

INTELLECTUAL PROPERTY AND TECHNOLOGY NEWS

Perspectives • Analysis • Visionary Ideas

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NATION'S BEST ADVOCATES: 40 LAWYERS UNDER 40

Radiance Harris (Washington, DC) was honored as one of the "Nation's Best Advocates: 40 Lawyers under 40" by IMPACT and



the National Bar Association. This award recognizes talented individuals age 40 and under in the African American legal community

who have achieved distinction professionally and philanthropically. Radiance is an associate in our Trademark, Copyright and Media group and one of the managers of our popular global blog, remarksblog.com.



Radiance
Harris

EDITOR'S COLUMN



Darius C. Gambino

Partner, Intellectual Property and Technology

With my love of sports, I am thrilled to present the story on the NCAA student-athlete litigation as our cover piece this quarter. The authors eloquently point out the inherent tension between the student-athletes' right of publicity in their own image and the NCAA's need to manage its operations. While the NFL and NBA have separate players' associations to handle the licensing and payment of athletes for the use of their likenesses, no such association exists in college sports. With the varied levels of value assigned to different college sports, it will be interesting to see what the future holds and whether associations will be developed on a per sport basis in college sports. Stay tuned for what comes next as this battle rages on.

In my inaugural column for the *IPT News*, I noted that the Supreme Court would be active in the intellectual property area this year. We now have two more decisions to consider. *Myriad Genetics* tells us that DNA is not patentable, and *Actavis* informs us that reverse-patent settlements in the generic drug industry should be examined for antitrust concerns under a "rule of reason" analysis. One decision I will be watching for during the fall term is *Akami*, in which the Court will consider when multiple parties can directly (and indirectly) infringe a method claim. Because many patents on computer programs have claims requiring actions on both the client side and the server side, *Akami* could have far-reaching implications.

In this issue, we also examine the pros and cons of the new inter partes review procedure at the US Patent Office, and the increasing value of trade dress litigation.

I hope you enjoy this issue of the *IPT News*. As always, I am open to your thoughts, suggestions and questions.

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DLA PIPER ON THE NATIONAL LAW JOURNAL'S “APPELLATE HOT LIST”

The *National Law Journal* has named DLA Piper to its Appellate Hot List, which recognizes law firms with significant appellate wins in the last year and impressive track records overall.

In an interview with *The National Law Journal*, Stan Panikowski, patent litigator and co-leader of DLA Piper's appellate practice, emphasized the geographic reach and experience of our appellate lawyers. Co-leader Courtney Saleski added, “You won't find an appellate lawyer here who doesn't understand trials, and that's very important to us.”

Panikowski explained further, “Our goal is to provide seamless representation for clients throughout the entire life of a litigation matter. Appellate knowledge is one of the key ingredients of our strategic approach. This is true even for those cases that never reach the appeal stage. Strategizing around appellate issues before we even file a complaint or responsive pleading often helps to position the matter for a favorable resolution through dispositive motions, trial, or settlement.”

The image shows the front cover of a special report from The National Law Journal. The title "THE NATIONAL LAW JOURNAL" is at the top, followed by "JUNE 3, 2013" and "An ALM Publication". Below this is a large, bold title "APPELLATE HOT LIST" with "A SPECIAL REPORT" underneath. A small blurb at the bottom left reads: "This year's U.S. Supreme Court term lacks the high-stakes drama of last year's row over the Affordable Care Act, which seemed to attract briefs from every appellate shop around. There's still plenty to get excited about, however, as demonstrated by the cases we highlight in *The National Law Journal's Appellate Hot List*. We've identified 20 firms doing killer appellate work before the Supreme Court, federal circuit courts of appeal and state courts of last resort. We asked our readers to nominate firms with at least one significant appellate win between May 2012 and May 2013 and that had an impressive track record overall. We supplemented this material with our own reporting to settle on the firms listed below." At the bottom right, it says "DLA PIPER".

RAPID MOTION – IN THE US AND AROUND THE GLOBE

The IP world is moving rapidly. The law is changing faster than ever before, in multiple jurisdictions around the world.



John Allcock
Partner
Global Co-Chair and
US Chair, Intellectual
Property and Technology

Just a quick look at this edition shows the latest dramatic legal events around the right-of-publicity changes, which may fundamentally affect the economics of a huge industry here in the US.

Inter partes review is now part of the patent litigation landscape – another dramatic change which is starting to alter the way patent cases are litigated.

The United States Supreme Court has decided (and indeed has before it now) more patent cases than at any other time in my memory – some of which will change the legal landscape in significant ways.

Across the US and Europe, data protection laws are constantly changing – and the way data is being managed is changing even faster than the laws.

