2002 by Michael Elmer of Finnegan, gathers, analyzes, and compares objective global patent litigation data as a basis for client counseling in case evaluation, forum shopping, and foreign filing strategies. Mr. Elmer continues to manage this project which includes data from 30 countries. This unique global data includes litigation statistics from 1997-2007 in many of the 30 countries, including industry-specific patentee win rate data for 2006 and 2007. Michael Elmer, an experienced patent litigator with Finnegan, will visit present the global comparative patentee win rate data and discuss both US and global patent litigation forum shopping strategies.

*Cost: \$35 for IP Section Members, \$45 for the general public, and CU/DU Law students are free. Includes a catered lunch and parking. RSVP by calling (303) 860-1115 ext. 727 or by e-mailing [lunches@cobar.org](mailto:lunches@cobar.org) before Noon on Monday, August 24, 2009.*

*Cancellations after Monday, August 24, 2009 and no-shows will be billed for the cost of the program. Checks can be sent to the Colorado Bar Association, 1900 Grant St., Suite 900, Denver, CO 80203. Also, please call or e-mail your RSVP when sending a check. Checks should be made payable to the CBA. If leaving a message, please spell your name, specify that you are attending the Intellectual Property Section June Luncheon, leave your phone number, and specify if you would prefer a vegetarian lunch.*

## **Report on Past IP Section Events:**

### **Report on the May 28, 2009 IP Section Luncheon (IP & Technology Policy in Obama Administration Panel)**

On May 28, 2009, IP Section members and participants in the 7<sup>th</sup> Annual Intellectual Property & Technology Institute attended a luncheon panel discussing IP and Technology Policy in the Obama Administration. The panel was co-sponsored by the IP Section and Silicon Flatirons, and the panelists included Mark Lemley, a Professor of Law at Stanford University; Q. Todd Dickinson, the executive director of the AIPLA and former Director of the USPTO; and Phil Weiser, who is the Executive Director of Silicon Flatirons, a Professor of Law at the University of Colorado, and also a new Deputy Assistant Attorney General for International, Policy and Appellate matters with the U.S. Department of Justice's Antitrust Division.

As key Obama advisors, Weiser, Lemley, and Dickinson offered candid observations about the current state of the U.S. patent system, as well as their predictions and recommendations for future policy. Weiser moderated the panel, raising questions about patent reform, USPTO fee diversion and alternative funding, the composition of and standard of deference accorded to the U.S. Court of Appeals for the Federal Circuit, USPTO backlog, and USPTO rulemaking authority. Both Lemley and Dickinson seemed to agree that the USPTO fee diversion ban should be made permanent, that the USPTO requires more money than current fees can generate, and that declining patent allowance and issue rates provide even less money for the USPTO. They also seemed to agree that patent reform is needed, and that a greater representation of district court judges and elimination of D.C. residency requirements would improve the Federal Circuit. Lemley seemed to favor the concept of "gold-plated patents," and opined that an ability to file an unlimited number of continuation applications is problematic. Dickinson stated the AIPLA's general position in support of the patent reform bill, and also expressed disappointment with the USPTO's handling of the attempted 2007 continuation rules.

Overall, the panelists provided a lively and engaging dialogue. One could not help but wonder if we would soon welcome Judge Lemley to the Federal Circuit bench, or Director Dickinson to the USPTO.

*Special thanks to Ben Fernandez and Jacqueline Harlow of Faegre & Benson, LLP for this summary.*

## **Report on Other IP Events:**

The IP Section also congratulates its many members for their leadership and participation in the Seventh Annual Intellectual Property Institute held on May 28-29 in Denver, Colorado. Many thanks to the Planning Committee, which included Nate Trelease, Jim Brogan, Wayne Stacy, Natalie Hanlon-Leh (former IP Section Chair) and Lisa Osman.

## **ANNOUNCEMENTS:**

### **Call for Suggestions or Ideas**

The IP Section Officers are also soliciting your suggestions and ideas for topics and speakers for our Luncheon programs for 2009. Please forward any comments you may have to Nina Wang at [nwang@faegre.com](mailto:nwang@faegre.com).

