

Supreme Court reserves “tacking” issue for juries

In a short but unanimous decision that may have far-reaching consequences, the Supreme Court determined that trademark “tacking” is a factual issue that must be determined by a jury, not a judge. “Tacking” is a trademark doctrine that, in limited circumstances, allows a trademark owner who makes certain modifications to its mark over time to use the earliest use date of the first version of the mark to establish priority over later users of the same or similar marks. Courts have allowed tacking where the original and the revised marks are “legal equivalents,” creating the same, continuing commercial impression in the eyes of an ordinary consumer.

Hana Bank and Hana Financial both provided financial services to individuals in the U.S. Hana Bank began life in 1971 as a Korean entity called Korea Investment Finance Corporation. That entity changed its name to Hana Bank in 1991, using that name in Korea. In 1994, Hana Bank established Hana Overseas Korean Club to provide financial services to Korean expatriates in the U.S. Advertisements for that service used “Hana Overseas Korean Club” in English and Korean, the name “Hana Bank” in Korean, and a logo of a “dancing man.” In 2000, Hana Bank changed the club name to “Hana World Center.” In 2002, the Korean entity began operating a bank in the U.S. as “Hana Bank,” the entity’s first physical presence in the U.S.

Hana Financial was formed as a California corporation of that name in 1994. It began using the name Hana Financial and an associated trademark in commerce in 1995. In 1996, Hana Financial obtained a federal trademark registration for a pyramid logo with the words “Hana Financial.”

In 2007, Hana Financial sued Hana Bank for trademark infringement in the U.S. District Court for the Central District of California. Hana Bank defended by claiming that it had priority of use under the tacking doctrine. The infringement claim and tacking defense were both tried to a jury, under this jury instruction: “A party may claim priority in a mark based on the first use date of a similar but technically distinct mark where the previously used mark is the legal equivalent of the mark in question or indistinguishable therefrom such that consumers consider both as the same mark. This is called ‘tacking.’ The marks must create the same, continuing commercial impression, and the later mark should not materially differ from or alter the character of the mark attempted to be tacked.” The jury found in favor of Hana Bank.

Tacking Continued on Page 2

Eleventh Circuit dissects copyright fair use defense

In a decision involving digital course materials provided by a public university, the U.S. Court of Appeals for the Eleventh Circuit exhaustively analyzed the Copyright Act “fair use” defense. The 129-page opinion considered whether Cambridge University Press, Oxford University Press, and Sage Publications - three publishing houses specializing in academic works - could sue Georgia State University (GSU) for copyright infringement in permitting professors to make available to students digital copies of book excerpts without paying any license fees. The publishers challenged 74 instances of infringement during three academic terms. GSU raised the fair use defense that any alleged use of copyrighted materials was for the purpose of teaching, scholarship or research and for nonprofit educational purposes.

The accused works were advanced scholarly texts for use in upper-level undergraduate and graduate courses, marketed to professors at universities and colleges. Professors could assign excerpts from a book to their students by placing the book on reserve at the campus library; preparing bound, photocopied, paper “coursepacks” containing excerpts from multiple works; or distributing digital excerpts over the Internet.

The U.S. District Court for the Northern District of Georgia determined that there was no infringement in 26 cases, that the fair use defense applied in 43 cases, and that GSU had infringed without any defense in 5 cases. Despite entering a narrow injunction against GSU, the trial court nevertheless found that GSU was the prevailing party in the case, awarding it over \$2.89 million in costs and attorneys’ fees. On appeal, the Eleventh Circuit sent the case back to the District Court for a more “holistic analysis” in which the fair use factors were to be applied and weighed differently.

GSU employed two digital distribution systems for course materials that largely replaced paper coursepacks. Students buy paper coursepacks from the GSU bookstore but pay for digital materials only indirectly, through tuition and fees. Although GSU pays licensing fees for materials in paper coursepacks, it makes thousands of digitized copyrighted works available without license payments. In 2009, during the suit, GSU adopted a new policy that required professors to fill out a “Fair Use Checklist” for each excerpt. If the factors favoring fair use outnumbered the contrary factors, the professor was not required to obtain a license. Where fewer than half the factors favored fair use, the professor was required to seek a license.

