

# insight®

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## MANAGING YOUR PORTFOLIO OF FOREIGN PATENTS – HOW TO OBTAIN VALUE IN A COST-EFFECTIVE MANNER

BY: STEPHEN D. HARPER, PH.D.

### WHY FILE FOREIGN PATENTS?

A patent is a legal instrument which gives its owner the right to exclude others from practicing the claimed invention. However, a patent generally has effect only within the borders of the country which granted the patent. For example, a U.S. patent on a product cannot be enforced against a party making and selling that product only in China. Additionally, because a U.S. patent requires a description of how to make and use the invention and the best mode of practicing the invention known at the time of filing the application, obtaining only a U.S. patent may open the door for others to freely practice the invention outside the U.S.

An applicant should take into account whether a market for a particular invention exists outside the U.S., either currently or in the foreseeable future, and whether this market potential justifies investing in patent protection. Securing a competitive advantage or otherwise

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## FEDERAL CIRCUIT ALLOWS WEBSITE PRINT-OUT WITHOUT IMAGE TO QUALIFY AS A TRADEMARK'S COMMERCIAL USE SPECIMEN IN *In re Sones*

BY: JOHN W. MCGLYNN

A decision by the Court of Appeals for the Federal Circuit may make it easier to federally register marks used in connection with goods sold over the Internet. In *In re Sones*, (2009 U.S. App. LEXIS 28198, 12/23/09), the Federal Circuit vacated and remanded the United States Patent and Trademark Office Trademark Trial and Appeal Board's final decision denying registration of ONE NATION UNDER GOD for charity bracelets. The Court held that a website page may qualify as an acceptable specimen of use of a mark even if an image of the goods does not appear on the page. The Federal Circuit declined to follow the USPTO's Trademark Manual of Examination Procedure<sup>1</sup>, which includes a section requiring that an electronic display contain an actual image of the product to qualify as a specimen of commercial use of the mark.

Michael Sones filed an intent-to-use application to register ONE NATION UNDER GOD for charity bracelets. The USPTO prosecuted the application, published the mark for opposition, and issued a Notice of Allowance. Six months later, Sones submitted a

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financially benefiting (through licensing, for example) from the exclusive rights a patent can afford may warrant the cost of foreign filing.

### WHAT TO FILE AND WHERE TO FILE

While market potential should be a major factor in determining whether to file patent applications outside the U.S. other considerations are important as well. For example, if the invention relates to breakthrough technology likely to be practiced over a long period of time and it appears possible to obtain granted claims of broad scope, then seeking foreign patent protection may be very desirable. If, however, the technology is a modest improvement on an existing product or process or is likely to be superseded by a new technology within a few years, then carefully consider whether investing in foreign filing is beneficial.

The type of technology should also play a role in foreign filing decisions. Policing a patent which claims a composition or apparatus typically is much easier than policing a patent claiming a method or process. A competitor's product which is available to the public may generally be readily inspected to determine if it infringes a composition or product claim. If a competitor is practicing the claimed process or method in its plant, it is often quite challenging to learn sufficient details of that process or method to assess infringement. This is particularly true in countries where legal access to a suspected infringer's records and documents (through discovery, for example) is limited.

With so many different countries that are potentially available for selection, the decision about where to file is also important. For countries where a significant market potential for a given invention appears to exist, it is also important to consider whether that individual country will grant patent protection for the claimed invention. While the U.S. recognizes that a broad range of innovations are potentially eligible for patent protection, many other countries take a much more restrictive view of what can be patented.

In making decisions about where to file a patent application, the issue of whether the legal systems of the individual countries of possible commercial interest facilitate enforcement of patent rights should also be considered. Factors to consider include: whether there is corruption, is infringement often found, is there discovery, the typical costs involved, whether damages are available and whether there is compulsory licensing. Because many of these factors require knowledge of legal systems in foreign countries, it can be helpful to consult with law firms specializing in patent law in foreign countries of interest.

Developing foreign filing guidelines to assist in organizing and making consistent, rational decisions about a patent portfolio will reduce costs. Consider whether to categorize countries into different lists based on particular markets, taking into account all the above-mentioned factors.

### HOW TO FILE AND PROSECUTE

Because of various international treaties, an applicant is not required to simultaneously file for patent protection in any and all desired



countries at the outset. Under the Paris Convention, for example, most countries will recognize the filing date of an application filed first in the U.S., provided the applicant files an application in the foreign country within one year of the U.S. application. This gives an applicant one year to assess the potential of their invention and to decide whether to pursue foreign patents. Alternatively, an applicant may file a Patent Cooperation Treaty (PCT) application within one year of the U.S. application. Nearly all countries are members of the PCT, which provides a mechanism wherein an applicant files a single application which preserves the option to later file (at additional cost) national applications in any or all of the designated countries. An applicant must generally complete these later filings within 30 months from the filing date of the priority application. The decision on whether to file in individual countries thus can be pushed back an additional 18 months from the time when such a decision would ordinarily need to be made. This option provides an applicant with much more time to fully evaluate the technical and commercial potential of the invention.