Changes are coming to the European Patent Court, perhaps sooner than some people think.

China is ratcheting up its IP enforcement.

We at DLA Piper are on top of all these changes and more. Some you can read about in this issue of *IPT News*, and others are covered in our global sister publications. Find them all at dlapiper.com/ipt_news/.

DLA Piper is right in the middle of the rapidly changing IP laws, and our client's businesses – wherever they occur.

john.allcock@dlapiper.com

THE IMPACT OF INTER PARTES REVIEW ON PATENT LITIGATION

By Joe Lavelle

The America Invents Act (AIA) created a new post-grant review proceeding in the USPTO, the inter partes review or IPR. On September 16, 2012, the USPTO stopped accepting petitions for inter partes reexamination and the IPR took its place.

IPR OVERVIEW

IPR, like inter partes reexamination before it, allows the USPTO to reconsider the patentability of a patent. There are some key differences between an IPR and prior post-grant proceedings, including:

- For an IPR to be instituted, the USPTO must conclude there is “a reasonable likelihood that the petitioner would prevail” in at least one of the claims; a more stringent standard than the old “significant new question of patentability”
- An IPR is conducted before the new USPTO Patent Trial and Appeal Board (PTAB), not an examiner, eliminating one layer of proceedings
- Invalidity need only be proven by preponderance of the evidence, a lower standard than the federal court “clear and convincing” standard. The PTAB can permit discovery, but it is more limited than in federal court
- The PTAB must complete the proceeding within one year from the IPR’s institution, with a six-month extension for good cause
- PTAB decisions may be appealed to the Federal Circuit

HAS IPR AFFECTED PATENT LITIGATION?

Many predicted IPR proceedings would revolutionize patent litigation. In reality, the initial impact has been modest. That may change as practitioners become more familiar with the process and as the PTAB issues decisions after IPR trials. In the first six months after the USPTO began accepting IPR petitions, about 170 petitions were filed. The PTAB granted, at least in part, 22 of the 24 requests it acted on. In several cases, the PTAB ordered review on less than all of the claims for which the requestor had sought review. To date, there have been no final decisions in IPR proceedings, but the PTAB has issued orders on procedural matters, including an important decision limiting the scope of permissible discovery in IPR proceedings.¹

More than 60 percent of IPR requests filed in the first six months related to patents already being litigated. It is common for requestors to file multiple requests for IPR proceedings. Sometimes multiple requests are filed on the same patent by the same requestor, a tactic apparently driven by the page limits on IPR requests.

WILL COURTS STAY PENDING LITIGATION?

It is not yet clear how amenable courts will be to stay pending litigation while a defendant pursues IPR proceedings. The few decisions to date tend to grant such stays, though the treatment is far from uniform and in several cases the parties agreed to the stay.

WHY HAVE THERE BEEN SO FEW IPRS?

IPRs have been requested in only a small fraction of patent cases since the process became available. There are likely several reasons for IPR’s slow adoption.

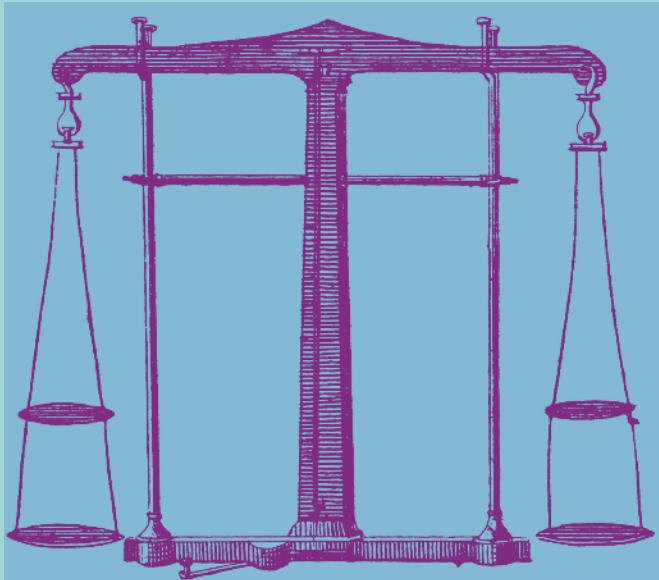
First, the procedure is new and untested. Given this novelty and uncertainty, it is not surprising many litigants are not early adopters.

Second, cost may be a factor: a hefty US\$20,000 filing fee, plus the expense of preparing a 60-page petition, often accompanied by a 100+ page expert report. Further, while some say IPR costs compare favorably with those of federal court litigation, for defendants already in court, IPR costs are often incremental. Litigation costs are still being incurred while the petition is prepared and pending. Stays of district court litigation pending an IPR are uncertain. Discovery on validity issues will likely be pursued in federal court, as will many validity defenses. Thus, at least at the front end, IPR may increase costs. Many smaller cases cannot justify the additional expense. Likewise, many cases filed by non-practicing entities are likely to settle, often quickly, so that IPR might not be warranted.