Fair Use Continued on Page 6

Tacking Continued from Page 1

The U.S. Court of Appeals for the Ninth Circuit upheld the jury verdict, explaining that although tacking is only applied in “exceptionally narrow circumstances...it requires a highly fact-sensitive inquiry...reserved for the jury.” The Ninth Circuit noted that the Federal and Sixth Circuits consider tacking a question of law for the judge, not a question of fact for the jury.



The Supreme Court held that where a jury trial has been requested and the facts do not warrant entry of summary judgment or judgment as a matter of law, the tacking issue must be decided by a jury, in line with other types of law where an ordinary person is competent to make an assessment.

Here, an ordinary consumer’s understanding of the impression made by a mark “falls comfortably within the ken of a jury.”

Hana Financial contended that the “legal equivalents” test must be decided by a judge because it involves the application of a legal standard. The Supreme Court concluded that applying a legal standard to a factual issue (a “mixed question of law and fact”) is typically decided by a jury, under carefully crafted jury instructions. Hana Financial then argued that judges must make tacking determinations because they must be resolved by comparing the marks in the case against marks addressed in prior cases. The Supreme Court found no reason why case precedent should resolve the matter, as jury verdicts in tort, contract, or criminal proceedings do not create new law that would guide future juries.

Hana Financial’s third contention was that allowing juries to decide tacking questions would destroy the predictability required for a functioning trademark system. The Supreme Court found no reason why the system was any more unpredictable than the use of juries for tort, contract, or criminal cases. The Supreme Court also rejected the argument that tacking must be decided by a judge because a judge must interpret patent claims. Construction of written instruments, the Supreme Court observed, is “one of those things that judges often do and are likely to do better than jurors.” Tacking inquiries, on the other hand, involve factual judgments about whether two marks give consumers the same commercial impression, not something “judges often do” better than jurors.

Lastly, Hana Financial argued that judges have historically resolved tacking disputes. However, the Supreme Court noted that Hana Financial’s cited cases were tacking disputes in bench trials, summary judgment motions, and motions to dismiss, which judges may resolve. Accordingly, the Ninth Circuit’s judgment was affirmed.

Although the issue of tacking rarely arises in trademark cases, many trademark practitioners believe that the same analysis is applicable to the pivotal issue in a trademark case, whether the accused infringer’s mark is likely to cause confusion with the prior owner’s mark. There is also a split in the Appeals Courts over this issue. Although a number of courts, including the Ninth, find likelihood of confusion to be a purely factual question to be decided by a jury, the Federal Circuit says it is a purely legal question to be decided by the judge, and the Second and Sixth

Circuits say that it is a mixed question of fact and law. Although the justices did not raise this issue in the *Hana Financial* case, it appears that the Supreme Court’s analysis of why tacking is a jury issue applies equally to likelihood of confusion. It may also apply to whether a mark has acquired distinctiveness, or so-called “secondary meaning.”

Source: *Hana Financial, Inc. v. Hana Bank*, 574 U.S. ____ (2015).

Federal Circuit’s claim construction cases business as usual after Teva

Claim construction is central to virtually every patent case. The patent claims define the limits of the invention. Often, the meaning of terms in a patent claim determines whether the accused infringer’s product or process infringes the patent. Typically, a patent owner wants a broad meaning in order to capture the accused infringer’s product, while the accused infringer wants a narrower meaning that excludes its product. Interpreting the meaning of a patent claim may seem a straightforward exercise but, more often than not, that is simply not the case.

The meaning of patent claims usually rests on the “intrinsic evidence.” Intrinsic evidence consists of the claim language, the written description in the patent, and the prosecution history, which includes all communications with the Patent Office made during the patent application process. The prosecution history may include statements by the patent applicant as to what his or her invention does or does not cover. Because of the high cost of patent litigation and the future of a business potentially at stake, parties often also attempt to rely on “extrinsic evidence” in hopes of persuading a court to adopt their view of the intrinsic evidence. Extrinsic evidence commonly consists of testimony or affidavits by experts in the field of the invention about what the words of the patent claims would mean to a person of ordinary skill in the art. Although courts find extrinsic evidence of lesser significance than intrinsic evidence and do not permit extrinsic evidence to *contradict* intrinsic evidence, judges may still rely on extrinsic evidence in their claim construction analyses.

