

THE TRADEMARK DILUTION REVISION ACT OF 2006

On October 6, 2006, President George W. Bush signed into law the Federal Trademark Dilution Act of 2006 (FTDA). This law, effective immediately, clarifies 15 U.S.C. § 1125(c) (Lanham Act § 43(c)) and largely overturns a textual interpretation by the U.S. Supreme Court of the federal dilution statute in *Moseley v. V. Secret Catalogue, Inc.* Very famous marks are now granted more protection against dilution by tarnishment or blurring, but marks famous in niche markets are not excluded from the scope of protection.

Moseley v. V. Secret Catalogue, Inc., 537 U.S. 418 (2003)

Victor and Cathy Moseley owned and operate a retail store named Victor's Secret in a strip mall in Elizabethtown, Kentucky. Their 1998 Valentine's Day advertisement to the nearby military installation Fort Knox included Victor's Secret women's intimate lingerie. V. Secret Catalogue, Inc., owner of the famous trademark VICTORIA'S SECRET, became aware of this use and requested immediate discontinuance of sales under this mark. The Moseleys proposed to change their store name to Victor's Little Secret, but V. Secret Catalogue, Inc. filed suit in District Court two months after the brochure was sent out.

The District Court was unable to find any evidence of actual confusion between the marks or blurring of the VICTORIA'S SECRET mark by the Moseleys. Nevertheless, the Court enjoined Victor's Secret from selling lingerie¹ on the basis that it caused dilution of the distinctive quality of VICTORIA'S SECRET.² The

Court of Appeals for the Sixth Circuit affirmed, finding that this was a classic instance of dilution by tarnishment when VICTORIA'S SECRET was associated with sex toys and lewd coffee mugs.³ The Sixth Circuit refused to follow the Fourth Circuit's test requiring proof of actual economic harm be shown by lessening the selling power of the famous mark.⁴ Instead, it found that only likelihood of dilution was required to sustain a cause of action. Because of this split in the interpretation of the Lanham Act, the Supreme Court granted *certiorari* and unanimously reversed the Sixth Circuit 'likelihood of dilution' test. The high court held that most state statutes require a likelihood of confusion between the marks—a lower threshold—while the federal statute required "use of a mark or trade name if that use causes dilution of the distinctive quality."⁵ Here, no cause of action could be maintained since there was simply no evidence that any military personnel at Fort Knox who received the VICTOR'S SECRET advertising were sufficiently influenced to "lessen the capacity of the famous mark [VICTORIA'S SECRET] to identify and distinguish the goods or services."⁶

The Federal Trademark Dilution Act of 2006 (FTDA)

The adopted language of the FTDA of 2006 is now explicit:

INJUNCTIVE RELIEF—Subject to the principles of equity, the owner of a famous mark that is distinctive, inherently or through acquired distinctiveness, shall be entitled to an injunction against another person who, at any time after the owner's mark has become famous, commences use of a mark or trade

name in commerce that is likely to cause dilution by blurring or dilution by tarnishment of the famous mark, *regardless of the presence or absence of actual or likely confusion, or competition, or of actual economic injury.*⁷

The Moseleys' use of VICTOR'S SECRET, even without confusion, competition, or actual economic injury, is now prohibited. The FTDA of 2006 introduces (a) a likelihood of confusion standard applied to dilution, (b) a means to stop dilution at inception, (c) a better definition of which marks qualify as famous, (d) an express cause of action against tarnishment, and (e) a limited fair use defense.⁸ The law specifies that famous marks need not only have famous recognition in their own niche market, they must also have achieved widespread fame among the general public.⁹ Understandably fewer marks may now claim protection under the FTDA of 2006.

State Dilution Rights v. the New FTDA of 2006

One author¹⁰ believes that Congress has reached a balance in the Act between trademarks and free speech by limiting dilution to truly famous marks in only commercial uses that do not impede free speech. We believe that the change in the definition of which marks qualify for protection has changed the balance between the Federal Dilution Act, and State Dilution Acts.

In niche markets, where only a small fraction of the population has access to a mark, market leaders no longer benefit from federal protection absent general public recognition. ORCA,¹¹ for example, a leading supplier of wetsuits for triathlons, is well known and even famous to practitioners of this sport but has very limited general public recognition, which prevents it from claiming protection under the FTDA of 2006. State statutes do not take the restrictive position of the FTDA of 2006.¹² The Illinois Dilution Act, for example, specifically provides that "the degree of recognition of the mark in the trading areas and channels of trade in this State used by the mark's owner and the person against whom the injunction is sought"¹³ is a factor in

determining if a mark is famous and protection can be obtained. In the above example, while ORCA is no longer entitled to federal protection under the dilution statute, protection is likely under state law.

