



Intellectual Property Law Update

We hope everyone had a wonderful summer and is ready for a very productive fall! Please consider these topics that are likely to be useful now that you have returned to the “real” world:

- Use of administrative review of patent validity;
- Senior executive exposure for information security/privacy problems;
- Need for caution when using the name or likeness of another person;
- Need for broad trademark registration strategy reflected in approach of UFC champion; and
- Fundamentals of Chinese trademark law and practice

Patent Challenges – AIA Adds Important New Tools

If you believe your competitor’s US patent contains invalid claims, you may want to consider challenging the claims through “Inter Partes Review” (IPR). IPR is a procedure by which one may request cancellation of claims of a granted U.S. patent through the U.S. Patent and Trademark Office (USPTO). Created by the 2011 America Invents Act, IPR is typically a faster and less costly way to challenge patent claims than litigation through the court system. IPR may be used offensively to invalidate issued patent claims or defensively to stay litigation if you have already been sued for patent infringement.

An IPR petition may be filed nine months after the grant of the US patent. If the IPR petitioner has been sued for infringement of the patent, the IPR petition must be filed within one year after the lawsuit has been served. A challenge to issued patent claims within the first nine months after patent issuance may be made using another procedure, post-grant review.

Only certain issues may be raised in IPR, so the potential grounds for challenge are more limited than in litigation. However, in many cases, the timeline from start to finish (typically 12-18 months) is more predictable than litigation and much less expensive. The cost to initiate and conduct an IPR proceeding is not cheap, \$23,000 in USPTO fees or more depending on the number of claims challenged, plus substantial attorney fees, but the overall cost will likely be a fraction of the cost that would be incurred in litigation.

IPR is a challenge that may be made by petition to the USPTO. The “real party in interest” must be identified, so you cannot file an IPR petition anonymously. Thus, there is a risk that filing an IPR petition may tip off the patentee that you are interested in and potentially infringing their patent. At the conclusion of an IPR proceeding, there will be a final written decision regarding patentability of challenged claims and any new claims added by the patent holder during the proceedings.

NEWSLETTER

IP Law Update September 2015:

info@fisherbroyles.com
www.fisherbroyles.com

Contributors:

Kim Booher
Direct: 650.636.5958
Kimberly.Booher@FisherBroyles.com

Susan Freedman
Direct: (703) 237-1282
Susan.Freedman@FisherBroyles.com

Jill Jacobson
Direct: (408) 345.6635
Jill.Jacobson@FisherBroyles.com

Steve Papkin
Direct: (310) 415-6254
Steven.Papkin@FisherBroyles.com

Marty Robins
Direct: (847) 277.2580
Martin.Robins@FisherBroyles.com

Alan Wernick
Direct: (847) 786.1005
Alan.Wernick@FisherBroyles.com

Discovery in IPR is limited, which can keep the cost of the proceeding low, relative to litigation, but if more liberal discovery is needed to uncover knowledge or behavior of the patent holder, IPR may not be the best avenue to pursue patent invalidity. On the other hand, limited discovery may benefit the challenger, because the patentee may not be able to use discovery to get information about the petitioner's potentially infringing products.

A risk when proceeding with IPR is that it could prevent the IPR petitioner from raising the same arguments, or arguments that could have reasonably been raised during the IPR proceeding, in federal court. It is important to develop fallback invalidity defenses that may be asserted in litigation in case the IPR challenge is unsuccessful.

Our patent attorneys can help you determine whether IPR is a viable strategy for you to use to pursue cancellation of your competitor's patent claims or the appropriate response if your patent is challenged.

Senior Management Exposure to Security Breaches

Senior management of organizations of all types is increasingly at risk in the wake of data breaches and security failures:

- Data breaches sink careers. Senior management of recent victims of data breaches continue to populate the ranks of the unemployed, a recent addition to their number being the former director of the U.S. Government's Office of Personnel Management.
- It's personal—as in liability. Senior management are in the crosshairs of plaintiffs attorneys' filing derivative and class action lawsuits for real or perceived lapses. Caremark is proving to be very much alive and adaptive to the data security context. The Delaware Chancery Court declared in this 1996 case that directors can be held personally liable for failing to monitor and supervise the enterprise appropriately and for losses which could have been prevented if they gave their due attention.
- Multiple government agencies may pursue enforcement actions. The FCC has now joined the FTC, SEC, and state Attorneys General in going after companies for lapses in data security. It does not look good for senior management when the government comes snooping into your data practices and decides to stay put for 20 years or so (and/or imposes a hefty fine).
- Standard & Poors has very recently stated that it will downgrade bank debt where it is dissatisfied with issuer security practice - even absent a specific incident.

