FENWICK & WEST LLP

Intellectual Property Bulletin

Fenwick & West LLP — Spring 2001

FENWICK & WEST LLP

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How Long Do Patents Last?

Laura A. Majerus (lmajerus@fenwick.com)

A patent gives its owner a right to stop others from making, using and selling the methods and items covered by the patent. But patent rights do not last indefinitely. How long will your patent rights last?

Prior to June 8, 1995, the answer to this question was easy. It used to be that a patent lasted 17 years from its date of issue. Thus, if a patent was issued on March 15, 1994, the patent holder's rights expired on March 15, 2011. The owner of the patent was able to assert his patent rights against infringement occurring while the patent was in force, but not for infringement occurring afterwards. Thus, once the patent term expired, people were free to use the invention covered by the patent. A patent owner could still sue for patent infringement after the expiration of his patent, but only for infringement occurring prior to the expiration of the patent and only for a limited time after expiration of the patent.

The policy behind patent expiration results from a balancing of the patent owner's rights and the rights of other people to use and benefit from the patented invention. In exchange for revealing to others how to make and use the invention, the patent owner gets the time-limited right to keep others from making, using or selling the invention.

But eventually, other people need to be able to use the invention and benefit from it. Thus, the term of a patent, during which the patent owner enjoys a limited right to exclude others, is limited to a specific time period, instead of existing forever, so that others can enjoy the fruits of the invention. In contrast, a trademark, an indicator of the source of a product or service, can have an unlimited term.

Patent terms became somewhat more complicated in 1995. A patent filed on or after June 8, 1995, has a term of 20 years from its earliest filing date. A patent filed before June 8, 1995, now has a term the longer of: (1) 20 years from its earliest filing date, or (2) 17 years from its date of issuance. 35 U.S.C. § 154.

The change in patent term was made, at least partly, in reaction to "submarine patents." Submarine patents are based on patent applications that are kept secretly pending in the Patent Office for extremely long periods of time, only "surfacing" when they finally issue as patents.

Before the changes in patent term limits, an original patent application could be filed in, for example, 1959. Thereafter, continuation applications based on the original filing could be filed, keeping the chain of applications back to the original patent application alive. Even though the patent that finally issued had been pending for 20 or 30 years, it would still be granted a life of 17 years from its issue date.

Thus, it was possible for a patent application filed in 1959 to issue as a patent in 1994 and have a 17-year term. Worse, because patent applications are held in secrecy until they issue, the subject matter of the patent could have become very widely accepted during the time it was pending, causing people doing things covered by the patent to be surprised to learn that their long-standing actions were infringing a newly issued patent.

Changing the patent term to depend on the filing date rather than the issue date created a disincentive to keep submarine patents alive for long periods of time. If a patent will only live for 20 years from its earliest filing date, then a submarine patent that issues 15 years after it was filed will only have five years of useful life left.

The change does not completely eliminate submarine patents, but it does ensure that a submarine patent cannot be pending in the Patent Office for longer than 20 years (otherwise it would issue as a patent and immediately expire).

In addition, if a pending patent application is involved in certain other kinds of internal proceedings within the Patent Office, the patent term may be tolled for the time taken by those procedures. 35 U.S.C. §154(c). Thus, if a patent application is involved in an appeal to the Board of Patent Appeals (an internal Patent Office review board) and the applicant wins the appeal, the time required for the appeal is not deducted from the term of the patent when it finally issues.

In 2000, the situation got even more complicated. Certain provisions of the American Inventors' Protection Act (AIPA) affecting patent terms went into effect on May 29, 2000. 35 U.S.C. §154(b). Under the AIPA, the terms of patents resulting from applications filed on or after May 29, 2000, are lengthened by delays caused by the Patent Office. Thus, if the Office causes delays during the examination of a patent application, the term of the resulting patent can extend more than 20 years from filing. In contrast, if a patent applicant files extensions of time (which are permitted under the rules), these extensions whittle away at the extra time over 20 years added by the Patent Office's delays. An applicant's delays, however, cannot reduce the patent term to less than 20 years, which is required by statute.