### **IP Newsletter**

Subject to editorial discretion and review, the IP Section newsletter is open to the submission of short articles and columns on IP topics of interest. If you are interested in contributing, please contact Nina Wang at [nwang@faegre.com](mailto:nwang@faegre.com).

### **IP Section Website**

Don't forget to check out the Colorado Bar Association website. Please refer to it often for updates on news and events.

<http://www.cobar.org/group/index.cfm?EntityID=PATENT>

The Colorado Bar Association has posted member directories for each practice section on-line. See ours at:

<http://www.cobar.org/directory/sections.cfm?section=PATENT>

Our contact at the Colorado Bar is Melissa Nicoletti, the Director of Sections and Committees. She can be reached at (303) 824-5321, or [melissan@cobar.org](mailto:melissan@cobar.org).

## Recently Filed U.S.D.C. Colorado Cases

CAPTION	TYPE	CASE NO.	JUDGE	FILING ATTORNEY(S)
BIAX Corporation v. NVIDIA Corporation et al	Patent	09cv1257	Philip A. Brimmer	<b>Steven J. Merker</b> Dorsey & Whitney, LLP
Bravado International Group Merchandising Services, Inc. v. Doe	Trademark	09cv1185	John L. Kane	<b>Cara R. Burns</b> Santa Monica , CA 90405
Diners Club International LTD v. Recycle Domains et al	Trademark	09cv1259	John L. Kane	<b>Gayle Lynn Strong</b> Greenberg Traurig, LLP
Home Design Services, Inc. v. Hughes	Copyright	09cv1253	Philip A. Brimmer	<b>Anthony M. Lawhon</b> Naples , FL 34109-3834
Home Design Services, Inc. v. Quigley et al	Copyright	09cv1263	Christine M. Arguello	<b>Anthony M. Lawhon</b> Naples , FL 34109-3834
Labnet, Inc. v. Quintilone & Associates et al	Trademark	09cv1239	Robert E. Blackburn	<b>Kenneth R. Stettner</b> Stettner Miller, P.C.
Lerew v. Vail Valley Foundation	Copyright	09cv1149	Richard P. Matsch	<b>Laurie A. Rhoades</b> Replin & Rhoades, LLC
Pinnacle Architectural Lighting, Inc. v. US LED, Ltd.	Trademark	09cv1157	Marcia S. Krieger	<b>Benjamin Baughman Lieb</b> Sheridan Ross, P.C.
Shumaker v. Kumar & Associates, Inc.	Copyright	09cv1318	Wiley Y. Daniel	<b>Karen L. Brady</b> Karen Brady & Associates
Shumaker v. Professional Basketball Club, LLC	Copyright	09cv1319	Philip A. Brimmer	<b>Karen L. Brady</b> Karen Brady & Associates
Viesti Associates, Inc. et al v. Houghton Mifflin Harcourt Publishing Company et al	Copyright	09cv1093	John L. Kane	<b>Christopher Seidman</b> Harmon & Seidman LLC Grand Junction , CO 81502

Please email Nina Wang at [nwang@faegre.com](mailto:nwang@faegre.com) with any interesting Colorado District Court IP decisions or IP news involving Colorado Companies (e.g., issued patents, trademark or copyrights).

## IP LAW DEVELOPMENTS FROM BNA

---

### *Patents/Statutory Subject Matter*

#### Supreme Court Will Review Bilski Case On Test for Patentability of Business Methods

Despite opposition from the U.S. solicitor general, the U.S. Supreme Court on June 1 granted a petition for a writ of certiorari in a case challenging the “machine-or-transformation” test for evaluating the patentability of business methods (*Bilski v. Doll*, U.S., No. 08-964, cert. granted 6/1/09).

Reaction from the patent community was generally favorable, though at least one commentator who had participated in the case cautioned that the court might come up with a more restrictive test, contrary to the hope of many that the court will invalidate the test.

#### Questions Presented

The U.S. Court of Appeals for the Federal Circuit, in weighing the patentability of a claimed risk-hedging process, defined the test for determining patentable subject matter for process claims on Oct. 30 in *In re Bilski*, 545 F.3d 943, 88 USPQ2d 1385 (Fed. Cir. 2008) (en banc) (77 PTCJ 4, 11/7/08).

The court held that “A claimed process is surely patent-eligible under [35 U.S.C.] §101 if: (1) it is tied to a particular machine or apparatus, or (2) it transforms a particular article into a different state or thing.”

