iPHILLIPS NIZER

Where intellectual property and business law intersect with industry.

Spring 2020

Phillips Nizer has been supporting its clients and community to address the challenges of the COVID-19 pandemic. The health of our clients, contacts and friends, as well as our attorneys, our staff and their families remains our first priority. Our remote operations have allowed us to continue to serve our clients without interruption. We are here to provide legal support, address individual business needs, advice on dealing with COVID-19 issues or simply to say hello. Please email or call us anytime. We wish you and your families and colleagues good health as we navigate the days ahead together.

In This Issue

IP Office Measures in Reaction to COVID-19

At the start of the Covid-19 outbreak in the United States, amid unprecedented court closures and extensions, the U.S. Patent and Trademark Office ("USPTO") initially took the position that it was unable to extend deadlines because they are set by statute.

USPTO Measures

However, because the USPTO considered the Covid-19 pandemic to be an "extraordinary situation", as a temporary solution, the USPTO announced that it would waive the fees charged for reviving a patent or trademark application or for reinstating a canceled registration as a result of the inability to timely respond to a deadline due to the Coronavirus outbreak. *See* Notice issued by Andrei Iancu, Director of the USPTO, on March 16, 2020.

The situation was rectified with the passage of the Coronavirus Aid, Relief and Economic Security Act (CARES) on March 27, 2020. Section 12004 of CARES temporarily authorized the USPTO to extend deadlines during the pandemic. In a Notice dated March 31, 2020, the Director issued a Notice extending deadlines that fell between, and inclusive of, March 27 and April 30, 2020 for thirty days to those "personally affected" by the outbreak. Personally affected was defined to include circumstances where a practitioner, applicant, registrant or other person associated with the filing or fee was affected due to office closures, cash flow, interruptions, inaccessibility of files or other materials, travel delays, personal or family illness or similar circumstances.

In a Notice dated April 28, 2020, the USPTO further extended the time to file certain patent and trademark documents, and to pay fees, that would have been due between March 27 and May 31 to June 1, 2020.

T.T.A.B. and P.T.A.B. Proceedings

It is important to note that the extensions described above do not apply to filings in proceedings between parties, such as those before the Trademark Trial and Appeal Board (T.T.A.B.) and the Patent Trial and Appeal Board (P.T.A.B.). Thus, if the pandemic prevents or interferes with a filing in a proceeding before the T.T.A.B. or P.T.A.B., a formal request or motion for an extension of time or for a reopening must be submitted. Our experience in obtaining extensions before the T.T.A.B. has proven to be relatively easy. One T.T.A.B. attorney stated that the T.T.A.B. has been quickly granting requested extensions.

Copyright Office

An attorney at U.S. Copyright Office confirmed that the Office has not waived any deadlines. It is unclear if an applicant were to make a motion to the Office to waive a deadline missed due to the current pandemic, whether it would be granted.

Foreign Jurisdictions

Many foreign jurisdictions have extended patent and trademark deadlines as well. For instance, the European Patent Office has pushed back certain deadlines until June 2, 2020. For a live update on IP offices Coronavirus measures around the world, we recommend the World Trademark Review summary found at www.worldtrademarkreview.com.

In Notable New Rulings, Federal Courts Help Companies Prevent Possible – Not Inevitable – Use of Proprietary Information

Companies seeking to protect trade secrets and corporate intellectual property through restrictive covenants will benefit from two recent federal court rulings issued out of New York and Pennsylvania. Both rulings granted temporary injunctive relief in favor of companies against their former employees, precluding those employees from working for the companies' alleged competitors. The decisions are notable because both courts sit in states where enforcement of non-compete agreements is disfavored, and because the courts granted the injunctions in spite of: (i) evidence that the employees' new roles were different from their prior roles, and did not inherently involve or require the disclosure of trade secrets or confidential information obtained in the course of their prior positions; and (ii) a lack of evidence that either employee had misappropriated trade secrets or other sensitive information.

In the first case, *Flatiron Health, Inc. v. Tempus, Inc.*, No. 19-cv-8999 (S.D.N.Y. Oct. 30, 2019), Judge Marrero in the Southern District of New York agreed with plaintiff Flatiron Health, Inc. ("Flatiron") that defendant Kenneth Carson, M.D. ("Carson") should be prohibited from starting his new job at a competing company, Tempus, Inc. ("Tempus"). Both Flatiron and Tempus focus on developing cancer therapies through collection and analysis of clinical and molecular data.

