

IPLS PROCEEDINGS

STATE BAR OF MICHIGAN

View from the Chair

Members:

As the new Chair of the Intellectual Property Law Section & Council, I am proud to report that the Council and the Institute of Continuing Legal Education (ICLE) have weathered the Covid storm and for the first time since 2019, both our spring and summer programs will be held in person. I would like to thank the previous Chair, Matthew Kendall, as well as ICLE and former council members Mary Margaret O'Donnell and Elizabeth Brock, for their contributions over these past few challenging years. Please mark your calendars for these upcoming events:

- **Spring Seminar** – Thursday, March 2, 2023 - Kellogg Center, East Lansing. We have lined up some exciting national and international speakers to present on timely topics and we hope you can all join us.
- **48th Annual IP Law Institute** – July 20-22, 2023 - Grand Hotel, Mackinac Island. Information will soon be sent out to all members, including programming and information on reserving rooms using our block rates.

In addition to planning our educational seminars, the Council has been busy working on Diversity, Equity and Inclusion (DEI) initiatives, including how we can reach out to high school and younger aged students to educate them about careers in IP. To that end, I am happy to report that the IP Section will be a sponsor at four robotics competitions held throughout Michigan in 2023, including the Calvin University Robotics Competition, the Bloomfield Girls Robotics Competition, the Rainbow Rumble and the Grand Rapids Girls Robotics Competition. We have also partnered with the COMETS 3357 Robotics Team to award a number of scholarships to students interested in IP careers who are participating in each of these competitions. Please contact Stuart Atwater (stu@atwaterattorneys.com) if you would like to get involved.

Other continuing initiatives include IPLS' support of the Michigan Pro Bono Patent Project which makes it easy to provide meaningful assistance to patent pro bono clients. It can also be a great training experience for newer patent attorneys and agents. Please contact David Willoughby (david.willoughby@gm.com) if you have any questions or if you would like to volunteer.

In addition, over the past few years IPLS has begun the process of establishing endowed scholarships at our law schools here in Michigan. In addition to the current scholarships at Wayne State University and Michigan State University, I am happy to report that we have now also established a scholarship at the University of Detroit

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IN THIS ISSUE

View from the Chair	1
Upcoming Events	2
AI and Copyright Protection: Brains versus Bots	3
Recent Decisions on Patent Prosecution Bars.....	5
Blockchain, Cryptocurrency and NFTs: Metaverse Technologies in US Trademark Applications.....	8
Including a Description of Technical Advantages During Patent Application Drafting May Help Patent Eligibility.....	11

Continued on next page

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Intellectual Property Law Section
State Bar of Michigan

View from the Chair

Continued from page 1

Mercy. We are currently in the process of creating links on our State Bar website that will allow our members to make their own contributions to these endowments if they are interested.

In closing, I would like to give a great big “thank you” to you, all of our members, for your continued support as we adapted our programming the past few years to try to continue to meet your needs. We are so happy to be back in person and I can’t wait to see you all in East Lansing and on Mackinac.

--Kimberly A. Berger

Upcoming Events

Intellectual Property Law Spring Seminar 2023

Live March 02, 2023, Kellogg Center, East Lansing

Join us in person for critical updates, expert insight from local and international IP leaders, and interactive discussions. There's something for everyone, whether you specialize in patent or trademark law. Gain strategies to protect brands from counterfeiters in both the real world and the metaverse. Grasp key differences between the Chinese and U.S. trademark systems and how they impact business. Decide whether to use Europe's new Unitary Patent System or avoid it.

You will be able to:


- Uncover the top 10 things in-house lawyers want outside counsel to know
- Understand the new procedures and changes brought by patent reform initiatives
- Employ effective takedown strategies involving trademarks in China
- Effectively opt in or out of the Unitary Patent System

To register, go to [ICLE | Intellectual Property Law Spring Seminar 2023](#) or call 877-229-4350. We look forward to seeing you there in person!

48th Annual IP Law Summer Institute

July 20-22, 2023, Grand Hotel, Mackinac Island.

SAVE THE DATE! Information will soon be sent out to all members, including programming and information on reserving rooms using our block rates.

Interested in sponsorship opportunities? There's still time to be a sponsor for the IP Law Summer Institute. For more information, go to <https://icle.org/sponsorship/ip/> and contact Lisa Geherin with any additional questions. 