The majority opinion generated several critical reactions from the patent community immediately after the decision (77 PTCJ 8, 11/7/08; 77 PTCJ 69, 11/21/08), and continues to stir debate (77 PTCJ 286, 1/23/09) even among international jurists (78 PTCJ 5, 5/1/09).

The petition seeking Supreme Court review was filed Jan. 28 by the law firm Finnegan, Henderson, Farabow, Garrett & Dunner, Washington, D.C., on behalf of the rejected business method patent applicants, but citing as the real party in interest EQT IP Ventures LLP, Las Vegas (77 PTCJ 312, 1/30/09).

The petition presents two questions:

Whether the Federal Circuit erred by holding that a “process” must be tied to a particular machine or apparatus, or transform a particular article into a different state or thing (“machine-or-transformation” test), to be eligible for patenting under 35 U.S.C. §101, despite this Court's precedent declining to limit the broad statutory grant of patent eligibility for “any” new and useful process beyond excluding patents for “laws of nature, physical phenomena, and abstract ideas.”

Whether the Federal Circuit's “machine-or-transformation” test for patent eligibility, which effectively forecloses meaningful patent protection to many business methods, contradicts the

clear Congressional intent that patents protect “method[s] of doing or conducting business.” 35 U.S.C. §273.

Nine amicus briefs were filed, all in support of the petitioners (77 PTCJ 493, 3/13/09).

### Government Opposes Certiorari

The government's brief in opposition, submitted by Solicitor General Elena Kagan, supported the machine-or-transformation test (78 PTCJ 32, 5/8/09).

Kagan said that the test “is drawn directly from [the Supreme Court's] most recent decisions,” and is effectively a restatement of the holding that “[t]ransformation and reduction of an article ‘to a different state or thing’ is the clue to the patentability of a process claim that does not include particular machines” in *Diamond v. Diehr*, 450 U.S. 175, 205 USPQ 488 (1981) (519 PTCJ AA-1, D-1, 3/5/81).

Further, in countering both the petition and the dissenting opinions in the case, the brief contended that the patent application in the instant case does not provide an opportunity to confront the issue of whether the machine-or-transformation test forecloses patentability on “frontier technologies.”

Even if the petitioners' policy concerns were justified, Kagan argued, “they are essentially irrelevant to the proper disposition of this case because petitioners' patent application involves none of the frontier technologies on which the petition dwells.”

She concluded that the *Bilski* decision “did not hold that business methods are categorically ineligible for patent protection,” and made note of the fact that the majority did not accept a dissenting opinion that would have held just that.

In a footnote, she added, potentially anticipating concerns about the broader implications of the Federal Circuit's ruling, that “nothing in the decision below threatens the eligibility of biotechnological or chemical inventions for patent protection, as long as they involve a transformation.”

### Patent Community Reacts

After cert was granted, Harold C. Wegner of Foley & Lardner, Washington, D.C., commented immediately in his listserv mailing, saying it is “the most important patent-eligibility case to reach the Supreme Court on the merits in the nearly thirty years since *Diamond v. Chakrabarty* [447 U.S. 303, 206 USPQ 193 (1980)(484 PTCJ A-1, 6/19/80)].”

His Foley colleague, Pavan Agarwal, told BNA that “*Bilski* represents a potentially watershed case in the area of patent eligibility. It can have an enormous impact on several areas of industry, from information technology, to industrial engineering, to biotech.”

John F. Duffy, a law professor at George Washington University in Washington, D.C., and author of the *Bilski* amicus brief filed by Regulatory DataCorp Inc. of New York, went further, calling it “probably the most important case in 50 years.”

Duffy had spearheaded the case for review of the Federal Circuit's obviousness standard in *KSR International Co. v. Teleflex Inc.*, 550 U.S. 398, 82 USPQ2d 1385 (2007) (74 PTCJ 5, 5/4/07). Comparatively, he said, KSR made it a little tougher to get a patent. But patentable subject matter, he said, "has this all or nothing quality to it. If you fall on the wrong side of patentable subject matter, it doesn't matter how wonderful" your invention is, it won't even be eligible for protection.

