

# TC'S IP CORNER®

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# TC'S IP CORNER®

Welcome to TC's IP Corner®. We are excited to share this quarterly newsletter with our clients, colleagues, and friends as we examine hot topics, interesting cases, and weird yet entertaining happenings in the world of intellectual property.

If you have ideas for future editions, please reach out to one of the editors listed below.

## COPYRIGHTABILITY OF AI GENERATED WORKS

The Copyright Office recently released part two of a three part report on the legal and policy issues related to copyright and artificial intelligence.<sup>1</sup> This second part addressed the copyrightability of works created using Generative AI.<sup>2</sup>

There are two fundamental requirements of copyright protection especially relevant to copyright protection over works that have elements created by Generative AI: (1) the requirement of human authorship and (2) copyright law does not protect ideas but rather protects the author's expression of those ideas. Human authorship does not mean someone cannot use the help of a machine, but copyright protection requires sufficient human-authored expressive elements. For example, a photographer can obtain copyright protection for a photograph based upon the photographer's creative contributions such as how the subject is posed and the choice and placement of accessories. An example of the idea/expression dichotomy is that the person who commissions a sculpture is not the author, even if they provide suggestions. However, the person who sketches the design and/or who executes the vision in a tangible medium of expression may be an author.

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<sup>1</sup> <https://www.copyright.gov/ai/Copyright-and-Artificial-Intelligence-Part-2-Copyrightability-Report.pdf>

<sup>2</sup> For purposes of this article, "Generative AI" refers to use of artificial intelligence to generate content based on predictions learned from a data set.

For Generative AI, the Copyright Office addressed three kinds of human contribution to AI-generated outputs: (1) prompts that instruct an AI system to generate an output; (2) expressive inputs that can be perceived in AI-generated outputs; and (3) modifications or arrangements of AI-generated outputs.

The first, prompts, is the only one with a bright-line rule: prompts alone do not confer copyrightability. The Copyright Office found that prompts essentially function as instructions that convey unprotectible ideas. One of the main issues is that the same prompt can generate an infinite number of different outputs, suggesting a lack of human control. The Copyright Office also found that repeatedly revising prompts does not change this analysis because it is merely “re-rolling the dice” without changing the who/what is making the creative choices.

The second kind of human contribution was expressive inputs that can be perceived in the AI-generated output. This would include, for example, an individual taking their own copyrightable work (such as a drawing) and inputting it into a Generative AI system and instructing the system to modify it in certain ways. In this scenario, the individual would have authorship of at least the expressive elements perceptible in the output. For example, in the images below, a human drew the input and used a prompt<sup>3</sup> and AI to generate the output. The registration for the copyright for the output protects the elements clearly perceptible from the input, including the outline of the mask, the position of the nose, mouth, and cheekbones relative to the shape of the mask, the arrangement of the stems and rosebuds, and the shape and placement of the four leaves, but the registration does not protect “the realistic three-dimensional representation of the nose, lips, and rosebuds.”

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<sup>3</sup>

Prompt used in the example: “a young cyborg woman (((roses))) flowers coming out of her head, photorealism, cinematic lighting, hyper realism, 8k, hyper detailed.”

*Input**Output*

The third kind, modifications and arrangements of AI generated works, may also be protectable. This includes using AI as an initial or intermediate step but then using human authorship to add to the final product. This category may be protectable, on a case-by-case basis, depending on whether the author-added modifications meet the normal standards for copyright protection of originality and fixation in a tangible medium of expression.

If your clients are using or intend to use AI in their business, please consult with a member of TC's IP group for assistance in helping your clients protect their creative work product when they use AI.

## DON'T STEP ON NIKE'S TOES: JURY SIDES WITH NIKE OVER LULULEMON'S ALLEGEDLY INFRINGING SHOES

Post-pandemic, the fitness bug took off. After almost two years of feeling trapped indoors, people began flocking to the gym for strength training, to the studios for Pilates, to the trails for running, and to the courts for pickleball. With the surge in physical activity, sportswear companies are competing to produce cutting-edge designs that are functional, comfortable, and aesthetically pleasing. In previous decades, house names, such as Nike, Adidas, and Puma, dominated the market. However, in recent years, the evolution of social media has allowed smaller brands to gain significant traction in the industry.

