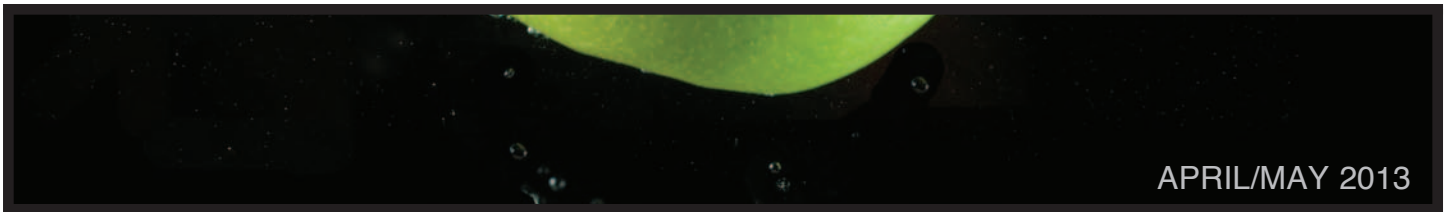




IDEAS ON INTELLECTUAL PROPERTY LAW



APRIL/MAY 2013

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Patent infringement lawsuits often drag on for years. To minimize their losses in the meantime, patentees sometimes seek preliminary injunctions to stop the alleged infringement while the case is ongoing. In *Apple Inc. v. Samsung Electronics Co.*, however, the U.S. Court of Appeals for the Federal Circuit made it more difficult to obtain preliminary injunctions — especially when the case involves a product with multiple features or components.

Samsung put on hold

Apple holds a patent on an apparatus for “unified search,” which searches multiple data storage locations through a single interface. A smartphone equipped with unified search allows the user to search the phone’s local memory as well as the Internet with a single query.

Apple sued Samsung, alleging that Quick Search Box (QSB), the unified search application in Samsung’s Galaxy Nexus smartphone, infringes its patent. QSB is a feature of Android, an open-source mobile software platform.

Apple sought a preliminary injunction putting a halt to sales of the Nexus. The district court granted the injunction, and Samsung appealed.

Federal Circuit picks up

To obtain a preliminary injunction, a plaintiff must establish, among other things, that it’s likely to suffer irreparable harm if the injunction isn’t granted. As the Federal Circuit explained, in a case where the accused product includes many features but only one (or a small minority) that allegedly infringes the patent, the patentee must show more than a risk of irreparable harm. The patentee

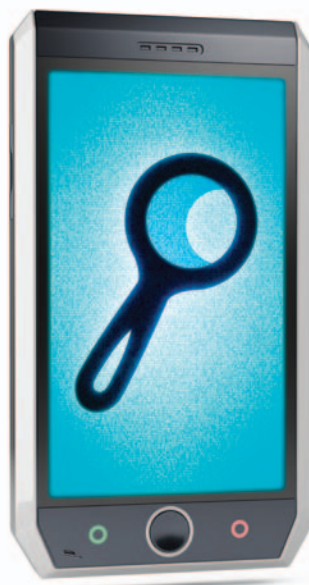
must also establish that the harm is sufficiently related to the infringement — in other words, “that a sufficiently strong causal nexus relates the alleged harm to the alleged infringement.”

To obtain a preliminary injunction, a plaintiff must establish, among other things, that it’s likely to suffer irreparable harm if the injunction isn’t granted.

The Federal Circuit didn’t address whether Apple would indeed suffer irreparable harm because it found the company had failed to establish a causal nexus. But the court did note that, though the irreparable harm and causal nexus inquiries may be separated, they’re inextricably related concepts.

More specifically, the causal nexus inquiry is part of the irreparable harm calculus. Sales lost to an infringing product can’t irreparably harm a patentee if consumers buy the infringing product for reasons *other than* the patented feature, so that sales would be lost even in the absence of the infringing feature.

Ultimately, the court said, the relevant question is whether the infringing feature drives consumer demand for the accused product. It’s only through “the prism of the causal nexus analysis” that the irreparable harm allegations will reflect a realistic sense of what the patentee has at stake.