Wayne P. Sobon, associate general counsel and director of intellectual property for Accenture Global GmbH, San Jose, Calif., who coauthored an amicus brief in favor of the petitioners, said that he was "very gratified" that the high court took the case. He has consistently argued that the Federal Circuit's patentability test "undermines our national competitiveness, since our economy depends so much on information, data, and services now," and that patents in those areas are less likely under the appellate court's test.

#### A 'Troubling Trend' Recently

"Recent decisions have demonstrated how bad a rule it has been," Sobon said, as district courts and the Board of Patent Appeals and Interferences have been "taking it as *carte blanche* to reject things that people thought were allowable, especially software-related inventions."

Joshua Rawson of the Dechert law firm, New York, welcomed Supreme Court review, and agreed with Sobon, noting that 60 or more decisions by the BPAI since *Bilski*, in applying the machine side of the test, have failed to help applicants answer the question "When is a combination of equipment a particular machine?"

Blake Reese of Milbank Tweed Hadley McCloy, New York, agreed, saying that even if the Supreme Court adopts the test, it will be interesting to see if the justices will comment on whether "a general purpose computer, programmed in a novel way, will qualify as a 'particular' machine."

"The trend has been troubling," Rawson said, as the BPAI has applied *Bilski* "in a way that has resulted in a significant number of applications not being patentable under Section 101." Looking at the other test prong, he also held out hope that the court would address data transformations as well.

"It would be fascinating to see if the court can come up with a transformation-like test for business methods," he said.

Randy Lipsitz of Kramer Levin Naftalis & Frankel, New York, noted an ironic twist in business method patenting in a recent decision in *Every Penny Counts Inc. v. Bank of America Corp.*, No. 2:07cv042 (M.D. Fla. May 27, 2009). In that case, Bank of America was forced to argue that the plaintiff's patent was invalid under Section 101, while at the same time the bank had applied for a patent for the same basic system. "Everyone wants protection for their legitimate inventions regardless of the subject matter," Lipsitz said.

#### Expectations on Review

Agarwal told BNA, "The Supreme Court has shown recent interest in types of subject matter of patents. ... Various justices were interested in addressing patent eligibility in *[eBay Inc v.*

MercExchange LLC, 547 U.S. 388, 78 USPQ2d 1577 (2006) (72 PTCJ 50, 5/19/06),] and [Laboratory Corporation of America Holdings d/b/a/ LabCorp. v. Metabolite Laboratories Inc., 126 S. Ct. 2921, 79 USPQ2d 1065 (2006) (72 PTCJ 208, 6/23/06)], but the Court determined not to issue a decision in [Metabolite] based on a procedural ground. The Court is clearly interested in shaping the boundaries of what subject matter is eligible for patent protection.”

“It will be fascinating to see what the Supreme Court does with this case,” according to Q. Todd Dickinson, executive director of the American Intellectual Property Law Association.

He added: “While AIPLA has traditionally argued for expansive subject matter patentability to keep up with the needs of ever-expanding innovation, and argued in our own amicus brief that the ‘machine or transformation’ test of the CAFC is too restrictive and misinterprets Supreme Court precedent, the common wisdom was the Court wouldn’t accept cert. Having done so, all bets are off as to which way they will come down.”

“Hopefully, the Roberts court will follow the common sense approach that the Rehnquist court did in *Diamond v. Diehr* and *Diamond v. Chakrabarty* and not negate patentability for this important class of inventions,” agreed Christopher E. Chalsen of Milbank Tweed.

Bradley C. Wright of Banner & Witcoff, Washington, D.C., had a slightly different reaction, saying that the Federal Circuit “went out of its way” to try to “piece together and harmonize” the Supreme Court precedents from the 1970s and 1980s.

He agreed with Sobon that modern technology is more information-based, with “a lot more than mechanical things going on.” He hoped, though, that the Supreme Court would “go back and clarify inconsistent themes in some of their earlier cases ... and explain with better reasoning why their cases came out the way they did.”

The “anything under the sun” test—referring to a quote from *Chakrabarty*—proposed by the petitioners “is really not workable and not consistent” with the court’s own precedent, Wright said, adding that he would be surprised if the court reversed the ultimate decision as to the patentability of *Bilski*’s application.

