January 2015

JOURNAL OF INTELLECTUAL PROPERTY LAW

Collected Writings of Banner & Witcoff in 2014



www.bannerwitcoff.com

Accordingly, these six REDSKINS registrations will remain "on the federal register of marks" and not be listed in the USPTO's records as "cancelled" until after all judicial reviews have been completed. This could include a final appeal to the U.S. Supreme Court.

WHAT DOES THE TTAB DECISION MEAN FOR THESE TRADEMARKS?

If the cancellation of the registrations for the trademarks involved in this case is affirmed following all possible reviews in the federal courts, Pro Football, Inc., as record owner of the involved registrations, would lose the legal benefits conferred by federal registration of the marks. Such lost benefits include:

(a) the legal presumptions of ownership and of a nationwide scope of rights in these trademarks;

(b) the ability to use the federal registration [®] symbol, and;

(c) the ability to record the registrations with the U.S. Customs and Border Patrol Service so as to block the importation of infringing or counterfeit foreign goods.

WHAT DOES THE TTAB DECISION NOT MEAN FOR THESE TRADEMARKS?

This decision does not require the Washington D.C. professional football team to change its name or stop using the trademarks at issue in this case.

Cancellation of the federal registration of a trademark does not mean that the owner loses all legal rights in the mark. This is because trademark rights in the United States come from use of the mark on or in conjunction with goods or services, not merely from the additional, and optional, step of federal registration.

The TTAB decision — if upheld by the federal courts — determines only whether a mark can be registered with the federal government (and

thus gain the additional legal benefits thereof), not whether it can be used.

Regardless of the federal registration status, the trademark owner retains its rights in the mark based on use of the mark. Such rights are known as "common law" rights, and those use-based rights will continue to exist even if a federal registration is cancelled.

PRO FOOTBALL APPEALS TTAB DECISION

On August 14, 2014, Pro Football Inc., the owner of the subject Washington Redskins trademarks, filed a federal lawsuit seeking to overturn the USPTO's cancellation of its trademark registration on grounds that the name is disparaging to Native Americans, calling the agency's decision "replete with errors of fact and law" and additionally, unconstitutional.

The complaint, filed in the U.S. District Court for the Eastern District of Virginia, claimed that the TTAB ruling against the team violated the First and Fifth Amendments of the U.S. Constitution. It urged the court to reverse the TTAB's decision, declare that the word "Redskins" and the team's marks do not disparage Native Americans, and deem part of the Lanham Act unconstitutional under the First Amendment, among other remedies.

According to the complaint:

"The Redskins Marks, as designations of the professional football team, do not disparage Native Americans or bring them into contempt or disrepute under any analysis of the terms 'disparage,' 'contempt,' or 'disrepute.' To the contrary, the name 'Redskins,' when used in association with professional football as it has been for over 80 years — *denotes only the team* and connotes the history and tradition of the club." MORE > 11

[NFL REDSKINS, FROM PAGE 11]

In the appeal, Pro Football seeks an Order of the Court regarding the following:

(1) Reversing the TTAB Order scheduling the cancellation of the Redskins Marks;

(2) Declaring that the word "Redskins" or derivations thereof contained in the Redskins Marks, as identifiers of the Washington, D.C. professional football team, do not consist of or comprise matter that may disparage Native Americans;

(3) Declaring that Section 2(a) of the Lanham Act, 15 U.S.C. § 1052(a), is unconstitutional, both on its face and as applied to Pro Football by the TTAB, under the First Amendment of the U.S. Constitution, and is void for vagueness;

(4) Declaring that the TTAB Orderviolates Pro Football's rights underthe Fifth Amendment of the U.S.Constitution; and

(5) Declaring that Defendants' petition for cancellation in the TTAB challenging the Redskins Marks under Section 2(a) was barred at the time it was brought by the doctrine of laches.

