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Buyers of Patented Articles Can Be Prevented From Resale

The Federal Circuit has re-affirmed the long standing rule, in *Lexmark v. Impression*, of "patent exhaustion."

A patent owner can sell a patented article subject to a single-use and no-resale restriction. In so doing, the buyer, and downstream buyers, do not have the right to resale or reuse. The unlawful resale or reuse of the patented article constitutes infringement.

Another rule the court re-affirmed is that a US patent owner, who sells or authorizes the sale of the patented article abroad does not authorize the foreign buyer to import and sell the patented article in the US.

COMMENT:

Lexmark may have made it easier for the Federal Circuit to reach its decision because Lexmark sold products at "full price" without restricting their resale or reuse. It also sold products at a discount, but subject to a restriction on resale and reuse. Since the buyer had a choice of avoiding the restriction, it may have been hard to argue that the buyer was forced into the restrictive purchase.

In-House Patent Manager Must Also Avoid Inequitable Conduct in Obtaining Patent

In *The Ohio Willow Wood v. Alps*, plaintiff OWW sued for patent infringement. Alps responded by seeking reexamination of the patents to have them invalidated. The patented devices related to cushioning devices that fit over amputated limbs to make a prosthetic comfortable. A gel coating was only on a side of the device that touched the body.

Alps sought in the reexamination to invalidate the patent based on a prior product advertisement with a gel coating on one side, together with testimony from a representative of Silipos, the company who made the prior product. OWW successfully argued that the testimony was not corroborated and therefore the patent was upheld in reexamination.

OWW used its director of R&D, Mr. Colvin, as the decision maker for the litigation and reexamination. He also served as the in-house contact for OWW's litigation counsel and reexamination counsel.

The Federal Circuit noted that Colvin had received letters from Silipos which described the prior product, as well as a patent application for the prior product. However, Colvin did not disclose the letters to its reexamination counsel or the PTO.

To prove inequitable conduct, the Federal Circuit explained that there must be 1) a material misrepresentation or omission, 2) a specific intent to mislead, and 3) deceptive intent is the single most reasonable inference.

The Federal Circuit found the letters to be material because of their corroborative nature. The court also found the withholding of the letters to be with deceptive intent since Colvin understood that no corroboration was a primary argument being advanced by OWW. The foregoing amounted to inequitable conduct.

COMMENT

The Federal Circuit seemed to emphasize the fact that Colvin was experienced with patents and was the liason with outside counsel. This may be a warning to in-house litigation managers that they cannot insulate themselves from claims of inequitable conduct by the involvement of outside counsel.

The Continuing Saga - Do Disparaging Trademarks Violate The First Amendment

Recently, the Federal Circuit ruled in *In re Tam* that the government cannot refuse registration of marks that are disparaging to others. Doing so would violate the free speech rights under the First Amendment.

In response, the USPTO said it will not comply with the Federal Circuit decision until all appeals have been exhausted or expired.

Obviously finding the USPTO response unacceptable, the rock band "Slants" who was refused registration petitioned the Federal Circuit for relief.

The Federal Circuit has now ordered the USPTO to explain why it has refused to follow the court's decision.

Generally, parties must follow the "law of the case" even during an appeal, unless a stay has been ordered.

COMMENT

It is not known why the USPTO chose to forego seeking a stay of the decision and instead go 'head-to-head' with the Federal Circuit.

Federal Circuit Will Not Review USPTO Guidelines for Software Patents (Alice)

Following the US Supreme Court decisions in *Mayo* and *Alice*, the USPTO issued guidelines intended to assist its examiners and the public in determining what is patentable in the software and business methods context.

Patent applicants and examiners have not always found the guidelines helpful. This has left the public and examiners in a continuing state of uncertainty.

In *In re Smith*, a patent for the game of Blackjack was rejected by the USPTO. The USPTO argued that the patent applicant could not challenge the Guidelines since the Guidelines state that they do not create "any right or benefit, substantive or procedural, enforceable by any party against the [USPTO]."

Therefore, the USPTO argued that a patent applicant can only challenge the USPTO's interpretation of the Supreme Court decisions.

The Federal Circuit agreed.

COMMENT

The facts of the case - a patent for a known game that was computerized - may not have helped the patent applicant before the Federal Circuit. In other words, the patent application already had a good likelihood of being denied under the Guidelines.

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