Conclusion

Very famous marks of general public recognition have been given more power to act under the FTDA of 2006, a power already given to these marks under numerous state statutes. Owners of famous marks have been given one more tool in their arsenal against new emerging marks. Other marks famous only in niche markets without general public recognition must now exclusively rely on state statutes to protect against blurring and tarnishment.

¹ Civ. Action No. 3:98CV-395-S (WD Ky., Feb. 9, 2000).

² U.S. Reg. No. 1,149,199.

³ Moseley v. V. Secret Catalogue, Inc., 259 F.3d 464, 477 (2001).

⁴ Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev., 170 F.3d 449 (1999).

⁵ 15 U.S.C. § 1125(c)(1) (emphasis added).

⁶ 15 U.S.C. § 1127.

⁷ 15 U.S.C. § 1125(c)(1) (emphasis added).

⁸ 15 U.S.C. § 1125(c)(3)(A).

⁹ 15 U.S.C. § 1125(c)(2)(A).

¹⁰ Sally M. Abel, Chair of the Trademark Group at Fenwick & West LLP, Trademark World #193, December 2006 / January 2007 issue, pp. 20–21 at www.ipworld.com.

¹¹ U.S. Reg. No. 2,894,082.

¹² 765 ILCS § 1036/65.

¹³ 765 ILCS § 1036/65(a)(6).

VEDDER PRICE ADDS NEW ATTORNEYS TO INTELLECTUAL PROPERTY GROUP

W. Dennis Drehkoff has joined the firm's Intellectual Property Group. He is Of Counsel to the Firm. Mr. Drehkoff specializes in chemical and life-sciences patent and trademark prosecution and related litigation. He has broad experience serving as patent counsel for Kraft, Inc. and general patent counsel for Fujisawa USA, Inc., a multinational pharmaceutical company. Mr. Drehkoff has particular expertise in patent

preparation and prosecution related to chemicals, pharmaceuticals (cardiovascular treatments, cox-2 inhibitors, contraceptives, etc.), chemical processes, carbohydrate chemistry, polymers, molecular biology, dental compositions and devices, microbiology, medical products, adhesives, communications, food technology, tissue engineering, adult stem cells, and plant materials. He has provided life-cycle management guidance for single-source pharmaceuticals, including analysis and assessment for extending FDA periods of exclusivity and supplemental patent protection during product life. With multisource pharmaceuticals, he has performed analysis of FDA-listed patents and provided infringement and/or invalidity opinions. He has also provided recommendations to avoid infringement of FDA-listed patents, assisted in the preparation of abbreviated new drug applications and 510(k) applications. He has obtained orphan drug marketing approval and patent term extensions for pharmaceutical products. He also has extensive foreign patent and trademark experience. He is admitted to practice before the U.S. Patent and Trademark Office and various courts. Mr. Drehkoff is a graduate of the St. Louis College of Pharmacy (B.S., 1969). He received his law degree from the University of Missouri (J.D., 1972).

W. Renick Gaines, II joined Vedder Price as an associate in the Intellectual Property Group in 2006. Mr. Gaines is a graduate of Carnegie Mellon University (B.S., 2003) and a graduate of the University of Dayton School of Law (J.D., *cum laude*, 2006). He is licensed to practice in Illinois.

CASE LAW REVIEW

U.S. SUPREME COURT

SUPREME COURT REVIEWS CASE AND THREATENS TO CHANGE PATENT LAW'S WELL-ESTABLISHED OBVIOUSNESS STANDARD

KSR Int'l Co. v. Teleflex Inc.

(Oral Argument in U.S. Supreme Court heard on
November 28, 2006)

Over a span of many years, the Court of Customs & Patent Appeals and its successor court, the Court of Appeals for the Federal Circuit, clarified the obviousness standard under Section 103 of the Patent Act. Recently, however, the U.S. Supreme Court granted certiorari for an unpublished, non-precedential case coming from the Federal Circuit and now threatens to revise the obviousness standard as it presently stands. Not only could a potential change in the obviousness standard affect how practitioners advise clients in relation to future developments, a potential change could lead previously granted patents, once thought valid, to be found invalid under a new obviousness standard.