Cost savings may also be realized in other ways during prosecution such as reducing translation fees, reducing the number of claims, and increasing efficiency in patent family prosecution. To save on translation costs, an applicant could eliminate redundant text and prolonged discussions of the prior art without jeopardizing possible patent rights. Reducing the number of claims being prosecuted may also be a way to reduce costs. In many countries, an applicant must pay additional significant fees for claims in excess of the number of claims provided for by payment of the basic filing fee. Finding a balance between covering the commercial product with the patent claims while staying within a reasonable number of claims is therefore beneficial.

Focusing on increased efficiency in patent family prosecution is beneficial. Taking the lessons learned during the initial examination of one member of a patent family often can be adapted for use in counterpart applications so as to streamline prosecution. Typically, an application is initially rejected as unpatentable over one or more prior art references. During the first substantive examination, considerable effort is often invested in developing claim amendments and arguments to successfully overcome that rejection while still securing

commercially significant claim scope. If the same or similar prior art is later cited against counterpart applications in other countries, the same strategy may be effective in those counterpart applications.

In recent years, there has been movement towards various international initiatives that can potentially reduce the cost of prosecuting a family of patent applications. For example, under the Patent Prosecution Highway (PPH), an applicant receiving a ruling from the Office of First Filing (OFF) that at least one claim in an application filed in the OFF is patentable may request that other patent offices fast track the examination of corresponding claims in corresponding applications. The U.S. currently has PPH agreements with Canada, Australia, Japan, Korea and the European Patent Office, among others. Under a new pilot program, a PPH request can be based on a favorable written opinion or international preliminary examination report issued in a PCT application. Additionally, the patent offices of the United States, Europe, and Japan recently launched a joint work-sharing project entitled the "Triway". The program will test the effectiveness of a search and examination-sharing framework aimed at eliminating timing issues and improving the quality of granted patents.

#### MAINTENANCE

In most countries, a patent owner must make periodic payments (annuities) in order to keep a granted patent in force until its expiration date (usually, 20 years from filing). Such annuities typically increase as the patent ages and can represent a significant cost over the life of a patent. For example, total annuity costs in Japan now exceed \$20,000. Additional cost savings will result in periodically and rigorously reviewing a foreign portfolio to identify patent properties that are no longer of any real value. Is the technology covered by the patent now obsolete, or is it still being practiced? If the patented technology has not yet been commercialized, are there concrete plans to develop and market it within the remaining lifespan of the patent? If the patent owner does not plan to practice the invention, are there licensing or divestiture opportunities that should be considered? Is the patent a barrier to a competitive product or process being introduced by competitors?

#### SUMMARY

In today's global economy, securing patent protection only in the U.S. often is insufficient to realize the full potential and value of new technology. However, in recent years, the rising costs associated with filing, prosecuting and maintaining foreign patents have made it even more critical for patent owners to actively manage their portfolios.

The attorneys at RatnerPrestia have strong expertise in developing cost-effective strategies for their clients to assist them in realizing and maintaining the competitive advantages afforded by patents arising out of their investment in research and development. Assisted by our capable and experienced Foreign Filing department, we will be glad to provide you with advice and guidance at every step of the foreign filing process.

“Developing foreign filing guidelines to assist in organizing and making consistent, rational decisions about a patent portfolio will reduce costs.”





**George Pazuniak** joins RatnerPrestia's Litigation & Dispute Resolution Group. Mr. Pazuniak has thirty five years experience, preparing and trying intellectual property lawsuits as a partner in other firms. He also represents clients in other facets of intellectual property law, including enforcement, protection, arbitration, licensing and counseling. Mr. Pazuniak's client base has included start-ups, small to medium sized businesses as well as global Fortune 50 companies. Prior to joining RatnerPrestia, George led the opening of a Wilmington, Delaware office for an AmLaw 100 firm.



**Gerard O'Rourke** joins RatnerPrestia's Litigation & Dispute Resolution Group. A registered patent attorney, Jerry has served as lead trial counsel in patent litigation in jurisdictions throughout the United States. He has successfully litigated cases in a wide variety of technical fields including consumer electronics, pharmaceuticals, biotechnology, and specialty chemicals. He also has significant commercial litigation and arbitration experience. Prior to joining RatnerPrestia, Jerry helped open the Wilmington, Delaware office for an AmLaw 100 firm.



