



# IDEAS ON INTELLECTUAL PROPERTY LAW



OCTOBER/NOVEMBER 2010

## **Phrased and confused**

Court weighs trademark protection for board game

## **Google cries "Vive la différence!" in patent case**

## **Executive misconduct affects patent enforceability**

## **Guilt by association**

Trademark case addresses "dilution by tarnishment"

ROUTE TO

---

STURM  
& FIX LLP

---

# Phrased and confused

## *Court weighs trademark protection for board game*

“Would you rather ... ?”

That’s the trademark at issue in *Zobmondo Entertainment v. Falls Media*, a case heard by the U.S. Ninth Circuit Court of Appeals earlier this year. The district court found the mark merely descriptive and, thus, not entitled to federal trademark protection. On appeal, the Ninth Circuit applied both the “imagination test” and the “competitors’ needs test” to determine whether it agreed with the district court’s findings.

### **Manufacturer rolls the dice**

Falls Media filed an intent-to-use (ITU) application with the U.S. Patent and Trademark Office (USPTO) on July 31, 1997, for the mark “Would you rather ... ?” for books and games. It published its first book using the mark, *Would You Rather ... ? Over 200 Absolutely Absurd Dilemmas to Ponder*, in October 1997. A sequel was published in 1999, and both were sold in major retail stores. They also received unpaid national publicity on television and radio and in print.

In September 1997, Zobmondo’s founder filed an ITU application to register the mark “Would you rather ... ?” The application was rejected due to the likelihood of confusion with the Falls Media mark.



Undaunted, Zobmondo began producing games in 1998 using a concept similar to the Falls Media mark, including “Zobmondo!! That Crazy ‘Would You Rather’ Game.”

### **Suggestive marks are considered inherently distinctive and subject to federal trademark protection.**

Falls Media released its first “Would You Rather ... ?” board game in December 2004, and the USPTO issued it a registration for the mark in July 2005. Litigation ensued, and the district court eventually ruled that “Would You Rather ... ?” wasn’t entitled to federal trademark protection because it was “merely descriptive” of the goods and had not acquired secondary meaning.

### **The Ninth Circuit’s turn**

On appeal, Falls Media contended that its mark was “suggestive” rather than “descriptive.” Under federal trademark law, marks are placed into one of five categories of increasing distinctiveness:

1. Generic,
2. Descriptive,
3. Suggestive,
4. Arbitrary, and
5. Fanciful.

Suggestive marks are considered inherently distinctive and subject to federal trademark protection. A descriptive mark, though, is protectable only if it has acquired a secondary meaning — in other words,

when consumers have come to associate the mark with the source of the goods, rather than the underlying product.

As the court explained, with a suggestive mark, “[A] consumer must use imagination ... to understand the mark’s significance,” as the mark suggests only a feature of the product. Conversely, a descriptive mark explicitly describes a quality of the product and requires no exercise of the imagination.

## 2 tests to play

The Ninth Circuit generally has relied on two tests to differentiate between suggestive and descriptive marks:

**1. The imagination test.** The most-often-used test, it asks whether imagination or a mental leap is required to reach a conclusion on the nature of the product being referenced. The court found that the imagination test by itself was insufficient to determine whether the mark here was descriptive or suggestive of a board game. Without comprehensive consumer

survey evidence, it could not “say with confidence” how consumers would understand the phrase “Would You Rather ... ?”



“strongly favored” Falls Media’s argument: “[I]t’s difficult to say that Zobmondo necessarily needs to use ‘Would You Rather ... ?’ for its version of the board game of bizarre or humorous choices.”

## Game on

Ultimately, the Ninth Circuit ruled that both tests were inconclusive at this stage. It therefore remanded the case to the district court for trial on the issue of whether the mark is suggestive or merely descriptive as a mark for a board game. ○

# Google cries “Vive la différence!” in patent case

Consumers aren’t the only ones who depend on online auctions. Google, for example, uses them to determine the positions and prices of its display advertisements. But, in the case of *Bid for Position, LLC v. AOL, LLC and Google, Inc.*, the company faced accusations that its system infringed a patented method.

## It’s an ad, ad world

Bid for Position holds a patent for a method of conducting a continuous auction. The method lets a bidder select a priority position in an online auction and then automatically adjusts the bidder’s bid to

maintain that priority. AOL uses a rebranded version of AdWords, Google’s Internet advertising system. AdWords runs continuous auctions to determine the placement of ads on Google’s search result pages.

