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NFTs and Trademarks

By Allison Gifford

Jack Dorsey, the former CEO of Twitter, sold his first tweet as an NFT, a non-fungible token, in March 2021 for $2.9 million. Many were left scratching their heads and wondering: What is an NFT? And, why would it sell for so much money? An NFT is a non-interchangeable unit of data stored on blockchain that cannot be copied, substituted or subdivided, and the blockchain storage is used to certify authenticity and ownership. An NFT is a unique digital asset, but ownership of the NFT should not be confused with the ownership of the underlying work. The NFT is proof that a person bought it, but it is not the actual "thing" that you bought. Intellectual property issues abound concerning creating, selling, buying and using NFTs, including copyrights, rights of publicity and trademarks. Many copyright infringement issues have arisen concerning NFTs, but recently, trademark issues have been bubbling up.

In the past few months, film director Quentin Tarantino decided to enter the NFT world, and he even has a website, www.tarantinonfts.com. Tarantino began selling NFTs based on the screenplay "Pulp Fiction." Although he wrote the screenplay, Tarantino had assigned the rights to Miramax. Miramax brought a trademark and copyright lawsuit against Tarantino in November 2021 to halt Tarantino's sale of the NFTs based on "Pulp Fiction." Miramax LLC v. Tarantino, Case Number 2:21-cv-08979 (C.D. Cal).

While certainly, the copyright issues here are a copyright law professor's dream for a final examination question, the trademark questions raised are also worth exploring. Does Tarantino's use of the film name "Pulp Fiction" in selling NFTs amount to trademark use? Also, did Miramax's prior use of the film name develop into trademark rights? Could there be confusion as to the source of that work, the NFT or that it creates a false impression of affiliation, sponsorship or endorsement of the work? Arguably, there could be consumer confusion regarding the source of an NFT if it bears a trademark.

This argument has recently been made by Nike for its sneakers and Hermès for its Birkin bag. Nike brought suit against the online resale platform StockX for trademark infringement. StockX operates a Vault NFT and is an online marketplace where one can purchase Nike products, including sneakers. Nike argues that StockX is not an authorized Nike retailer and is creating NFTs that prominently use Nike's trademarks. Nike is also apparently purchasing a digital art studio active in the metaverse, so it is jumping into the NFT game.

Similarly, Hermès, creator of the highly coveted Birkin bag, has sued a digital artist, Mason Rothschild, for his MetaBirkins artwork and NFTs depicting imaginary, fur-covered Birkin bags. Hermès alleges in its complaint that Rothschild's "MetaBirkins brand simply rips off Hermès' famous Birkin trademark by adding the generic prefix 'meta' to the famous trademark Birkin."

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The Tarantino, Nike and Hermès cases are certainly testing the waters in the sea of NFTs and trademarks. What does all of this mean from a practical standpoint? Should companies start to file trademark applications to protect their rights in the digital space? It is certainly worth considering if there is a potential that a trademark, particularly for a consumer good, will be used in the metaverse. First Amendment and fair use issues are likely defenses to be raised. Stay tuned.

Does Patent “Micro Entity” Status Really Save Money?

By Kevin R. Casey

Applicants who apply for a patent with the U.S. Patent and Trademark Office (PTO) can elect to file their application under one of three separate classifications. Applicants who qualify for small entity status can reduce many PTO fees by 50%. In 2011, the America Invents Act (AIA) created a new category of micro entities that can reduce certain fees by 75%. An applicant who is neither a small entity nor a micro entity is considered to be a large entity and must pay standard fees.

The problem with claiming micro entity status is that the applicant is required to file with the PTO a document to certify that it meets several requirements and to confirm that those requirements remain met every time another fee must be paid. These steps incur legal costs. In addition, false claims regarding micro entity status are considered fraud on the PTO, which can have serious consequences. These consequences can include rendering the patent (if granted) completely unenforceable. Given the costs and because the consequences are so severe, it is generally believed that the best approach, when there is any question, is not to claim micro entity status. Rather, the applicant should simply claim small entity status, which continues to enjoy a 50% discount of the large entity status fees, without the attendant legal costs to ascertain and certify entitlement to micro entity status. Read on for more details about micro entity status.