Under Section 103 of the Patent Act, "A patent may not be obtained...if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains." The Federal Circuit has stated that when obviousness is based on the teachings of multiple prior art references, the movant must also establish some teaching, suggestion, or motivation that would have led a person of ordinary skill in the art to combine the relevant prior art teachings in the manner claimed. The teaching, suggestion, or motivation to combine prior art references may be found explicitly or implicitly (1) in the prior art references themselves; (2) in the knowledge of those of ordinary skill in the art that certain references, or disclosures in those references, are of special interest or importance in the field; or (3) from

the nature of the problem to be solved, leading inventors to look to references relating to possible solutions to that problem. The Federal Circuit has reasoned that this teaching-suggestion-motivation test (“TSM test”) prevents impermissible hindsight reconstruction, *i.e.*, one cannot just piece together what is known today to show that all of the pieces were there in the past.

The Federal Circuit used the TSM test in deciding the *Teleflex, Inc. v. KSR Int’l Co.*, 119 Fed. Appx. 282 (Fed. Cir. 2005). In this case, the Federal Circuit vacated and remanded the summary judgment decision of the Eastern District of Michigan that the patent claim in suit was invalid based on obviousness. The Federal Circuit held that the district court erred as a matter of law by applying an incomplete TSM test to its obviousness determination.

U.S. Patent No. 6,237,565, the patent in suit owned by Teleflex, is directed toward an adjustable pedal assembly for use with automobiles that are controlled electronically with a device known as an electronic throttle control. The district court explained, among other things, that U.S. Patent No. 5,010,782 (“Asano”) disclosed all of the structural limitations of the claim at issue with the exception of the electronic control. Since electronic controls were well known in the art, the district court concluded that a person of ordinary skill in the art would have been motivated to combine Asano and electronic control references and therefore granted KSR’s motion for summary judgment of invalidity by reason of obviousness. The Federal Circuit found that the district court was required, yet failed, to make specific findings as to a suggestion or motivation to attach an electronic control to the support bracket of the Asano assembly.

More specifically, the Federal Circuit noted that the Asano patent did not address the same problem as the patent in suit. For example, the patent in suit had the objective of creating a smaller, less complex, and less expensive electronic pedal assembly. The Asano patent, on the other hand, was directed to solving the problem of creating an assembly where the force required to depress the pedal remains constant irrespective of the position of the pedal on the assembly. Because the

district court did not address how the Asano patent addresses the problem to be solved by the patent in suit, the Federal Circuit held that the district court failed to provide a sufficient motivation to combine references and that summary judgment was therefore improper.

While the Federal Circuit’s decision in the *Teleflex* case appears relatively consistent with recent Federal Circuit jurisprudence, this case now sits in the spotlight because the U.S. Supreme Court granted review of the case—*Teleflex* is the first obviousness case the Supreme Court has heard since *Sakraida v. Ag Pro, Inc.* in 1976 (holding a combination that only unites old elements with no change in their respective functions is precluded from patentability under 103(a)), which was six years before the formation of the Federal Circuit. While the question presented before the Supreme Court is relatively narrow in asking only “whether the Federal Circuit erred in holding that a claimed invention cannot be held ‘obvious’...in the absence of some proven ‘teaching, suggestion or motivation’ that would have led a person of ordinary skill in the art to combine the relevant prior art teachings in the manner claimed,” the Supreme Court will likely take this opportunity to explicitly address what is nonobvious subject matter under Section 103 of the Patent Act.

In KSR’s Petition for a Writ of Certiorari, KSR argued that the Federal Circuit departed from the Supreme Court’s precedents construing Section 103 of the Patent Act and added additional hurdles to find an invention obvious. KSR argues that Supreme Court precedent sets out that the uniting of old elements is obvious unless the combination of the old elements produces a new or different function or demonstrates a “synergistic result.” KSR further argues that the Federal Circuit’s interpretation of Section 103 now forces a challenger to prove with evidence some suggestion, teaching, or motivation that would have led a person of ordinary skill in the art to combine the relevant prior art teachings in the particular manner claimed, which, according to KSR, places a higher burden on those challenging patentability and allows obvious inventions, as defined by the Patent Act, to acquire patent protection.

In Teleflex's Brief, Teleflex argues, among other things, that the TSM test is necessary to prevent hindsight reconstruction by accused infringers who "try to use the patent-in-suit as a guide through the maze of prior art references, combing the right references in the right way so as to achieve the result of the claims in suit." Teleflex argues that the TSM test is consistent with Supreme Court precedent and also alludes to the fact that the Supreme Court has continuously denied hearing numerous other cases applying the Federal Circuit's TSM standard.

Speculation among commentators suggests that the Supreme Court's decision in this case is likely to change the obviousness standard that has developed in the Federal Circuit over the past 25 years. The Court heard oral arguments on November 28, 2006, and the Supreme Court may have a decision in this case as early as February 2007. Practitioners are certain to keep a close eye on this case because the outcome may not only affect the arguments one must make to obtain a patent; it may also affect future litigation involving patents that have already issued.