Until recently, review of a district court’s patent claim construction was conducted by the U.S. Court of Appeals for the Federal Circuit “de novo,” making its own interpretation and giving no deference to the lower court’s determinations. However, on January 20, 2015, the Supreme Court decided *Teva Pharmaceuticals USA, Inc. v. Sandoz, Inc.*, somewhat altering this standard of review. The Supreme Court held that, while the ultimate determinations on claim construction are issues of law and, therefore, are reviewed de novo, *underlying factual issues* resolved by the district court should be given deference and are instead subject to a “clear error” standard of review. For example, a district court judge’s consideration of testimony by expert witnesses, and the judge’s decision on the weight to be given such testimony, are now entitled to deference on appeal.





Whether in practice the holding of *Teva* ends up substantially changing the law of claim construction remains to be seen. In the handful of claim construction cases reviewed by the Federal Circuit since *Teva*, the court has made note of *Teva*, but found that,

because the district court judge did not rely on extrinsic evidence to construe the patent claims, review of the district court's claim construction remained de novo.

In its first post-*Teva* decision, *In re Papst Licensing Digital Camera Patent Litig.*, the Federal Circuit avoided a deference inquiry. The parties disputed whether the district court judge had relied on expert testimony in its decision or not. The Federal Circuit found that "the district court relied only on the intrinsic record, not on any testimony about skilled artisans' understandings of claim terms in the relevant field..." Similarly, in other post-*Teva* Federal Circuit cases involving claim construction, the Federal Circuit found that the district court did not rely on extrinsic evidence in arriving at its claim construction and, therefore, conducted its review de novo.

The Federal Circuit's post-*Teva* cases expose some open issues. Although the Supreme Court made clear that claim construction is de novo when a district court has *not* relied on extrinsic evidence, and that factual findings resolving a dispute between experts are reviewed for clear error, other scenarios are less clear. How will the Federal Circuit treat the situation where the district court did rely on extrinsic evidence as part of its claim construction determination, but such reliance was improper because the intrinsic evidence fully resolved the construction issue? For example, what if a district court judge relies on expert testimony, but the Federal Circuit decides that it was unnecessary to have gone beyond the intrinsic evidence to construe the claims? The impact of *Teva* in such a situation remains to be seen.

Sources: *Teva Pharmaceuticals USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 841 (2015); *In re Papst Licensing Digital Camera Patent Litig.*, No. 2014-1110 (Fed. Cir. Feb. 3, 2015); *Fenner Investments, Ltd. v. Celco Partnership*, No. 2013-1640 (Fed. Cir. Feb. 12, 2015); *Lexington Luminance LLC v. Amazon.com Inc.*, No. 2014-1384 (Fed. Cir. Feb. 9, 2015); *FenF, LLC, v. Smartthingz, Inc.*, 2014-1490 (Fed. Cir. Feb. 6, 2015).

Seventh Circuit says five years' use insufficient for distinctiveness

Goliath defeated David in the U.S. Court of Appeals for the Seventh Circuit, where Coca-Cola's summary judgment win over Blue Springs Water Company concerning "Coke Zero" and "Sprite Zero" was affirmed. The Seventh Circuit concluded that Blue Springs' evidence of five years of use of the descriptive phrase "Naturally Zero" was insufficient to prove that the mark had developed "secondary meaning" in the minds of consumers.

Blue Springs adopted the mark "Naturally Zero" in 1997. Although its owner, Mirza Baig, applied to register "Naturally Zero Canadian Natural Spring Water" with the U.S. Patent and Trademark Office,

the PTO rejected the application, finding "Naturally Zero" was merely descriptive of spring water. Blue Springs began selling bottled spring water with that unregistered mark in 1998, in the Chicago metropolitan area, southern Wisconsin, and northwestern Indiana, primarily in the summer months.

From 1998 to October 2004, when Blue Springs ceased selling its product, it sold about 500,000 bottles of water, grossing less than \$150,000. Blue Water advertised in three beverage trade magazines in 1999, attended three trade shows in 2001 and 2002, and participated in a publicity campaign with the American Kidney Foundation. Baig also handed out advertising brochures at gas stations. He unsuccessfully approached Coca-Cola for a deal in December 2002.