Some takeaways:

- Officers and directors must be engaged in matters of data security.
- Matters of data security should be regularly discussed at Board meetings with references to recognized objective standards and with good minutes kept.
- IT management must be held accountable for proper practice and results.
- A viable post-incident response plan must be in place before the breach, and table top exercises performed.
- Officers' and directors' fiduciary obligations under corporate law require them to oversee that data security is properly handled and protected. That translates into regular oversight over cloud computing/storage contracts, and other vendor contracts, with good due diligence, negotiation, and vendor management.
- Cybersecurity and D&O insurance policies should be evaluated/purchased to fill in gaps in coverage when the inevitable happens. Read the provisions very carefully and understand up front the requirements for coverage in the event of a loss.
- Public company management and Boards must comply with their special securities law disclosure obligations.

- In M&A situations, companies should heed the recent Radio Shack – AG Accord regarding handling of consumer information.

Our Privacy and Data Security lawyers are pleased to assist you in developing and implementing privacy and data security practices and policies and with your contract negotiations.

Harris Faulkner of Fox News Tells Us not to Use Someone Else’s Name/Likeness without Permission

The first time Harris Faulkner saw Hasbro’s plastic toy hamster bearing her name, she knew it was no ordinary hamster. And she was not pleased. She knew she had to take immediate action to protect her right of publicity and remedy the unfair competition associated with the unauthorized use of her name as a “trademark” on the doll. On August 31, 2015, Ms. Faulkner filed a lawsuit in U.S. District Court, alleging a violation of her right of publicity, and unfair competition.

As her complaint alleges, Harris Faulkner, is a nationally known journalist with Fox News Channel (“FNC”).

In 2014, Hasbro introduced the Harris Faulkner hamster toy at issue in this lawsuit as part of its “Littlest Pet Shop” product line. The packaging of the toy contains a label with the brand “Harris Faulkner TM” on its packaging. In addition, the complaint alleges that the Harris Faulkner hamster doll includes certain physical similarities with her likeness. They include the tone of her complexion, the shape of its eyes and the design of its eye makeup. The doll has been sold across the country in stores and online through Target, Walmart, Toys ‘R Us, and www.hasbrotoystop.com, Amazon.com, and toywiz.com.

Ms. Faulkner did not authorize the use of her name or likeness for the toy. Therefore, she filed the lawsuit for a violation of her right of publicity and direct and contributory acts of unfair competition.

The alleged facts supporting the violation of Ms. Faulkner’s right of publicity include (a) the unauthorized use of her name and certain elements of her likeness; (b) damages to her professional reputation due to Hasbro’s unauthorized use of her name and image on the toy (which is labeled as a choking hazard to small children; and (c) the toy is demeaning because it consists of a plastic rodent to depict Ms. Faulkner.

The alleged acts of unfair competition include the unauthorized use of her name, and in particular the use of her name with the “TM” designation, which falsely suggests that Hasbro owns the rights and to her name, thereby creating a false association with her name, causing significant commercial and emotional damage to Ms. Faulkner.

She seeks injunctive relief enjoining further unauthorized use of her name, likeness, identity, or persona; damages including actual damages and profits in the amount of \$5 million dollars; an accounting for any and all profits; disgorgement of fees, profits or moneys through Hasbro’s unjust enrichment; and attorney’s fees and costs.

If you have any questions about using celebrities to promote any products or services, please contact FisherBroyles, LLP attorneys for advice. Our IP partners are happy to discuss with you your potential rights and obligations regarding your desired use of someone else’s name/likeness or vice versa.

Unlikely Source – UFC Great Ronda Rousey – Emphasizes the Need for a Broad Trademark Registration Strategy

Those who rely upon names, phrases, logos and the like as elements of their branding and/or marketing strategy have been – and will continue to be – advised by us to pursue trademark registration for the items which are central to such strategy. However, while such an emphasis on “core” items is essential, it may not suffice. No one can say for sure that today’s core item will have similar value next year ... and vice versa!