Lululemon, a Canadian athletic apparel retailer, and fan favorite of the younger generation, initially focused on selling women's yoga wear and has since successfully expanded into a wider range of athletic apparel, accessories, and shoes. Lululemon's release of four shoe designs - Chargefeel Mid, Chargefeel Low, Blissfeel, and Strongfeel – caught the attention of powerhouse Nike, who believes Lululemon's designs stepped too close to its patented rights for comfort.

On January 30, 2023 Nike sued Lululemon in the Southern District of New York for infringement of three of its utility patents - U.S. Patent Nos. 8,266,749 (the "749 patent"), 9,375,046 (the "046 patent"), and 9,730,484 (the "484 patent").<sup>1</sup> Nike alleged that Lululemon's four shoe designs infringed the claims of its asserted patents, which are generally directed to methods of manufacturing knitted footwear with elements that aim to enhanced flexibility, breathability, and weight.

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<sup>1</sup> *Nike, Inc. v. Lululemon USA Inc.*, Case No. 1:23-cv-00771 (S.D.N.Y. Jan 30, 2023).

Nike further alleged that Lululemon's products and activity caused economic harm as well as irreparable injury, and requested a permanent injunction and at least 5% of Lululemon's revenues from the shoes in compensatory damages.



On March 10, 2024, the jury found that Lululemon's designs infringed Nike's '749 patent, Claim 1 of which is recited below:

A method of manufacturing an article of footwear, the method comprising:

- simultaneously knitting a textile element with a surrounding textile structure, the knitted textile element having at least one knitted texture that differs from a knitted texture in the surrounding knitted textile structure;
- removing the knitted textile element from the surrounding knitted textile structure;
- incorporating the knitted textile element into the article of footwear.

The jury awarded Nike a reasonable royalty rate of \$1.20 per unit, totaling to \$355,450, calculated from the date the complaint was filed. The jury did not find that Lululemon infringed the '046 patent.<sup>2</sup>

While Nike secured a partial win over Lululemon, a rising star in the sportswear market, in civil court its fight to maintain superiority is not over. A Lululemon spokesperson stated that the company was “very pleased” with the partial noninfringement verdict, called the damages awarded “nominal,” and stated its intent to appeal the infringement ruling on the one patent.<sup>3</sup>

Nike’s battle with Lululemon also wages on in another arena, the Patent Trial and Appeal Board (“PTAB”). In 2024 Lululemon filed petitions requesting *inter partes* review of all three of Nike’s asserted patents. On March 21, 2025 the panel of administrative judges issued its first decision for the Nike patents, a unanimous ruling that all 19 claims of the '484 patent were invalid pursuant to 35 U.S.C. § 103 as obvious over the combined teachings of three prior-art references. The PTAB is still reviewing the validity of the remaining two patents.

TC’s IP group regularly advises clients on navigating patent issues as they develop new products and services. If you or a client would like more information on navigating patent issues, is interested in applying for a patent, or needs assistance with a patent infringement case, please reach out to a member of our IP team.

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<sup>2</sup> Nike elected not to place the '484 patent before the jury.

<sup>3</sup> Blake Brittain, *US jury says Lululemon infringed Nike shoe patent*, REUTERS (Mar. 10, 2025, 4:39 PM), <https://www.reuters.com/legal/litigation/us-jury-says-lululemon-infringed-nike-shoe-patent-2025-03-10/>



## SO YOU'RE SAYING I HAD TO INVITE THE ENTIRE FAMILY TO THE PARTY?

In a recent decision by the U.S. Supreme Court, the Court highlighted the importance of naming the correct defendant(s) in trademark infringement cases.<sup>1</sup> Under the federal statute governing trademarks, the Lanham Act, a prevailing plaintiff in a trademark infringement suit may be entitled to an award of the “defendant’s profits.” In the *Dewberry* opinion, the Supreme Court determined whether a district court may total the profits of a named corporate defendant with those of separately incorporated affiliates not parties to the suit, and concluded that it may not.

In this case, the defendant Dewberry Group provided business, administrative, marketing and legal services for 30 affiliate companies. Each of the affiliate companies owns commercial property for lease, generating millions in profit. In its role in providing business services to the 30 affiliate companies, the defendant Dewberry Group operated at a loss each year.

