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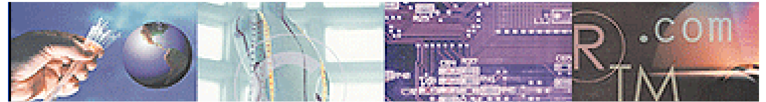

Summer 2010 Edition

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"We've Been Sued *Where?*"

The Court of Appeals for the Federal Circuit is the exeption to the long tradition of geographic division of the federal appeals courts. All cases nationwide that arise under federal patent law are appealable to a single court. National uniformity in the application and development of federal patent law was a high priority animating the Federal Circuit's creation.

Despite this national unity priority, any suit to enforce federally protected intellectual property must begin at the district court level. District courts are divided among the several states, including one or more geographic sub-divisions within each state. Many issues of litigation practice remain subject to the regional circuit law that prevails in the state where the district court is located, including evidentiary matters, discovery matters, and procedural issues, sometimes determinative to the outcome of a case. Therefore, where a suit is filed and whether venue is proper and can be maintained in the filing district are important and strategic litigation considerations.

http://en.wikipedia.org/wiki/File:Welcome_to_fabulous_las_vegas_sign.jpg; Used with permission

A threshold issue is whether the defendant is subject to personal jurisdiction in the district where the suit is filed. This arises whether the plaintiff is the patentee asserting infringement in its home court against an out-of-state defendant, or the plaintiff seeks a declaratory judgement of its freedom to make, use or sell its products without infringing a known patent. The Federal Circuit addressed this issue recently in *Patent Rights Protection Group v. Video Gaming Technologies, Inc. and Spec Int'l, Inc.* (Appeal No. 2009-1391, May 10, 2010). A Nevada patent owner brought an infringement action in the District of Nevada against Tennessee and Michigan defendants, which was dismissed for lack of personal jurisdiction. The panel faulted the lower court's analysis, found jurisdiction over the defendants, and reversed the dismissal.

The Federal Circuit applied its own law, not regional circuit law, to determine whether the exercise of personal jurisdiction over a defendant was proper. Its test, however, first looks to whether the party is subject to service under the long arm statute of the state in which the particular district

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court sits. If so, the court then considers whether the exercise of jurisdiction comports with constitutional due process. Many states, including Nevada in the *Patent Rights* case, but notably not New York[1], have adopted long-arm statutes that extend to the outer limits of the Due Process Clause. As in the *Patent Rights* case, the analysis often collapses to that single issue of due process.

Personal jurisdiction is proper under the Due Process Clause if the defendant has the requisite minimum contacts with the forum state, and even so, only if other unusual factors would not make the exercise of jurisdiction unreasonable.

Whether a party has the requisite minimum contacts is a fact-dependent analysis. It requires "some act by which the defendant purposefully avails itself of the privilege of conducting activities within the forum State, thus invoking the benefits and protections of its laws." *Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 475 (1985). The Federal Circuit has articulated a three-part test for whether specific personal jurisdiction meets the strictures of due process:

(1) Purposeful availment – "whether the defendant purposefully directed its activities at resident of the forum state;"

