

# Intellectual Property Litigation

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## NO LANHAM ACT REMEDY AVAILABLE FOR FAILURE TO GIVE ATTRIBUTION

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A recent decision of the Ninth Circuit has drawn the attention of the U.S. Supreme Court. *Dastar Corp. v. Twentieth Century Fox Film Corp., et al*

A little-known unpublished decision has just been reversed under the microscope of the U.S. Supreme Court. Since the district court decision received little attention, and the Ninth Circuit opinion was unpublished, much of the intellectual property bar was unaware of the appeal until the decision in June.

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### We Are Changing! And We Want to Hear From You!

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## YOU DON'T SAY:

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News, notes and nonsense . . .

A research team at SUNY Stony Brook has been awarded a patent for a "virtual colonoscopy" according to *The New York Times* (5/5/03). The patent covers a new technology to scan for colon polyps including state of the art computer-generated video. Is a celebrity home version in the offing?

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prevent Advantage from registering "We'll Even Pick You Up," which Advantage used in San Antonio before Enterprise's mark became famous. The Federal Circuit emphasized "there is no qualification in the statute requiring that the defendant's prior use be substantial or cover a wide geographic area to defeat an injunction under the statute." Thus, the court agreed that Enterprise was barred from opposing the registration. The court also determined that amendments to § 1063(a) provide for oppositions under § 1125(c) of the Lanham Act, not based on trademark dilution under state law. Advantage's trademark was properly registered, the court affirmed.

## THE FIRST CIRCUIT

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### Reexamining Patent Litigation

Recently signed legislation will significantly change patent litigation practice. Inter partes reexamination in the United States Patent and Trademark Office ("USPTO"), as a means for challenging patents, is at the dawn of expanding use.

Due to the early stage attention to claim construction in modern patent litigation, it is difficult to make strong cases at trial for both invalidity and non-infringement. Consider the defendant that feels it is in a strong position because its activities amount to practicing the prior art. In the post *Markman* era, practicing the prior art is not a defense as such. *Tate Access Floors, Inc. v. Interface Architectural Res., Inc.*, 279 F. 3d 1357, 1366 (Fed. Cir. 2002). A claim construction is usually contested before trial. Defendant can argue for a broad claim construction that would read on the prior art making the invalidity case strongest. But the burden of demonstrating invalidity in court requires overcoming the presumption of validity by clear and convincing evidence. More typically, defendant will argue for a narrow claim construction that does not cover defendant's accused activities. Defendant will then only need to show by a preponderance of the evidence that the narrowed claims are not infringed. After claim construction, it becomes more difficult for defendant to make strong cases for both invalidity and non-infringement - one or the other will appear stronger. The jury may not get a full opportunity to evaluate the impact the prior art had on

the claim construction. Another concern with having the claim construction dictate the trial is that the Federal Circuit Court of Appeals could very well change the claim construction. Inter partes reexamination will give some defendants an opportunity to make a strong case for invalidity against a broad claim construction in reexamination before conducting the litigation in court and arguing for a narrow claim construction.

### Reexamination Statute Amended and Revitalized

The 2002 Judicial Improvements Act, recently signed into law by President Bush on November 2, 2002 has made two important changes to patent reexamination making it a valuable addition to patent defense strategies. First, it allows a reexamination to be initiated in view of prior art patents or publications that were previously before the USPTO. In this respect, the legislation overruled *In re Portola Packaging*, 122 F. 3d 1373 (Fed. Cir. 1997) in which reexaminations were limited to those that relied at least in part upon references not previously before the USPTO. Challenges based on prior art previously before the USPTO are notoriously difficult to successfully litigate in court. Reexamination now provides a welcome forum for presenting such challenges. Second, the legislation gives third party requesters in an inter partes reexamination the right to appeal reexamination decisions to the Board of Patent Appeals and Interferences and then to the Federal Circuit Court of Appeals. Without the right to an appeal, the inter partes reexamination procedure, which first came into being in November 1999, was doomed to premature obsolescence.

