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Should Have Known' No Longer Enough for Fraud

By Christine Lebrón-Dykeman

On August 31, 2009, with its decision in *In re Bose*, the Federal Circuit brought the standard for fraud in the United States Patent and Trademark Office (PTO) in line with the patent world for inequitable conduct: "should have known" is no longer enough to sustain a cancellation claim for a trademark registration.

Six years ago in *Medinol v. Neuro Vasx, Inc.,* 67 U.S.P.Q.2d 1205, 1209 (TTAB 2003), the Trademark Trial and Appeal Board (TTAB) held that a trademark applicant commits fraud when it "makes material representations of fact ... which it knows or should know to be false or misleading." The Board's position was simple: documents filed in connection with trademark applications and registrations are remarkably simple, and claims made therein are supported by the trademark owner's oath, punishable by fine or imprisonment; consequently the trademark owner should investigate the claims before signing and submitting the documents.

In *In re Bose*, which represented the Federal Circuit's first opportunity to review the *Medinol* decision, the Federal Circuit expressly rejected the *Medinol* rule and ruled that *Medinol* "erroneously lowered the fraud standard to a simple negligence standard." The Federal Circuit held instead that a party seeking to cancel a trademark registration on fraud grounds must prove intent to deceive the Trademark Office by clear and convincing evidence.

In re Bose, Bose had initiated an opposition proceeding challenging registration of a HEXAWAVE trademark based upon Bose's prior registration for WAVE. The applicant counterclaimed to cancel Bose's WAVE registration, alleging that Bose committed fraud when filing its affidavit of continued use after it had stopped manufacturing and selling two of the goods, audio tape recorders and players, several years back. *Bose Corp. v. Hexawave, Inc.*, 88 U.S.P.Q.2d 1332 (TTAB 2007). Bose argued that because it was still repairing tape recorders and players and transporting them to consumers when the renewal declaration was filed that activity constituted trademark use. The TTAB disagreed, found Bose's belief unreasonable, held that Bose committed fraud and cancelled Bose's WAVE registration in its entirety. Bose appealed.

On appeal, the Federal Circuit ruled that the *Medinol* holding was an erroneous departure from earlier precedent (both in the CAFC and other circuit courts) that proof of intent to deceive must be shown before cancelling a trademark registration. Citing its earlier decisions, the Court held "a trademark is obtained fraudulently under the Lanham Act only if the applicant or registrant knowingly makes a false, material representation with the intent to deceive the PTO." Following these principles, the Court ruled Bose did not commit fraud because its continued use affidavit was filed based on an "honest misunderstanding" that repair was sufficient to show continued use of a trademark in commerce. The Federal Circuit ultimately vacated the TTAB order cancelling Bose's registration, and remanded the case back to the TTAB to amend the goods described in the registration "to reflect commercial reality" by simply deleting those goods on which use is not currently made.

While the *Bose* decision reformulates the fraud standard in a way that provides some security to trademark owners and poses additional obstacles to challengers, it is doubtful that we have seen the last of fraud. Indeed, because this case was decided on particular facts, it does not preclude a future finding of fraud in the run-of-the-mill situation where a trademark owner is unquestionably not using its mark in connection with a particular product in commerce, and, knowing this, still signs a declaration attesting to use.

If nothing else, this decision serves as a clear reminder of the obligation for trademark owners before signing use-based trademark application or declarations of use to thoroughly investigate to ensure that its mark is in fact in use on all goods/services listed in its applications and/or registrations. Indeed, although it is not necessary to file with the PTO a specimen showing use on every good/service, it would be good practice to maintain in the file copies of specimens showing use on each and every good/service to help defend against any allegation of fraud in the future.

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Don't Miss Your Deadline for Filing a Patent Application

By Mark Hansing

Introduction

Many inventors are surprised to find out there are rules about when you must file a patent application. A typical fact pattern is as follows:

(a) Inventor creates a prototype and establishes that it works well.

(b) The inventor then uses the prototype for two years.

(c) The inventor shows it to one or two friends, but never sells one, gives one away, or allows another to use it.

