



# ideas on intellectual property law

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# Dilution confusion?

## Congress clarifies trademark law

The Trademark Dilution Revision Act of 2006 (TDRA), passed late last year, updates the Federal Trademark Dilution Act of 1995. While the new legislation has been described as a response to a 2003 U.S. Supreme Court holding, it also clarifies some areas of confusion in the statute.

### SPILLING SECRETS

In *Moseley v. V Secret Catalogue*, the Supreme Court held that a claimant under the federal trademark dilution statute must present evidence of *actual* dilution of its trademark, rather than just a likelihood of dilution. The decision put up quite an obstacle for owners of famous trademarks who feared dilution.

The TDRA was passed in response to the Court's holding. Owners of famous trademarks now have a cause of action against any person who uses a trademark or trade name in commerce that is "likely to cause dilution" of a famous trademark — significantly lowering the evidentiary barrier to recovery.

### DEFINING FAMOUS

Trademarks can acquire distinctiveness through high sales volume, long periods of use and the quality or quantity of associated advertising or promotion of the trademark.

Trademark law and the TDRA grant a right of injunctive relief to a trademark's owner if the trademark is "inherently" distinctive or has acquired distinctiveness and is being infringed by a third party.

The TDRA defines famous as "widely recognized by the consuming public of the United States as a designation of source of the goods or

services of the mark's owner." The definition appears to benefit defendants, as so-called "niche" fame in a certain region or category won't suffice.

***A claimant may not rely on the fame of a registered trademark to establish the fame of an unregistered trade dress.***

The act specifies that factors relevant to the question of whether a trademark is famous include:

- ① The duration, extent and geographic reach of advertising and publicity of the trademark,
- ① The amount, volume and geographic extent of sales of goods or services offered under the trademark,
- ① The extent of actual recognition of the trademark, and
- ① Whether the trademark was registered under earlier acts or on the principal register.

The TDRA drops some factors that had been listed in the previous dilution statute, including the channels of trade for the goods or services with which the trademark is used and the nature and extent of use of the same or similar trademarks by third parties. These factors may still influence a court if they are shown to be relevant to the particular case.

### BLURRING AND TARNISHMENT

The owner of a famous trademark is entitled to injunctive relief against dilution by "blurring" or "tarnishment." The TDRA defines blurring as an association that arises from the similarity between a trademark or trade name and a famous trademark,



and that impairs the distinctiveness of the famous trademark. Relevant factors when determining whether a trademark or trade name is likely to cause dilution by blurring include:

- ① The degree of similarity,
- ① The degree of inherent or acquired distinctiveness of the famous trademark,
- ① The extent to which the owner of the famous trademark is engaging in substantially exclusive use of the trademark,
- ① The degree of recognition of the famous trademark,
- ① Whether the user of the trademark or trade name intended to create an association with the famous trademark, and
- ① Any actual association between the trademark or trade name and the famous trademark.

Tarnishment is equated with an association that arises from the similarity between a trademark or trade name and a famous trademark, and that harms the reputation of the famous trademark.

### ADDRESSING TRADE DRESS

The TDRA also addresses the situation where a claimant asserts protection for trade dress not registered on the principal register. Such a claimant must prove that the claimed trade dress taken as a whole is not functional and is famous.

If the claimed trade dress includes any registered trademark or trademarks, the unregistered matter, taken as a whole, must be shown to be famous separate and apart from any fame of the registered trademarks. A claimant may not rely on the fame of a registered trademark to establish the fame of an unregistered trade dress.

### FINDING RELIEF

In addition to injunctive relief given under the federal trademark laws, the act allows the owner

## When dilution is fair play

**The Trademark Dilution Revision Act (TDRA) expands the fair use defense to allegations of dilution. Previously, defendants could assert fair use in cases of “comparative commercial advertising or promotion to identify the competing goods or services of the owner of the famous mark.”**

**The new statute exempts any fair use, including a nominative or descriptive fair use, or the facilitation of such fair use, of a famous trademark by any person other than as a designation of source for the person’s own goods or services. The defense encompasses use for advertising or promotion that permits consumers to compare goods or services, identifying and parodying, criticizing or commenting on the famous mark owner or the owner’s goods or services.**

**The statute also exempts all forms of news reporting and news commentary, as well as any noncommercial use of a trademark.**

of a famous trademark to seek additional remedies if the defendant:

1. First used the trademark or trade name in commerce after the date of the TDRA’s enactment,
2. Willfully intended to trade on the recognition of the famous trademark (in cases of blurring), or
3. Willfully intended to harm the reputation of the famous trademark (in cases of tarnishment).

This includes recovery of the offender’s profits, damages and attorneys’ fees, and destruction of the offending materials.

### IT’S GOOD TO BE FAMOUS

By clearing up the ambiguities related to the federal dilution law, the TDRA strengthens both the statutory law and the overall position of the owners of nationally known trademarks. A likelihood of dilution is obviously a lower hurdle than actual dilution, and the law allows for the possibility of greater damages. 

