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Beware the Trap of the Continuation-in-Part Patent Application

By David Fitzgibbon

On Feb. 24, 2017, President Donald Trump issued Executive Order 13777, requiring the removal of rules or regulations that are “potentially outdated, unnecessary, ineffective, costly, or unduly burdensome to both government and private sector operations.” Although the U.S. Patent and Trademark Office (PTO) has removed duplicative and unnecessary rules, to date the PTO has not addressed a simple rule that imposes some costly burdens on private sector operations: Manual of Patent Examining Procedure (MPEP) § 201.08.

That section of the MPEP specifically relates to a subset of patent applications known as continuation-in-part (CIP) applications. As the name implies, a CIP application is a second application directed to the same subject matter disclosed in a first (parent) application. Although the CIP application repeats at least some substantial portion of the disclosure of the parent application, it adds some new matter not contained in the disclosure of the parent application. The CIP application must be filed while the parent application is still pending. For example, a parent application may disclose a five-step process to make saltwater taffy. Two years later, during the examination of the parent application by the PTO, the inventor may discover that while steps 1-5 make good taffy, adding steps 6 and 7 makes better taffy. The inventor may then file a CIP application disclosing original steps 1-5 with added steps 6 and 7.

The issue with MPEP § 201.08 centers on its direction, or lack thereof, to patent examiners regarding the determination of the CIP application’s priority date. The priority date is the line in the sand that separates publicly available “prior art” references (e.g., articles, trade presentations, patents) that can be used to invalidate the claims of a patent application from later references that cannot. A CIP priority date more than one year after the parent application filing date typically allows the parent application itself to be used as a reference to invalidate the claims of the CIP application. Furthermore, the parent application is likely the best reference to invalidate the claims of the CIP application because the parent application discloses everything but the added subject matter of the CIP application. In such a situation, to invalidate the claims of the CIP application, the examiner need only find the added subject matter in another reference and outline an adequate reason a person skilled in the relevant art would be motivated to combine the parent with the additional reference. Such a task is considerably easier than finding all the claim limitations without referencing the parent application.

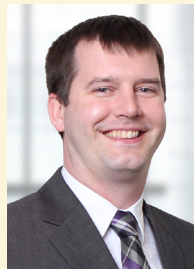
The specific problem with MPEP § 201.08 is that it incorrectly suggests examiners do not have any duty to determine the correct priority date for CIP applications and may instead simply assume that the CIP application has the same priority date as the parent application. It is tempting, but incorrect, to think that because a CIP application is a continuation of a parent application the CIP application inherits the earlier priority date of the parent application. Indeed, most applicants believe this incorrect logic. The correct position is more nuanced. The U.S. Court of Appeals for the Federal Circuit, which hears appeals from the PTO involving patent applications, explained that in CIP applications individual claims have *(continued on page 2)*

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their own priority dates, and only claims solely reciting subject matter disclosed in the parent application are entitled to the priority date of the parent. *Santarus, Inc. v. Par Pharmaceutical, Inc.*, 694 F.3d 1344 (Fed. Cir. 2012). The priority date of claims that contain added subject matter is the date the CIP was filed.

Going back to our taffy example above, if the CIP application included a claim to steps 1-5, under the Federal Circuit's analysis that claim would be entitled to the priority date of the parent application. As a result, the parent application could not be used as a prior art reference to invalidate this claim of the CIP application. If, however, the CIP included claims to steps 1-6 or 1-7, the priority date of those claims would be the date the CIP was filed. In those situations, the parent application might be used as a prior art reference to invalidate those claims of the CIP application.

Because the new subject matter in most CIP applications is both included in the specification and recited in the claims, one can see why MPEP § 201.08 is so costly. The provision advises examiners to completely avoid what (in many cases) is likely the best prior art reference to evaluate the claims of the CIP application – the parent application. The entire private sector is harmed by such a faulty analysis, from the applicant who believes they have an enforceable patent to the competitor who is threatened with the invalid patent. Everyone suffers for a patent that at the end of the day may be invalid.



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If you hold a CIP application or have been threatened with infringement of a patent based on such an application, you need to determine whether the application was properly examined. Such a review is not onerous. If the CIP was filed more than one year after the parent application, simply run a compare-document program between the CIP application and the parent application to identify the subject matter added to the CIP. With the added subject matter of the CIP application identified, you can easily determine the priority dates of each claim in the CIP application. Once the priority dates are identified, you can determine whether the CIP application was properly examined. Whether you hold a CIP application or have been threatened with a patent based on such an application, if the parent application could have been cited against the CIP application but was not, you should consider initiating reexamination proceedings to address the flawed examination prompted by MPEP § 201.08.

Parody: Are We Having Fun Yet?

