



ideas on intellectual property law

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in this issue

Border crossing

Foreign application provides patent priority

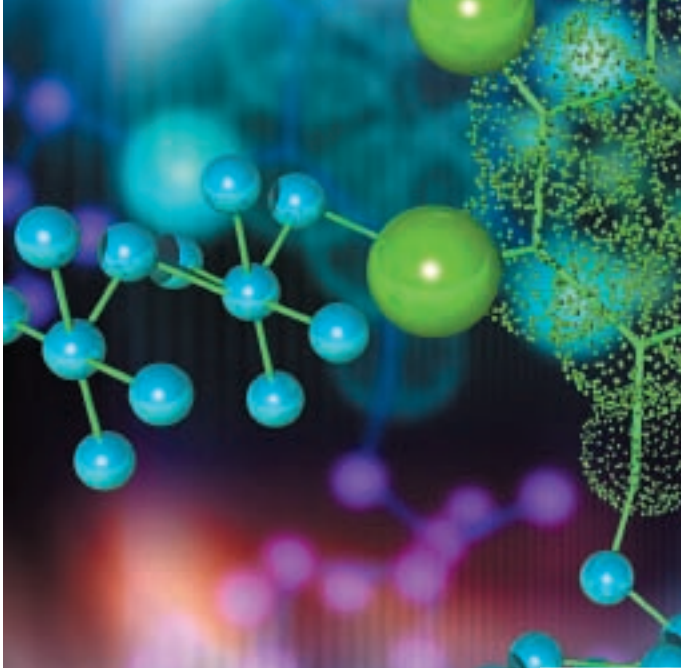
You're out!

Too many at bats for a trademark applicant

Reality bites

Court says no enablement, no patent protection

No copyright protection for NYMEX selling prices



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Border crossing

Foreign application provides patent priority

In the realm of patent law, what happens overseas doesn't always stay overseas. *Frazer v. Schlegel*, a recent appeal from the decision in an interference action, demonstrates the interplay between U.S. and foreign patent law and its practical effects.

VIRUS PROTECTION

An interference action determines whether a pending patent application covers the same invention as another application or existing patent, and who was the first to invent the invention. It's heard by the Board of Patent Appeals and Interferences (BPAI) of the Patent and Trademark Office (PTO).

The interference action in *Frazer* arose between Dr. Ian Frazer's patent application for "Papilloma Virus Vaccine" and Dr. C. Richard Schlegel's U.S. patent application for "Papillomavirus Vaccine." Frazer claimed priority of the invention under both Australian and Patent Cooperation Treaty (PCT) applications.

The invention at issue related to a vaccine for use against human papillomaviruses (HPVs), which can cause cervical cancer and other diseases.

Frazer and a colleague conducted their work in Australia. They first reported it in a scientific article that was received by a California medical journal on May 21, 1991.

The text and experimental data from the article were included in their Australian patent application filed in Australia on July 19, 1991. The application described a process that required constructing recombinant DNA molecules that encode both L1 and L2 proteins.

Frazer and his colleague filed a PCT international application on July 20, 1992, claiming priority from the 1991 Australian application, and included additional text and experimental data. The application contained a summary that described a method that includes a step of constructing recombinant DNA molecules that each encode either papilloma virus L1 protein or a combination of papilloma virus L1 and papilloma virus L2 proteins.

Frazer then filed a U.S. patent application on Jan. 10, 1994, claiming priority from both the Australian and PCT applications. The defendants had filed their U.S. patent application on June 25, 1992. It wasn't disputed that the applications covered the same subject matter.

INTERFERENCE BOARD TAKES A SHOT

The Patent Act specifically addresses patent applications filed in the U.S. by any person, legal representative or assignee who has previously filed a patent application for the same invention in a foreign country. That country must afford similar patent privileges as the United States provides. If the U.S. filing is within 12 months of the earliest foreign filing, the U.S. filing has the same effect as if it had been filed in the United States on the date the foreign application was first filed.

When a party in an interference action claims priority under a foreign patent application, the foreign application must disclose a "constructive reduction to practice." The question is whether the foreign application discloses its invention and meets the U.S. Patent Act's written description and enablement requirements.