According to the Complaint, errors made by the TTAB include its failure to restrict its analysis to the relevant time frame of 1967-1990, when the registrations were first issued. As articulated by the dissent:

> It is astounding that the petitioners did not submit any evidence regarding the Native American population during the relevant time frame, nor did they introduce any evidence or argument as to what comprises a substantial composite of that population thereby leaving it to the majority to make petitioners' case have some semblance of meaning (Bergsman, A.T.J., dissenting).

WHAT HAPPENS NOW?

This case is far from over. The petitioners now have 60 days to respond to the complaint, just as Pro Football did after the TTAB's decision.

New evidence can be presented to the district court by both parties — and it is expected that this will be done by both sides. The district court case will proceed according to a schedule set by the court, much like the previous district court case, *Harjo v. Pro-Football Inc.*, based on another TTAB decision that cancelled several REDSKINS trademark registrations.

The reputation of the Eastern District of Virginia court as a "rocket docket" will likely mean that this case will be decided on a faster track than the previous case handled by the U.S. District Court for the District of Columbia. In 1999, the TTAB ruled that the name Washington Redskins was disparaging in the *Harjo* case but the decision was reversed on appeal because the TTAB's finding of disparagement was not supported by substantial evidence and the suit was barred by laches.

The new venue is a result of the America Invents Act, as cases from the TTAB are now reviewed at the Eastern District of Virginia court. Will there be enough evidence this time or is the dissenting judge in the TTAB correct?

Stay tuned.

Supreme Court Considers Whether Judge or Jury Should Tackle Trademark "Tacking"

Ross A. Dannenberg

Banner & Witcoff Intellectual Property Alert

December 10, 2014



Intellectual Property Alert: Supreme Court Considers Whether Judge or Jury Should Tackle Trademark "Tacking"

By Ross A. Dannenberg

December 10, 2014 – On December 3, 2014, the United States Supreme Court heard oral arguments in the case *Hana Financial, Inc. v. Hana Bank et al.*, on writ of certiorari from the United States Court of Appeals for the Ninth Circuit. This is the second of two trademark cases the Court has heard in as many days, doubling the number of trademark cases that the Court has heard over the past 10 years. At issue in the case is the trademark doctrine of "tacking," whereby a party may "tack" the use of an older mark onto a new mark for purposes of determining priority, allowing the trademark owner to make slight modifications to a mark over time without losing priority rights.

As summarized by the respondent, superior trademark rights generally belong to the party that was first to use its mark in commerce, not necessarily the party that was first to register it. So, the "first use" or priority date of a mark is central to any infringement analysis. In the vast majority of cases, the inquiry is simple because both parties have used their marks unchanged. On some occasions, however, one of the parties may have altered its mark in response to market trends or simply to freshen up its brand image. When a mark is altered, the question arises whether the alteration resets the priority clock, or whether the trademark owner may "tack" its use of the altered mark onto its original mark to retain the benefit of its earlier priority date. The parties do not dispute the standard to determine whether tacking is permissible in any particular case—tacking is available when both marks convey to consumers a "continuing commercial impression" such that the marks are "legal equivalents" of one another. What the parties dispute is whether that determination is a question of law or a question of fact, and whether or not that determination should be made by a judge or jury.