**Dr. Ling Zhong** joins RatnerPrestia as an Associate in the BioChemPharma Group. Dr. Zhong joins the firm with an extensive background in intellectual property law and biotechnology. In addition to her experience in prominent firms in New York City, she has authored or co-authored a number of significant legal and scientific publications. After undergraduate work at Peking University, she came to the U.S. and attained her Ph.D. in Biochemistry, Cellular and Molecular Biology at Johns Hopkins University and her Masters Degree in Cell Biology at Temple University. In 2000, Dr. Zhong earned her Juris Doctorate from Georgetown University Law Center. At Georgetown, Dr. Zhong served as the Notes Editor for the Georgetown International Environmental Law Review.



Stephen Weed



Joshua Cohen



Rex Donnelly



Christopher Rothe



Paul Prestia



Dr. Robert Esposito



Jonathan Spadt



Glenn Massina



Christopher Dervishian



Benjamin Leace



Ken Nigon



Christopher Lewis

**Stephen Weed** presented at the Association of University Technology Managers (AUTM) 2010 Annual Meeting in New Orleans on March 19, 2010 addressing the protection of computer related inventions and business methods.

**Joshua Cohen** was a Guest Lecturer at the University of Pennsylvania on March 22, 2010 presenting on "Intellectual Property Strategies for Entrepreneurial Ventures." **Josh** also lectured at Philadelphia University's 2010 Spring Lecture Series on March 25, 2010 on "Strategic Design Differentiation: An Interdisciplinary Approach for Protecting the Competitive Advantage of Design Innovations."

**Jonathan Spadt** was invited as speaker at the Basel Intellectual Property Lecture Series at the University of Basel, Switzerland on May 18, 2010. Jonathan discussed the strategic uses of U.S. re-examination proceedings and their role in a company's worldwide IP management.

**Rex Donnelly, Christopher Rothe, and Stephen Weed** presented at the University City Science Center on May 14, 2010. Their presentation focused on strategies for universities and research institutes to reduce time and expense while increasing the value of their intellectual property portfolios.

**Dr. Robert Esposito** spoke on April 12, 2010 and April 21, 2010 at Temple University's College of Engineering providing an overview of patent prosecution and career opportunities for engineers in intellectual property law.

**Rex Donnelly** was a speaker at Philadelphia Bar Institute's Fourth Annual Intellectual Property Law Institute on April 16, 2010 where he co-presented, "Top 10 Ways to Preserve Your Trademark."

**Kenneth Nigon** presented a webinar for The Bureau of National Affairs (BNA) entitled "The Patent Disclosure, Different Roles for Different People with Different Viewpoints, Drafting the Specification to cover all the Angles." This webinar, which is based on Ken's contribution to the BNA text "Electronic and Software Patents, Law and Practice," is part of the Patent Wednesdays series offered by BNA Legal & Business Events.

**Christopher Rothe, Christopher Dervishian and Glenn Massina** spoke at the Chester County Bar Association's Annual "Spring Bench Bar Conference" on April 16, 2010. Their presentation, titled "IP Fundamentals for the Business Lawyer", addressed patent, trademark, trade secret and copyright issues of importance to business attorneys.

**Benjamin Leace** spoke at the Philadelphia Bar Institute's Fourth Annual Intellectual Property Law Institute on April 16, 2010 on "Proving Your Damages (Reasonable Royalty) – Mock Direct & Cross Examination of Financial Expert in a Patent Infringement Trial."

**Kenneth Nigon** presented "What's on the Horizon/Post Grant Review" at the Federal Bar Association (Delaware Chapter) on May 24, 2010. His program was part of a continuing series of CLE Programs co-sponsored by the U.S. District Court and the Federal Bar Association.



**John McGlynn** has become a Shareholder of the firm. John is a co-chair of the Trademark Practice Group of RatnerPrestia, where he has primary responsibility for day-to-day operation and supervision of RatnerPrestia's Trademark Center. Since joining RatnerPrestia in 2006, and beginning his career in 1998, Mr. McGlynn's practice has focused on counseling and assisting clients ranging from individuals to Fortune 100 companies in connection with all aspects of domestic and

international trademark prosecution and use, including clearance, registration, enforcement, transfer and licensing of trademarks. John also provides counseling on domain name and other Internet issues and represents clients in domain name disputes.

**Paul Prestia, Kenneth Nigon & Benjamin Leace** were selected for Super Lawyers (2010) and were recognized by *Chambers USA* as Key Individuals (2010); **Kenneth Nigon** was selected for Best Lawyers (2010).