An applicant can qualify as a micro entity in one of two ways, either (1) the “gross income and application filing limit” basis or (2) the “institution of higher education” basis. To qualify under the first basis, the applicant must certify all four of the following, as listed in 37 C.F.R. § 1.29(a):

- The applicant is a small entity (essentially, less than 500 employees).
- The applicant and all inventors have been listed as inventors on fewer than four previously filed U.S. non-provisional patent applications (foreign applications, U.S. provisional patent applications, and international applications for which the basic national fee was not paid do not count towards this limit).
- The applicant and all inventors must have each had, counting individually, a gross income equal to or less than three times the median household income. Each person’s or company’s income must be counted in the previous calendar year (relative to when a PTO fee is being paid) and compared to household income for that year. If a person is married, the spouse’s income is not counted, regardless of how they filed their taxes. Recently the income cut-off was $202,563 and is updated by the PTO, usually in September or October of each year. For inventors, applicants and parties with an ownership interest in the application whose gross income in the preceding calendar year is not or is partially not in U.S. dollars, the conversion table found on the Internal Revenue Service website is used.
- The applicant and all inventors have not assigned, licensed or transferred (and do not have an obligation to assign, license or transfer) an interest in the patent application to an entity that would not meet the gross income cut-off listed above.

Thus, although on its face, it appears that the micro entity applicant enjoys an economic benefit, practically speaking, this may not be the case. The reason is that certain information must be researched, established and verified to qualify for micro entity status. For example, applicants must establish for each applicant, and inventor, what their income was in the year before the application for a patent. Next, the applicant must determine the median household income for the previous year. The median household income must then be multiplied by three. Finally, the applicant and each co-applicant must determine whether the applicant’s gross income qualifies them to be a micro entity applicant as being not more than three times the amount of the median household income for the prior year. Next, each applicant, inventor and joint inventor must consider their previous patent applications. Due diligence must be exercised to ensure that some other co-inventor on a prior patent did or did not include the name of the applicant of the current patent. Next, in certain circumstances, the question is how many employees does the applicant have? If the number is more than 500 or hovers around 500, confirmation must be made about the precise number of employees. All of these steps require time and attorney's fees. Under the micro entity status rules, to continue to qualify as a micro entity, this type of investigation and confirmation must be performed each and every time another micro entity fee is due and owing to the PTO. At some point, the savings garnered by being a micro entity will be outweighed by the cost of attorney's fees as well as the time and effort due diligence will require to investigate and assure the PTO that the micro entity status is still in place for all applicants and co-applicants.

In view of this information, an applicant should carefully consider their options before claiming micro entity status.

Deferred Subject Matter Patent Examination

By Kevin R. Casey

Seven years ago, the Spring 2015 issue (vol. 3, no. 2) of this newsletter included an article titled "Is Your Invention Patentable? Perhaps No Longer." The article reviewed several U.S. Supreme Court patent cases decided under Section 101 of the Patent Act (35 U.S.C. § 101). Section 101 cases relate to the eligibility of certain subject matter for patentability. By and large, these decisions were unfavorable to the patent owners, significantly narrowing the universe of subject matter deemed eligible for patent protection in the United States.

In the years since our article, the law on subject matter eligibility (SME) in general, and the way the law is applied during prosecution of patent applications in particular, has caused confusion and contention between patent examiners and applicants. Currently, the U.S. Patent and Trademark Office (PTO) applies a "compact prosecution approach" in examining patent applications. Under this approach, an examiner will identify all applicable grounds for objections and rejections in each Office Action. An applicant is required to address all these objections and rejections in one response. A response that fails to meet this requirement may be considered "not fully responsive" and be rejected by the PTO. The prosecution can be made less efficient and more costly when the applicant must address an SME rejection in a first Office Action in addition to non-SME rejections, such as those for double patenting, inventorship, or utility under Section 101; novelty under Section 102; obviousness under Section 103; and enablement, written description, or definiteness under Section 112.

