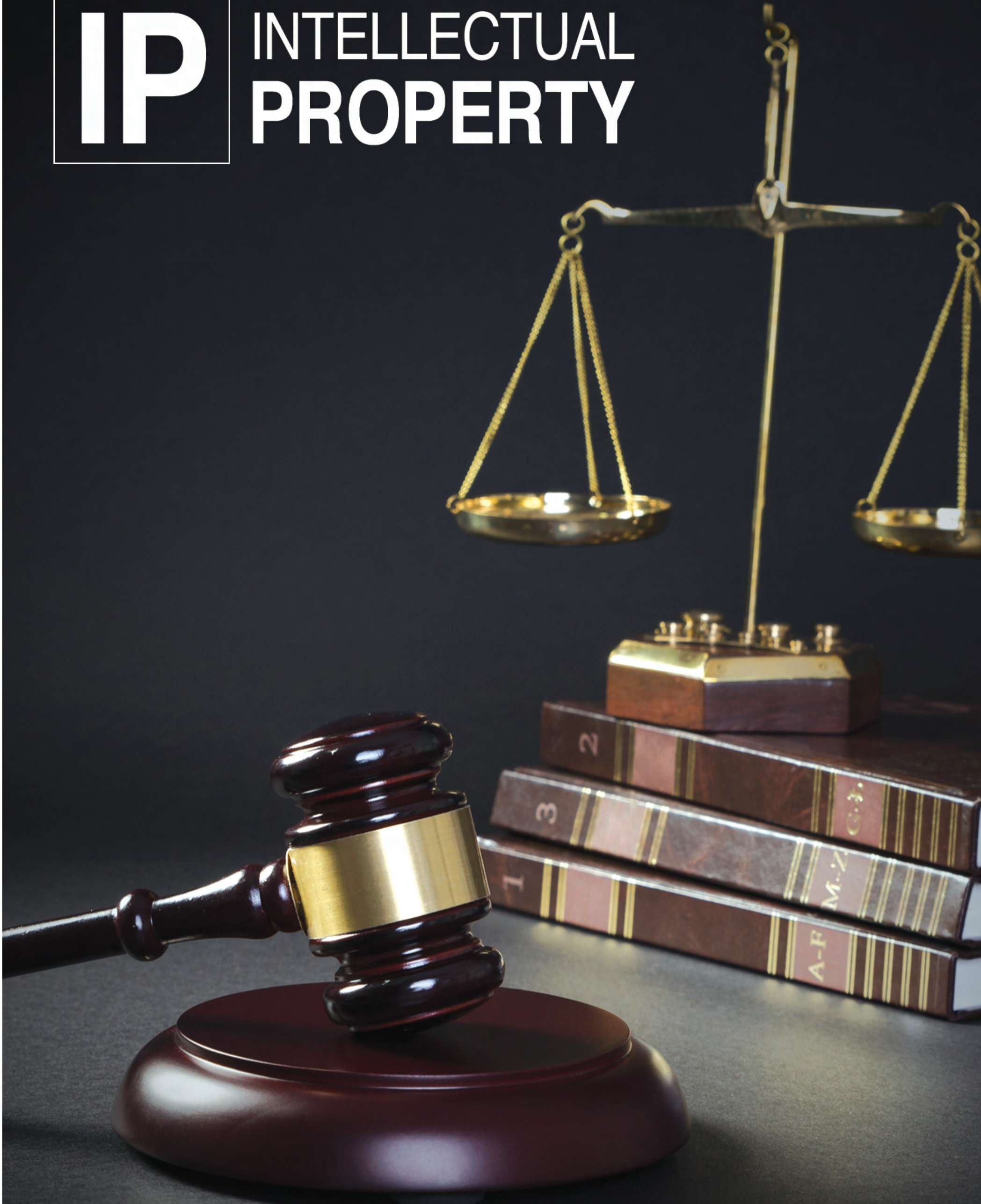


IP

INTELLECTUAL PROPERTY



A Bitter Pill to Swallow? Foreign Drug Makers (and Other Foreign Brand Owners) Can Seek Cancellation of U.S. Marks Under the Lanham Act

by Michael Katz, Partner & Erynn Embree, Associate, Maschoff Brennan

In one of many recent developments testing the impact of globalism on U.S. trademark law, the U.S. Supreme Court earlier this year declined to review a ruling by the Fourth Circuit that Bayer AG, the German drug maker, had standing under the Lanham Act to sue for injury to its foreign brand, despite never having used or registered its mark in the United States. See *Belmora LLC, et al. v. Bayer Consumer Care AG, et al.*, No. 16-548 (February 27, 2017). The case raises significant issues regarding the territorial limits of the Lanham Act, impacting brand enforcement programs of both U.S. and foreign companies.

