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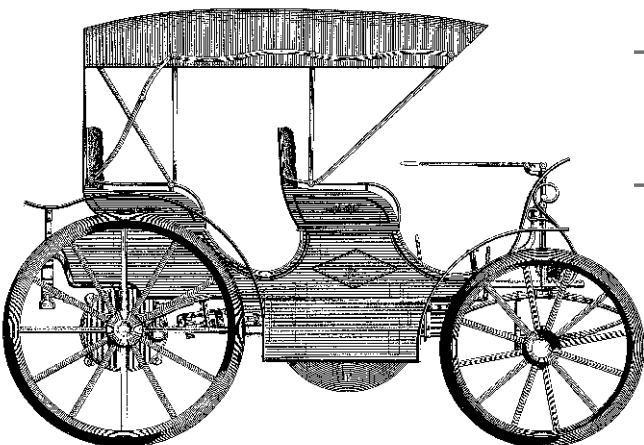
Roughed up: Muscle mag ads affect patentability

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Court defines distinctiveness standard for marks

What makes derivative works copyrightable?



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Roughed up: Muscle mag ads affect patentability

Muscle magazines rarely enter into discussions of patentability. But a recent case involving a nutritional supplement, *Iovate Health Sciences, Inc. v. Bio-Engineered Supplements & Nutrition, Inc.*, turned on several advertisements that ran in a body-building periodical. The court's decision means current and prospective patent holders should probably reconsider the implications of advertisements when it comes to their inventions.

Facing off in court

Iovate is the exclusive licensee of a patent for a nutritional supplement using a keto acid and an amino acid to enhance muscle performance or recovery from fatigue. Iovate sued Bio-Engineered Supplements & Nutrition (BSN), claiming certain BSN products infringed the patent. The products were advertised to enhance muscle strength or resistance to muscle fatigue.



BSN argued that the patent was invalid because the invention was anticipated or rendered obvious by a number of similar supplements advertised in fitness periodicals. The ads included a list of ingredients and

directions for administering the supplement. The district court agreed, finding the invention was anticipated by ads published in *Flex* magazine more than one year before the patent application was originally filed on Nov. 13, 1997.

Weighing the evidence

The U.S. Court of Appeals for the Federal Circuit focused on an ad for Professional Protein, evaluating it through the prism of Section 102(b) of the Patent Act. The provision bars the patenting of an invention that was described (or anticipated) in a printed publication before the critical date — that is, one year before the date of the patent application.

To qualify as a “printed publication,” the ad must have been disseminated or made accessible to persons interested and ordinarily skilled in the subject matter to which the ads related before the critical date of Nov. 13, 1996. The parties didn't dispute that the ad satisfied these criteria, but Iovate argued that the ad wasn't anticipatory. An anticipatory ad must describe each and every claim limitation on the patented invention and enable one skilled in the art to devise an embodiment of the invention without undue experimentation.

The court found that the ad disclosed each and every limitation of Iovate's claims. It revealed that taking a supplement containing the claimed ingredients as advertised is effective for enhancing muscle performance and recovery after exercise.

Iovate's expert witness testified that some terms in the ad weren't synonymous with the terms used in the patent (for example, “promot[ing] muscle synthesis and growth” vs. “enhancing muscle performance”). The court characterized that argument as bordering on frivolous because both the patent and Iovate's infringement allegations referred to

“muscle strength” as a proxy for “enhancing muscle performance.”

The court also found that, when the ad appeared in *Flex* in June 1996, it enabled someone of skill in the art to devise an embodiment of the claimed invention. Such an individual could simply combine the listed ingredients and administer the composition as indicated by the ad.

Last, the court rejected Iovate’s argument that its patent required administering an effective amount

of the composition. Even if it had, the ad indicated the amount of protein needed, and several other pre-1996 publications disclosed acceptable clinical dosages of the two ingredients.

Supplementing your search

The printed-publication bar typically is applied to inventions disclosed in scientific journals or similar periodicals. The Iovate decision demonstrates that would-be patent holders also must pay attention to advertisements to ensure their inventions are patentable. ○

University learns harsh lesson about assignment agreements

A university that has assignment agreements with its faculty likely expects to own the patents on inventions they produce. Yet, depending on the language in the agreement, that institution of higher learning could be in for a harsh lesson. Case in point: *Bd. of Trustees v. Roche Molecular Sys.*

Course outline

Researchers at Stanford University and Cetus, a private company, developed a technique to measure the effectiveness of antiretroviral drugs used to treat HIV. As the named assignee, Stanford obtained three patents related to the technique.