# David vs. Goliath

## Law firm loses copyright claim against Lexis

A law firm that tried to take on Lexis Nexis after their relationship ended came out on the wrong end of its copyright infringement claim. In *Ross, Brovins & Oehmke, P.C. v. Lexis Nexis Group*, the court found that the firm's copyrighted legal forms weren't substantially similar to Lexis's allegedly infringing forms, and that the firm's automation of the forms wasn't sufficiently creative to warrant copyright protection.

### FROM BEAUTIFUL RELATIONSHIP TO BREAKUP

In 1997, the law firm, doing business as LawMode, entered an agreement with Lexis to create and market a system of automated Michigan legal forms. LawMode used a Lexis-owned program to create templates completing the necessary information for almost 600 forms. Most of the forms were approved by the Michigan State Court Administrative Office and thus are in the public domain. (Documents in the public domain aren't copyrightable.) The templates, identified in the agreement as "Content," were then organized in a user-friendly software program.

Program users entered case-specific data into a series of on-screen dialog boxes and saved the information in a data file. The program automatically inserted the information into corresponding data fields on signature-ready legal forms. The information was easily transferred from one form to another, eliminating the need to re-enter information for different forms.

Lexis marketed the product for several years, but terminated the contract in February 2002. The agreement indicated that LawMode was to retain all ownership of the "Content" after termination. Beginning in July 2002, Lexis published its own set of more than 400 Michigan form templates, including 350 that LawMode incorporated in its



product. LawMode filed suit and the district court granted Lexis' motion for summary judgment. The law firm appealed.

### A LOOK AT SIMILARITIES

The Sixth Circuit Court of Appeals began by recognizing that LawMode's templates represented a compilation (a copyright in the organization and selection of forms) protected by copyright. The court then analyzed two specific elements of the compilation:

**Selection of forms.** Although the individual forms aren't copyrightable, the court found that the selection of forms was protected. The selection showed the "modicum of creativity" necessary to convert mere selection into copyrightable expression. But the court cited both quantitative and nonquantitative differences between LawMode's and Lexis' compilations.

From a quantitative perspective, the court explained that the relevant ratio is that of the copied material to the plaintiff's work, rather than the ratio of the copied material to the defendant's work. The Lexis compilation included

only 61% of LawMode's selected forms (350 out of 576). Compilation copyright protection is very limited and usually requires substantial verbatim copying. The 61% figure wasn't enough to trigger protection.

The court observed that the nature of the allegedly copied material is also critical, as sheer numbers out of context can be misleading. In the present case, the nature of the material used by Lexis showed there wasn't copying as a matter of law. Lexis added at least 35 forms to its database and opted to exclude some forms that LawMode included. Just as LawMode's professional judgment in selecting forms gives it copyright protection, Lexis' professional judgment in selecting forms gives Lexis protection from allegations of infringement.

**Organization of forms.** The Sixth Circuit also found that Lexis' classification system wasn't sufficiently similar to LawMode's to constitute a copyright violation. While the court found there were some similarities, they resulted from both parties' copying of the public Michigan forms index. Lexis didn't copy LawMode's original classification or arrangement.

## *Are programming choices that merely follow the form's instructions creative expression protected by copyright?*

As a whole, though, LawMode's and Lexis' classification systems weren't substantially similar in the court's view. Any similarities resulted from the parties' use of the public Michigan forms index. LawMode couldn't claim creative expression when applying the same obvious classification headings as the Michigan public-domain classifications because such classifications aren't original. LawMode did devise some original classifications not used in the public-domain system, but Lexis didn't copy those.

## AUTOMATION OF FORMS

The court found that LawMode's automation wasn't sufficiently original to merit copyright protection. In assessing this issue, the court focused on two aspects of the automation:

- 1. Appearance of dialog boxes.** The court agreed that Lexis' dialog boxes looked very similar to those used by LawMode, but concluded that the appearance wasn't truly original. The court found that the dialog boxes' appearance was largely a result of the default settings in the template program used by both parties. The court found that choosing the default setting on an underlying authoring tool wasn't sufficiently creative to warrant copyright protection. The court cast LawMode's programming choices as trivial and constrained and therefore lacking originality.
- 2. Interactive aspect of program.** The court also considered the interrelation of variables in the templates — how the data entered on one template affects the choices available on related templates. It noted that a software designer could have a copyrightable creative expression in the way that variables interact, particularly where the interrelationship of variables communicates information that isn't contained within the form's express terms. LawMode's programming choices, however, don't communicate such information.

The court also pointed out that the choices that could be made to create templates to automate the legal forms are very limited. The interrelation of variables is dictated by the forms' express terms. Programming choices that merely follow the form's instructions aren't creative expression protected by copyright.

## IT AIN'T OVER ...

The Sixth Circuit affirmed the district court's grant of summary judgment dismissing the copyright claims. But Lexis isn't off the hook yet. The court reversed the dismissal of LawMode's related breach of contract claim and has sent the case back to the district court. 💡

# Oops, I did it again

## Federal Circuit weighs in on patent reissues

Don't tell anyone, but patents aren't always perfect — errors sometimes are made in the application process. The Patent Act reissue provision recognizes this and facilitates patent reissues to correct certain errors. In *Medrad v. Tyco Healthcare*, the Federal Circuit Court of Appeals recently declined to limit the types of errors that are correctable.