Third, the 60-page limit may be a deterrent. While 60 pages sounds lavish, in reality the IPR request page limit may be forbiddingly scant. The space-gobbling large font requirements and mandatory (non-argumentative) parts of the petition, for instance, take up significant space and limit the number of arguments.

WHAT ABOUT IPR’S ESTOPPEL EFFECTS?

The AIA provides that after a decision by the PTAB, the petitioner in an IPR may not assert in court or the ITC that a patent claim involved in the IPR “is invalid on any ground that the petitioner raised or reasonably could have raised during that inter partes review.” 35 USC § 315(e)(2). The estoppel attaches at the time of the PTAB decision. This is a significant change. In the old inter partes reexamination regime, estoppel provisions attached only after all appeals were exhausted; a typical reexamination proceeding could be pending in the USPTO for three years.² Because the risk of an estoppel coming into effect prior



to trial was low, litigants could file an inter partes reexamination with a high degree of confidence they could still challenge validity at trial.

The IPR regime is different. The PTAB is required to complete a proceeding within 12-18 months once the IPR is declared.³ Because the board is supposed to act on a request for IPR within three months, the applicant can expect a final decision within 15-21 months of filing the petition.

In many federal courts, time to trial can exceed two years. Thus, apart from any stay, if the patent survives the IPR, there is a significant chance the IPR estoppel provision could preclude a litigant from challenging validity at trial based on prior art that could have been raised in the IPR. If the litigation is stayed, this outcome is nearly certain. Also, the AIA gives a patent owner the right to stay litigation once an IPR is instituted, unless the district court judge determines a stay would not be in the best interests of justice. The date on which the stay becomes effective can be delayed somewhat by delaying the IPR request filing. The IPR proceeding can be filed up to one year after the applicant, or a party in privity with the applicant, has been sued in court. Even so, in many district courts where time to trial is approaching three years, a defendant has no assurance it will not be estopped from challenging validity at trial if it files an IPR.

The possibility of a worst-case outcome – failure to prevail in the IPR and estoppel from asserting invalidity at trial – has made some litigants reluctant to initiate an IPR.

WHAT IS IN IPR'S FUTURE?

Attitudes toward IPR will likely change as litigants gain experience with the process. If litigants can assess their likelihood of success in IPR with a reasonable degree of predictability, then willingness to use the tool will likely increase. At this stage, however, lack of data about the IPR process is hindering its adoption.

1. *Garmin Int'l v. Cuozzo Speed Tech.*, IPR2012-00001 (PTAB March 3, 2013).

2. Inter Parties Reexamination Filing Data, available at www.uspto.gov/patents/stats Reexamination_Information.jsp.

3. 35 U.S.C. §§ 316(a)(11) & 318(a).

4. *Id.* § 318.

Based in Washington, DC, IPT partner Joe Lavelle focuses on preparation and trial of patent infringement cases. You may reach him at joe.lavelle@dlapiper.com.



SAVE THE DATE 7TH ANNUAL WOMEN IN IP LAW CLE LUNCHEON

MANAGING YOUR IP ACROSS BORDERS

- Trends in Global Brand Management
- Managing Global Patent Litigation

Wednesday, September 25, 2013

11:30 am – 2:00 pm

Four Seasons Hotel
East Palo Alto, CA

For more information, please contact cheryl.freedman@dlapiper.com.

CLE credit is pending upon receipt of written material.

