



# Intelligence

## Ready for 2021? Make Your (IP) List and Check It Twice

The events of 2020 have posed unique challenges to businesses in the U.S. and globally, testing their ability to adapt to new market conditions, re-evaluate resource allocation and operations, and achieve a steady position of productivity and readiness, amid a frequently-changing legal landscape. The rhythm for business-planning discussions and consideration of the intellectual property (IP) assets to support those plans has been disrupted, and in many instances eclipsed, by the pressure of short-term and immediate business solutions. But before we turn the page on 2020, there is time to take stock of your IP portfolio, including your trademarks, copyrights, domain names and social media accounts, to ready your business and its brands for 2021. These are a few tips to help you prepare for upcoming changes in the law and take advantage of cost-effective tools to preserve and enhance your brand position.

## USPTO Fees to Increase in 2021

The U.S. Patent & Trademark Office (USPTO) recently announced new fees set to go into effect on **January 2, 2021**, including increases for trademark and patent applications, and new fees for certain contentious-matter procedures. It's the first fee schedule change in nearly three years. In most cases, the trademark and patent fee application increases are in the neighborhood of 5 percent. For patents, the increase in patent issuance and other fees for large entities are higher (20 to 25 percent or more). The USPTO delayed rollout of these new fees (originally set for April 2020) in consideration of U.S. economic conditions. Trademark fee changes include:

- **\$75** per class increase for a U.S. trademark application (from \$275)
- **\$100** per class increase for a Declaration of Continued Use (§§ 8/71)(from \$125)
- **\$50** (new fee) for a Letter of Protest against a pending third-party trademark application
- **\$100** increase for initial Extension of Time to Oppose (from \$100); \$200 increase for final Extension request (from \$200)

Q4 2020

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### FEATURED AUTHORS

[John Cordani](#)

[Brian Moran](#)

[Maria Scungio](#)

- **\$200** per class increase for Notice of Opposition or Petition to Cancel against a third-party registration (from \$400)

Since 2017, the USPTO has intensified efforts to foster American innovation and branding, through optimizing efficiency in the examination process for trademark and patent applications and improving procedures for various adversarial administrative proceedings. Over this same period, the USPTO received an unprecedented uptick in trademark application volume as well as a sharp increase in falsified evidence of trademark use. The announced fee changes are directly related to the increase in measures by the USPTO to address these issues.

### **U.S. Customs Recordal – A Valuable Enforcement Tool**

In 2019, U.S. Customs and Border Protection (CBP) handled more than 27,500 seizures of goods, with an estimated value of **\$1.5 billion**, including pharmaceuticals, personal care products, automotive/aerospace products, consumer electronics and sporting goods, apparel, footwear, watches and accessories. There are **328** ports of entry to the U.S. (land, air and sea). The U.S. marketplace is geographically vast, and there is no single mechanism effective as a complete solution for monitoring infringements and counterfeits.

Owners of trademarks and copyrights registered in the U.S. have available a potent enforcement tool to stave off entry of increasing volume of infringing and counterfeit goods into the U.S. – recordation of these rights with U.S. Customs and Border Protection. CBP has recently extended recordation eligibility to *pending* copyright applications on a temporary six-month basis. The investment for recordation is nominal, the process is simple, and the IP rights enforcement services received in return are significant.

The cost for recordation of a U.S. trademark with CBP is **\$190** per class of goods (10-year term) and successive renewal terms are **\$80** per trademark, per class. The costs for recordation (and renewal) of a U.S. copyright registration are the same (with a longer term of 20 years). On an annual basis, these fees are modest, in exchange for which your business will receive enforcement assistance from well-trained CBP officers actively looking for infringement of your trademarks and copyrights across the U.S. and its territories (including Puerto Rico, the U.S. Virgin Islands, Guam and the Northern Mariana Islands).

To complete a recordation application, CBP requires a copy of the registration certificate, an image of the trademark (or copyrighted work), name(s) of authorized licensees, and the countries of manufacture for the genuine products/work. Once the IP right is recorded, CBP personnel access a database (see public version at <https://iprs.cbp.gov/#/>) to check suspected infringing goods information against rights-holder records at CBP. When a CBP officer examines a shipment and deems it to contain suspected infringements/counterfeits, the shipment is detained. The brand owner/rights holder is quickly contacted to

verify product authenticity. The importer is also notified and has seven business days to challenge the detention. If the goods are believed to be counterfeit, CBP has latitude to seize merchandise at any time after importation, so long as probable cause can be shown.