AdWords allows advertisers to select keywords to trigger the display of their ads. When a user enters a keyword in a search, AdWords runs an auction that determines the order in which the ads will appear next to the search results. Ads are displayed according to their Ad Rank, which is based on the advertiser’s bid price and its “quality score.” (Google calculates this using a confidential algorithm.) Advertisers

can also use the “Position Preference” feature to ensure that their ads never appear below their lowest preferred position.

Bid for Position brought a patent infringement lawsuit against Google and AOL. The district court found that neither version of AdWords (with or without Position Preference) infringed the patent. Bid for Position appealed.

### What’s the difference?

Like the district court, the Federal Circuit considered both versions of AdWords. It found that the version without Position Preference didn’t infringe the patented method because that method doesn’t simply select the highest ranking position of priority that’s available for the offered bid, as AdWords without Position Preference does. With the patented method, the bidder must select a particular position; the bid isn’t for the best available position.

AdWords with Position Preference does permit a bidder to select a particular position of priority, but the patented method bases priority solely on the bid value. AdWords’ rankings incorporate both the bid value and the quality score, so a bidder that places



the highest bid but has a low quality score may not snag the desired position.

### Failed bid

In the end, the court found that the patented method is “substantially different” from either version of AdWords. Through its use of the quality score, Google exercises significant control over an auction’s outcome, and the court deemed that a fundamental difference — and one that precluded patent infringement. ○

## Executive misconduct affects patent enforceability

Inequitable conduct can leave an otherwise valid and infringed patent unenforceable. But just whose inequitable conduct is a threat?

In *Avid Identification Systems, Inc. v. Crystal Import Corp., Inc.*, the Federal Circuit weighed in on the enforceability of the patent of a company whose president withheld material information. Although the president wasn’t the inventor or the patent filer, he owed the U.S. Patent and Trademark Office

(USPTO) a “duty of candor” because he was “substantively involved” in the preparation of the patent application.

### Going to the dogs

Avid held a patent related to a radio-frequency identification system for reading computer chips implanted in pets. Avid’s president, Hannis Stoddard, formed the company after visiting an animal shelter to recover his own lost dog. According to the court, he made

it his mission to develop a better system for dealing with the identification and processing of recovered animals.

Stoddard hired engineers to develop a chip and reader system to meet his objectives. In spring 1990, Stoddard demonstrated some of Avid's technology at a trade show. In August 1991, the inventors assigned their rights to Avid, and the company subsequently filed for the patent on a chip-and-reader system. The patent issued in August 1993.

In 2004, Avid sued Datamars and several other competitors, alleging patent infringement. After the jury found for Avid on the patent infringement claim, Datamars filed a motion to hold the patent unenforceable for inequitable conduct. The district court granted the motion, finding that the trade show demonstration constituted material information that was withheld from the USPTO with deceptive intent. Avid appealed.

### **Bone of contention**

The Federal Circuit explained that information is material if there is a substantial likelihood that a reasonable patent examiner would consider it important in deciding whether to issue a patent. Avid argued that the trade show information wasn't material because the jury had been presented with it and, nonetheless, found the patent valid.

The court, however, found that this stance confused the concepts of "material" and "invalidating." It pointed out that it had often held that a reasonable examiner can find a particular piece of information material to determining patentability — even if that information doesn't actually invalidate the patent. Therefore, the district court didn't err in holding that the trade show information was highly material despite not being invalidating.