Coca-Cola began selling its Diet Sprite Zero product in September 2004 and Blue Springs stopped selling its bottled water in October 2004. Blue Springs never resumed sales, in part allegedly because Coca-Cola's Zero line of products forced the company out of the market. In 2010, Baig unsuccessfully tried to work with a Chicago business owner to launch "Naturally Zero Cola." In September 2004, when Baig saw a billboard advertising Diet Sprite Zero, he threatened Coca-Cola with litigation for trademark infringement. He filed that suit in 2008 and Coca-Cola moved for summary judgment. The U.S. District Court for the Northern District of Illinois granted that motion, finding that the phrase "Naturally Zero" was merely descriptive of bottled water and that Baig and Blue Springs could not establish that the phrase had acquired distinctiveness (known as "secondary meaning"). The District Court also found that Baig and Blue Springs had abandoned their mark by ceasing use in 2004.

Baig only appealed the District Court's conclusion that his mark had not developed secondary meaning. In affirming the District Court's decision, the Seventh Circuit held that Baig's evidence of five years of sales and advertising was not enough to prove that the mark had become "uniquely associated with a single source," the definition of secondary meaning.



Although the Seventh Circuit recognized that the PTO presumes that marks that have been in "substantially exclusive and continuous use" for five years have acquired secondary meaning, that presumption only applies to trademark applications, not to trademark infringement lawsuits. That presumption is also only permissive, not mandatory. A trademark examiner is free to conclude that a claim of five years of substantially exclusive and continuous use in commerce is not enough to establish secondary meaning for a merely descriptive mark. In addition to the length and manner of use, courts also consider the exclusivity of the use, the amount and manner of advertising, the volume of sales, the number of customers, whether the product occupies an established place in the market, proof of intentional copying, and consumer testimony and surveys.

In applying those factors, the Seventh Circuit determined that Blue Springs was a tiny and brief entrant with "negligible" sales in the bottled water portion of the beverage industry, which made it difficult, if not impossible, to develop secondary meaning for its mark. Its narrow advertising efforts in trade publications and some pamphlets handed out at gas stations were insufficient to show that

Zero Continued on Page 6

Korean War Memorial sculptor wins over \$540,000 in damages for postage stamp infringements

In 2010, the U.S. Court of Appeals for the Federal Circuit held that the government was liable for infringing the copyright held by sculptor Frank Gaylord for some of his sculptures in the Korean War Veterans Memorial, known as The Column. *Gaylord v. U.S.*, 595 F.3d 1364 (Fed. Cir. 2010) (see Intellectual Property Newsletter Summer 2010). The government had used third-party photographs of Gaylord's work on postage stamps, without his permission, which the Federal Circuit concluded was not fair use. The Court of Federal Claims subsequently awarded Gaylord \$5,000 in compensation for that infringement. The Federal Circuit vacated that decision and sent the case back to determine the fair market value of (1) the stamps used to send mail, (2) commercial merchandise featuring an image of the stamp, and (3) unused stamps purchased by collectors. *Gaylord v. U.S.*, 678 F.3d 1339 (Fed. Cir. 2012).

The parties agreed that no damages would be awarded for stamps used to send mail and that a per-unit royalty of 10% was appropriate for the commercial merchandise (about \$33,000). After a two-day trial, the Court of Federal Claims determined that a 10% per-unit royalty was also appropriate to calculate the damages for stamps bought by collectors. As the court found that the Postal Service received \$5.4 million in revenue from stamps sold to collectors, it awarded Gaylord \$540,000 in damages for those stamps, plus prejudgment interest.

Once again on appeal to the Federal Circuit, the government argued that the court wrongly calculated the fair market value of the collectors' stamps by using a reasonable royalty based on what a willing buyer and willing seller hypothetically would have negotiated for the infringing use. The Federal Circuit noted that a court is not required to allow owners to charge what they would like to have charged if not constrained by reality, nor to shield infringers from paying the fair market value of what they took. The hypothetical negotiation must be tied to the particular infringed work and its value in the marketplace.

The Federal Circuit approved use by a court of past arms-length licensing practices by the copyright owner or infringer for similar uses or "benchmark" licenses by others in the industry. However, the Federal Circuit noted that courts must always take into account the economically relevant differences between the circumstances of those past licenses and the matter at issue, where the unique features of a particular work (including its recognized stature and symbolic value) might be important in determining the ultimate significance of past licensing practices for other works.