In an attempt to improve prosecution efficiency and patent quality, help applicants save time and cost and reduce the risk of adverse legal consequences based on positions taken during prosecution, and in response to a request from Senators Thom Tillis and Tom Cotton, the PTO implemented a new Deferred Subject Matter Eligibility Response (DSMER) pilot program. The DSMER pilot program initially runs through July 30, 2022. The PTO may extend, modify or terminate the pilot program depending on the workload and resources necessary to administer the program, feedback from the public and the program's effectiveness. The program allows for a sequenced approach to patent examination for SME rejections under Section 101.

Under the program, certain examiners at the PTO may invite patent applicants to participate (applicants may not themselves ask to participate and may decline the invitation) if their application does not claim the benefit of an earlier filing date from a prior nonprovisional application, has not been accorded special status, and has a first Office Action that includes both an SME rejection and a non-SME rejection. Applicants who elect to participate must respond only to the non-SME rejections and can defer a response to the SME rejection until all other rejections have been addressed or resolved, i.e., until the earlier of the final disposition of the application or the withdrawal or obviation of all other outstanding rejections. "Final disposition" of the application is the first of (1) mailing of a notice of allowance, (2) mailing of a final Office Action, (3) filing of a notice of appeal, (4) filing of a request for continued examination (RCE) or (5) abandonment of the application. Even with the SME issues deferred, the examiner will still consider whether an applicant's response to non-SME rejections overcomes the SME rejection. The SME issues may be resolved while satisfying the non-SME requirements (which often occurs). If so, the goals of the program will have been met.

If the SME rejection is not resolved after considering the applicant's response, however, the examiner may issue another Office Action regardless of whether any non-SME rejection remains. In this scenario, the applicant loses a chance to respond to the SME rejection at the first Office Action stage and must address that rejection at the later stage. There is not much efficiency gained if the applicant and the examiner get stuck on SME, just later in prosecution. In addition, the total prosecution time for those applications may actually be prolonged when non-SME issues and SME issues are addressed sequentially rather than concurrently.

It will be interesting to see how many applicants elect to enter the program and whether the program meaningfully improves the current imprecision of SME jurisprudence. The program still requires examiners to evaluate SME early in prosecution. Applicants may benefit from the program, however, by avoiding wasted time and effort wading into arguments in the sometimes murky area of SME. Instead, applicants can focus their prosecution efforts on more straightforward novelty and non-obviousness analyses, which may also resolve the SME issue.

IP Client Spotlight

The Wyanoke GroupStradley Ronon handles all IP law (patents, trademarks, copyrights, trade secrets and related areas) matters for the Wyanoke Group and its related companies. With roots reaching back to 1923, the Wyanoke Group is the parent company for Healio, Healio LIVE, Healio Strategic Solutions, SLACK Incorporated and Vindico Medical Education. Located in Southern New Jersey, just 15 minutes from Center City, Philadelphia, the Wyanoke Group boasts a talented and growing team of more than 300 professionals. The shared mission of these companies is to deliver the highest quality information, education and communications to health care professionals toward improved patient health. Their shared slogan is “Informing medicine, improving health.”

Stradley Ronon’s IP attorneys work closely with representatives of the companies to address any and all IP issues that arise for them. Stradley Ronon and the Wyanoke Group have collaborated to anticipate and resolve many interesting and unique IP issues that have arisen as the team manages the companies’ IP portfolios and assists with negotiating and drafting a wide variety of IP-related agreements. Stradley Ronon’s ever-growing knowledge of the companies’ needs and goals and of the medical information industry in which the companies thrive has served both Stradley Ronon and the companies well. Stradley Ronon is proud to assist the Wyanoke Group in its efforts to navigate complex IP issues faced by a growing and expanding company, along with a variety of non-IP work, including general corporate counseling, transactions relating to mergers and acquisitions, tax matters and litigation.

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