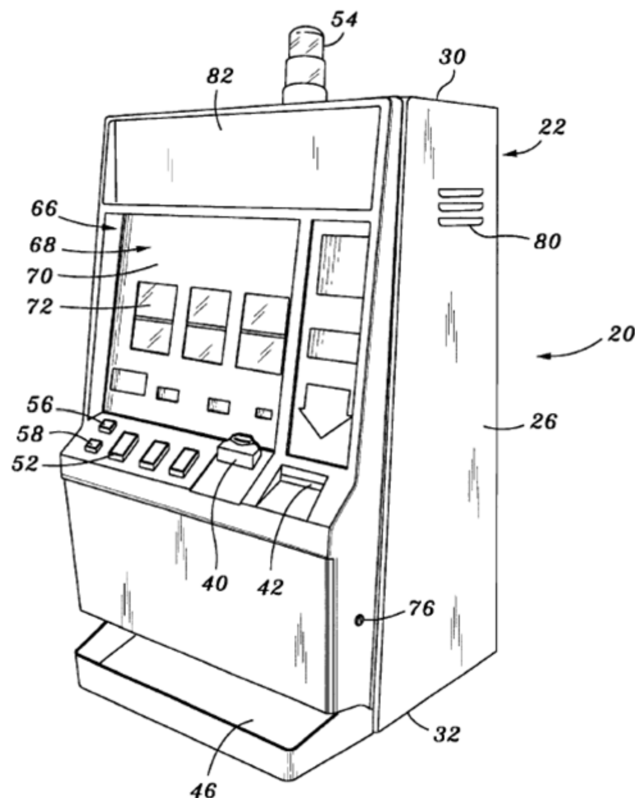
(2) Relatedness – "whether the claim arises out of or relates to the defendant's activities with the forum;" and

(3) Reasonableness (also known as "fair play and substantial justice") – "whether the assertion of personal jurisdiction is reasonable and fair."

Inamed Corp. v. Kuzmak, 249 F.3d 1356, 1360, (Fed.Cir. 2001)(citing *Akro Corp. v. Luker*, 45 F.3d 1541, 1545 (Fed Cir. 1995); see also, *3d Systems, Inc. v. Aarontech Laboratories, Inc.,* 160 F.3d 1373, 1378 (Fed.Cir. 1998).

In *Patent Rights*, the Federal Circuit faulted the lower court for analyzing only whether the exercise of jurisdiction would have been unreasonable, the third factor above, without first conducting a complete minimum contacts inquiry and analysis. The court noted that both defendants in *Patent Rights* attended trade shows regularly in Nevada, including exhibiting the accused products, presumptively for sale to attendees at the shows. Therefore, the Federal Circuit differed with the lower court's assessment that the distance between the defendants' respective headquarters and Nevada was an undue burden to defending themselves in the suit.

Products need not be sold or shipped directly



into the forum state to establish minimum contacts. In *Beverly Hills Fan Co. v. Royal Sovereign Corp.*, 21 F.3d 1558 (Fed. Cir. 1994), the court found that the defendant had placed goods into distribution channels through an intermediary having outlets in Virginia, and could reasonably have foreseen being brought into court there concerning the

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TTAB Leaves Door Open to Rely on Fame of Foreign Mark in Opposition & Cancellation Proceedings

Fiat Group Automobiles S.p.A. v. ISM, Inc., 94 U.S.P.Q.2d 1111 (T.T.A.B. 2010)

Fiat, founded in 1899, is an Italian automobile manufacturer, engine manufacturer, financial and industrial group based in Turin, in the Piedmont region of Italy. Fiat is Italy's largest automobile manufacturer and, since its 2009 purchase of a minority stake in Chrysler assets, the world's sixth largest automobile manufacturer.

The Panda is a small city car manufactured by Fiat. The first Fiat Panda was made from 1980 to 2003 with few changes. The second model, launched in 2003, is sometimes referred to as the "new Panda", and was awarded the title "European Car of the Year" in 2004 by a collective of European car magazines.

In 2009, Fiat filed an opposition at the U.S. Patent and Trademark Office Trademark Trial and Appeal Board (TTAB) to registration of the mark PANDA for automobiles filed by ISM, a Pennsylvania corporation. Fiat asserted that ISM lacked a *bona fide* intent to use the mark in U.S. commerce, and asserted trademarrk dilution of Fiat's "internationally famous" marks FIAT PANDA and PANDA. Fiat had already filed its own intent-to-use application with the Trademark Office, although it had only used it outside the United States in connection with the Panda automobile.

http://commons.wikimedia.org/wiki/File:Fiat_panda_1_v_sst.jpg; Used with permission, GNU General Public License, v.2

Original Fiat Panda

http://en.wikipedia.org/wiki/File:Fiat_Panda_2005_vl_blue.jpg; Used with permission, Creative Commons 3.0

2005 "New" Panda

ISM moved to dismiss Fiat's opposition. ISM asserted that Fiat had not adequately pleaded its dilution claim, and that Fiat lacked standing because it "ha[d] no reasonable basis for damage in the absence of an allegation of 'continuing prior use of any form of 'Panda' in the United States.'"