SUPREME COURT OVERTURNS FEDERAL CIRCUIT RULE THAT A PATENT LICENSEE MUST BREACH THE LICENSE AGREEMENT BEFORE SEEKING A DECLARATORY JUDGMENT THAT THE PATENT IS UNENFORCEABLE

MedImmune, Inc. v. Genentech, Inc.
(U.S. Supreme Court – January 9, 2007)

Under Federal Circuit law, a patent licensee must breach a license agreement before it can challenge the validity of the patent for which it has a license. This rule, which the Federal Circuit reasoned is necessary because of the "case and controversy" requirement under Article III of the Constitution, has placed patent licensees in a very tough position: either keep paying license fees for a technology that the licensee may feel is not deserving of a patent OR breach the license and seek a declaratory judgment. If the licensee chooses to breach the license agreement while continuing to use the patented technology and then loses a challenge of

the patent's validity, the licensee may have to pay treble damages and may lose the right to use the patented technology, which could be devastating if the licensee depends on the technology for its business.

The U.S. Supreme Court recently helped patent licensees by holding that a patent licensee is not required, insofar as Article III is concerned, to break a license agreement before seeking a declaratory judgment in federal court that the underlying patent is invalid, unenforceable, or not infringed. Nevertheless, the decision still leaves many issues and questions unanswered.

For example, the Supreme Court reasoned, "Promising to pay royalties on patents that have not been held invalid does not amount to a promise *not to seek* a holding of their invalidity." Thus, if a license agreement *did* contain a clause in which the patent licensee promised not to seek a holding that the patent is invalid, a court could determine that such a clause is either enforceable or invalid on its face.

If such a clause is held enforceable, patent holders are likely to begin demanding that licensees promise not to contest the validity of the licensed patents. Of course, this would not assist patent holders that already have license agreements. If a covenant not to contest the validity of the patent is not enforceable, practitioners are likely to look for other means to encourage licensees not to contest the validity of a licensed patent. For example, if a licensee pays a one-time license fee upfront, the licensee is less likely to challenge the patent's validity because the licensee has no further obligation.

This Supreme Court decision has arguably shifted the status quo in favor of licensees, which may, among other things, cause patentees to demand higher royalties to license their patented technologies. Before this decision, a licensee had to take a larger risk if it desired to challenge a patent and continue using the patented technology. First, the licensee had to breach the license agreement. If the licensee won the validity challenge, it would have gained what it sought—the right to use the technology without paying royalties. If, however, the licensee lost the validity challenge, the licensee could have faced treble damages and lost its right to use the

patented technology. In view of *MedImmune*, however, a licensee may now conceivably challenge a patent's validity with nothing to lose other than litigation costs while possibly gaining the right to use the technology without having to pay royalties.

FEDERAL CIRCUIT

FEDERAL CIRCUIT PANEL ALTERS DESIGN PATENT INFRINGEMENT POINT OF NOVELTY TEST?

Lawman Armor Corp. v. Winner Int'l, LLC (Fed. Cir. 2006)

According to the Court of Appeals for the Federal Circuit, a unique combination of non-novel, alleged points of novelty is not, by itself, sufficient to satisfy the point of novelty test in a design patent infringement litigation.

In a design patent dispute, the court applies two tests to determine infringement: the ordinary observer test and the point of novelty test. During application of the ordinary observer test, the two designs are compared from the perspective of an ordinary observer to “determine whether the patented design as a whole is substantially the same as the accused design.” The point of novelty test requires the court to decide whether the accused design or device incorporates one or more of the patented design's points of novelty, *i.e.*, that portion of the design that distinguishes it from the prior art.

On a motion for summary judgment of non-infringement, the district court held that, while factual issues prevented judgment under the ordinary observer test, each of the patentee's alleged points of novelty were found in the prior art. Without a distinguishing point of novelty, and thus no material issue of fact regarding the point of novelty test, the court ruled in favor of the accused infringer and entered judgment of non-infringement.

On appeal before the Federal Circuit, the patentee argued, among other things, that the district court failed

to consider a ninth point of novelty: the combination of the eight alleged points of novelty in a single design. Literally interpreting the requirements of the point of novelty test, the Federal Circuit reasoned that “[n]ew designs frequently involve only relatively small changes in the shape, size, placement, or color of elements of old designs. It is those changes in and departures from the old designs that constitute the ‘points of novelty’ in the patented new design.” The Court then swept aside the patentee's theory of infringement, noting that the theory, if accepted, would “virtually...eliminate the significance of the points of novelty test” and allow patent protection for designs that do not incorporate significant changes from the prior art.