By Kevin R. Casey

The bags at issue in *Louis Vuitton Malletier, S.A. v. My Other Bag, Inc.*, 156 F. Supp. 3d 425 (S.D.N.Y.), *aff'd*, No. 16-241-cv, 2016 WL 7436489 (2d Cir. 2016) (not selected for publication) are depicted above. The top row shows a Louis Vuitton mark and a bag featuring the mark; the bottom row shows the front and back of defendant's canvas tote bag. Clearly, the defendant's bag is intentionally reminiscent of Louis Vuitton's bag on one side, but has the slogan "My Other Bag ..." on the other side.

A parody is defined, under trademark law, as a simple form of entertainment conveyed by juxtaposing the irreverent representation of the trademark with the idealized image created by the mark's owner. A parody must convey two simultaneous, and contradictory, messages: that it is the original, but that it is not the original and is instead a parody. Defendants in trademark cases can use parody in two contexts. First, parody can be used in response to an allegation that the parody constitutes trademark infringement because the parody is likely to create consumer confusion with a complainant's mark, in which case the parody is weighed along with other factors in the overall "likelihood of confusion" analysis. Second, parody can be used as an affirmative defense to a dilution claim based on the fair use exclusion in the federal dilution statute (codified in

the Lanham Act at 15 U.S.C. § 1125(c)(3)(A)). The defendant asserted parody in both contexts in a case filed by the famous bag designer Louis Vuitton (LV), which the U.S. Court of Appeals for the Second Circuit decided on Dec. 22, 2016.

Self-characterized "designer handbag junkie" Tara Martin launched the relatively small defendant company My Other Bag Inc. (MOB) in 2011. The company sells tote bags that it claims "playfully parody the designer bags we love." As depicted above, the bags state "My Other Bag ..." on one side and have a cartoon drawing of an iconic designer bag on the other. The statement is a play on the classic "my other car" bumper stickers. The bags retail for between \$35 and \$55. LV sued in 2014, claiming both trademark infringement and dilution of its famous marks.

A. Trademark Infringement (Likelihood of Confusion)

LV alleged that MOB's bags were likely to cause confusion with a number of LV's registered marks. Amused, the district court granted MOB's motion for summary judgment. Although conceding that LV successfully demonstrated the strength of its marks, the district court held: "In the usual trademark case, a strong mark is a factor pointing toward *(continued on page 3)*

Parody (continued from page 2)

a likelihood of confusion. However, where the plaintiff’s mark is being used as part of a jest ... the opposite can be true. The strength and recognizability of the mark may make it easier for the audience to realize that the use is a parody and a joke on the qualities embodied in a trademarked word or image.” 156 F. Supp. 3d at 441-42. Having thus addressed the “fame” factor in the likelihood of confusion analysis, the district court found that the parties’ uses were distinguishable in context, accepted MOB’s argument that the parties’ goods were not competitive, disposed of LV’s evidence of consumers referring to MOB’s bags as “LV” bags because it did “little more than indicate that consumers get the joke,” *id.* at 442, and concluded that MOB’s intent had been to parody, rather than to infringe. Especially in light of the high purchase price of LV’s bags and the unlikelihood of post-sale confusion, “there is no triable issue of fact on the likelihood of confusion. Rather, defendant’s use [is] an obvious parody or pun, readily so perceived, and unlikely to cause confusion among consumers.” *Id.* at 443. The Second Circuit summarily affirmed.

B. Likelihood of Dilution

LV also alleged that MOB’s bags were likely to cause dilution by blurring the distinctiveness of its famous marks. MOB again successfully parried the claim based on parody, as U.S. District Judge Jesse M. Furman granted MOB summary judgment. Judge Furman advised LV that it is sometimes “better to accept the implied compliment in a parody and to smile or laugh than it is to sue.” He further wrote, “Louis Vuitton Malletier SA, the maker of Louis Vuitton bags, is perhaps unfamiliar with the ‘my other car’ trope,” and referred to LV as “an active and aggressive” trademark litigant. Finally, he surmised, “Or maybe it just cannot take a joke.”

In its legal analysis, the district court cited to the “fair use” exclusion of Section 43(c)(3)(A)(ii) from liability for uses “identifying and parodying, criticizing, or commenting upon the famous mark owner or the goods or services of the famous mark owner.” Although the exclusion is itself subject to the limitation that a claimed parody must be a use “other than as a designation of source for the person’s own goods or services,” the district court found the limitation inapplicable:

Given the overall design of [the defendant’s] tote bags (the identical, stylized text “My Other Bag ...” on one side

and differing caricatures on the other side), and the fact that the bags evoke a range of luxury brands with different graphics, there is no basis to conclude that [MOB] uses Louis Vuitton’s marks as a designation of source for its tote bags. Indeed, as noted, that is the whole point of [MOB’s] joke: “My other bag” – that is, not this bag – is a Louis Vuitton handbag. That joke – not to mention the cartoon-like rendering of the bags – builds significant distance between the pattern incorporated into the bag sketches and the designated source of the totes themselves.

