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Review of Developments in Intellectual Property Law

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Comments on New AIA Rules

By Dr. Donald L. Zuhn, Jr. and Cole B. Richter

On March 16, 2013, the final (and most significant) portion of the Leahy-Smith America Invents Act (AIA) took effect, and the United States broke from a first-to-invent regime to a first-inventor-to-file (FITF) regime. Of course, this break is far from clean, as applications filed before March 16, 2013, as well as certain applications filed after March 15, 2013, will continue to enjoy the advantages of the old first-to-invent system.

Since the AIA was enacted on September 16, 2011, the U.S. Patent and Trademark Office (USPTO) has played an important role in implementing the new patent law. In the eighteen months between the statute's enactment and the March 16 effective date, the USPTO published twelve notices of proposed rulemaking, issued a patent trial practice guide, and published a guidance document on the FITF provisions of the AIA, all of which culminated in the revision of the rules of practice in title 37 of the Code of Federal Regulations (C.F.R.). Set forth below are a few rule revisions that practitioners should pay careful attention to as we proceed into the FITF regime.

One such revision provides that for a non-provisional application filed on or after March 16, 2013 that claims the benefit of the filing date of an application (*i.e.*, foreign, provisional, non-provisional application, or international application designating the U.S.) filed prior to March 16, 2013, wherein the non-provisional application filed on or after March 16, 2013 contains, or contained at any time, a claim to a claimed invention that has an effective filing date on or after March 16, 2013, the applicant must provide a statement to that effect.[1] Such a statement must be provided within the latter of: (a) four months from the actual filing date of the later-filed application, (b) four months from the date of entry into the national stage in an international application, (c) sixteen months from the filing date of the prior-filed application, or (d) the date that a first claim to a claimed invention that has an effective filing date on or after March 16, 2013 is presented in the application.[2]

The final rule indicates that "a statement is required only if a transition application contains, or contained at any time, a claim to a claimed invention that has an effective filing date on or after March 16, 2013."[3] The final rule defines a "transition" application as "a non-provisional application filed on or after March 16, 2013, that claims priority to, or the benefit of the filing date of an earlier application (*i.e.*, foreign, provisional, or non-provisional application, or an international application designating the United States) filed prior to March 16, 2013."[4] Notably, the proposed rulemaking had also required a statement if a transition application discloses subject matter not also disclosed in the prior-filed foreign, provisional, non-provisional application, or international application designating the U.S. even if the transition application never contained a claim that has an effective filing date on or after March 16, 2013. However, the final rule does not include a requirement to make this latter statement.

Applicants will not have to indicate the specific claims that have a post March 16, 2013 effective filing date, or the effective filing date of each claim, as the USPTO does not need this information to determine whether the application is an AIA application or a pre-

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AIA application.[5] In addition, the final rule specifies that "no statement is required if the applicant reasonably believes on the basis of information already known to the individuals identified in § 1.56(c) that the non-provisional application does not, and did not at any time, contain a claim to a claimed invention that has an effective filing date on or after March 16, 2013."[6]

To provide a mechanism for making the statement, the USPTO has revised the application data sheet to include a check box that enables applicants to easily indicate whether a transition application contains or ever contained a claim to a claimed invention having an effective filing date that is on or after March 16, 2013.

In responding to comments made on the rule revisions, the USPTO noted that this requirement "should not affect continuation or divisional applications because a continuation or divisional application discloses and claims only subject matter also disclosed in the prior-filed application."[7] Additionally, the USPTO responded that "in view of the one-year filing period requirement in 35 U.S.C. 119(a) and 119(e), this requirement should not affect applications filed after May 16, 2014, that claim only a right of priority to one or more foreign applications, or that only claim the benefit of one or more provisional applications (the critical date is May 16, 2014, rather than March 16, 2014, in view of the changes to 35 U.S.C. 119 in section 201(c) of the Patent Law Treaties Implementation Act of 2012, Pub. L. 112-211 (2012)). Therefore, after March 16, 2014, (or May 16, 2014), the statement required by §§ 1.55 and 1.78 as adopted in this final rule for certain transition applications should be necessary only in certain continuation-in-part applications."[8]

The Office further clarified that "[f]or an application filed on or after March 16, 2013, that discloses and claims only subject matter also disclosed in a previously filed pre-AIA application to which the application filed on or after March 16, 2013, is entitled to priority or benefit under 35 U.S.C. §§ 119, 120, 121, or 365, an amendment (other than a preliminary amendment filed on the same day as such application) seeking to add a claim to a claimed invention that is directed to new matter would not convert the application into an AIA application."[9] In addition, "if an application on filing contains at least one claim having an effective filing date before March 16, 2013, and at least one claim having an effective filing date on or after March 16, 2013, the application will be examined under AIA even if the latter claims are cancelled."[10]

The Office's response to submitted comments suggest that if an applicant wants to have a transition application examined as a pre-AIA application under pre-AIA 35 U.S.C. §§ 102 and 103, the applicant must include claims directed only to subject matter disclosed in a previously filed pre-AIA application. For this reason, applicants may also want to consider filing only one claim with a transition application. In view of the Office's responses, any other claims or claim amendments should be presented after the filing date and not in a preliminary amendment filed on the same day as the transition application. This is because the office has stated that claim amendments or new claims presented in an amendment other than a preliminary amendment filed on the same day as such application that are not supported by a pre-AIA application would be treated as new matter. As the Office indicates in the final rule notice, "an application may not actually 'contain' a claim to a claimed invention that is directed to new matter," and therefore, "a claim to a claimed invention that is directed to new matter would not convert the application into an AIA application."[11] The final rule also makes clear that if an application on filing contains at least one claim having an effective filing date on or after March 16, 2013, the application cannot be examined as a pre-AIA application under pre-AIA 35 U.S.C. §§ 102 and 103 simply by cancelling the claim having an effective filing date on or after March 16, 2013. The final rule notice further makes clear that if a claim having an effective filing date on or after March 16, 2013 is inadvertently presented on filing, the application cannot be examined as a pre-AIA application under pre-AIA 35 U.S.C. §§ 102 and 103.[12]

Another revision to the rules of practice provides that where a U.S. patent or U.S. patent application publication has a prior art effect as of the filing date of a foreign priority application, a certified copy of the foreign application or an interim copy of the foreign application must be filed within the later of four months from the actual filing date of the application filed under 35 U.S.C. 111(a) or sixteen months from the filing date of the prior foreign application.[13] The USPTO noted that under some circumstances, the above requirement will not apply – *e.g.*, if the foreign application was filed in a foreign intellectual property office participating with the USPTO in a bilateral or multilateral priority document exchange agreement (such offices currently consist of the European Patent (EPO), the Japan Patent (JPO), the Korean Intellectual Property (KIPO), and the World Intellectual Property Organization (WIPO)).[14] Further, in some circumstances applicants will be permitted to submit an interim copy within the required time frame and then submit a certified copy before a patent is granted.[15]

