

### ***In re Bilski Decision Redefines Method and Software Patent Scope***

The subject matter of what a patent may cover has been on shifting ground since at least as early as the 1972 Supreme Court opinion *Gottschalk v Benson*, [409 U.S. 63](#) (1972), in which a process claim directed to a numerical algorithm was found to comprise unpatentable subject matter because “the patent would wholly pre-empt the mathematical formula and in practical effect would be a patent on the algorithm itself.” Since the algorithm was a naturally occurring and preexisting artifact, a finding of patentable subject matter would be tantamount to allowing a patent on an abstract idea, contrary to long held precedent. Unpatentable subject matter was generally identified by the Supreme Court to include “laws of nature, natural phenomena and abstract ideas.” Software method patents were found to be patentable if they were somehow associated with a physical machine or a CPU, or if the method could produce a concrete, useful and tangible result.

Additional guidance was found in the decision of *Diamond v. Chakrabarty*, [447 U.S. 303](#) (1980), in which a genetically modified living microorganism, an oil spill eating bacterium, was found patentable. Relying on the Committee Reports accompanying the 1952 Patent Act, the *Chakrabarty* decision noted that Congress

intended statutory subject matter to “include anything under the sun that is made by man.” The logical conclusion of this holding led to the patenting of a genetically modified mouse (the so-called “Harvard mouse”).

The court in *State Street Bank & Trust Company v. Signature Financial Group, Inc.*, [149 F.3d 1368](#) (Fed. Cir. 1998), held that any business method may be eligible for protection by a patent if it involves some practical application and “produces a useful, concrete and tangible result.”

Long-anticipated decision in *In re Bilski* recently issued by the Court of Appeals for the Federal Circuit (CAFC) has clarified “the standards applicable in determining whether a claimed method constitutes a statutory ‘process’ under § 101” and further refined the holding in *State Street*. The importance of the *Bilski* decision was underscored by the court’s own request (*sua sponte* without prompting of the parties) that the case be argued before all the judges of the CAFC. In addition, almost forty *amicus curiae* briefs were filed by attorneys on behalf of “friends of the court” representing the views on the issues of a broad cross-section of industry groups, legal professionals and academics. *continued on page 2*

### ***ECJ Clarifies Dilution under the Trademark Directive***

On November 27, 2008 the European Court of Justice (“ECJ”) delivered its judgment in *Intel v. CPM*, outlining the factors that a national court should consider in deciding whether the owner of a reputable trademark is entitled to the special protection under Article 4(4)(a) of Europe’s Trademark Directive, which provides for invalidation of a later trademark based on dilution.

Intel, owner of several UK and Community trademarks for INTEL sought to invalidate CPM’s UK registration for INTEL MARK

covering “marketing and telemarketing services” on the basis of the national provisions implementing Article 4(4)(a) of the Directive. Following dismissals at the UK Trade Mark Registry and the High Court, Intel appealed to the Court of Appeal (England and Wales), where it argued, relying on *Adidas-Salomon and Adidas Benelux*, that the protection of Article 4(4)(a) is appropriate so long as the earlier reputable mark and later mark are so similar that relevant consumers will establish a “link” (or mental association) *continued on page 3*

### ***New Domain to Host Contact Information***

Two-month sunrise registration period for .tel, a new top-level domain that comes with a turn-key website for publishing contact information, begins December 3, 2008. .tel domains are of interest because they are optimized for use by small-screen mobile devices so as to permit visitors to contact the owner by e-mail, telephone, VoIP, or any other method specified by the owner.

Unlike conventional top-level domains, .tel does not allow the owner to host a website. Instead, owners are granted access to a management console enabling them to store information directly in the DNS. Instead of resolving to a website, .tel would resolve to an interactive listing of owner’s contact information, which may include unlimited telephone and fax numbers, physical and e-mail addresses, screen names, links to other websites, and search keywords, allowing visitors to contact the owner with a click of a button.