3 documents rejected in smartphone showdown

In *Apple Inc. v. Samsung Electronics Co.*, the U.S. Court of Appeals for the Federal Circuit specifically rejected three documents Apple submitted as evidence that the patented feature drives consumer demand for Samsung's Galaxy Nexus smartphone.

The first document was a guide for Android software developers, which stated “[unified] [s]earch is a core user feature on Android.” The Federal Circuit reasoned that the guide was merely intended to inform developers of the usefulness of the search capability in programming and said little about what draws consumers to the Galaxy Nexus.

The second document was an article posted on a blog more than two years before the Galaxy Nexus even hit the market. Titled “Google and Android Search Just Became Awesome,” the piece predicted that Quick Search Box (QSB), the unified search application in the Galaxy Nexus, could help Android phones “win new customers, even ones with iPhones.” This statement, the court found, at best reflected the author's belief that the unified search function is important to Android consumers.

The third document was also a blog post. It simply explained and praised the QSB feature, saying nothing about consumer demand.



A connection is made

The Federal Circuit found Apple's evidence of causal nexus to be “limited.” The company presented no evidence that directly tied consumer demand for the Galaxy Nexus to its allegedly infringing feature. Instead, Apple tried to make the nexus case circumstantially by citing its Siri application, which allows users to speak commands into an iPhone in a natural and conversational tone.

The court acknowledged that Siri is a highly popular feature and a significant source of consumer demand for the iPhone. But the Federal Circuit pointed out that the Nexus didn't have an equivalent feature. Apple cited evidence that Siri's functionality depends in part on unified search and that consumers often use Siri in ways that include looking for information. The company appeared to suggest, the court said, that consumers must at least in part be attracted to the Galaxy Nexus because it, too, incorporates the patented unified search feature.

The Federal Circuit held that, to establish a sufficiently strong causal nexus, Apple must show

that consumers buy the Galaxy Nexus because it's equipped with the patented apparatus — not because the Samsung phone can search in general or even because it has unified search. Evidence that some consumers who buy the iPhone like Siri because its search results are comprehensive doesn't show that consumers would buy the Galaxy Nexus because of its improved search-related comprehensiveness.

The court concluded that the causal link between the alleged infringement and consumer demand for the Galaxy Nexus was “too tenuous” to satisfy the irreparable harm requirement. Apple may be harmed by continued sales of Galaxy Nexus, but there wasn't a sufficient showing that the harm flows from Samsung's alleged infringement.

Court sends a signal

The court's focus on the causal nexus sends a clear signal that mere harm isn't enough to obtain a preliminary injunction. As mentioned, this stance sets the bar particularly high for patentees suing over products with multiple features that contribute to consumer demand. ○

Federal Circuit raises the bar for inequitable conduct defense

Like the proverbial child caught stealing cookies from the jar, patent infringement defendants sometimes try to squirm out of the tough situation at hand by accusing their accusers. Many charge that a court should render the patent in question unenforceable because of wrongful conduct by the patentee during prosecution — a tactic the U.S. Court of Appeals for the Federal Circuit described as a “plague” in its 2011 *Therasense, Inc. v. Becton, Dickinson and Co.* decision.

In that case, the court significantly weakened the so-called inequitable conduct defense by establishing a heightened standard. More recently, in *1st Media, LLC v. Electronic Arts, Inc.*, the Federal Circuit raised the bar yet again for defendants trying to meet the *Therasense* standard based on the mere nondisclosure of information to the U.S. Patent and Trademark Office (PTO).

Settling the score

1st Media holds a patent for an entertainment system for use in buying and storing songs, videos and multimedia karaoke information. After the company sued Electronic Arts for infringement of the patent, Electronic Arts asserted an inequitable conduct defense based on 1st Media’s failure to disclose to the PTO three references to prior art related to the invention, which 1st Media learned of during patent prosecution.