New and Revised Patent Fees	Old Fee	New Fee	Dollar Change
Basic Filing Fee—Utility[16]	$390	$280	($110)
Utility Search Fee[17]	$620	$600	($20)
Utility Examination Fee[18]	$250	$720	$470
Basic Filing, Search, and Exam—Utility (Total)	$1,260	$1,600	$340
Independent Claims in Excess of 3[19]	$250	$420	$170
Claims in Excess of 20[20]	$62	$80	$18
Multiple Dependent Claim[21]	$460	$780	$320
Utility Application Size Fee—For Each Additional 50 Sheets that Exceed 100 Sheets[22]	$320	$400	$80
Request for Prioritized Examination[23]	$4,800	$4,000	($800)
Assignments Not Submitted Electronically (NEW)[24]	$40	$40	$0
Assignments Submitted Electronically (NEW)[25]	$40	$0	($40)
Publication Fee for Early, Voluntary, or Normal Publication (Pre Grant Publication or PG Pub)[26]	$300	$0	($300)
Publication Fee for Republication[27]	$300	$300	$0
Correct Inventorship After First Action on the Merits (NEW)[28]		$600	–
Extensions for Response within 1st Month[29]	$150	$200	$50
Extensions for Response within 2nd Month[30]	$570	$600	$30
Extensions for Response within 3rd Month[31]	$1,290	$1,400	$110
Extensions for Response within 4th Month[32]	$2,010	$2,200	$190
Extensions for Response within 5th Month[33]	$2,730	$3,000	$270
First Request for Continued Examination (RCE)[34]	$930	$1,200	$270
Second and Subsequent RCEs (NEW)[35]	$930	$1,700	$770
Notice of Appeal[36]	$630	$800	$170
Filing a Brief in Support of an Appeal in Application or Ex Parte Reexamination Proceeding[37]	$630	$0	($630)
Appeal Forwarding Fee for Appeal in Examination or Ex Parte Reexamination Proceeding or Filing a Brief in Support of an Appeal in Inter Partes Reexamination (NEW)[38]		$2,000	–
Total Appeal Fees (Paid before Examiner Answer)	$1,260	$800	($460)
Total Appeal Fees (Paid after Examiner Answer)	$1,260	$2,800	$1,540
Utility Issue Fee[39]	$1,770	$960	($810)
Derivation Petition Fee (NEW)[40]	$400	$400	$0
Processing and Treating a Request for Supplemental Examination—Up to 20 Sheets (NEW)[41]	$5,140	$4,400	($740)
Total Supplemental Examination Fees	$21,260	$16,500	($4,760)
Ex Parte Reexamination Ordered as a Result of a Supplemental Examination Proceeding (NEW)	$16,120	$12,100	($4,020)
Ex Parte Reexamination[42]	$17,750	$12,000	($5,750)
Inter Partes Review Request—Up to 20 Claims (Per Claim Fee for Each Claim in Excess of 20 is $200)[43]		$9,000	–
Inter Partes Review Post Institution Fee—Up to 15 Claims (Per Claim Fee for Each Claim in Excess of 15 is $400)[44]		$14,000	–
Total Inter Partes Review Fees (NEW) (For Current Fees, Per Claim Fee for Each Claim in Excess of 20 is $600)	$27,200	$23,000	($4,200)
Post Grant Review or Covered Business Method Patent Review Request—Up to 20 Claims (Per Claim Fee for Each Claim in Excess of 20 is $250)[45]		$12,000	–
Post Grant Review or Covered Business Method Patent Review Post Institution Fee—Up to 15 Claims (Per Claim Fee for Each Claim in Excess of 15 is $550)[46]		$18,000	–
Total Post Grant Review or Covered Business Method Patent Fees (NEW) (For Current Fees, Per Claim Fee for Each Claim in Excess of 20 is $800)	$35,800	$30,000	($5,800)
Maintenance Fee Due at 3.5 Years (1st Stage)[47]	$1,150	$1,600	$450
Maintenance Fee Due at 7.5 Years (2nd Stage)[48]	$2,900	$3,600	$700
Maintenance Fee Due at 11.5 Years (3rd Stage)[49]	$4,810	$7,400	$2,590

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Finally, the USPTO recently exercised its new fee-setting authority under § 10 of the AIA. The accompanying table lists the revised fees as they might be paid during the course of prosecution. Almost all of the new fees took effect on March 19, 2013, with the exception of the following fees, which will take effect on January 1, 2014:

- § 1.18(a)(1), (b)(1), (c)(1), and (d)(1) – patent issue and publication fees;
- § 1.21(h)(1) – fee for recording a patent assignment electronically;
- § 1.482(a)(1)(i)(A), (a)(1)(ii)(A), and (a)(2)(i) – international application filing, processing and search fees; and
- § 1.445(a)(1)(i)(A), (a)(2)(i), (a)(3)(i), and (a)(4)(i) – international application transmittal and search fees.

Endnotes

1 37 C.F.R. § 1.78(a)(6).

2 *Id.*

3 Changes To Implement the First Inventor To File Provisions of the Leahy-Smith America Invents Act, 78 Fed. Reg. 11,024, 11,027 (February 14, 2013).

4 *Id.* at 11,026.

5 *Id.* at 11,040.

6 *Id.*

7 *Id.* at 11,041-42.

8 *Id.* at 11,042.

9 *Id.* at 11,043.

10 *Id.*

11 *Id.*

12 *Id.*

13 37 C.F.R. § 1.55(f); Changes To Implement the First Inventor To File Provisions of the Leahy-Smith America Invents Act, 78 Fed. Reg. at 11,024.

14 *Id.* at 11,024-25.

15 37 C.F.R. § 1.55(i).

16 *Id.* at § 1.16(a).

17 *Id.* at § 1.16(k).

18 *Id.* at § 1.16(o).

19 *Id.* at § 1.16(h).

20 *Id.* at § 1.16(i).

21 *Id.* at § 1.16(j).

22 *Id.* at § 1.16(s).

23 *Id.* at § 1.17(c).

24 *Id.* at § 1.21(h)(2).

25 *Id.* at § 1.21(h)(1).

26 *Id.* at § 1.18(d)(1).

27 *Id.* at § 1.18(d)(3).

28 *Id.* at § 1.17(d).

29 *Id.* at § 1.17(a)(1).

30 *Id.* at § 1.17(a)(2).

31 *Id.* at § 1.17(a)(3).

32 *Id.* at § 1.17(a)(4).

33 *Id.* at § 1.17(a)(5).

34 *Id.* at § 1.17(e)(1).

35 *Id.* at § 1.17(e)(2).

36 *Id.* at § 41.20(b)(1).

37 *Id.* at § 41.20(b)(2)(i).

38 *Id.* at § 41.20(b)(4).

39 *Id.* at § 1.18(a)(1).

40 *Id.* at § 42.15(c)(1).

41 *Id.* at § 1.20(k)(1).

42 *Id.* at § 1.20(c)(1).

43 *Id.* at § 42.15(a)(1).

44 *Id.* at § 42.15(a)(2).

45 *Id.* at § 42.15(b)(1).

46 *Id.* at § 42.15(b)(2).

47 *Id.* at § 1.20(e).

48 *Id.* at § 1.20(f).

49 *Id.* at § 1.20(g).

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MBHB Opens New California Office in Bay Area

MBHB is pleased to announce the opening of its new San Francisco Bay Area office in Mountain View, California. The new MBHB office is located in close proximity to California's renowned life sciences and Silicon Valley technology hubs, with the Bay Area serving as home to many of the world's largest corporations and thousands of small to mid-size start-ups. Opening March 1, 2013, the new office will expand the firm's geographical reach and better enable it to meet the growing needs of its clients.

The new California office address is as follows: McDonnell Boehnen Hulbert & Berghoff LLP, 800 West El Camino Real, Suite 180, Mountain View, CA 94040-2586; 650-396-3300 (main); 650-396-3301 (facsimile).