In this case, respondent Hana Bank had adopted the mark HANA OVERSEAS KOREAN CLUB in 1994. Petitioner Hana Financial adopted the mark HANA FINANCIAL in 1995. Hana Bank switched to the mark HANA BANK some time later. Priority thus hinges on whether Hana Bank can tack its use of HANA BANK to its previous use of HANA OVERSEAS KOREAN CLUB. The district court held that the issue of whether tacking was permissible is a question of fact, and gave the issue to the jury to decide. The jury, relying largely on an advertisement that included the text "Hana Bank" alongside the mark HANA OVERSEAS KOREAN CLUB, decided that HANA OVERSEAS KOREAN CLUB and HANA BANK created a continuing commercial impression, and decided in favor of respondent Hana Bank. Based on the oral argument, it would appear that both parties agree that the result in this case would have differed had a judge decided the issue of tacking rather than a jury, because courts have historically allowed tacking in only very narrow circumstances. The oral arguments in this case focused on the legal/equitable questions involved, and similarities to the trademark concept of likelihood of confusion (which was not lost on Justice Kennedy, referring to the "likelihood of confusion" as an "elephant in the room" during oral argument). The Justices quickly honed in on the similarities of likelihood of confusion and tacking, noting that determining a mark's "commercial impression" is not dissimilar to the factual analysis that one undertakes when evaluating a likelihood of confusion for potential trademark infringement. And more specifically, at least in the likelihood of confusion context, that the analysis is undertaken by a jury, not a judge.

Petitioner's arguments that decisions made by juries would be less consistent than decisions made by judges (and therefore less reliable as precedent) appeared to fall on deaf ears, as the Justices pointed out glaring inconsistencies even in previous judge-made decisions (Justice Alito stated that he could not even conceive of a way to reconcile two cases cited in the briefs, and that he would "rather blame [the inconsistency] on the jury than the court"). The Justices further noted that judges could reign in juries through the use of existing judicial tools such as properly worded jury instructions and motions for judgment as a matter of law (JMOL). Lastly, one Justice pointed out that even the *stare decisis* value of judge-made decisions is limited because each determination is heavily fact based—another reason why the decision should be left to the jury.

Reading the tea leaves, it appears to this writer that the Justices ultimately consider tacking and the "commercial impression" of a mark to be a simple concept—much simpler than patent claim construction as was at issue in the *Markman* case cited by the parties—and that it is a context-specific inquiry involving questions of fact that should be answered by a jury, not a judge. Existing judicial tools can be used to address concerns regarding consistency and the appropriate bounds of the tacking doctrine. The Court seems poised to adopt the position that a judge can set boundaries in tacking cases just as the judge would in any other civil trial matter, and leave the ultimate decision to the "panel of consumers" known as the jury.

Audio of the oral arguments is available here. A transcript of the oral arguments is available here.

To subscribe or unsubscribe to this Intellectual Property Advisory, please send a message to Chris Hummel at chummel@bannerwitcoff.com



www.bannerwitcoff.com

© Copyright 2014 Banner & Witcoff, Ltd. All Rights Reserved. The opinions expressed in this publication are for the purpose of fostering productive discussions of legal issues and do not constitute the rendering of legal counseling or other professional services. No attorney-client relationship is created, nor is there any offer to provide legal services, by the publication and distribution of this edition of IP Alert.

Supreme Court Hears Oral Arguments in *B&B Hardware, Inc. v. Hargis Industries, Inc.*

R. Gregory Israelsen

Banner & Witcoff Intellectual Property Alert

December 10, 2014



Intellectual Property Alert: Supreme Court Hears Oral Arguments in *B&B Hardware, Inc. v. Hargis Industries, Inc.*

By R. Gregory Israelsen

December 10, 2014 – On December 2, 2014, the Supreme Court of the United States heard oral arguments in *B&B Hardware, Inc. v. Hargis Industries, Inc.*, the first trademark case to reach the Court in nearly ten years. William F. Jay, of Washington, DC, argued on behalf of petitioner B&B Hardware. John F. Bash, Assistant to the Solicitor General, represented the United States as amicus curiae and argued in support of the petitioner. Neal K. Katyal, of Washington, DC, argued on behalf of respondent Hargis Industries.

Background

Petitioner B&B Hardware, Inc., is a California business that owns the registered mark SEALTIGHT, which was registered in 1993. B&B manufactures and sells self-sealing fasteners, "all having a captive o-ring, for use in the aerospace industry." B&B's fasteners are designed for use in high-pressure environments and sealing applications.

