



IDEAS ON INTELLECTUAL PROPERTY LAW



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Copyright Office weighs generative AI training against fair use

In May 2025, the U.S. Copyright Office issued the latest in a series of reports examining copyright and artificial intelligence (AI), this time considering the so-called training required for generative AI. As the report notes, the training draws on “massive troves of data,” including copyrighted works. The report focuses heavily on whether such use of copyrighted material falls under the fair use doctrine — a question currently at issue in dozens of lawsuits.

Note: Shortly after the report’s release, the Trump administration terminated the director of the Copyright Office. As of this writing, it’s unclear whether the replacement director might distance the Office from, or reject, this report.

INTELLIGENCE OR INFRINGEMENT?

The report provides an overview of how generative AI models are developed and deployed. This includes the acquisition of training data, which

is often done without authorization from the materials’ authors.

The Copyright Act gives copyright owners certain exclusive rights, including the right to reproduce, distribute, publicly perform and publicly display their works, along with the right to prepare derivative works. The question is whether use of these works to train generative AI violates any of these rights. The report finds that several steps in the AI development and deployment processes may, absent a license or other defense, infringe one or more of these rights.

Specifically, data collection, training and retrieval-augmented generation (the process of retrieving content from outside of a model’s training data when responding to a specific request) might implicate a copyright owner’s reproduction right. And generative AI outputs may infringe the right to prepare derivative works, in addition to reproduction, public display and public performance rights.

DISTRICT COURT ENTERS THE DISCUSSION

A recent case tackled the issue of the Copyright Act’s fair use doctrine and artificial intelligence (AI) training. In *Bartz v. Anthropic PBC*, an AI firm downloaded for free millions of copyrighted books in digital form from pirate sites on the internet. It also bought copyrighted books (some overlapping with those acquired from the pirate sites), tore off the bindings, scanned the pages and stored them in searchable digital files.

From this central library, the AI firm selected various sets and subsets of digitized books to train various large language models (LLMs). Some of these books’ authors sued for copyright infringement.

The trial court found that the use of the books at issue to train the LLMs was transformative and, therefore, fair. Additionally, the digitization of the books purchased in print form by the defendant was also fair use, but for a different reason than that which applies to the training copies. Instead, it was a fair use because all the AI firm did was replace the print copies it had bought for its central library with more convenient space-saving and searchable digital copies for its central library — without adding new copies, creating new works or redistributing existing copies.

However, the court found that the AI firm had no entitlement to use pirated copies for its central library. Creating a permanent, general-purpose library wasn’t itself a fair use excusing the firm’s piracy. Expect an appeal.



IS IT FAIR USE?

The primary defense available to claims of infringement in AI training is fair use. To determine whether a use is fair, courts evaluate four factors. The report notes that two factors in particular are likely to have considerable weight in a court's analysis:

1. The purpose and character of the use. When assessing the purpose and character of the use, courts emphasize the transformativeness and commerciality of the use. A high degree of transformativeness generally weighs in favor of fair use, as does a low degree of commerciality.

2. The effect of the use on the potential market for, or value of, the copyrighted work. As to the effect on the potential market for the original work, the report notes that the U.S. Supreme Court has twice described this factor as the single most important factor of fair use. Courts generally consider actual or potential market substitution, market dilution, lost licensing opportunities and, on occasion, public benefits from the use.

The report thoroughly analyzes these factors in the context of generative AI training. It refers to previous court cases and some of the thousands of public comments the Copyright Office has received in response to a series of questions published in August 2023 about copyright and AI.

The Copyright Office recognizes that some uses of copyrighted works in AI training will be more transformative than others. It also acknowledges that the impact on the markets for copyrighted works could be of “unprecedented scale” given the volume, speed and sophistication with which AI systems can generate outputs, as well as the vast number of works that might be used in training.

The Office expects that some uses of copyrighted works for generative AI will qualify as fair use, while others won't. Uses that are for purposes of noncommercial research or analysis that don't permit portions of the works to be reproduced in the outputs will likely be deemed fair. But what about the copying of expressive works from “pirate sources” (such as shadow libraries with large collections of full, published books) to generate unrestricted content that competes in the marketplace — despite licensing being readily available? These are unlikely to qualify as fair use. But many uses, the report says, will fall somewhere in between.

NOW WHAT?