For example, assume that a patent was filed on January 1, 2001. The term of the patent would normally be 20 years from the date of filing (*i.e.*, January 1, 2021). But if the Patent Office delays for five months during the time that the patent application is being examined, then those five months are added to the term of the patent, causing the patent to expire five months after January 1, 2021. In addition, if the patent applicant requests and receives five months and three days of extensions during the time that the patent is being examined, then five months are subtracted from the time added due to the Patent Office's delay, but the three days are not subtracted. Note that the reduction due to delay by the applicant only takes the patent term back down to 20 years. The remaining three days of delay by the applicant are not counted, since they would make the patent term less than 20 years.

As of this writing, very few patents have issued that are affected by the new rules concerning delay. The Patent Office has started printing information on the face of the patent summarizing the delays and their effect on the patent term.

A wide variety of delays can affect a patent term. For example, the Patent Office is supposed to send a written evaluation of the patent application (called an "Office Action") within 14 months of receiving the patent application. For certain areas of technology, delays in sending Office Actions are currently running up to two years, so it is possible that applications in these groups will receive large term extensions for future patents.

So, how long will your patent last? Some general examples may help clarify things:

- A patent application is filed on January 1, 1999, and issues. Assuming no delay, the resulting patent will expire on January 1, 2019, which is 20 years from the filing date.

- A provisional patent application is filed on January 1, 1999. On January 1, 2000, a utility applicationclaiming priority to the provisional application is filed. Assuming no delay, the resulting patent will expire on January 1, 2020. This is because a filing date based on a provisional application is not counted when determining the patent term, so the filing date is counted as being in 2000. 35 U.S.C. §154(a)(2).

- A patent application is filed on January 1, 1993, and issues on January 1, 1997. Assuming no delay, the resulting patent will expire on January 1, 2014, which is the later of 17 years from issue or 20 years from filing.

- A patent application is filed on January 1, 1993. continuation application is filed on January 1, 1996, and a patent issues on January 1, 1997. Assuming no delay, the resulting patent will expire on January 1, 2013, which is 20 years from the earliest filing date. This example differs from the previous example because filing a continuation appliction on or after June 8, 1995, removed the possibility of using the rules covering applications filed earlier than June 8, 1995.

It is important to note that the new changes to the patent term affect how long a patent will live, but do not affect the time requirements to assert a patent against a potential infringer. It is generally possible to claim damages for up to six years of infringement. 35 U.S.C. §286. Thus, even though a patent expires, it may be possible to file a patent suit based on infringement occurring while the patent was alive.

An expired patent, however, cannot form the basis for an injunction against current infringing behavior. The equitable theory of laches also affects the timing of a patent litigation. If a patent owner has been “sleeping on their rights” for a significant period of time, allowing an infringer to continue infringing a patent, that infringer may be able to assert the defense of laches.

In summary, determining how long your patent will live is currently more complicated than it used to be. The term is now based on the patent’s earliest filing date instead of on its issue date. In addition, to be absolutely sure of the length of the term, a careful patent owner will check the delays listed on the front of the patent against his own records of a patent’s travels through the Patent Office and correct errors at once.

A Practitioner’s Guide To Section 365(n) Of The U.S. Bankruptcy Code

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Practitioners who draft license agreements that involve intellectual property are well advised to be familiar with the provisions of Section 365(n) of the U.S. Bankruptcy Code. Section 365(n) specifies certain rights and obligations of licensors and licensees with respect to licenses of intellectual property following a licensor’s filing of bankruptcy (for the purposes of this article, a licensor that has filed for bankruptcy is sometimes referred to as the “trustee”). Section 365(n) does not apply in the event a licensee files for bankruptcy.

Under U.S. bankruptcy law, the trustee has the right to assume or reject executory contracts (which include licenses of intellectual property). In order to assume an executory contract, the trustee must cure any defaults, compensate the licensee for any damages incurred by the licensee as a result of any defaults and provide adequate assurances of future performance. As to an intellectual property license, if the trustee assumes the license, the licensee’s rights remain in effect as if the licensor had never commenced bankruptcy proceedings. Where Section 365(n) becomes relevant is during the period after the trustee files a bankruptcy petition (but prior to the trustee’s election to accept or reject a license agreement) and, more important, after the trustee rejects a license agreement.

As a starting point for understanding the scope of Section 365(n), it is important first to examine the definition of “intellectual property” under U.S. bankruptcy law. Section 101(35A) defines “intellectual property” as including: (1) trade secret; (2) invention, process, design or plant protected under title 35; (3) patent application; (4) plant variety; (5) work of authorship protected under title 17; or (6) mask work protected under chapter 9 of title 17, to the extent protected by applicable nonbankruptcy law. Trademarks are not included in the definition of intellectual property. Also, although from a policy standpoint there would not seem to be any reason to exclude foreign patents, it is unclear whether foreign patents are included in this definition of intellectual property.