Respondent Hargis Industries, Inc., is a Texas business that also manufactures and sells fasteners, albeit in the construction industry. Specifically, Hargis sells sheeting screws, which are designed to attach sheet metal to wood or steel building frames.

In 1996, Hargis applied to register the mark SEALTITE for its "self-piercing and self-drilling metal screws for use in the manufacture of metal and post-frame buildings." The U.S. Patent and Trademark Office (USPTO) refused Hargis's application because the SEALTITE mark "so resembles" B&B's SEALTIGHT mark that it was "likely to cause confusion."

In March 1997, Hargis sought cancellation of B&B's registration before the Trademark Trial and Appeal Board. B&B opposed the cancellation and sued Hargis for trademark infringement. The cancellation proceeding was stayed pending the outcome of the litigation. In May 2000, a jury found that B&B's mark was merely descriptive and had not acquired secondary meaning. In 2001, the Board resumed proceedings on Hargis's cancellation petition, which it eventually dismissed in June 2003.

While the cancellation proceeding was pending, Hargis submitted supplemental materials in support of its application to register SEALTITE. The USPTO withdrew its previous refusal, approved Hargis's application, and published Hargis's mark for opposition. In February 2003, B&B filed an opposition proceeding, which began in 2006. In 2007, the Board sustained B&B's opposition and denied Hargis's registration of SEALTITE.

In 2003, B&B also filed a second infringement action, which proceeded in parallel with the opposition proceeding. In 2007, after the Board denied Hargis's application, the district court dismissed B&B's second infringement action on the ground that it was precluded by the judgment in the first infringement action. B&B appealed, and the Eighth Circuit reversed, holding that because the jury never reached the issue of likelihood of confusion in the first action, collateral estoppel did not apply.

On remand, the jury found that there was no likelihood of confusion between the two marks. B&B sought a new trial based on the district court's refusal to give preclusive effect, or even deference, to the Board's likelihood-of-confusion finding. The court denied B&B's motion. The Eighth Circuit affirmed, holding that the Board "did not decide the same likelihood-of-confusion issues presented to the district court."

B&B petitioned for certiorari, and the Supreme Court granted review on two questions:

(1) Whether the Trademark Trial and Appeal Board's finding of a likelihood of confusion precludes respondent from relitigating that issue in infringement litigation, in which likelihood of confusion is an element; and

(2) whether, if issue preclusion does not apply, the district court was obliged to defer to the Board's finding of a likelihood of confusion absent strong evidence to rebut it.

Oral Arguments

Justice Ginsburg opened the questioning in oral arguments, pointing out that "the stakes are so much higher" in an infringement proceeding when compared to a registration proceeding. Counsel for B&B, Mr. Jay, acknowledged that the stakes are different, but argued that the inquiry is the same—specifically, likelihood of confusion. Therefore, Mr. Jay argued, the Board's "judgment is preclusive because it's deciding the same issue."

By contrast, counsel for Hargis, Mr. Katyal, argued that the question being asked is different. Specifically, the Board proceeding considers whether the resemblance of the mark is likely to confuse, whereas the district court's de novo proceeding considers whether the use of the mark is likely to confuse. The Court sought clarification on this distinction. For example, Justice Breyer referred to 15 U.S.C. § 1114—the infringement statute—which repeatedly mentions "use," including use in "advertising, sales, all different ways in which use causes confusion." Mr. Katyal explained that in a registration proceeding, the consideration is whether the resemblance of the mark *in connection* with the goods is confusing, as opposed to an infringement proceeding, which considers *how the goods are used*—"the advertising, the marketing, the sales."

The oral arguments included significant discussion about the evidence available in each proceeding. For example, Justice Sotomayor referenced *Kappos v. Hyatt*—in which the Court unanimously affirmed that evidence not submitted to the USPTO in patent prosecution is admissible when bringing suit against the Director of the USPTO under 35 U.S.C. § 145—to make the point that the Court has blessed the idea that an applicant does not have to submit all possible evidence to the Board for consideration. Mr. Jay explained that the applicant always has the option to appeal the Board's decision to a district court, where the additional evidence could be presented, but if the applicant does not take that option, the "bedrock principle of the law on judgments [is] that new evidence is not enough" to avoid preclusion.