In the case at issue, Bayer filed an action before the Trademark Trial and Appeal Board (the "TTAB") against Belmora, a small pharmaceutical company, for selling pain reliever products in the U.S. under the brand name FLANAX® — a mark which Bayer used only in Mexico for its painkiller ALEVE®. Bayer claimed that Belmora's use of FLANAX was deliberately designed to deceive Mexican-American consumers into believing it was the same product that Bayer sold in Mexico. Belmora used similar packaging and advertising directed at Mexican Americans stating that its Flanax products were the same as the Flanax sold for many years in Mexico. Bayer asked the TTAB to cancel Belmora's mark under §14(3) of the Lanham Act, which prohibits misrepresenting the source of goods. The TTAB agreed, and further found that Belmora had misused the FLANAX mark in a manner "calculated to trade in the United States on the reputation and goodwill" of Bayer's Mexican mark.

Belmora appealed the TTAB decision to a district court. Belmora argued that Bayer, having never registered or used the FLANAX brand in the United States, lacked standing to enforce its foreign rights under the Lanham Act. The District Court agreed, overruling the TTAB decision. The Court also rejected claims by Bayer under §43(a) of the Lanham Act for false association and false advertising.

In March 2016, the Court of Appeals for the Fourth Circuit reversed, ruling that Bayer could sue under the Lanham Act's broad unfair competition provisions and seek to cancel Belmora's trademark registrations in the United States, even though Bayer never used the FLANAX mark domestically.

Prior to the *Flanax* decision, courts resolved the territoriality question by asking whether the plaintiff had any U.S. rights to assert. The Circuit Courts are split. The



Ninth Circuit, in *Grupo Gigante*, allowed a foreign trademark owner to enforce rights in the Gigante trademark registered in Mexico for a large supermarket chain. The Ninth Circuit reasoned the mark was famous among Mexican immigrants in Southern California. The rationale for the holding was to avoid consumer confusion to Mexican American immigrants. The Ninth Circuit held:

"An absolute territoriality rule without a famous-mark exception would promote consumer confusion and fraud. Commerce crosses borders. In this nation of immigrants, so do people. Trademark at its core is about protecting against consumer confusion and 'palming off.' There can be no justification for using trademark law to fool immigrants into thinking that they are buying from the store they liked back home."

continued on page B-46

Michael Katz

Michael Katz, a partner in Maschoff Brennan's Orange County office, has litigated complex IP and commercial matters for 25 years. He has been nominated a Superlawyer® every year from 2004 to 2017, and a Best Lawyer in America® for IP Litigation in 2016 and 2017. Most recently, he obtained a walkaway settlement for SpaceX engineers sued by Broadcom for trade secret misappropriation related to the design of chips for satellite communications. Contact Michael at mkatz@mabr.com.



Erynn Embree

Erynn Embree, an associate in Maschoff Brennan's Orange County office, handles trademark, copyright and patent disputes. She served as Executive Articles Editor for UCLA's Journal of Law & Technology and an extern in the U.S. Central District's Patent Pilot Program. Erynn has a B.S. in Developmental and Cell Biology from the University of California, Irvine. Contact Erynn at eembree@mabr.com.



"Among the leading intellectual property and complex litigation firms in the United States, Maschoff Brennan has the experience and sophistication to resolve even the toughest IP cases."

- IAM Patent 1000

With a deep bench of 40 attorneys in California and Utah, Maschoff Brennan is trusted by industry leaders, start-ups and midmarket companies alike to protect and defend their intellectual property.

Maschoff Brennan's Irvine Office Welcomes Two Partners



MICHAEL I. KATZ
INTELLECTUAL PROPERTY
& COMPLEX LITIGATION



BRENT A. JOHNSON, PH.D.
PATENT PROCUREMENT AND
PORTFOLIO MANAGEMENT

www.mabr.com | 949.202.1900

Supreme Court Strikes a Death Blow to East Texas as a Major Patent Litigation Forum in a Decision That Could See Patent Filings Overall Decrease

by Thomas King, Partner, Haynes and Boone

East Texas is known throughout the world as the major hub of U.S. patent litigation. Over the last twenty years, thousands of companies and tens of thousands of lawyers have travelled to remote towns in Eastern Texas, where they attempt to resolve patent disputes, both large and small. But nearly all of these cases carried an obvious problem—they had little or nothing to do with East Texas.

Over the years, many patent defendants argued that it was unfair to have their disputes in places with no connection to the underlying dispute. However, those arguments generally fell on deaf ears, as the East Texas judges usually refused to transfer their cases to more convenient places. Eventually, between 35-40% of all patent cases were being filed in East Texas. At this point, the Supreme Court, perhaps seeing a problem that would not solve itself, decided to act. On Monday, May 22, 2017, the Supreme Court decided *TC Heartland v. Kraft Foods*, striking what is likely to be a death blow to East Texas as a major patent litigation forum.