Through Dewberry Group’s marketing efforts emphasizing the “Dewberry” name for each of its 30 affiliates, Dewberry Group was held liable for trademark infringement of the plaintiff’s “Dewberry” mark. Even though Dewberry Group operated at a loss and had no profits, the district court determined that the “defendant’s profits” could include the profits of non-party affiliates, under the reasoning that Dewberry Group should not be able to evade the financial consequences of its actions via its affiliates’ profits just because it operated at a loss.

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<sup>1</sup>

The case is *Dewberry Group, Inc. v. Dewberry Engineers Inc.*, 145 S. Ct. 681, 604 U.S. ---- (2025).

In a unanimous decision, the Supreme Court vacated the district court's decision, reasoning that the plaintiff chose not to add Dewberry Group's 30 affiliates as co-defendants, and therefore the affiliates' profits are not the "defendant's profits" disgorgable under the Lanham Act. Importantly, the Court offered no opinion on piercing the corporate veil, which was not pursued by the plaintiff in this case.

How might this case affect trademark owners' enforcement strategy? If a trademark owner faces infringement by an entity that operates with affiliates, it may be necessary to include each of the affiliates as defendants in the trademark infringement lawsuit. At a minimum, once discovery shows that a defendant's infringing conduct may be financially benefitting an affiliated non-party, plaintiffs would be wise to consider adding such affiliated non-party as a defendant. Otherwise, plaintiffs may miss out on those profits resulting from a defendant's infringement.

If your clients have trademark questions, please consult a member of TC's IP group.

# WILL THE NEW ADMINISTRATION AND DOGE SHAKEUPS ADVERSELY AFFECT THE USPTO?

The United States Patent and Trademark Office, or USPTO, occupies a unique role within the federal government because it is entirely fee-funded and, along with the Internal Revenue Service, is one of the few cashflow positive agencies.<sup>1</sup> Additionally, unlike many agencies that only began to permit remote work in response to the Covid-19 pandemic, the USPTO adopted telework and remote work in the early 2000s and approximately 96% of the agency works remotely.<sup>2</sup>

Perhaps because its fee-funded status makes it a less attractive target for cost cutting, the USPTO has not been directly targeted by DOGE<sup>3</sup> and the Trump Administration's cost-cutting measures, but instead has been affected by their more general efforts to change the federal government. For example, in response to an executive order mandating termination of diversity, equity, and inclusion (DEI) programs,<sup>4</sup> the USPTO shuttered initiatives that sought to expand access to innovation and diversify the makeup of the inventor class.<sup>5</sup> The USPTO also terminated "a small number" of non-examiner probationary employees as part of the Trump Administration's larger purge of probationary employees.<sup>6</sup>

<sup>1</sup> See USPTO, FY 2024 Agency Financial Report, at 52 (2024) (reflecting net assets of \$1.441 billion).

<sup>2</sup> See Michael Shapiro and Annelise Levy, *Patent Office Orders Teleworking Examiners Back to the Office*, Bloomberg Law (Feb. 5, 2025), <https://news.bloomberglaw.com/ip-law/patent-office-orders-teleworking-examiners-back-to-the-office>.

<sup>3</sup> As used herein, "DOGE" or the "Department of Government Efficiency" refers to former United States Digital Service ("USDS"). The USDS was a technology unit housed within the Executive Office of the President of the United States and established by Congressional appropriations. See AMERICAN RESCUE PLAN ACT OF 2021, PL 117-2, March 11, 2021, 135 Stat 4 (March 11, 2021). The USDS originally provided consultation services to federal agencies on information technology. The USDS was renamed DOGE by President Trump via executive order, and now is "dedicated to advancing the President's 18-month DOGE agenda," which purports to be a cost efficiency initiative. Exec. Order No. 14158, 90 Fed. Reg. 8441 (Jan. 20, 2025); Exec. Order No. 14222, 90 Fed. Reg. 11095 (February 26, 2025).

<sup>4</sup> See Exec. Order No. 14151, 90 Fed. Reg. 8339 (January 20, 2025).

<sup>5</sup> See Theresa Schliep, *Trump's DEI Cuts Threaten USPTO Innovation Goals*, Law360 (January 31, 2025).