Implementing the New Micro Entity Status at the U.S. Patent Office

By Joshua D. Bosman and Gregory M. Huffman

As part of new rules introduced by the Leahy-Smith America Invents Act (AIA), a new section that defines a "micro entity" was added to Title 35 of the United States Code. As a subset of small entity status, micro entity status grants an applicant a seventy-five percent reduction of fees associated with filing, searching, examining, issuing, appealing and maintaining patent applications and patents. The new section sets forth procedures pertaining to claiming micro entity status, paying fees as a micro entity, notifying the United States Patent and Trademark Office (USPTO) of loss of micro entity status, and correcting erroneously paid fees.

An applicant has two options for qualifying as a micro entity, which are provided in 35 U.S.C. §§ 123(a) and 123(d) (and implemented in 37 C.F.R.§ 1.29). Each will be discussed in turn below.

As a first option, an applicant can qualify as a micro entity under 35 U.S.C. § 123(a) by establishing a limited income and limited experience with patent application filings.[1] Qualifying under the first option involves four requirements. First, the applicant must certify that the "applicant qualifies as a small entity as defined in 37 C.F.R. § 1.27."[2] Second, the applicant must certify that "[n]either the applicant nor the inventor nor a joint inventor has been named as the inventor or a joint inventor on more than four previously filed patent applications."[3] Third, the applicant must certify that neither the applicant nor the inventor nor a joint inventor had a gross income in the preceding calendar year "exceeding three times the median household income for that preceding calendar year."[4] And fourth, the applicant must certify that neither the applicant nor the inventor nor a joint inventor had "assigned, granted, or conveyed, nor is under an obligation by contract or law to assign, grant or convey, a license or other ownership interest in the application" to an entity that had a gross income exceeding three times the median household income in the preceding calendar year.[5] So what exactly do these requirements mean? The USPTO has offered a few clarifications in its guidelines for the implementation of the AIA.[6]

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Given the current fee schedule, establishing micro entity status could save an applicant filing a utility application as much as $600 or more from filing through issuance as compared to paying fees as a small entity, and at least $3,750 from filing through 3rd stage maintenance under the final fee schedule that is scheduled to go into effect January 1, 2014.

The types of applications that count towards the application filing limit include: "(i) U.S. non-provisional applications (*e.g.*, utility, design, continuation, and divisional applications), (ii) U.S. reissue applications, and (iii) U.S. national stage applications," whether pending, patented, or abandoned.[7] However, the application filing limit does not include: "(i) foreign applications; (ii) international (PCT) applications for which the basic U.S. national stage filing fee was not paid; and (iii) provisional applications."[8] Notably, under the micro entity definition, there is an exception for when an applicant is not considered to be named on a previously filed application. This exception arises if he/she has assigned or is under an obligation to assign all ownership rights in the application as the result of the applicant's previous employment.[9] Thus, for instance, an inventor who has assigned all ownership rights to more than four previous applications to one or more other parties may file further applications, using micro entity status, as an individual inventor.[10]

The gross income limit is determined based on the median household income as reported by the Bureau of the Census, and the USPTO will post the maximum qualifying gross income for the preceding calendar year on its website.[11] For 2012, the maximum qualifying gross income, based on the 2011 median household income, is $150,162.[12] The gross income limit applies to each applicant's and inventor's income separately, such that the combined gross income of multiple applicants or inventors need not be below the income level.[13] The USPTO interprets the gross income limit of an inventor filing a joint tax return as "applying to the amount of income the person would have reported as gross income if that person were filing a separate tax return (which includes properly accounting for that person's portion of interest, dividends, and capital gains from joint bank or brokerage accounts)."[14]

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Further, if an applicant's, inventor's, or joint inventor's gross income is received in a foreign currency for a given calendar year, "the average currency exchange rate, as reported by the Internal Revenue Service, during that calendar year" must be used to determine whether the applicant meets the gross income requirement.[15]

The second option for establishing micro entity status is set forth in 35 U.S.C. § 123(d). Under this provision, an applicant qualifying as a small entity may establish micro entity status by certifying that: (1) "the applicant's employer, from which the applicant obtains the majority of the applicant's income, is an institution of higher education as defined in section 101(a) of the Higher Education Act of 1965 (20 U.S.C. 1001(a)," or (2) "the applicant has assigned, granted, conveyed, or is under an obligation by contract or law, to assign, grant, or convey, a license or other ownership interest in the particular application to such an institution of higher education."[16] However, gross income is not relevant under 35 U.S.C. § 123(d), unless the inventor is employed by an institution of higher education and obtains the majority of his or her income from sources other than that institution. For instance, under the second option an inventor can have an income that is five times the median U.S. household income as long as the inventor is named as applicant and has conveyed his or her rights in the application to an institute of higher education. To qualify as an "institution of higher education," an educational institution, among some of the requirements, must be an accredited public or non-profit institution located in the United States or its territories, and must provide a post secondary educational program that awards a bachelor's degree or provides not less than a 2-year program that is acceptable for full credit toward such a degree.[17]

Although the micro entity provisions are based on the small entity status provisions, an important difference between the two arises when the university or institute of higher education is identified as the applicant in a patent application. The requirements of 35 U.S.C. § 123(d) would not be met by an institution of higher education that is itself an assignee-applicant because the institute cannot certify that it (1) is its own employer, or (2) has conveyed rights to the application to itself. Therefore, naming an institute of higher education as the applicant, rather than the inventor as applicant, would prevent eligibility for the micro entity discount under 35 U.S.C. § 123(d).[18] Furthermore, an institute of higher education, as defined under 35 U.S.C. § 123(d), currently does not include non-profit corporations, research foundations, technology transfer organizations, or Federal Government research laboratories.[19]

Regardless of the option used to establish micro entity status and pay fees as a micro entity, an applicant must certify in writing (using form PTO/SB/15A or 15B) that they are entitled to micro entity status. This must be done before paying any fees in the micro entity amount, and a fee may be paid in the micro entity amount only if the applicant/patentee is entitled to micro entity status on the date the fee is paid.[20] Certification can be filed along with the application, and each application (*e.g.*, continuations or divisional applications) must be certified separately.[21] Once an applicant is certified for micro entity status for an application, re-certification is not required for each fee paid in that application, however the applicant should evaluate their entitlement to micro entity status each time a fee payment is made.[22] Unlike small entity status, a notice of loss of micro entity status must be made in writing, and payment of a small or large entity fee will not serve as notification of loss of micro entity status.[23] The USPTO explains that by requiring a written notification of loss of micro entity status, it intends to prevent increased costs for a micro entity resulting from an inadvertent payment of a small entity or large entity fee.[24] However, in the case of good faith erroneous payment of fees in the micro entity amount, a fee deficiency payment will be treated as notification of loss of entitlement to micro entity status.[25] Unlike payment of fees as a small entity, the USPTO will not refund previously-paid fees upon later establishment of micro entity status.[26]

A seventy-five percent reduction in fees may tempt some inventors to align with an institute of higher education or company (*i.e.*, a dummy corporation) in order to claim benefit of micro entity status under 1.29(d) or (a). Even if this strategy meets the letter of the rules, section 1.29(j) states that "[a]ny attempt to fraudulently establish status as a micro entity, or pay fees as a micro entity, shall be considered as a fraud practiced or attempted on the Office."[27] This language is similar to that of small entities and the USPTO notes that in the case of small entity status, an inventor considering such a strategy should consider that "the Federal Circuit has noted that an applicant would be 'foolish' to claim small entity status if there is the slightest doubt about an applicant's claim to small entity."[28] The USPTO has stated it intends to monitor the percentage of applicants claiming micro entity under 35 U.S.C. § 123(d) and may propose additional limits if there is an indication of fraudulent activities.[29] While no case law currently exists for fraud or inequitable conduct relating to micro entity status, it is possible a patent could be held unenforceable as a result of fraudulent certification of micro entity status.