Carson had worked for almost three years as Flatiron's Senior Medical Director, where he acted as a liaison between Flatiron and its drug company clients to facilitate the use of Flatiron's data in therapeutic research and development.

In opposing Flatiron's motion for injunctive relief, Carson alleged that his job at Tempus was going to be "completely different than the role [he] played at Flatiron." Rather than interfacing with drug companies, he was to work on the clinical laboratory side of Tempus's business, helping doctors use Tempus's data analyses in the context of individualized patient care. Indeed, Tempus had made clear to Carson that it had "no interest whatsoever in any information or intellectual property [Carson] may have regarding [Flatiron]." Tempus required Carson to sign an agreement that he would not use or disclose any of Flatiron's confidential information -- and, further, that he would inform Tempus's in-house counsel if anyone asked him to do so.

The court, however, was unpersuaded by Carson's evidence. Judge Marrero issued the requested injunction, reasoning that "[n]otwithstanding the potential differences between Carson's former role at Flatiron and his prospective role at Tempus, and even absent any actual intent on his part to disclose confidential or other proprietary information of Flatiron's -- Carson may inevitably bring those trade secrets to bear in his work at Tempus." Doc. No. 46.

In other words, the court did not find that Carson *would* inevitably bring "trade secrets to bear" in his new position, but rather focused on the possibility that Flatiron's former employee *may* inevitably use his specialized knowledge in connection with his new position. In this way, the decision appears to lighten the plaintiff company's burden of proof in establishing the imminent irreparable harm required to establish the need for the drastic remedy of injunctive relief against a former employee. Moreover, the court's ruling blurs the line between the inevitable use of a company's trade secrets, on the one hand, and the deployment of an employee's specialized expertise in his or her field of employment, on the other hand.

In the second case, *Ardurra Group, Inc. v. Gerrity*, No. 12-cv-3238, 2019 WL 6698208 (E.D. Pa. Dec. 9, 2019), Ardurra Group, Inc. ("Ardurra") sought to enjoin its former employee, Daniel Gerrity ("Gerrity"), from (i) working for Bernhard Capital Partners ("Bernhard Capital"), (ii) soliciting Ardurra's clients and business partners, and (iii) using Ardurra proprietary or confidential information for the benefit of Bernhard Capital. Gerrity had been the Head of Sales and on the Board of Directors for Ardurra, which provides engineering and construction services focused on infrastructure.

After leaving Ardurra, Gerrity joined Bernhard Capital -- a private equity firm, not a service provider -- in order to help develop an "infrastructure fund." That fund would invest in distressed utility companies without taking any operational control over those entities, and thus would not be in competition with Ardurra. However, Bernhard Capital also has a "service fund," which "invests in, advises in, and helps actively consult and advise infrastructure businesses," which could potentially include competitors of Ardurra.

Gerrity testified that the infrastructure fund with which he was working was entirely separate from the service fund, and that he would have no involvement in the latter. The separate operations of the infrastructure fund and the service fund, however, were not enough to satisfy the court, which noted that "there does not appear to be any sort of screening or policing method to prevent Gerrity from assisting" companies in the service fund. As it did not see evidence of a specific "policing" mechanism, the court reasoned that the money earned by Bernhard Capital through the infrastructure fund "could then be used to invest in… companies in the service fund" and therefore "could ultimately end up benefitting competitors to Ardurra . . . .”

The *Ardurra* injunction, like that issued by the court in *Flatiron*, appears to rest more on the possibility that a former employee *could* improperly compete with a former employer, rather than on a showing that such competition is inevitable, imminent, or even likely to occur. This is a lenient application of the rule that a party requesting injunctive relief must show irreparable harm absent the injunction: in both cases, the courts implicitly held that the mere specter of irreparable harm was sufficient.

The *Flatiron* and the *Ardurra* litigations remain ongoing and the outcomes of both cases remain to be seen. Regardless of how these disputes ultimately play out, the decisions from both courts will provide new and valuable legal support to companies attempting to enjoin the likely - or even possible - use of proprietary information by former employees.