The Federal Circuit approved the trial court's use of a per-unit royalty rather than a one-time lump-sum payment, because it is a logical way to tie the amount paid to the marketplace success of the infringing work. A per-unit royalty also avoids overvaluing or undervaluing the asset before its market performance has

occurred. In this case, there was no difficulty in monitoring the number of sales or amount of revenue that would make a per-unit royalty inefficient. Although the government argued that its past practices show that it would not have agreed to a per-unit royalty in a negotiation with Gaylord, but would have offered a flat fee, the trial court was entitled to discount the significance of potential alternative arrangements because Gaylord's work was unique as a distinctively recognized symbol of the Korean War. The government wanted an image of The Column on the stamp and could not have replaced such an image with an image of a less recognizable portion of the Memorial. Noting that there is only one nationally recognized Korean War memorial, the Federal Circuit found that the trial court appropriately took into account that an image of The Column was a distinctively valuable subject for a commemoration of Korean War veterans. Accordingly, the per-unit license was reasonable.



In addition, the 10% per unit royalty was also reasonable. Gaylord's other licenses for works incorporating The Column charged a 10% per-unit royalty on the revenue collected or on the gross proceeds, which the government accepted for the merchandise bearing images of the stamps. The photographer whose images of The Column the government used for the stamps also paid Gaylord 10% of his net retail sales for his photograph. As the government's revenue from the collectors' purchases of the stamps was almost pure profit, the 10% royalty still left the government with 90% of the profits.

The Federal Circuit also approved the trial court's use of \$5.4 million as the revenue figure, rejecting the government's argument that patent law principles involving multi-component products should have been applied. Unlike the situation where only a small component of a product is covered by a patent, the stamp consisted essentially of the image of Gaylord's work.

This analysis of copyright damages is heavily based on similar awards in patent cases and succeeded because the author of the copyrighted work could show other licenses he had negotiated in the past, and it was fairly easy to obtain the government's figures on unit sales and revenues for the stamps. In situations where the author of a copyrighted work has registered the copyright within three months after first publication of the work, it may be easier to rely on the statutory damages provision in the Copyright Act, 17 U.S.C. § 504(c). The Act provides for \$750-30,000 for infringement of any one work, which can be increased to \$150,000 for willful infringement. In this case, proof of actual damages far exceeded what Gaylord could have recovered in statutory damages, but the reverse is often the case.

Source: *Gaylord v. U.S.*, U.S. Court of Appeals for the Federal Circuit, No. 2014-5020, February 4, 2015

Federal Circuit strengthens inter partes reviews

The inter partes review procedure for patents (IPR) became available on September 16, 2012, through the America Invents Act (AIA), which established a different means for challenging the validity of patent claims based on earlier patents and printed publications. The IPR is a proceeding conducted before the Patent Trial and Appeal Board (PTAB) of the U.S. Patent and Trademark Office. IPRs usually provide a faster, less expensive avenue for challenging the validity of a patent than district court litigation. Parties sued for patent infringement are often able to stay the litigation until the PTAB decides the IPR proceeding.

On February 4, 2015, the Court of Appeals for the Federal Circuit handed down its first decision in an appeal from an IPR, addressing two issues that potentially arise in all IPRs. The Federal Circuit held first that a PTAB determination whether to institute an IPR is not reviewable on appeal, except under extraordinary circumstances. Second, the Federal Circuit held that the PTAB may apply the “broadest reasonable interpretation” standard for claim constructions in IPRs. These determinations by the Federal Circuit confirm that IPRs may be a valuable vehicle for accused infringers to contest the validity of patents.

The patent at issue related to a vehicle navigation system interface displaying a vehicle’s current speed and the speed limit. Garmin International, Inc. and Garmin USA, Inc. petitioned the PTO for an IPR of several claims in the patent, owned by Cuozzo Speed Tech. The PTAB granted the petition, and instituted an IPR proceeding. The PTAB ultimately found the patent claims to be invalid as obvious in view of the prior art.



Cuozzo challenged the PTAB’s decision to grant Garmin’s petition, arguing that the PTAB erred in using the “broadest reasonable interpretation” standard in its claim construction analysis.

The Federal Circuit held that, under the AIA, it lacked authority to review the PTAB’s decision whether to institute an IPR proceeding. In particular, the court held that 35 U.S.C. § 314(d) prohibits the review of a PTAB decision to institute an IPR, “even after a final decision.” Thus, the PTAB’s grant or denial of a request to institute an IPR is effectively non-appealable, except in the extremely narrow circumstances when the PTAB clearly and indisputably exceeds its authority (making a writ of mandamus appropriate), or when the PTAB violates a fundamental Constitutional right.