The BPAI found that the Australian application didn't constitute a constructive reduction to practice because it didn't provide an enabling disclosure. At the time of its filing, Frazer believed both L1 and L2 proteins must be expressed together to produce the virus-like particle. His



later work, however, revealed that only the L1 protein was necessary, as he then reported in the PCT application. The BPAI found that Frazer wasn't entitled to any date of disclosure until he accurately and fully understood the mechanism. Thus, neither the PCT application nor the U.S. application was entitled to the Australian application priority filing date.

THE COURT INOCULATES THE PLAINTIFF

On appeal, the Federal Circuit Court of Appeals ruled that the BPAI erred in denying Frazer's entitlement to the Australian application date. The court found the application contained the complete details of the method at issue in the interference count — even though Frazer subsequently discovered that *either* the L1 protein or the L1/L2 combination led to the vaccine.

When a party in an interference action claims priority under a foreign patent application, the foreign application must disclose a “constructive reduction to practice.”

The court held that Frazer's later discovery didn't negate or contradict his disclosure and constructive reduction to practice of the method. Where the claimed invention is the application of an unpredictable technology in the early stages of development, an enabling description in the specification must provide those skilled in the art with a specific and useful teaching, recognizing the technology's development stage.



The necessary nexus


Shortly before deciding *Frazer v. Schlegel*, the Federal Circuit confronted another issue related to foreign patent applications. In *Boston Scientific Scimed, Inc. v. Medtronic Vascular, Inc.*, the court considered whether the Patent Act allows an applicant for a U.S. patent to benefit from the priority of a foreign application filed by an entity not acting on the applicant's behalf at the time of filing.

The Board of Patent Appeals and Interferences initially gave a U.S. inventor the benefit of the filing dates for two European applications filed by a French company. No legal relationship existed between the French company and the U.S. inventor when those applications were filed. (The inventor subsequently assigned the rights in the European applications to the company.)

The court on appeal found that a U.S. patent applicant cannot benefit from the priority of a foreign application in the absence of a “nexus” between the inventor and the foreign applicant when the foreign application was filed. The foreign application must have been filed by either the U.S. applicant or someone acting on his or her behalf at the time the foreign application was filed.

The Federal Circuit concluded that Frazer's Australian application described and enabled the formation of the virus-like particles shown in the Australian and the U.S. applications.

A SHOT IN THE ARM FOR FOREIGN PATENTS

Based on the constructive reduction to practice of an invention whose disclosure complied with the written description and enablement requirements, Frazer was entitled to the Australian filing date's benefit. He therefore prevailed on the appeal of the interference action, because the Australian application predated the defendants' earliest filing date. 

You're out!

Too many at bats for a trademark applicant

So how much use of a trademark in commerce is enough? And what about common words? In *Central Manufacturing, Inc. v. Brett*, the Seventh Circuit Court of Appeals discussed trademark's "use in commerce" requirement.

THE LINEUP

Joe Sample recognized a market niche related to the difference between the metal bats used at the high school and collegiate levels and the wood bats used professionally. Because metal bats can inflate batting statistics, scouts may misevaluate players' professional prospects. Shifting to a wooden bat can significantly reduce a player's batting average.

In 1997, Sample incorporated Tridiamond to manufacture baseballs, bats, gloves and related accessories. He developed a wood bat with the durability of a metal bat and called it the Stealth. The first recorded sale was on July 13, 1999. Former baseball player George Brett joined Tridiamond Sports in 2001 to form Brett Brothers Sports International. Brett Brothers eventually sold the Stealth bat. Tridiamond and Brett Brothers have sold more than 25,000 Stealth bats.

Leo Stoller alleged his company had been using the Stealth trade name and trademark for a wide range of goods since at least 1982. He had registered the mark with the U.S. Patent and Trademark Office (PTO) for items such as boats, motorcycles, bicycles, automobile paint, locks, comic books and pest elimination devices.

In 1984, Stoller filed a trademark application with the PTO, claiming the Stealth mark for sporting goods, including baseballs. The PTO granted the trademark registration in 1985.

In 2001, Stoller filed an application to register the Stealth mark on bats, and the PTO granted the trademark registration in 2004. Soon after, Stoller



sent Brett Brothers a cease-and-desist letter. He claimed ownership of the Stealth trademark for bats and demanded a \$100,000 licensing fee. Brett Brothers refused to pay the fee, and Stoller filed a trademark infringement suit claiming priority of use in the trademark for baseballs and other sporting goods, based on the 1985 registration.