AI and Copyright Protection: Brains versus Bots

By Michael J. Rye and Katherine M. Tassmer

In the past year, the United States Copyright Office (“Office”) has grappled with the registrability of AI-generated works on more than one occasion. On February 14, 2022, the Review Board of the Office affirmed the refusal to register applicant Steven Thaler’s two-dimensional artwork claim in the work titled “A Recent Entrance to Paradise” (“Thaler Work”).¹ Of importance, the Thaler Work “was autonomously created by a computer algorithm running on a machine.”² A few months later in September 2022, however, news broke that Kristina Kashtanova received Copyright Reg. No. VAu001480196 for a comic book titled “Zarya of the Dawn” that features artwork generated by the artificial intelligence (“AI”) program Midjourney (“Kashtanova Work”). In October 2022, the Office initiated cancellation of the Kashtanova Work on the basis that “the information in [her] application was incorrect or, at a minimum, substantively incomplete” with concern centering on human authorship.³ This article will analyze these two Office decisions and potential implications going forward.

Human Authorship

According to the Office, “[u]nder the copyright law, the creator of the original expression in a work is its author.”⁴ The Copyright Act does not define “author.”⁵ However, the Office *Compendium* – the practice manual for the Office – makes clear, “[t]he U.S. Copyright Office will register an original work of authorship, provided that the work was created by a human being.”^{6,7} In discussing works that lack human authorship, the Office goes on to state,

“...the Office will not register works produced by a machine or mere mechanical process that operates randomly or automatically *without any creative input or intervention from a human author*. The crucial question is ‘whether the ‘work’ is basically one of human authorship, *with the computer [or other device] merely being an assisting instrument*, or whether the traditional elements of authorship in the work (literary, artistic, or musical expression or elements of selection, arrangement, etc.) were actually conceived and executed not by man but by a machine.”⁸

Thus, the Office will grant copyright registrations produced by a machine or other device, so long as there is sufficient creative input from a human author. What constitutes sufficient creative input in the context of AI, however, is currently undetermined.

Degree of Human Creative Input

In its February 2022 refusal of the Thaler Work, the Review Board of the Office stated, “[t]he Board accepts as a threshold matter Thaler’s representation that the Work was autonomously created by artificial intelligence without any creative contribution from a human actor.”⁹ Thus, the Thaler Work had admittedly *zero* human creative input. As the Thaler Work did not assert creation with contribution from a human author, the Review Board of the Office “[did] not need to determine under what circumstances human involvement in the creation of machine-generated works would meet the statutory criteria for copyright protection.”¹⁰

The Office is now squarely faced with making this determination with respect to the Kashtanova Work. On November 21, 2022, counsel for Kashtanova submitted a response to the Office’s initiation of cancellation of the Kashtanova Work. Arguments of significant creative input from Kashtanova were advanced with the aim of demonstrating human authorship. Namely, each image of the Kashtanova Work allegedly took Kashtanova hours to finalize and the time from conception to creation took over a year.¹¹ Kashtanova consciously chose, “[t]he visual structure of each image, the selection of the poses and points of view, and the juxtaposition of the various visual elements within each picture....”¹² Further, Kashtanova composed unique sets of inputs that included hundreds or thousands of descriptive prompts to guide Midjourney’s generation of images.¹³ “[E]ach final image in the Work was not the result of a single creative input. Kashtanova painstakingly shaped each set of inputs and prompts over hundreds of iterations to create as perfect a rendition of her vision as possible.”¹⁴

In addition to emphasizing the human authorship aspects of the Kashtanova Work, Midjourney was strategically characterized as a tool (i.e., an assisting instrument). As aptly noted, the use of computer-based tools – such as the program Adobe Photoshop – is allowed by the Office when registering works and is recognized by courts when analyzing the

validity of copyrights.¹⁵ Kashtanova argued that use of the Midjourney image generation service is “no different.”¹⁶

Implications from the Kashtanova Work

Whether the Office affirms registration of the Kashtanova Work is yet to be seen. Regardless of the outcome, the implications that will result from the Office’s decision will provide insight into copyrightability of AI-generated art going forward. Specifically, the decision will shed light on the requisite level of creative input human authors need to have when creating works with AI image generation systems in order to meet the Office’s human authorship requirement. Moreover, practitioners and applicants alike will likely glean valuable intel about the amount of documentary evidence needed to demonstrate sufficient creative input from human authors to the Office.

Other Considerations for AI Image Copyright Protection

While Kashtanova did not develop the underlying AI image generation system used to create the Kashtanova Work, it should be noted that other avenues may exist to protect computer generated images if the underlying software or computer program that created the images is protected by copyright. The Ninth Circuit has recently noted “authorities...suggest that the copyright protection afforded a computer program may extend to the program’s output if the program ‘does the lion’s share of the work’ in creating the output and the user’s role is so ‘marginal’ that the output reflects the program’s contents.”¹⁷ Other federal courts have also applied the *Torah Soft* test in recent decisions.¹⁸ Whether images generated by a particular AI image generation system “reflect the program’s contents” is a determination that will need to be made on a case-by-case basis.

