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Are Works Generated by AI Subject to IP Protection?

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When Philip Dick wrote the 1968 novel “Do Androids Dream of Electric Sheep?,” the inspiration for the 1982 film “Blade Runner,” artificial intelligence was more fiction than science. Fifty years later, the *Harvard Business Review* predicts that AI will be the single biggest technological development of our era, as transformative as the steam engine or electricity.¹ AI’s hallmark is machine learning, a machine’s ability to improve its performance on a given task without additional human instruction. While businesses have yet to harness AI’s full potential, many have incorporated AI capabilities in customer service chat bots and online ad optimization. Cutting-edge uses include analysis of medical images to improve diagnostics and financial data to prevent money laundering. AI has also crept into our daily lives. Everything from digital assistants like Amazon’s Alexa to Facebook’s facial recognition technology to Google Translate use AI. And, it is not hard to imagine computers being programmed to generate all forms of copyrightable content with no direct human interaction, from software code to movie scripts, to photographs. Much of this is already happening.

As businesses invest more heavily in AI, they will increasingly turn to intellectual property law to protect their investment. Copyright and patent law are currently equipped to protect the AI itself — the software and sensors used to perform machine learning. But there are many questions about whether intellectual property protections are available for AI’s output. Take for example The Next Rembrandt project, a machinegenerated 3D print in the style of the Dutch artist Rembrandt, created after AI analyzed Rembrandt’s real body of work.² The result is remarkable — but is it copyrightable? And if so, who owns the copyright? Businesses will also look to limit their liability for AI’s infringement of others’ intellectual property rights. For example, if AI optimizes software code by copying someone else’s protected material, who is liable for that infringement? These are important questions that courts and Congress will have to address as AI becomes more prolific.

What Protections are Available for AI-Generated Work?

Under U.S. law, something created without any human input is ineligible for copyright and patent protection. The U.S. Copyright Office will only register works “created by a human being.”³ And, in what little precedent exists, courts have agreed. The monkey selfie case — *Naruto v. Slater*⁴ — is perhaps the most notorious

and analogous decision. Naruto, a crested macaque, took selfies with photographer David Slater's camera. When Slater published the photographs, Naruto, through People for the Ethical Treatment of Animals, sued Slater for infringing Naruto's copyrights in the photos. The Northern District of California dismissed the case, finding that Naruto was not an "author" under the Copyright Act and therefore lacked standing to sue.

The same is true in the patent context. The Patent Act defines "inventor" as "the individual" or "individuals" who invented or discovered the invention.⁵ In interpreting the scope of patentable subject matter, the Supreme Court said Congress intended to make "anything under the sun that is made by man" patent eligible.⁶

But human involvement in the creative process is not "all or nothing." The Next Rembrandt was created by AI, but assisted by the team who developed the underlying software and machinery, conceived of the project and input the data. And the underlying data was itself created by man, having been painted by Rembrandt in the mid-1600s. Should those individuals be permitted to obtain intellectual property rights in the final product, even if the AI itself is not entitled to those rights?

In 1884, the Supreme Court grappled with a similar question about photographs. In *Burrow Giles Lithographic Co. v. Sarony*, the court heard arguments that photographs should not be entitled to copyright protection because they were merely mechanical reproductions of pre-existing objects.⁷ The court ultimately found that protection was warranted because the composition and lighting of the photograph were the product of "original mental conception." In other words, the camera did not create the work. It was merely a tool with which the photographer himself created the work. The same framework may be applied to AI, though the question of where to draw the line between creator and tool remains.⁸

The work-for-hire doctrine may also provide guidance as courts begin to review these issues. Under that doctrine, an employer is considered the "author" — and therefore the owner of the copyright — in works made

by an employee within the scope of his employment.⁹ An employment relationship is defined by how much control the employer has over his employee and the employee's work. If AI is sufficiently analogous to an employee, the business who owns the AI could argue it also owns copyrights in works the AI generates. Until these questions are answered, business may prefer to keep their AI-assisted creations secret and pursue trade secret protections instead.

Who is Liable When AI Infringes?