Despite its findings regarding fair use, the report doesn't advocate for new laws. Rather, it endorses the continued development, without government intervention, of the voluntary licensing market. ■

It's not easy being green

Federal Circuit affirms TTAB test for color marks

It's been 30 years since the U.S. Supreme Court held that federal trademark law permits the registration of a trademark that consists, purely and simply, of a color. Obtaining registration for a color mark, however, is no small task. A medical glove manufacturer learned this the hard way after the U.S. Court of Appeals for the Federal Circuit weighed in on the proper test for determining whether a color mark is generic and therefore ineligible for registration.

COLOR SCHEME

PT Medisafe Technologies (Medisafe) makes and distributes medical gloves. It applied to register a shade of green as a color mark for use on chloroprene medical examination gloves. The U.S. Patent and Trademark Office (PTO) found not only that the color wasn't inherently distinctive and that Medisafe failed to show it had acquired distinctiveness, but that the proposed color mark was generic. Because of this, registration was denied.

Medisafe turned to the Trademark Trial and Appeal Board (TTAB). To evaluate the genericness determination, the board applied the so-called *Milwaukee* test (named for the case where the TTAB first articulated it). The test considers 1) the genus of goods or services at issue, and 2) whether the color is understood by the relevant public primarily as a category or type of trade dress for that genus.

The TTAB rejected Medisafe's proposed genus — gloves sold to authorized resellers — instead defining the genus as all "chloroprene medical examination gloves." The relevant public, the board found, was all people or businesses who buy, or may buy, such gloves. It ultimately concluded that the color mark was generic because it was so common in the chloroprene medical examination glove industry that the color green couldn't identify a single source of the goods (that is, Medisafe).



COLOR TEST

On appeal, Medisafe argued that the TTAB applied the wrong legal standard for assessing whether a color mark is generic. It asserted that the *Milwaukee* test ignores statutory language that allows cancellation of a mark for genericness only if that mark is a “generic name.” Medisafe claimed that the “generic name” requirement applies equally to all types of marks — so a color mark, like a word mark, can be found generic only if it’s a generic name for the goods for which it’s used.

Federal trademark law permits the registration of a trademark that consists, purely and simply, of a color.

But the court pointed out that it had considered and rejected essentially the same claim in an earlier case. In that case, the court dismissed the contention that the plain meaning of “generic name” in the relevant statute excludes trade dress (including color marks). Rather, the statutory language expansively encompasses anything that has the potential but fails to serve as an indicator of source, including trade dress.

Applying the *Milwaukee* test to Medisafe’s color mark, the court found that substantial evidence supported the TTAB’s determination that the mark was generic. First, it agreed with the board’s definition of the genus.

Turning to the second step, the court cited some of the evidence the board considered. For example, screenshots of third-party websites showed unaffiliated sellers of chloroprene medical examination gloves in the same, or nearly the same, color.

The court also found it reasonable for the board to reject a survey Medisafe submitted as too flawed to be given weight. The survey was administered by Medisafe’s attorney, not a survey expert, and consisted of leading questions. Moreover, the survey was sent to only six respondents, all of whom were established Medisafe customers. Only three individuals responded, and one said she didn’t consider Medisafe’s color mark to be distinctive.

COLOR WITHIN THE LINES

Although Medisafe’s proposed mark was deemed generic, the Federal Circuit recognized that a color mark may serve as a source indicator. It emphasized, however, that the relevant inquiry focuses on the consumer perception of the particular color in relation to the relevant genus. ▣

Who is a skilled artisan?

In patent law, a “person of ordinary skill” (also known as a “skilled artisan”) is a hypothetical person presumed to have known the field of an invention at the time of its patenting. If an invention would have been obvious to a skilled artisan, it’s unpatentable.

But how the Patent Trial and Appeal Board (PTAB) interprets the qualifications of a so-called person of ordinary skill can seem to strain the definition of

“ordinary.” That’s what a patentee recently argued to the U.S. Court of Appeals for the Federal Circuit.

THE NITTY GRITTY

Sage Products LLC holds two patents related to a “sterilized” chlorhexidine product in a package, such as an applicator filled with an antiseptic composition for disinfecting skin. A product may be referred to as “sterilized,” according to the specification for both patents, “where such sterility can be validated.”

A medical technology company sought inter partes review (IPR) of the patents. Under IPR, the PTAB can reconsider and cancel an already-issued patent based on certain types of “prior art” that make the invention obvious. The board’s final decision is subject to review by the Federal Circuit.