RE:MARKS ON COPYRIGHT AND TRADEMARK

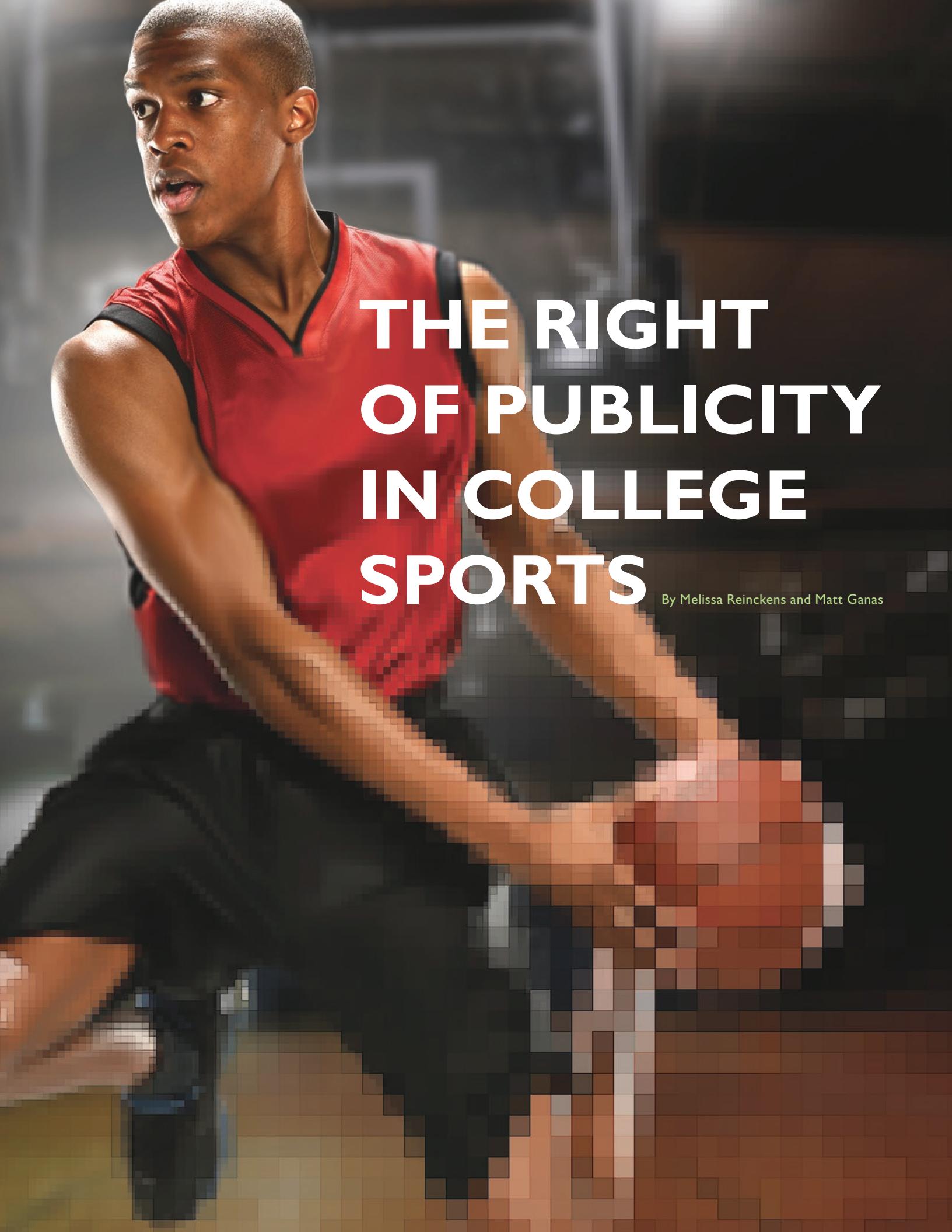
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- The next episode in broadcasters' effort to halt Aereo
- Google shall not monitor keywords
- New gTLDs and the Trademark Clearinghouse: four tips for brand owners





THE RIGHT OF PUBLICITY IN COLLEGE SPORTS

By Melissa Reinckens and Matt Ganis

The sports-media industry has recently experienced a proliferation of litigation involving right-of-publicity claims asserted by student-athletes for the unauthorized use of their names, images and likenesses. The most highly publicized cases have been brought by former college athletes concerning sports videogames. Recent activity in two currently pending federal cases – *Hart v. Electronic Arts, Inc.* and *Keller v. Electronic Arts, Inc.* – demonstrates that college athletes' right-of-publicity claims have the potential to dramatically alter current business models.

Hart, a former Rutgers quarterback, brought his right-of-publicity claim against Electronic Arts (EA) in October 2009, alleging that EA intentionally used his avatar in some of its “NCAA Football” videogames and promotions. The New Jersey district court granted summary judgment in EA’s favor, finding that the use of Hart’s likeness was sufficiently transformative to warrant First Amendment protection and that EA’s First Amendment interests outweighed Hart’s right of publicity in his likeness.

In May 2013, the Third Circuit reversed, holding the First Amendment does not shield EA from liability for the alleged right-of-publicity violations. The Third Circuit applied the so-called transformative use test to find EA’s football videogames did not sufficiently alter Hart’s identity to provide EA with First Amendment protection. In part, the court reasoned that the videogame avatar possessed many of Hart’s physical attributes and contextual similarities, such as hair color, skin tone and Rutgers accessories. Consequently, the Third Circuit remanded the case to the district court.

