

### **Patent Reform — Immediate Considerations for 2011**

The new U.S. patent reform bill was signed into law on September 16, 2011. Certain changes take effect immediately, while others take effect later this year, and still others in the coming years. While there is a multitude of issues addressed by the new law, this article briefly summarizes the more pertinent changes which are effective immediately or later this year.

The following items are effective September 16, 2011:

- Infringement Defense of Prior Commercial Use
- Inter Partes Reexamination Transition Threshold
- Appeal of Reexamination
- Venue of Eastern District of Virginia
- Tax Strategies Deemed Prior Art
- Best Mode No Longer a Defense
- Patent Marking Issues
- Jurisdictional and Procedural Issues
- Pro Bono Program
- Human Organism

The following items are effective September 26, 2011:

- Prioritized Examination
- Surcharge of 15%

The following item is effective November 15, 2011:

- \$400 Surcharge for Non Electronic Filing

Certain of the above items are discussed below. Of course, the Patent Office will be publishing new and proposed rules in the coming months to flush out the details in many of these items.

#### **PRIOR COMMERCIAL USE**

The defense to infringement based on prior commercial use was previously limited to use of a method in the United States. The defense is now expanded to include a machine, manufacture, or composition of matter used in a manufacturing or other commercial process. The commercial use must have occurred generally at least 1 year before the effective filing date of the patent. However, the defense is not available if the claimed invention, at the time the invention was made, was assigned or was under an obligation to assign to either an institution of higher education or a

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### **European Union Extends Copyright Term on Sound Recordings**

A new European Union directive extends the term for copyright protection of recorded music to 70 years, from the former term granting 50 years as of the date of performance. This extension ensures continued copyright protection for some of the most famous musical recordings of the 1960s including the Beatles and Rolling Stones, many of which would otherwise have entered the public domain in the approaching decade.

The Council of the European Union released a statement that the main motivation for approving the extension was to benefit performers and songwriters. With the increasing life expectancies, the extension makes it less likely that an artist would lose copyright protection within his or her lifetime. As applied, this extension may be more beneficial to the record companies rather than the artists, since

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### **The Weight of Fame in TTAB Decision, AutoZone Parts, Inc. v. Dent Zone Companies, Inc., Cancellation No. 92044502 (August 30, 2011) [not precedential]**

On August 30, 2011, the Trademark Trial and Appeal Board (TTAB) cancelled Dent Zone Companies, Inc.'s trademarks DENT ZONE and



(Registration Nos. 2604916 and 2828174, collectively, "the DENT ZONE marks") based upon a likelihood of confusion with Petitioner, AutoZone Parts, Inc.'s AUTOZONE trademarks ("the AUTOZONE marks").

The TTAB relied heavily on the fame of Petitioner's AUTOZONE mark in its determination. Petitioner demonstrated that its AUTOZONE mark was famous in the field of retail auto parts store services,

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### **Motor Vehicle Owners Right to Repair Act of 2011**

As cars and other motor vehicles become increasingly complex, repairing them has required an increasing amount of skill and know-how. Late model cars rely increasingly on computers to perform their basic functions, from emissions control to security and safety systems, in addition to regulating the engine's performance. Given this increased complexity, car owners are sometimes at a loss for where to turn for repairs. They could go to a franchise dealer and know that they are getting the latest in technology and maintenance information and service, as these dealers pay for this information and are policed as to quality. Alternatively, they could go to an independent aftermarket shop, and risk that their car cannot be repaired because the independent mechanic lacks

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**Patent Reform** *(continued from page 1)*

technology transfer organization (whose primary purpose it to facilitate the commercialization of technologies developed by such institutions).

**INTER PARTES REEXAMINATION  
TRANSITION THRESHOLD**

The threshold for declaring an inter partes reexamination has changed for requests filed during the period from September 16, 2011 through September 16, 2012. In particular, the threshold has changed from "a substantial new question of patentability" to "a reasonable likelihood that the requestor would prevail." After the transition, inter partes reexamination will be phased out in favor of the new Post Grant Review and Inter Partes Review. Ex parte Reexamination will remain in place.

**APPEAL OF REEXAMINATION**

Any appeal of a reexamination before the Board of Patent Appeals and Interferences or the Patent Trial and Appeal Board that is pending on, or brought on

**Copyright** *(continued from page 1)*

many of them may have assigned rights over to management or record companies as part of a recording contract. This very point was asserted by Belgium in its dissent to the extension. Furthermore, the directive did not include any provisions for reclaiming copyright, similar to those in the United States under which a recording artist or songwriter may file to reclaim ownership of the copyright in their works after 35 years. While claims under the termination provisions in United States law are currently under challenge themselves, the new European Union directive only contains a statement that musicians may recover their rights under specific conditions, including allowing reclamation after 50 years if a recording is no longer commercially available.

or after September 16, 2011, will no longer include the availability of a civil action against the Director under 35 USC 145 seeking a decision that the applicant is entitled to a patent.