Given these changes, reexamination is expected to become a worthy defense strategy. Reexamination is similar to the patent application process but it is conducted on an issued patent. The USPTO with the guidance of the requester, will consider afresh whether the claims of the patent are deserving of a patent. In an inter partes reexamination, the requester files the request for reexamination and continues to submit comments after each filing by the patent owner. A reexamination can cancel claims from a patent entirely eliminating the threat. Alternatively, amendments or statements made during the processing may significantly narrow the claims due to prosecution history estoppel. If the reexamination is unsuccessful, the USPTO reaffirms the allowability of claims.

### Asserting prior art patents or publications against recent patents

A party concerned about potential allegations of patent infringement needs to meet a few threshold requirements before inter partes reexamination can be considered a viable action. Due to the terms of its recent enactment, inter partes reexamination is only available against patents issued on patent applications filed after November 29, 1999. Thus, the universe of patents subject to inter partes reexamination is a limited but growing collection of recently issued patents. For older patents, the USPTO alternative for challenging patents is the *ex parte* reexamination. The substantive threshold for initiating a reexamination is for the requester to identify prior art patents or publications that raise a substantial new question of patentability. The USPTO will determine within three months of the request whether this requirement has been met. If the request for reexamination is rejected, the requester can petition the USPTO commissioner's office for review of the decision. While references previously before the USPTO may be used to establish the challenge to patentability, the USPTO must be satisfied that the question presented is one that was not previously considered.

### Stay of Litigation

If the USPTO determines that the request raises a substantial new question of patentability, the reexamination will go forward and it is likely the litigation will be stayed. 35 U.S.C. §318 specifically provides for a stay. The stay thus gives requester two different contexts in which to challenge the patent owner's case, each with appellate availability up to the Federal Circuit Court of Appeals. Whereas current patent litigation imposes a single claim construction for the litigation of a patent, reexamination affords defendant with a first opportunity to make arguments against a broadly construed claim and then, if patent owner persists in court, to challenge the patent case on the basis of the court's claim construction, hopefully narrowed by the reexamination.

### Claims are broad and vulnerable

Patent claims are more vulnerable to attack in a reexamination than in court. In court, patent claims are the beneficiaries of a presumption of validity set out at 35 U.S.C. §282. In the USPTO, there is no such presumption. The claims are examined as they would be in a patent application to freshly consider whether a patent is merited. Consequently, the USPTO gives the claims their broadest reasonable interpretation. *In re Hiniker*, 150 F. 3d 1362 (Fed. Cir. 1998). If the claims are not cancelled during reexamination, requester at

least may gain in light of narrowing amendments or statements made by patent owner to overcome the rejections. These may subsequently be relied upon in court to argue a narrowed claim construction that is not infringed.

### No discovery

The cost of reexamination is significantly lower, typically by an order of magnitude, than litigation. Inter partes reexamination is a written procedure conducted without any formal discovery. Typically, the requester's involvement includes filing the request and two or three comments. The appellate stage will involve briefs and hearings. There are no depositions, no interrogatories, no discovery motions, no document production, etc. The requester can fight long and hard, strengthening or winning its case before needing to return to the more expensive litigation.

### No interviews or continuations

To requesters benefit, the patent owner is faced with a number of procedural disadvantages in an inter partes reexamination. The procedure before the patent examiner is conducted entirely in writing. 37 C.F.R. §1.955 prohibits interviews with the examiner. The typical patent prosecution in which patent applicant works closely with the examiner to arrive at acceptable claim amendments is not permitted in an inter partes reexamination. The patent owner is relatively on its own to find amendments that will satisfy an examiner. Furthermore, there are no continuation applications. Once an Action Closing Prosecution is issued in a reexamination, the patent owner's options for overcoming the rejection are very limited. Under the rules, patent owner can submit a written response and as to any amendment submitted, the examiner has the discretion to choose not to enter it.

### Obviousness before a trained fact-finder

The inter partes reexamination should be a more reliable procedure for challenging patents because it is handled by the technically trained patent examiners of the USPTO. A judge or jury with no experience in the relevant field of endeavor, may be unable to understand just how obvious a combination of references would have been to one of ordinary skill in the relevant art. The examiner, on the other hand, has extensive technical experience from examining numerous patent applications in the art. Furthermore, the examiner is accustomed to making obviousness rejections.