While AI cannot own intellectual property rights, AI may be able to infringe others' rights. For obvious reasons, it is not feasible to sue a machine. But under U.S. copyright and patent law, the AI's owner might be liable for the AI's infringing conduct. If the AI's owner takes sufficient action to cause the AI's infringement — through programming, data inputs or otherwise — the owner could directly infringe. Such infringement is analogous to using a copy machine to reproduce a protected work, which can constitute direct infringement.¹⁰ Alternatively, if AI becomes more autonomous, it is conceivable that an AI owner might be vicariously liable for the AI's copyright infringement when the owner possesses the right and ability to supervise the infringing conduct and a financial interest in the infringement.¹¹ Further, one who provides an infringer copyrighted materials and the means of copying those materials may be liable for contributory copyright infringement in some circumstances.¹²

Similar concepts exist in patent law. One can be liable for inducing another's infringement when he knows of the patent and knowingly induces the other to infringe.¹³ Courts have not examined when and how these doctrines of secondary liability might be applied in the AI context. And even more questions arise when the AI's creator differs from the AI's end user. Public policy may favor expanding existing doctrines to apply to AI infringement, particularly if the alternative is leaving intellectual property owners without an infringement remedy.

Ultimately, liability questions may largely turn on what role humans play after AI generates an infringing work. If AI copies a work and a human distributes it, it will be easier to attach liability to the human for violating the distribution rights, regardless of who is liable for

creating the infringing work. Conversely, if AI creates an infringing work and the work is kept in a private file, the copyright owner will likely never discover the infringement, and no claim will likely be brought. As with previous developments in technology, the law — either as enacted by Congress or interpreted by courts — will need to evolve in the near future to accommodate AI's transformation.

¹ Erik Brynjolfsson and Andrew McAfee, *The Business of Artificial Intelligence*, *Harvard Business Review*.

² More information about *The Next Rembrandt*.

³ U.S. Copyright Office, *Compendium of U.S. Copyright Office t989\Practices*, § 306 (3d ed. 2017).

⁴ *Naruto v. Slater*, No. 15-cv-4324-WHO, 2016 WL 362231 (N.D. Cal. Jan. 28, 2016).

⁵ 35 U.S.C. § 100(f).

⁶ *Diamond v. Chakrabarty*, 447 U.S. 303 (1980).

⁷ 111 U.S. 53, 58-59 (1884).

⁸ AI, of course, plays a role in modern digital photography, as well. With little human input, cameras can adjust lighting, eliminate red-eye and add filters. With the introduction of augmented reality, they can even add or change images, requiring a human to do nothing more than simply press a button to capture a largely computer-generated work.

⁹ 17 U.S.C. § 101 (defining “work for hire”).

¹⁰ It is worth noting that AI's infringement potential is not limited to mere copying of protected works. AI could also cause copyrighted works to be distributed or publicly performed or displayed, all of which could independently lead to infringement liability.

¹¹ See *A&M Records Inc. v. Napster Inc.*, 239 F.3d 1004 (9th Cir. 2001).

¹² *Sony Corp. v. Universal City Studios*, 464 U.S. 417, 442 (1984).

¹³ *Vita-Mix Corp. v. Basic Holding Inc.*, 581 F.3d 1317, 1328 (Fed. Cir. 2009).

What's in a Name? Sometimes, a Claim

Why Marketers Need Trademark and Regulatory Counsel at the Naming Stage

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Savvy marketers know that a product name is important. It is part of what sets your product apart from a host of others on the market. In “trademark speak,” it is your source identifier.

Perhaps because they are so important, product names often undergo “clearance” by trademark counsel, who analyze the name’s suitability as a source identifier vis-à-vis third parties and the United States Patent and Trademark Office (USPTO). A “clear” name might next undergo prosecution in an attempt to obtain a federal registration. This clearance and prosecution process often happens without any input from regulatory counsel. This approach is both problematic and costly. Product names can be more than source identifiers. They can and often do make claims about a product’s attributes. Such claims may make marketers the target of enforcement actions from federal agencies like the Food and Drug Administration (FDA).

While clearance and prosecution are important steps in the branding process, trademark issues should not be the only considerations at the naming stage. Product names need to be more than cleared and applied for—they need to be reviewed from regulatory and false advertising risk perspectives. In our experience as outside counsel, many companies choose to undertake these types of assessments after the trademark name has been established (or, sometimes, not at all). Early consideration of these concerns, especially with respect to FDA regulations, can help mitigate the risk of enforcement action, avoid costly rebranding activities, and help set the stage for lower risk promotion of products. Regulatory counsel should be involved in the naming process, and marketing

departments should consult regulatory counsel, simultaneously or before, trademark counsel.

How a Product Name Becomes a Product Claim

In 2014, the Supreme Court handed down its ruling in *Pom Wonderful LLC v. Coca-Cola Co.*, and marketers of products regulated under the Federal Food, Drug, and Cosmetic Act (FDCA) learned that compliance with FDCA regulations does not prohibit suits under the Lanham Act based on misleading and deceptive labels and names. While the notoriety of this case may draw attention, marketers should remember that the inverse of this holding is also true. False or misleading names, even those that function as trademarks and/or obtain federal registrations, may more often be challenged by FDA.