Duffy, who has argued many times for a broader definition of patentable subject matter that would include “financial engineering” and other information-based technologies, agreed, saying he is much more concerned about this case because “the facts are not great facts.”

“It’s an application that has some other issues,” he said, citing Judge Randall R. Rader’s dissenting opinion. “It’s not surprising that they took a patentable subject matter case, but I’d always thought this case was not an ideal vehicle,” he said.

### Counting the Votes?

Soon after the Federal Circuit’s decision, on Nov. 12, the possibility of Supreme Court review was addressed in a meeting sponsored by the Washington, D.C., chapter of the Licensing Executives Society (77 PTCJ 69, 11/21/08).

The meeting panelists identified four possible votes against business method patentability—Justices Stephen G. Breyer, John Paul Stevens, Anthony M. Kennedy, and David H. Souter.

Duffy—one of the panelists—noted that Breyer and Stevens disagreed with the majority's view on patentable subject matter not only in their dissent in *Metabolite* (citing as a reference an article by Malla Pollack titled “The Multiple Unconstitutionality of Business Method Patents,” *Rutgers Computer & Tech. L.J.* 28 (2002): 61), but also in a 2001 dissent in a case regarding patentability of plants, *J.E.M. Ag Supply Inc. v. Pioneer Hi-Bred International Inc.*, 534 U.S. 124, 60 USPQ2d 1865 (2001).

Stevens also dissented in the decision allowing a software-based patent in *Diehr*, he added. And in a 1970 article titled “The Uneasy Case for Copyright,” *Harvard Law Review* 84 (2): 281-355, Breyer signaled a generally skeptical attitude about broad protection for intellectual property, Duffy said.

Thomas W. Krause, associate solicitor for the PTO, Arlington, Va., referred to the concurrence by Kennedy in *eBay* (noting “[t]he potential vagueness and suspect validity of [business method] patents”), as a sign of his potential vote against the patentability of business methods. Stevens, Breyer, and Souter joined the concurrence; Souter also joined the *LabCorp* dissent.

However, it is likely that Souter will have retired by the time the case is heard. Though little is known of the opinions of his prospective replacement, Sonia Sotomayor (78 PTCJ 105, 5/29/09), two commentators told *BNA* June 1 that they expected her to be more pro-patent than the justice she would be replacing.

“Judge Sotomayor started practicing with an IP firm and went after trademark counterfeiters,” Lipsitz said, referring to her eight-year stint at Pavia & Harcourt, New York. “She also decided the district court case in [*Tasini v. New York Times Co.*, 972 F. Supp. 804, 43 USPQ2d 1801 (S.D.N.Y. 1997) (54 PTCJ 342, 8/21/97)], for example. You would expect that she would be pro-IP.”

Wright agreed, saying that while she has not had to rule on Section 101, she has been “involved in enforcing cases, and knows what it's like to be in the business world and enforcing IP rights.”

As to the other justices, Duffy had also noted that Chief Justice John Roberts, when contemplating the invention at issue during oral argument in *eBay*, said “I might have been able to do that.”

Also, he once clerked for Justice Antonin G. Scalia, and predicted that Scalia would be pulled by two different forces—the plain language of the statute and the reasons for the unwritten tradition that business methods were not patentable.

#### A Robust Amici Expected

But however many votes one can count that might question business methods, Sobon anticipated that, considering the large number of other parties who have seen how the machine-or-transformation test is being used in practice, “a very robust number of amicus briefs in support” of the petitioners is likely.

Duffy agreed, saying that he hoped the amici would show that “the importance of the issue outweighed some of the defects of the case. I hope [the justices] realize that their decision can affect numerous patents that don't look anything like this application.”

He said a key issue is whether the court will ask the fundamental question of statutory interpretation of Section 101, which the court has previously said is “extremely broad” in J.E.M. Ag Supply. If the justices address that question, the patent system will be safe, he said, but if they start to treat the question as “what kinds of things do we think make sense to patent” and come up with restrictions, “I worry.”

He cautioned those celebrating the grant by saying, “There's a chance that they'll come up with something worse. It's both a great opportunity and a great danger. That's why this is a very important case.”

By Tony Dutra

copyright 2009 © Bureau of National Affairs, Inc.

