

# Strategies for Intellectual Property Enforcement

**John Cordani – Robinson + Cole**

**Rob McCard – Rogers Corporation**

**Fletcher Thomson – Textron Inc.**

**Leo White – Duracell Inc.**

May 27, 2020

## Please Note

---

This roundtable is designed to provide accurate information about the subject matter. However, it only provides general information and does not constitute legal advice. No attorney-client relationship has been created. If legal advice or other assistance is required, let us know directly.

# Preliminary Considerations

---

- This platform should not be used for activities prohibited by antitrust law.
- Avoid discussions leading to a restriction, or coordination, of competition between or among attendees.
- Attendees should not share information, have discussions, and/or make arrangements on, among other things, pricing, market conduct, terms of sale, individual manufacturing costs and costs of sale, output, or supplier or customer relations/allocation.

# Robinson+Cole

In order for us to process your continuing education credit, you will need to confirm your participation by completing and submitting the Attendance Affirmation/Evaluation after the webinar.

A link to the Attendance Affirmation/Evaluation will be in an email that you will receive following the program.

At the end of the program, we will provide you with a **mandatory CLE code** – please look out for the code and write it down as you will need it to complete the form.

# Goals



Using IP to Improve Distribution Channels and Geographical Pricing



IP Ownership and Warranties In Sponsored University Research



Using Venue to Avoid Patent Troll Lawsuits



Improving Value of Patent Assets Through Marking Compliance

# Resales and Grey Market Goods



# The Problem: Exhaustion Doctrine

## Sale of Product Anywhere in the World Exhausts U.S. IP Rights

- *Kirtsaeng v. John Wiley & Sons, Inc.*, 568 U.S. 519 (2013): international sale exhausts U.S. rights to allow unencumbered flow of textbooks
- *Impression Products v. Lexmark Int International, Inc.*, 581 U.S. \_\_\_ (2017): contractual restrictions cannot trump exhaustion of patents on printer cartridges.

## Trademark Exhaustion?

- The Lanham Act protects different interests



# The Solution: Grey Market Goods Enforcement

Lanham Act does not reach the sale of **genuine** goods bearing a true mark even though the sale is not authorized by the mark owner.



Products are “genuine” if there are not material differences between the products sold by the trademark owner and those sold by the alleged infringer.



Material difference is one likely to injure the goodwill developed by the trademark owner, e.g., lack of quality control or consumer confusion.



# Grey-Market Goods – Quality Control

- One of Lanham Act's most valuable and important protections is the right to control quality of goods manufactured and sold.
  - Resale without certificate of inspection
  - Distribution without regard to quality control standards (proof of deterioration of goods not required)
    - Storage conditions of oil (Shell) and beer (Coors)
  - Consumer inquiries and investigations and targeted recalls where knowing geographic origin of product is important
- Quality control standard must be legitimate, substantial, established, and nonpretextual

# Grey-Market Goods – Consumer Confusion

Distributor's failure to observe a restrictive condition on the type or class of customers with whom it may deal can violate Lanham Act if consumer confusion ensued

- Resale without instructions in appropriate language (intersection with copyright—register instruction manuals)
- Goods not labelled or packaged in accordance with FDA regulations (intersection with copyright)
- Goods not labelled with contact information for manufacturer's customer support
- International units of measurement

# Grey-Market Goods – The *Lever* Rule

- *Lever Bros. Corp. v. United States*, 877 F.2d 101 (D.C. Cir. 1989)
- CBP can stop unauthorized importation of grey-market goods under 19 C.F.R. 133.23.
- Trademark owner's *Lever* Rule Application can lead to seizure and forfeiture of imported goods.
- Importer loses anonymity if it challenges CBP's action
- Creates a double-bind for Importer in use of *Lever* Rule disclaimer



# Sponsoring University Research

---



# Sponsoring University Research

## Foreground IP

- Negotiate ownership; or
- Exclusive royalty-free license
- License to background IP



## Blocking IP

- Representation on known third-party blocking IP
- Covenant for university to retain access to background IP
- Warrant that university will not improperly use third-party IP in sponsored research

# Dealing with Patent Trolls - Venue

---



# Patent Venue

---

## 28 U.S.C 1400

- “Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business.”
- *TC Heartland LLC v. Kraft Foods Group Brands LLC*, 581 U.S. \_\_\_ (2017)

# Regular and Established Place of Business

---

## In re Cray factors



- There must be a physical place in the district
- It must be a regular and established place of business
- It must be the place of the defendant