The Court also considered, however, how much evidence is actually presented in practice. Justice Breyer noted that in Board proceedings, there are no live witnesses, there is no expert testimony regarding consumer confusion, and the Board stresses "that they should not be like a district court." Justice Kagan noted that a Board proceeding can cost only "10 percent of the cost of an infringement suit." Mr. Katyal contrasted Hargis's Board proceedings—where there were four depositions and no discovery—with the infringement trial, where there were 14 live witnesses and 4,000 pages of discovery.

The Justices were clearly concerned about the scope of their decision. For example, Justice Alito asked if it would be worthwhile to create a rule that applies to a very limited set of circumstances—that is, the number of cases in which the elements of issue preclusion would be met by the Board proceeding. Justice Kagan asked Mr. Jay about the proportion of parties that currently seek review by the Board instead of an alternative (e.g., infringement litigation in district court), and whether the Board is the primary avenue for resolving these types of disputes. Mr. Jay responded that Justice Kagan had asked "a difficult question," but that "fewer than 200 Board cases go to final judgment each year in contested proceedings."

The Justices also explored a middle ground, although neither side seemed interested in compromise. Mr. Jay said that if the Court gave deference instead of full preclusion, the deference should accord "great weight," because the earlier proceedings were full and fair, and the issues were the same. By contrast, Mr. Katyal said that preclusion requires "an identical inquiry," and "the procedures and the incentives at stake" must also be identical. But, Mr. Katyal continued, "that theoretical world never happens in reality."

Understandably, the oral arguments included multiple hypothetical situations—presented by both the Justices and counsel—to aid in understanding concepts that in the abstract may be difficult to grasp. For example, Justice Breyer repeatedly referred to the same hypothetical situation in which Louis Vuitton—of designer-clothing fame—becomes involved in a trademark dispute

with the fictional Lilly Vuitton over a mark for lipstick. In another example, Mr. Katyal described a fictional mark SIKE for shoes. These hypothetical discussions presented some of the lighter moments of the arguments. For example, in discussing whether Mr. Katyal's hypothetical SIKE shoes would have a confusing resemblance but not confusing use, Justice Kennedy lightheartedly asked, "What is the answer? . . . I need to know."

Conclusion

The Justices during oral arguments were not clearly leaning one way or another. They asked both sides difficult questions, and pushed back hard at times when they disagreed with counsel. But they also allowed all three presenters significant stretches of time to talk, which could indicate that the Justices did not completely disagree.

B&B's argument that identical questions with identical evidence requires preclusion seemed to carry some weight. Chief Justice Roberts told Mr. Katyal that, "it seems to me you could prevail on the idea that when the [] uses are actually different it's not precluded, but when they are [] the same, it is. That's the basic preclusion rule."

Conversely, Hargis's argument—that the only time the Board is considering the same use questions as an infringement proceeding is in a "theoretical world"—may convince the Court that "the way it's done in practice" would never fairly require preclusion anyway. Mr. Katyal drove this point home near the end of his argument by saying, "the main banana is infringement. Congress has known that. That's the way it's been for hundreds of years. There isn't going to be any sidestepping of an infringement inquiry in an appropriate case. It's going to happen."

The opinion, which is expected to be released by April or May 2015, will affect how practitioners approach USPTO opposition and cancellation proceedings and district-court litigation.

Audio of the oral arguments is available <u>here</u>. A transcript of the oral arguments is available <u>here</u>.