The heart of the Supreme Court's legal decision in *TC Heartland* is rather esoteric—whether the legal definition of “residence” has the meaning it would have had in the 1890s, or whether it was inadvertently changed by Congress about 100 years later. The 19th century patent venue statute limited lawsuits to just a few locations (e.g., state of incorporation or location of a place of business). In contrast, the 20th and 21st century venue statutes, if applicable would allow patent lawsuits to be brought almost everywhere in the U.S. (including East Texas).

Advocates for the 19th century interpretation (mostly large corporations) argued that Congress had never intentionally changed the meaning of the original patent venue statute, and that the lower courts were giving insufficient weight to a prior Supreme Court decision by allowing the Eastern District of Texas to persist. Those arguing for the later interpretation argued that the clear text of the law was on their side, citing a non-patent venue statute that purported to apply to all cases.

Both sides were correct in their arguments; however, the Supreme Court decided that the 19th century patent venue statute had priority over the more recent venue laws that apply to non-patent cases. Thus, after *TC Heartland*, patent lawsuits will only be heard in places having a connection to the patent defendant, which will typically not be the Eastern District of Texas.

The Supreme Court's decision in *TC Heartland* has had an immediate impact on case filings in East Texas, with only 55 cases filed there in June 2017, as opposed 147 a year earlier. The viability of the new cases remains in substantial doubt, however, and it is expected that

Thomas King

Thomas King is a partner in Haynes and Boone's Intellectual Property practice in the firm's Orange County office. His practice focuses on *Inter Partes Review* proceedings and district court patent litigation matters throughout the country. Contact him at 949.202.3059 or thomas.king@haynesboone.com.



haynesboone

filings will drop even further.

Any company with a presence in East Texas, which includes the affluent tech hub in Plano, Texas, is likely to still be involved in East Texas patent litigation. For example, three of the four East Texas cases filed immediately after *TC Heartland* were against Apple, which maintains a retail store in Plano.

Companies without a presence in Plano are likely to see future cases filed in California, Delaware, or Dallas/Houston. It is also likely that many currently-pending cases will move to different parts of the country.

Finally, the total amount of U.S. patent litigation filings will likely decrease, as patent owners find it more difficult to efficiently consolidate cases together, which will crowd out marginal cases. There will likely also be some unintended consequences. Regardless of what happens, however, *TC Heartland* is likely to be one of the most consequential changes to the U.S. patent system this decade.

haynesboone

SPRINGING
INTO ACTION.

In the world of patents, it helps to have one of the largest and most experienced IP practices in the country ready to spring into action to secure your innovations and inventions. We know patents.

And whether you need to assert or defend those patents or challenge a third party's patent, we can help. Haynes and Boone, LLP has been involved in more than 200 IPR and CBM proceedings before the PTAB. Our PTAB trial practice is listed in the Docket Alarm *Inter Partes Review Report* Top 10, with a **95 percent institution rate** and a **97 percent claim cancellation rate** (January 2017).



haynesboone.com

Austin Chicago Dallas Denver Fort Worth Houston London Mexico City New York
Orange County Palo Alto Richardson San Antonio Shanghai Washington, D.C.

© 2017 Haynes and Boone, LLP



WARNING – Protect Your Intellectual Property Before It’s Too Late!

by Mark B. Wilson, Partner, Klein & Wilson

Intellectual property (“IP”) is one of the most important business assets. Most startups focus on marketing, sales, revenue, and costs. Protecting a business’ IP should make it to the top of the list. For a relatively small amount of money, you can protect your company’s IP. Failing to do so can be disastrous.

Many new organizations do not spend legal fees to protect their IP because the expense seems unimportant. This is especially true when the business owner is unsure if the startup will succeed. Many owners believe their competitors will not steal or copy their IP. Unfortunately, IP theft is common, and if you cannot afford to protect your IP, you have to seriously consider if you should start your new business. It is tragic to see a new company begin to make money only to have an unscrupulous competitor capitalize on the IP that is the foundation of the new business. If you fail to properly protect your IP, enforcing your rights can be difficult.

There are four major types of IP: (1) copyrights; (2) trademarks; (3) patents; and (4) trade secrets. A competent attorney will evaluate your IP and determine the protection needed.

Trade secrets protection is often ignored because many organizations do not understand trade secrets. Trade secrets can include customer lists, secret methods of developing or conducting business, sensitive marketing information, unpatented inventions, secret recipes, and other information that gives a business a competitive edge. While the law provides protection for trade secrets without registration fees, companies should get nondisclosure agreements signed by their employees and others who gain access to their trade secrets. Businesses should

train their employees how to properly handle confidential information and employ procedures, such as marking confidential documents with a “trade secrets” legend to safeguard trade secrets. Whatever plan is in place, the startup must execute appropriate steps to protect its trade secrets.

While protecting trade secrets seems simple, a startup must identify its trade secrets and then take active steps to maintain their secrecy for the protection to continue. When defending a business client accused of misappropriating a competitor’s customer list, we shocked the competitor by performing a simple Internet search during the competitor’s deposition to show that its “secret” customer list was posted on its own website. Trade secrets protection can be lost when the business owner is careless.