**RatnerPrestia** sponsored Pennsylvania State University's 2010 Idea Pitch Competition and **Christopher Rothe** served as a judge in the final round.

**Joshua Cohen** was honored with the Farrington Award for outstanding commitment to student entrepreneurship by his alma mater, Lehigh University.

**RatnerPrestia** was an Emerald sponsor of DELVACCA's Second Annual In-House Counsel Conference on May 6, 2010 in Philadelphia, PA. RatnerPrestia shareholders **Christopher Lewis, Christopher Dervishian** and **Gerard O'Rourke** presented "Intellectual Property Issues that Can Blindside Corporate Counsel" to the General Counsel/Chief Legal Officer program track. Topics covered included Patent Reexaminations, Opinions of Counsel, Intellectual Property Due Diligence, and the Transferability of Intellectual Property Licenses.

**RatnerPrestia** was also a proud sponsor at the Ben Franklin ixchange 2010 held at the Zoellner Arts Center at Lehigh University on May 12th.

**RatnerPrestia** hosted the May 5, 2010 and June 23, 2010 Programs of the Greater Philadelphia Chapter of the Product Development and Management Association (PDMA) in its Valley Forge Office. RatnerPrestia Shareholder **Joshua Cohen**, the president of the PDMA chapter, moderated PDMA's May 5, 2010 Program. About 40 regional product development professionals attended the meeting and learned strategies for identifying and using industry trends for new product innovations.

Statement of Use, supported by a specimen of use, comprising two pages from a website. The first page listed a “ONE NATION UNDER GOD™ charity bracelet” for sale with a “Add to Cart” button underneath. A shaded graphic next to the listing stated that the Photo was not available. The second page displayed a “shopping cart” with an order for “ONE NATION UNDER GOD™ Item #102”. The USPTO rejected the Statement of Use because the submitted specimens did not show a picture of the goods in close proximity to the mark. Sones responded, but did not submit any substitute specimens. The USPTO issued a final Office Action affirming the refusal. Sones appealed.

The TTAB affirmed relying primarily on *Lands’ End, Inc. v. Manbeck*, a case relating to the use of catalogs as specimens.<sup>2</sup> In *Lands’ End*, the district court considered the acceptability of an excerpt from a mail order catalog, observing that the specimen included a picture and description of each item. The USPTO incorporated standards taken from the decision into the TMEP. To qualify as an acceptable specimen of use, the catalog needed to include: 1) a picture of the relevant goods, 2) the mark appearing in sufficient proximity to the picture of the goods to associate the mark with the goods, and 3) information necessary to order the goods.

Sones appealed to the Federal Circuit arguing that the TTAB incorrectly employed an overly narrow standard for acceptable specimens. In its opinion, the Court recounted another TTAB decision applying the catalog standard to a website, where a page bearing the mark and displaying an image of the product, and providing means for ordering the product, was found to qualify as a display associated with the goods suitable for evincing use of the mark.<sup>3</sup> The Court then went on to note several instances of the TTAB applying the same standard, with particular emphasis by the TTAB on the importance of an image of the goods appearing on the Internet evidence. The Federal Circuit ultimately concluded, however, that the TTAB misunderstood the earlier decision regarding catalog specimens. The decision did not impose a picture requirement for catalog evidence to qualify as a specimen of use. The mark had to be used in the catalog in such a way to create an association between the mark and the goods to identify and distinguish the source of the goods, and showing the mark in close proximity to an image of the product was identified as one way to establish the association, but the district court cited other factors relevant to approving the specimen. The Court also found that the bright-line rule employed by the TTAB requiring a picture of the goods had no basis in statutory law or policy. The statute does not identify particular requirements for establishing source significance. Many traditional acceptable specimens like packaging and labels show use in commerce by describing the goods in relation to the mark and do not include pictures of the goods.

Bearing in mind the standards for non-electronic specimens of use, the Federal Circuit rejected the assertion that websites must contain pictures to create an association between the trademark and the goods being sold. The Court cited other sections of the TMEP that acknowledge that a website is, in effect, an electronic store, with ordering from a website being the equivalent of picking up a product in a physical

“This decision may make it easier for Internet retailers without images next to their products to register their trademarks for these products.”

store and carrying the item to the cashier to purchase it. If a box bearing a mark but not displaying an image of the product can qualify as an acceptable specimen of use, so, too, can a website.