Under the FDCA, a food product is considered misbranded if the labeling is false or misleading in any material respect, or if it purports to be a defined and standard food, but fails to actually comply with the definition and standard. A product name, as part of a food's label, can be false or misleading under the FDCA, regardless of whether it would be considered so under the Lanham Act. For example:

JUST MAYO — In 2015, Hampton Creek, Inc. obtained a federal registration for the mark JUST MAYO covering “vegetable-based spreads” and “egg- and dairy-free mayonnaise; salad dressing.” In order to receive its registration, Hampton Creek had to disclaim the term “MAYO”—i.e., Hampton Creek stated on the record that it did not have the exclusive right to use “MAYO” apart from the mark JUST MAYO. The Trademark Office required the disclaimer since it believed “MAYO” was an abbreviation for “mayonnaise,” to be descriptive of the vegetable-based spreads and egg- and dairy-free mayonnaise for which the registration was sought.

A week after it received its trademark registration, Hampton Creek received a warning letter from FDA stating that JUST MAYO was misbranded in part because it “purports to be standardized food mayonnaise due to the misleading name and imagery used on the label, but it does not qualify as standardized food mayonnaise.” The letter explained that the term “JUST” together with “MAYO” reinforced the idea that the product is real mayonnaise because

it suggests that the product is “all mayonnaise” or “nothing but” mayonnaise. FDA, then, took an opposite view from the Trademark Office: while the latter found “MAYO” to describe the product, the former found the name to be misleading. Neither decision had any bearing on the other.

MUSCLE MILK — Cytosport, Inc. received its first trademark registration for MUSCLE MILK, covering “powdered nutritional supplement containing milk derived ingredients for adding to food or drink in 2000. More than a decade later, in 2011, FDA sent Cytosport a warning letter, explaining that the MUSCLE MILK name could be misleading to consumers since the product does not contain milk. The MUSCLE MILK name from a trademark perspective is fine—it is not deceptively mis-descriptive of the product, and it is arguably not descriptive since the product sold under it is not milk. Thus, the very thing that enabled Cytosport to register its name without having to disclaim the term “MILK” is part of what spurred FDA to take action.

BETTER'N PEANUT BUTTER — Wonder Natural Foods Corporation received its trademark registration for BETTER'N PEANUT BUTTER in 1998. In 2015, FDA issued a warning letter declaring the product as misbranded, in part, because the product purports to be “peanut butter” but does not qualify as “peanut butter” under applicable regulations. Again, a trademark lens would and did consider the “PEANUT BUTTER” portion of the name to be descriptive.

ALMONDMILK — In 2012, JEC Consulting and Trading, Inc. filed a trademark application for the name ALMONDMILK covering “almond-based food and beverage as a milk substitute.” The Trademark Office refused to register the name, considering it merely descriptive of those products. Applicable federal regulations describe milk as the “lacteal secretion . . . obtained by the complete milking of one or more healthy cows.” FDA has not yet issued its specific guidance on “faux” milks—those milk-like products that are derived from non-dairy sources like soy or various nuts. Collaboration between regulatory and trademark attorneys regarding faux milk names may lead to decisions not to prosecute trademark applications. From a regulatory perspective, there is a significant

chance that FDA will take steps to stop the use of the word “milk” in connection with anything that is not a true dairy product. From a trademark perspective, the terms “almond milk,” “soy milk,” and others are almost certainly to be considered descriptive matter. Thus, both regulatory and trademark concerns may lead to a decision not to expend resources on attempts to obtain a trademark registration.

Names can also run afoul of the FDCA by making a claim that the product is intended to diagnose, cure, mitigate, treat, or prevent disease or to affect the structure or function of the body. Products that make such claims are considered drugs under the FDCA and must comply with drug regulations. Examples of names used in this capacity include:

NICO WATER — In 2001, a company named Kessler & Associates filed a trademark application for the mark NICO WATER covering “drinking water containing Nicotine supplementation.” The application claimed that the mark was first used in United States commerce as early as June 2001—meaning that Kessler & Associates declared that the mark had been placed on products that were sold or transported in interstate commerce regulated by Congress as early as 2001. In 2002, FDA declared that bottled water containing nicotine is an unapproved drug that cannot be sold in the United States without federal clearance. Two years after FDA’s decision, the trademark application matured into registration and was assigned to the purveyor of the NICO WATER product, Quick Test 5.