Call us at 949.631.3300 you have an IP dispute. We will evaluate the dispute, provide you a strategy, and execute it.

Mark B. Wilson

Mr. Wilson, a trial attorney, has won nearly every case he has tried or arbitrated. He lost only one jury trial but then obtained a complete reversal on appeal. This year, Mr. Wilson was listed in the Super Lawyers® Top 50 Orange County list, and he is a past Chair of the Orange County Bar Association’s Business Litigation section.



Mark B. Wilson

Gerald A. Klein

Over 90% Win Rate at Trial

The Firm Clients Call When Winning Is Everything

- Over \$100 Million Recovered for Clients
- Won Defense Verdicts in “Bet the Company” Cases
- Twice Named OCTLA Trial Lawyer of the Year
- Chaired OCBA’s Business Litigation Section
- Named in Super Lawyers Top 50 OC List



4770 Von Karman Avenue
Newport Beach, California 92660

(949) 631-3300 | kleinandwilson.com

McDermott Will & Emery

Right of Publicity

by Lynne Boisineau, Partner, McDermott Will & Emery

Right of Publicity (ROP) is a form of intellectual property (IP) that protects the name, likeness, image, or voice of persons during their lifetime, and in some states for decades after a person is deceased. ROP used to apply only to celebrities, but in today's virtual world everyone is impacted and can therefore avail themselves of ROP protection.

ROP applies to "regular folks" who have recommended businesses, as well as employees that have agreed to be photographed for brochures or website. It applies to people who submit photographs or user-generated content during contests, and customers who take selfies with products and post them on social media pages. It also applies to people who check-in at businesses on social media. If you exceed the scope of consent for any of these, or you use a photograph that had a release on the original posting site, and copy that image or audio onto your website or social media, you could end up receiving a cease and desist letter, or worse, an ROP lawsuit.

Using a model that looks like someone famous, or having a performer sing a song with a voice that is a close imitation of a famous songbird can also get you into hot water. And even if you do not show the face of that person, but there are identifiers that would clearly convey to others who that person is in the photograph or video, a valid ROP claim exists. For example, if you can see a unique tattoo on someone's shoulder, or if a particular haircut or color of hair makes a person identifiable, these are all ways that a person's ROP may be violated.

Although California has created a legal structure that includes a post-mortem statute, many states also offer common law protection for ROP. This is important because every company that has a website is subject to the patchwork of state-by-state protection for ROP; many of which have conflicting durations and types of

protection. For instance, in some states, you need to have registered your ROP to enforce it. In others, the right must have been exercised during the person's lifetime to access post-mortem protection.

However, in all states that protect ROP, you must be especially careful of any images of minors, which require the express consent of the parent or guardian. It's tempting to post that picture of the cute baby in the photo holding your product with a glowing "love note" from the mom, but just because she sent in the photograph to your company to let you know how much her family enjoys your product, you are courting disaster by doing so.

In summary, it is always a good idea to run such things by an attorney who is well-versed in ROP law. Anyone who has tried to remove content from the Internet can attest to the difficulty of solving the problem once the horse is out of the barn.

For more information, please visit www.mwe.com or call 949.851.0633.

Lynne Boisineau

Lynne Boisineau is a partner in the Orange County office of McDermott Will & Emery. Her practice includes trademark, copyright, and right of publicity registration and enforcement (domestically and internationally), as well as worldwide IP protection, management, and enforcement strategies, social media and domain name guidance, takedowns, and litigation support.



McDermott
Will & Emery

Driving innovation and insight.

With a diverse client base ranging from Fortune 500 companies to academic institutions, McDermott's team is more than just IP counsel—we are a trusted partner providing pragmatic, results-driven solutions in response to real-world business challenges.

www.mwe.com



McDermott Will & Emery conducts its practice through separate legal entities in each of the countries where it has offices. This communication may be considered attorney advertising. Previous results are not a guarantee of future outcome.

Knobbe Martens

Shifting Venue for Patent Infringement Lawsuits

by Nicholas Zovko and Brandon Smith, Knobbe Martens

The U.S. Supreme Court recently made a significant change to the geographic location where patent infringement lawsuits may be filed. In *TC Heartland v. Kraft Food Groups*, decided on May 22, 2017, the Supreme Court unanimously limited the venue for patent suits against domestic corporations to either (1) the defendant's state of incorporation, or (2) where the defendant has a regular place of business and committed allegedly infringing acts. This decision represents a break from 30 years of precedent that allowed patent owners to sue essentially anywhere in the U.S. that the defendant sold the allegedly infringing products.

Infringement Suits Should Spread Out Across the Nation

Patent infringement lawsuits will no longer be concentrated in the Eastern District of Texas, which is perceived to be a plaintiff friendly venue and where last year plaintiffs filed about 1/3 of all infringement suits. This concentration was widely viewed as unfair forum shopping, largely by non-practicing entities, because few defendants had any connection, beyond the sale of products, with Eastern Texas. Additionally, for lawsuits involving competitors, there will be fewer suits filed in the plaintiff's home state.