Keller also involves right-of-publicity claims asserted by a former college quarterback regarding EA’s “NCAA Football” videogame series. In 2009, the California district court denied EA’s motion to dismiss, finding EA’s use of player likenesses insufficiently transformative to warrant First Amendment protection. Prior to the Third Circuit’s opinion in *Hart*, the two lower court decisions were viewed as inconsistent, and arguably irreconcilable, given the near factual identity of the right-of-publicity claims asserted. Now *Hart* and *Keller* stand on relatively equal footing from a right-of-publicity standpoint.

Keller’s right-of-publicity claims represent only one aspect of a broader consolidated California district court action, *In re NCAA Student-Athlete Name and Likeness Licensing Litigation*, which includes a substantial antitrust component. Led by former UCLA basketball star Ed O’Bannon, the antitrust plaintiffs allege defendants NCAA, EA and the Collegiate Licensing Company violate

federal antitrust laws against price fixing and group boycotts by conspiring to set licensing fees for college athletes’ names, likenesses and images at zero.

The *O’Bannon* case has garnered considerable attention in response to the antitrust plaintiffs’ pending motion for class certification asking the district court to certify a class that includes both former and current student-athletes. The *O’Bannon* plaintiffs seek to extend their theory of antitrust liability to encompass activity related to the defendants’ use of current student-athletes’ names, images and likenesses in live game broadcasts. Soon after holding a hearing on the motion

The NCAA has already announced its intention not to renew its agreement with EA for the NCAA videogame franchise. Furthermore, if current student-athletes are deemed to possess publicity rights in live telecasts, this could significantly increase the contract price for highly sought after broadcast rights. Under the current model, sports-media networks generally negotiate for broadcast rights with NCAA conferences and in some cases individual member institutions. If the court finds current student-athletes are entitled to a portion of this revenue, then NCAA conferences and institutions will likely drive up the price for these lucrative broadcast rights in an effort to sustain current revenue levels.

College athletes’ right-of-publicity claims have the potential to dramatically alter current business models.

for class certification, the court granted the plaintiffs leave to amend their pleadings to include conspiracy allegations related to the license and sale of game footage, and six current student-athletes from major NCAA conferences.

Although the *In re NCAA Student-Athlete Name and Likeness Licensing Litigation* is still in the preliminary phases, if District Judge Claudia Wilken certifies a plaintiff class consistent with all the plaintiffs’ antitrust liability and damage theories, then a multitude of additional plaintiffs will likely join the lawsuit. Undoubtedly, there will also be an increase in the number of lawsuits involving student-athlete right-of-publicity claims. Moreover, if the courts ultimately find that former or current student-athletes are entitled to compensation for the use of their names, images and likeness in videogames, live game broadcasts or both, there would be far-reaching implications.

With the *Hart* and *Keller/O’Bannon* cases still pending, the lasting implications of recent college athlete right-of-publicity actions are uncertain. It is clear, however, that if the plaintiffs in these cases are successful in bringing their right-of-publicity claims, the college athletic media landscape as we know it would significantly change.

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THE FUTURE OF DNA PATENTS

By Lisa Haile

The US Supreme Court has ruled that certain patent claims owned by Myriad Genetics, the US biotech company that holds the patents covering a test for breast cancer related genes (BRCA1 and BRCA2), are invalid as products of nature.

The implications for this decision, handed down on June 13, may not be as far reaching in the biopharma industry as some have speculated. The decision is not likely to deter the innovation that is driving critical discoveries and therapies in the sector. In a decision that leaves some important questions unanswered, the Court both took away and left certain subject matter intact as patent eligible. Full genes as excised from the genome, including coding and non-coding regions as they “occur naturally,” are no longer patentable. However, genes which have been manipulated in the lab (e.g., cDNA) are patentable and valid.

Key to the Court’s decision that a naturally occurring DNA segment is “a product of nature and not patent eligible merely because it has been isolated” was the finding that isolating DNA from the human genome does not change the chemical structure, nor does it alter the genetic information encoded in the genes. In other words, the sequence and coding information is inherent in that gene, isolated or not.

The Court noted: “The Patent Act permits patents to be issued to ‘[w]hoever invents or discovers any new and useful... composition of matter,’” but laws of nature remain beyond the domain of patent protection.

Myriad’s DNA claims were found to fall within this law-of-nature exception since they did not create or alter the genetic information encoded in the BRCA1 and BRCA2 genes or the sequence of the DNA.

Importantly, the decision allows for complementary DNA, or cDNA, to be patent eligible under 35 U.S.C. §101.

The Court specifically noted that cDNA is not a “product of nature” but, rather, is created in the laboratory and does not exist naturally. cDNA is created from messenger RNA (mRNA) and therefore only includes the coding region of the gene, or the exons, while the non-coding regions, or introns, are excised. The Court reasoned that the production of cDNA creates something new when introns are removed from a DNA sequence. While this holding is crucial for the protection of important areas of biopharma innovation, this aspect of the Court’s ruling – however welcome – is remarkable because the sequence of cDNA is the same as naturally occurring mRNA.

