IDEAS ON INTELLECTUAL PROPERTY LAW

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You invent it, you own it

Supreme Court addresses federally funded inventions

You've probably heard the phrase "You break it, you own it." The patent world has a similar maxim: "You invent it, you own it." In *Board of Trustees v. Roche Molecular Systems, Inc.*, the U.S. Supreme Court addressed this principle for federally funded inventions.

Patents obtained

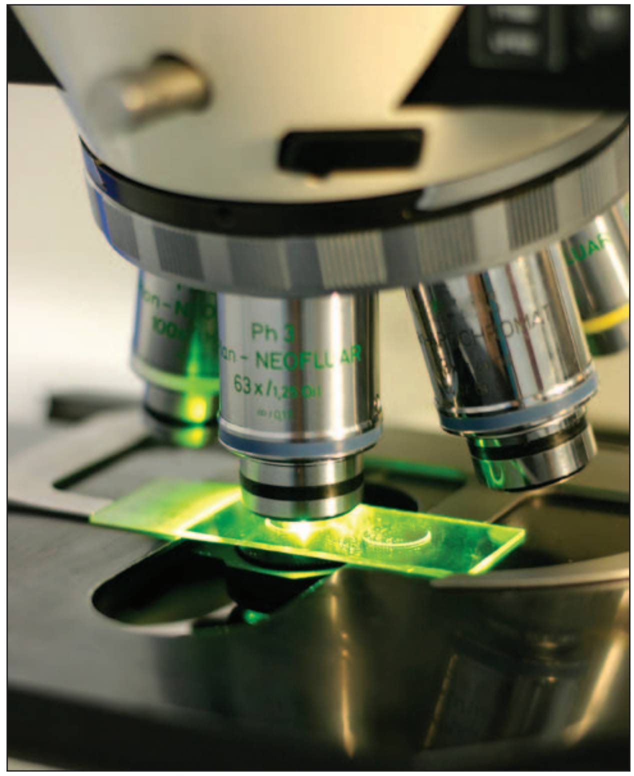
Researchers at Stanford University and Cetus, a private biotech company, developed a technique to measure the effectiveness of antiretroviral drugs used to treat HIV. As the named assignee, Stanford obtained three patents related to the technique.

The Stanford-affiliated researchers signed a copyright and patent agreement (CPA) whereby they "agree to assign" to Stanford their right, title and interest in the inventions created. One scientist, Holodniy, also signed a visitor's confidentiality agreement (VCA) with Cetus that stated he "will assign and do hereby assign" to Cetus his right, title and interest in the inventions made "as a consequence of [his] access to Cetus."

Roche Molecular Systems bought the division of Cetus that worked on the technique and began manufacturing HIV detection kits. Stanford filed suit against Roche, alleging the kits infringed its patents. Roche asserted that Stanford didn't have the required standing to bring an infringement claim because Roche actually owned the patents.

University fails

The U.S. Court of Appeals for the Federal Circuit explained that the language used in the CPA executed by the Stanford-affiliated researchers (specifically, "agree to assign") reflects a promise to assign rights in the future, not to transfer expectant interests immediately. Moreover, the court found that Holodniy agreed only to assign his rights to Stanford at an undetermined time. Therefore, according to the court, Stanford didn't immediately gain title to



Holodniy's inventions as a result of the CPA or at the time the inventions were created.

On the other hand, the language in the VCA signed by Holodniy (specifically, "do hereby assign") represented a present assignment of his future inventions to Cetus, and Cetus immediately gained equitable title to the inventions. Under the VCA, legal title accrued to Cetus when the invention was made and a patent application filed. At that point, the inventor had nothing left to assign to Stanford. As a result, Stanford lacked the standing to sue Roche for patent infringement.

The Supreme Court's grade

On appeal to the Supreme Court, Stanford reiterated an argument the Federal Circuit had rejected: that the Bayh-Dole Act (BDA) gave title in the inventions to Stanford, so Holodniy had no rights to assign to Cetus.

The BDA allocates rights in federally funded inventions between the government and contractors. It applies to any invention conceived or first actually reduced to practice as part of work under a funding agreement. In addition, the BDA provides that contractors "may elect to retain title to any subject invention" if they fulfill certain obligations. In such cases, the government then receives a nonexclusive, irrevocable license to use the invention. The BDA applied because some of Stanford's work on the invention was funded by the National Institutes of Health.

The Supreme Court began by observing that patent law has long operated on the premise that rights in an invention belong to the inventor. In the employment context, an employer doesn't have rights to an invention that's conceived by an employee alone in the absence of an agreement to the contrary. The employee must expressly grant such rights to the employer.

Stanford argued that, when an invention is conceived or first reduced to practice with support of federal funding, the BDA vests title to those inventions in the inventor's employer, the federal contractor. The Court disagreed. It pointed out that the BDA doesn't explicitly divest inventors of their rights.

Further, under Stanford's interpretation of the BDA, a contractor would take title to an employee's invention if the invention's reduction to practice is supported by at least one dollar of federal spending. This would hold true even when the invention was conceived before the inventor was employed by the contractor.