Patent litigation will likely shift to places like Delaware or California, where many corporations are incorporated or have a regular place of business. This means fewer defendants will be dragged to the plaintiff's hometown or an inconvenient forum. In the month after the *TC Heartland* decision, patent case filings were down over 50% in the Eastern District of Texas, while filings were up nearly 150% in Delaware.

Practical Examples

Some examples help illustrate the impact of *TC Heartland*:

1. Corporation having its only location in Orange County: This company likely could be sued for patent infringement only in the Central District of California, or in the state the company is incorporated. If the company decides to expand beyond Orange County, such as by opening sales offices or manufacturing facilities in other states, it should be mindful that any new location is a potential venue for patent litigation.

2. Unincorporated startup based in Orange County: Startups should now consider potential forums for patent suits before incorporating. If an Orange County startup incorporates in California, then California is likely the only potential forum for a patent infringement suit against it. However, by incorporating in Delaware, the company later could be hauled across the country to defend against such a lawsuit.

3. Foreign entity with an office in Orange County: *TC Heartland* did not change the venue rules for foreign corporations. For now, foreign corporations may be sued for patent infringement where they are subject to personal jurisdiction.

Nicholas Zovko

Nicholas Zovko is a partner in the Orange County office of Knobbe Martens. Mr. Zovko represents clients in many aspects of intellectual property law, with a focus on patent litigation. Mr. Zovko also has experience litigating cases involving trademarks, trade secrets, copyrights, unfair competition claims, and false advertising claims. He also has participated in several local pro bono activities, including volunteering for the Public Law Center and serving as a Deputy District Attorney for the Orange County District Attorney's Office. He can be reached at 949.760.0404 or nicholas.zovko@knobbe.com.



Brandon Smith

Brandon Smith is an associate in the Orange County office of Knobbe Martens. His practice is focused on patent and trade secret litigation. Mr. Smith earned his Bachelor's of Science in Biomedical Engineering at California Polytechnic University, San Luis Obispo and his J.D. from the University of San Diego School of Law. He can be reached at 949.760.0404 or brandon.smith@knobbe.com.



MASCHOFF BRENNAN

continued from page B-42

Grupo Gigante S.A. de C.V. v. Dallo & Co., Inc., 391 F.3d 1088, 1094 (9th Cir. 2004) (footnotes omitted). This decision is consistent with U.S. policy under TRIPS to persuade foreign governments to enforce famous American marks. The Ninth Circuit made clear that a significant showing had to be met before a foreign brand could be established as famous in the United States.

The Second and Federal Circuits, in contrast, have rejected the famous mark exception. They reasoned that for a company to have rights under the Lanham Act, it has to meet the requirement of using the mark in the United States.

The Fourth Circuit deviated from the circuit split by disregarding the question of whether Bayer had any U.S. rights to assert. The Fourth Circuit, reacting to what it perceived as a brazen use of the mark by Belmora to deceive Mexican American consumers, predicated its ruling instead on the fact that Bayer alleged that it lost sales in Mexico due to Belmora's sale of FLANAX products in the United States.

The Fourth Circuit decision arguably moves the Lanham Act further away from a strict territoriality requirement by allowing foreign brand enforcement through the Act's unfair competition provisions. The diversion of sales rationale finds precedent in line of cases in which U.S. brand owners are permitted to sue over foreign activity shown to have a "substantial effect" on U.S. commerce. A substantial effect can be proved by showing consumer confusion, harm to the trademark owner's reputation, or diversion of sales. In those cases, however, the U.S. brand owner demonstrably had U.S. rights to protect.

The Fourth Circuit's *Flanax* decision reflects some tension in the objectives served by the Lanham Act. On the one hand, enforcement by Bayer serves to protect consumers from confusion wrought by predatory branding. On the other hand, the decision can be viewed as an expansion of the rights of foreign companies to avail themselves of U.S. courts to enforce foreign trademark rights at the expense of U.S. brand owners.

Belmora, in its brief in support of its petition for a writ of certiorari, put the issue bluntly: "It is difficult to overstate the practical impact of the Fourth Circuit's decision's invitation to foreign businesses to use the Lanham Act's unfair competition provisions to circumvent the territorial limitations of U.S. trademark law and to undermine the rights of U.S. trademark registrants." The Supreme Court's denial of the writ petition leaves intact just such a tactic.

The *Flanax* decision adds extra cost and indeterminacy to brand initiatives in the United States that should be taken into account by U.S. and foreign brand owners alike.

IP FOR A NEW AGE

Excellence is how much you know.

Passion is how much you care.

At Knobbe Martens, we're dedicated to every aspect of the IP landscape. But what truly sets us apart is our passion. Working as one, each of us is driven to constantly expand our knowledge and abilities. Because even the best seek out new opportunities.