The *Myriad* decision did not involve method claims, the use of BRCA1 and BRCA2 genes, or the patentability of DNA in which the naturally occurring nucleotide sequence has been altered. Interestingly, challenges on gene patents in Australia and Europe have all resulted in law in this area remaining unchanged, where new inventions relating to isolated biological materials, including genes, remain patentable.

Among the questions left unanswered by the decision is the effect it will have on patents for other isolated biological materials and other organisms. For example, a strict reading of the decision would imply that bacterial DNA is no longer patentable because bacterial genes do not contain introns. Although produced in the lab, cDNA for a bacterial gene looks like the naturally occurring gene (i.e., only exons). In *Myriad*, cDNA was not considered “a product of nature” and patent eligible “except insofar as very short series of DNA may have no intervening introns to remove when creating cDNA. In that situation, a short strand of cDNA may be indistinguishable from natural DNA.”

While the decision will impact patents for certain gene-based diagnostics, the biopharma industry will not likely be significantly altered. Our understanding of genomics, genetic-based disease and accompanying therapies today is different from the days when BRCA1 and BRCA2 were cloned and diseases were thought to be triggered by single genes. Further, many gene patents are old and will expire in one to five years (Myriad’s patents on cDNAs expire in 2015). New testing methods, such as whole-genome sequencing, are replacing the approach Myriad and others use, also lessening the impact of this decision. Synthetic DNA sequences (e.g., cDNA) made in the lab are more commonly used in diagnostic tests, so patents covering such tests will be unaffected by this decision and will remain enforceable.

Given that patents on full-length, naturally occurring genes with introns and exons will no longer be a barrier to entry for diagnostic companies, going forward the market will see more competition. In fact, after the *Myriad* decision, several companies, including Pathway Genomics, Ambry Genetics, GeneDx and DNATraits, all immediately announced plans to launch competing BRCA breast and ovarian cancer tests. Some are pricing the test as low as \$995, compared with the \$3,000 or more Myriad charges. So it appears the decision is a partial victory for all involved, including the patients and the companies delivering genetic tests.

Co-chair of the global Life Sciences sector, Dr. Lisa Haile concentrates on patent protection. She is based in San Diego. You may reach her at lisa.haile@dlapiper.com.

SUPREME COURT CORNER

RECENT DECISIONS

Federal Trade Commission v. Actavis

Decided: 6/17/2013

Patent

Holding: (5-3) reverse payment settlement agreements should be reviewed based on a “rule of reason.”

In a split decision, the Court found the proper judicial review of reverse settlement payments is a “rule of reason” in light of the pro-competition nature of the Hatch-Waxman Act. Justice Breyer, writing for the majority, listed factors that may help to determine whether such a settlement is anticompetitive: size, scale in relation to future litigation costs, independence from other services for which it might represent payment, the industry, and the lack of other justification. The Court’s adopted “rule of reason” analysis finds a middle ground between the Second, Eleventh and Federal Circuits (deferential scrutiny), and the Third Circuit (presumptively invalid). This middle ground requires courts to conduct a more thorough anti-competition analysis. Such analysis need not be onerous, and the trial court is not required to reach the validity of the underlying patent(s) in every case.

This decision is likely a win for generic drug consumers, who may now benefit when some generics enter the marketplace sooner. The decision also provides some upside for drug manufacturers: the decision declined to find the settlements in question presumptively invalid, and added clarity for judicial review of such settlements.

CASES TO WATCH

Pom Wonderful LLC v. The Coca-Cola Co. (12-761)

Status: cert. pending, Solicitor General invited to brief.

Issue: whether a private party can bring a Lanham Act claim challenging a product label regulated under the Food, Drug, and Cosmetic Act.

Stan Panikowski, a partner in DLA Piper's Patent Litigation group and based in San Diego, focuses on IP, antitrust, appeals and other areas of business litigation. Reach him at stanley.panikowski@dlapiper.com.

Assoc. for Molecular Pathology v. Myriad Genetics, Inc.

Decided: 6/13/2013

Patent

Holding: (9-0) cDNA is patentable; DNA is not.

Myriad Genetics' patent claimed two DNA sequences, BRCA1 and BRCA2, that indicate one's susceptibility to breast cancer. Justice Thomas, writing for the Court, found that a naturally-occurring DNA sequence, even if it never occurs in isolation, is unpatentable. The Court found that isolated DNA is not patentable because the isolation process does not change the actual gene sequence or the chemical structure. On the other hand, complementary DNA (“cDNA”) – which is synthesized from mRNA and not found in nature, is patentable.