U.S. Deadline and the U.S. One Year "Grace Period"

The possible bad (and many times surprising) news can be that, even though there has been no sale or widespread public disclosure of the idea, the inventor may be ineligible to file for a U.S. patent application. U.S. patent law says that certain activities more than a year before filing a patent application may result in loss of the ability to obtain a U.S. patent. Although the U.S. allows this one year "grace period", many inventors do not know about the rule or cannot believe that activities like those described above would trigger the start of the grace period.

The specific "grace period" rules are sometimes difficult to apply. You must file a patent application within one year of any of the following activities: (1) sale of a device embodying the invention, (2) offer for sale of such a device, (3) dissemination of a printed publication describing the invention, or (4) public use of the invention.

Why can these rules be difficult? In the fact pattern of this article, it is debatable if there had been any "public" use. There had been no sale or offer for sale. There had been no printed publication distributed. But the legal definition of "public use" can include situations where just the inventor uses the invention.

Foreign Deadline and the "Absolute Novelty" Rule for Most Foreign Countries

The news gets worse regarding foreign patents. Unlike the U.S., most foreign countries have no "grace period" whatsoever. The inventor discussed above would likely be ineligible for patent protection in most foreign countries. In short, most foreign countries require a patent application be filed somewhere in the world before any public use or disclosure of the invention anywhere in the world! If the inventor showed it publicly and filed a U.S. patent application the day after, the inventor may have lost foreign patent rights! This is sometimes called the "absolute novelty" rule, meaning the invention must be absolutely novel or new when filed—as opposed to "old" because already disclosed publicly.

Basic Rules for Patent Applications

It light of these "absolute novelty" and "grace period" rules, here are a few general comments.

1. If possible, file a patent application in at least your home country before any offer for sale, actual sale, printed publication, use, or disclosure to anyone occurs. This avoids ever having to worry about these rules. It also preserves your ability to consider filing foreign patent applications. This means taking the steps to prepare and file a patent application before any prototyping, testing, marketing, or the like is done. However, for many inventions this is not practical or even feasible. Prototyping and testing may be necessary for an inventor to confirm the idea is workable or valuable. It might be necessary to get consultation from others regarding the right materials to use. It may be difficult to invest in a patent application before cost of manufacturing or market potential is established.

2. If not possible to file before any such activities and you are willing to give up eligibility for most foreign patents, file a U.S. application as soon as possible and in no event later than the "grace period" (one year in the U.S.) after the first even arguable use or disclosure to others.

You should always check with your patent attorney before you spend the money to pursue a patent application to see if you are still eligible to file U.S. or foreign applications. The most conservative approach is to file for at least a U.S. patent before anything even arguably public is done with an invention. This eliminates any issue regarding ineligibility to file both U.S. and foreign patents. In other words, it preserves your rights, and for at least a limited time reserves your ability, to decide whether foreign patent applications are to be filed.

There are a few other countries that give some semblance of grace periods. For example, South Korea gives six months after what normally would destroy the ability to file if certain limited events occur. Examples are testing of the invention, publishing the invention in printed matter, or displaying it at an exhibition. Another basis for the South Korea six month grace period would be if something public with the invention occurs "against the intention of the inventor". An example would be an unauthorized or mistaken disclosure by a representative of the inventor. Another example would be an appropriation and public disclosure by another without authorization of the inventor.

It is important for inventors and companies to have these filing rules in mind.

Your patent attorney can tell you if any country of interest has any grace periods.

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Federal Circuit Addresses Written Description Requirements

By Kurt Van Thomme and Jill Link

As many biotechnology researchers and would-be patent holders know, one of the greatest hurdles in your journey toward securing intellectual property rights is meeting the written description requirement.

In August, the Federal Circuit agreed to revisit *Ariad Pharmaceuticals, Inc. v. Eli Lilly & Co.* en banc to consider whether there is a written description requirement in § 112 separate and apart from the enablement requirement. Specifically, the questions presented are:

(1) Whether 35 U.S.C. § 112, paragraph 1, contains a written description requirement separate from an enablement requirement?

(2) If a separate written description requirement is set forth in the statute, what is the scope and purpose of the requirement?