With recordation completed, brand owners also have the option to arm CBP with additional information to aid the examination of arriving shipments to the U.S. A brand owner may upload (for access by CBP only) product identification guides and images of genuine goods. Pursuant to the Trade Secrets Act, 18 U.S.C. § 1905, CBP personnel are barred from disclosure of this proprietary information. Furthermore, a business owner/rights holder has the opportunity to provide CBP personnel with product identification training (online or in person).

The CBP recordation program does not currently extend to protect U.S. design patents. To date, the only recourse for design rights holders to exclude infringing and counterfeit imports from entry into the U.S. is to initiate an International Trade Commission investigation under Section 337 of the Tariff Act of 1930, seeking an exclusion order. In an effort to address this gap, the Counterfeit Goods Seizure Act of 2019 (CGSA) was introduced at the end of 2019, and is currently pending. Passage of this bill would give businesses a speedier and significantly more cost-effective route to enforcement of their design rights.

### **Non-Use of Your Trademarks in 2020**

Some businesses, as a result of the pandemic, have been pressed to discontinue manufacture or sale of products or have otherwise limited the scope of their business activities. As a result, in 2020 the use of one or more of the trademarks owned by your business may have stopped. Under U.S. trademark law, in the fifth year of a trademark registration term, and every ten years thereafter, a post-registration maintenance filing at the USPTO is required (e.g., evidence and a sworn statement about continuous trademark use in U.S. commerce). If sustained discontinuity of trademark use has occurred what options are available to keep a trademark registration active?

Even in normal market conditions, the answer to this question is highly fact-dependent, and includes consideration of the type of product, industry and market context for product sales, and the length of the period for non-use. The United States is a “use it or lose it” jurisdiction, as our trademark statute recognizes rights based on actual use of a mark in U.S. commerce, with the goodwill associated with such use created in consumers’ minds relating to product quality and the identity of the brand owner. As a general rule, non-use of a trademark for three years (or more) will create a presumption of abandonment, and the trademark registration will be vulnerable to a cancellation challenge. The presumption can be rebutted upon a showing by the rights holder that there is an intention to resume use of the mark, consistent with the ordinary course of trade. U.S. trademark law requires a registered mark to be continuously in use, with only very short breaks (days or weeks) permitted. For longer periods (many

months or longer), a narrow list of excusable conditions for non-use is available—limited to trade embargoes, the sale of a business, acts of God, illness impacting the operation of the business, or a deficiency in supply of necessary materials or equipment.

In the context of an active U.S. trademark registration with an upcoming maintenance deadline to meet, the procedure for submitting proof of “excusable non-use” is to file a Declaration of Excusable Non-Use with the USPTO. The Declaration must set forth:

- a) the date when use of the trademark in U.S. commerce stopped;
- b) the approximate date when such use is expected to resume; and
- c) description of facts to show non-use of the mark in relation to the goods or services covered by the registration is due to special circumstances that excuse the non-use, and is not due to any intention to abandon the trademark.

See 37 C.F.R. § 2.161. Acceptance of the Declaration will depend on the specificity and sufficiency of the factual details included. For example, reference to the specific state order(s) requiring closure of a “non-essential” business and the unprecedented national nature of the pandemic health crisis would be appropriate to include. Whether or not there is an impending trademark maintenance deadline, keeping careful track in your business records of the dates and conditions for ceasing use of a trademark (and/or production or sale of a product) will be important.

*For advice about trademark, design rights or copyright protection, please contact us. If you would like to file a trademark application prior to the January 2 fee changes, there is still time to do so.*

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### **Federal Circuit Leaves Room for Nonexpert Obviousness Opinions as published in Law360 on March 5, 2020**

A perennial problem in patent trial practice is the extent to which a party’s lay witnesses may approach issues of obviousness in their testimony. Is obviousness the exclusive bailiwick of the retained independent expert? Should an attorney consider abbreviated expert disclosures for a client’s employees or third-party witnesses who may be able to provide some testimonial insights into the obviousness question?

Much ado has been made recently about HVLPO2 LLC v. Oxygen Frog LLC[1], in which the U.S. Court of Appeals for the Federal Circuit held certain lay opinion testimony on obviousness inadmissible.[2] An examination of the decision suggests that there may still be some limited paths for the use of lay opinion testimony bearing on certain of the Graham v. John Deere Co. factors[3] underlying any obviousness inquiry.

However, opinion testimony on the ultimate issue of obviousness and certain subsidiary technical questions likely will be limited to qualified experts.

Oxygen Frog involved four patents relating to technology for collecting oxygen from the air to fuel torches used by glassblowers to artistically shape glass. The problem the invention purported to solve was the long-felt "need for a continuous supply of oxygen in residential or small studio settings," where residential-rated power circuits were insufficient to support large, commercial-grade oxygen generating systems.