Some may consider this decision a victory for the availability and cost of breast cancer treatments; some may consider this a blow to investment in biopharmaceutical research. The effect, though, may not be so far-reaching, as DLA Piper's Dr. Lisa Haile points out in her June 14, 2013 article, “What Supreme Court's Myriad Decision Means for Biopharma Companies.”*

For patent prosecutors, this decision provides clarity on the patentability of isolated DNA. But uncertainty remains as to the patentability of other isolated biomolecules, such as carbohydrates, lipids, proteins and non-DNA nucleotide structures.

Limelight Networks, Inc. v. Akamai Techs., Inc. (12-786, 12-960)

Status: cert. pending, Solicitor General invited to brief.

Issue: whether a party may be liable for direct and/or induced infringement when two or more entities together perform each step of a method claim.

Brian Biggs, an associate based in Wilmington, Delaware, is developing his patent litigation practice, representing clients across many technical fields. Reach him at brian.biggs@dlapiper.com.

Bowman v. Monsanto Co.

Decided: 5/13/2013

Patent

Holding: (9-0) Patent rights are exhausted for original seed sold but not for its progeny.

Since we last covered *Bowman*,** difficult practice questions have emerged about self-replicating technologies. For example, where the technology self-replicates “outside the purchaser's control,” or where the self-replication is a “necessary but incidental step in using the item for another purpose,” are the patentee's rights in that progeny exhausted upon sale of the parent? The short answer: maybe. However, where the purchaser is not a “passive observer” – or actively cultivates the progeny to avoid paying for additional patented goods – the patentee's rights will most likely pass to the progeny. These are still open issues in the wake of *Bowman*.

*Please see www.dlapiper.com/myriad-decision, as well as Dr. Lisa Haile's article on p. 11 of this issue, “The Future of DNA Patents.”

**See these comments on *Bowman* here: www.dlapiper.com/supreme-court-corner-q2-2013

Medtronic, Inc. v. Boston Scientific, Inc. (12-1128)

Status: cert. granted.

Issue: whether a patent licensee seeking declaratory judgment bears the burden to prove non-infringement.

Andrew Stein, an associate based in Washington, DC, focuses on patent litigation in federal district courts and § 337 investigations before the ITC. Reach him at andrew.stein@dlapiper.com.

TRADE DRESS WATCH

By Heather Dunn and Shannon Mo

The value of trade dress litigation is on the rise. While in the past the primary value of trade dress litigation rested in the ability of the plaintiff to enjoin competition (except possibly in cases of counterfeit goods), recent cases suggest otherwise.

Juries in California and Texas recently made awards of US\$8.1 million and US\$5.86 million in two cases involving trade dress infringement.

The issue in *Mixed Chicks v. Sally Beauty Supply* was a hair care product line targeting multi-ethnic customers with naturally curly hair under the trademark MIXED CHICKS. The line was packaged in cylindrical, translucent, plastic bottles with clear pumps and cylindrical, translucent, plastic jars showing the color of the product within. In 2009, Sally Beauty Supply, the world's largest retailer of professional beauty supplies, offered Mixed Chicks the opportunity to sell its line in Sally Beauty stores, but Mixed Chicks declined and continued to sell its products through its website and salons. In 2011, Sally Beauty introduced its own product line for individuals with naturally curly hair: MIXED SILK. Mixed Chicks claimed the Sally Beauty line infringed its trademark and trade dress rights, contending that the shapes of the MIXED SILK bottles and jars, along with such similarities as fonts, colors and the translucent pumps, were likely to cause confusion among consumers.

The jury awarded Mixed Chicks US\$8.1 million in damages, finding Sally Beauty had willfully infringed Mixed Chicks' trademark and trade dress rights. The award included US\$7.275 million in punitive damages under California law and about US\$840,000 in actual damages. Before Mixed Chicks moved for an attorneys' fees award, the parties settled for US \$8.5 million. Notably, the US\$7.275 million dollar punitive award was more than three times the actual damages limit allowed under Section 35 of the Lanham Act; the court saw fit to award punitive damages under the California unfair competition laws, which have no such cap.

In *Clearline Technologies v. Cooper B-Line*, the plaintiff sold trapezoidal rooftop support blocks in the color black featuring a horizontal reflective yellow stripe. The defendant, Cooper, sold similarly shaped rooftop support blocks, also in the color black and also with a horizontal reflective yellow stripe, although the yellow stripes were placed differently. Clearline contended that

Cooper's competing rooftop support products infringed two aspects of its trade dress: the yellow reflective stripe and the yellow-and-black color scheme. Clearline also introduced evidence that Cooper had sent samples of Clearline's products to its manufacturer, seeking to make a product that would "look similar" and "still have all of the same features" as Clearline's.