With respect to the period after the trustee files a bankruptcy petition (but prior to the trustee's election to accept or reject a license agreement), Section 365(n)(4) provides that, upon the licensee's written request, the trustee must, to the extent provided under the license agreement (or under any agreement supplementary to the license agreement), either perform its obligations under the license agreement or furnish the licensee with the licensed intellectual property (including any embodiment of the intellectual property). Also, during this period, the trustee may not interfere with the licensee's rights under the license agreement (or under any agreement supplementary to the license agreement) to obtain the licensed intellectual property (or any embodiment of the intellectual property) from a third party, such as an escrow agent.

As a practice pointer directed toward the rights specified in Section 365(n)(4), the licensee should include in the license agreement (and, as applicable, in any supplementary agreement, such as an escrow agreement) a provision confirming that the licensed intellectual property is deemed to be "intellectual property" under U.S. bankruptcy law and expressly requiring the trustee to furnish the licensed intellectual property to the licensee upon the occurrence of specific performance-related breaches. An example of this type of provision is as follows: "The parties acknowledge that the Licensed Intellectual Property is "intellectual property" for purposes of Section 365(n) of the U.S. Bankruptcy Code and that Licensee will have the right to exercise all rights provided by Section 365(n) with respect to the Licensed Intellectual Property. In the event that the Licensor materially breaches its maintenance obligations under this Agreement, Licensee will have the right to require the delivery by Licensor (or in the event of a filing of bankruptcy by or against Licensor, by the trustee) to Licensee of all Licensed Intellectual Property (including all embodiments thereof)."

Section 365(n)(1) addresses the licensee's rights following the trustee's rejection of the license agreement. Specifically, upon such a rejection, the licensee may elect: (1) to treat the rejection as a termination of the license agreement, or (2) to retain its rights under the license agreement (or under any agreement supplementary to the license agreement) to the licensed intellectual property, as such rights existed immediately prior to the commencement of the bankruptcy case. If the licensee elects to treat the rejection as a termination of the license agreement, the licensee will lose its rights to the licensed intellectual property and will have the right to seek damages on a pre-petition, unsecured basis for a breach of contract claim-this remedy existed pre-Section 365(n) and this provision does not alter a licensee's remedy.

Section 365(n)(1)(B) makes express that a licensee's retained rights include the right to enforce any exclusivity provisions of the license agreement, but exclude any rights under applicable nonbankruptcy law to obtain specific performance of the agreement. Moreover, a licensee's retained rights will remain in effect for the duration of the agreement and for any extension period to which the licensee is entitled under applicable nonbankruptcy law.

It cannot be overemphasized that under Section 365(n)(1)(B), the licensee is entitled to retain *only those rights that existed immediately prior to the commencement of the bankruptcy case*. The licensee will not be entitled to retain any rights that are contingent upon or are intended to come into effect upon the occurrence of events that did not occur prior to the commencement of the bankruptcy case. For example, if the licensee contemplates that it will require the right to modify the licensed intellectual property if the licensor fails to maintain the licensed intellectual property, the license agreement must provide the licensee with a present grant of these rights (as opposed to providing that the licensor will grant these rights to the licensee upon the occurrence of the event in question).

Because a licensor often is reluctant to agree to an unconditional present grant of rights, as described above, it is common to combine a present grant of rights with a covenant not to exercise the rights until the occurrence of the event in question. An example of this type of provision is as follows: "Licensor hereby grants to Licensee a nonexclusive, nontransferable, royalty-free license to use, copy and modify the Licensed Intellectual Property for the purposes of maintaining and supporting the Licensed Intellectual Property. Licensee covenants and agrees that it will not exercise the license rights granted in this Section unless and until Licensee materially breaches its maintenance obligations under this Agreement."

It is very important for a licensee to remember that, although Section 365(n) provides the licensee with the right to retain its license rights and to obtain the licensed intellectual property, once the trustee rejects the license agreement, the trustee is relieved from any other performance obligations under the agreement. Thus, the trustee will no longer have an obligation to provide maintenance, support, consultation, further development, indemnification, etc., even if these benefits are provided to the licensee in the license agreement. Although in most instances it is likely that a licensee would desire to retain its rights, in considering whether to treat a trustee's rejection as a termination of the license agreement, a licensee should consider the practical ramifications and costs associated with using the licensed intellectual property, absent any further performance by the licensor.