Moreover, the *Compendium* provides that where an “applicant states ‘computer program’ in the Author Created/ New Material Included fields or in spaces 2 and 6(b), the registration will cover the copyrightable expression in the program code and any copyrightable screen displays that may be generated by that code, even if the applicant did not mention the screen displays and even if the deposit copy(ies) do not contain any screen displays.”¹⁹

Conclusion

As a result of the registration of the Kashtanova Work, the Office may soon determine the level of human involvement in the creation of machine-generated works that meet the statutory criteria for copyright protection. In the interim, it is recommended that users of AI image generation systems thoroughly document the steps and their involvement in the creation of their work in the event copyright protection is ever sought. ?

About the Authors



Katherine Tassmer is a Litigation Associate at Cantor Colburn, where she assists clients with an array of intellectual property infringement and enforcement actions as well as transactional matters. She has experience in pharmaceutical litigation under the Hatch-Waxman Act, trademark litigation involving trade dress and unfair competition and false advertising, copyright litigation, and proceedings before administrative bodies, including the World Intellectual Property Organization with respect to domain name disputes. Katherine works with clients to draft various intellectual property agreements, including non-disclosure agreements, trademark consent agreements, license agreements, manufacturing and supply agreements, settlement agreements, and the like. She also has experience assisting with post-grant proceedings before the United States Patent and Trademark Office Patent Trial and Appeal Board and proceedings before the Trademark Trial and Appeal Board. Katherine is knowledgeable in all phases of intellectual property litigation, from case inception through trial, and is well-versed in all aspects of electronic discovery.



Michael Rye is a Partner at Cantor Colburn, where he co-chairs the Litigation Practice Group and chairs the Copyright Litigation Practice Group. He is a trial lawyer of more than 20 years’ experience whose varied intellectual property litigation practice runs the gamut of litigation from injunction hearings through appeal for domestic and international clients in a wide variety of industries, which often involve complex technologies. His command of the legal process involves understanding the written rules and procedures as well as the unwritten rules. He has a proven ability to solve complex legal problems through strategic planning and preparation. Mike’s practice emphasizes patent litigation, but often involves trademark, trade dress, copyright, trade secrets, unfair competition, false advertising, licensing, and other related commercial and business litigation. Mike has acted as lead litigation counsel in courts throughout the United States, including multi-district litigation and numerous Federal District courts.

Endnotes

- 1 <https://www.copyright.gov/rulings-filings/review-board/docs/a-recent-entrance-to-paradise.pdf>.
- 2 *Id.*

- 3 Van Lindberg, *Fighting for the Author of AI-Assisted Art* (Nov. 30, 2022), <https://www.linkedin.com/pulse/fighting-author-ai-assisted-art-van-lindberg/> and https://drive.google.com/file/d/1Idhn8eb9t883mm_U4CxAAQQAANTI7UTX/view (“Response Letter”).
- 4 <https://www.copyright.gov/help/faq/faq-definitions.html>
- 5 See 17 U.S.C. § 101.
- 6 U.S. COPYRIGHT OFFICE, COMPENDIUM OF U.S. COPYRIGHT OFFICE PRACTICES § 306 (3d ed. 2021).
- 7 In its February 14, 2022 Thaler Work refusal letter, the Office stated, “Courts interpreting the Copyright Act, including the Supreme Court, have uniformly limited copyright protection to creations of human authors.” <https://www.copyright.gov/rulings-filings/review-board/docs/a-recent-entrance-to-paradise.pdf> (citing *Burrow-Giles Lithographic Co. v. Sarony*, 111 U.S. 53, 56 (1884)).
- 8 COMPENDIUM (THIRD) § 313.2 (citing U.S. COPYRIGHT OFFICE, REPORT TO THE LIBRARIAN OF CONGRESS BY THE REGISTER OF COPYRIGHTS 5 (1966) (emphasis added)).
- 9 <https://www.copyright.gov/rulings-filings/review-board/docs/a-recent-entrance-to-paradise.pdf>.
- 10 *Id.*
- 11 Response Letter at 3.
- 12 *Id.* at 4.
- 13 *Id.* at 9.
- 14 *Id.* at 10.
- 15 See, e.g., *Desire, Ltd. Liab. Co. v. Manna Textiles, Inc.*, 986 F.3d 1253 (9th Cir. 2021), *reh’g denied en banc*, 2021 U.S. App. LEXIS 8023, *cert. denied*, 142 S. Ct. 343 (2021) (valid copyright created in Adobe Photoshop).
- 16 Response Letter at 11.
- 17 *Design Data Corp. v. Unigate Enter., Inc.*, 847 F.3d 1169, 1173 (9th Cir. 2017) (citing 4 Nimmer on Copyright § 13.03[F] (quoting *Torah Soft Ltd. v. Drosnin*, 136 F. Supp. 2d 276, 283 (S.D.N.Y. 2001))).
- 18 See *Rearden LLC v. Walt Disney Co.*, 293 F. Supp. 3d 963 (N.D. Cal. 2018). See also *Dig. Drilling Data Sys. LLC v. Petrolink Servs.*, No. 4:15-CV-02172, 2018 U.S. Dist. LEXIS 83158, at *20 (S.D. Tex. May 16, 2018).
- 19 COMPENDIUM (THIRD) § 721.10(A).