**VENUE**

The default venue for actions brought under 28 USC 32, 145, 146, 154(b)(4)(A) and 293 or 15 USC 1071(b)(4) is now the Eastern District of Virginia, as opposed to the District Court of D.C., the previous default venue.

**TAX STRATEGIES DEEMED PRIOR  
ART**

Effective the date of enactment of the patent reform bill, the patent office will not issue any patents directed to a strategy for reducing, avoiding, or deferring tax liability, as they are deemed within the prior art. This provision is directed to the tax strategy and not related inventions, such as computer programs. The provision is not directed to patents which issued prior to the date of enactment.

Worldwide, terms of copyright protection vary widely. The Berne Convention signatories must provide minimum protection of life plus 50 years for terms based upon the author's death, or 50 years from publication or creation for cinematographic, anonymous or pseudonymous works, and 25 years from creation for photographic works. Nonetheless, the signatories are free to grant longer terms, as many have done. While most ascribe to a system that allows for 50 or 70 year terms, variations occur depending upon the claimant and type of work.

As an example, Australia allows for life of the author plus 70 years or 70 years from publication for sound recordings and films. Brazil allows life of the author plus 70 years. China's provisions remain closer to the minimums set by the Berne

**BEST MODE**

Effective the date of enactment, in any action involving patent infringement or validity, a claim may not be held invalid or unenforceable for failure to disclose the best mode. However, the first paragraph of section 112 of Title 35 still requires that the specification set forth the best mode contemplated by the inventor of carrying out the invention. Presumably a good faith attempt to set forth the best mode will be sufficient for the patentee.

**VIRTUAL PATENT MARKING**

It is now possible to use a generic patent marking label which provides a URL rather than a patent number. The web page at the URL associates the patented article with the number of the patent.

**FALSE PATENT MARKING**

Nuisance false patent marking lawsuits are no longer available to the public. Only the U.S. government may sue for the pen-

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Convention, allowing life plus 50 years for citizens or 50 years from publication or creation of unpublished works with respect to works of legal entities, cinematographic or photographic works. Mexico provides significantly longer term, of life plus 100 years, although this is effective only as of 2003. India grants life of the author plus 60 years or 60 years from publication. New Zealand provides life plus 50 years for literary, dramatic, musical, or artistic work and 50 years from creation for computer-generated work.

This new directive reinforces the necessity to confirm the copyright term applicable in various jurisdictions, not only depending upon whether the copyright remains in the hands of the author, but also depending upon the type of work created.

—*Jeannine Rittenhouse*

**Patent Reform** (continued from page 2)

alty. However, the public right has been replaced with the right of a person who has suffered a competitive injury as a result of false marking by another to file a civil action and recover damages adequate to compensate for the injury.

**EXPIRED PATENTS**

It is no longer necessary to remove a patent number from a product after the patent has expired. Again, the provision will eliminate related nuisance law suits.

**JURISDICTIONAL AND PROCEDURAL MATTERS**

28 USC 1338 is amended to deny state courts jurisdiction over actions arising under Acts of Congress relating to patents, plant variety protection and copyrights. In addition, the provisions of removal have been revised. Further, the law has been revised to limit the joinder of accused

**AutoZone** (continued from page 1)

with over 23 years of use in its 4000 U.S. and Puerto Rico store locations. In addition, Petitioner advertised in virtually every medium, having spent more than \$750 million dollars on television, radio, and other advertising since 1987. These advertisements reached over ninety percent of the U.S. population at the time this action arose. Based on these facts, the TTAB determined that Petitioner's AUTOZONE mark rose to the level of a mark "with extensive recognition and renown." *Kenner Parker Toys v. Rose Art Industries, Inc.*, 963 F.2d at 353, 22 USPQ2d at 1456.

Along with AUTOZONE's fame, the TTAB concluded that the marks were sufficiently similar to cause confusion. "DENT ZONE" was the dominant portion of Respondent's mark and "ZONE" was the most distinctive portion in each mark, "DENT ZONE"

patent infringers absent certain common facts, actions and the like. However, an accused infringer may waive such limitations.

**PRO BONO PROGRAM**

The director will work with intellectual property law associations to establish programs to assist financially under-resourced independent inventors and small businesses.

**HUMAN ORGANISMS**

No patent may issue on a claim directed to or encompassing a human organism. This provision does not affect the validity of any patent issued prior to enactment.

**PRIORITIZED EXAMINATION**

For applications that are important to the national economy or national competitive-

ness, applicants may request that their application be advanced in the queue for examination. A fee of \$4,800 is required for filing the request. The application must be limited to 4 independent claims and a total of 30 claims. The Patent Office may not accept more than 10,000 requests in a fiscal year. Such requests may be filed as of September 26, 2011.

and "AUTO ZONE." In the TTAB's opinion, both "DENT" and "AUTO" were more descriptive of both parties' automobile services. Given that both marks shared the identical "ZONE" portion, the TTAB concluded that the marks were similar enough in sound, meaning, and overall appearance to cause confusion.

