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US Supreme Court Gives Right to Use and Resell Patented Products

The patent laws give the patent owner the right to exclude others from making, using, and selling the patented invention, for 20 years.

The right to exclude, however, is subject to the rule of patent exhaustion - upon the sale of a patented product, the patent owner's patent rights are exhausted and the buyer is free to use or resell the product.

Lexmark owns patents for printer cartridges. It gives purchasers the option of buying the cartridge at full price, with "no strings attached". The other option is to buy the cartridge at a 20% discount, but with the stipulation that the cartridge would only be used once so that it could not be re-filled and re-used.

Impression Products would obtain Lexmark cartridges from buyers and then remanufacture the cartridges.

Lexmark sued for infringement. Impression argued that Lexmark's patent rights were exhausted in the US and abroad when Lexmark sold the cartridges. In other words, Impression was free to refurbish and resell the cartridges, including their importation.

The US Supreme Court ruled that when Lexmark sold its cartridges under discount, its patent rights were exhausted. But its contract rights may still be enforceable.

Likewise, according to the Supreme Court, a sale of the product outside of the US exhausts the US patent rights.

COMMENT:

Since the Supreme Court left the door open for patent owners to sue under contract, it seems that patent owners can still restrict downstream sales of their patented products. However, they just have to sue for breach of contract.

Amazon is Not Liable for Patent Infringement by its Online Sellers

Amazon's website enables third party sellers to sell their products. Based on information supplied by the seller, Amazon's website automatically generates a "product detail page" that provides product and seller information.

Amazon makes it easier yet for third party sellers. They can warehouse their products at Amazon. When a product is purchased, Amazon ships it to the customer.

Milo & Gabby (M&G) owned design patents for animal-shaped pillow cases. Amazon's website included product detail pages of knock-off pillowcases by M&G.

M&G sued Amazon for infringement on the theory that Amazon had "offered to sell" the knockoffs. Amazon responded by removing the product listings and suspended the third party sellers from using Amazon's marketplace.

In a non-precedential opinion, the Federal Circuit concluded that M&G waived its right to appeal its theories of infringement based on either that Amazon was a "seller" of infringing products or that it had "offered to sell" them.

The Federal Circuit also pointed out that M&G did not appeal based on contributory, induced, or joint infringement.

COMMENT:

Patent owners often resort to suing online marketplace owners rather than the online sellers that use the marketplaces, especially when the number of infringers is large and/or cannot be found. This case demonstrates the challenges in doing so.

US Supreme Court Says First Amendment Allows Disparaging Trademark Registration

A rock band named the "Slants" sought federal trademark registration. It is a derogatory term for persons of Asian descent.

Federal trademark laws prohibit the registration of a mark that "may disparage . . . persons." The Patent and Trademark Office (PTO) denied registration based on the mark being disparaging.

The Supreme Court ruled that the denial violated the constitutional right of free speech under the First Amendment.

The Court pointed out that even unregistered trademarks can be enforced against infringers. Federal registration provides additional rights, such as prima facie evidence of validity and incontestability after 5 years.

It went on to also note that the disparagement prohibition applies to racial and ethnic groups, not just natural persons.

Finally the Court concluded that even if a mark is considered commercial speech, First Amendment protection is still violated.

COMMENT:

Some may hail the decision as protecting free speech. Yet, denial of federal registration of an allegedly disparaging mark does not mean the owner has no trademark rights and does not mean the owner cannot enforce those rights. The owner has and can enforce those rights.

Clothing Designs Are Copyrightable According to the US Supreme Court

Copyright protection extends to "pictorial, graphic, or sculptural features" of a useful article if those features "can be identified separately from, and are capable of existing independently of, the utilitarian aspects of the article".

Varsity Brands makes cheerleading uniforms. It has over 200 US copyright registrations for two-dimensional designs on the surface of the uniforms. The designs include combinations of chevrons, lines, curves, stripes, and coloring.

Varsity sued competitor Star Athletica for copyright infringement. Star defended by arguing that the designs were not copyrightable because they served the useful purpose of identifying the garments as cheerleading uniforms.

The Supreme Court explained that the statutory requirement of "identified separately from" can be easily satisfied by identifying a two- or three-dimensional element that has "pictorial, graphic, or sculptural qualities".

The next statutory requirement is that the identified element must have the capacity to exist as its own pictorial, graphic, or sculptural work once it is imagined to be separated from the useful article.

The designs here, according to the Court, met both tests.

COMMENT:

This is an important win for clothing designers whose designs are often knocked off.

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