A Texas jury found that Cooper had willfully infringed Clearline's trade dress rights in the 'yellow and black' combination trade dress, but not in the 'yellow reflective stripe' trade dress. The parties filed cross motions for judgment after the jury verdict, and the court affirmed that Clearline's yellow and black trade dress was protectable, but that the yellow reflective stripe trade dress alone was not protectable due to its apparent functional nature. The court also upheld an injunction against Cooper, confirming that Cooper's products were infringing. However, the court noted that, while the facts support a conclusion that Cooper's particular use of black and yellow would likely cause confusion, all black and yellow color schemes were not necessarily infringing. This clarified that Clearline was not entitled to a broad injunction barring Cooper from using any black and yellow color scheme for its products.

As to damages, the jury awarded Clearline US\$5.86 million. The court upheld this award, tacking on post-judgment and pre-judgment interest, while denying Clearline's plea for treble damages for Cooper's willful infringement (which would have increased the award to almost US\$13 million).

As *Mixed Chicks* and *Clearline* illustrate, trade dress litigation can lead to significant damages awards, especially in cases between market competitors where there is evidence of willful infringement. *Mixed Chicks* reminds us to always include state and common law claims when litigating trade dress cases: this was the avenue to the most substantial portion of the damages award. The lesson from *Clearline* is to diversify your trade dress claims as much as possible – while one of Clearline's claims was found functional, the other was not and led the way to victory. Companies would do well to scrutinize their trade dress (and evaluate the benefits of registering it with the USPTO), monitor their competition and deploy an enforcement strategy to the fullest extent available.



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DLA Piper's key IP and Technology practice areas are once again receiving high marks in prominent legal directories.



Chambers Global 2013 ranks many of our key groups among the top practices in the world, including Data Protection, Franchising, IP, Outsourcing, and Technology and Communications.

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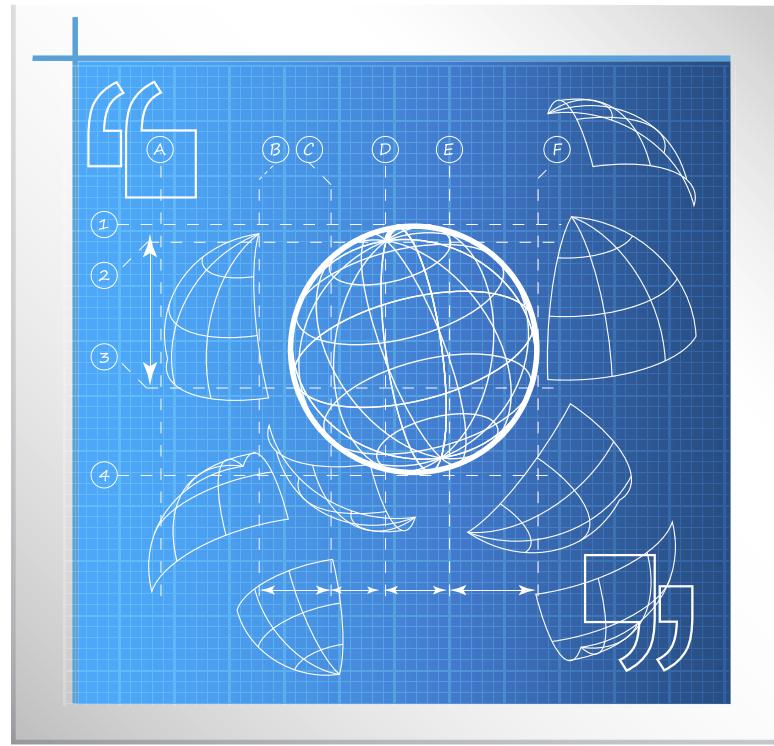
Learn more about Chambers and Partners' rating of DLA Piper and its lawyers in the US by visiting www.chambersandpartners.com/USA, and more about the Legal 500 rankings at www.legal500.com/c/united-states.

18 DLA PIPER PATENT LAWYERS AMONG WORLD'S LEADING PATENT PRACTITIONERS

IAM Patent 1000: The World's Leading Patent Practitioners 2013 has named 18 DLA Piper lawyers to its 2013 list. IAM interviewed lawyers and clients around the world to determine who companies turn to "when only the best patent work will do."

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London	Silicon Valley
Gualtiero Dragotti	Julia Schönbohm
Milan	Frankfurt and Munich
Mark Fowler	Krystyna Szczepanowska-Kozowska
Silicon Valley	Warsaw
George Godar	Richard Taylor
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