While this example may be complicated by the trademark registration’s changes in ownership, it is a prime example of why regulatory and trademark counsel should at the very least work together from the earliest naming stages. The trademark application claimed use in commerce back to 2001, but Quick Test 5 said in 2002 that it had not shipped any cases of water. These conflicting statements opened the trademark owners to the risk that a claim for Fraud on the Trademark Office could be brought, and that the mark could be cancelled. Moreover, there were indications of a potential regulatory issue back in 2001, when anti-tobacco groups stepped in to ask FDA to regulate nicotine waters as a drug. Regulatory review at the naming stage may have led to a decision to wait to file a trademark application.

JOINT REPAIR — JW Nutritional LLC received a warning letter in 2015 regarding several of its products. Among the issues raised by FDA was the fact that the product name JOINT REPAIR implies the product is for use in the cure, mitigation, or treatment of a diseased or damaged state. Thus, the product name made a claim that classified it as an unapproved new drug. A trademark view of this name would most likely result in an assessment that the name is probably descriptive of joint supplements, but would likely not alert the marketer to the chances of FDA viewing it as a drug.

PSORIASOOTHE — Moon Valley Natural Products received a warning letter in 2017 regarding several of its products. Among the issues raised by FDA was that the product name PSORIASOOTHE suggests the product is intended to treat psoriasis and thus made a claim that classified it as an un-approved new drug. A trademark analysis would likely conclude the name is not descriptive—as a single term made up by “tele-scoping” the words “psoriasis” and “soothe,” the mark should escape rejection on descriptiveness grounds.

The Shortcomings of a Trademark-Only Lens: Why Marketers Need Trademark and Regulatory Counsel at the Naming Stage

As the above examples illustrate, neither a competent trademark clearance opinion nor ownership of a federal trademark registration provides a defense against challenges that a product name is false or misleading, especially with respect to FDA. Regulatory attorneys, however, are often not consulted while names are being cleared or applied-for, processes that do little to help spot potential FDA pitfalls.

Trademark clearance itself is unlikely to provide any insight on the implications of a name vis-à-vis FDA. Traditional trademark clearance tends to focus on whether a name is available for use and/or for registration. A trademark attorney performing clearance will typically look to issues like distinctiveness and likelihood of confusion. She is concerned with questions like: “Can this name function as a trademark for my client?”...“Can she obtain rights in the name?”...“Can she protect it with a registration, or enforce it against others?”...“Would a third party’s mark stop my client from obtaining a registration, or could that party stop my client’s use?” Questions

about whether a product claim is made at all, let alone whether that claim has implications under the FDCA, often are not considered unless or until product labeling or advertising review is completed.

Prosecution of a trademark application may actually lead to a finding that is in conflict with FDA's assessment (as with JUST MAYO). The complexities of the Lanham Act's registration framework may be partially to blame for this. The Lanham Act prohibits the registration of marks that are deceptive. A deceptive, and therefore unregistrable, mark is one where:

- (1) The mark misdescribes the character, quality, function, composition, or use of the underlying product
- (2) Consumers are likely to believe that the misdescription does actually describe the product
- (3) Consumers are likely to rely on that misdescription in making a purchasing decision

A mark that does not meet all three prongs of this somewhat amorphous test, but that nevertheless is misleading, may be considered "deceptively misleading." But, the mark can still be registered by showing that the mark is inherently distinctive or that it has obtained secondary meaning to become distinctive in the eyes of the consuming public. Thus, a term that might be viewed as "false" or "misleading" from a regulatory perspective may only have to prove that it has acquired distinctiveness to become a registered trademark.

A trademark-only view of food and drug names and labels is especially unhelpful in assessing risk of action by FDA because the operative definitions and frameworks of the Trademark Office and FDA are different. While the Trademark Office or an attorney conducting trademark clearance might consider a name descriptive of the goods sold under it, the FDCA might consider the name to misbrand a product. Many trademark attorneys are not familiar with these types of granular FDA regulations, and would not consider such an issue at the clearance or prosecution stages. By the time regulatory counsel would see it, likely at

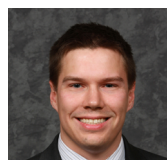
the labeling or advertising review stage, money has already been sunk into the clearance and prosecution processes. Addressing both at the beginning of the naming process could save significant time and money, and allow businesses to make more informed decisions.

Unless trademark and regulatory counsel are the same person, marketing teams should involve both at the earliest stages of the naming process. This will help steer early risk analysis in a direction that considers not only trademark issues, but whether the name makes a claim that could be the subject FDA enforcement action and can help lower enforcement risks involved with the promotion of any FDA-regulated product.

