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## SHAKING UP TRADEMARKS

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During a difficult economic period, businesses and individuals alike seek simple, cost effective ways to set themselves apart and achieve commercial success. With a little creativity, trademarks can help fulfill this purpose. While a trademark is no substitution for a well made product and exceptional service, a clever “gimmick” can amplify recognition of the source of that product or service, which translates into a greater demand from consumers.

Just about anything can function as a trademark as long as it performs the job of source identification. While most recognize that distinctive words and designs are well suited to identify a source, thinking outside of the box is needed to fully maximize the potential of trademarks.

Traditional marks include words, phrases, symbols and designs that identify one source and distinguish it from other sources. However, trademark rights can also exist in more unusual settings, including sounds, scents, and motion. Not only can these non-traditional marks create valuable trademark rights through common law use, these types of marks can also be protected by federal registration.

For purposes of federal registration, motion marks are treated as other visual

marks having a special form, such as a design or picture.<sup>1</sup> Thus, the application process for motion marks is similar to that of other traditional marks, except that the drawing and specimen requirements are more involved. Whereas a single screen shot may be sufficient to show a design mark in use, an acceptable specimen for a motion mark must show the entire repetitive motion (e.g., a video clip, a series of still photos, or a series of screen shots) in order to depict the commercial impression conveyed by the mark.<sup>2</sup>

All non visual marks, such as those of sound and scent, are placed in a separate category for federal registration.<sup>3</sup> For non visual marks, the applicant is required to submit a more detailed description of the mark in the place of a drawing.<sup>4</sup> Sound marks also require the submission of an audio reproduction of the mark.<sup>5</sup>

Why bother with these special requirements when an interesting design or catchy phrase can serve the same purpose of distinguishing one source from another source? The main reason to shake things and trademarks up is to obtain wider, more impactful recognition.

Take the restaurant owner, Lars “Al” Johnson, for example. In a recent, front page article of the Wall Street Journal, Al Johnson’s restaurant was featured not for the food being offered inside the restaurant, but rather for the live goats grazing on the grass-covered roof of the restaurant.<sup>6</sup> This special form of trademark has garnered much publicity for this restaurant and its owner, who has successfully excluded others throughout the country from providing this unique package to an otherwise commonplace service.

The impact made by Al Johnson’s Restaurant and its nontraditional trademark, which was federally registered in 1996,<sup>7</sup> is evidenced by other business owners outside of the U.S. now advertising

their own special version of “goats on the roof” in connection with providing a service.<sup>8</sup> Importantly, nontraditional marks are increasingly being recognized and provided with some form of protection by jurisdictions around the world. The International Trademark Association (INTA) also supports the position that certain nontraditional trademarks function as trademarks and should be entitled to trademark recognition, protection and registration.<sup>9</sup>

Whether it be goats grazing on a restaurant roof or ducks marching in a hotel lobby,<sup>10</sup> nontraditional marks play an integral role in establishing true notoriety. Albeit offbeat in nature, these types of marks can mean the difference between an ordinary success and a worldwide phenomenon.



<sup>1</sup>See 7 C.F.R. 2.52(b).

<sup>2</sup>See Trademark Manual of Examination Procedure (TMEP) §904.03(l).

<sup>3</sup>See 37 C.F.R. 2.52(e).

<sup>4</sup>TMEP §1202.13.

<sup>5</sup>TMEP §1202.15.

<sup>6</sup>J. Scheck and S. Woo, “Lars Johnson Has Goats on His Roof and a Stable of Lawyers to Prove It,” Wall Street Journal, September 17, 2010.

<sup>7</sup>U.S. Registration No. 2007624, issued on October 15, 1996.

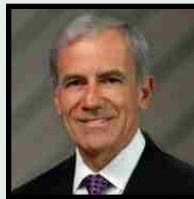
<sup>8</sup>J. Scheck and S. Woo, “Lars Johnson Has Goats on His Roof and a Stable of Lawyers to Prove It,” Wall Street Journal, September 17, 2010.

<sup>9</sup>See Policy Development & Advocacy of INTA, www.inta.org.

<sup>10</sup>Peabody Management, Inc. owns the federal registration (U.S. Registration No. 2710415) to the motion mark of live ducks marching through a hotel lobby and into a fountain.

## WHAT’S A BILSKI?

By: **Michael A Mann**, Member, Nexsen Pruet, LLC and **S. Ranee Saunders**, University of South Carolina, School of Law, 3rd Year



Is it a head fake in hockey? Is it a life-saving maneuver? (*See other guesses at end of article and your chance to outwit them\**). No, it is simply shorthand for the name of the decision handed down by the U S Supreme Court in the lawsuit *Bilski v. Kappos*, 129 S. Ct. 2735 (2010), in June of this year. Coincidentally with other matters of great concern to the nation, this decision is also “unusually uncertain.”