The TTAB also concluded that Petitioner's "retail auto parts store services" and Respondent's vehicle maintenance and repair services (generally) were sufficiently related in the marketplace to potentially confuse consumers—both parties offered services that pertained to the maintenance and repair of automobiles.

The TTAB discounted a number of arguments raised by the Respondent. In the TTAB's opinion the "sophisticated purchasers" argument lacked relevance

**FEE INCREASE**

A surcharge of 15% has been added to patent fees.

**ELECTRONIC FILING INCENTIVE**

Effective November 15, 2011, a surcharge of \$400 will be due for original applications (not including design, plant, or provisional applications) which are not electronically filed.

—Michael L. Kenaga

since the similarity of marks and services, coupled with the fame of Petitioner's mark would outweigh any sophisticated purchasing decision. The TTAB also failed to accept Respondent's evidence of third party use for "ZONE," noting that the extent of these uses could not be proved. Finally, the TTAB dismissed Respondent's point on the absence of actual confusion, noting actual confusion was not necessary to establish a likelihood of confusion.

Holding fast to the fame of AUTOZONE along with the stated similarity of marks and related services, the TTAB cancelled Respondent's DENT ZONE registrations based upon a perceived likelihood of confusion with Petitioner's prior trademarks.

—Amanda R. Peluse

**Right to Repair** (continued from page 1)

the knowledge and latest technology to fix the problem.

To alleviate this conundrum, Congress is considering the "Motor Vehicle Owners Right to Repair Act of 2011," which would require car manufacturers to offer the same information, tools and know-how to independent servicers that they offer to their own franchise dealers. The Federal Trade Commission would monitor this process to ensure compliance, and any violation would be considered an unfair method of competition under FTC guidelines. This idea is controversial primarily because franchise dealers pay a large sum of money to have access to the manufacturer's tools and information, and now this information would be disseminated to independent shops indiscriminately with no regard to pricing or quality control.

The main components to the required disclosures are the provision to independent servicers of both information and tools for repair and maintenance of a manufacturer's motor vehicles. Such information includes services bulletins, recall notices, safety alerts, as well as other information to maintain the vehicle's efficiency, safety and convenience. Interestingly, and with a nod to future technologies, the bill also includes language requiring that any information regarding the car's operation sent directly from the car and wirelessly provided to a dealership to be available to independent aftermarket shops as well. The second main requirement mandates that tools for repairing vehicles be offered for sale to independent dealerships. This provision is taken a step further, however, with the requirement that the manufacturer provide all information that enables aftermarket tool companies to manufacture these tools. In addition, the bill requires the sale of replacement parts for all covered

motor vehicles to independent shops. This information and tools do not have to be provided for free, but must simply be provided on a "non-discriminatory basis."

Although attempting to accomplish the goal of increasing options for consumers in car repair, the bill poses some actual and potential problems for protection of certain intellectual property rights. In addressing these concerns, the bill only includes provisions regarding trade secrets, and states that a manufacturer will not be required to publicly disclose information that would be entitled to trade-secret protection. Also included is a provision stating that "no information may be withheld by a manufacturer on the ground that it is a trade secret if that information is provided (directly or indirectly) to authorized dealers or services providers." The wording of this provision still leaves the possibility that, through non-disclosure agreements and other contractual or business security provisions, information disclosed to dealers and independent repair shops can still be protected, although the dissemination of this information to an ever-wider industry circle will make it much more difficult to keep this information from the public.

Because the bill does not address other IP rights, the curtailment of manufacturers' and dealers' IP rights is potentially a serious problem. There are IP implications involving copyrights and trademarks, as well as patents. For example, manufacturers would be required to distribute additional copies of copyrighted service bulletins and manuals at a set price if they distribute them to their own franchise dealers, limiting the right of the copyright holders to decide how to make and distribute copies as they see fit for their business. Also, with the compulsory distribution of repair tools, manufacturers may have to re-brand some of their products that are to be

distributed to independent dealerships, as they would not want consumers and other members of the industry to be confused as to the source or sponsorship of an independent service station through trademarks contained on certain items. Depending on the branding scheme, this could be particularly onerous and expensive. Lastly, regarding the provision requiring information to be disseminated allowing the third-party manufacture of certain tools, it would seem to allow third-party manufacturers in certain instances to use patented processes or technology before the patent term expires, albeit with a license payment to the car manufacturer as part of the deal. This provision could weaken patents to the point where they are less effective in incentivizing innovation.

As this bill is still not out of the committee, changes are sure to follow. But if certain provisions regarding IP rights are not addressed, this bill will keep IP owners guessing as to its future implications.

—Daniel Lano