The Stanford-affiliated researchers had signed a “copyright and patent agreement” (CPA) with a provision whereby they “agree to assign” to Stanford their right, title and interest in the inventions created. One scientist, Dr. Holodniy, also signed a “visitor’s confidentiality agreement” (VCA) with Cetus with a provision stating he “will assign and do hereby assign” his right, title and interest in the inventions to Cetus.

Roche subsequently purchased the division of Cetus that worked on the technique, including the division’s agreements with Stanford and its researchers,



and began manufacturing HIV detection kits. Stanford filed suit against Roche, alleging the kits infringed its patents. Roche asserted that Stanford didn’t have the required standing to bring an infringement claim because Roche actually owned the patents.

Language art

On appeal, the U.S. Court of Appeals for the Federal Circuit explained that the language used in the CPA —

“agree to assign” — reflects a promise to assign rights in the future, not an immediate transfer of expectant interests. In the court’s view, Holodniy agreed only to assign his rights to Stanford at an undetermined time. And the court concluded that Stanford, therefore, didn’t immediately gain title to Holodniy’s inventions as a result of the CPA or at the time the inventions were created.

On the other hand, the VCA’s language — “do hereby assign” — represented a present assignment of his future inventions to Cetus, according to the court, and Cetus immediately gained equitable title to the

inventions. Under the VCA, legal title accrued to Cetus when the invention was made and a patent application filed. At that point, the court concluded, the inventor had nothing left to assign to Stanford.

Let’s review

The lesson of this case? Universities should review both their agreements with affiliated inventors and any collaborative agreements with outside corporations. University administrators may want to enlist counsel to revise their agreements to ensure these arrangements include the appropriate rights, title and interests. ○

Reality check

Court defines distinctiveness standard for marks

A statutory presumption of distinctiveness is a prerequisite for trademark infringement and cybersquatting claims. In *Lahoti v. VeriCheck, Inc.*, the Ninth U.S. Circuit Court of Appeals outlined the legal standard for distinctiveness and made an important ruling regarding the registration of “highly similar marks” by third parties.

Transaction history

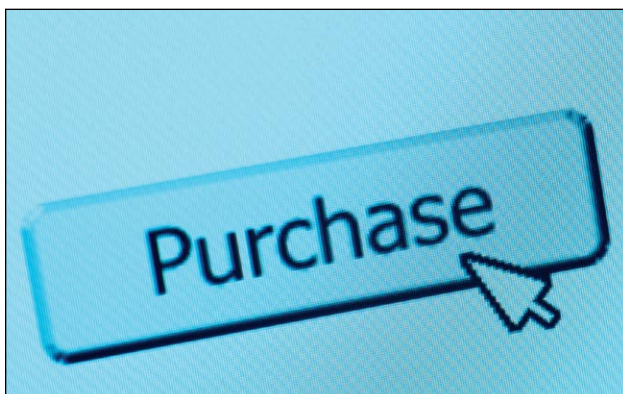
VeriCheck provides electronic transaction processing services, including check verification. It operates a Web site at vericheck.net and owns the domain names vericheck.org, vericheck.cc, vericheck.us and vericheck.biz. VeriCheck secured a Georgia state registration for its service mark, which consisted of

a check mark over the word “VeriCheck,” for use in connection with “check verification and check collection services.”

VeriCheck then attempted to obtain federal registration for its service mark. The U.S. Patent and Trademark Office (PTO), however, denied the application in 2003 because an Arizona company already had registered a “VeriCheck” trademark for use with “check verification services.” That mark expired while this case was pending.

David Lahoti, a self-proclaimed “Internet Entrepreneur,” acquired the vericheck.com domain name in 2003. He claimed he was registering domain names with “veri” because he was considering entering the transaction verification business. However, he never developed such a business. The Web site at vericheck.com redirected visitors to a different site with search results, including links to VeriCheck’s competitors. Lahoti made money when visitors clicked on the links.

In 2004, VeriCheck offered to purchase the domain name from Lahoti. After Lahoti asked for \$72,500 and then \$48,000 for the domain name, negotiations





fizzled. In 2006, Vericheck filed an arbitration complaint pursuant to the Uniform Domain-Name Dispute-Resolution Policy. The arbitrator ordered the transfer of the domain name to Vericheck.