Section 365(n)(2)(B) provides that, if the licensee elects to retain its rights, the licensee must make all royalty payments required under the license agreement for as long as it continues to exercise these rights. The term "royalty" is broadly construed, *i.e.*, it is deemed to include any payment for the use of the intellectual property, whether denominated as a royalty, license fee or otherwise. *See In re Prize Frize, Inc.*, 32 F.3d 426 (9th Cir. 1994).

A licensee would be well advised to have the license agreement clearly delineate any royalties or license fees that are payable with respect to the licensed intellectual property from other fees that the licensee may be required to pay for maintenance, training or other services. Without this delineation, the licensee may be required to pay amounts for services that it will no longer be entitled to receive from the licensor, as discussed above. The same concern is applicable to payments for intellectual property that is not included in the definition of "intellectual property" under U.S. bankruptcy law. For example, if a portion of a royalty payment is in consideration for the right to use the licensor's trademark, the licensee should ensure that the license agreement clearly identifies that portion of the royalty payment. Otherwise, although trademarks are not included in the definition of intellectual property, the licensee may be required to pay that portion of the royalty attributable to the trademark rights (as part of the overall royalty payment that the licensee makes to retain its rights in the licensed intellectual property), even though the licensee's right to use the licensor's trademark will not be preserved under the Section 365(n) election.

Section 365(n)(1)(C) provides that, if the licensee elects to retain its rights, the licensee is deemed to waive any right of setoff it may have under applicable nonbankruptcy law. This waiver means that the licensee can no longer claim that its payment obligations should be reduced by the damages it has incurred as a result of the filing of bankruptcy by the licensor. The licensee is also deemed to waive any right to any claim for administrative expenses under Section 503(a), a category of expenses that a licensee of intellectual property would be unlikely to have incurred.

Finally, like Section 365(n)(4)(A), which addresses the licensee's right to obtain the licensed intellectual property during the period after the trustee files a bankruptcy petition (but prior to the trustee's election to accept or reject a license agreement), Section 365(n)(3)(A) provides the licensee with the right to obtain the licensed intellectual property from the trustee following the trustee's rejection of the license agreement. Also, like Section 365(n)(4)(B), Section 365(n)(3)(B) requires that the trustee not interfere with the licensee's rights under the agreement or a supplementary agreement to obtain the licensed intellectual property (or any embodiment of the intellectual property) from a third party. (The practice pointer discussed above with respect to Section 365(n)(4) is equally applicable to Section 365(n)(3).)

Section 365(n) leaves a number of issues unresolved. For example, it is unclear under Section 365(n) whether a licensee that elects to retain its rights is released from its nonroyalty obligations, *e.g.*, confidentiality, marketing obligations and cross-licensing. Moreover, as previously discussed, the treatment of foreign patents following a licensor's filing of bankruptcy is unclear. Nevertheless, given the ever-growing reliance on technology, it is essential for practitioners who draft license agreements that involve intellectual property to be thoroughly familiar with the provisions of Section 365(n) in order to structure these agreements (and any supplementary agreements, such as escrow agreements) accordingly.

Quick Updates

Amendment Made To Better Define A Claimed Invention Is Narrowing

In *Litton Sys., Inc. v. Honeywell Inc.*, 57 U.S.P.Q.2d 1653 (Fed. Cir. 2001), the Federal Circuit held that Honeywell did not infringe Litton's U.S. Reissue Patent No. 32,849 (the "'849 reissue"). The case was previously appealed twice, and in each instance the Federal Circuit remanded. In the first instance, the Federal Circuit remanded to the district court after the Supreme Court's decision regarding prosecution history estoppel in *Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 520 U.S. 17 (1997). *Litton Sys., Inc. v. Honeywell, Inc.*, 87 F.3d 1559 (Fed. Cir. 1996). In the second instance, the Federal Circuit remanded to the district court to determine whether Honeywell infringed a claim reciting a "Kaufman-type ion beam source" under the doctrine of equivalents. *Litton Sys., Inc. v. Honeywell, Inc.*, 140 F.3d 1449 (Fed. Cir. 1998).