### REISSUE TO THE RESCUE

Section 251 of the Patent Act provides for patent reissue whenever a patent, through error, is deemed wholly or partly inoperative or invalid, by reason of: 1) a defective specification or drawing, or 2) the patentee claiming more or less than he or she had a right to claim in the patent. The error must be made without any deceptive intention.

The patentee must file a declaration of its belief that the original patent meets the statutory provision along with an application for reissue. The declaration also must cite at least one error being relied on as the basis for reissue. Supplemental declarations are required for any error corrected that isn't covered by the original reissue declaration. Failure to submit a required supplemental declaration renders the patent invalid.

### REISSUE REDUX

*Medrad* involved three patents: the original patent ('036), the first reissue patent ('648) and the second reissue patent ('602). In its first reissue application for '648, Medrad submitted preliminary amendments to add new claims to '036, supported by an original reissue declaration.

But later amendments narrowed existing claims and corrected inventorship, and so weren't supported by that declaration. Medrad failed to file a supplemental declaration before the '648 patent issued. It subsequently filed for reissue of '648 to correct the failure to submit a supplemental declaration, resulting in reissue patent '602.

### REISSUE ERROR

When Medrad brought a patent infringement suit based on patent '602, the defendant contended that the patent was defective under Sec. 251 because it didn't correct one of the four statutorily identified errors. The district court found that the corrected error was "procedural" and not an error in the specification, drawings or claims of '648. It entered final judgment that the '602 reissue patent was invalid.

On appeal, Medrad argued that Sec. 251 applies to *any* inadvertent errors that result in underclaiming or overclaiming. It argued that its failure to file a supplemental declaration rendered '648 invalid, meaning Medrad had claimed less than it had a right to claim. In its analysis, the court interpreted the statute, focusing on the phrase "by reason of the patentee claiming more or less than he had a right to claim in the patent."



The Federal Circuit noted that neither party had introduced any legislative history but pointed out that it had previously held Sec. 251 is remedial in nature and should be construed liberally. Although under- or overclaiming can indeed result from claim language, the statute's express terms don't refer only to errors in the claim language itself. Rather, it can be read to encompass any error that causes a patentee to claim more or less than he or she had a right to claim.

### REISSUE CORRECTION

The court observed that the defendant failed to identify — and the court didn't find — any support in the statutory language or scheme or in the legislative history to indicate the phrase

should be limited to correcting the errors listed in the statute. Without an express indication from the statute, the court was hesitant to adopt further limitations on the type of errors that are correctable under Sec. 251.

The court concluded that, by including changes to the claim language that narrowed the scope of coverage, Medrad's resulting '648 reissue patent claimed more than it had a right to claim without submitting a supplemental declaration to support

the narrowing subject matter. The correction of such an error meets the express terms of Sec. 251, and thus serves as a basis for reissue.

### RISKY BUSINESS

The *Medrad* case illustrates the potential pitfalls associated with reissue patents. At worst, an applicant can lose its original patent. Even if that doesn't occur, an infringer can use the application to raise questions in future litigation over the reissue patent. 💡

## Keyword search term not “trademark use”

In *Rescuecom Corp. v. Google, Inc.*, another federal court ruled recently on the tangled web that search engines weave when they sell trademarks as search keywords. The latest ruling — at odds with decisions from other courts — is encouraging for search engine companies.

### The players

Google is widely regarded as the most popular search engine on the Internet. One feature the company offers is a program called “Ad Words.” Advertisers can purchase keywords that Google users might enter as a search term. When users enter such a keyword, a “sponsored link” to the advertiser's Web site appears on the search results page.

Rescuecom is a computer services franchising company that conducts a substantial amount of business over the Internet. Potential franchisees and customers go online to do business and search for goods and services. Many of its competitors have submitted “Rescuecom” to Google as a keyword, so their links appear in the results of a search for the term.

### The conflict

Rescuecom sued Google for trademark infringement. It contended that Google's actions constituted actionable “trademark use” because: 1) Google attempts to “free-ride” on Rescuecom's goodwill, and its activities cause confusion, 2) Google's activities lure searchers away and prevent them from reaching Rescuecom's Web site, 3) Google's activities alter the search results users receive, and 4) Google uses “Rescuecom” internally as a keyword that triggers the appearance of competitors' ads.

The court dismantled each of these assertions and found that none of the activities qualified as “trademark use.” (Google didn't place Rescuecom's trademark on any goods or services it offered for sale or in its advertisements.) But the court did give future infringement claimants some guidance. The opinion indicated that claimants must allege that the defendant “used” the trademark by placing the plaintiff's trademark on goods, displays, containers or advertisements, or used plaintiff's trademark in a way that indicates source or origin.

### One point of view

The Rescuecom case represents the position of a single district court. Other federal courts have come to different conclusions regarding the sale of trademarks as search keywords, so the significance of this case remains to be seen.

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