Thus, the Court held that the BDA doesn't automatically vest title to a federally funded invention in federal contractors or authorize contractors to unilaterally take title to such inventions. Rather, contractors must obtain appropriate assignments from their employees before their inventions will become subject to the BDA.

Time to study

Employees — even of federal contractors — can assign their rights to a third party such as Cetus in the absence of an effective assignment agreement with the employer. All employers should, therefore, review their assignment agreements to ensure they hold the appropriate rights, title and interests. ❍

Please note: *As of this writing, the proposed federal patent reform legislation would transition the patent priority regime from the current first-to-invent system to a first-inventor-to-file system. It also would authorize assignees to file patent applications. If the legislation is enacted as expected, the new law might produce a different outcome for facts similar to this case occurring after the 18- or 12-month transition dates to these new provisions.*

2 alternatives offered by dissenting Justice

In the case of *Board of Trustees v. Roche Molecular Systems, Inc.* (see main article), there were two dissenters: Justice Breyer and Justice Ginsburg. Justice Breyer found that the Bayh-Dole Act (BDA) is intended to assure that rights in inventions funded by the public are distributed and used in ways that further specific important public interests. And he concluded that the majority's ruling was inconsistent with that objective.

Justice Breyer proposed two alternative legal routes that would be more consistent with the statute's objective:

1. "What seem only slight linguistic differences in the contractual language" of the conflicting assignments should be set aside so that both conveyed equitable rights. As long as the federally funded employer executed its assignment with the inventor before the third party did, the employer would receive the rights.

2. The BDA could be interpreted as ordinarily assuming and, thereby, ordinarily requiring an assignment of patent rights by the federally funded employee to the federally funded employer.

Justice Breyer suggested that the majority's ruling wouldn't foreclose a similarly situated party from raising these alternatives in a future case.

Playing the Internet domain name game

The Internet has opened up a whole new world of potential trademark abuses, many of them involving domain names based on famous or distinctive marks. The U.S. Court of Appeals for the Fourth Circuit heard just such a case in *Newport News Holdings Corp. v. Virtual City Vision*.

The players

Newport News Holding Corp. (NNHC) has operated for more than 20 years and owns five federally registered trademarks for the mark "Newport News." The marks cover catalog and online sales of women's clothing and accessories. NNHC also owns the domain name newport-news.com and attempted to obtain newport-news.com, but Virtual City Vision (VCV) had already bought it.

VCV owns at least 31 domain names that incorporate the names of geographic locations. Its original idea was to create websites where visitors could find information and advertisements related to the locations.

In 2000, NNHC brought a complaint against VCV under the Uniform Domain Name Dispute Resolution Policy (UDRP). The Internet Corporation for Assigned Names and Numbers (ICANN) Panel dismissed the complaint. It found that, though NNHC's mark and VCV's domain name are identical, visitors looking for the NNHC site wouldn't be confused when seeing a site that provides city information. ICANN specifically noted the "total absence of competition between the businesses."

In the fall of 2007, though, VCV's website began shifting from a focus on the city of Newport News to one emphasizing women's fashions. The next year, NNHC sued VCV for cybersquatting in violation of the Anticybersquatting Consumer Protection Act (ACPA).

3 factors considered

To establish a cybersquatting violation, a plaintiff must prove that the defendant had a bad-faith intent to profit from using the domain name, and that the domain name was identical or confusingly similar to a distinctive mark. On appeal, VCV argued that it hadn't acted in bad faith because NNHC's mark wasn't distinctive.

The Fourth Circuit explained that, when making bad-faith determinations, the totality of the circumstances must be considered. The court focused on three factors in particular:

1. VCV's services. The ACPA permits the use of a registered trademark by someone other than the owner if the mark is used to describe the party's goods or services or their geographic origin.

The court found that VCV's website shifted its focus away from the legitimate service of offering information about the city and became a site devoted primarily to women's fashion, with minimal references to the city. A cybersquatter can't avoid liability by providing a minimal amount of information on a legitimate subject.

"To establish a cybersquatting violation, a plaintiff must prove that the defendant had a bad-faith intent to profit from using the domain name, and that the domain name was identical or confusingly similar to a distinctive mark."

2. Likelihood of confusion. VCV argued that there was no likelihood of confusion between the two websites. But the court clarified that, under the ACPA, the standard is whether there's a likelihood of confusion as to the source, sponsorship, affiliation or endorsement of the suspect site — not just between the sites themselves.

Moreover, the inquiry is narrower than the multifactor likelihood-of-confusion test applied for purposes of determining trademark infringement. The ACPA requires an assessment of whether the domain name is identical or confusingly similar to the plaintiff's mark. Given that VCV's domain name was identical to NNHC's mark, the court found there was a likelihood of confusion.

3. The ICANN decision. The court noted that, in ruling for VCV, ICANN relied on the absence of competition between the two businesses. But VCV proceeded to purposefully transform its website into one that competed with NNHC.

Totality of circumstances

The Fourth Circuit concluded that, in this case, the totality of the circumstances supported a finding of bad faith. Its decision illustrates the limits of a UDRP victory when a website subsequently changes direction. ❍

Are you hiding something?