Instead of complying, Lahoti sought a declaratory judgment in district court, saying that he hadn't violated the Lanham Act's cybersquatting or trademark infringement provisions. Vericheck counterclaimed that Lahoti had violated, among other laws, the Federal Trademark Act and the Anticybersquatting Consumer Protection Act (ACPA). The district court determined that the Vericheck mark was inherently distinctive and that Lahoti's use of the Vericheck mark was in bad faith and violated the trademark law and the ACPA. Lahoti appealed, challenging the district court's determination that the Vericheck mark was inherently distinctive.

Definition of distinctive

Under federal law, suggestive, arbitrary or fanciful marks are inherently distinctive for trademark or ACPA purposes. Generic marks or descriptive marks that lack a secondary meaning aren't distinctive.

The primary criterion for distinguishing between a suggestive and a descriptive mark, according to the

Ninth Circuit, is the directness and immediacy of the thought process from the mark to the particular product. A mark is suggestive if a "mental leap" is necessary to reach a conclusion about the nature of the referenced product. Conversely, a mark is descriptive if it defines a specific characteristic of the product in a way that doesn't require any imagination.

A matter of suffixes

On appeal, the Ninth Circuit scrutinized the district court's finding that the Vericheck mark was distinctive. The district court had determined that the Vericheck mark was suggestive in part because the PTO had previously granted federal trademark registration for the third party Arizona mark, which, like the Vericheck mark, consisted solely of a design element around the word "VeriCheck."

The Ninth Circuit acknowledged that courts may defer to the PTO's registration of highly similar marks on distinctiveness but noted that a series of prior registrations could support descriptiveness in some cases. For example, numerous registrations for electronic products of marks with a "-TRONICS" or "-TRONIX" suffix could indicate that the registrants and public regard the suffix as descriptive for electronic products.

A mark is suggestive if a "mental leap" is necessary to reach a conclusion about the nature of the referenced product.

It also cautioned that a third-party registration isn't determinative of distinctiveness if circumstances have materially changed since that registration, or if that third party registration is distinguishable because it combines part of the disputed mark with nondescriptive terms. Ultimately, the Ninth Circuit concluded that the registration of the Arizona mark showed that the PTO regarded "Vericheck" as distinctive.

But the court faulted the district court for requiring the disputed mark to describe all of Vericheck's services to qualify as merely descriptive. The Ninth Circuit held that a mark could be found descriptive without meeting this requirement. The proper inquiry is "whether, when the mark is seen on the goods or services, it immediately conveys information about their nature."

In addition, courts may analyze all components of the mark to determine whether they, taken together, simply describe the goods or services. The district court had held that the disputed mark couldn't be broken down into "veri" and "check" for purposes of a descriptiveness analysis.

Because the district court's distinctiveness finding was partly based on reasoning contrary to federal trademark law, the Ninth Circuit sent it back for reconsideration under the proper standards. Above all, this case highlights how the issue of distinctiveness is fact-based and makes for a tough call. ○

Proving a cybersquatter's bad faith

In *Lahoti v. Vericheck, Inc.* (see main article), the Ninth U.S. Circuit Court of Appeals also reviewed the finding that Lahoti had acted with "a bad faith intent to profit" from the use of the Vericheck mark — a prerequisite to a liability finding under the Anticybersquatting Consumer Protection Act (though not necessarily under the Federal Trademark Act).

The court cited several factors that supported the finding of bad faith. Lahoti had never used the domain name in connection with a bona fide offering of goods and services. Instead, he'd earned income when customers clicked on links on the Web Site — some of which directed them to Vericheck's competitors.

Further, Lahoti had asked for as much as \$72,500 to sell the domain name to Vericheck, even though he'd had no interests associated with the "Vericheck" name. Finally, Lahoti was a repeat cybersquatter who had registered more than 400 domain names (including nissan.org, 1800mattress.com and ebays.com) resembling distinctive or famous trademarks and been admonished by judicial bodies for doing so.

What makes derivative works copyrightable?

Derivative works: Their very name suggests they're somehow inferior. When it comes to copyrights, however, some derivative works are entitled to much of the same protection as original works. Or so clarified the Seventh U.S. Circuit Court of Appeals in *Schrock v. Learning Curve*.

Original sin

HIT Entertainment owns the copyright to the "Thomas & Friends" train characters. It licensed Learning Curve to make toy figures of the characters, and Learning Curve hired Daniel Schrock to take photos of the toys for promotional materials.

Learning Curve used Schrock's services regularly for about four years. After the relationship ended, the company continued to use some of his photos in ads and on packaging. Schrock registered his photos for copyright protection after Learning Curve stopped sending him work and sued the company and HIT for infringement.