156 F. Supp. 3d at 438.

Moreover, even if MOB were ineligible for the parody exception of Section 43(c)(3), the district court held that LV had failed to demonstrate the existence of a factual dispute as to whether

MOB’s bags were likely to dilute the distinctiveness of LV’s registered design under either Section 43(c) or the New York dilution statute; in particular, “it is not enough to show – as Louis Vuitton indisputably can – that members of the public are likely to ‘associate’ the defendant’s mark with the plaintiff’s mark (or that the defendant promotes such association).” *Id.* at 439.

The appellate court agreed. During oral arguments in October, one Second Circuit judge laughed at counsel for LV, stating: “This is a joke. I understand you don’t get the joke. But it’s a joke.” Another judge later reminded the same attorney that “parody doesn’t have to be ridicule” to qualify

for protection. Wrote the three-judge panel in its Summary Order:

A parody must convey two simultaneous – and contradictory – messages: that it is the original, but also that it is not the original and is instead a parody. MOB’s bags do precisely that. At the same time that they mimic LV’s designs and handbags in a way that is recognizable, they do so as a drawing on a product that is such a conscious departure from LV’s image of luxury – in combination with the slogan “My other bag” – as to convey that MOB’s tote bags are not LV handbags. The fact that the joke on LV’s luxury image is gentle, and possibly even complimentary to LV, does not preclude it from being a parody. Indeed, a parody of LV’s luxury image is the very point of MOB’s plebian product. ... [T]he nature of (continued on page 4)



Parody (continued from page 3)

MOB's business – it sells quite ordinary tote bags with drawings of various luxury-brand handbags, not just LV's, printed thereon – and the presence of "My other bag," an undisputed designation of source, on one side of each bag, independently support summary judgment for MOB.

2016 WL 7436489 at *1-2 (emphasis in original; citations omitted).

The *Louis Vuitton* case continues the trend in judicial rulings toward upholding parody claims and defenses in trademark infringement and dilution suits. In contrast, parody claims and defenses rarely, if ever, win before the Trademark Trial and Appeal Board (TTAB) of the U.S. Patent and Trademark Office (PTO). The discrepancy may result from the difference between the jurisdiction of the TTAB, which extends only to issues related to registration of trademarks, and the jurisdiction of courts, in which infringement suits address trademark use, judges have the power to enjoin use, and judges are more receptive to free speech concerns and fair use exceptions.

Regardless of the reason, the difference between judicial and PTO treatment of parody counsels parodists to consider carefully



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whether to file an application to register a parody trademark. Filing an application may alert the subject mark holder; it demonstrates an intent to use the parody as a trademark, creating an almost per se bar to any fair use exception to parody a famous mark; and, if a contested proceeding ensues, requires relying on a defense to which the TTAB is not receptive. Perhaps most important, an adverse TTAB decision may provide grounds to enjoin all use and seek damages in federal court. Sometimes the best course of action is just to use a trademark and not try to register it.

IP Client Spotlight

Counseling clients since 1926, with a focus on the financial services industry, Stradley Ronon has helped private and public companies – from small businesses to Fortune 500 corporations – achieve their goals by providing pragmatic, value-driven legal counsel. Stradley Ronon handles IP law (patents, trademarks and related areas) matters for many of the firm's financial services clients. One of those clients has as a slogan "Beneficial Bank. True to our name. Since 1853." The oldest and largest bank headquartered in Philadelphia, with over 60 offices, almost \$6 billion in assets, more than 65 financial products and services, and nearly 1,000 employees, Beneficial Bank serves the financial needs of its customers and helps educate them to do the right thing. For Beneficial Bank, doing the right thing is not just about banking smarter, although that is certainly a business goal; it means supporting neighbors throughout the Delaware Valley when they need help. An



example of community outreach is the Blue Gooders program, a team of Beneficial Bank employees who volunteer an average of 4,000 hours each year to support the community. With headquarters at 1818 Beneficial Bank Place on

Market Street in downtown Philadelphia, Beneficial Bank is a member of the FDIC.

The focus of Stradley Ronon's IP work with Beneficial Bank has been on securing trademark protection for Beneficial Bank's various logos and brands, assisting with copyright and advertising issues, and negotiating and finalizing technology agreements. Other IP issues we address on behalf of Beneficial Bank have been enforcement of IP rights and IP licensing. Stradley Ronon is proud to assist Beneficial Bank in its efforts to navigate the complex

IP issues faced by a modern bank as it grows and expands, along with a variety of non-IP work (including business negotiations, contracts, acquisitions and litigation).