-----  
*Trademarks*

### Summary Judgment Denied to Disney in Case Challenging Its Cars Movie Trademark

The U.S. District Court for the Western District of Oklahoma on June 2 refused to issue a summary judgment for Disney Enterprises Inc. and Mattel Inc. against claims by a former Mattel licensee that Disney's animated movie Cars infringed the licensee's registered “Real Cars” trademark (Collectable Promotional Products Inc. v. Disney Enterprises Inc., W.D. Okla., No. CIV-06-1187-D,6/2/09).

The court was unwilling to rule as a matter of law that the Real Toys mark was void ab initio or that it had been abandoned. The court also refused to rule that there was no likelihood of confusion, as that claim depended on questions of fact. Even though the evidence presented by the former Mattel licensee was not substantial, it was more than the scintilla needed to survive summary judgment, the court concluded.

### CPP Sues Disney Over ‘Cars’ Mark

Collectable Promotional Products Inc. is a home-based business whose founder, Lea Knight, is a collector of the Hot Wheels miniature die-cast toy automobiles made by Mattell Inc. In 1995 and 1996, CPP entered into a license with Mattel to manufacture 10,000 units of two miniature vehicles to be packaged under the Hot Wheels logo as limited-edition toys.

CPP acquired licenses with two famous race car drivers, Carroll Shelby and Don Garlit, to manufacture the two miniature vehicles depicting actual cars driven by these well-known drivers in exchange for donating a part of their proceeds to charity.

These toy automobiles were labeled with the Real Cars mark, and they were the only CPP products displaying that mark. CPP advertised the miniature vehicles in a catalog targeting Hot Wheels collectors, and Mattel sold them at Mattel stores and to Mattel distributors.

CPP developed the Real Cars mark to actualize Knight's idea to develop a market for automobile toys depicting actual cars driven by famous drivers. CPP submitted an application to register its Real Cars logo as a trademark in 1994. In the application, CPP submitted information stating that the mark's first use in interstate commerce was Sept. 15, 1994 and that the goods it would be used for was "miniature automobile toys."

In February 1998, the Patent and Trademark Office issued the registration for the mark, "Real Cars and design" to CPP. The design was the logo Real Cars superimposed over a chevron design.

In June 2004, the mark was declared incontestable due to its use in commerce for five consecutive years and its ongoing use at the time. However, according to CPP's sales records, its last sale of products using the Real Cars mark was in 1999, though Knight began selling products with the mark on eBay under a different name.

Meanwhile, Pixar Animation Studios and Disney reached an agreement to produce the animated picture movie Cars, and sought trademark searches to ascertain whether the title would infringe any already existing trademarks. The searches concluded that the mark "Cars" was open for registration and failed to find the mark registered by CPP.

In November 2006, the PTO issued the registration for the word Cars and a design of the word Cars in stylized script placed over a chevron design. Disney's application stated that the mark would be used for goods including, "card games; electric action toys; inflatable toys; manipulative games; plush toys; stuffed toys; toy vehicles; toy cars; toy trucks."

Disney chose Mattel to manufacture and distribute a variety of Disney products, including products using the Cars mark.

CPP sued Disney for trademark infringement and other claims.

CPP's Mark Not Void Ab Initio

Disney alleged that CPP did not have a protectable mark because the registration was void ab initio and the mark was abandoned. Disney argued that the registration was void ab initio as the application stated wrongfully that the initial date of the mark's use in commerce was prior to the filing of the application. Since trademarks must be used in commerce before the trademark application is filed, CPP's registration was void ab initio, Disney asserted.

CPP replied that it did not understand the legal meaning of the word "use," since it filed the application without the benefit of an attorney. CPP also argued that the mark became incontestable after being used in commerce for five consecutive years, which would be conclusive evidence of the validity of the registered mark, the registration of the mark, and the registrant's exclusive right to use the registered mark in commerce.

Disney responded, arguing that defenses that could be asserted even against an incontestable mark were available under the Lanham Act, 15 U.S.C. §1115(b). The court noted that voidance

ab initio is not one of the listed defenses and that though Disney might have argued that CPP fraudulently registered their trademark, which is one of the defenses, it did not.

Judge Timothy D. DeGiusti allegations about fraudulence were not something that the court could decide on a summary judgment motion. Accordingly, the court ruled it could not find that the registration was void ab initio.