Given the myriad of top-level domains already in existence, brand owners are drifting away from blanket must-own-every-TLD-in-existence acquisition policies, focusing on the standard set of .com, .net and .org complemented by the country-code top-level domains in the countries they do business. Dismissing .tel as the like of .info, .name or .pro likely to fall into obscurity may be a mistake, however. The new platform offers brand owners a turn-key website optimized for mobile devices, providing yet another way of reaching out to customers.

### ***CTM Fees Expected to Decrease***

OHIM is expected to lower the combined official filing and registration fees for a CTM to 1000 Euro, a reduction of almost 40% compared to the current total of 1600 Euro for a mark in three classes. The reduction is expected to come into effect sometime in 2009.

**In re Bilski** (continued from page 1)

The main claim in the *Bilski* patent application was drawn to a "method for managing the consumption risk costs of a commodity sold by a commodity provider at a fixed price," and recited several method steps that were admittedly not limited by use in a calculating machine such as a computer. Rejecting all the claims, the Examiner stated that "the invention is not implemented on a specific apparatus and merely manipulates [an] abstract idea and

solves a purely mathematical problem without any limitation to a practical application, therefore, the invention is not directed to the technological arts." The Examiner's rejection was affirmed by the Board of Patent Appeals and Interferences, and appealed to the CAFC by the Applicant.

In defining the scope of patent coverage for the business method claims in *Bilski*,

the CAFC held that a process claim reciting machine or transformation limitations that "impose meaningful limits on the claim's scope" does not require that such limitations themselves be new or non-obvious. The meaning of "meaningful limits" is not the same as "non-obvious limits," and the subject matter requirement may be satisfied by machine or transformation limitations which may themselves be old or obvious. The threshold issue of §101 patent-eligibility having been met, novelty and non-obviousness of the claim as a whole may be satisfied by a novel and non-obvious algorithm in combination with the structural machine or transformation recitations. Thus, any intimation in the Supreme Court decision in the *State Street* case that found patentable an algorithm or business method that comprised only steps that could be performed mentally (without reference to any physical or transformative function on a physical manifestation) is no longer literally correct.

The drift of the *Bilski* decision is to render the Federal Circuit more in line with recent Supreme Court precedent. Although it may be easy to meet the requirement of a patent-eligible invention under Section 101, a claim having method steps may be deemed obvious under other section of the patent law, especially the obviousness provisions of 35 USC 103(a). It has been suggested that the next wave of business-method litigation will focus on defining the kind of computerized, structural and/or transformative steps required to meet the threshold of subject matter patentability requirement.

In dissent by several CAFC judges, the majority decision was asserted to have not gone far enough in restricting business-method patents. Given the wide-ranging interest in the case, a petition to the Supreme Court may be granted during this October term ending in June 2009.

**Fifth Anniversary of the United States and the Madrid Protocol**

Trademark owners were first able to request trademark protection in the United States through the International Bureau on November 2, 2003, although it was another year before the first application passed examination. This 5<sup>th</sup> year anniversary of the United States' adoption of the Madrid System presents the optimal time for owners of such US registrations to review their rights and ensure that all deadlines to maintain them are properly noted. Apart from renewal, the United States has additional trademark maintenance requirements, notably the Declarations and specimens of use are required on the 6<sup>th</sup> and the 10<sup>th</sup> anniversaries of registration, as well as every ten years thereafter. These requirements are governed by the provisions of §8 of the Trademark Act, 15 U.S.C. §1058 for a national registration, and under §71, 15 U.S.C. §1141k for an extension of protection through the International Bureau.

Deadlines are calculated from the date protection is extended specifically to the US, not the date of the international registration. In just over a year, the first extensions will enter the period within which to file the 6<sup>th</sup> year Declaration of Use, and the International Bureau will begin receiving these declarations filed in compliance with §71. It is vital for owners of the international registrations to be aware that the deadlines for the Declarations and specimens of use due every 10 years are not concurrent with the renewal deadlines for the International Registration that are filed directly through the International Bureau. Incorrect calculations of the deadline could result in a registration inadvertently being cancelled. Trademark owners must also be cautious of the fact that the six-month grace period that applies to filings under §8 for US national registrations does not apply to §71 filings for registrations obtained through International Bureau which only enjoy a three-month grace period.