In the original decision, the Federal Circuit reversed a district court's denial of judgment as a matter of law after a jury determined the asserted claims of an invention were not invalid under the written description requirement.

Plaintiffs Ariad Pharmaceuticals and others ("Ariad") sued Eli Lilly for infringement of multiple claims of U.S. Patent No. 6,410,516 ("the '516 patent"). Specifically, Ariad asserted two of Eli Lilly's drugs, Evista® and Xigris®, infringed claims of the patent. The '516 patent relates to gene regulation, specifically transcription factors found in cells regulating gene expression. Specifically at issue is a transcription factor named NF-κB, which is an all-purpose cellular response for responding to foreign or harmful stimuli to produce responding proteins. The claims at issue involve the reduction of NF-κB activity.

The jury returned a verdict of infringement, also finding the claims of the '516 patent were not invalid for anticipation, lack of enablement, or lack of written description. At a separate hearing, the district court rejected Eli Lilly's defense of inequitable conduct and held the claims were directed to patentable subject matter. Eli Lilly appealed the court's denial of its judgment as a matter of law on the § 112 issues and the finding of no inequitable conduct.

On appeal, the Federal Circuit addressed the written description issue. The key determination in such an analysis is to determine if the specification conveyed with clarity to those skilled in the art that, as of the application's priority date, the applicant was in possession of the invention. The Court highlighted factors used to determine whether sufficient disclosure to support generic claims to biologic subject matter exists. The factors include "the existing knowledge in the particular field, the extent and content of the prior art, the maturity of the science or technology and the predictability of the aspect at issue."

Eli Lilly argued Ariad failed to provide such support, alleging that it did not adequately disclose how the claimed reduction of NF-κB activity was achieved in order to allow support that the applicants had possession of the invention as of the priority date. Lilly specifically argued the disclosure of types of molecules potentially capable of reducing NF-κB activity amounted "to little more than a research plan."

The court looked to the various claimed molecules necessary to perform the methods including reducing NF-κB activity. The specification disclosed three such molecules:

(1) specific inhibitors
(2) dominantly interfering molecules, and
(3) decoy molecules.

With regard to specific inhibitors, the specification only referred to I-κB, which is a naturally occurring molecule that holds NF-κB in an inactive state. The sequence of I-κB was disclosed in a figure of the specification, but not until the patent's 1991 filing date; it was not present as of the patent's 1989 priority date. As such, it could not provide written description support for the claims. The other testimony relevant to the 1989 date was that one of ordinary skill in the art would be able to isolate I-κB. The Federal Circuit held such a vague functional description was insufficient to meet the written description requirement of § 112.

With respect to the second molecule, dominantly interfering molecules, the specification disclosed no examples of any molecules of this class. Therefore, the Federal Circuit again held the specification was simply an invitation for future research in the area of these molecules.

Finally, with regard to decoy molecules, the Federal Circuit noted the specification disclosed hypothetical example structures of such molecules. Although the disclosure of structures is preferred and may result in the satisfaction of the written description requirement, there was no disclosure linking the disclosed decoy molecules with methods of reducing NF-κB activity. This disclosure also could not satisfy the written description requirement. Therefore, the Federal Circuit held the jury lacked substantial evidence for its verdict, and the asserted claims were invalid failing to meet the written description requirement.

Judge Linn authored a concurring opinion, noting the Court's result was required by its precedent, but reiterating his opposition to the existence of a separate written description requirement in § 112.

Thirty-nine parties have filed amicus (friend of the court) briefs in the case. If the court holds there is no separate written description requirement, it would remove one of the major hurdles to patentability for biotechnology, chemical, and pharmaceutical patent applicants. It will also put more focus on the requirement for a patent application to enable one in the art to make and use the invention. The Federal Circuit will hear oral argument in the case on December 7; a decision is not expected until early 2010.