Recent Decisions on Patent Prosecution Bars

By Jeremiah Foley and Hamad Mirza

Protective orders are often granted in patent litigation to protect the confidentiality of sensitive technical, financial, and business information. Protective orders generally limit the disclosure of such information to particular individuals, such as outside counsel, expert witnesses, and court personnel. In some cases, a patent prosecution bar is granted to prevent an individual who gains access to highly confidential information during a litigation from prosecuting patents directed to similar technologies.

District courts have taken different paths since the Federal Circuit last ruled on patent prosecution bars in 2010. First, district courts are split on the burden of proof the moving party has. Next, some district courts have expanded the definition of competitive decisionmakers to include non-attorneys. Lastly, ten years ago, district courts were nearly unanimous in finding that prosecution bars should not encompass reexaminations and other post-grant review proceedings, like *inter partes* review (IPRs). This is no longer the case.

Background

As one court has stated, “it is very difficult for the human mind to compartmentalize and selectively suppress information once learned, no matter how well-intentioned the effort may be to do so.”¹ Accordingly, parties may request a patent prosecution bar when deemed necessary. Patent prosecution bars are often limited to those documents that are properly marked confidential, such as with the terms “confidential - patent prosecution bar.” Additionally, a patent prosecution bar may only prevent prosecuting patents in a specific technology area and may be limited to a specific time period, such as throughout the duration of the litigation plus one or two years.

In *U.S. Steel Corp. v. United States*, the Court of Appeals for the Federal Circuit explained that patent prosecutions bars should turn on whether the individual is a competitive decisionmaker.² Competitive decisionmaking was defined as “counsel’s activities, associations, and relationship with a

client that are such as to involve counsel's advice and participation in any or all of the client's decisions (pricing, product design, etc.) made in light of similar or corresponding information about a competitor."³

In a more recent seminal case, the Court of Appeals for the Federal Circuit laid out a more detailed framework for when a patent prosecution bar is proper.⁴ First, the confidential information must be relevant to the preparation and prosecution of patent applications before the U.S. Patent and Trademark Office and there must be a risk of inadvertent disclosure or competitive use of the confidential information. For example, confidential information related to new inventions and technology under development that has not been protected by a patent filing may pose a heightened risk of inadvertent disclosure.⁵ Furthermore, the district court must balance the risk of inadvertent disclosure or competitive use against the potential harm to the opposing party's right to have the benefit of counsel of its choice.⁶ To make this determination, courts consider "the extent and duration of counsel's past history in representing the client before the PTO, the degree of the client's reliance and dependence on that past history, and the potential difficulty the client might face if forced to rely on the other counsel for the pending litigation or engage other counsel to represent it before the PTO."⁷ Additional considerations include, "the scope of the activities prohibited by the bar, the duration of the bar, and the definition of the subject matter covered by the bar."⁸

Accordingly, the analysis to determine whether a patent prosecution bar is proper is a counsel-by-counsel fact based analysis that provides district court's a broad degree of discretion. Unfortunately, this framework leaves room for many inconsistencies across district courts.

The Initial Burden Split Among the Districts

The initial burden of the moving party differs between the districts. "A majority require the movant to show that the bar reasonably reflects the risk of inadvertent disclosure of proprietary competitive information and that the bar as applied to specific counsel will prevent the risk of inadvertent disclosure."⁹ "A minority require the movant to show only that a patent prosecution bar is reasonable."¹⁰

The Western District of North Carolina found the minority view to be more consistent with the test laid out in *Deutsche Bank*.¹¹ Citing a 2015 District of New Mexico case, it found that the non-movant possesses the relevant facts as to whether its counsel are competitive decisionmakers, and therefore the burden should fall on the non-movant.¹² Further, it found the majority rule requires a court to complete the competitive decisionmaking inquiry twice.¹³

The majority view has been followed in recent cases. In the past year, both the Western District of Texas and the District of Utah followed this view.¹⁴ Along with the Western

District of North Carolina, in recent years the District of Massachusetts has also followed the minority view.¹⁵

Unless and until this split gets settled by the Federal Circuit, attorneys must be aware of these differing frameworks for imposing prosecution bars, and know whether the district their case is in has picked a side.

Who's a Competitive Decisionmaker?