#### Evidence Against Abandonment Greater Than Scintilla

Abandonment generally occurs when a trademark holder ceases use of its mark with an intent not to resume use or when the owner causes the mark to become generic, the court observed.

Disney argued abandonment, a defense that can be asserted against an incontestable mark according to Section 1115(b). In addition, Disney argued that CPP had not used its trademark for three consecutive years, which would be prima facie evidence of abandonment. Disney asserted such because CPP had not paid sales tax since 2003.

CPP responded, saying that it had sold products during that period and that the sales tax information was not dispositive. According to CPP, eBay sales of products containing the mark were sufficient to constitute use in commerce.

Disney in turn contended that the eBay sale did not constitute use in commerce because CPP did not refer to its name to sell the products, instead selling under the name "mymom65."

The court found that use meant "bona fide use of a mark in the ordinary course of trade." Though the parties had not submitted authority on what "ordinary course of trade" meant, DeGiusti said, at least one court had said that selling through the Internet would be enough to "create a factual dispute regarding a claim of abandonment."

The court concluded that because of the evidence that CPP sold products with the mark through eBay and because of CPP's affidavit stating the continuous use of its mark and intention to continue use, there was more than the scintilla of evidence needed to bar summary judgment, especially when considering the heightened burden Disney had of showing "abandonment by strict proof."

#### Likelihood of Confusion Is Factual Question

DeGiusti indicated that summary judgment was generally not favored for trademark infringement cases, as the likelihood of confusion is a question of fact, but that sometimes it is appropriate when "no reasonable jury could find infringement."

Though Disney asserted that CPP's failure to use consumer surveys to prove consumer confusion was fatal to its establishment of likelihood of confusion, the court agreed with CPP that the absence of a survey is not dispositive. The court also agreed with CPP that this was a reverse confusion case, in which the likelihood of confusion factors differ from factors in regular confusion cases.

Reverse confusion occurs when a large company learns of a smaller company using a mark, usually in a localized way, similar to the trademark that it is intending to use for its national products, noted the court. In these circumstances, the larger company cannot use its "superior

economic power to saturate the market with a mark confusingly similar to that of the small company,” DeGiusti added.

Thus, the court observed that the relevant question would be whether the larger company's mark has “sufficient commercial strength to overwhelm” the smaller company's mark and create confusion.

Disney countered, saying that there could be no reverse confusion because it had not known about CPP's mark when it registered its trademark, which CPP responded to by saying that the trademark search CPP had conducted had not been thorough enough. Disney asserted that CPP employed experts in the field who conducted searches that were consistent with the standards of the industry. CPP said that in any case, good faith is only one factor in a reverse confusion claim.

Taking everything into account, the court concluded that though the evidence CPP presented was not substantive, there was more than a scintilla, which was enough to bar a summary dismissal of the case.

Thus, the court denied Disney's motion for summary judgment.

Robert D. Nelson of Hall Estill, Oklahoma City, represented Disney and Mattel. Robert D. Tomlinson and Sean V. O'Connell of Tomlinson & O'Connell, Oklahoma City, represented CPP.

By Christine You

copyright 2009 © Bureau of National Affairs, Inc.

-----  
*Copyrights*

New Web Site Seeks to Track  
Debate About Google Book Settlement

A Web site launched May 28 seeks to transcend the “blogosphere” and become the epicenter of the discussion surrounding a proposed settlement of Google Inc.'s dispute with authors and publishers over the online service provider's plans to create a vast Internet library from copyrighted literature.

SharedBook Inc., owner of the new Web site, hopes to move the discussion of the Google Book Search project and Google's from scattered Internet forums to a single centralized location where policymakers, businesspeople, scholars, journalists, and others will “have the opportunity to come together and engage in a granular, contextual dialogue,” SharedBook CEO Caroline Vanderlip said in a statement of the Web site.

To facilitate this goal, the Web site, <http://www.gbs.sharedbook.com>, will use SharedBook Inc.'s custom publishing and annotation technology and platform to support comments and responsive statements in real-time, and link them directly to the 300-page Google Book Search settlement and accompanying documents through online footnoting, according to Vanderlip.