Given the current fee schedule, establishing micro entity status could save an applicant filing a utility application as much as $600 or more from filing through issuance as compared to paying fees as a small entity, and at least $3,750 from filing through 3rd stage maintenance under the final fee schedule that is scheduled to go into effect January 1, 2014. As the savings to independent inventors—and the collective savings to higher educational institutions—are significant, it will be interesting to see how the micro entity provisions affect the number of applications filed under each provision. On the other hand, the strict requirements for establishing and maintaining micro entity status may be deemed so oppressive by some inventors that they might prefer to continue filing under the simpler, safer small entity status.

Endnotes

1 37 C.F.R. § 1.29(a). This addition is not yet in most printed versions of the rules, but can be found at 77 Fed. Reg. 75,033 (December 19, 2012), or via the Electronic Code of Federal Regulations, available at http://www.ecfr.gov.

2 37 C.F.R. § 1.29(a)(1).

3 *Id.*§ 1.29(a)(2).

4 *Id.*§ 1.29(a)(3).

5 *Id.*§ 1.29(a)(4).

6 *See* AIA FREQUENTLY ASKED QUESTIONS: FEES, http://www.uspto.gov/aia_implementation/faqs_fees.jsp (last visited April 11, 2013); see also America Invents ActPublic Forum, http://www.uspto.gov/aia_implementation/FITF_Public_Training_2013mar12.pptx (last visited April 11, 2013).

7 AIA FREQUENTLY ASKED QUESTIONS: FEES, at Question FEE 1028. Note that the provisions imply that a regular application that undergoes reissue proceedings will be counted as two distinct applications for micro entity purposes.

8 *Id.*

9 37 C.F.R. § 1.29(b).

10 It is possible that some inventors might attempt to maintain micro entity status by starting a company, filing four applications with that company as applicant and assignee, starting a new company and filing four applications with the new company as applicant and assignee, and so on. As long as the companies and inventor(s) qualify under the income requirements, this strategy is theoretically viable. Practically speaking, however, the expense of starting and managing a new company for every four applications filed might not be worth the savings that micro entity status provides over small entity status. Not to mention that the strategy seems shady and could be viewed negatively by courts.

11 AIA FREQUENTLY ASKED QUESTIONS: FEES, at Question FEE1017.

12 MICRO ENTITY STATUS GROSS INCOME LIMIT, http://www.uspto.gov/patents/law/micro_entity.jsp (last visited April 11, 2013).

13 Changes To Implement Micro Entity Status for Paying Patent Fees, 77 Fed. Reg.75,019, 75,023 (December 19, 2012).

14 *Id.* at 75026.

15 37 C.F.R. § 1.29(c).

16 *Id.* § 1.29(d).

17 Changes To Implement Micro Entity Status for Paying Patent Fees, 77 Fed. Reg. at 75,022.

18 AIA FREQUENTLY ASKED QUESTIONS: FEES, at Question FEE1038.

19 Changes To Implement Micro Entity Status for Paying Patent Fees, 77 Fed. Reg. at 75,027.

20 37 C.F.R. § 1.29(f).

21 *Id.* § 1.29(e).

22 *Id.* § 1.29(g).

23 *Id.* § 1.29(i).

24 Changes To Implement Micro Entity Status for Paying Patent Fees, 77 Fed. Reg. at 75,030.

25 37 C.F.R. § 1.29(k).

26 Changes To Implement Micro Entity Status for Paying Patent Fees, 77 Fed. Reg. at 75,022.

27 37 C.F.R. § 1.29(j).

28 Changes To Implement Micro Entity Status for Paying Patent Fees, 77 Fed. Reg. at 75,030.

29 *Id.* at 75,021.

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Obama Administration Focuses on Chinese Trade Secret Misappropriation

By Joshua R. Rich

Since President Obama entered the White House in 2009, his administration has undertaken a number of steps toward stricter policing of international trade secret misappropriation. Those efforts reached a turning point early this year with the release of the "Administration Strategy on Mitigating the Theft of U.S. Trade Secrets"[1] (the "Administration Strategy" or "Strategy"). At the same time, however, news reports have suggested that the Chinese government has facilitated—and even been responsible for—the misappropriation of U.S. trade secrets. As a result, the Obama Administration has ramped up efforts to protect trade secrets against Chinese misappropriation.

Early Administration Efforts on Trade Secret Misappropriation

During the first term of the Obama Administration, there were a number of efforts to focus on the protection of trade secrets. High among these efforts was the creation of the office of the U.S. Intellectual Property Enforcement Coordinator ("IPEC"), pursuant to the "Prioritizing Resources and Organization for Intellectual Property Act of 2008"[2] (the "PRO-IP Act"). The IPEC is charged with coordinating the work of the numerous Federal agencies that prevent intellectual property theft, including in the form of patent, trademark, and copyright infringement, as well as trade secret misappropriation. Since the inception of the IPEC office, it has been headed by Victoria Espinel, a former Assistant U.S. Trade Representative for Intellectual Property and Innovation, law practitioner, and law professor.

After Ambassador Espinel's confirmation as the IPEC, she set about coordinating governmental efforts and soliciting public comments on the enforcement of intellectual property rights. In June 2010, as directed by the PRO-IP Act, she issued the "Joint Strategic Plan on Intellectual Property Enforcement"[3] (the "Joint Strategic Plan"). Although much of the Joint Strategic Plan related to patent, trademark, and copyright infringement, it set forth a plan of action in international trade and diplomatic relations, as well as domestic policing that served as a model for the Administration Strategy.

As the IPEC was developing the Joint Strategic Plan, the U.S. International Trade Commission ("ITC") undertook an investigation of trade secret misappropriation by Chinese railway wheel manufacturers brought by Illinois-based Amsted Industries, Inc. That investigation culminated in the U.S. Court of Appeals for the Federal Circuit's decision in *TianRui Group Co. v. Int'l Trade Comm'n*, 661 F.3d 1322 (Fed. Cir. 2011). A full recap of the *TianRui* decision is available in the Fall 2012 edition of Snippets,[4] but at least three holdings in the decision have been critical for more recent trade secret enforcement efforts. First, the Federal Circuit affirmed that the ITC's jurisdiction included trade secret misappropriation claims. Second, it found that the governing law of such claims would be Federal common law, not the law of any state (or any foreign country). Third, the majority of the Federal Circuit panel held that the general assumption against the extraterritorial application of U.S. law would not apply to ITC trade secret misappropriation investigations, even if all of the acts of misappropriation occurred overseas. Thus, the *TianRui* decision provided an additional weapon in a domestic trade secret owner's enforcement arsenal.

The Administration Strategy on Mitigating the Theft of U.S. Trade Secrets

On February 20, 2013, Ambassador Espinel announced the launch of the "Administration Strategy on Mitigating the Theft of U.S. Trade Secrets."[5] Demonstrating the importance of a coordinated effort, she was joined at the launch event by the Attorney General; representatives of the Departments of Commerce, State, and Justice; and representatives of the Offices of the U.S. Trade Representative and Director of National Intelligence.[6]

The Administration Strategy is a five-pronged approach, coordinated by the IPEC and involving many of the executive branch departments.