To subscribe or unsubscribe to this Intellectual Property Advisory, please send a message to Chris Hummel at chummel@bannerwitcoff.com



www.bannerwitcoff.com

© Copyright 2014 Banner & Witcoff, Ltd. All Rights Reserved. The opinions expressed in this publication are for the purpose of fostering productive discussions of legal issues and do not constitute the rendering of legal counseling or other professional services. No attorney-client relationship is created, nor is there any offer to provide legal services, by the publication and distribution of this edition of IP Alert.

ADDITIONAL PUBLISHED WORKS

Look Before You Leap ... Intellectual Property and Crowd-Funding

Robert S. Katz (Contributor)

Medium

July 15, 2014

MauroNewMedia on Jul 15

Look Before You Leap... Intellectual Property and Crowe Funding

TRAFF

ONCOM

Why Major Crowd Funding Sites Couldn't Care Less About Protecting Your Ideas and How to Deal with

Charles L Mauro CHFP

33 min

https://medium.com/@PulseUX/look-before-you-leap-intellectual-property-and-crowd-funding-da1caf57f90b[7/16/2014 10:45:14 AM]

CL Mauro / President / MauroNewMedia / NYC / USA



Recently, I was invited to speak at the Northeast Conference of the Industrial Designers Society of America on intellectual property and crowd-funding (CF). I am not a lawyer but I have consulted with some of the best around. Over the

 \square

past 35 years I have been an expert witness in over 75 major patent cases related to product design, industrial design and GUI design. That experience has taught me a great deal about how innovators deal with the realities of their intellectual property.

As an expert in support of such litigation, most of what one learns with respect to the current intellectual property system is what inventors do wrong. In fact, a primary focus of IP-related litigation is to prove or disprove the effectiveness of the IP-related processes of the opposing parties: Who did what improperly in terms of filing their patents, writing claims, preparing the design patent drawings, referencing prior art, naming inventors, claiming inventions that are obvious or not truly innovative. This effort becomes an extensive analysis whereby one examines the entire history of a given patent application, seeking problems in the filing process and the decision-making of the USPTO (United States Patent and Trademark Office) in granting the patent.

This eventually leads to an opinion, among others, as to whether the patent is

valid and enforceable and what is the actual scope of the claimed invention. These are the knives and forks of the litigators' meal. They determine whether or not you, the inventor, end up with an innovation worth a billion dollars or pennies. Patent litigation is a blood sport. It is also a cornerstone of effective high-tech business practice. This, of course, cuts both ways as the patent holder and accused patent infringer take up positions and attempt to enforce or dismantle protections only the legal system can ultimately verify or reject.

At the end of the day, intellectual property protection is far better than the alternative: just giving away your next big thing to all takers and I can assure you there are takers. The Founding Fathers who signed the US Constitution held in very high regard the ability of inventors to have a limited monopoly on ideas they developed. Indeed, the authority for Congress to enact laws to issue patents is enshrined in the US constitution. Some have said the US patent system is a cornerstone of our commercial success in global markets. This option is yours to hold or squander. If you are considering crowd-funding your next big idea, look before you leap. Oncoming traffic can be fatal.



Know Your Options Clearly, as an innovator of confidence, you have at your disposal IP frameworks that allow you to protect almost all aspects of your next big thing. If you are about to seek crowd-funding, your understanding of what you are

giving up in the interest of speed and access to investors is not a simple issue. Below is a simplified overview of IP protections available to you, should you decide to protect your innovation before launching on a crowd-funding platform of your choice. Note that registered IP falls under the category of exclusive rights; in other words, obtaining this kind of protection gives you the right to exclude others from infringing on your IP. One enforces exclusive rights often by litigation. First, what protections are available.