**Fame in Likelihood of Confusion Claims**

United States trademark law is intended to prevent consumer confusion. In infringement actions in the courts or oppositions in the USPTO, a senior trademark user usually contends a junior mark is likely to be confused with the senior mark. Ultimate determination of whether there is a likelihood of confusion requires consideration of a number of different factors, one of which looks at the question of fame of

the senior mark. In U.S. practice, famous marks are those that are recognized as source indicators by a "significant portion of the relevant consuming public," relevant consuming public being current and potential consumers of a product or service. Famous marks are entitled to a wide scope of protection from confusion. What then is necessary to establish the fame of a mark?

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**Fame** (continued from page 2)

Fame is about brand awareness. Anything that has bearing on and shows brand awareness is relevant to the question of fame and the greater the awareness, the more likely a mark will be considered famous.

Surveys and consumer study data aimed at aided and unaided brand recognition are relevant to the inquiry if available. Studies such as these can quantify awareness and provide support for a claim of fame, although just what constitutes a "significant portion of the relevant consuming public" is not well defined, and survey data is subject to scrutiny for reliability. Thus, though helpful, survey evidence alone is not a *prima facie* indicator of fame. Additionally, there is no requirement that surveys must be utilized

to show fame and many marks have been found famous without any supporting survey evidence.

Beyond surveys, a number of other factors are relevant to the question of fame. Some of these include the duration of use of a mark—the longer a mark has been in use, the greater the number of consumers who have been exposed to it, and may become aware of it. Also, the extent of advertising and promotion of a mark is a relevant consideration and information about the nature of advertisements and promotions, media saturation and marketing expenditures is helpful. Sales and market share data are also important to the analysis since the greater the sales or market share, the greater consumer exposure and possible awareness. Media

exposure, recognition and awards from third-parties are considered as well, as they tend to impart neutral recognition.

No one factor is dispositive and the issue is decided on all the facts and the ultimate awareness among the relevant consumer group. What this means to trademark owners is that anything relative to brand awareness—marketing, customer feedback, surveys, investigations, budgets, sales figures—is important to support a claim of fame. If a trademark owner can establish the fame of its mark, the likelihood of confusion analysis tilts decidedly in its favor. Even the owner of a widely-protected famous mark must demonstrate a likelihood of confusion, however. Fame is but one, though weighty, factor in the analysis.

**ECJ** (continued from page 1)

between the two marks, and that, where the earlier mark is both unique and highly distinctive, virtually any use of an identical or highly similar mark will be detrimental to it. Court of Appeal found that INTEL is unique and has a huge reputation in the United Kingdom for computers and computer-linked goods, that INTELMARK and INTEL are similar, and that the goods and services covered by respective marks are dissimilar. The Court could not determine whether such factual circumstances warrant protection under Article 4(4)(a) and asked the ECJ to advise.

Article 4(4)(a) protects trademarks with a reputation from later registrations of identical or similar marks in connection with goods and services that are not similar to those covered by the earlier registration. This protection is conditioned on the harm to the earlier mark from the use of the later mark that may consist of taking an unfair advantage of, or being detrimental to, the distinctive character or reputation of the earlier mark.

Detriment to the distinctive character (dilution) is caused when a mark's ability to identify the source of the goods and services for which it is registered is weakened by another merchant's use of an identical or similar mark, dispersing earlier mark's identity and hold upon the public mind.

The ECJ confirmed that the "link" referred to in *Adidas Solomon* is a prerequisite to establishing unfair advantage or detriment required for Article 4(4)(a) to apply, but noted that the existence of such a link alone is not sufficient to establish the harm necessary to trigger the special protection. The Court further noted that to establish said harm, actual and present injury is not required, and that proof of a serious risk that such injury will occur in future is sufficient.