Failure to share key information could invalidate a patent

When you file a patent, failing to share certain key information can backfire and end up costing you the patent itself. One would-be patent holder learned this the hard way in *Wellman, Inc. v. Eastman Chemical Co.*, a case heard by the U.S. Court of Appeals for the Federal Circuit.

Burying the recipe

Wellman held two patents for polyethylene terephthalate (PET) resins for use in plastic beverage containers. By the time Wellman filed the original patent application, the company had commercialized a PET resin called Ti818, composed of several components, including the additive carbon black N990. The patent, however, didn't disclose that component and, for the components listed, it disclosed ranges of concentrations rather than the precise recipe.

When Wellman sued Eastman for patent infringement, Eastman asserted that the patents were invalid on the grounds of failure to establish the "best mode" of practicing the claimed invention.

Inquiring minds

Federal patent law requires a patent to set forth the "best mode contemplated by the inventor of carrying out his invention." The Federal Circuit explained that a best mode inquiry comprises two questions:

1. At the time of the patent filing, did the inventor have a subjective preference for one mode of practicing the invention over all others?

2. If so, did the inventor conceal the preferred mode from the public?

The first question is subjective. The second considers whether the inventor's disclosure was sufficient to enable someone with ordinary skill in the field to put the invention into practice.

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Answering the questions

Addressing the first question, the court found it undisputed that at least one inventor believed Ti818 was the best resin available for the relevant packaging at the time the patent applications were filed. It turned then to the second question to determine whether the best mode was concealed.

The Federal Circuit noted that, while an inventor may represent his or her contemplated best mode just as well as a preferred range of conditions as by a working example, the concentrations for two of the ingredients listed for Ti818 actually fell outside of the disclosed preferred ranges and, therefore, "led away" from the actual recipe.

The patents also led away from the use of carbon black N990, characterizing it as a "suitable" additive without discussing the particle sizes. The court concluded that Wellman concealed the best mode by:

- Failing to disclose the recipe,

- Identifying preferred concentration ranges for certain ingredients that excluded the amounts actually used in Ti818, and

- Pointing out preferred particles for carbon black N990 rather than naming the component used.

Even one of the inventors admitted he couldn't derive the proper recipe solely from the patent disclosures.

Denying the excuse

It's worth noting that Wellman apparently didn't disclose carbon black N990 because it wanted to protect the additive as a trade secret. But, as the Federal Circuit noted, this choice doesn't excuse an inventor from complying with the best mode requirement. ❍

Please note: *As of this writing, the proposed federal patent reform legislation would eliminate the best mode defense to patent infringement. (The best mode requirement for applications would continue, however.) If the legislation is enacted as expected, the best mode defense will only be available to invalidate patents in lawsuits filed* before *the new law's date of enactment.*

DuPont factors weigh heavily in banking dispute

When evaluating the likelihood of confusion between two trademarks, courts often apply the 13 so-called "DuPont factors." But there's been some disagreement about whether these various factors should all weigh equally or if certain ones should hold greater relevancy based on the circumstances of the case in question. The U.S. Court of Appeals for the Federal Circuit brought some clarity to the matter in *Citigroup Inc. v. Capital City Bank Group, Inc.*

A tale of two cities

Capital City Bank (CCB), a bank with 69 branches in three states and a website serving customers in every state, filed four applications for service marks for banking services: 1) Capital City Bank, 2) Capital City Bank Investments, 3) Capital City Bank Growing Business and 4) Capital City Banc Investments.

Citigroup filed an opposition to the marks with the Trademark Trial and Appeal Board (TTAB). Citigroup has been using the mark "CITIBANK" since 1897 and owns multiple registered trademarks for financial services containing the "CITI" prefix. It based its opposition on the likelihood of confusion between the marks and dilution.

The TTAB analyzed the likelihood of confusion claim under the DuPont factors. Although it found that four of the six relevant factors favored Citigroup, the TTAB concluded that confusion wouldn't arise. (Your intellectual property attorney can provide a full rundown of the DuPont factors and their respective specifics.)

Concurrent use

On appeal, the Federal Circuit considered the two factors that favored CCB: 1) the similarity of the marks as to appearance, sound, connotation and commercial impression, and 2) the nature and extent of any actual confusion.

The court found that substantial evidence supported the TTAB's finding that CCB's marks aren't similar to Citigroup's marks. It cited:

- The distinctive spellings of the marks at issue (for example, "CITI" vs. "City"),
- The pervasive third-party usage of the phrase "City Bank" in marks for financial services, and
- The role of the word "Capital" in distinguishing CCB's marks from Citigroup's marks.

The Federal Circuit next considered whether any actual confusion between the marks existed. It noted the concurrent use of the marks in the same geographic markets since 1975, and that CCB and Citigroup have 19 branches near one another. Although the most potentially confusing form of CCB's marks — a version de-emphasizing "Capital" and emphasizing "City Bank" — hadn't yet been used, the critical words were all in use with no evidence of confusion.

Quality, not quantity

Ultimately, the court affirmed the TTAB's decision, stressing that not every DuPont factor is necessarily relevant or of equal weight in every case. Any one factor may control a particular decision. ❍