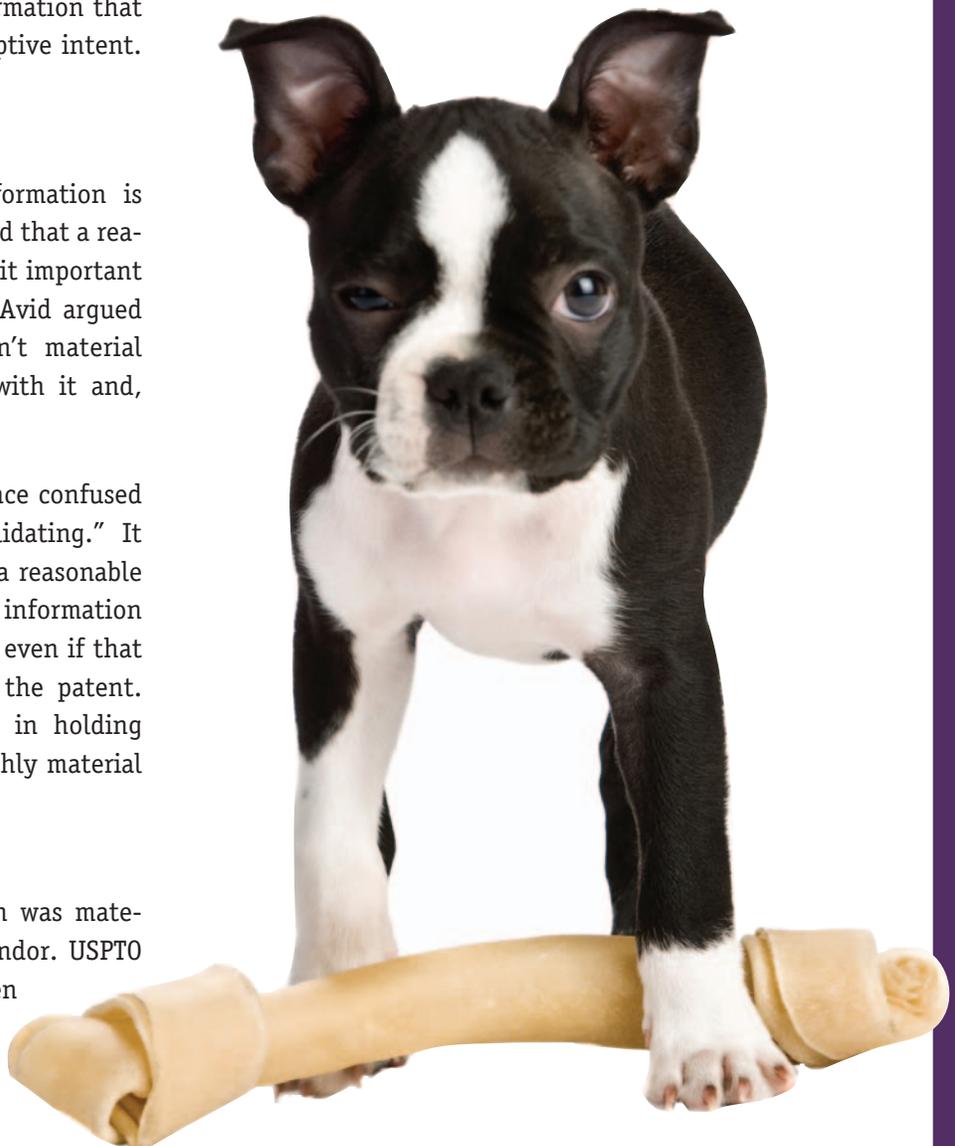
### **Court says, "Speak!"**

Having established that the information was material, the court turned to the duty of candor. USPTO Rule 56 imposes a duty of candor when dealing with the USPTO on anyone associated with the filing and prosecution of a patent application. The duty

encompasses a duty to disclose all information known to each individual that's material to patentability, including prior sale or public use of the invention one year or more before the application is filed.

The rule uses three groups to define the individuals associated with a patent application's filing and prosecution:

1. Named inventors,
2. Attorneys or agents who prepare or prosecute the application, and
3. Anyone else who is substantively involved in the preparation or prosecution of the application and is associated with the inventor or assignee.



## A dissenter begs to differ

In *Avid Identification Systems, Inc. v. Crystal Import Corp., Inc.* (see main article), one judge didn't agree with his colleagues regarding the plaintiff's "duty of candor" to disclose all material information regarding the case to the U.S. Patent and Trademark Office.

In Judge Linn's view, the majority's interpretation of being "substantively involved" with the filing and prosecution of a patent application imposed a duty to disclose information on persons not in a position to assess materiality. Rather, he wrote, the phrase requires an individual to possess a specific understanding of the substance of the patent application as a threshold to impose the duty of candor.

Linn's definition of "substantively involved" would exclude typists, clerks and similar staff who assist with the application in a nonsubstantive way — as well as corporate officers, managers, employees and "all others who are neither aware of the technical details or legal merits of the application nor engaged in the preparation or prosecution thereof." Merely having a general or financial interest in the invention or a general awareness of the application shouldn't suffice, in Linn's view.

The court read "substantively involved" to mean that the involvement relates to the content of the application or decisions related thereto beyond wholly administrative or secretarial involvement.