After the Court affirmed judgment of non-infringement, the patentee filed a petition for rehearing and rehearing *en banc*. While the Court denied the combined petition, Judge Newman wrote separately dissenting from the decision not to rehear the case *en banc*. Therein, Newman stated that the panel's opinion was contrary to the weight of Federal Circuit precedent. Citing previous case law and *amici* briefs, Newman explained that many design patents are examined and granted on the basis that their overall appearance constitutes a point of novelty. In view of this alleged inconsistency and without reconciliation by the entire Court, Justice Newman warned that the panel's decision would have “highly disruptive consequences” and would place design patent law in an “unpredictable limbo.” Because the Federal Circuit has an obligation to resolve direct conflicts when they arise, Newman concluded that the Court should have reheard the case *en banc* to ensure consistent and reliable patent law.

Practice Tip: Having rejected the theory that a design's overall appearance may serve as its point of novelty, the Federal Circuit may have inadvertently placed design patent law in a state of limbo. As a result, design patent applicants and owners should heed the opinion above and offer specific points of novelty when prosecuting an application before the U.S. Patent Office and when asserting rights against an alleged infringer. With previous precedent not specifically overruled, however, it is still wise to affirmatively state that the combination of one or more features is also believed to constitute a point of novelty.

**FEDERAL CIRCUIT SETTLES INTRA-CIRCUIT SPLIT ON
SCOPE OF WORK-PRODUCT WAIVER**

***In re EchoStar Communications Corp.*
(Fed. Cir. 2006)**

According to the Federal Circuit, work-product not communicated to the client and work-product that does not memorialize a communication between an attorney and his client is generally immune from discovery following waiver of the attorney-client privilege and work-product doctrine. Traditional work-product communicated to the client and work-product memorializing a communication to a client, however, is generally discoverable.

After being charged as a willful infringer in a patent infringement suit, EchoStar waived its general privilege against discovery of attorney-client communications and attorney work-product by asserting a reliance on advice of counsel. Consequently, the district court ordered EchoStar to produce all work-product documents prepared by outside counsel regarding the infringement, including those that were never communicated to EchoStar. According to the district court, the rationale for its broad waiver was to encourage only "infringers who prudently and sincerely sought competent advice from competent counsel" to assert the advice of counsel defense. In response, EchoStar petitioned the Federal Circuit to challenge the scope of the order.

Before vacating the district court's order, the Federal Circuit explained that an item or matter is discoverable if it is not privileged and if it is relevant to a claim or defense of a party. In order to promote open communication between an attorney and his client, the attorney-client privilege protects communications from discovery if "made for the purpose of obtaining legal advice." However, the attorney-client privilege is waived when a party relies on the advice of counsel to avoid a claim of willful infringement. The scope of the waiver allows for the discoverability of all communications regarding the same subject matter.

Similarly, the work-product or immunity creates a zone of privacy and protects tangible things such as memos, letters, e-mails and other documents created by an attorney in preparation of litigation that are otherwise nonprivileged and relevant. The basis for the protection is to protect counsel's thought processes and legal recommendations from their opponent. Like the attorney-client privilege, the immunity is waived when, for example, a party waives its immunity or when an opponent demonstrates that it substantially needs the material to prepare its case and cannot otherwise obtain the material without undue hardship. However, unlike the attorney-client privilege, the discoverability of attorney work-product is limited to factual and non-opinion work-product. An adverse party is not permitted discovery of "mental impressions, conclusions, opinions, or legal theories of an attorney or other representative."

The Federal Circuit noted that three types of attorney work-product exist: (1) documents that include a communication between attorney and client such as a traditional infringement opinion letter; (2) documents containing analysis of legal standards and rules and other mental impressions of an attorney that are not communicated to the client; and (3) documents that were not themselves communicated to the client but otherwise memorialize a communication between attorney and client. Assuming that each type of attorney work-product contains information with regard to the appropriate subject matter of the case, the Court explained that only the first and the third categories

are discoverable following waiver of the work-product immunity.

More specifically, the Court noted that the first type of work-product, *e.g.*, a document communicated to a client, is properly discoverable subsequent waiver of the attorney-client privilege and attorney work-product immunity. The second type of work-product, *e.g.*, a non-communicated document, is not discoverable and “deserves the highest protection from disclosure” because it does not “inform the court of the infringer’s state of mind.” With respect to the third type of work-product, *e.g.*, a document memorializing a communication, the Court reasoned that, even if such a document does not discuss the substance of the referenced communication, it is discoverable to inform opposing parties as to what might have been communicated to the infringer. The court warned, however, that the waiver is not absolute and that the discoverability of work-product is limited to protect an attorney’s mental impressions and legal analysis when not communicated to the client.