Accordingly, the Court decided for Sones and held that an image of the product is not a prerequisite for acceptance of Internet evidence as a specimen of use for a mark. The Internet evidence simply “must in some way evince that the mark is ‘associated’ with the goods and serves as an indicator of source.” On remand, the Court ordered that the USPTO consider the specimens as a whole to determine if the use of the mark on the web pages sufficiently associates the mark with the bracelets so as to “identify and distinguish the goods.” Factors to consider included whether the website pages has a “point of sale nature,” and whether qualities of the goods are appreciable from the copy on the page.

Judge Newman dissented from the decision on mootness grounds. On the day the TTAB issued its final refusal, Sones filed another application, with images of the bracelets on the Internet that supported actual use of the mark. Judge Newman stated that the filing of the new application removed the case or controversy requirement. The majority, however, disagreed because the later filing date of the second application provided a later constructive use date.

This decision may make it easier for Internet retailers without images next to their products to register their trademarks for these products. The retailers may rely on more conveniently accessible Internet evidence instead of collecting and/or taking pictures of labels or packaging.

As an added convenience to our clients, RatnerPrestia conducts Internet searches for suitable specimens of use as Statements of Use and Declarations of Use become due.

<sup>1</sup> The TMEP is viewable on-line at <http://tess2.uspto.gov/tmdb/tmep/>.

<sup>2</sup> *Lands’ End, Inc. v. Manbeck*, 797 F. Supp 511 (E.D. Va. 1992).

<sup>3</sup> *In re Dell*, 71 USPQ2d 1725 (TTAB 2004).



# RATNERPRESTIA'S DESIGN RIGHTS PRACTICE AREA DESIGN MAKES THE DIFFERENCE

BY: JOSHUA COHEN

*Companies have a strong opportunity to outperform rivals if they can establish a difference that they can sustain.*

- Michael E. Porter, Harvard Business School

Recognizing the growing commercial importance of design and design rights, RatnerPrestia has built a specialized design team with attorneys and staff dedicated to design rights. RatnerPrestia's design team works to secure strategically important design patents and related design rights in the U.S. and in foreign jurisdictions worldwide.

At RatnerPrestia, we know that design makes the difference. Product design drives many consumer purchase decisions. Design innovations therefore provide a powerful commercial advantage, and protected design rights are valuable assets.

RatnerPrestia helps design-driven companies protect their design innovations and secure valuable design rights. By working closely with our clients to procure and enforce design rights, we help maximize the return on their design-related investments.

RatnerPrestia's design team has expertise in preparing design patent applications by using strategies that ensure protection of the important design features that differentiate design innovations from prior designs. We prepare new design patent applications for first-filing in the U.S. and applications based on prior applications filed abroad.

Our design team handles the preparation, filing, and prosecution of design patent applications in a systematic, cost-effective manner. And because many product designs have short lifecycles or require early protection, our team collaborates with Patent Office Examiners and employs expedited processing procedures to advance prosecution.

We recognize the importance of broad and enduring protection of innovative designs, including the targeted protection of distinctive ornamental and functional features embodied by those designs. We consider all available avenues for IP protection and develop strategies using design and utility patents, trade dress, registered trademarks, and copyright protections.

RatnerPrestia understands our clients' design development processes. We collaborate with development teams to integrate design protection efforts into their development processes, ensuring that the right actions are taken at the

right time. These collaborations also facilitate proactive risk management, including early identification and mitigation of infringement risks.

Our design team coordinates with other RatnerPrestia practice areas of the firm to:

- Enforce and defend our clients' design rights, implementing strategies that achieve business-oriented solutions to legal disputes, including litigation in U.S. District Courts
- Develop cost-effective programs to challenge knock-offs and maintain exclusive rights to important design features
- Assess the design rights of third parties and render opinions as to their infringement or validity
- Structure agreements that transfer design rights while protecting key business interests
- Secure trade dress and trademark protections for designs that have become strong source identifiers

We know that the success of new product offerings is often tied to their design. RatnerPrestia's design team is focused on protecting that design difference and sustaining the competitive advantage of design innovations.

For additional information about RatnerPrestia's Design Rights Practice Area, please contact its Chair, Joshua L. Cohen, at [JLCohen@RatnerPrestia.com](mailto:JLCohen@RatnerPrestia.com) or (610) 993-4240.

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The insight® newsletter is published by RatnerPrestia to inform readers about developments in intellectual property law and news happening in the firm. Articles appearing in insight® are intended to provide only an overview of each subject, and do not necessarily reflect the opinion of the firm or its clients. No information in insight® should be considered or relied upon as legal advice.

Readers seeking assistance on a legal matter should always consult

with an attorney. Comments on insight® and suggestions for future articles may be submitted to the editor, Christopher A. Rothe, Esquire, at our Valley Forge Office.

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