<sup>6</sup> Dani Kass, *USPTO Fires Some Probationary Workers, but Not Examiners*, Law360 (February 28, 2025); Rebecca Beitsch, *OPM directs agencies to fire government workers still on probation*, The Hill (February 13, 2025).

The main effect thus far on the USPTO, however, has been the government's return to office mandate.<sup>7</sup> Initially, there was significant concern that the mandate would force all USPTO employees back to a physical office despite the fact that employees may live hundreds or thousands of miles from DC and were hired as entirely remote employees.<sup>8</sup> Stakeholders expressed concern that a forced recall of all USPTO employees would result in a significant number of employees, including patent examiners, being forced to resign because they were unable or unwilling to relocate.<sup>9</sup> In such a case, patent pendency – the time it takes for a patent to issue from its initial filing date – would likely skyrocket as the workload stayed the same and the examiner corps shrunk.

Thus far, however, only employees who are not subject to bargaining agreements – such as administrative judges and supervisory patent examiners – have been subject to the mandate.<sup>10</sup> But even that more limited mandate has created concerns among stakeholders.<sup>11</sup> Administrative judges oversee both *ex parte* appeals of USPTO rejections and post-grant proceedings such as *inter partes* review (an administrative process of challenging an issued patent's validity). If the return to office mandate results in attrition, pendency of patent applications may increase (as fewer *ex parte* appeals are decided). And, while *inter partes* reviews are on a strict timetable set by statute,<sup>12</sup> fewer administrative patent judges could mean that each proceeding is given less time for review and analysis, resulting in weaker decisions and a greater need for appeal.

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<sup>7</sup>

*Return to In-Person Work*, Presidential Memorandum (January 20, 2025).

<sup>8</sup>

Dennis Crouch, *USPTO's Remote Work Program Faces Potential Rapid Dismantling Under New Federal Guidelines*, PatentlyO (January 28, 2025).

<sup>9</sup>

*Id.*; see also Eileen McDermott, *What Do the Return to Office and Hiring Freeze Orders Mean for Examiners and SPEs?*, IPWatchdog (February 9, 2025) ().

<sup>10</sup>

See Eileen McDermott, *What Do the Return to Office and Hiring Freeze Orders Mean for Examiners and SPEs?*, IPWatchdog (February 9, 2025) (indicating that the return to office mandate would include managers, supervisors, and PTAB judges, but that examiners and other individuals covered by a collective bargaining agreement would be exempt).

<sup>11</sup>

See *id.* (noting potential for “devastating” effect if supervisory examiners, who are not subject to a bargaining agreement, elect to resign or take a buyout option).

<sup>12</sup>

See 35 U.S.C. § 316 (requiring regulations mandating that *inter partes* reviews reach a final determination within a year of the proceeding's institution).

This possibility seems increasingly likely as the USPTO recently told administrative judges to prepare for layoffs.<sup>13</sup> Similarly, attrition among the supervisory patent examiners, who are often responsible for training junior examiners, may result in a less well trained examiner corps and an overall lower quality of examination, which could also increase the need for appeals and may make patent assertions (where issued patents are subjected to further scrutiny) a riskier proposition.

It still remains to be seen what the future holds, but the distinct possibility exists that some of the recent changes implemented by DOGE and the Trump Administration may result in significant, and potentially detrimental, effects on the USPTO and its operations.

If you have a client with a patent or trademark issue, please reach out to a member of Thompson Coburn's IP department.

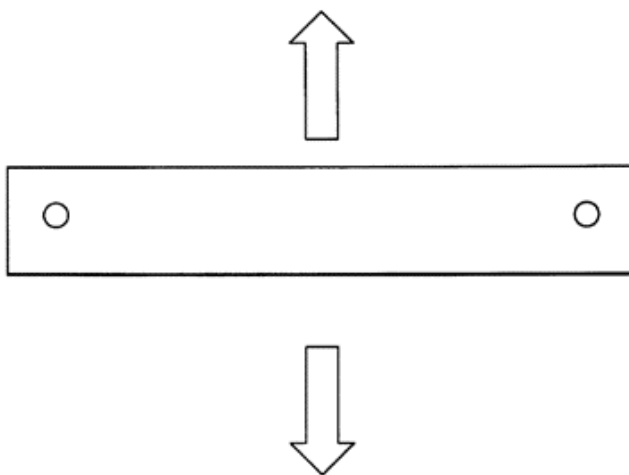
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<sup>13</sup>Theresa Schliep, *PTAB Judges Told To Get Ready For Layoffs*, Law 360 (March 21, 2025).