PTAB Goes Off-Road With Commercial Success and Teaching Away Analysis

Chad Hammerlind

Recently, in *Polaris Industries, Inc., v. Arctic Cat, Inc.*, No. 2016-1807, 2016-2280 (Fed. Cir. February 9, 2018),



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the Court of Appeals for the Federal Circuit ("CAFC") overturned a Patent Trial and Appeal Board ("Board") decision that all claims of a patent directed to a side-by-side all-terrain vehicle (ATV) were unpatentable as obvious in a first *inter partes*

review (IPR), while affirming the Board's decision that the claims of the same patent were not unpatentable in view of a different combination of references in a second IPR. Specifically, the CFAC found that the Board failed to conduct a proper teaching away analysis and failed to weigh Polaris's argument of commercial success when determining certain claims were obvious.

This appeal stems from two IPR petitions filed by Arctic Cat challenging the patentability of U.S. Patent No. 8,596,405 ("the '405 patent") after Arctic Cat was sued by Polaris for infringing claims of that patent. The '405 patent is directed to a four-wheeled drive ATV that has side-by-side seating for a driver and passenger. The '405 patent expresses the desire for an ATV with side-by-side seating to maintain a low center of gravity. Thus, many of the claims are directed to the placement of components such as a protective panel, a fuel tank, a battery, and a front driveshaft on the ATV

in order to achieve a low center of gravity. Arctic Cat argued that the claims of the '405 patent were obvious in view of a combination of U.S. Patent Nos. 7,658,258 ("Denney") and 5,327,989 ("Furuhashi") in the first IPR ("the 1427 IPR"), and obvious in view of U.S. Patent No. 3,709,314 ("Hickey") and at least one of Denney and Furuhashi in the second IPR ("the 1428 IPR").

In the 1427 IPR, the Board found that Denney taught every limitation of claim 1 with the exception of limitations relating to four-wheel drive, and a limitation directed to a transmission coupled to and extending rearwardly from the engine. The Board relied on the teachings of Furuhashi to remedy the deficiencies in Denney. The Board ultimately determined that all thirty eight claims had been proven unpatentable as obvious in view of the combination of Denney and Furuhashi, a decision which Polaris appealed. In the 1428 IPR, the Board found that Arctic Cat had not shown that the claims of the '405 patent were obvious over combinations including Hickey, a decision which Arctic Cat cross-appealed.

On appeal, Polaris argued that the 1427 IPR decision was incorrect for impermissible hindsight. Specifically, Polaris contended that the Board relied on hindsight to combine Denney and Furuhashi because Denney teaches away from a front drive shaft and fuel tank under the seating area. Polaris submitted that the Board's "subjective preferences" analysis of teaching away had no basis in any court precedent. Also, Polaris argued that the Board erred in rejecting the undisputed evidence of commercial success of Polaris's RZR vehicles, which Polaris argued were covered claims 34 and 36-38 of the '405 patent.

Looking at the issue of impermissible hindsight, the CAFC upheld the Board's decision that dependent claim 16, which recites that the front driveshaft extends under the protective panel, was obvious. Polaris argued there would have been no motivation for one of skill in the art to include the front driveshaft taught by Furuhashi underneath the ATV of Denney because this location in Denney would expose the driveshaft to damage and decrease the ATV's clearance. However, the CAFC found no error in the Board's decision siding with Arctic Cat's reasoning that there was adequate space in the structure of Denney for a front drive shaft with minimal modification alongside, or in place of, a support truss which would not raise the center of gravity.

Claims 17-19 of the patent-at-issue are directed to a fuel tank positioned below one of the seats, a battery positioned below the other seat, and a front driveshaft extending laterally between the battery and the fuel tank. During the 1427 IPR, the Board concluded that these claims were obvious in view of the combination of Denney and Furuhashi. Polaris presented undisputed evidence that these components would raise the center of gravity of the vehicle in Denney, and argued that Denney's disclosed desire for a low center of gravity teaches away from including anything under the seating area such as the fuel tank of Furuhashi. The Board rejected these arguments based on its reasoning against similar arguments Polaris had made for claim 1. "The Board reasoned that, although Denney 'discloses a desire for a low center of gravity,' this desire is simply one of several 'subjective preferences' that is 'a tool of limited value in evaluating obviousness' due to its 'infinite[] variab[ility]' that could be overcome by other known preferences, such as adding four-wheel drive to a two-wheel drive vehicle." *Polaris Industries, Inc., v. Arctic Cat, Inc.*, No. 2016-1807, 2016-2280, 9 (Fed. Cir. February 9, 2018) (citing *Arctic Cat, Inc. v. Polaris Indus., Inc.*, No. IPR2014-01427, 2016 WL 498434, at *6 (P.T.A.B. Feb. 4, 2016)).