First, the Strategy calls for the White House to focus diplomatic efforts to protect trade secrets overseas.[7] Although the Administration Strategy does not expressly identify any specific countries on which it is focused, the examples of misappropriation of trade secrets for the benefit of foreign companies and countries are almost exclusively Chinese. As discussed below, however, it appears that the Chinese government may be complicit in misappropriation of trade secrets. Thus, while the Strategy calls for sustained and coordinated international engagement with trading partners, such as China, it may be difficult for the Federal agencies charged with doing so (including the Departments of Commerce, Defense, Homeland Security, Justice, State, and Treasury, and the U.S. Trade Representative) to make much headway. The Administration may find more success in the Department and PTO working with other countries through Intellectual Property Rights ("IPR") working groups to fashion rules and policies to discourage trade secret theft. The Strategy also calls for domestic law enforcement agencies to leverage international law enforcement cooperative agreements and arrangements to pursue investigations both in the U.S. and abroad.

Second, the Strategy calls for the U.S. IPEC to promote voluntary best practices by private industry to protect trade secrets.[8] While the IPEC will work with the Departments of Justice and State (among other agencies) to encourage companies and industry groups to develop and implement voluntary best practices, the Administration Strategy expressly indicates that those best practices must be consistent with antitrust laws. Among the areas in which the Strategy suggests focus are R&D compartmentalization, information security, physical security, and human resources policies. But the Strategy makes it clear that compliance with best practices must be voluntary, and any identified best practices may not be suitable for all companies.

Third, the Strategy calls for the enhancement of domestic law enforcement operations.[9] Spearheaded by the Attorney General's Task Force on Intellectual Property and the FBI, the Department of Justice is making the investigation and prosecution of corporate and state-sponsored trade secret theft a higher priority. The Office of the Director of National Intelligence will also coordinate the sharing of intelligence among the intelligence and law enforcement communities in order to monitor foreign government activity and prevent international trade secret misappropriation, and will also work with the private sector to warn of potential threats.

Fourth, the Strategy calls for the Administration to improve domestic legislation.[10] This is one area where there has been concrete (although incremental) progress in recent months. The Strategy highlighted two acts passed at the conclusion of the last Congress. First, the "Theft of Trade Secrets Clarification Act of 2012" (the "Theft of Trade Secrets Act")[11] was intended to reverse the outcome of cases like *U.S. v. Aleynikov, 676* F.3d 71 (2d Cir. 2012), in which the defendant stole the source code for a proprietary high-frequency trading system from his former employer to provide it to a new employer, but was acquitted because the source code was intended to remain secret and therefore not "related to or included in a product that is produced for or placed in interstate or foreign commerce. "The Theft of Trade Secrets Act modified the Economic Espionage Act ("EEA") to cover trade secrets "related to a product or service used in or intended for use in interstate or foreign commerce."[12] Second, the "Foreign and Economic Espionage Penalty Act of 2012"[13] did exactly that: increased potential sentences and fines for violations of the EEA. Further, the Strategy charges the IPEC with coordinating an initial review of existing Federal laws within 120 days of the release of the Administration Strategy, by June 20, 2013.

Finally, the Strategy calls for various departments in the Administration to increase efforts to develop public awareness and engage in stakeholder outreach.[14] For example, the FBI and Department of Commerce are to continue and expand their efforts to inform the public about the threat and cost of trade secret misappropriation, using existing public awareness programs. In addition, the PTO will include discussion of the economic implications of trade secret misappropriation in its "road show" events. All in all, the Administration Strategy suggests a greater focus on protection of trade secrets against foreign misappropriation, as well as a more coordinated effort than in the past.

Efforts Since the Launch of the Administration Strategy

On the eve of the release of the Administration Strategy, Mandiant Corporation, a private U.S.-based cybersecurity firm issued a report identifying the Chinese government (specifically, a military unit based in Shanghai) as being one of the causes of Chinese cyberattacks.[15] Specifically, Mandiant identified Advanced Persistent Threat 1 ("APT1") as the most prolific cause of computer security breaches around the world, and concluded that APT1 was a unit of the Chinese Army based in Shanghai. The report was widely reported in the press and, although denied by the Chinese government, has served as an important backdrop to Obama Administration statements since the issuance of the Administration Strategy.

Three weeks later, National Security Advisor Tom Donilon said that U.S. businesses are increasingly speaking out about cyber theft of confidential business information from entities in China "on an unprecedented scale" and that the Chinese government "should take serious steps to investigate and put a stop to these activities."[16] Donilon's comments were a substantial change from past avoidance of criticism of China on the issue, and he noted, "From the President on down, this has become a key point of concern and discussion with China. And it will continue to be."[17] The Obama Administration has followed up with high-level meetings between Treasury Secretary Jacob Lew and Chinese officials.[18]

In parallel to the Administration's public

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Obama Administration Focuses on Chinese Trade Secret Misappropriation

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statements and diplomacy, Congress passed a continuing budget resolution (the "Consolidated and Further Continuing Appropriations Act, 2013") that included a provision at § 516 intended to prevent potential Chinese misappropriation of trade secrets from the Federal government.[19] More particularly, in § 516(a), the budget resolution required the FBI to make an assessment of the risk of cyber-espionage or sabotage associated with the acquisition of any information technology ("IT") system by the Departments of Commerce and Justice, NASA, or the National Science Foundation "including any risk associated with such system being produced, manufactured or assembled by one or more entities that are owned, directed or subsidized by the People's Republic of China." In § 516(b), those departments are prohibited from purchasing any IT system from such Chinese entities, unless the head of the assessing agency "determines, and reports that determination to the Committees on Appropriations of the House of Representatives and the Senate, that the acquisition of such system is in the national interest of the United States." Thus, the continuing budget resolution prohibits the purchase of IT equipment from Chinese companies—potentially including telecommunications companies such as Huawei and ZTE—unless the national interest outweighs the threat of cybertheft.

Finally, the IPEC concurrently requested public input on improving Federal laws protecting against trade secret misappropriation. On March 19, 2013 Ambassador Espinel published a notice in the Federal Register "requesting any recommendations for legislative changes that would enhance enforcement against, or reduce the risk of, the misappropriation of trade secrets for the benefit of foreign competitors or foreign governments."[20] The notice was in furtherance of the fourth prong of the Administration Strategy, and comments from the public were due by April 22, 2013. Among other suggestions, the Intellectual Property Owners Association (IPO) proposed the addition of a civil cause of action to the EEA.[21] The comments received by the IPEC will help shape proposed legislation to prevent trade secret misappropriation, both by Chinese entities and by others overseas.

Because China is seen as the biggest threat for foreign trade secret misappropriation, much of the Obama Administration's efforts have been focused on it. That focus is not only going to continue, it is likely to intensify in coming days as the Administration implements the Administration Strategy.

Endnotes

1 http://www.whitehouse.gov//sites/default/files/omb/IPEC/admin_strategy_on_mitigating_the_theft_of_u.s._trade_secrets.pdf [hereinafter "Administration Strategy"].

2 http://www.gpo.gov/fdsys/pkg/PLAW-110publ403/pdf/PLAW-110publ403.pdf.

3 http://www.whitehouse.gov/sites/default/files/omb/assets/intellectualproperty/intellectualproperty_strategic_plan.pdf.