Joe F. Jennings, Partner

knobbe.com Knobbe Martens

Trade Secrets and Patents

Trade secrets and patents both offer powerful protection for a business's proprietary technology and ideas. Yet many business leaders may not understand the differences between the two. Glenn Dassoff and Mark Wine, partners in the Orange County office of the national law firm Orrick, answered some questions on this topic. Dassoff is a trade secret specialist and Wine is a patent litigation specialist, and they've counseled hundreds of clients as to the key differences.



obsolete, then it may not be worth the time and expense.

How do I qualify for trade secret protection?

First you must show there is some economic advantage, not generally known to the public, in the asset you want to protect. For instance, for a formula or process, you need to be able to show that the owner derives an economic benefit from it not being generally known to the public. Next you must take reasonable steps to restrict access to this information and keep it confidential. You may need to create barriers, like

access codes, that limit the employees who can see this information. Make sure employment agreements and third-party non-disclosure agreements also protect this information.

What is the difference between a patent and a trade secret?

A patent is a 20-year shield of protection you get for an invention from the federal Patent and Trademark Office. A trade secret doesn't require any government filing or approval, but you must take concrete steps to keep your idea or process secret.

One of the biggest differences: Patents require disclosure of your invention, while trade secrets must stay secret.

What are the pros and cons of holding a patent versus a trade secret?

A patent protects you for 20 years, but you'll have to publicly reveal details about your invention in your Patent Office filing. This might spur others to invent similar technology. Also, it's usually more expensive to get a patent, and can take a long time, often several years.

Trade secrets don't require government approval and there's no waiting period. But you must keep your trade secrets under wraps. You need to set up strong internal controls to prevent unauthorized disclosure.

What types of business assets are typically protected as trade secrets?

In general, trade secrets cover processes and technologies that a business uses only internally: formulas, compilations, methods, processes, marketing strategies, and techniques, for example.

Two of the most famous trade secrets are the formula for Coca-Cola and KFC's recipe of 11 herbs and spices for its fried chicken.

When does it make sense to get a patent?

If your product is publicly available and someone could reverse engineer it, then you may want a patent. But if technology in your business quickly becomes

Do I need a lawyer to get a patent or trade secret protection?

For a patent, you will need either a lawyer or a patent agent. You don't necessarily need a lawyer to establish a trade secret, but make sure you understand how to protect your secrets.

Glenn Dassoff

Glenn Dassoff is a leading OC trial lawyer with extensive and diverse trial experience as a result of trying more than 50 cases in his career. Much of his work has been focused on trade secrets matters for some of the nation's leading high technology companies. Glenn is resident in Orrick's Irvine office. Contact Glenn at gdasoff@orrick.com.



Mark Wine

Mark Wine is a leading patent litigator having tried nearly 30 cases in his 40+ years of practice. Much of Mark's work is for Chinese and Taiwanese electronics and medical device manufacturers. Mark is resident in Orrick's Irvine office. Contact Mark at mwine@orrick.com.



Some facts about the legal talent Orrick brings to Orange County:

- 1 **IP:** No. 1 ranked IP department
—*The American Lawyer*
- 2 **Litigation:** Top 5 in the country
—*Law360*
- 3 **White Collar:** Highly rated team
—*Chambers USA*
- 4 **Public Finance:** #1 20 years running
—*The Bond Buyer/Thomson Reuters*
- 5 **Pro Bono:** Partnering in OC with the Veterans Law Institute and the Public Law Center to give back to our community

A global firm:
1100+
lawyers

25+
offices





Made-Up Words Make the Best Trademarks (But Don't Bother Trying to Register "Covfefe")

by Carole E. Reagan, Umberg Zipser LLP

Some of the best-known trademarks in the world are invented words: Pepsi, Xerox, Adidas, Exxon. These are words everyone knows, but they have no meaning aside from the companies and products that bear those names – which is precisely why they are so valuable as brands. Made-up words are “inherently distinctive” in trademark parlance, and entitled to the highest level of trademark protection. Invented words may require a greater up-front investment to develop an association in consumers’ minds, but the potential pay-off in brand strength is huge. “Super Cola” would immediately describe a new beverage product to consumers, but a name that bland will never achieve the impact of “Pepsi.”

“Covfefe,” of recent Trump Twitter fame, is the made-up word of the moment. And this being America, no small number of people have jumped to capitalize on its moneymaking potential. There are currently 31 trademark applications for “Covfefe” pending before the US Patent and Trademark Office. There’s Covfefe coffee, Covfefe toys, and lots of hopeful Covfefe applications for hats, shirts, and mugs. Most, if not all, of these applications will fail. The PTO will likely refuse registration because a word that “merely conveys an informational social, political, religious, or similar kind of message” cannot function as a trademark. As the PTO recently explained in rejecting another trendy political phrase (“Nasty Women”): “The more commonly a term or slogan is used in everyday speech, the less likely the public will use it to identify only one source and the less likely the term

or slogan will be recognized by purchasers as a trademark.” In other words, it would take enormous effort to make consumers associate “Covfefe” with coffee or toys or anything other than Trump, and until that happens, no one is going to “trademark” Covfefe.