The patentee and his attorney testified that they hadn’t appreciated the materiality of the references and that nondisclosure was “an oversight that got lost in the cracks at that time and wasn’t a conscious decision not to report.” The district court (ruling before *Therasense* was decided) didn’t find these explanations credible. It granted declaratory judgment of inequitable conduct, held the patent unenforceable and dismissed 1st Media’s lawsuit.

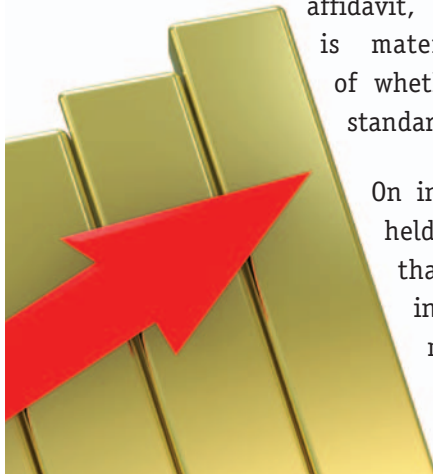
Singing the standards

The inequitable conduct defense requires the accused infringer to prove with clear and convincing evidence that the patentee misrepresented or omitted material information with the specific intent to deceive the PTO. The accused infringer must prove that the applicant:

- Knew of the reference,
- Recognized that it was material, and
- Made a deliberate decision to withhold it.

For materiality, the Federal Circuit in *Therasense* adopted a “but-for” standard — in other words, *but for* the misconduct, the patent wouldn’t have issued. The court also created an exception for affirmative egregious misconduct. When the patentee has engaged in such misconduct, such as





filing an unmistakably false affidavit, the misconduct is material regardless of whether the but-for standard is met.

On intent, the court held in *Therasense* that the specific intent to deceive must be “the single most reasonable inference able to

be drawn from the evidence.” Because of this, courts can no longer infer intent to deceive from nondisclosure of a reference solely because the reference was known and material.

Hitting a bad note

In *1st Media*, the Federal Circuit found the evidence showed only that the patentee and attorney: 1) had known of the references, 2) may have known

they were material, and 3) hadn’t informed the PTO of them. But these points didn’t adequately show that they’d made a deliberate decision to withhold the references.

The court explained that a patentee’s knowledge of a reference’s materiality can’t, by itself, prove that any subsequent nondisclosure was based on a deliberate decision. It also noted that carelessness, lack of attention, poor docketing or cross-referencing, or anything else that might be considered negligent or even grossly negligent won’t establish intent to deceive. Because Electronic Arts failed to establish intent, the Federal Circuit didn’t even address whether the references were material.

Potential showstopper

Raised bar, heightened standard, additional hurdles — these are but a few of the terms that fit the situation. Ultimately, the Federal Circuit clarified in *1st Media* that defendants that can’t offer “smoking gun” evidence of a patentee’s intent to deceive the PTO can expect little to no success in court. ○

Location is everything ... or is it?

Trademark case looks at relevance of geographic connection

When you buy a product with a geographic location in its trademark, does that place name actually mean anything? The U.S. Court of Appeals for the Federal Circuit addressed whether it should in the recent case of *In re Miracle Tuesday LLC*.

From Paris with ...

Fashion accessories company Miracle Tuesday sought to register the mark “JPK Paris 75” and design, for various products. JPK is the monogram of Jean-Pierre Klifa, the company’s manager and the designer of the accessories. Klifa is a French citizen who lived in

Paris for about 22 years, until 1986. He now lives in the United States.

The trademark examiner refused to register the mark on the grounds that the mark was “primarily geographically deceptively misdescriptive.” The Trademark Trial and Appeal Board (TTAB) affirmed. Miracle Tuesday appealed to the Federal Circuit, arguing that the board had erred when it found that the goods don’t originate in Paris even though their designer has significant ties to the city.