On the second remand, the district court used the then-applicable "flexible-bar" approach to analyze the claim and concluded there was no infringement under the doctrine of equivalents. Litton appealed and the Federal Circuit affirmed in part and remanded in part. In affirming, the Federal Circuit relied upon its recent decision in *Festo Corp. v. Shoketsu Kinzoku Kabushiki Co.*, 234 F.3d 558 (Fed. Cir. 2001). The Federal Circuit noted that although its decision in the second remand called for the use of the "flexible-bar" approach to determine prosecution history estoppel, this approach was expressly repudiated in Festo in favor of the "complete bar" approach.

The Federal Circuit again stated that a narrowing amendment made for any reason related to the statutory requirements for a patent gives rise to prosecution history estoppel with respect to the amended claim element. Here, Litton amended the term "ion beam source" to "Kaufman-type ion beam source" during prosecution in response to a rejection under 35 USC § 112, second paragraph. This section of the statute states that the specification must conclude with "one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention." The Federal Circuit noted that the Examiner rejected Litton's claim because it did not claim what Litton regarded as its invention. The Federal Circuit concluded that "[a] 'regards [as] his invention' rejection is clearly related to the section 112, paragraph 2 statutory requirement for a patent, and therefore, Litton's narrowing amendment gives rise to prosecution history estoppel." Hence, the doctrine of equivalents did not apply in this case.

Resumption Of Trade Secret Misappropriation After Inactive Period Does Not Give Rise To A Second Statutory Period In Which To Bring A Claim

In *Glue-Fold, Inc. v. Slautterback Corp.*, 82 Cal. App. 4th 1018 (August 2000), the California appellate court held that the three-year limitation period, which begins upon discovery of an act of trade secret misappropriation, is not tolled by subsequent inactivity by the misappropriator. The court further concluded that the limitation period is not tolled if such inactivity is followed by a “continuing misappropriation” as referred to in the Uniform Trade Secrets Act (the “Act”), which California has adopted.

Glue-Fold developed a process for applying glue to paper products intended for mailing. Glue-Fold asked Slautterback to provide expertise in making the parts needed to implement the process. Prior to divulging its new process, Glue-Fold required Slautterback to execute (in March 1992) a nondisclosure agreement (NDA). With the NDA in place, Slautterback incorporated Glue-Fold’s process into a machine. In November of 1992, Slautterback requested permission to market the product produced by the machine. Although Glue-Fold refused permission, Slautterback marketed and sold the product.

The undisputed evidence showed that in August 1995 Glue-Fold had actual notice of the misappropriation of its trade secret by Slautterback. In October 1995, Glue-Fold protested to Slautterback about its perceived violation of the NDA. Slautterback discontinued its marketing until June 1996. Discussions through 1998 did not resolve the dispute. On January 6, 1999, Glue-Fold filed a complaint against Slautterback for trade secret misappropriation under the Act. The trial court granted Slautterback’s motion for summary judgment, agreeing that Glue-Fold’s cause of action was time barred.

The Act provides: “An action for misappropriation must be brought within three years after the misappropriation is discovered or by the exercise of reasonable diligence should have been discovered. For the purposes of this section, a continuing misappropriation constitutes a single claim.” In an attempt to avoid the conclusion that its claim was barred by the three-year period specified by the Act, Glue-Fold argued that it was the victim of two distinct periods of misappropriation by Slautterback.The first extended up to October 1995, when Glue-Fold protested to Slautterback. The second began in mid-1996 when Slautterback resumed marketing unbeknownst to Glue-Fold. Because Glue-Fold commenced suit within three years of discovering the second period, Glue-Fold argued that the first period was of no consequence.

In affirming the grant of summary judgment, the appellate court concluded that the two periods of misappropriation as argued by Glue-fold were not the source of two separate claims. Rather, those two periods of misappropriation were integral parts of a “single claim” under the Act.

Credit Where Credit Is Due

In a closely watched case recently heard by the United States Supreme Court, a group of freelance authors brought suit against several major publishers, claiming that the publishers violated the authors’ copyrights by reproducing their works in electronic media. *Tasini v. New York Times Co.*, 206 F.3d 161 (2d Cir. 1999), cert. granted, 121 S. Ct. 425 (2000).
The authors originally licensed their works for publication in periodicals as separate

contributions to collective works. The authors registered copyrights in their individual works, and did not give the publishers express authority to license reproductions. The publishers subsequently licensed the works to Mead Data Central for inclusion in its NEXIS electronic database. The authors sued the publishers, including the New York Times and the Atlantic Monthly, as well as Mead Data Central.