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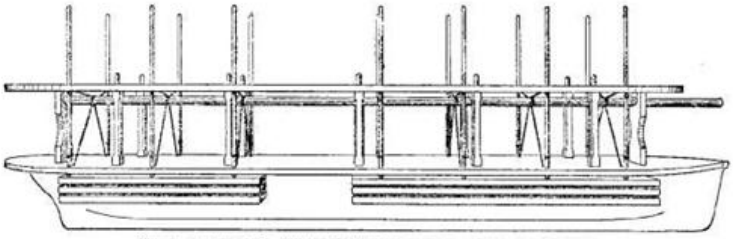
Abraham Lincoln: The Patentee President

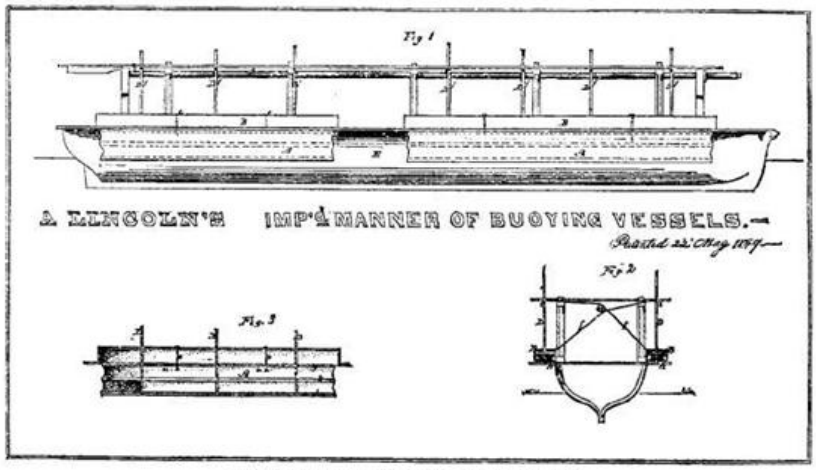
By Kirk Hartung

Our 16th President of the United States, Abraham Lincoln is the only president to have a patent in his name for an invention. On May 22, 1849, the U.S. Patent Office issued patent no. 6,469 entitled Buoying Vessels Over Shoals to Lincoln.

Lincoln had a lifelong fascination with mechanical devices. He was a skilled boatman who, prior to his political career, had numerous jobs navigating various vessels down the Mississippi River and its tributaries. More than once during his journeys, Lincoln's boat became stuck in shallow water. Often, cargo had to be unloaded from the boat to increase buoyancy and free the boat.



MODEL OF LINCOLN'S INVENTION IN THE PATENT OFFICE, WASHINGTON.



REDUCED FAC-SIMILES OF DRAWINGS IN PATENT OFFICE.

Lincoln's invention utilizes inflatable air chambers extending along the boat hull. Rotation of a shaft in one direction forces the chambers downwardly into the water, and expands and fills the chambers with air for buoying up the vessel by displacement of water. Rotation of the shaft in the opposite direction contracts the air chambers. A model of Lincoln's invention resides in the Smithsonian Institute in Washington, D.C. However, Lincoln's invention was never commercialized.

In 1859, Lincoln praised the patent laws for adding "the fuel of interest to the fire of genius, in the discovery and production of new and useful things."

IP Glossary

Use-Based Application

A trademark application based on actual use of the applied-for-mark in commerce. There are four filing bases on which an application may be based. One filing basis is use of the trademark or service mark in commerce. (The other three are filing based on an intent-to-use the mark in commerce, filing based on a pending foreign application, and filing based on a foreign registration.) Applicants who file based on use in commerce must be using the mark they wish to register with the goods or services in the application prior to or at the time of filing the application.

To base the application on the applicant's use of the mark in commerce, the applicant must submit the following four items:

(1) A statement that the mark is in use in commerce, and was in use in such commerce on or in connection with the goods or services listed in the application on the application filing date;

(2) The date of the applicant's first use of the mark anywhere on or in connection with the goods or services;

(3) The date of the applicant's first use of the mark in commerce as a trademark or service mark; and

(4) One specimen for each class showing how the applicant actually uses the mark in commerce. If the specimen is not filed with the initial application, applicant must submit a statement that the specimen was in use in commerce at least as early as the application filing date. These items must be verified by the applicant, supported either by an affidavit or by a declaration.

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