Neither here nor there

Under the federal trademark law, a mark can't be registered if it's primarily geographically deceptively misdescriptive of the related goods. A mark meets this definition if:

- The primary significance of the mark is a generally known geographic location,
- Consumers are likely to believe the location indicates the origin of the goods bearing the mark when the items don't actually come from that place, and
- The misrepresentation was a material factor in the consumer's decision to buy the goods.

The court noted that the relevant inquiry is whether a connection exists between the goods and Paris, not between the designer and Paris.

The second point, the court said, involves two questions: 1) whether there's an association between the goods and the location, and 2) whether the goods

actually come from that place. In cases involving goods, rather than services, the necessary association often requires little more than a showing that the consumer identifies the place as a known source of the product. The court found that Paris is a known source for fashion accessories.

As to the goods' origin, the court acknowledged that goods may be deemed to originate in a location even if they're not manufactured there. In appropriate circumstances, it could suffice if the goods were designed in the location; the goods contain a main component or ingredient from the location; or the trademark applicant has its headquarters or research and development facilities in the place. The TTAB, however, found that Miracle Tuesday is located in Miami; its designer doesn't live in Paris; and the goods at issue are designed and produced in Asia.

The court noted that the relevant inquiry is whether a connection exists between the goods and Paris — not between the designer and Paris. Thus, the fact that Klifa lived in Paris more than 25 years ago was insufficient to establish that the goods originate there. Because the first and third elements were also satisfied, the court affirmed the TTAB.

Serious business

This case makes clear that including a location in a proposed mark is serious business. If the name of a place lacks an actual connection to the goods, the mark will likely be rejected. ○

Progressive encroachment vs. a tardy claim

In many areas of law, taking too much time to file a lawsuit could end up preempting your claim. When progressive encroachment is involved, however, preemption may not occur. Case in point: the recent trademark ruling by the U.S. Court of Appeals for the First Circuit in *Oriental Financial Group, Inc. v. Cooperativa De Ahorro y Crédito Oriental*.

Logo on hold

Oriental Financial Group has used the mark “Oriental” in connection with financial services in Puerto Rico for many years. It sued Cooperativa De Ahorro y Crédito Oriental under the federal trademark law, contending that Cooperativa began using a confusingly similar mark (“Coop Oriental”) and logo for its financial business and services in 2009.

The district court found a likelihood of confusion and ordered Cooperativa to cease use of the 2009 logo. But it allowed the company to resume using its earlier logo, which included the “Coop Oriental” mark with different trade dress.

Delay accounted for

On appeal, Oriental argued that the court’s order should have included any use of the “Coop Oriental” mark and similar marks. Cooperativa asserted the defense of “laches,” which penalizes a plaintiff for negligent or willful failure to timely assert its rights by barring its claim. Laches requires proof of lack of diligence by the plaintiff and prejudice to the defendant.

Here, though, the First Circuit found that — even if both knowledge and prejudice were established — the laches defense was barred by the doctrine of progressive

encroachment. The progressive encroachment doctrine generally requires proof of three elements:

1. During the delay, the plaintiff could reasonably conclude that it shouldn’t sue to challenge the allegedly infringing activity.
2. The defendant materially altered its infringing activities.
3. The lawsuit wasn’t unreasonably delayed after the alteration.

The court said the second and third elements weren’t in serious dispute. From 2008 through 2010, Cooperativa materially altered the reach of both its

operations (by opening new branches) and its allegedly infringing advertising, and Oriental brought suit shortly after these changes occurred.

As to the first element, the First Circuit said the progressive encroachment doctrine allows a plaintiff claiming infringement to tolerate low-level, or *de minimis*, infringements before bringing suit. In other words, *de minimis* infringement doesn’t trigger the laches defense.

The court concluded that any potential pre-2009 infringement by Cooperativa was indeed *de minimis*.

Not yet over

This case sheds light on the seldom-discussed progressive encroachment doctrine. And it’s not yet over. The First Circuit sent *Oriental* back to the district court to determine whether the dueling marks create a likelihood of confusion. If so, the lower court is to “fashion an appropriate injunction.” ○