Though *U.S. Steel Corp.* originally defined competitive decisionmakers to be attorneys, today, one need not be an attorney to be a competitive decisionmaker. Recently, a prosecution bar was placed on two non-attorney executives of a small company with no in-house counsel.¹⁶ "Due to the small nature of the company, Dr. Muni and Dr. Vishnupad wear many hats at Romeg. As the named inventors, they are the only individuals at Romeg with knowledge of the technology covered by the patents-in-suit. Accordingly, they are solely responsible for reviewing patent applications and submissions to the [USPTO] and directing outside prosecution counsel. Dr. Muni and Dr. Vishnupad also oversee all litigation matters involving Romeg because they do not have in-house counsel."¹⁷

The Court acknowledged that a prosecution bar would impair the plaintiff's ability to continue prosecuting its pending patent applications for the duration of the bar (one year following the conclusion of the case).¹⁸ The Court found that on balance, the risk of inadvertent disclosure outweighed that harm.¹⁹

However, Courts have yet to go as far as imposing a patent prosecution bar on expert witnesses. In *RyMed Technologies, Inc. v. ICU Medical, Inc.*, the Court considered whether a prosecution bar should be applied to all expert witnesses in the case.²⁰ While ICU Medical argued that the subject matter, needle-free IV connectors, is a highly competitive industry and the expert witnesses may wrongfully use the confidential design information, RyMed replied by arguing a prosecution bar would unduly limit their ability to obtain qualified expert witnesses and that protective orders and patent statutes in general are sufficient to protect ICU Medical's confidential information, without a prosecution bar.²¹ The Court agreed with RyMed and held that a prosecution bar is excessive and unnecessary.²²

Given these examples, clients should be aware of the possibility of a prosecution bar on non-attorneys. The analysis stands on whether the individual is a competitive decisionmaker, whether or not the individual is an attorney.

Can Participation in Re-Examination and IPRS be Barred?

It is no longer the case that prosecution bars do not encompass reexaminations and other post-grant review proceedings, like *inter partes* review (IPRs). Ten years ago, dis-

strict courts were near unanimous in finding that prosecution bars should not encompass reexaminations.²³ Today, there is a split among district courts as to whether prosecution bars can include reexamination proceedings.²⁴ In *DeCurtis*, the Southern District of Florida enacted a prosecution bar encompassing a reexamination proceeding. “[C]laims can be narrowed in a way that preserves their validity but still covers the products of other parties. While that may not be the greatest risk in a post-grant proceeding, it is still ‘great enough to warrant the modest protection of barring litigation counsel from participating in the amendment process.’”²⁵

Carnival’s burden did not outweigh this modest protection according to the court. “Carnival nonetheless maintains that it would be put in a difficult position of coordinating litigation strategy between multiple sets of counsel... but, most complex litigation involves different sets of lawyers as Carnival has shown in this case.”²⁶ “Carnival noticeably fails to explain, for example, why it cannot use any of the other thirty-five Orrick attorneys or the lawyers at McDermott Will & Emery.”²⁷

However, some Courts have taken a different approach. In *Helferich Patent Licensing, L.L.C. v. New York Times Co.*, the Court held the risk of disclosure of confidential information did not outweigh the prejudice from denying the plaintiff access to its chosen counsel.²⁸ The Court reasons that the Plaintiff has a legitimate interest in formulating a coherent and consistent litigation strategy. Plaintiff’s counsel have represented the Plaintiff in litigation and before the PTO for many years and are deeply familiar with patents at issue. Depriving the Plaintiff of their specialized representation would force the Plaintiff to rely on less knowledgeable counsel, increasing cost and duplicating efforts. The Court continues to adopt a protective order that would require the Plaintiff to not rely on the confidential information disclosed by Defendants in any proceeding before the PTO.

If your client is a large company that has the resources to hire big firms, similar to Carnival Cruise Lines, a court may find that a prosecution bar including reexaminations and other post-grant review proceedings is reasonable. However, if your client is a smaller company and has a long-established relationship with a set of trial counsel, a court may be less likely to find that a prosecution bar including reexaminations and other post-grant review proceedings is reasonable.

Conclusion

The cases above highlight the paths district courts have taken since it last ruled on this topic in *Deutsche Bank* ten years ago. District courts do not agree on the initial burden for a party seeking a bar. At least one district has applied a bar to non-attorney executives of a corporation. District courts have also been including participation in re-examina-

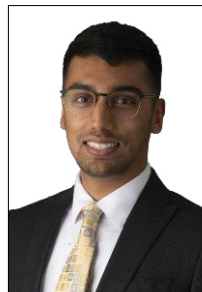
tion and other post-grant review proceedings under a patent prosecution bar, something they were near unanimous in opposing ten years ago. Attorneys should keep this evolving landscape in mind when engaging in patent litigation. ☞

About the Authors



Jeremiah Foley is an Associate Attorney at Harness IP. Jeremiah is a patent attorney with experience in copyright enforcement against software pirates and litigating against his clients’ competitors who falsely advertise their products. Jeremiah received his Juris Doctorate from the University of Detroit Mercy and his Bachelor of Science in Mechanical Engineering frominghamton University. Prior to law school,

Jeremiah worked as a mechanical engineer at a world-leading orthopedic manufacturer and in the commissioning of HVAC systems. Jeremiah is a member of the Michigan IP Inns of Court, Michigan Intellectual Property Law Association, and the Incorporated Society of Irish-American Lawyers.