Due to these power limitations, glassblowers typically relied on renting and refilling compressed gaseous or liquid oxygen tanks. Such tanks were expensive, inconvenient, and potentially hazardous, and needed to be frequently refilled.[4] The claimed invention purported to solve this problem by banking together, and manifolding to a compressor, several oxygen generators. The system was designed to run on multiple power circuits and provided a pressure-based controller for the bank of generators and the compressor.

The plaintiff, HVO, sued Oxygen Frog and its CEO, Scott Fleischman, for infringing these patents. After HVO obtained a summary judgment of infringement, the case proceeded to a trial on Oxygen Frog's invalidity defense of obviousness under Title 35 U.S. Code Section 103, which relied on the combination of two prior art references.

The first reference was a 2010 post by William Cornette on a glassblowing internet forum. The post consisted of a single page with a picture of a gray box and descriptive text indicating the use of a one-circuit mechanical pressure sensor/switch that shuts the system off or turns it on at specified pressure values.

The second piece of prior art was a YouTube video posted online in 2010 by Tyler Piebes, a glass torch artist. The video disclosed a multi-circuit oxygen management system. The key issue at trial was whether it would have been obvious to a person of ordinary skill in the art to combine the controller device of the Cornette system with the multi-circuit system shown in the YouTube video.

Piebes was not retained by the defendants to serve as an expert witness. Rather, he was subpoenaed by the plaintiff and provided deposition testimony as a fact witness, most of which was played before the jury. HVO objected to Piebes' opinion testimony on whether Oxygen Frog's proposed modification of the Cornette system to support the use of two circuits based on the YouTube Video was obvious.

The trial court allowed the testimony, but gave the jury the following limiting instruction:

You will decide as the fact-finder whether or not it was or was not obvious. Just because somebody uses a word "obvious" when they testify, does not mean that they are making the decision or it's up to them to make the decision. And I want to reiterate that that's a conclusion, decision that you will have to make one way or the other when you retire to begin your deliberations. With that said, a witness such as Mr. Piebes certainly can offer his observations and explain to you how a system works and what he thinks would occur to him from his perspective would or would not be obvious.

The jury returned a verdict in Oxygen Frog's favor, finding that combining the two references would have been obvious to the person of ordinary skill in the art at the time of the invention. But the Federal Circuit reversed, holding that it is an "abuse of discretion to permit a witness to testify as an expert on the issues of noninfringement or invalidity unless that witness is qualified as an expert in the pertinent art." The Federal Circuit asserted that only a qualified expert may offer opinions on "the

ultimate conclusions of infringement and validity as well as the underlying technical questions.”

In the case of obviousness, the Federal Circuit explained such technical questions included “the nature of the claimed invention, the scope and content of the prior art, the differences between the claimed invention and the prior art, [and] the motivation of one of ordinary skill in the art to combine these references to achieve the claimed invention.” Thus, the Federal Circuit constrained many of the factual questions underlying a determination of obviousness to the realm of expert testimony.

Applying this rule to Oxygen Frog’s obviousness evidence, the court held that “Mr. Piebes’ opinion testimony was directed to the central legal and technical questions at trial” and fell within the “clear purview of experts.” The appellate court also regarded the trial court’s limiting instruction to the jury as inadequate and found that the trial court’s error was not harmless. It noted that Piebes had not been proffered by the defendants as an expert, had not submitted a written expert report, had not been subjected to a deposition as an expert, and had not been subject to a possible Daubert challenge.[5]

The practical ramifications of the Oxygen Frog decision lie in its recognition of the three types of testimony of potential relevance to the issue of obviousness: (1) fact witness testimony; (2) lay opinion testimony; and (3) expert testimony. Obviously, one can always be a fact witness as to relevant matters with respect to which such witness has personal knowledge. Testimony as to what a witness heard, saw, said or did is the stuff of fact witnesses. And in the case of Piebes in Oxygen Frog, he was properly called to give testimony concerning the piece of prior art that he created, i.e., his YouTube video.

A fact witness also can, under certain circumstances, provide a lay opinion. Pursuant to Federal Rule of Evidence 701, a witness “not testifying as an expert,” may nevertheless provide testimony in the form of an opinion where the opinion is “rationally based on the witness’s perception,” is “helpful to clearly understanding the witness’s testimony or to determining a fact in issue” and is “not based on scientific, technical, or other specialized knowledge within the scope of Rule 702 [the rule on expert witness testimony].”