The ECJ then delineated the standards for defining the "relevant public" to be taken into account in determining whether the prerequisite link and/or harm exist. When evaluating earlier mark's distinctiveness and reputation, or establishing detriment

thereto, the relevant public is the average consumer of the goods and services covered by the earlier registration, whereas for claims of unfair advantage, relevant public is the average consumer of the goods or services that the later mark covers.

In explaining the requirements for establishing whether there is a "link," the ECJ stated that as a general rule, all relevant factors must be taken into account, including the degree of similarity between the conflicting marks; goods and services provided by the parties and whether there is overlap in their respective consumers; strength of the earlier mark's reputation; distinctiveness of the earlier mark, whether inherent or acquired through use; and existence of the likelihood of confusion.

In considering similarity between the conflicting marks, the more similar they are, the more likely it is that the later mark will bring the earlier mark with a reputation to the mind of the relevant

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**ECJ** (continued from page 3)

public. The Court noted that when the two marks are identical, this fact alone is insufficient to establish the link, since it is possible that conflicting marks are registered for goods or services in respect of which the relevant sections of the public do not overlap, and the mark with a reputation (properly assessed in relation to the goods and services covered by this earlier registration) is not known to the public targeted by the later mark. Conversely, the strength of the earlier mark's reputation may go beyond the section of the public targeted by the mark, making it possible that the relevant section of the public as regards the goods and services of the later mark will make a connection between the marks, even though the two sections of the public may be wholly distinct. Likewise, the stronger the distinctive character of the earlier mark, the more likely that confronted with a later identical or similar mark, the relevant public will recall the earlier mark. Trademark's ability to identify the source of goods and services for which it is registered is stronger if that mark is unique, meaning it has not been used by anyone for any goods and services other than by the proprietor of the mark to describe the goods and services it markets. The ECJ noted that existence of a likelihood of confusion is not required for Article 4(4)(a) to apply, though its existence automatically establishes the required link. It is up to the national court

to determine whether there is a link based on the facts before it, and presence or absence of one or more of these factors does not guarantee a particular finding (unless there is a likelihood of confusion).

As for establishing the second prong of the test, injury, the Court again stated that the assessment must be made globally, taking into account all factors relevant to the circumstances of the case, including the factors relevant to establishing a link. The Court clarified that the existence of a link does not dispense with the requirement of proving injury (or a serious likelihood that it will occur in the future), but that a stronger link makes the injury more likely.

For the purposes of establishing detriment to the distinctive character of a mark, the heart of the issue in *Intel*, the Court indicated that the earlier mark does not have to be unique, reasoning that a trademark with a reputation necessarily has distinctive character and use of later identical or similar mark may weaken the distinctive character of that earlier mark. The ECJ further noted that the more "unique" the mark is, the greater the likelihood of dilution; and that a first use of the later mark may be sufficient to establish injury under Article 4(4)(a). The Court stated that proving detriment to the distinctive character (dilution) requires evidence of "a change in the economic behavior" of the average consumer of

the goods and services for which the earlier mark was registered consequent on the use of the later mark, or "a serious likelihood" that such a change will occur in the future. Whether or not the owner of the later mark draws real commercial benefit from the distinctive character of the earlier mark is immaterial to showing dilution.

Addressing the factual findings submitted by the national court, the ECJ found that the facts that the earlier mark enjoys a huge reputation, that the respective goods of the two marks are dissimilar, and that the earlier mark is unique with respect to any goods or services, do not necessarily imply that there is a "link." Similarly, the ECJ could not ascertain the existence of harm based on the factual findings presented by the national court.

The decision outlined the factors that national courts should consider in determining whether registration of a later mark may be declared invalid pursuant to Article 4(4)(a) of the Directive, helping brand owners better understand what is involved in mounting a successful dilution claim. While the court asserted that a likelihood of confusion need not be proven for a finding of dilution, the now-required evidence of the later mark's impact on the economic behavior of the relevant public may prove to be a significant hurdle for owners of the earlier marks to overcome when proving dilution.