4 http://www.mbhb.com/pubs/xpqPublicationDetail.aspx?xpST=PubDetail&pub=243.

5 See Administration Strategy.

6 *See id.*; *see also* http://www.whitehouse.gov/blog/2013/02/20/launch-administration-s-strategy-mitigate-theft-us-trade-secrets.

7 *See* Administration Strategy at pp. 3-5.

8 *See* id. at pp. 6-7.

9 *See* id. at pp. 7-10.

10 *See* id. at pp. 11-12.

11 http://www.gpo.gov/fdsys/pkg/BILLS-112s3642enr/pdf/BILLS-112s3642enr.pdf.

12 *Id.*

13 http://www.gpo.gov/fdsys/pkg/BILLS-112hr6029enr/pdf/BILLS-112hr6029enr.pdf.

14 *See* Administrative Strategy at p. 12.

15 http://intelreport.mandiant.com; http://www.washingtonpost.com/world/report-ties-100-plus-cyber-attacks-on-us-computers-to-chinese-military/2013/02/19/2700228e-7a6a-11e2-9a75-dab0201670da_story.html.

16 http://articles.washingtonpost.com/2013-03-11/world/37620683_1_mandiant-china-source-code; http://www.cbsnews.com/8301-202_162-57573678/u.s-to-china-put-an-end-to-cybertheft/.

17 http://articles.washingtonpost.com/2013-03-11/world/37620683_1_mandiant-china-source-code.

18 http://www.huffingtonpost.ca/2013/03/28/us-takes-1st-swipe-at-chi_n_2968474.html.

19 *Id.*; *see* http://www.gpo.gov/fdsys/pkg/BILLS-113hr933enr/pdf/BILLS-113hr933enr.pdf at § 516.

20 78 Fed. Reg. 16875 (Mar. 19, 2013).

21 http://www.ipo.org/wp-content/uploads/2013/04/2013.04.22_Trade-Secrets-Letter-re-Leg-Similar-to-S3389.pdf.

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Tiffany & Co. v. Costco Wholesale Corp.: Has the TIFFANY trademark become generic?

By Emily Miao, Ph.D. and Nicole E. Grimm

TIFFANY diamond engagement rings enjoy worldwide fame and recognition as the quintessential engagement ring. In 1886, Tiffany created the famous Tiffany setting, a simple six-prong open symmetrical arrangement that elevates the diamond above the ring's band, which maximizes the amount of light let into the diamond to enhance its brilliance and beauty. This setting is one of the most popular engagement ring designs in the world today; nearly all jewelers today offer some variety of Tiffany-style setting for engagement rings.[1]

On February 14, 2013, Tiffany filed a lawsuit against Costco Wholesale Corporation ("Costco") alleging that Costco was engaging in the sale of counterfeit TIFFANY diamond engagement rings.[2] Tiffany's complaint against Costco alleged violations of federal and New York law, including counterfeiting, trademark infringement, dilution, unfair competition, injury to business reputation, false and deceptive business practices, and false advertising.[3] In its defense and in support of its counterclaims, Costco mainly argued that "[t]he word Tiffany is a generic term for ring settings comprising multiple slender prongs extending upward from a base to hold a single gemstone."[4] In this paper, we discuss the relative strengths/weaknesses of the main arguments presented by the parties and provide our assessment of which party is more likely to prevail based on the strength of these arguments.

Facts

Tiffany discovered that Costco was using the TIFFANY mark to sell diamond engagement rings in November 2012 after a customer shopping at a Costco store in Huntington Beach, California saw the signs and complained to Tiffany.[5] The signs in the jewelry display case at the Huntington Beach Costco included TIFFANY in the description and read, for example: "PLATINUM TIFFANY .70 VS2, 1 ROUND DIAMOND RING."[6] The rings being sold by Costco were not Tiffany rings.[7] Costco had allegedly used the TIFFANY mark to sell diamond engagement rings in its stores nationwide for years.[8] Costco avoided detection from Tiffany's trademark policing procedures because Costco did not use the TIFFANY mark to sell the same diamond rings online.[9] According to Tiffany, "[t]here are now hundreds if not thousands of people who mistakenly believe they purchased and own a Tiffany engagement ring from Costco."[10]

On February 14, 2013, Valentine's Day, Tiffany filed its complaint against Costco, alleging eight causes of action including trademark infringement, federal false designation or origin and unfair competition, dilution, and counterfeiting under the Lanham Act, as well as violations of New York General Business Law and New York common law trademark infringement.[11] Tiffany also noted that its marks have achieved incontestable status.[12]

Costco answered on March 8, 2013, denying infringement and seeking a judgment to declare Tiffany's mark invalid.[13] Costco counterclaimed with three affirmative defenses: 1) the TIFFANY mark was only used to describe the products under 15 U.S.C. § 1115(b)(4); 2) the TIFFANY mark has become generic for a multi-prong, solitaire ring setting; and 3) Tiffany is barred by the New York statute of limitations for complaining of acts that occurred before February 14, 2007.[14] To support its primary affirmative defense that the TIFFANY mark is generic for a multi-prong solitaire ring, Costco submitted an exhibit with its answer that contained descriptions from various sources to demonstrate the pervasiveness of the use of the TIFFANY mark throughout the jewelry industry.[15] Costco submitted another exhibit to further demonstrate that it did not infringe the TIFFANY mark because it sold unbranded rings in plain beige gift boxes, instead of Tiffany's blue boxes, and also provided the customer with a Costco appraisal sales document that did not bear the TIFFANY mark.[16] Although Costco denies infringing Tiffany's mark, Costco did not specifically address Tiffany's other causes of action, such as counterfeiting, and asserted genericism as a blanket defense to the other claims as well.[17]

Tiffany replied on March 14, 2013, and clarified that its original complaint alleged that defendants illegally used the TIFFANY mark, not the term "Tiffany Setting."[18] Tiffany noted that Costco's point of sale signs contained the term TIFFANY and not TIFFANY SETTING.[19] Tiffany argued that Costco's counterclaim improperly focused on the phrase TIFFANY SETTING for the "purpose of deflecting public attention from what it was that defendant actually did."[20] Furthermore, Tiffany argued that the color boxes that Costco customer's received the rings in was irrelevant to a finding of infringement because Costco customers are used to purchasing repackaged goods and the boxes were only given to the customer after the ring had been purchased.[21]

Tiffany also argued that Costco's Exhibit 1, which contained various definitions for the term "Tiffany Setting," was internally inconsistent and not accurate in light of the definition of the TIFFANY SETTING provided on Tiffany's website.[22] Although Tiffany did not specifically address Costco's generic

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defense, Tiffany reasserted that the TIFFANY mark is incontestable.[23] However, in an affirmative defense to Costco's counterclaim, Tiffany's asserted that the term "Tiffany Setting" is not generic.[24] Ultimately, Tiffany argued that because it was opposed to Costco's use of the TIFFANY mark, and not the phrase "Tiffany Setting," the case should be dismissed for lack of a case or controversy.[25]

Tiffany's Assertions

In its Complaint, Tiffany asserted that Costco used the TIFFANY mark without permission and on Costco's diamond engagement rings when in fact the rings were not TIFFANY.[26] Tiffany also asserted that Costco falsely identified its rings as TIFFANY in order to benefit from Tiffany's goodwill and establish itself as a high-end jewelry seller.[27] As a result, Tiffany argued that Costco falsely led its consumers to believe that it was a source of reduced-priced, authentic TIFFANY diamond engagement rings.[28]

Tiffany also asserted that it is the owner of the TIFFANY trademark registration and that this registration has become incontestable.[29] An "incontestable" trademark registration is "conclusive evidence of the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and the registrant's exclusive right to use the registered mark in commerce."[30] Incontestability status may be achieved after five years of consecutive use following the date of registration, provided that no adverse decision had been issued regarding the registrant's right to ownership and there is no pending proceeding on such rights.[31] In order for a trademark to obtain the incontestable status, the owner must file a petition between the 5th and 6th year from the date of trademark registration.[32] However, obtaining incontestable status does not prevent a trademark from being challenged.[33] While the grounds for challenging an incontestable trademark are significantly reduced,[34] a registered trademark can be challenged if: (a) the trademark has become a generic name for the goods or services; (b) the trademark is functional; (c) the trademark was abandoned; or(d) the registration of the trademark was obtained fraudulently.[35]

snippets.