The district court granted summary judgment for the defendants, holding that Schrock didn't hold a copyright on the photos. It found that the photos were derivative works of the characters copyrighted by HIT and, thus, Schrock needed permission

from HIT's licensee to copyright them. The Seventh Circuit disagreed.

Copyright origins

While accepting for the purposes of its opinion that the photos were indeed derivative works, the court held that Schrock wasn't required to obtain authorization from Learning Curve to copyright them. As long as he was authorized to make the photos, he owned the copyright on them to the extent of their "incremental original expression."

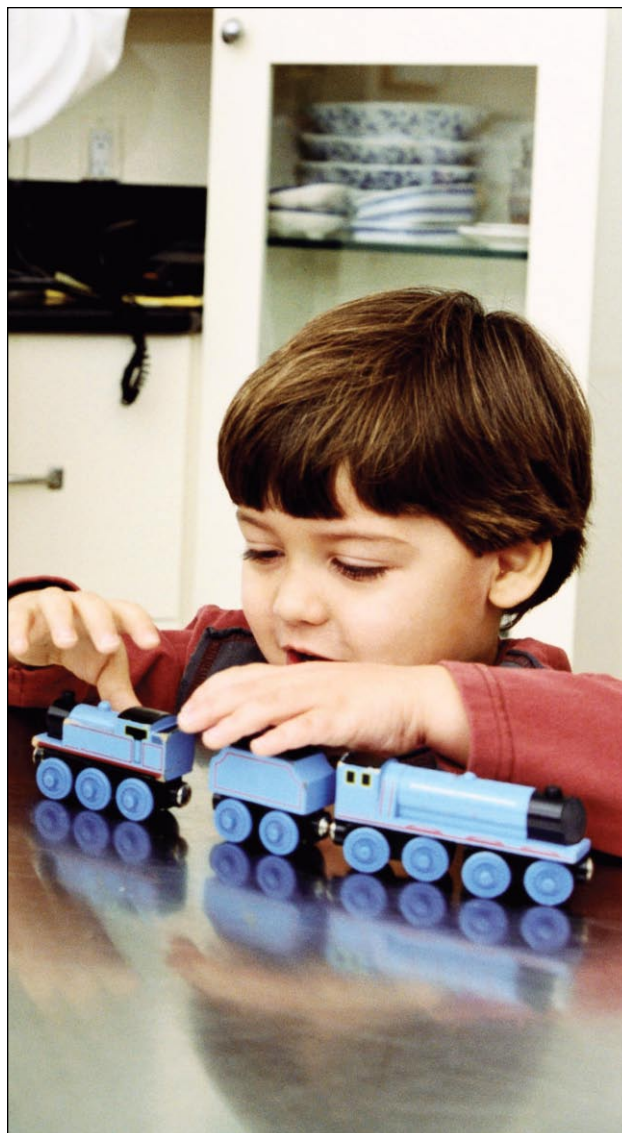
The appellate court explained that copyright in a derivative work arises by operation of law, not through authority from the owner of the copyright in the underlying work. The court noted, however, that the parties can agree to alter this default rule. Because Schrock created the photos with permission, he owned any copyright in the photos absent any alternative arrangement between the parties. Further, the record from the district court was insufficient to determine whether the parties here agreed to alter the default rule or whether Learning Curve had an implied license to continue use of the photos, so the appellate court remanded the case to the district court for further proceedings.

A matter of degree

The court also took the opportunity to tackle some confusion about the degree of originality necessary for a derivative work to become copyrightable. It cited an earlier Seventh Circuit opinion in *Gracen v. Bradford Exchange* that stated "a derivative work must be substantially different from the underlying work to be copyrightable."

The court here declared that the statement doesn't require a heightened standard of originality for copyright in a derivative work, and "nothing in the Copyright Act suggests that derivative works are subject to a more exacting originality requirement than other works of authorship." Rather, the only originality required "is enough expressive variation from the public domain or other existing works to enable the new work to be readily distinguished from its predecessors."

In the context of photos, it's sufficient "if the photographer's rendition of a copyrighted work varies enough from the underlying work to enable the photograph to be distinguished from the underlying



work." Schrock's photos contained minimally sufficient variation in angle, perspective, lighting and dimension to be distinguishable from the underlying works and qualified for copyright protection.

Copy that

Photos of copyrighted works aren't necessarily subject to the same protections as the works themselves. When authorizing a third party to take such photos, copyright holders should protect their rights by contract. ○

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