If a marketer has success with one name or logo, this may invite “poachers” who seek to ride their coattails and compete with them without making the same investment. Similarly, what appears to be ancillary material today may take on great value depending on what is occurring in the marketplace. Today’s registration in one class or for one intended use may not cover opportunities arising tomorrow.

An illustration of the desirability of a broad registration strategy comes from the unlikely source of Ultimate Fighting Championship women’s champion Ronda Rousey who has sought to register not only a variation of her name, “Rowdy Ronda Rousey” but eight derivatives of it, and three variations of the word “Armbarnation”, referring to one of her signature moves in the Octagon.

While we do not know the outcomes of Ms. Rousey’s trademark registration strategies, she has even gone so far as to file registration applications for one of her profane catchphrases and its acronym (although we question if such registration(s) will be granted).

Above all, one should not assume that filing one registration will suffice as a brand protection strategy.

We suggest that development of a trademark strategy encompass the most likely derivatives of the core name or symbol. While cost is always a consideration, we suggest that clients who are investing in their brands give serious consideration to prioritizing the reasonably foreseeable derivatives. Once this is done, we will work with you to devise a cost-effective strategy which fits your budget and business objectives.

Chinese Trademark Law Becomes Increasingly Important

Combining a skilled workforce, rising incomes and one billion consumers, China is a very attractive market for US companies. However, as US companies increase manufacturing and sales activities in China, they encounter numerous ways in which the legal framework differs from back home. One critical area of difference is trademark registration.

While China is a known haven for intellectual property piracy, companies can materially protect their trademarks and brands by taking a few minutes to understand some basic Chinese trademark law concepts and by taking a few simple steps.

A trademark is eligible for registration in China if it is distinctive, easily distinguishable, does not conflict with the prior lawful rights obtained by a third party and is not otherwise prohibited by Chinese law. The following visually perceptible marks may be the subject of a trademark application in China: words, designs, letters, numbers, three-

dimensional symbols, and color combinations, as well as combinations of the foregoing elements. Recently, China extended protection to collective marks and certification marks.

Chinese law precludes registration of trademarks that, among other things, are identical or similar to Chinese national symbols or landmark buildings, discriminatory against any nationality, make exaggerated claims or are fraudulent or harm socialist morals or customs.

Perhaps the greatest difference between U.S. and Chinese trademark law is that Chinese law protects trademark owners who file for registration first, rather than those who use trademarks first. This is similar to many European and other countries outside the U.S. Therefore, an American company could have been using its federally registered trademark for decades, yet it might find when it commences business in China that the mark is not available.

Since China's "first-to-file" system puts a premium on fast registration, American companies who believe that they might wish to sell goods and services in China in the future should consider seeking registration in China sooner rather than later. Chinese trademark law also encourages foreign trademark owners to file soon after filing in their home countries.

It is equally as important for companies who only manufacture in China to register their trademarks as it is for companies who sell in China. If a manufacturer fails to register its trademark in China, a "squatter" can register such trademark and then stop the manufacturer from exporting anything from China with that trademark on it unless a licensing fee is paid.

American companies can protect their trademarks in China by registering in China, or by filing an application under the Madrid Protocol:

- *Direct Registration in China:* The Chinese law provides that a foreign company that has not established a physical presence in China must register its mark through a state-approved trademark agent. A foreign company that has a presence in China is not required to use such agents and may apply directly to the Trademark Office.
- *Madrid Protocol:* China does recognize the international registration of trademarks based on the Madrid Protocol. Accordingly, American companies may register trademarks in China by filing an international registration application through the United States Patent and Trademark Office.

FisherBroyles IP attorneys can assist companies in developing practical, cost-effective strategies to protect their trademarks and brands in China.

Founded in 2002, FisherBroyles, LLP is a full-service, cloud-based national law firm with attorneys across the country. Conceived as the "Next Generation Law Firm®", FisherBroyles eliminates unnecessary overhead and instead offers a more cost-effective solution to clients across all industries. For more information visit our website at www.fisherbroyles.com.

This newsletter has been prepared for the general information of clients and friends of FisherBroyles. It is not intended to provide legal advice for a specific situation or create an attorney-client relationship. Under rules applicable to the professional conduct of attorneys in various jurisdictions, it may be considered advertising material.