At the heart of the dispute lies the interpretation of 17 U.S.C. § 201(c), the section of the Copyright Act governing collective works:

> Copyright in each separate contribution to a collective work is distinct from copyright in the collective work as a whole, and vests initially in the author of the contribution. In the absence of an express transfer of the copyright or of any rights under it, the owner of copyright in the collective work is presumed to have acquired only the privilege of reproducing and distributing the contribution as part of that particular collective work, any revision of that collective work, and any later collective work in the same series.

In a summary judgment ruling, the district court agreed with the publishers' argument that the individual works of the authors, once published in the publishers' respective publications, became collective works that the publishers were entitled to electronically reproduce and distribute as a "revision" of the collective work. *Tasini v. New York Times Co.*, 972 F. Supp. 804 (S.D.N.Y. 1997).

On appeal, the court noted the issue before it as whether "one or more of the pertinent electronic databases may be considered a 'revision' of the individual periodical issues [*i.e.*, collective work] from which the articles were taken." 206 F.3d at 163.

In explaining why the Copyright Act did not permit such licensing and reproduction of the authors' individual works, the appellate court first pointed out that "it is undisputed that the electronic databases are neither the original collective work—the particular edition of the periodical—in which the Authors' articles were published nor a later collective work in the same series." 206 F.3d at 166. It then rejected the publishers' argument that "each database constitutes a 'revision' of the particular collective work in which each [a]uthor's individual contribution first appeared" on the basis that such a definition runs contrary to a natural and lawful interpretation of the statute's language. *Id*. The court pointed out that "to view the contents of databases as revisions would eliminate any need for a privilege for a 'later collective work in the same series.'" 206 F.3d at 167. To illustrate this point, the court noted that NEXIS, which contains "millions of individually retrievable articles taken from hundreds of thousands of periodicals . . . can hardly be deemed a 'revision' of each edition of every periodical that it contains." *Id*.

4th Circuit Decides On The Validity Of AOL's Buddy List, You Have Mail And IM Marks

In *America Online, Inc. v. AT&T*, the Fourth Circuit determined the validity of AOL's "Buddy List," "You Have Mail" and "IM" (short for "instant messaging") trademarks. 57 U.S.P.Q.2d 1902 (2001). In 1998, AOL sued AT&T for trademark infringement because AT&T used the terms "Buddy List," "You Have Mail!" and "IM Here" on its competing service. The District Court granted AT&T's motion for summary judgment, despite AOL's federal registration for "Buddy List" and AOL's claimed prior use of the other marks, because "all three of the claimed marks were generic and incapable of functioning as trademarks." 64 F. Supp. 2d 549 (E.D. Va. 1999).

The Fourth Circuit reversed the district court's order in part. First, the Fourth Circuit determined that "You Have Mail" was not entitled to trademark protection. "You Have Mail" had been used to notify subscribers of the arrival of e-mail messages well prior to AOL's alleged first use. Further, AOL failed to use "You Have Mail" as a trademark, but rather used it to describe a service: the notification to subscribers that e-mail had been received. The court held that AOL's asserted use was no broader "than the word's common meaning" and that "when words are used in a context that suggests only their common meaning, they are generic and may not be appropriated as exclusive property."

With respect to "IM," the court held that AOL provided no evidence that "IM" constituted a trademark rather than simply the product at issue. While the court did not determine that "IM" is generic, it agreed with the district court that, based on the record before it, they would not permit AOL to enforce any rights in "IM."

"Buddy List" was the only mark for which AOL had obtained federal registration. AOL argued that the federal registration of "Buddy List" was entitled to substantial deference by the court. AOL argued that since the Patent and Trademark Office (PTO) determined that "Buddy List" was not descriptive or generic when it registered the mark, the district court should defer to the PTO's judgment absent extraordinary circumstances. The Fourth Circuit rejected this contention, noting that Congress had expressly vested federal courts with the power to determine the validity of trademark registrations and Congress would not accord the PTO any special deference in determining the validity of a mark. However, the Fourth Circuit held that the district court improperly weighed whether AT&T's evidence overcame the presumption that a federally registered mark is not descriptive or generic, and remanded the case to the district court.

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