Cuozzo also challenged the standard utilized by the PTAB in its claim construction. Determining the meaning of the claims that define the scope of the invention is an initial step to determining patent validity. The PTAB applied the “broadest reasonable interpretation” standard, which differs from the standard utilized in district court litigation. While the Federal Circuit recognized that the AIA was not specific about whether the broadest reasonable interpretation standard was to be used in an IPR, the court concluded that “Congress implicitly adopted the broadest reasonable interpretation standard in enacting the AIA,” because that standard has been used in similar Patent Office proceedings for over 100 years. This determination is advantageous to patent

challengers because patent claims are generally more vulnerable to challenges under that standard.

Judge Newman dissented, contending that claims in an IPR should not be interpreted under the broadest reasonable interpretation standard. Instead, she argued that the “standard is not a rule of law, but a pragmatic protocol applied in patentability examination and reexamination.” Judge Newman urged adoption in IPRs of the same standard used to determine patent validity in other adversarial proceedings, such as in district courts; that is, the meaning of the disputed claim term should be as understood by a person of ordinary skill in the art. Judge Newman further argued that the decision to institute an IPR should be reviewable on appeal of a final written decision.



Consideration of these issues en banc by the Federal Circuit or even the Supreme Court could result in different outcomes. Nonetheless, for the time being, the Federal Circuit’s decision severely restricts the ability of parties to appeal PTAB decisions on whether to institute IPR proceedings, and also establishes that the broadest reasonable interpretation standard applies in IPRs. Challenging the validity of a patent, whether before or after the commencement of litigation, should be considered by parties faced with potential or alleged patent infringement, given the more lenient IPR standards.

Source: *In re Cuozzo Speed Tech., LLC, No. 14-301, U.S. Court of Appeals for the Federal Circuit, Feb. 4, 2015*

Federal Circuit reverses TTAB refusal to register mark

St. Helena Hospital conducts a 10-day residential health improvement program at its in-patient residential facility located in St. Helena, California. St. Helena coined the name “TAKETEN” for its program, encouraging patients to devote ten straight days completely to their own health and fitness. St. Helena applied to the U.S. Patent and Trademark Office to register its mark TAKETEN for “[h]ealth care services, namely, evaluating weight and lifestyle health and implementing weight and lifestyle health improvement plans in a hospital-based residential program.”

The examiner denied registration of St. Helena’s mark as likely to be confused with the previously registered mark TAKE 10! for “printed manuals, posters, stickers, activity cards and educational worksheets dealing with physical activity and physical fitness” and “pre-recorded videocassettes featuring physical activity and physical fitness promotion programs.” St. Helena appealed to the Trademark Trial and Appeal Board. The Board examined the likelihood of confusion between TAKETEN and TAKE 10! based on the



TTAB Continued on Page 7

Fair Use Continued from Page 1

The fair use doctrine, a defense to copyright infringement, requires analysis of (1) the purpose of the allegedly infringing use, (2) the nature of the copied work, (3) the size and significance of the copied portions, and (4) the effect of the alleged infringement on the potential market for or value of the original work. The trial court determined that the first and second factors strongly favored GSU in all cases because the use was strictly for nonprofit educational purposes and the books were all properly classified as factual information. The court applied a mechanical test for the third factor (amount of copying) of not more than 10 percent of the pages in any book or one chapter. Lastly, the court determined that the fourth factor weighed in the publishers' favor in cases where a digital license was available and against the publishers where a license was not readily available. If three of the four factors favored GSU for a particular work, the fair use defense applied. If the factors were tied, the court reweighed the importance of each factor.

The Eleventh Circuit concluded that some unpaid use of copyrighted materials must be allowed to avoid placing overbroad restrictions on the use of copyrighted works, where the proper scope of the fair use doctrine depends on how much the fair users could affect the value of the market for the work before the owner lost incentive to publish. Courts must make case-by-case and work-by-work evaluations, using an equitable "rule of reason," without balancing the relative weight of each factor in each case, or whether the copied works were on paper or digital.

The Fair Use Factors

The Eleventh Circuit observed that whether the use is appropriate depends on (1) the extent to which the use is *transformative* rather than merely *superseding* and (2) whether the use is commercial or educational. Here, the use was merely superseding, not transformative, because GSU uses the verbatim excerpts for the same purpose as the original works – reading material for students. The court's focus should be on the use and not simply on the user, so the supplanting nature of GSU's use must be considered.