To summarize, inter partes reexamination subjects patents to a more vulnerable standard at relatively low cost before technically trained patent

examiners while preventing the patent owner from speaking substantively with the patent examiner. The reexamination can stay patent litigation, cancel patent claims, and/or narrow claims by amendment or estoppel. The inter partes reexamination can be appealed to the Federal Circuit Court of Appeals. It will be difficult for defendants to avoid the temptation of using this procedure if they have uncovered the required prior art patent or publication that raises a substantial new question of patentability.

## THE SECOND CIRCUIT

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### Acquiescence to Trademark Infringement: Location, Location, Location

#### Introduction

A trademark owner may be left without a remedy where it has unreasonably delayed in asserting its rights against an alleged infringer or acquiesced in the alleged infringer's use. The decision of whether and when to sue an alleged infringer is an essential inquiry that may be the determinative factor for relief under the doctrines of equitable estoppel by acquiescence and/or laches.

In *Profitness Physical Therapy Center v. Pro-Fit Orthopedic and Sports Physical Therapy P.C.*, 314 F.3d 62 (2d Cir. 2002), the Court overturned the grant of summary judgment based on the district court's failure to perform a likelihood of confusion analysis in determining the scope of a trademark owner's acquiescence by equitable estoppel and in evaluating progressive encroachment as a defense to laches. The Second Circuit held that a likelihood of confusion analysis was essential to a determination of summary judgment of acquiescence and laches when the alleged infringer expands its business from one location to another, even within the same city.

#### Factual Background

Plaintiff Profitness Physical Therapy Center ("Profitness Center") offered physical therapy services under the PRO FITNESS mark and "Pro Fitness Sports Medicine & Physical Therapy Center" name since

1986, and in 1990, received a federal trademark registration for the PRO FITNESS mark in connection with these services. Plaintiff Profitness Center had one office in Brooklyn and two in Manhattan, both boroughs of New York City.

In January 1999, Defendant Pro-Fit Orthopedic and Sports Physical Therapy P.C. ("Pro-Fit") started to offer the same physical therapy services as Plaintiff under the "Pro Fit Physical Therapy, P.C." name in Queens, another borough of New York City. Plaintiff became aware of Pro-Fit in March 1999, and sent a cease and desist letter in June 1999, claiming Pro-Fit's use of the term "Pro-Fit" was an infringement of Plaintiff's PRO FITNESS mark. In response to Plaintiff's letter, Defendant stated its disagreement with the infringement analysis but offered to change its name to "Pro-Fit Orthopedic and Sports Physical Therapy P.C." "to avoid any future conflict." Defendant invited Plaintiff to respond if it had objections to the proposed change as a resolution of the matter. Plaintiff never responded to Defendant's letter (and follow up letter), and Defendant proceeded to change its name to "Pro-Fit Orthopedic and Sports Physical Therapy P.C." Defendant later opened two Manhattan offices. Plaintiff then sent Defendant another cease and desist letter. After the first office in Manhattan opened, there were four instances of alleged confusion because of misdirected mail.

#### Procedural History

In January 2001, Plaintiff initiated a trademark infringement suit against Pro-Fit alleging likelihood of confusion between Defendant's PRO-FIT mark and Plaintiff's PRO FITNESS mark, both of which were used in connection with physical therapy services. Defendant made a motion for summary judgment for estoppel by acquiescence and for laches. In support of its motion, Defendant argued that Plaintiff acquiesced in Defendant's use of the PRO-FIT name by failing to respond to Defendant's letter regarding the proposed name change.

Defendant argued that Plaintiff was equitably estopped from asserting trademark rights against Defendant by virtue of its acquiescence to Defendant's conduct. In response, Plaintiff argued that even if it acquiesced to Defendant's use of the mark in Queens, it did not acquiesce to Defendant's expansion into Manhattan. Defendant affirmatively asserted the defense of laches, and Plaintiff argued that its delay in filing suit was justified under the doctrine of progressive encroachment because Plaintiff "properly waited to assert its claims until, following defendant's expansion into plaintiff's 'home market' of Manhattan,