The CAFC found that "the Board (1) failed to consider Polaris's uncontested evidence that skilled artisans would not have been motivated to place a fuel tank under Denney's seats; and (2) applied a legal analysis that not only finds no support in our caselaw, but also runs contrary to the concept of teaching away." *Id.* at 18. Specifically, the "subjective preferences" analysis was invented by the Board and used to dismiss Polaris's teaching away argument. The CAFC reiterated that, in determining whether Denney teaches away from claims 17-19, the Board should have determined "whether 'a person of ordinary skill, upon reading [Denney] would be discouraged from following the path set out in [Denney], or would be led in a direction divergent from the path that was taken by the applicant.'" *Id.* at 19 (citing *In re Fulton*, 391 F.3d 1195, 1201 (Fed. Cir. 2004)). The CAFC found the "subjective preferences" analysis used by the Board faulty in that (1) it invited distortion caused by hindsight bias, especially in relatively simple mechanical cases such as this, (2) it "focused on what a skilled artisan would have been *able* to do, rather than what a skilled artisan would have been motivated to do at the time of the

invention” (*Id.* at 20), and (3) it encourages the fact-finder to discard evidence both to teaching away and whether one of skill in the art would have been motivated to combine.

Thus, the CAFC vacated the Board’s obviousness determination with respect to claims 17-19, and directed the Board on remand to “determine whether Denney merely expresses a general preference for maintaining very low seats or whether Denney’s teachings ‘criticize, discredit, or otherwise discourage’ significantly raising the occupancy area of Denney’s ATV to add a fuel tank under one of the seats.” *Id.* at 21 (citing *DePuy Spine, Inc. v. Medtronic Sofamor Danek, Inc.*, 567 F.3d 1314, 1327 (Fed. Cir. 2009)). Furthermore, the CAFC stated that “[e]ven if the Board determines that Denney does not teach away because it merely expresses a general preference, the statements in Denney are still relevant to determine whether a skilled artisan would be motivated to combine Denney and Furuhashi.” *Id.* at 23.

Polaris then argued that the CAFC should vacate the Board’s obviousness determination for independent claims 1, 25, and 34 because it used the subjective preferences analysis in rejecting Polaris’s teaching away argument. However, the evidence indicated that a skilled artisan could have modified the vehicle of Denney with the teachings of Furuhashi such that Denney had four-wheel drive without raising the center of gravity of the vehicle and Denney. Therefore, there was not enough support from Polaris that the Board’s subjective preference analysis impacted its obviousness determination.

Finally, turning to the Board’s analysis of claims 34 and 36-38, Polaris argued that the Board failed to consider its evidence of commercial success when determining whether those claims would have been obvious. The Board dismissed, at conclusory statements, Polaris’s expert’s testimony that eight different RZR vehicles produced by Polaris had generated over \$1.5 billion in sales and embodied each element recited in claims 34 and 36-38 of the ‘405 patent. Also, Arctic Cat presented no contrary evidence to Polaris’s claim of commercial success. Polaris submitted that because it presented evidence that the RZR vehicles covered the claims, Polaris was entitled to a presumption of commercial success. The CAFC stated that the

Board’s reasoning that Polaris’s expert’s testimony was conclusory statements was improper and stated “[o]ur case law does not require a patentee and its expert to go further than Polaris did here, however, to demonstrate that its commercial products are the inventions disclosed in the challenged claims, where the proffered evidence is not rebutted and the technology is relatively simple.” *Id.* at 28. This is because there is a “presum[ption] that such a nexus applies for objective indicia when the patentee shows that the asserted objective evidence is tied to a specific product and that product ‘embodies the claimed features, and is coextensive with them.’” *Id.* at 26-27 (citing *Brown & Williamson Tobacco Corp. v. Philip Morris Inc.*, 229 F.3d 1120, 1130 (Fed. Cir. 2000)). By showing that the RZR vehicles were covered by claims 34 and 36-38 and the claims did not disclose just a portion of the RZR vehicles, the CAFC found that Polaris has a presumption that any commercial success of these vehicles is due to the patented invention unless that presumption is adequately rebutted.

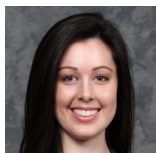
Thus, when making a commercial success argument, practitioners should attempt to obtain an expert’s opinion that construes the claims as one of ordinary skill in the art would understand them, and states that the commercially successful product embodies and is coextensive with those claims. In addition, patent drafters may consider drafting a set of claims that covers the entire product, even if the invention is only a component of that product, as the CAFC appeared to give more deference to Polaris’s commercial success argument based on the claims at issue covering the entire RZR vehicles. In addition, the CAFC also hinted that these types of claims would likely make it more difficult to rebut the presumption of the nexus between the claims and the commercial success of the product at hand. Finally, with respect to teaching away, patent drafters may consider whether problem statements and other disclosures in the specification are expressed as general preferences rather than affirmative statements that criticize, discredit, or otherwise discourage particular embodiments that may turn out to have value.