In analyzing the second factor, the Eleventh Circuit noted that copying highly creative works or unpublished works is less likely



to be fair use. The District Court erred in holding that the second factor favored GSU in every case, without examining whether the excerpts contained evaluative, analytical, or subjectively descriptive material in addition to bare facts. The Eleventh Circuit found that the court should have held the second factor was neutral or weighed against fair use, but had little importance here because the copied works were not fictional or unpublished.

The third factor covers whether GSU "helped themselves overmuch" to the copyrighted works, in light of the purpose and character of GSU's use, combining it with the first and fourth factors. By applying a 10 percent/one chapter safe harbor to every work, the District Court abdicated its duty to make individualized determinations, taking into account whether the amount copied was excessive in relation to GSU's educational purposes, measured against the length of the entire book, including whether the copied material was the heart of the work.

The fourth factor depends on the extent of market harm caused by the infringer's actions and whether unrestricted and widespread conduct of that type, if everyone did it, would have a substantially adverse impact on the potential market for the copyrighted work. The importance of the fourth factor varies with the amount of harm and the relative strength of the other three factors. Because GSU's use is non-transformative and fulfills the same purpose the publishers intend for their works, the threat of market substitution is great and increases the importance of the fourth factor in this case. Third-party licensing programs that authorize academic permissions provide a workable market for GSU to purchase licenses for excerpts. The District Court correctly concluded that uses for which a license was available substantially harmed the publishers' potential market and uses for which licenses were unavailable weighed in favor of fair use. However, on remand, the District Court must give the fourth factor greater weight because of the severe threat of market substitution.

Whether a use is transformative under the first factor greatly affects a fair use analysis, although what is "transformative" can be similar to what is "obscene," depending on the viewer. In a transformative use, something new is added to the original work in expression, meaning, or message, or the work is used for a new purpose. Several recent cases turn heavily on the courts' conclusions that the works were transformative, not on whether the uses were commercial. See *Kienitz v. Sconnie Nation LLC*, 766 F.3d 756 (7th Cir. 2014), cert.



den. No. 14-815, March 23, 2015 (photographer's image of Madison mayor on t-shirts, relies heavily on the market effect of the new work); *Cariou v. Prince*, 714 F.3d 694 (2d Cir. 2013) ("appropriation" artist's use of photographer's work was transformative), *Authors Guild, Inc. v. Google, Inc.*, No. 05 Civ. 8136 (DC) (S.D.N.Y. 2013) (wholesale copying of entire books was transformative), and *Authors Guild, Inc. v. HathiTrust*, 755 F.3d 87 (2d Cir. 2014) (university library copying of entire books was transformative).

Source: *Cambridge University Press v. Patton*, U.S. Court of Appeals for the Eleventh Circuit, Nos. 12-14676 and 12-15157, October 17, 2014, rehearing en banc den, January 2, 2015

Zero Continued from Page 3

a substantial portion of consumers associated the mark with a single source. Moreover, Blue Springs' low and intermittent sales from 1998-2004 were also insufficient to support a finding that the mark had secondary meaning for a substantial number of consumers. The copying factor did not favor Baig because even if Coca-Cola used some of his marketing materials in connection with Diet Sprite Zero, Baig did not argue that Coca-Cola had the intent to confuse consumers and pass off their product as his. He also did not present any testimony or surveys that consumers associated "Naturally Zero" with one source. As none of the factors favored Baig, the Seventh Circuit affirmed the summary judgment for Coca-Cola.

"Merely descriptive" marks cannot be registered on the Principal Register of the PTO unless the applicant proves that the mark has acquired distinctiveness, although they can be registered on the



Supplemental Register. Often, all that the PTO requires to prove that distinctiveness is a formal statement that the mark has been in substantially exclusive and continuous use for over five years prior to the date of the application. However, if the mark is highly descriptive, the trademark

examiner may require evidence of use for far more than five years, or may require the applicant to produce evidence similar to the factors described by the Seventh Circuit. It is sometimes useful to produce statements from customers or members of the trade that the goods or services connected with the trademark in question are known to come exclusively from the applicant. If the applicant relies on advertising figures, it may be necessary to demonstrate that the advertising was effective.