The line between permissible lay opinion testimony and expert testimony is not a bright one. Generally, lay witnesses are restricted to testifying about things they personally perceived about which the average reasonable person could also form an opinion.

So, in the case of Piebes, he might be able to provide his lay opinions on collateral issues such as long-felt needs in the industry, known techniques that he was personally familiar with, the state of glassblowing art at the time of the invention and the knowledge base of a person of ordinary skill in the art at the time of the invention, provided that such testimony met the requirements of Rule 701.

On the other hand, expert testimony is governed by Federal Rule of Evidence 702 and requires, among other things, that the witness is qualified as an expert and used reliable methods to arrive at the opinion. In Oxygen Frog, Piebes conceivably may have qualified as an expert and been allowed to opine on obviousness, i.e., whether it would have been obvious to a person of ordinary skill in the art to have combined the two prior art references at the time of the invention to support two circuits.

However, the defendant never disclosed him as an expert in compliance with the Federal Rules of Civil Procedure. Even if Piebes were unwilling

to be retained by Oxygen Frog as an expert, Oxygen Frog could have provided HVO with the abbreviated expert disclosure required under Rule 26(a)(2)(C).

So the primary takeaway from Oxygen Frog is that if you want a witness to opine on obviousness or the technical questions underlying it, the safest course is to qualify him or her as an expert under Rule 702 and proceed in accordance with the disclosure and discovery obligations set out in Rule 26 of the Federal Rules of Civil Procedure.

But secondly, there may be factual matters bearing on obviousness as to which various fact witnesses may testify based on their personal experience and knowledge, including the existence and elements or features of prior art, the significance or relevance of such prior art from a technological standpoint to solving a need in the art, the knowledge or technical capabilities of one skilled in the art at the time of the claimed invention, and the state of the art at the time of the claimed invention.

In Oxygen Frog, several lay witnesses provided such testimony, including the named inventor, Cornette and Piebes.<sup>[6]</sup> For example, there was “testimony regarding off-the-shelf pressure switches available in 2010 that could serve as multi-circuit controllers.” The named inventor explained how prior-art tank systems used pressure switches to provide automatic shut-off. Both Cornette and Piebes testified about pressure switches used as controllers in the 2010-time period.

Piebes testified that he used a two-pole switch to shut off multiple circuits based on a single pressure setting in 2010. There also was testimony as to who was the person of ordinary skill in the art in 2012, an engineer or “handy glass blowers.” And co-defendant Fleischman provided testimony on the secondary considerations, including commercial success and copying. Thus, plenty of testimony was introduced that bore appropriately on the Graham Factors.

Importantly, the Federal Circuit in Oxygen Frog did not say a layperson could never provide opinion testimony or qualify as an expert. Nor did the court rule that a defendant must utilize an independent, non-party expert to prove obviousness. Indeed, in Oxygen Frog, the defendants designated Oxygen Frog’s CEO and co-defendant, Fleischman, as its expert. This can be important when the art in question is very narrow or highly specialized or the defendant is disinclined to spend the considerable money involved in using an independent expert.

Thus, the interesting question raised by Oxygen Frog is not whether lay witnesses will be allowed to opine on the ultimate issue of obviousness, but where the line will be drawn on opining about predicates or subsidiary facts and/or the technology issues that necessarily underlie any inquiry into obviousness.

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[1] 5, 2020).

[2] On Tuesday, February 18, 2020, the defendants petitioned the Federal Circuit to rehear the appeal en banc.

[3] Graham v. John Deere Co. , 383 U.S. 1 (1966) (“Graham”).

[4] Corrected Opening Brief of Appellant HVO, dated May 17, 2019, at 6 (“HVO Op. Br.”).

[5] Daubert v. Merrell Dow Pharm. Inc. , 509 U.S. 579 (1993) (recognizing the right of an adversary to make an in limine evidentiary challenge to the admissibility of an expert report).

[6] Corrected Brief of Appellees Oxygen Frog LLC and Scott D. Fleischman, dated July 5, 2019, at 17-18, 23, 26-28, 30-32.

**Contributors:**

[Jacqueline Pennino Scheib](#) | [Nathaniel T. Arden](#) | [John L. Cordani](#)

[William J. Egan](#) | [Benjamin C. Jensen](#) | [Brian E. Moran](#)

[Kayla C. O'Leary](#) | [Kathleen M. Porter](#) | [Maria A. Scungio](#)

For additional information, please contact one of the lawyers listed above or another member of Robinson+Cole's [Intellectual Property + Technology Group](#). For insights on legal issues affecting various industries, please visit our [Thought Leadership](#) page and subscribe to any of our newsletters or blogs.



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