**YES... THIS REALLY HAPPENED**

## **PATENTS ARE FOR ALL AGES!**

While the average person may only consider reading patents when they have difficulty sleeping, U.S. Pat. No. 6,368,227 (“the ’227 patent”) proves that anyone can be an innovator and that patents can occasionally be an amusing read. The patent is directed to a method of swinging on a swing, developed by (at the time) five year old Steven Olson.<sup>1</sup> Conventional swinging, according to the ’227 patent, involves either “forward and back” movement “defined by oscillatory motion of the swing and the user along an axis that is substantially perpendicular to the axis of the tree branch from which the swing is suspended” or “twisting the seat around repeatedly so that the chains or ropes are wound in a double helix [and when] allowed to unwind, the swing spins quickly, which can be entertaining to the user.”<sup>2</sup>



**Figure 1**

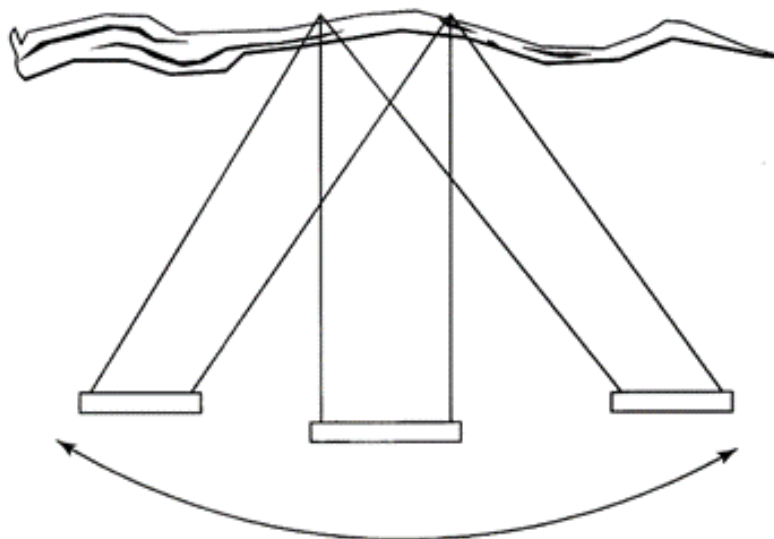
**Figure 1 (showing a conventional swinging direction)**

<sup>1</sup> See Jeff Hecht, *Boy takes swing at US patents*, NewScientist (April 17, 2002).

<sup>2</sup> '227 patent at 1:23-27, 2:15-20.

According to the '227 patent, such methods “can lose their appeal with age and experience” and therefore “[a] new method of swinging on a swing would [] represent an advance of great significance and value.”<sup>3</sup>

In contrast to conventional swinging, the '227 patent discloses swinging by “having the user pull alternately on one chain to induce movement of the user and the Swing toward one side, and then on the other chain to induce movement of the user and the Swing toward the other Side,” as shown below.<sup>4</sup>



**Figure 2**

**Figure 2 (showing the novel swinging method)**

The patent also cleverly notes that “because pulling alternately on one chain and then the other resembles in some measure the movements one would use to swing from vines in a dense jungle forest, the swinging method of the present invention may be referred to by the present inventor and his sister as ‘Tarzan’ swinging. The user may even choose to produce a Tarzan-type yell while

<sup>3</sup> *Id.* at 1:28-33.

<sup>4</sup> *Id.* at 3:8-4:3.

swinging in the manner described, which more accurately replicates swinging on vines in a dense jungle forest. Actual jungle forestry is not required.”<sup>5</sup>

After the news about the patent issuance got out, the USPTO on its own instituted a reexamination of the patent and cancelled all the patent’s claims (meanies!). The upshot is that “Tarzan” swinging can now be done without infringing the '227 patent.

*“Yes. . . This Really Happened!” is a recurring column in IP Corner that focuses on interesting and weird stories dealing with various aspects of intellectual property.*

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<sup>5</sup> *Id.* at 2:63-3:5.





# TC'S IP CORNER®

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