INSIDE BASEBALL

The Seventh Circuit Court of Appeals explained that Stoller is no stranger to trademark litigation. In fact, it appeared to be an essential part of his business strategy. He has registered scores of trademarks, many with everyday words that commonly pop up in business. When such trademarks are inevitably used by third parties, he issues cease-and-desist letters hoping for a licensing fee.

When such matters aren't settled quickly, Stoller has a history of resorting to litigation. The court noted that Stoller's cases have generally proven so frivolous that the Northern District of Illinois eventually enjoined him and his companies from filing new civil actions in its courts without first obtaining court approval.

STEPPING UP TO THE PLATE

A prerequisite to a successful trademark infringement action is that the plaintiff own the trademark. But, as the court pointed out, registration alone doesn't matter as much as the use of the trademark in commerce.

Under the Lanham Act, "use in commerce" refers to the bona fide use of a trademark in the ordinary course of trade, and not merely to

reserve a right in a trademark. The use requirement is designed to prevent entrepreneurs from reserving brand names to increase rivals' marketing costs.

Brett Brothers challenged the validity of Stoller's 1985 trademark registration, arguing that Stoller had never used the Stealth mark in commerce. At deposition, Stoller produced a single softball with the Stealth mark and an advertising flyer with a picture of a similar ball. He testified that he'd sold bats to Wal-Mart, Kmart, Montgomery Ward and other stores, but he never produced any documentation of these sales and couldn't name the bat manufacturer.

Stoller did produce several vague documents purporting to prove use in commerce:

1. A document listing the total amount of dollar sales from several years, with no details on specific transactions,
2. Quote sheets with price lists for alleged customers, all out of business now, and
3. A spreadsheet listing the itemized annual sales of various Stealth sports products with no bats referenced.

The court said the documents made a mockery of the entire proceeding.

The Seventh Circuit found nothing in the record that would allow a reasonable person to conclude that Stoller or his companies actually sold Stealth baseballs prior to Brett Brothers' first use of the mark in 1999. The court found it unfathomable that a company claiming to have engaged in thousands of dollars of sales of a product for more than a decade was unable to produce even a single purchase order or invoice as proof. So Brett Brothers satisfied its burden to overcome the presumption of trademark validity afforded by Stoller's 1985 registration.



THE COURT BENCHES THE REGISTRATION

The court went even further, upholding the district court's cancellation of Stoller's 2005 registration of the Stealth trademark for bats. It observed that Brett Brothers could have petitioned the PTO for cancellation of Stoller's 2005 trademark registration, but such a step isn't required. Courts can update the federal trademark register to account for a trademark's actual legal status after adjudication. Where, as in this case, a registrant's asserted trademark rights are shown to be invalid, cancellation isn't merely appropriate, according to the court, it's the best course of action.

Trademark's use-in-commerce requirement is designed to prevent entrepreneurs from reserving brand names to increase rivals' marketing costs.

The court also considered whether Brett Brothers was entitled to attorneys' fees and defense costs. For the answer, the court, citing language from a previous Stoller case, evaluated whether the case lacked merit or had elements of an abuse of process claim, and whether the plaintiff's conduct unreasonably increased the cost of defending against the suit. The court declared that Stoller's actions qualified on all counts.

CALLED OUT

This case offers some relief and insight to companies that might fall prey to trademark "trolls" like Stoller. It also serves as a lesson to trademark owners to make sure they have solid documentary evidence to support the claimed date of the first use in commerce of a trademark before going to court. 💡

Reality bites

Court says no enablement, no patent protection

So you've devised a brilliant invention and developed a comprehensive patent application. But does the invention work? If not, a recent Federal Circuit Court of Appeals decision, *Ormco Corp. v. Align Technology*, shows you'd better not count on patent protection.

PUTTING SOME TEETH IN THE APPLICATION

The U.S. Patent Act details the enablement requirement for patent applications: "The specification shall contain a written description ... as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and shall set forth the best mode contemplated by the inventor of carrying out his invention."



Ormco held patents related to the computer-aided design and manufacture of custom orthodontic appliances. It alleged that Align's Invisalign process infringed those patents. Align counterclaimed for a declaratory judgment of invalidity of Ormco's patent based on a lack of enablement.