In order to prevent a ruling that the TIFFANY mark is generic, Tiffany will need to show that it actively polices the TIFFANY mark in order to prevent unauthorized use. This will not be difficult for Tiffany to do since Tiffany already has a process in place to police their marks.

As it may be difficult to demonstrate that the TIFFANY mark is functional, abandoned, or that the registration was obtained fraudulently, Costco's only defense option in this case may be to allege that the TIFFANY mark is generic.[36]

A valid trademark may lose its protection if a mark becomes generic.[37] Generic marks describe the kinds of goods as opposed to acting as a source indicator of the goods.[38] Trademarks that become generic may be canceled anytime.[39] To determine whether a trademark has become generic, courts will assess the primary significance of the mark in the minds of the public.[40] A mark can become generic when the trademark holder fails to police the mark, resulting in the public perceiving the mark being used by many different sources to describe the product.[41] Likewise, a mark may become generic when the public adopts a name that the seller intends to be a trademark because the public cannot come up with another name to describe the new good.[42]

Costco's Defense Arguments

In its Answer, Costco mainly argued that the TIFFANY mark has become synonymous with a certain type of ring setting.[43] In other words, the TIFFANY mark no longer operates as a source identifier. Therefore, Costco has the right to sell rings having a Tiffany setting. The chief problem with Costco's argument is that it used the term TIFFANY, not the phrase "Tiffany Setting," on its point-of-sale label.

While arguing that the TIFFANY mark is a generic term for describing a particular mount may be Costco's sole defense, there are other descriptive terms that Costco could have used instead of TIFFANY, such as a claw, raised pronged, or multi-pronged setting, to describe its diamond engagement rings.[44] Therefore, it is uncertain how effective Costco's affirmative defense will be with respect to the trademark infringement claim.[45]

Interestingly, in its Reply to Costco's counterclaims, Tiffany stated that it was not complaining about the phrase "Tiffany Setting" in the Complaint but instead complaining that the engagement rings being sold in Costco's stores were labeled as TIFFANY when the rings are not actually TIFFANY rings.[46] Tiffany's cautiously worded response suggests that it would not object to the use of the term "Tiffany Setting" to distinguish over real TIFFANY rings and for good reason.[47] The phrase "Tiffany Setting" is used colloquially in the jewelry industry as a description for any multi-pronged solitaire ring setting, driven in part by the immense popularity of Tiffany's original design.[48]

Furthermore, even if Costco prevails on its genericism defense, genericism may not be an affirmative defense or relevant to Tiffany's unfair competition claims.[49] If a trademark is found to be generic, a party may still be liable for passing off its own products for the products from another source.[50] Courts may therefore require a competitor to take measures to distinguish its product bearing the generic name from the original source of the product.[51]

Finally, Costco apparently used TIFFANY for their in-store sales, which are limited to Costco's members, but did not use the TIFFANY mark to sell rings online, which would be easily detected by the general public, further undermining Costco's defense position.[52]

Practical Implications

This is an interesting case between two reputable companies. Costco did not directly address Tiffany's trademark infringement and counterfeiting claims asserted in the original Complaint, focusing instead on the alleged genericism of the TIFFANY mark in its Reply. Likewise, Tiffany did not address the generic counterclaim in detail, focusing instead on the original infringement and counterfeiting charges. Given the high stakes, both companies are expected to fight hard.

In order to prevent a ruling that the TIFFANY mark is generic, Tiffany will need to show that it actively polices the TIFFANY mark in order to prevent unauthorized use. This will not be difficult for Tiffany to do since Tiffany already has a process in place to police their marks.[53] Furthermore, Tiffany has a history of aggressively enforcing its TIFFANY mark for certain goods such as its jewelry,[54] blue gift boxes, cufflinks, and money clips,[55] but not for engagement rings, until now. As the facts in this case are straight forward and favorable to Tiffany, it is unlikely that Tiffany would lose. If Tiffany loses this case, there will be inherent confusion that Tiffany will need to deal with in respect to the TIFFANY mark as applied to diamond rings and the term Tiffany as applied to ring settings. Such a result would be contrary to one of the purposes of trademark protection, which is to avoid consumer confusion.[56]

Furthermore, given the fact that the TIFFANY mark for diamond engagement rings until now, is well-known and the phrase "Tiffany Setting" is used to refer to a type of ring setting, companies like Costco and others should take care to use distinguishing phrases such as, for instance,Tiffany-style, -inspired, or -setting to distinguish their products from actual TIFFANY products. In addition, it behooves companies to train employees or at least actively oversee how their products are labeled and described in their stores and on-line to avoid becoming entrenched in a similar trademark dispute in the future.

Endnotes

1 *See infra* note 48.
2 Complaint at ¶ 1, *Tiffany & Co. v. Costco Wholesale Corp.*, No. 13-CV-1041 (S.D.N.Y. Feb. 14, 2013) [hereinafter "Complaint"].
3 *Id.* Tiffany sought both treble damages and a permanent injunction against Costco. *Id.* at ¶¶ 9–10.
4 Answer and Counterclaim at p.1, *Tiffany & Co. v. Costco Wholesale Corp.*, No. 13-CV-1041 (S.D.N.Y. March 8, 2013) [hereinafter "Counterclaim"].
5 Complaint at ¶ 4.
6 *Id.* at ¶ 5.
7 *Id.* at ¶ 6.
8 *Id.*
9 *Id.* at ¶¶ 6–7.
10 *Id.* at ¶ 8.
11 *Id.* at ¶¶ 45–96.
12 *Id.* at ¶ 21. *See infra* notes 29–32.
13 Counterclaim at p.2
14 *Id.* at pp. 6–7.
15 *Id.* at Exhibit 1. Exhibit 1 included excerpts from a reference guide for jewelers, a gemology dictionary, a diamond buyers guide, the "Wedding Planning for Dummies" book, Wikipedia, About.com, and Amazon.com.
16 *Id.* at p. 2, Exhibit 2.
17 *See id.* at p. 2.
18 Reply to Counterclaim at p. 2, ¶ 2, *Tiffany & Co. v. Costco Wholesale Corp.*, No. 13-CV-1041 (S.D.N.Y. March 14, 2013) [hereinafter "Reply"].
19 *Id.* at p. 4, ¶ 8.
20 *Id.*
21 *Id.* at p. 4, ¶ 9.
22 *Id.* at p. 3, ¶ 4–5.
23 *Id.* at p. 3, ¶ 6.
24 *See id.* at p. 7, ¶ 21.
25 *Id.* at p. 6, ¶ 15.
26 Complaint at ¶ 8.
27 *Id.*
28 *Id.*
29 *Id.* at ¶ 2; Reply at p. 3,¶ 6.
30 15 U.S.C. § 1115(b) (2012).
31 *Id.* at § 1065(1)-(2) (2010).
32 *Id.* at § 1065(3).
33 *See Park 'N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 195 (1985) (stating that "[a]n incontestable mark that becomes generic may be canceled at any time pursuant to § 14(c)."); *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 408 F.3d 596, 600 (9th Cir. 2005) (challenging Lasting Impression's incontestable trademark for the term "micro color" for being generic in defense to an infringement claim); *Monster, Inc. v. Dolby Labs. Licensing Corp.*, 12-CV-2488, 2013 WL 367160 (N.D. Cal. Jan. 29, 2013) (challenging Dolby's incontestable headphone mark for being generic as an affirmative defense to Dolby's trademark infringement claim). *See also* 15 U.S.C. § 1065(4).