Source: *Baig v. The Coca-Cola Company*, U.S. Court of Appeals for the Seventh Circuit, No. 14-3328, April 16, 2015

TTAB Continued from Page 5

first four factors discussed in *E.I. DuPont DeNemours & Co.*, 476 F.2d 1357, 1361 (C.C.P.A. 1973) (the “DuPont Factors”). Those factors are (1) the similarity or dissimilarity of the marks in terms of appearance, sound, meaning and commercial impression; (2) the similarity or dissimilarity and nature of the goods and services; (3) the similarity or dissimilarity of established, likely-to-continue channels of trade; and (4) the conditions under which and the buyers to whom sales are made, i.e., the degree of consumer care. The Board upheld the examiner’s refusal to register St. Helena’s mark and St. Helena appealed to the U.S. Court of Appeals for the Federal Circuit.

The Federal Circuit agreed with the Board that the marks were similar in appearance, sound, meaning, and commercial impression and that none of the dissimilarities between the two marks raised by St. Helena’s meaningfully distinguished them.

St. Helena also contended that the marks were dissimilar because the exclamation point in TAKE 10! made the pronunciation different than TAKETEN. The Appeals Court rejected this argument because “there is no correct pronunciation of a trademark, and consumers may pronounce a mark differently than intended by the brand owner.”

Additionally, St. Helena’s argued that the marks were dissimilar because TAKETEN referred to days while TAKE TEN! referred to minutes. The Federal Circuit found that both marks encourage taking a break for the purpose of health and fitness and, therefore, there was no difference in connotation. Similarly, the Federal Circuit rejected St. Helena’s argument that the commercial impressions were dissimilar because the exclamation point in TAKE 10! changed the mark to a “command.” Accordingly, the Appeals Court found substantial evidence supported the Board’s conclusion that the first DuPont Factor supports a likelihood of confusion.

St. Helena argued that the Board lacked substantial evidence to conclude that consumers would mistakenly believe that the TAKE

10! goods and TAKETEN services came from the same source. Although the registrant provided written materials in connection with services similar to St. Helena’s services, the printed materials are either different from those listed in the registration or unrelated to physical activity and physical fitness. The PTO responded that the respective goods and services are complementary because they can be used together. The PTO further contended that the complementary nature of health care services and printed materials in general makes them so related that consumers will believe they have a common source or origin.

However, the Federal Circuit concluded that where the relatedness of the goods and services is obscure or less evident, the PTO needed to show “something more” than the mere fact that the goods and services are “used together.” As the PTO did not show that St. Helena’s services and the TAKE 10! printed materials are generally recognized as being related, the Board’s conclusion that St. Helena’s services are related to registrant’s goods lacked substantial evidence.

St. Helena next argued that the trade channels were different because the registration describes the relevant goods or services of TAKE 10! as “printed manuals, posters, stickers, activity cards and educational worksheets dealing with physical activity and physical fitness,” and therefore the relevant trade channel is limited to educators. The PTO contended that “educational” only referred to the “worksheets” and the printed manuals, posters, stickers and activity cards are also intended for non-educators; that St. Helena’s service includes an educational component; and that St. Helena’s services and the TAKE 10! goods are promoted through similar channels of trade, such as websites generally searchable and available on the Internet. Because both sides lacked evidence on this factor and advertising on the Internet is ubiquitous, the Federal Circuit concluded that Internet advertising “proves little, if anything, about the likelihood that consumers will confuse similar marks used on such goods or services.”



The Board found that the degree of consumer care factor was “neutral”

because, although customers of St. Helena’s services will exercise a high degree of care in selecting a source for those, the Board found no basis to conclude that the consumers would exercise that level of care in analyzing printed materials received while participating in St. Helena’s services. Because the record contained no evidence to support a conclusion that the level of care exercised by consumers before entering a health-care program is any different from the level of care exercised once in the program, the Federal Circuit also rejected the Board’s reasoning on this factor, allowing St. Helena to register TAKETEN.

The Trademark Trial and Appeal Board upholds a very high percentage of examiner refusals to register marks based on confusing similarity with other marks. Very few of those refusals are appealed to the courts and very few refusals to register marks are reversed by the courts where, as here, the marks are the same or similar in appearance, sound, meaning, and commercial impression.

Source: *In re St. Helena Hospital*, U.S. Court of Appeals for the Federal Circuit, 2014-1009, December 16, 2014

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Intellectual Property Newsletter

Vol. 1, 2015

www.arnstein.com

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