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Endnotes

- 1 *FTC v. Exxon Corp.*, 636 F.3d 1336, 1350 (D.C. Cir. 1980).
- 2 730 F.3d 1465 (Fed. Cir. 1984).
- 3 *Id.* at 1468.
- 4 *In re Deutsche Bank Tr. Co. Americas*, 605 F.3d 1373 (Fed. Cir. 2010).
- 5 *Id.* at 1381.
- 6 *Id.* at 1380.
- 7 *Id.* at 1381.

- 8 *Id.*
- 9 *Nexus Technologies, Inc.*, Case No. 1:19-cv-00009-MR, 2020 WL 5739601 (W.D. N.C. Sept. 24, 2020).
- 10 *Id.*
- 11 *Id.*
- 12 *Id.*
- 13 *Id.*
- 14 *See VoIP-Pal.com, Inc. v. Amazon.com, Inc.*, Case No. 6:21-cv-00672-ADA, 2022 WL 2165527 at *3 (W.D. Tex. June 15, 2022); *Lifetime Products, Inc. v. Logan Outdoor Products, LLC*, Case No. 1:32-cv-00156, 2022 WL 1644379 at * 1 (D. Utah May 24, 2022).
- 15 *Intellectual Ventures I, LLC v. Lenovo Group, Ltd.*, Case No. 16-cv-10868-PBS, 2019 WL 343242 (D. Mass Jan. 25, 2019).
- 16 *Avion Pharmaceuticals, LLC v. Granules Pharmaceuticals, Inc.*, Case No. 20-898-LPS, 2021 WL 1785580 (D. Del. May 5, 2021)
- 17 *Id.* at *1.
- 18 *Id.* at *2
- 19 *Id.* at *3
- 20 2013 WL 1729209 (M.D. Tenn. 2013)
- 21 *Id.* at *2.
- 22 *Id.* at *3.
- 23 *Ameranth Inc. v. Pizza Hut, Inc.*, Civil No. 3:11-cv-01810-JLS-NLS, 2012 WL 528248 at * 6 (S.D. Cal. 2012).
- 24 *DeCurtis LLC v. Carnival Corp.*, Case No. 20-22945-Civ-SCOLA/TORRES, 2021 WL 38265 at * 7 (S.D. Fla. Jan. 5, 2021)
- 25 *Id.* at *8.
- 26 *Id.* at * 9.
- 27 *Id.* at *8.
- 28 2013 WL 3177605, (N.D. Ill. 2013),

Blockchain, Cryptocurrency and NFTs: Metaverse Technologies in US Trademark Applications

By Michelle Ciotola, Nancy Kennedy, and David Kincaid

The metaverse, cryptocurrency and NFTs were some of the hot topics of 2022 and will likely continue to dominate discussions on developments in the law. This past year the United States Patent and Trademark Office (USPTO) has seen a steady growth in trademark applications filed to cover goods or services related to the metaverse, NFTs, or cryptocurrency. Between January and March, more than 1,000 applications included NFTs in the identification of goods and services, more than 600 included cryptocurrency, and more than 750 included reference to the metaverse. But the issues facing these applications are slowly coming to light as more and more pending applications are prosecuted.

Metaverse

The metaverse is a virtual environment or “world” in which users can digitally interact using various technologies. Technology can range from traditional computing platforms like PCs or smartphones to higher-tech devices such as virtual reality headsets. While electronic games, such as Fortnite and Second Life, have long used metaverse-like environ-

ments, we are now beginning to see metaverse technology outside of gaming. For example, Meta Platforms (formerly Facebook) offers a social metaverse experience known as Horizon Worlds, which allows users to navigate the world using the Oculus virtual reality headset and hand-held motion controllers. With all these developments in technology, the question facing many brand owners is “what role do brands play in the metaverse?”

Consumer and luxury brands, like Nike, Louis Vuitton, and Gucci, are adopting the metaverse as another channel to reach their customers. Within the metaverse, users can interact, conduct business, transfer digital assets, buy virtual property and virtual goods, and more. Many of these interactions are analogous to their real-world counterparts. As in the physical world, these metaverse interactions may raise legal issues relating to intellectual property (IP) infringement and enforcement. Securing IP rights, including trademarks, related to the metaverse is quite similar to - if not the same as - securing IP rights in the physical world.