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34 *See Park 'N Fly, Inc.*, 469 U.S. at 196 (holding that incontestable marks cannot be challenged on the grounds that the mark is merely descriptive).

35 *See* 15 U.S.C. § 1064 (2006).

36 The four general types of trademarks in the order of weakest to strongest protection are: 1) generic; 2) descriptive; 3) suggestive; and 4) arbitrary or fanciful. *See Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9 (2d. Cir. 1976). Generic marks are ineligible for trademark protection. *See id.* On the other hand, suggestive and arbitrary or fanciful marks are considered "inherently distinctive" and do not require a showing of secondary meaning for trademark protection. *See id.* at 11. Secondary meaning refers to when "most consumers have come to think of the word not as descriptive at all but as the name of the product." *Int'l Kennel Club of Chicago, Inc.* v. Mighty Star, Inc., 846 F.2d 1079, 1085 (7th Cir. 1988) (citations omitted). Descriptive marks that have acquired secondary meaning are also eligible for federal trademark protection. 15 U.S.C. § 1052(f) (2006). See *Abercrombie & Fitch Co.*, 537 F.2d at 9. However, demonstrating that a generic mark has secondary meaning is not sufficient for federal trademark protection. *See id.*

37 *See* 15 U.S.C. § 1064(3).

38 *See Park 'N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 194 (1985) ("A generic term is one that refers to the genus of which the particular product is a species.").

39 *See* 15 U.S.C. § 1064.

40 *See Kellogg Co. v. Nat'l Biscuit Co.*, 305 U.S. 111, 118 (1938) (noting that to demonstrate non-genericism of a mark, the party "must show that the primary significance of the term in the minds of the consuming public is not the product but the producer."); *see also* 15 U.S.C. § 1064(3).

41 See *King-Seeley Thermos Co. v. Aladdin Indus., Inc.*, 321 F.2d 577, 579 (2d Cir. 1963) (finding that the mark "Thermos" had become generic because of King-Seeley Thermos Co.'s failure to rescue the term from descriptive or generic use).

42 *See DuPont Cellophane Co. v. Waxed Products Co.*, 85 F.2d 75, 82 (2d Cir. 1936) (finding the term "cellophane" had become generic); *Bayer Co. v. United Drug Co.*, 272 F. 505, 516 (S.D.N.Y. 1921) (holding that the mark "Aspirin" was generic).

43 *See* Counterclaim at p. 1, ¶¶ 6–7.

44 *See, e.g.*, Counterclaim, Exhibit 1, at p. 12 (describing the Tiffany setting as "Tiffany mount").

45 *See, e.g., Q-Tips, Inc. v. Johnson & Johnson*, 108 F. Supp. 845, 863 (D.N.J. 1952), aff'd, 206 F.2d 144 (3d Cir. 1953) (finding in part that the mark "tip" in "Q-Tip" was not generic because there were alternative descriptive words for the product, such as "applicator, swab or cotton-tipped applicator").

46 Reply at p. 2,¶ 2.

47 *See id.* at ¶ 4–5 (noting that Costco's definition of the Tiffany® Setting varied and was inconsistent with the description on Tiffany's website). Presumably, if Tiffany objected to the use of "Tiffany Setting" it would have raised this issue in the original complaint.

48 *See* Jane Lee, *Deconstructing The Tiffany Setting, The World's Most Popular Engagement Ring*, FORBES.COM (Oct. 2, 2012, 5:58 PM), http://www.forbes.com/sites/janelee/2012/10/02/deconstructing-the-tiffany-setting-the-worlds-most-popular-engagement-ring-style/.

49 *See Murphy Door Bed Co., Inc. v. Interior Sleep Sys., Inc.*, 874 F.2d 95, 102 (2d Cir. 1989) (noting that "while the mark Murphy bed may be generic and not entitled to trademark protection, Murphy's claim of unfair competition is not foreclosed"). However, genericism is a defense to a federal trademark counterfeiting claim. Under 15 U.S.C. § 1116(d)(1)(B), counterfeit mark is defined as "a counterfeit of a mark that is registered on the principle register in the United States Patent and Trademark Office." *See also MRC Golf, Inc. v. Hippo Golf Co., Inc.*, 91 U.S.P.Q.2d 1285, 1286 (S.D. Cal. 2009) (finding that the plaintiff failed to show that it had a federally registered mark, so it could not sustain its counterfeiting claim under 15 U.S.C. § 1116(d)(1)(B)).

50 *Murphy Door Bed Co., Inc.*, 874 F.2d at 102.

51 *See Blinded Veterans Ass'n v. Blinded Am. Veterans Found.*, 872 F.2d 1035, 1045 (D.C. Cir. 1989) (stating "[o]nly when there is a likelihood that the newcomer might thus pass its product off as the original manufacturer's may a court require the newcomer to distinguish its product or to notify consumers explicitly that its product does not come from the original manufacturer."). *See, e.g., King-Seeley Thermos Co.*, 321 F.2d at 581(regarding use of the generic term "thermos," the court noted that "[t]he purchasing public is entitled to know the source of the article it desires to purchase. … Any doubt about plaintiff's position in the field is removed by the prohibition against the use by defendant in labeling, advertising or publication of the words 'genuine' or 'original' in referring to the word 'thermos'.").

52 Complaint at ¶¶ 5–7.

53 For example, in 2006, Tiffany had an employee dedicated to monitoring listings on the eBay website for counterfeits and reporting any violations to eBay on a daily basis. *See Tiffany (NJ) Inc. v. eBay, Inc.*, 576 F. Supp. 2d 463, 484 (S.D.N.Y. 2008), *aff'd in part, rev'd in part, Tiffany (NJ) Inc.* v. eBay Inc., 600 F.3d 93 (2d Cir. 2010) (holding that eBay did not infringe Tiffany's marks). See also Complaint at ¶ 17 (describing other brand protection strategies).

54 *See Tiffany (NJ) Inc. v. Luban*, 282 F. Supp. 2d 123, 124 (S.D.N.Y. 2003) (finding the operator of a website that sold counterfeit Tiffany jewelry liable for willful infringement).

55 *See Tiffany (NJ), LLC v. 925ly.com*, No. 2:11-CV-00590, 2011 WL 2118634 (D. Nev. May 25, 2011) (issuing a preliminary injunction in favor of Tiffany).

56 *See A.J. Canfield Co. v. Honickman*, 808 F.2d 291, 304 (3d Cir. 1986).

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