So when the time comes to name your new company or unique product, **do** invent a new word to set your brand apart. In the meantime, sell all the “Covfefe” t-shirts and dog bowls you want, but **don't** waste your time trying to monopolize the latest “it” phrase.

Carole E. Reagan

Carole Reagan is a partner at Umberg Zipser LLP who specializes in complex business litigation and intellectual property. Carole can be reached at 949.679.0052 or CReagan@umbergzipser.com.



Orange County's Law Firm for Intellectual Property Protection

We're proud to announce the recent expansion of our IP practice with the addition of partners **Mei Tsang** and **Ryan Dean**.



Umberg Zipser LLP provides comprehensive legal services in all areas of intellectual property, both nationally and internationally.

In addition to litigation, our services include patent and trademark prosecution and portfolio development, copyright and trade secret protection.

**Commercial Litigation • Intellectual Property • Class Actions
Lawyer Liability & Ethics • Government and Regulatory**

1920 Main Street, Suite 750, Irvine, California 92614

Tel 949-679-0052 Fax 949-679-0461

www.umbergzipser.com

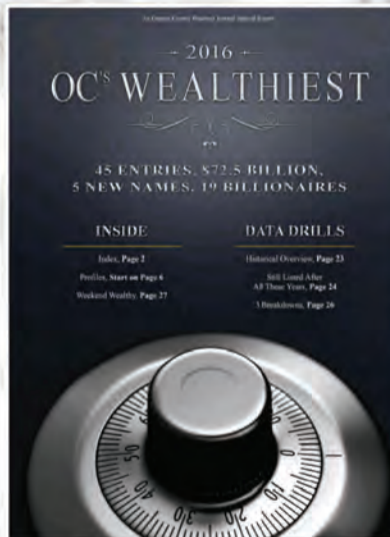
Experience.

Integrity.

Results.

OC'S WEALTHIEST

Publishing July 31, 2017



2016's OC's Wealthiest included 45 entries, with a minimum net worth of \$250 million. This issue is dedicated to the most affluent people in the county and reports on how they built their fortunes and the trends driving their wealth. How will 2017 measure up? Don't miss the opportunity to be part of one of the most anticipated

issues of the year. For more information, contact your account manager at 949.833.8373.

Publication Date
July 31, 2017

Space Reservations Due
July 19, 2017

Ad Materials Due
July 24, 2017

ORANGE COUNTY BUSINESS JOURNAL
The Community of Business.
www.ocbj.com

weintraub|tobin

weintraub tobin chediak coleman grodin law corporation

Supreme Court Cuts Back Patent Owners' Post-Sale Rights

by Audrey Millemann, Shareholder, Weintraub Tobin

Patent owners can no longer restrict the use of their patented products after the products are sold. Under the existing doctrine of patent exhaustion, a patent owner's rights are "exhausted" once the patent owner sells the product. Recently, in *Impression Products v. Lexmark International, Inc.*, the U.S. Supreme Court expanded the scope of patent exhaustion, reversing a long-standing rule that a patent owner can control the use of its patented product after the product is sold. The Supreme Court held that the sale (or license) of a patented product exhausts all of the patent owner's rights. The Court also held that exhaustion applies regardless of whether the sale is inside or outside the U.S.

Lexmark owned patents covering toner cartridges for laser printers. When the toner was used up, the cartridge could be refilled and reused. Lexmark gave consumers two choices in purchasing its cartridges: the consumer could either pay full price for the cartridges with no restrictions or pay a discounted price with a contract to use the cartridge only once and return the empty cartridge only to Lexmark.

Impression Products bought the used Lexmark cartridges, refilled the cartridges with toner, and sold the refilled cartridges at prices below Lexmark's prices.

Lexmark sued Impression Products for patent infringement. Lexmark claimed that Impression Products infringed Lexmark's patents by purchasing the used returnable cartridges and reselling them. Lexmark also claimed that Impression Products infringed Lexmark's patents by purchasing Lexmark cartridges that Lexmark had sold outside the U.S. and importing them into the U.S. for sale. Impression Products argued that it had not infringed the patents because Lexmark's sales of the cartridges, in the U.S. or abroad, exhausted Lexmark's patent rights.

The appellate court ruled for Lexmark on the grounds that patent exhaustion did not preclude patent owners from imposing limits on the post-sale use or resale of patented products, as long as the restrictions were clearly stated. The court also found that patent owners retain the right to sue those who import into the U.S. the patented products originally sold abroad.

The Supreme Court disagreed. The Court held that patent owners exhaust their rights when they sell patented products, and it is irrelevant whether the post-sale limitations are clearly stated. Patent owners relinquish all rights to their patents when they sell the patented product.