The PTAB found the challenged patent claims were unpatentable. It relied heavily on a report, or prior art, issued by the United Kingdom’s (UK’s) Medicine and Healthcare Products Regulatory Agency about a product called ChloraPrep. The report states that the product is a “sterile” antiseptic solution and refers to the applicator as “sterile until the packaging is opened.” The board also cited a British Standard that establishes the UK’s requirements for labeling a medical device as being sterile.

Would-be patentees shouldn’t assume they understand how the PTAB or a court will interpret “skilled artisan” for purposes of their patents.

Sage appealed. The director of the U.S. Patent and Trademark Office intervened and stepped in after the original challenger withdrew.

A STERILE READING

Sage argued that the PTAB incorrectly interpreted its definition of a skilled artisan to include familiarity with UK regulations that Sage asserted a skilled artisan would lack. The Federal Circuit, however, agreed with the PTAB that a skilled artisan would have known, through education and experience, that the term “sterile,” as used in the UK report, was equivalent to the term “sterilized,” as used in the United States and in the Sage patents.

Both Sage’s expert and the PTAB defined a skilled artisan as having a bachelor’s degree in pharmaceutical or similar sciences and at least four years of experience with sterilization processes. The Federal Circuit found that a skilled artisan would know about the differing regulatory requirements in the United States and the UK. And this individual would

recognize that the UK report, about a UK medical product, would need to satisfy UK regulatory standards to be labeled as sterile.

The court pointed to the substantial evidence supporting the board’s position, including testimony from the original challenger’s expert witness. He testified that a skilled artisan would know that the report’s references to “sterile” items would satisfy the patent claims’ requirement for “sterilized” items.



KEEP IT CLEAN

Would-be patentees shouldn’t assume they understand how the PTAB or a court will interpret “skilled artisan” for purposes of their patents. Instead, it’s important to conduct thorough searches for prior art and proceed accordingly. ■

When “convoyed sales” entitle patentees to lost profits

A convoyed sale occurs when a patent-infringing product is sold with a functionally associated nonpatented product. In some cases, a patentee is entitled to lost profits for such sales — but not always.

COLLIDING CAR WASH SYSTEMS

Belanger Inc. manufactures car wash systems and owns a patent for a spray-type system with lighted spray arms. The company sent a cease-and-desist letter to Wash World, another car wash system maker, alleging that Wash World’s “Razor EDGE” system infringed the patent.



Wash World responded by suing Belanger, seeking a declaratory judgment that its system didn’t infringe the patent. Belanger counterclaimed for infringement. After a trial, a jury returned a general verdict finding that the Razor EDGE system infringed the patent. It awarded Belanger \$9.8 million in lost profits damages.

SHUTTING DOWN CONVOYED DAMAGES

Wash World challenged the lost profits award, specifically the \$2.6 million stemming from convoyed sales. The court agreed that the trial record didn’t support damages for convoyed sales.

To prove entitlement to such sales, a patentee must prove that the unpatented products and the patented product together constitute a “functional unit.” That means they’re analogous to components of a single assembly or parts of a complete machine. Convoyed sales damages aren’t appropriate for items that have essentially no functional relationship to the patented invention and that may have been sold with an infringing device only as a matter of convenience or business advantage.

According to the court, no reasonable juror could have found that the unpatented components of Belanger’s Razor EDGE system — dryers — constituted a functional unit with the patented portions of the system. The fact that the dryer was typically sold as part of an entire system or package with the patented system didn’t demonstrate the requisite functional relationship to justify additional lost profits. Rather, selling the products together was the exact sort of convenience or business advantage that doesn’t, of itself, support damages liability.

In this case, the jury didn’t explicitly break down the portion of its award attributable to convoyed sales. The court noted that Belanger’s expert presented five possible lost profits damages amounts, all including damages for convoyed sales. As the jury’s award was precisely equal to the bottom figure of his proposed calculations, it was “overwhelmingly likely” that the jury adopted all of the components of his calculation, including the convoyed sales.

DEMONSTRATING FUNCTION OVER FORM

Belanger’s award was reduced by \$2.6 million because of the improper inclusion of convoyed sales. Patentees seeking lost profits on unpatented components can avoid a similar fate by clearly demonstrating a functional relationship with the patented products. □

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