Utility Patents: This form of IP covers the functional aspects of the product (or service, chemical composition, method of operation, etc.) you create and is the primary vehicle for helping ensure that how your product works is protected from infringing parties. Utility patents are the most costly form of IP and require the assistance of a skilled patent attorney. They can also take the most time to create and file. If you have functional innovations that meet certain legal requirements, utility patents have high value. For in-depth information go here:

(http://www.uspto.gov/patents/resources/types/utility.jsp)

Design Patents: These cover how your product looks visually. A design patent can be directed at the overall appearance of your product or just a portion thereof. In recent years, design patents have become very important. The way your product looks is the essential means of establishing a presence in the marketplace. In a world where there is significant competition from products that have similar functional attributes, a design patent can be more important than a utility patent. Never forget that the design of your product conveys a great deal about your invention well beyond the simple visual impression. The cost of a design patent application is generally substantially less than utility patents. For in-depth information go here: (http://www.uspto.gov/web/offices/com/iip/pdf/brochure_05.pdf)

Trademarks: These cover the names and logos used to identify your innovation and your company (the source of your innovation) in the marketplace. These are not costly to file. If you fail to file trademark protections, anyone can co-opt the name of your company and even your logo

with relative impunity in any states in the US where you are not selling your product. There are certain trademark common law rights that attach to your innovation as soon as you create it, but filing for a trademark gives you additional rights. For in-depth information go here:(<u>http://www.uspto.gov/trademarks/</u>)

Copyrights: This type of protection covers written material related to your invention, including promotional and marketing materials, instruction manuals, photographs of your product (perhaps on your website) and related communications. Copyrights also cover artwork that is associated with your physical product but is conceptually separate (such as a label on your packaging). Copyright protection attaches as soon as you make the expressive work; you don't have to file to have rights, but filing (also known as "registering," in this context) gives you additional rights. Like trademarks, these are less costly to file for and can be critical in protecting how you describe and identify your new invention in the marketplace. Be advised that filing for a copyright registration is a prerequisite to accessing the court system for litigation. Further, failure to file for a copyright registration within 3 months of your first public disclosure of your work will result in disqualification from later seeking attorneys fees and statutory damages in the event you need to bring an infringement case. If you fail to file copyright protections, anyone can co-opt your marketing materials, web site design, package design and the like. For in-depth information go here: (http://www.uspto.gov/main/profiles/copyright.htm)

Trade Dress: This type of protection can only be obtained by having your product achieve high levels of success in the marketplace through broad exposure leading to documented high levels of consumer recognition. Because of these high standards to secure trade dress protection, it is not something to be considered in the initial stages of a new product introduction. If a product

design does reach this high level of consumer recognition, you can apply for registered trade dress (similar to applying for a registered trademark) or seek to establish such rights in court if there is an infringement of your iconic design. There are advantages to registering trade dress early, including identifying your trade dress so you can craft advertisements and a marketing message that helps in showing secondary meaning. Defending a given design via trade dress protection can only be achieved through costly and complex litigation. I mention trade dress to be comprehensive. Note that the details of trade dress protection are actually much more complex than overviewed here. For in-depth information go

here:(<u>http://tmep.uspto.gov/RDMS/detail/manual/TMEP/Oct2012/TMEP-</u> 1200d1e835.xml)

Big USPTO Changes Impact Crowd-Funding Under recent changes in the US patent system known as the America Invents Act (AIA), you as an innovator are living in a different world than inventors that came before you. When Congress changed the US patent system in September of 2011, they tweaked a few things mostly of interest to lawyers. However, one change is vitally important to you when considering crowd-funding for your project. For in-depth information on AIA go here: http://www.uspto.gov/aia_implementation/index.jsp

Prior to AIA, the entire US patent system was based on the idea that whoever invented something first had rightful claim to the invention. This was called "First-To-Invent." As you can imagine, this led to no small amount of problems when an inventor filed for a patent but later found out that someone else had come up with same idea earlier. It was felt that this led to increased litigation costs for a variety of reasons including the complexity of searching and establishing who came up with a given invention first. Often whoever prevailed in the murky evidentiary battles (discovery process) prevailed in the case. Now, under AIA, the USPTO operates under an entirely different model consistent with much of the rest of the world's IP systems. As an innovator, you are now subject to the requirement known as the "<u>First-Inventor-To-</u> <u>File" system</u> (FITF) not the old "First-To-Invent" system. The new system provides a bright line test as to who is entitled to a patent, namely, the inventor who FILED first.