In addition, the Court explained that sales through licensees are treated the same way as sales by patent owners. Such sales exhaust the patent owner's rights. Thus, patent owners cannot impose limits on the ultimate purchaser's use of the patented product through the use of a license to an intermediary. The Court also held that if patent owners sell their patented products abroad, they lose all patent rights, just as if they had sold the products in the U.S.

Audrey Millemann

Audrey Millemann is a shareholder with Weintraub Tobin and practices in the Intellectual Property and Litigation sections. She is a litigator and a registered patent attorney. Audrey advises clients on all issues of intellectual property law, including infringement, validity, and ownership of patents, trademarks, and copyrights. For more information, please contact Audrey at amillemann@weintraub.com.



You Create. We Protect.

A statewide law firm working strategically with California
businesses to meet their evolving IP needs.

Los Angeles | **Newport Beach** | Sacramento | San Diego | San Francisco
23 Corporate Plaza Drive, Suite 200, Newport Beach, CA 92660 | 949.760.0204

weintraub|tobin





Patent Litigation: TC Heartland Portends Broad Sweeping Changes to Venue Transfers

by Joseph Mellema, Jeffer Mangels Butler & Mitchell LLP

The highly anticipated decision in *TC Heartland LLC v. Kraft Foods Group Brands, LLC* has triggered a rush to the courthouse to file venue transfer motions in the two months since that decision was issued by the US Supreme Court. It is fairly obvious to most that the Eastern District of Texas may no longer be the go-to venue of choice for domestic plaintiff corporations. It is much less clear, however, whether the *TC Heartland* decision will prompt a new go-to venue—or venues—or whether it will result in a more even distribution of patent cases throughout the district courts.

In *TC Heartland*, the US Supreme Court reversed the Federal Circuit Court of Appeals in holding that the term “resides” in the patent venue statute is limited to a domestic corporation’s State of incorporation. In so doing, the highest court returned venue in patent cases to a condition that existed 30 years ago, in which venue is proper where a domestic corporation “resides” or where “the defendant has committed acts of infringement and has a regular and established place of business.” The prior rule which the Federal Circuit followed established proper venue anywhere the domestic corporation was subject to personal jurisdiction.

TC Heartland has caused dozens of venue filings in the Eastern District of Texas, particularly in cases involving non-practicing entities (NPEs) where NPEs routinely relied on personal jurisdiction to establish venue. Some prolific NPEs have opted to sue outside of the district or agreed to venue transfers to other districts. While the decision may have significant effect on small to mid-size corporations, it may have lesser impact on large corporations that, for tax or cost-of-living reasons, have relocated to Texas or otherwise have a substantial presence there. The frenzy goes beyond the Eastern District; one day after the

decision, an Illinois federal court ordered the parties to brief venue in view of *TC Heartland*.

Though most agree that the Eastern District will be the hardest hit, there are widely varying opinions on where cases subject to patent venue challenges will go, and where new patent suits will be filed. One obvious choice is the District Court of Delaware, where many domestic corporations are already incorporated and thus, “reside.” Where a domestic corporation has multiple “hubs” or remote offices, plaintiffs may choose the hub’s venue and argue that the domestic corporation has a “regular and established place of business” there. In this scenario, it is highly likely that the district courts of California and Illinois will remain—and quite possibly will increase—as go-to jurisdictions. As these trends start to coalesce, there will be much to consider in choosing—and challenging—venue.

Joseph Mellema

Joseph Mellema is of counsel in Jeffer Mangels Butler & Mitchell LLP’s litigation group, and focuses on patent and other technology-related litigation. He was selected to the 2017 Super Lawyers® Rising Stars list for Intellectual Property. JMellema@jmbm.com or 949.623.7232



Subscribe to the Patent Lawyer Blog at patentlawyerblog.com

JMBM Jeffer Mangels Butler & Mitchell LLP
jmbm.com

We analyze the latest developments in patent litigation on the Patent Lawyer Blog, a resource for entrepreneurs, companies and universities that own patents, and the attorneys who counsel them.

Stanley M. Gibson
Partner, Chairman, Patent Litigation Group
310.201.3548 | SGibson@jmbm.com

EMPLOYMENT & LABOR LAW FEATURE

Whether you hire your own employees or independent contractors, you need to have a solid understanding of federal and state labor laws - covering everything from benefits and wages to discrimination and harassment. Orange County Business Journal will publish the annual Employment & Labor Law Feature, providing information about U.S. employment laws, and how employers should comply with them.

Don't miss this focused opportunity to promote your legal services.

Publication Date July 31, 2017	Space Reservations Due July 17, 2017
Advertorial Due July 20, 2017	Ad Materials Due July 24, 2017

For more information, contact your account manager at 949.833.8373.

ORANGE COUNTY BUSINESS JOURNAL
The Community of Business™
www.ocbj.com