The question facing many brand owners is whether existing trademark registrations covering their real-life goods will provide protection for the metaverse and allow enforcement of use in the metaverse. The answer to this question is still uncertain, as the metaverse is a decentralized platform. To best position themselves to grow and strengthen their brands in the metaverse, as well as to enforce against infringement, brand owners are encouraged to specifically seek trademark registration to cover “virtual goods” and other uses of their mark in the metaverse.

A successful US trademark application for goods and services in the metaverse depends on artfully crafting the identification of goods and services. For example, a critical guideline is that the USPTO will accept neither “blockchain” nor “cryptocurrency” or “non-fungible token” unless the term is incorporated into a broader identification of goods and services. And since trademark rights in the United States require use of the mark in commerce, an acceptable specimen must be submitted. Office Actions are being issued challenging specimens as being “premature” or otherwise not showing actual use of the mark in connection with the applied-for goods or services. Without these key elements, an application is doomed.

Blockchain

“Blockchain” is a ledger of transactions that is digital, distributed and encrypted. In a US trademark application, “blockchain” alone is not an acceptable identification of goods and services. A successful applicant will instead identify the goods and services that use blockchain technology. Examples include:

- Downloadable software for blockchain-based medical records management (Class 9)
- Blockchain-based payment tax debiting services (Class 36)
- Providing user authentication services using blockchain-based software technology for online payment transactions (Class 42).

Acceptable specimens for identifications that refer to “blockchain” must reflect that aspect of the goods and services. For example, a specimen for “blockchain-based payment tax debiting services” must meet all requirements of TMEP 1301.04, including expressly referring to the “blockchain” aspect of the goods and services. Submission of a specimen that refers to “payment tax debiting services” without specifying “blockchain” will fail.

Cryptocurrency

Cryptocurrency is a fungible digital asset that exists on, and is tracked on, a blockchain. In a US trademark applica-

tion, “cryptocurrency” alone is not an acceptable identification of goods or services. Instead, identify the goods and services that involve “cryptocurrency.” For example:

- Cryptocurrency hardware wallets (Class 9)
- Cryptocurrency exchange services (Class 36)
- Electronic storage of cryptocurrency for others (Class 42).

Here, again, an acceptable specimen must not only comply with TMEP 1301.04 overall, but in particular must expressly refer to the “cryptocurrency” aspect of the goods and services. A specimen will be refused if it refers to “wallets” without the descriptors “cryptocurrency hardware.”

Non-Fungible Tokens

A non-fungible token (NFT) is a unique token, located on the blockchain, that authenticates a particular physical or digital good, including all transfers of that good’s ownership. In a US trademark application, neither “non-fungible token” nor “NFT” alone is an acceptable identification of goods or services. Instead, identify the goods and services that relate to a “non-fungible token (NFT).” For example:

- Digital image files containing memes authenticated by non-fungible tokens (Class 9)
- Shoes authenticated by non-fungible tokens (Class 25)
- Provision of an online marketplace for buyers and sellers of downloadable digital art tokens, authenticated by non-fungible tokens (Class 35).

In addition to comporting with TMEP 904.03i, an acceptable specimen must expressly refer to the “cryptocurrency” aspect of the goods and services. A specimen will be refused if it shows the “shoes” without reference to their being “authenticated by non-fungible tokens.” Conversely, the USPTO will refuse a specimen that refers to NFTs without mentioning the “shoes” to be authenticated.

Summing Up

Having a trademark registration in hand will likely be vital to a brand owners’ ability to enforce its trademark rights in the metaverse. But as we are seeing with pending applications, there are certain challenges to obtaining registration. Metaverse-related trademark filings are covering virtual goods, retail store services featuring virtual goods, and entertainment featuring online non-downloadable virtual goods. While handling an identification issue with a pending application can be fairly straightforward in response to an office action, brand owners seeking federal registration for marks in the metaverse are facing issues with proving use. Finally, the USPTO has already issued refusals for metaverse/virtual goods trademarks based on a likelihood of confusion with marks for physical goods, which is encouraging to

brand owners. But the importance of obtaining a trademark registration for metaverse trademarks should not be minimized. It is expected that holding a metaverse-applicable trademark registration will become crucial to enforcing rights in the metaverse. [?](#)

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Michelle Ciotola counsels clients on protecting and enforcing their trademark, trade dress, copyright, and related IP rights, including unfair competition, Internet, advertising, and promotions law. She counsels clients in developing and exploiting their trademark and copyright portfolios, including clearance; prosecution; and identifying important overseas jurisdiction and filing or coordinating with local counsel overseas. Michelle develops strategies for the enforcement of her clients' IP rights. She also develops strategies for enforcement of her clients' intellectual property rights online, including handling Uniform Domain Name Dispute Resolution Policy proceedings. Michelle attends and speaks at International Trademark Association (INTA), MARQUES, European Communities Trade Mark Association (ECTA) and the Asociacion InterAmericana de la Propriedad Intelectual (ASIPI). She is an Adjunct Professor teaching Copyright Law at Western New England University School of Law. Mciotola@cantorcolburn.com