Tiffany v. Costco: 21 Million Reasons to Play it Safe

This year is set to bring multiple high profile intellectual property cases before the courts. Among these, the trademark battle between luxury jeweler Tiffany & Co. and bulk retailer Costco Wholesale Corporation[1] is drawing the eye of both the legal and business community. Now on appeal before the Second Circuit, many believe that this case will answer questions about willful infringement, descriptive fair use, and whether Costco’s use of the trademark “Tiffany” on diamond engagement rings amounts to counterfeiting. There is also more than $21 million at stake.

In 2013, Tiffany sued Costco for the unauthorized use of “Tiffany” on signs for diamond engagement rings. Costco argued it was descriptive fair use, because it claimed its use of “Tiffany” was merely shorthand identification of a Tiffany setting to describe the style of rings offered – not to deceive customers. Manhattan U.S. District Judge Swain did not “buy” Costco’s argument and found it liable for both infringement and counterfeiting. That decision and the more than $21 million awarded in damages to Tiffany is now on appeal.

Many anticipate that Tiffany’s win in the District Court will be overturned. During oral arguments, the Second Circuit panel of judges focused on why Judge Swain ruled on the issues of infringement and counterfeiting before submitting the case to a jury. The judges noted that there were questions of fact that should have been addressed by the jury, such as whether Costco engaged in willful infringement. For instance, the Circuit Court noted that, after receiving notice from Tiffany, Costco issued refunds to customers who purchased engagement rings under the “Tiffany” moniker, and that this could be read to suggest that Costco may not have intentionally engaged in the unauthorized use; and also

[1] *Tiffany & Co. v. Costco Wholesale Corp.*, Case Number 17-2798, U.S. Court of Appeals for the Second Circuit.

that the infringing signs may have been the blunder of a third party vendor.

If the Second Circuit does uphold the Tiffany victory, the ruling could have serious implications by validating a new, lower threshold for a finding of counterfeiting. Whereas the current standard makes it illegal to knowingly use a counterfeit trademark to sell goods and services, the lower standard would remove the knowledge requirement contained in the Trademark Counterfeiting Act, exposing even business owners who are operating in good faith to liability for counterfeiting, which comes with higher damages than trademark infringement. While awaiting the Second Circuit's decision, retailers should maintain strict oversight of their advertising and marketing materials, and may also choose to avoid using famous marks or anything confusingly similar to such marks. There are 21 million reasons to play it safe.

For more information about damages in a trademark case, look for an upcoming blog on the Phillips Nizer Fashion Law Industry blog: https://fashionindustrylaw.com/.

New Trademark Office Examination Cause Controversy

On February 15, 2020, the United States Patent & Trademark Office (USPTO) implemented new examination guidelines regarding trademark applications. The key changes within the new rules include: (1) all submissions to the trademark office must be filed electronically; (2) all applications require an email address for the applicant; and (3) stricter requirements for specimens of use.

Electronic Filing Required

All formal correspondence and trademark applications must now be filed electronically through the Trademark Electronic Application System (TEAS). This change should not create hardship because the vast majority of applicants use the electronic system currently. However, this rule does eliminate the option for any paper correspondence, with very limited exceptions. The USPTO permits an exception for applications filed prior to February 15, 2020 which are "grandfathered" under the old rules – unless the applicant chooses to use electronic filing for future trademark maintenance. The new guidelines also permit paper filings in the instance where an applicant is a party to the Trademark Law Treaty[2]; the applicant has a sample of use for a non-traditional mark; and when TEAS is unavailable on the date of applicant's filing deadline.

Applicant Email Address Required

The change causing the most controversy is the requirement that all applications must include an email address for each applicant. "Even if there

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[2] The Trademark Law Treaty (TLT) was adopted in 1994 to simplify procedures and harmonize the registration process in different countries. Currently, there are 54 parties to the TLT, including the United States. See Treaty text via the World Intellectual Property Organization here: https://wipolex.wipo.int/en/text/294358.

is an appointed attorney, a separate email address for the applicant, registrant, or party is required under 37 C.F.R. §2.32(a)(2), so that the USPTO can contact them if representation ends."[3] Those objecting to this new requirement have argued that it constitutes an invasion of privacy, making trademark owners susceptible to hackers and unwanted solicitations. The concern was well founded. Many already receive snail mail from scammers posing as the USPTO, and some have lost thousands of dollars paying bogus fees.