Patent Owners See ITC as Alternate Venue

Jamie McDole and Tiffany Cooke



Jamie
McDole



Tiffany Cooke

Venue recently rose to the forefront of patent litigation law when the U.S. Supreme Court issued its decision in *TC Heartland v. Kraft Foods Group Brands*

LLC and the Federal Circuit issued its decision in *In re Cray Inc.* Both decisions narrowed a long-standing interpretation of 28 U.S.C. § 1400(b), the guiding venue statute for patent infringement litigation. Based on these new cases, patent owners who elect to enforce their rights in district court may find themselves forced to litigate in a defendant's home venue. This often undesirable result may have patent owners looking for alternative forums to assert their rights. One such forum patent owners may turn to is the U.S. International Trade Commission. While the ITC presents its own challenges, it offers a broad range of benefits to both patent owners and accused infringers. These benefits in conjunction with recent case law could result in an increase in Section 337 filings at the ITC.

TC Heartland and In re Cray's Effect on Venue

For the past several years, the majority of patent cases were filed in the Northern District of California, the District of Delaware and the Eastern District of Texas. Typically, patent owners would assert venue under § 1400(b), which provides that "[a]ny civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business." In May 2017, however, the Supreme Court in *TC Heartland* interpreted the first prong ("where a defendant resides") of § 1400(b).¹ In short, the Supreme Court concluded that "where the defendant resides" as applied to domestic corporations is limited to the defendant's state of incorporation.²

Prior to *TC Heartland*, the Federal Circuit and district courts broadly interpreted "the judicial district where the defendant resides" as "any district where there

would be personal jurisdiction over the corporate defendant at the time the action is commenced."³ This interpretation originated from the Federal Circuit's determination that a 1988 revision to the general venue statute, 28 U.S.C. § 1391, redefined the meaning of the term "resides" within § 1400(b).⁴ What followed was an era in which venue could be more easily held when a defendant had only minimal contacts with the forum.

But in *TC Heartland*, the Supreme Court found unpersuasive the argument that § 1391 redefined the meaning of the term "resides" within § 1400(b), and reaffirmed § 1400(b) as the sole and exclusive provision governing venue for domestic corporations in patent infringement actions.⁵ Without the interpretive influence of § 1391, the Supreme Court determined that a domestic corporation defendant "resides" only in its state of incorporation.⁶ Thus, following *TC Heartland*, venue is limited to (1) the defendant's state of incorporation, or (2) where the defendant commits an act of infringement and has a regular and established place of business.

After *TC Heartland*, some plaintiffs sought to hold venue in their forum of choice by relying on the second prong ("regular and established place of business") of § 1400(b). In one such instance, *Cray Inc.* moved to transfer a case out of the Eastern District of Texas, arguing that sales made by two work-from-home employees did not constitute "a regular and established place of business" within the district.⁷ Judge Rodney Gilstrap of the E.D.TX denied the motion to transfer, and in so deciding the issue, proffered a four-factor test pertaining to "regular and established place of business" in the modern, post-*TC Heartland* era.⁸ This four-factor test includes determining: (1) whether the defendant has a physical presence in the district, (2) the extent to which the defendant represents, internally or externally, that it has a presence in the district, (3) the extent to which a defendant derives benefits from its presence in the district, and (4) the extent to which a defendant interacts in a targeted way with existing or potential customers, consumers, users, or entities within the district.⁹ *Cray* filed a writ of mandamus to have the E.D.TX decision immediately reviewed by the Federal Circuit.¹⁰

In September 2017, the Federal Circuit granted Cray's writ of mandamus and directed transfer of the case.¹¹ The Federal Circuit rejected Judge Gilstrap's four-factor test as "not sufficiently tethered to this statutory language" and instead proffered its own test for determining whether a defendant has a "regular and established place of business," holding that a "regular and established place of business" may be found where:

- There is a physical, geographical location in the district from which the business of the defendant is carried out
- The business activity is "regular"; e.g., it operates in a "steady, uniform, orderly, and methodical" manner
- The business location is "settled certainly, or fixed permanently"
- "The regular and established place of business" is "the place of the defendant"¹²

With the Federal Circuit's new test for determining "a regular and established place of business," patent owners may consider alternative venues to assert their respective patents, such as filing Section 337 patent infringement actions at the ITC.