Mr. Bilski asked the Supreme Court to decide whether his invention was the kind of invention that is patentable. If it is, of course, that alone would not mean that he automatically receives a patent. He would still have to pass the other tests of patentability, namely, showing that his invention is novel and non-obvious, and that his description of how to practice that invention is complete and clear. These tests are applied only after it is determined that a particular idea is of the kind for which a patent may be granted.

Not every idea is the patentable kind, that is, patent eligible. An idea for world peace may be important but is not patentable. Attaching a telephone to a washing machine is not likely patentable either.

Furthermore, the subject of patents and patent eligibility is not a trivial one. Lincoln said, “The Patent System...added the fuel of interest to the fires of genius, in the production and discovery of new and useful things.” *Ergo*, per Abraham Lincoln, patent system equals progress. Moreover, the connection between progress and granting patents has been clear from the

beginning of this republic. The founding fathers gave the authority to Congress to set up a patent system, listing it among the enumerated powers of congress in the United States Constitution along with declaring war and coining money. Article I, section 8, states that Congress has the power: “to promote The Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries; ....” Congress, as part of its efforts to meet these responsibilities, defined patentable subject matter expansively in the Patent Act. In Section 101 of Title 35, United States Code, “whoever invents or discovers *any* new and useful process, machine, manufacture, or composition of matter or any new and useful improvement thereof, may obtain a patent therefore, subject to the conditions and requirements of this title.” [Emphasis supplied.]

If patent eligibility is too narrowly defined, progress may be slower because innovation is not as well rewarded; if patent eligibility is too broadly defined, patent rights may be granted for ideas that are too broad and that then bestow more power than necessary for innovation and thereby deprive the public (and competitors) of ideas that should be in the public domain for all to use.

So what did Mr. Bilski contribute to the progress of science and useful arts? Mr. Bilski’s invention is for a method for use by buyers and sellers of things like energy to hedge their purchases, that is, to protect themselves against price fluctuations. The idea of “buying energy” may at first seem a little abstract but imagine someone who buys gasoline for a large fleet of school buses. To be able to protect a school district from fluctuations in gasoline prices using Mr. Bilski’s idea would seem to be a smart thing to do, useful in helping school districts manage their budgets. Mr. Bilski details his method in his patent specification.

This type of invention is generally characterized as a business method. Business

methods have historically been viewed as suspect, and for years they were generally rejected as an exception to statutory subject matter by the US Patent and Trademark Office, but occasionally an application for a business method might be allowed. On some of those occasions, the patent would be challenged in the courts and struck down simply because it was a “business method.”

However, in the past decade or more, business methods patents, particularly those that are software based, have been issued in greater numbers, and they have attracted public attention, much of it negative, as powerful business methods were developed to support online commerce. The exclusive rights that attach to a patent have allowed the owners of these patents to block competitors. Competitors were sometimes able to show they were not infringing or challenge the validity of these patents but often at great cost and disruption of business for both the patent owner and its competitor. In response to criticism of business method patents, the Patent and Trademark Office routinely subjects business method patent applications to stricter scrutiny than other patent applications.

The courts have also wrestled with business method patents, and the tests for whether a business method was a patent eligible have evolved. Indeed, in the *Bilski* decision, the Court of Appeals for the Federal Circuit departed from the holding of a previous decision, *State Street Bank & Trust Co v Signature Financial Group, Inc.* 149 F.3d 1368 (1998), which held that a method was patentable if it produced a “useful, concrete, and tangible result.” Instead, the *Bilski* lower court held that business methods need to be tied to a machine or must result in the transformation of an article of manufacture to a different state or thing to be patentable.

This is called the “machine-or-transformation test.” In addition to changing the test for patent eligibility of business methods, the Federal Circuit held that this “machine-or-transformation” test was the *only* test and that the Bilski invention failed the test.

This requirement to require a business method to be tethered to one of the other statutory subject matters (machine, article of manufacture or composition of matter) does not apply to methods other than business methods and is not found in the Patent Act.

So the Supreme Court held *unanimously* that Mr. Bilski's invention was not patent eligible under section 101, but not because it was a business method or because it failed the machine-or-transformation test, but *because it was an abstract idea*.<sup>1</sup> In the majority opinion, five justices ruled that business methods were patentable and that, while the machine-or-transformation test was an important test, it was not the only test. In a concurring opinion, four justices were of the opinion that business methods are not patent eligible.

The opinion notes that abstract ideas, laws of nature and physical phenomena have by prior precedent been ruled as exceptions to "any" process, machine, manufacture or composition of matter because they are inconsistent with the notion that an invention must be new and useful. A law of nature or physical phenomenon is not new even if someone has just discovered it.