In addition to granting the petition, the Court further explained that there is no meaningful distinction between reliance on in-house counsel and reliance on outside counsel. “Whether counsel is employed by the client or hired by outside contract, the offered advice of opinion is advice of counsel or an opinion of counsel.”

Practice Tip: It is prudent to obtain the advice of competent counsel during product development and deployment, and also when presented with a cease and desist or royalty demand letter. Communications (oral and written) and documents referencing such communications between counsel and client will only be discoverable if the defense of advice of counsel is asserted during trial. Importantly, all other work-product shall generally remain undiscoverable to protect an attorney’s mental impressions, analysis and trial strategy. Patent owners and their counsel should therefore carefully consider what needs to be communicated between the two in advance of potential litigation.

**DELAY, BY ITSELF, IS NOT INDICATIVE OF SUPPRESSION
OR CONCEALMENT**

***Flex-Rest, LLC v. Steelcase Inc.*
(Fed. Cir. 2006)**

Where an inventor, after conception and reduction to practice of his invention, files a patent application and commercializes the invention within six and one-half months, she cannot, without more, be held to have suppressed or otherwise concealed it as that term is used by the Patent Act. This remains true even if the inventor maintained the invention in secret while preparing the patent application and while preparing the device for commercialization.

Under the Patent Act, “a person shall be entitled to a patent unless...before such person’s invention thereof, the invention was made in this country by another inventor who had not abandoned, suppressed, or concealed it.” 35 U.S.C. § 102(g). In the instant patent infringement case, the main issue for trial was whether defendant’s device, previously conceived and reduced to practice anticipated plaintiff’s patent or whether the device qualified as prior art for purposes of rendering the patent invalid as being obvious. In other words, was defendant’s device suppressed or concealed and thus unavailable to be used to invalidate plaintiff’s patent? The trial court held for the defendant while noting that the plaintiff failed to proffer sufficient evidence for a reasonable jury to find suppression or concealment by the defendant.

On appeal, the Court of Appeals for the Federal Circuit agreed while noting that there are two types of suppression or concealment: (1) cases of intentional suppression or concealment and (2) cases where the court infers suppression or concealment based on an unreasonable delay in publicly disclosing the invention. Addressing the first type, the Court noted that the only evidence proffered by the plaintiff to support an intentional suppression or concealment was the six and one-half months it took defendant to file a patent application and commercially disclose its device at a

trade show. According to the Court, the mere passage of time, without evidence of an intent to withhold defendant's device, was not sufficient to support suppression or concealment. Addressing the second type of suppression or concealment, the Court explained that "each case involving the issue of suppression or concealment must be considered on its own particular set of facts" and that "there is no particular length of delay that is *per se* unreasonable." In the instant case, evidence established that defendant's attorney created a first draft of the patent application within four months of conception and reduction to practice. During roughly the same period of time, the defendant resolved design issues and spent three-quarters of a million dollars on necessary equipment tooling for the manufacture of the device. Because the specific delay of defendant was not unreasonable in view of these activities, the decision below was upheld.

Practice Tip: As part of a broader IP strategy, we recommend implementing policies directed toward the timely filing of patent applications and the timely commercialization of patented articles. The Federal Circuit offered some advice in a footnote when it explained that "what constitutes a reasonable time for drafting a patent application will vary with the technology and the particular set of facts involved in each case." In the above case, the patent application covered a keyboard support or clamping system that allowed adjustment of a keyboard (*e.g.*, a computer keyboard) to a negative tilt position. According to this Federal Circuit panel, six months was not unreasonable, by itself, to constitute a suppression or concealment.

**A CANCELLED DISCLOSURE IN A FOREIGN PATENT
FILE MAY CONSTITUTE A PRINTED
PUBLICATION UNDER PATENT ACT**

***Bruckelmyer v. Ground Heaters, Inc.*
(Fed. Cir. 2006)**

Under certain circumstances, the Court of Appeals for the Federal Circuit announced that an enabled disclosure (*e.g.*, an enabled figure) made in a foreign

patent application may constitute a "printed publication" under the Patent Act even if the disclosure is cancelled prior to issuance.

In the instant case, the plaintiff-patentee alleged that a former licensee had infringed his patented method directed to thawing frozen ground so that a layer of concrete can be laid on top of the ground. The accused infringer claimed that the patent was invalid based on two cancelled figures of an issued Canadian patent. While noting that the figures were cancelled prior to issuance of the Canadian patent, the trial court explained that the patent and its application (containing the figures) were available for public inspection at the Canadian Patent Office more than one year before the priority date of the plaintiff-patentee's patent and were therefore sufficiently accessible to constitute a printed publication. Because the plaintiff-patentee stipulated that the figures rendered the claims obvious, the patent was found invalid. The patentee appealed to the Federal Circuit.