The proposed settlement, tentatively agreed to in October, would resolve two class action lawsuits brought against Google in 2005 by several authors and publishers, challenging Google's arrangement with several large libraries to digitize the entire contents of their collections and make the resulting database searchable over the Internet. Authors Guild v. Google Inc., S.D.N.Y., No. 05 Civ. 8136 (DC), and McGraw-Hill Cos. v. Google Inc., S.D.N.Y., No. 05 CV 8881, settlement announced 10/28/08) (209 PTD, 10/29/08). Under the agreement, Google would pay \$125 million in exchange for the right to scan millions of books onto an electronic Internet-accessible format. The settlement also calls for royalties from the online sale of books to be split 63-37 between the Books Rights Registry, representing rights holders, and Google.

Judge John E. Sprizzo of the U.S. District Court for the Southern District of New York gave preliminary approval to the Authors Guild settlement in November, and Google began giving preliminary notice of the settlement to copyright owners in February. The settlement is awaiting final approval by Judge Denny Chin in a much anticipated hearing scheduled for Oct. 12 (81 PTD, 4/30/09).

The hearing was originally scheduled for June but was reset in response to letters from two of the affected parties. One letter was from group of authors who requested four more months to consider the proposed settlement. Another was from Pamela Samuelson, a law professor at the University of California, Berkeley, Calif., who asked for a six-month extension.

Google Inc. had also asked the court to extend the notice period for the settlement to ensure that copyright holders are made aware of the settlement and its implications for their rights.

While the Google Book Search database would provide broad public access to millions of books, the proposed settlement has sparked controversy. Peter Brantley, director of access for the Internet Archive, said during an April 21 forum on the project that the deal that would give Google Inc. unprecedented power in the publishing market (76 PTD, 4/23/09). The agreement posed a significant danger of monopoly power that could prove harmful to consumers, he warned.

Alan S. Inouye of the American Library Association said that the ALA decided not to intervene in the lawsuit, but that its members were troubled by certain aspects of the settlement and "will plead the court to closely monitor the implementation of the settlement."

By Kevin Lacey

copyright 2009 © Bureau of National Affairs, Inc.

The Intellectual Property Section has entered a partnership to offer reprints of case law updates from BNA's Patent, Trademark and Copyright Journal. These summaries are provided under license by the BNA.

## **CLASSIFIED ADVERTISING**

Classified advertisements are printed by the IP Section free of charge and will run for three months, unless we receive a request to drop or continue running the ad. Submit or resubmit your ad by e-mailing the proposed text to Nina Wang at [nwang@faegre.com](mailto:nwang@faegre.com).

### **Contract or Overflow Work**

Naval Academy grad with M.S. Chemistry and over 25 years' patent experience available for patent prosecution (chemical, mechanical, design, business methods) and trademark work at reasonable rates. Admitted in California and D.C. only. Please contact James K. Poole at (970) 472-5061; FAX (970) 472-5041, or [jkpoole@aol.com](mailto:jkpoole@aol.com). Mail materials or inquiries to P.O. Box 925, Loveland, CO 80539. (expires 07/09)

### **Trademark Paralegal**

Trademark paralegal with 17 years of experience. I can assist you with USPTO filings and with creation and upkeep of your docket. I have worked in firms in Denver but currently would prefer to work on a contract basis. References available. Call Jennifer Rothschild at 303-850-9297. (expires 06/09)

## **IP Section Officer Contact Information**

### Chair:

Michael Drapkin, Esq.  
Townsend and Townsend and Crew  
1400 Wewatta Street, Suite 600  
Denver, CO 80202  
303.571.4000  
mldrapkin@townsend.com

### Vice-Chair:

John Posthumus, Esq.  
Greenberg Traurig, LLP  
1200 17th Street, Suite 2400  
Denver, CO 80202  
303.572.6500  
posthumusj@gtlaw.com

### Secretary/Treasurer:

Nina Y. Wang, Esq.  
Faegre & Benson, LLP  
3200 Wells Fargo Center  
1700 Lincoln Street  
Denver, CO 80203  
303.607.3500  
nwang@faegre.com

All correspondence, phone calls, facsimiles and emails concerning this newsletter, as well as advertising submissions should be directed to Nina Y. Wang at [nwang@faegre.com](mailto:nwang@faegre.com).