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Trademarks May Help Companies Skirt Patent Woes

By **Erin Coe**

Law360, New York (June 23, 2010) -- Faced with a growing number of obstacles for securing and enforcing patent rights, businesses seeking alternatives for intellectual property protection are turning to trademarks to maintain market exclusivity, according to experts.

While patents safeguard inventions, trademarks protect a name or brand that can eliminate confusion between products and maintain commercial distinctiveness.

"People focus on the importance of patents, but forget that the trademark aspect of distinguishing products for consumers is also really important," said Lawrence M. Sung, a partner at Dewey & LeBoeuf LLP. "It is consumers' reliance on a product name that makes a difference on commercial sales, not on the exclusivity of the underlying product."

Companies that were once willing to invest broadly in patent protection are now thinking twice about their patent expenses, according to Sung.

"They are also looking to obtain exclusivity elsewhere and that includes trademark protection," he said.

When patents are about to expire, many drug companies step up their branding efforts to set their product apart from generic drugs. AstraZeneca PLC, for instance, has increased the advertising of its "Purple Pill" as patents for heartburn drug Nexium move toward expiration in order to keep exclusivity and make consumers remember the product, Sung said.

Part of the draw to trademarks compared with patents is that they can be obtained in months rather than years and they are generally not as expensive to file for or enforce, according to experts.

"Sometimes you may get more bang for your buck by focusing on trademarks rather than patents since utility patents can take at least two years to issue," said Michael N. Cohen, founder of Cohen IP Law Group PC.

Companies can make use of trademarks as a way to secure more immediate protection, experts said.

Shoe and furniture makers are more likely to consider filing applications for trade dress protection, according to Kara E.F. Cenar, a Bryan Cave LLP partner who develops IP strategies for companies.

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“In some cases, trademark or trade dress protection might be a better tool than patent protection. A company may not get the patent or it may be too limited in scope, and so a company may want to use alternatives that are more instant, especially with products that can be easily knocked off,” Cenar said.

Facebook Inc., Twitter Inc. and other Internet companies may be eschewing patents because the U.S. Patent and Trademark Office tends to disfavor patents on computer software, and the time to obtain a patent may take too long to make a difference in a fast-paced market, according to Peter S. Sloane, a partner at Leason Ellis LLP.

Facebook has submitted about 50 trademark filings in the U.S. alone, and Twitter has filed about 10, Sloane said.

“Companies may be influenced by the stance of the patent office and the speed of the marketplace. If they are worried a product may be knocked off, a patent that issues years later is not going to help,” he said.

Trademarks also provide companies with other advantages, according to experts.

While patents have a finite duration, trademarks can last as long as the mark is still in use, Sloane said.

“Even though the patents behind Apple Inc.’s iPad will expire, the iPad name can live forever,” he said.

As businesses continue to shift completely online and promote their products within the Internet landscape, they may put greater attention on trademarks in order to go after cybersquatters and parties that are misusing their marks through Web advertising such as Google Inc.'s AdWords, according to Cohen.

“If a party files a trademark application, it is in a much better position to go after competitors doing devious things online,” he said.

Litigation expenses can be significantly lower in trademark suits, as well. A company may have to shell out tens of thousands of dollars to bring a trademark infringement case, whereas a patent suit could cost millions of dollars, Cohen said.

Compared with patent litigation, the plaintiff in a trademark case can get injunctive relief fairly quickly, the burden of proof tends to be less difficult and disputes can be resolved faster, according to Cenar.

“It is easier to select a new brand than design around a patent, where a party might be limited,” she said.

A number of pending high-profile cases and legislation may also be making companies rethink the viability of obtaining patent protection.

In the In re: Bilski case, the U.S. Supreme Court is set to rule on whether the U.S. Court of Appeals for the Federal Circuit went too far when it found that business methods and other processes can only be patentable if they are tied to a machine or involve a transformation.

“The case is so important because it could really affect software patents, which may involve a computer but are not necessarily tied to a computer or involve a transformation,” Cohen said. “A lot of software patents, including future ones as well as ones that have been filed and approved, may be in jeopardy.”

If the Bilski decision is upheld, certain technology would become difficult to patent, and companies would need to maintain exclusivity by different IP methods, Sung said.

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In another case that could pose challenges for patent rights, the Federal Circuit in April agreed to hear the Therasense Inc. v. Becton Dickinson & Co. case en banc in a move to review the doctrine of inequitable conduct.

“Depending on how the court resolves inequitable conduct, it could make more patents susceptible to challenges,” Sung said. “This case could have an impact on whether companies have a viable patent portfolio.”

Pending legislation seeking to overhaul the patent system also may raise concerns that patents could be tougher to obtain and enforce, according to Sung.

“The legislation is making folks think patent protection is not as broad sweeping as it once was,” he said. “If a company has consumers who understand its product family from a trademark standpoint, it may be more cost protected through that.”

Companies are not replacing patents with other types of intellectual property, but they are shifting their focus from automatically seeking patents for innovations to frequently using other IP rights to safeguard their products, said David E. Weslow, counsel at Sutherland Asbill & Brennan LLP.

“We are now seeing a more deliberate approach by companies for evaluating if an innovation is worth the time and expense to obtain a patent,” he said.

While companies may have been motivated by budget constraints to make changes to how they evaluate intellectual property rights, they are likely to keep the new measures in place, according to Weslow.

“I do think those changes to filing strategies will last into the future and may be something more IP owners do,” he said.

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