On February 12, 2020, eighty-five practitioners sent a letter to the Commissioner for Trademarks protesting the new rule requiring application email addresses based on similar grounds of privacy and data security. In response to public concern over the email requirement, the USPTO first issued a statement on February 28, 2020 that the new email address requirement was not intended to violate the privacy of trademark owners, but rather to permit the USPTO to communicate directly with the owners through the email provided.

Some trademark practitioners reacted by creating specific email addresses, such as trademark@xyzfirm.com or docketing@xyzfirm.com, to receive only USPTO mail based upon a letter dated February 28, 2020, from the Acting Commissioner of Trademarks stated that "trademark owners who are represented by counsel may provide an email address of their choice so long as the owner is able to receive emails the USPTO sends to the address if representation ends."

The pressure on the U.S.P.T.O. seems to have worked because, on April 24, 2020, the Office announced that it was taking steps to alleviate concerns about the exposure of owner email address on the U.S.P.T.O. website. The owner email address field is now masked. The email address of unrepresented trademark owners will still be viewable as it always has been.

Stricter Rules for Specimens

The USPTO has indicated that the new rules governing samples of use were adopted to "insure" actual use in commerce for the identified goods and services. Specifically, the new rules require webpage screenshots to include the URL in addition to the webpage access or print date. Specimens for goods must show "use of the mark on the goods, on containers or packaging for the goods, on labels or tags affixed to the goods, or on displays associated with the goods." 37 C.F.R. §2.56(b)(1).[4] Previously, mere labels or tags bearing the mark were acceptable. Samples of use for services now "must show a direct association between the mark and the services" through use "in the sale of the services, including use in the performance or rendering of the services, or in the advertising of the services." 37 C.F.R. §2.56(b)(2). *Id.* Further, the USPTO will no longer consider photocopies of mark drawings, artist renderings, printer

[3] (Examination Guide 1-20 (Revised), page 6).

[4] (Examination Guide 1-20 (Revised), page 9).

proofs, computer illustrations, digital images, or similar mockups of the mark on display as acceptable samples of use.

The USPTO's new guidelines have also been met with protest because they were announced on February 6, 2020, without giving the public sufficient time to review, comment on, or appropriately implement the new rules.

Editorial contributions made by:

Candace Arrington, Alisha McCarthy, Monica McCabe and **Andrew Tunick**

Committees and Appointments

Alan Behr was appointed to the 2020-2021 INTA Copyright Committee.

Monica McCabe was appointed to the 2020-2021 INTA Alternative Dispute Resolution Committee.

Recognitions and Awards

Helene Freeman was recognized by *Law360* as a "Legal Lion" for her representation of Led Zeppelin in a high-profile copyright lawsuit surrounding the intro of "Stairway to Heaven." Ruling en banc, the appeals court reinstated a 2016 jury verdict that cleared the band of infringing a 1967 instrumental ballad by the band Spirit.

Three Phillips Nizer practice group leaders were recognized by *Crain's New York Business* as 2020 Notable Women in Law: **Monica McCabe**, Intellectual Property Chair, **Regina Faul**, Labor and Employment Practice Chair and **Ilene Jaroslaw**, White Collar Practice Chair.

Phillips Nizer was recognized by World Trademark Review (WTR) as a firm, as well as **Alan Behr** and **Monica McCabe**, individually: "Testament to both the quality and diversity of its trademark offering, Phillips Nizer makes its first appearance in the *WTR 1000* this year being listed in both the prosecution and strategy and enforcement and litigation tables for New York. The ensemble is a favourite of German and French companies – with special desks set up to cater to them – but draws crowds from all over the world thanks to its thoughtful and easily actionable advice, international expertise and cost-effectiveness."

Marc Landis was recognized by *City & State New York* as one of New York's 100 most influential lawyers with the Law Power 100 list, which identified and ranked New York's legal leaders based on their achievements, track record and sway in political and policy matters.

Karen Monroe presented as a Top Women in Law panelist during the Women in Law Global Rainmakers Summit.

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