The trial court held that Align's system relied on "skilled operators" to determine the finish positions of the teeth, while Ormco's patent claims were limited to the "automatic computer determination of the finish positions." But it found no credible evidence that Ormco's software had been used successfully without human adjustment of tooth positions.

COURT TAKES A BITE AT THE APPLE

On appeal, the Federal Circuit found that Ormco's patent specification provided clear indication that

the invention is in the automatic determination of final tooth positions. But according to one of the patents' inventors, Ormco never tried to create a computerized system that automatically determined tooth positions without human decision making. The testimony also indicated that manual override was used on all of the approximately 40 cases treated using the Ormco software. And, while it was a goal to eliminate the need for the use of the override, the goal hadn't been attained because of variations in human anatomy.

The court acknowledged that, if an inventor attempts but fails to enable the invention in a commercial product that purports to be an embodiment of the invention, that's strong evidence that the patent specification lacks the required enablement. Here, the evidence established that a person of ordinary skill in the art did not — and could not — achieve automatic computer determination of teeth finish positions based on Ormco's specification. Thus, the court agreed with the lower court's holding of no enablement.

DISSENT BITES BACK

The dissent dismissed the trial court's ruling regarding enablement as based wholly on flawed claim construction. It wrote that an enablement inquiry turns on whether the specification provides sufficient teaching so that someone skilled in the art could make and use the invention without undue experimentation. The dissent faulted the lower court for focusing only on evidence of commercial viability of the invention, which it said wasn't determinative of enablement.

According to the dissent, the question of undue experimentation requires the weighing of many factors, including:

- ① The quantity of experimentation necessary,
- ① The amount of direction or guidance presented,
- ① The presence or absence of working examples,
- ① The nature of the invention,

- ① The state of the prior art,
- ① The relative skill of those in the art,
- ① The predictability or unpredictability of the art, and
- ① The breadth of the claims.

The dissent found no indication that the trial court considered any of these factors. And while the majority also criticized the district court's claim construction, it agreed with the court's conclusion

and refused to vacate what was essentially a correct decision.

DON'T BITE OFF MORE THAN YOU CAN CHEW

In the end, the trial court's finding of nonenablement of Ormco's patent was affirmed. Inventors should wait to apply for patent protection until they have good reason to believe the invention described in the specification will operate as described or after they successfully operate the invention. 💡

No copyright protection for NYMEX selling prices

Copyright protection doesn't cover ideas; it protects only the means of expression used by the idea's author. But, under the merger doctrine, even the means of expression may not be protected.

Merge with care

Courts may apply the merger doctrine to deny copyright protection to means of expression "where there is only one or so few ways of expressing an idea that protection of the expression would effectively accord protection to the idea itself." In other words, the idea has merged with its expression. In the Second Circuit, courts consider whether all possible expressions are so substantially similar that granting copyright protection would prevent others from expressing the underlying idea.

The Second Circuit recently applied this test in *New York Mercantile Exchange, Inc. v. Intercontinental Exchange, Inc.* The New York Mercantile Exchange (NYMEX) sought copyright protection for settlement prices it produces to value customers' open positions on futures contracts. Settlement prices represent the value of a particular futures contract at the end of each trading day. To survive summary judgment, NYMEX had to establish that the range of possible settlement prices was broad enough that any possible expression of the prices wouldn't be substantially similar.

Trading places

The court found that the fair market value for each NYMEX futures contract is expressed as a settlement price. In the court's view, all possible expression of that value takes the form of a number. NYMEX failed to demonstrate a range of potential variations that would preclude application of the merger doctrine.

The court acknowledged that policy considerations weigh heavily when determining the appropriate application of the doctrine — copyright is intended to provide authors incentives not to direct their energies elsewhere, thereby depriving the public of their creations. It concluded that NYMEX didn't need such incentives: NYMEX couldn't function as a commodities market without the prices and was legally required to record settlement prices. So the court affirmed the trial court's dismissal of NYMEX's claim.

The price is wrong

The *NYMEX* case serves as reminder — particularly when dealing with ideas expressed as numbers — of the limits of copyright protection.



Cantor Colburn LLP

Intellectual Property Attorneys

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