But what is an abstract idea? It would have been helpful for the court to provide a definition for or at least characterize what is meant by "an abstract idea" -- and of course what is meant by a "business method."<sup>2</sup> There is no specific definition of "abstract idea" in the opinion. Furthermore, an invention must be described so that those of ordinary skill in the relevant art can practice the invention.

If an invention is too abstract, it will not likely meet this requirement. However, from the majority opinion, the concept of "an abstract idea" does not seem to mean a "difficult invention to understand" or "esoteric" but rather an invention *in the abstract*, that is, generalized beyond a specific application to which it would apply and instead to a vast body of applications.

The minority view, written by Justice Stevens, argued that business methods are not patentable subject matter. The minority basis its views on the original and historic idea of inventions, and gives examples of business methods others sought to patent that were not found patent eligible.

While the majority could get away by not defining business methods inasmuch as they had concluded that business methods are patent eligible, thus rendering the distinction between business methods and other methods moot, the minority in opining that business methods are not patentable should have at least alerted the public as to the difference between patentable methods and unpatentable "business" methods. To fail to do so is the equivalent of saying "guess which methods are patent eligible and which are not."

Thus, we have a close 5 to 4 decision regarding the patent-eligibility of business methods, split along political lines in a subject area that does not seem to be a politically tinged one, with a majority saying business methods are patent-eligible just as any other methods unless, as found here, they are abstract ideas. The minority says no, business methods are not patent eligible. All agree that this particular invention is an abstract idea and therefore not patent eligible, yet there is no clarity shed on what is an abstract idea or a business method.

One can guess that this decision was not an easy one for the court -- It took a very long time for the court to reach a decision from the time the case was heard. Accordingly, the unusual uncertainty of the *Bilski* decision will be with us for a long time to come. That's what a *Bilski* is: an unusually uncertain outcome.



<sup>1</sup> Justice Kennedy delivered the opinion of the Court, except for Parts II-B-2 and II-C-2. Justices Roberts, Thomas and Alito joined the opinion in full, and Justice Scalia joined except for Parts II-B-2 and II-C-2. Justice Stevens filed an opinion concurring in the judgment, in which Justices Ginsberg, Breyer,

and Sotomayor joined. Justice Breyer filed an opinion concurring in the judgment, in which Justice Scalia joined as to Part II

<sup>2</sup>The majority opinion notes the difficulty of defining business methods separate from other methods, in section C1 of the opinion, and states that it is unaware of any argument that the meaning of method excludes business methods. The minority does not define business method and skirts the issue with no more than a passing, and unhelpful, reference to “a method for organizing human activity.”

#### EXTRA

Other interesting Intellectual Property team guesses to the query; “**What’s a Bilski?**”

*Aforementioned:* “**A life-saving maneuver?**”

*Aforementioned:* “**A head fake in hockey?**”

“**A type of sandwich?**”

“**A small ski jump?**”

“**A faux pas by America’s 41st President?**”

“**A car that glides over snow?**”

\* *For the innovative reader: Do you have your own witty response to the question; “**What’s a Bilski?**” If so, please send yours to [kfloyd@nexsenpruet.com](mailto:kfloyd@nexsenpruet.com). The top three most creative responses will receive a gift and have their response included in the next edition of LightSwitch!*

## HOW DOES COTTON AFFECT PATENT RIGHTS IN BRAZIL?

By: John B. Hardaway, III



The U.S. and Brazil entered into an agreement in June, 2010 regarding importation tariffs on a number of U.S.-made products, including cotton. If the U.S. fails to meet its obligation regarding cotton subsidies and export credit to cotton planters in Brazil, then Brazil will have the right to suspend its obligation under the TRIPS Agreement. This could include suspension of patent rights, reduction of patent terms, mandatory licensing without remuneration, and bans on royalty remittance.

So the next time you see a cotton field you should be reminded that it could well have an impact upon your patent rights in Brazil.



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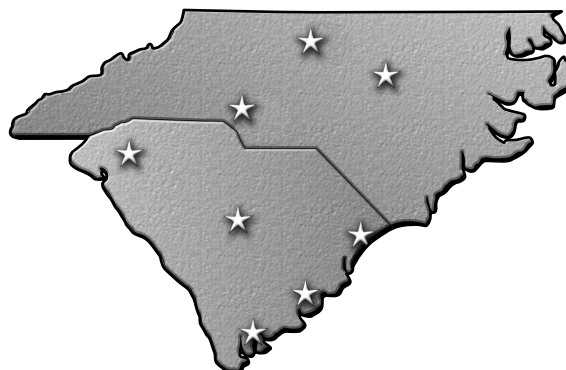
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