On appeal, the Federal Circuit explained that "whether a given reference is a 'printed publication' depends on whether it was 'publicly accessible' during the [appropriate] period. A given reference is 'publicly accessible' upon a satisfactory showing that [it] has been disseminated or otherwise made available to the extent that persons interested and ordinarily skilled in the subject matter or art exercising reasonable diligence, can locate it and recognize and comprehend therefrom the essentials of the claimed invention without need of further research or experimentation." The Court noted that the Canadian patent teaches an alternate use of the disclosed invention: thawing frozen ground in the manner claimed by the plaintiff-patentee. Further, the Canadian patent was classified, indexed, and filed with its application in the Canadian Patent Office. For these reasons, the majority concluded that one having ordinary skill in the art could, while exercising reasonable diligence, use the Canadian patent as a roadmap to locate the cancelled figures in the application.

In dissent, Judge Linn wrote separately to voice his concern that "it is not entirely sound to view the issued [Canadian] patent as a roadmap to the underlying file

history.” Linn explained that, while prosecution history files are regularly examined to assist the public in matters of claim scope, it is generally expected that an issued patent is coextensive with its underlying application from which it originates. Notwithstanding the broad recitation that the Canadian invention could be used to thaw frozen ground, Linn described the fact that its prosecution history contains two cancelled figures as “sheer happenstance.”

After affirming the decision below, petitions to rehear the case and to review the panel decision *en banc* were declined. Judge Newman, however, wrote separately in the denial of the Court’s denial of the petition for rehearing *en banc* and echoed the thrust of Linn’s dissent. Specifically, Newman commented that the cancelled drawings were not available in multiple locations, could not be ordered from the Canadian Patent Office, were not available in any database or any library, and that no index, catalog or abstract suggests their existence or their content. Newman further postulated that one could not reasonably be expected to personally visit the Canadian Patent Office in Hull, Quebec, examine this particular prosecution history on the “off chance that its inventor might have invented something relevant to the search and then cancelled it from the application before grant.”

Practice Tip: While the dissenting opinions in the instant case may appear practical and well reasoned, be aware that the Federal Circuit appears to have broadened the scope of what constitutes a printed publication. Accordingly, when performing patentability searches and preparing invalidity positions, be mindful of any invitation, great or small, in an issued patent (or patent application) to further investigate prosecution histories for cancelled matter that could affect your ability to obtain or enforce your patent rights.

**PRELIMINARY INJUNCTION VACATED DUE TO
SUBSTANTIAL QUESTIONS
OF OBVIOUS-TYPE INVALIDITY**

***Abbott Laboratories v. Andrx Pharm., Inc.*
(Fed. Cir. 2006)**

In Federal tort cases, a plaintiff may seek a preliminary injunction prior to adjudication on the merits to force the defendant to cease a particular activity. In intellectual property cases, a preliminary injunction may prevent the defendant from, among other things, continuing the activity that is alleged to constitute an infringement. In other words, a preliminary injunction is often designed to preserve the status quo of the parties. In the present case, the Federal Circuit held that where a defendant raises a substantial question regarding the validity of an asserted patent, a preliminary injunction may not issue because it necessarily precludes the patentee from establishing a likelihood of success on the merits.

At issue between the parties were two patents generally directed to clarithromycin, a broad spectrum antibiotic from the macrolide family of antibiotics, all of which are derived from erythromycin A. Three of the asserted claims were affiliated with a first patent that described and claimed an extended release formulation of an erythromycin derivative combined with a pharmaceutically acceptable polymer. As taught, the extended release formulation allowed for the ingestion of one pill per day instead of the previously required daily ingestion of two immediate release formulation pills. The fourth asserted claim was affiliated with a second patent that reduced side effects of erythromycin-derived drug formulations using extended release formulations.

In an appeal from the grant of a preliminary, the Court of Appeals for the Federal Circuit revisited the standards for granting and reviewing injunctions as set forth by the Supreme Court of the United States in *eBay v. MercExchange, LLC* (see May 2006 Newsletter) and observed that “the decision to grant or deny . . . injunctive relief is an act of equitable discretion by the district court, reviewable on appeal for abuse of discretion.” Four

factors influence the grant of a preliminary injunction: (1) the plaintiff's likelihood of success on the merits of the litigation; (2) the immediate and irreparable harm the plaintiff will suffer if the injunction is not granted; (3) the balance of hardships with respect to the grant or denial of the injunction; and (4) whether the public interest is best served by the grant of the injunction.