The TTAB found that Fiat had standing to bring the opposition because it was the owner of an intent-to-use application for FIAT PANDA, which had been provisionally refused based on, among other things, ISM's PANDA application.

Although ISM's motion did not challenge Fiat's lack of *bona fide* intent to use claim, the Board found that claim properly plead. Ultimately, the Board viewed the question as whether the dilution claim could survive despite Fiat having no use of its mark in the United States.

The Board looked to the requirements of the Section 43(c) of the Lanham Act, which affords certain relief to the owners of "famous" marks. Because Section 43(c) does not define a "mark", the Board turned to the statutory definitions for its

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Fame of Foreign Mark in TTAB Oppositions & Cancellations

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meaning. In doing so, the Board concluded that there is "[N]o doubt that any reference in that act to a 'famous mark' is a reference to a mark in use in the United States, or for which there is an intent to use the mark in the United States coupled with an application for registration."

The Board acknowledged that it must "at least recognize the possibility that, in an unusual case, activity outside the United States related to a mark could potentially result in the mark becoming well-known within the United States, even without any form of activity in the United States." Thus, a foreign company seeking to oppose an application to register a mark in the United States without use of its mark in the United States will need more than mere fame outside of the U.S. to be successful. The Board would require:

a) specific pleading of intent to use;

b) filing of an application for registration; and

c) some basis for concluding that recognition of the mark in the U.S. is "sufficiently widespread as to create an association of the mark with particular products or services, even if the source of the same is anonymous and even if the products are not available in the United States."

Here, the Board found that Fiat failed to allege "any particular type of use or specific facts which could be proved at trial as demonstrating widespread recognition of its mark in the United States." The Board provided Fiat with thirty days to amend its dilution claim accordingly. Although the dilution claim in this particular case was not properly plead, it appears that the Board will, in appropriate circumstances, consider foreign companies' reliance on the fame of its mark outside the United States in opposition and cancellation proceedings.

by Sean P. McMahon, Associate Attorney

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goods sold. In a related analysis for applicability of Virginia's long-arm statute, the *Beverly Hills Fan* court found evidence that a one-time sale of unrelated goods to Virginia, which represented less than three percent of defendant's total sales that year, was substantial and made the defendant amenable to service. Courts have sometimes looked to the substantial nature of alleged contacts to determine purposeful availment.

Not all activity rises to the level of minimum contacts supporting an assertion of personal jurisdiction over an out-of-state defendant. In particular, the Federal Circuit has held that merely informing a prospective infringer of one's patent rights would not subject the patentee to jurisdiction in a declaratory judgment suit brought in the home forum of the prospective infringer. *Red Wing Shoe Co. v. Hockerson-Halberstadt, Inc.*, 148 F.3d 1355 (Fed. Cir. 1998).

In another case, *Akro v. Luker*, the court found that an out-of-state defendant was subject to jurisdiction in a declaratory judgment action where the patentee had communicated allegations of infringement into forum (Ohio), but also had an exclusive licensee in the state.

The lesson to be drawn from *Patent Rights* is that a wide variety of activity, even if only indirectly involving the forum state, may subject a company to being hailed into court in an unpredictable and cross-country jurisdiction.

by David J. Torrente, Associate Attorney

[1] N.Y. CPLR § 302(a). Although expansive statutory language is used, "302(a) does not extend New York's long-arm jurisdiction to the full extent permitted by the Constitution." *Levisohn, Lerner, Berger & Langsam v. Medical Taping Sys., Inc.,* 10 F.Supp.2d 334, 339 (S.D.N.Y. 1998).