## *In re Google, LLC*, No. 19-126 (Fed. Cir. Feb. 13, 2020)

Google contracted with ISPs in the Eastern District of Texas to host Google's servers— "Rack Space"

- ISPs provided installation services and contracts restricted ISPs ability to move servers once installed
- ISPs also provided remote assistance services involving basic maintenance activities

## *In re Google, LLC*, No. 19-126 (Fed. Cir. Feb. 13, 2020)

Federal Circuit granted mandamus, clarifying that improper venue decisions can often be reviewed through mandamus

- A place of business need not be real property ownership or a leasehold interest. But it cannot be a “virtual space” either.
- Google’s rack space met first Cray factor as a “place”

### In re Cray factors

- There must be a physical place in the district
- It must be a regular and established place of business
- It must be the place of the defendant

# *In re Google, LLC*, No. 19-126 (Fed. Cir. Feb. 13, 2020)

## But the “rack space” was not a place of business for Google

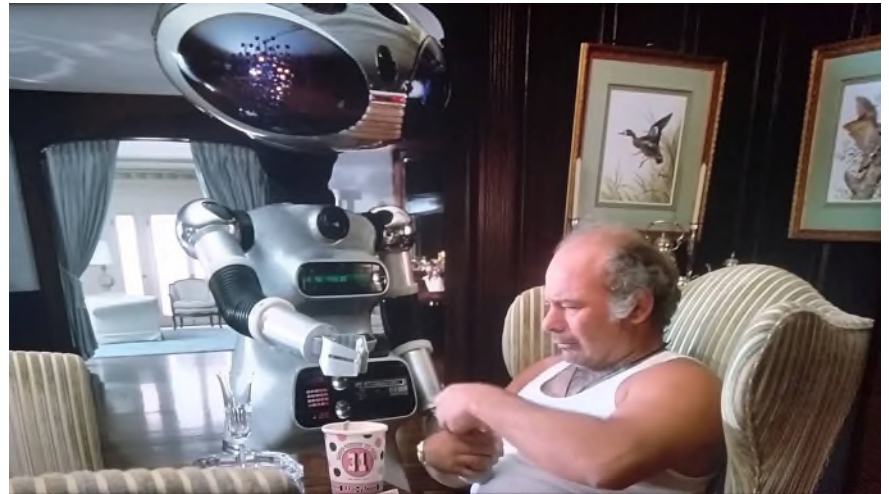
- A place of business requires an employee or agent of the defendant to be conducting business at that place
  - Court relied on service statute (28 U.S.C. 1694) which requires service on “the agent or agents engaged in conducting such business”
- Agency requires the principal’s right to direct or control agent’s actions
- Installation services are not the conduct of Google’s business, but rather a one-time event.
- Maintenance services are ancillary to the actual producing, storing, and furnishing to customers of what the business offers.

### In re Cray factors

- There must be a physical place in the district
- It must be a regular and established place of business
- It must be the place of the defendant

# Robot Employees?

- “We do not hold today that a ‘regular and established place of business’ will always require the regular presence of a human agent, that is, whether a machine could be an ‘agent.’ Such a theory would require recognition that service could be made on a machine pursuant to 28 U.S.C. 1694.”



# Patent Marking Compliance

---



# What Is Patent Marking?

Marking is required under 35 U.S.C. 287 to recover pre-suit damages

- Traditional Marking: affixing to patented article, or where impractical to packaging, the word “patent” or “pat.” together with the patent number(s)
- OR
- Virtual Marking: affixing to patented article, or where impractical to packaging, the word “patent” or “pat.” together with a web address associating the article with the applicable patent number(s)

# When Is Patent Marking Not Required?

## Patented Methods

Where neither the patentee nor any of its licensees have ever sold a patented article

Where the patentee has specifically put the infringer on notice of infringement

- Notice must charge infringement and cannot just alert infringer to existence of the patent
- Patentee must have given notice even if the patentee can prove that the infringer had actual notice and was willfully infringing the patent

# Patentee Has the Burden to Prove Marking Compliance

## Substantial Compliance

- Rule of Reason approach
- Reasonable efforts to ensure compliance
  - *E.g.*, Patentee imposes contractual obligation on licensee to mark



## Burden of Proof

- If Infringer reasonably identifies a unmarked product, the burden is on the patentee to prove that the product is not covered by the patent



# Robinson+Cole

We hope that you found this program informative. Let us know – please look for our email (which you should receive within 24 hours) for links to the program materials, evaluation survey and attendance affirmation form.



# Questions/Discussion