Addressing the first factor, the likelihood of success on the merits, the Federal Circuit explained that "if the defendant raises a substantial question concerning validity, *i.e.*, [.] an invalidity defense that the patentee cannot prove lacks substantial merit[,] then the patentee has not established a likelihood of success on the merits." Put another way, the patent owner must demonstrate that it will withstand the validity challenges raised by the accused infringer to succeed with respect to this factor. Notably, the Federal Circuit set the bar to which a validity challenge must rise at trial to preclude a preliminary injunction lower than the level to which a similar challenge must rise at trial to support a judgment of invalidity. The Court explained that "vulnerability is the issue at the preliminary injunction stage, while validity is the issue at trial. The showing of a substantial question as to invalidity thus requires less proof than the clear and convincing showing necessary to establish invalidity at trial." When applying the above legal framework to each of the four asserted claims, the Federal Circuit concluded that the accused infringer had raised substantial questions as to the validity of each of the four claims. Accordingly, the patent owner had not established a likelihood of success on the merits as to any of the asserted claims; this factor favored the accused infringer.

The Court's analysis of one of the asserted claims warrants further discussion as it shows how an issued patent claim may provide a motivation to combine teachings in the art for purposes of establishing an invalidity position in a preliminary injunction hearing. Specifically, this claim, affiliated with the first patent, required a compound for extended release of an erythromycin derivative in a gastrointestinal environment comprising an erythromycin derivative and an acceptable polymer ("an HPMC-like polymer")

similar to hydroxypropylmethyl cellulose ("HPMC") such that the combination had defined pharmacokinetic parameters that described the effect of oral ingestion on the pharmaceutical and on the body. According to the Federal Circuit, the accused infringer had raised substantial arguments that: (1) by disclosing an extended release formulation of clarithromycin with an alginate polymer, one of patentee's previously issued patents disclosed each claim limitation but the specific HPMC-like polymer; (2) another prior art patent disclosed extended release forms of azithromycin (an antibiotic and compound related to clarithromycin) with HPMC; (3) a claim in the patentee's previously issued patent suggested that azithromycin could be substituted for clarithromycin. Despite the patentee's arguments that a skilled artisan would not be motivated to combine the above teachings with a reasonable expectation of success to obviate the asserted claim, the Court held that, because issued claims are presumed enabled, the accused infringer had raised substantial questions of invalidity based on obviousness. That is, because an issued claim is presumed to be enabled such that a skilled artisan could practice (*i.e.*, make and use) the claimed invention, the accused infringer had raised substantial questions of obvious-type invalidity.

With respect to the second factor, irreparable harm, the Federal Circuit held that, because the patentee failed to establish a likelihood of success on the merits, the patentee was not entitled to a presumption of irreparable harm. Although both parties proffered "speculative" models predicting how the market would react to the introduction of the accused infringer's competing pharmaceutical, the Court found that the patentee failed to show that money damages would not suffice (*e.g.*, it failed to show that it would suffer an irreparable injury). Simultaneously, the Court also found that the accused infringer failed to establish that money damages would suffice. Hence, the factor favored neither party.

As to the third factor, balance of hardships, the Federal Circuit affirmed the trial court's finding that this factor tipped in favor of the patentee because the accused infringer did not appeal this issue. With respect to the public interest factor, the Court also

agreed with the trial court in noting that the public is best served by enforcing patents that are likely valid and infringed. However, because the patentee failed to establish a likelihood of success on the merits, the public interest favored the accused infringer and denial of an injunction. Therefore, because two of the factors favored the accused infringer and only one favored the patentee, the Federal Circuit vacated the district court's injunction.

In a dissenting opinion, Judge Newman cautioned that the majority's opinion failed to offer any level of deference to the district court's opinion, as required by Supreme Court precedent, and appeared to constitute a *de novo* review. Because the majority allegedly failed

to discuss any clear error in the district court's decision, Judge Newman asserted that the majority failed to show an abuse of discretion and therefore improperly vacated the preliminary injunction and altered the status quo.

Practice Tip: According to at least one Federal Circuit panel and notwithstanding a patent's presumption of being valid until proved otherwise by clear and convincing evidence, the likelihood of success factor in a preliminary injunction hearing favors a patentee only when it establishes that its asserted claims will withstand the accused infringer's validity challenges. Accordingly, patentees should be prepared to rebut any alleged vulnerabilities raised by an accused infringer during a preliminary injunction hearing.

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We welcome your suggestions for future articles. Please call Angelo J. Bufalino, the Intellectual Property and Technology Practice Chair, at 312-609-7850 with suggested topics, as well as other suggestions or comments concerning materials in this newsletter.

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