The Federal Circuit held that, when determining whether an individual was substantively involved and owes a duty of candor, courts can consider a variety of factors, including the individual's:

- Position with the company,
- Role in developing or marketing the patented idea,
- Contact with the inventors or prosecutors, and
- Representations to the USPTO.

It concluded that the evidence here supported a finding that Stoddard was involved in the preparation of the patent application. It cited his personal mission, the purpose of his company and two communications regarding a European patent application sent to Stoddard by one of the named inventors.

### Just a barking dog?

The Federal Circuit cautioned that a duty of candor isn't enough to establish inequitable conduct. A court must also consider materiality and deceptive intent. And, if any individual can't assess the materiality of the information, he or she would lack the requisite deceptive intent. ○

# Guilt by association

*Trademark case addresses “dilution by tarnishment”*

If the Internet has taught us anything, it's that peddlers of sex-related goods and services recognize few boundaries — including using famous trademarks to drive their own sales. A long-pending case in the U.S. Sixth Circuit Court of Appeals, *V Secret Catalogue, Inc. v. Moseley*, provides some guidance on how the owners of legitimate trademarks can protect their marks from “dilution by tarnishment.”

## The case's origins

In 1998, the international lingerie company that uses the trade name “Victoria's Secret” sued Victor and Cathy Moseley. The Moseleys operated “Victor's Little Secret,” a retail outlet that sold adult videos and novelties as well as lingerie. The company sought an injunction against the use of the name “Victor's Little Secret” or “Victor's Secret,” claiming it reduced the positive association and selling power of the Victoria's Secret mark — a claim known as dilution by tarnishment.

The case went all the way to the U.S. Supreme Court, which held that, under the Federal Trademark Dilution Act, the plaintiff must show actual harm to its mark, rather than just a likelihood of harm.

Congress responded to the decision by passing the Trademark Dilution Revision Act (TDRA), an act providing that the owner of a famous mark is entitled to an injunction against another who uses a mark “that is likely to cause dilution ... of the famous mark, regardless of the presence or absence of actual or likely confusion ....”

When the case returned to the district court, it applied TDRA and found a likelihood of dilution by tarnishment. The Moseleys appealed.



## A new presumption

The Sixth Circuit specifically considered whether dilution by tarnishment of a famous mark occurs when a new mark is used to sell sex-related products. It cited eight federal cases in six jurisdictions that have held that a famous mark is tarnished when it's semantically associated with a new mark used to sell sex-related products. The court found no exceptions in the previous cases.

The court concluded that TDRA created a kind of rebuttable presumption — or at least a very strong inference — that a new mark used to sell sex-related products is likely to tarnish a famous mark where a clear semantic association exists between the two. To avoid an injunction, the owner of the new mark must produce evidence that there's no likelihood of tarnishment. The Moseleys, however, failed to do so.

## Tarnish remover

The Moseleys may yet seek review of the court's holding that TDRA seems designed to protect trademarks from any unfavorable sexual associations. Until then, at least in the Sixth Circuit's view, any new mark with a “lewd or offensive-to-some” association with a famous mark will face a strong inference of tarnishment. ○

# Expertise you can rely on

When you need legal services relating to patents, trademarks, copyrights or other intellectual property, call the experienced professionals at Sturm & Fix LLP. Since our firm's founding in 1962, we have focused exclusively on helping clients protect and defend their intellectual property rights. We serve a wide spectrum of U.S. and international clients in the areas of patent, trademark, copyright, trade secret and unfair competition law. Our services include application preparation, prosecution, licensing, litigation and counsel on intellectual property matters.

Our skilled attorneys have a broad range of experience and expertise that enables them to effectively communicate with and serve clients in all areas of science and technology, including:

- |                            |                        |                          |
|----------------------------|------------------------|--------------------------|
| ■ Agricultural Engineering | ■ Chemical Engineering | ■ Mechanical Engineering |
| ■ Animal Science           | ■ Civil Engineering    | ■ Pharmaceuticals        |
| ■ Biomedical Engineering   | ■ Food Technology      | ■ Physics                |

***We welcome the opportunity to discuss your needs and to put our expertise to work for you.  
Please call us today and let us know how we can be of service.***

Sturm & Fix LLP  
Suite 1213 • 206 Sixth Avenue • Des Moines, IOWA 50309-4076  
Telephone (515) 288-9589 • Telefax (515) 288-4860

## Partners



Michael O. Sturm



Richard L. Fix

STURM  
& FIX LLP

[www.hsllp.com](http://www.hsllp.com)