Others May Patent Your Idea

It may seem like an arcane and unimportant technical detail, but consider this. If you submit your next big thing on a crowd-funding site without filing for IP protection and it is very successful, anyone can

file a patent on your design under "First-Inventor-To-File." Even if they did not invent the idea, if they do file, they may end up owning your IP, and it is a difficult and costly process to prove to the USPTO that they captured your idea and were not an inventor. If you think this is far-fetched... think again.

When you put up your innovation without protection, millions of individuals have access to your product, and I can assure you that of those millions there are some number who are simply trolling for ideas to file patents on knowing that you, as an early-stage innovator, may not have the awareness or bank account to deal with such problems. This is, of course, a basic business model of some Non-Practicing Entities (NPEs) or patent trolls. Note that no one can fraudulently take your invention if they are not the inventor, but if a skilled patent troll decides to file anyway, you may be facing substantial legal fees to prove the invention is yours. **First-Inventor-to-File Cuts Both Ways** It turns out that under the new FITF system there are sometimes strategic reasons for releasing your innovations without filing for IP protection. This comes as a surprise to those who do not understand how FITF works.

Blocking Your Competitor From IP By Early Disclosure A situation in which you might consider this option is when you are confident that a major competitor is going to launch an invention that is essentially the same as your invention very soon. Under this situation, it might make strategic business sense to publicly disclose your invention via a press release, by posting comprehensive information about the invention on your website, or by launching your invention on a crowd-funding site so that the formal disclosure record shows that your product predated your competitor's product. If your competitor then applied for protection under "First-Inventor-To-File" they would be subject to rejection based on your "first-todisclose" behavior. What, exactly do I mean by this?

If you publicly disclose your invention and then the second inventor files, in legal terms your disclosure is technically "prior art." Should your competitor attempt to patent their competitive product, their application would be rejected because your design preceded theirs in the public marketplace of ideas and inventions. However, if you attempt to file later, your patent application would also be rejected because you were not the first-inventor-tofile. Understand what is happening here: This is a form of intellectual property mutually-assured destruction. You have no IP and neither does your competitor. Let's be clear: this is not the norm nor a recommendation. Your best option is to file a patent application first and require that your competitor license your IP later. Keep in mind the flip side of this situation. Even if your competitor invented a like product earlier, they have no IP rights if you also invented the same invention and filed first, before they disclosed their invention to the public. This is another example of how oncoming traffic in crowd-funding situations is complex and can be fatal.

The Bigger Picture All of this clever strategic thinking is interesting but when taken from the larger perspective, most early-stage inventors who are considering crowd-funding or VC support do not understand how IP protection actually impacts the basic asset value of their ideas and eventual business success.



Plus 20% / Minus 20% It is surprising how few inventors, especially recent graduates of leading design and engineering programs, have even minimal understanding of how to protect their innovations. It is no coincidence that this is the same profile that is fodder for the crowd-

funding cannon. Yet the valuation of these same inventors' ideas is often determined to a significant extent by whether or not they have filed for and have obtained some measure of IP protection. VCs are famous for this method of decreasing the value of your innovations. No IP, -20% of the valuation. Rock solid IP, +20%. So the bottom line on IP is the bottom line. Of course, as with all matters legal, it is not really that simple. Some innovators create technologies that have staggering valuations and essentially no IP...think Facebook or Instagram or even the very early days of Apple. But as soon as Wall Street shows up, IP pops to the top of the list. There <u>is an increasing</u> trend today toward using patents as collateral for funding and financing. This is not surprising considering that IP as a percentage of shareholder value has substantially increased in recent decades. According to the Brookings Institution and Ocean Tomo, in 1978, the value of IP rights were about 20%