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Including a Description of Technical Advantages During Patent Application Drafting May Help Patent Eligibility

By Gerald B. Halt Jr., Brandon R. Theiss

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Discussing the technical advantages of an invention, a standard practice in many jurisdictions such as before the European Patent Office, has long been disfavored in the US. However, recent Federal Circuit case law suggests that there may be significant value to be gained by discussing the advantages of the claimed invention in the context of the prior art in order to establish patent eligibility under 35 U.S.C. §101.

In the recent Federal Circuit Court of Appeals case of *Cooperative Entertainment, Inc. v. Kollektive Tech, Inc.*, the Court reaffirmed the importance of the specification in establishing an inventive concept that is sufficient to pass the Supreme Court's two-step Alice framework for patent eligibility under 35 USC §101.

Specifically, in *Cooperative*, the Court found that claims in [US 9,432,452](#) directed to a "system for virtualized computing peer-based content sharing" were potentially patent eligible because the patent describes "several alleged inventive concepts which the specification touts as specific improvements in the distribution of data compared to the prior art." For example, the court observed that "[t]he specification explains how claim 1's dynamic P2P network structure is different from and improves upon the prior art." In addition, the Court further observed that the specification expressly states the technical effect of the invention by stating "the present invention systems and methods provide increased reliability, more redundancy, and more efficient delivery than those of

the prior art." As a result, the Court reasoned that because "useful improvements to computer networks are patentable regardless of whether the network is comprised of standard computing equipment," the claims of US 9,432,452 were potentially patent eligible under the two-step Alice framework.

Similarly, in *SRI Int'l, Inc. v. Cisco Sys.*, the Federal Circuit held that the claims in [US 6,711,615](#) "improve the technical functioning of the computer and computer networks by reciting a specific technique for improving computer network security" were patent eligible under the two-step Alice framework based on the contents of the specification. Specifically, the court concluded that "[t]he specification bolsters our conclusion that the claims are directed to a technological solution to a technological problem" and identified that "[t]he specification explains that the claimed invention is directed to solving [identified] weaknesses in conventional networks." As a result of the teachings in the specification, the claims were found to be eligible under the two-step Alice framework because the specification explained how the "focus of the claims is on the specific asserted improvement in computer capabilities" —that is, providing a network defense system that monitors network traffic in real-time to automatically detect large-scale attacks." In view of these opinions, the specification of a patent can be the source of intrinsic evidence that the claimed invention is patent-eligible subject matter under the two-step Alice framework. However, the MPEP does not require explicit intrinsic support in the

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specification to evidence eligibility under the two-step Alice framework. Instead, the MPEP states, “[t]he specification need not explicitly set forth the improvement, but it must describe the invention such that the improvement would be apparent to one of ordinary skill in the art.” The MPEP further explains that “if the specification sets forth an improvement in technology, the claim must be evaluated to ensure that the claim itself reflects the disclosed improvement.” Accordingly, although intrinsic evidence of the technical improvement recited in the specification is helpful in the determination of patent eligibility under the two-step Alice framework, the omission of an express disclosure does not necessarily doom the patent.

Nonetheless, the specification provides a significant opportunity for the Applicant for a US Patent to explain to a person of ordinary skill in the art the technological improvement of the invention as required to confer patentability before the USPTO. Perhaps more importantly, the specification provides an opportunity for the Applicant to explain to a court in a future litigation how the claimed invention provides a technological improvement over the prior art so that the Court, like in *Cooperative* and *SRI*, may find the claimed invention to be patent eligible under the two-step Alice framework.

Accordingly, an Applicant for a US patent should carefully consider putting at least a brief explanation of potential advantages of the claimed invention in the specification during drafting, balancing the risks against the difficulty in getting past a potential 35 U.S.C. § 101 rejection. ?

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Gerald B. Halt Jr., Shareholder, Volpe Koenig. Clients appreciate Jay’s holistic and inventive approach to optimizing the value of their intellectual property portfolios. He collaborates with clients at all stages of development—from startup entrepreneurs to teams of engineers at Fortune 500 companies—to secure, manage and protect their IP, devising and implementing results-oriented strategies in order to provide peace of mind that those assets are secure. Well regarded for his skill in drafting and negotiating patent licensing agreements, agreements of sale, confidentiality agreements and non-disclosure agreements, Jay is also known for his experience and aptitude in performing due diligence, patentability, validity, and state-of-the-art analyses and opinions.



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