Filings Are on the Rise at the ITC

A Brief Overview of ITC Section 337 Investigations

19 U.S.C. § 1337(a)(1)(B) declares unlawful the "importation into the United States, the sale for importation, or the sale within the United States after importation by the owner, importer, or consignee, of articles that—(i) infringe a valid and enforceable United States patent ... or (ii) are made, produced, processed, or mined under, or by means of, a process covered by the claims of a valid and enforceable United States patent." Under 19 U.S.C. § 1332, the ITC is authorized to perform investigations into import-related patent infringement, often referred to as Section 337 investigations.

A Section 337 investigation is initiated by filing a complaint and within 30 days the ITC determines whether an investigation should be instituted.¹³ If instituted, the Section 337 investigation is referred to an administrative law judge who sets a target date for completion of the investigation.¹⁴ A commission investigative attorney who represents the public interest in the investigation is also appointed as a party to the investigation.¹⁵ A trial-like hearing is set prior to the deadline for a final determination, during which parties are permitted to present evidence and cross-examine witnesses.¹⁶ Following the hearing, the ALJ will issue an initial determination, which is reviewable by the commission.¹⁷ The initial determination will automatically become the determination of the commission unless a party files a petition for review or the commission orders a review of the initial determination.¹⁸ Unless the president of the United States disapproves, the commission's determination will become final.¹⁹

The ITC May Be the New Forum of Choice

Section 337 investigations are not subject to the same venue requirements detailed in § 1400(b). Rather, Section 337 jurisdiction is based solely on the importation of products into the United States. As such, patent owners may choose to file their actions in the ITC to prevent the importation of infringing articles into the United States in lieu of litigating in an unfavorable forum. For example, ITC filings are already on the rise with an almost 60 percent increase in new complaints from 2015 to 2016, and 2017 new complaints are on pace to match or beat 2016.²⁰

Year	New Complaints and Ancillary Proceedings	Investigations and Ancillary Proceedings Completed	Active Investigations
2012	56	57	129
2013	52	72	124
2014	49	59	100
2015	47	50	88
2016	79	64	117
2017	64	61	117

New filings at the ITC may continue to rise given the decisions in TC Heartland and In re Cray, as well as the benefits the ITC provides.

The ITC Provides Many Benefits to Patent Owners

Although the ITC and district courts apply much of the same substantive patent law, ITC Section 337 investigations offer many benefits to patent owners looking for an alternative forum to enforce their rights in the wake of TC Heartland and In re Cray.

1. Quick Time to Trial

One of the most desirable benefits of bringing a Section 337 investigation is the rapid time to trial. The ITC is required by statute to complete Section 337 investigations at the earliest practicable time.²¹ The ALJ typically sets a target date for completion of the investigation for approximately 16 months from the date an investigation is instituted.²² In comparison, the approximate average time-to-trial for patent litigation cases in popular districts such as the EDTX and District of Delaware is two years.²³ With a shortened timeline, all aspects of a Section 337 investigation including discovery and motion practice are streamlined.

2. A Stay Pending Resolution of an IPR Is Rare

Since being introduced in 2012 as part of the America Invents Act, inter partes reviews have become a popular and effective method of challenging validity of asserted patents. Because of their effectiveness, some district courts grant motions to stay corresponding district court litigation upon institution of an IPR pending resolution of the IPR. In contrast, however, it is rare that a Section 337 investigation is stayed on the basis of a pending IPR. See, e.g., *Certain Laser-Driven Light Sources, Subsystems Containing Laser-Driven Light Sources, and Prods. Containing Same*, Inv. No. 337-TA-983, Order No. 8 (Mar. 3, 2016). Although parties may still file IPRs during the pendency of a Section 337 investigation, the same risk of a stay present in district court litigation is of little threat in a Section 337 investigation.

3. An Exclusion Order (i.e., Injunction) Is an Available Remedy

In addition to procedural benefits, Section 337 investigations also offer a remedy that is difficult to obtain in district courts — an injunction. In 2006, the Supreme Court in *eBay v. MercExchange* struck

down a long-standing rule permitting courts to grant permanent injunctions against infringers absent extraordinary circumstances.²⁴ After *eBay*, patent owners must meet a four-factor test, which includes proving irreparable injury and inadequate remedies at law to obtain an injunction.²⁵ Since *eBay*, the number of injunctions issued to prevailing patent owners has significantly decreased. However, temporary and permanent injunctive relief in the form of exclusion orders and cease-and-desist orders is readily available at the ITC, and have the powerful effect of excluding infringing products from importation into the United States.

4. Counterclaims Must Be Removed to District Court

Section 337 investigations exclude from consideration any counterclaims made by a respondent. Although a respondent may file counterclaims, they must be submitted in a separate document and will not be considered by the ITC.²⁶ Instead, upon filing one or more counterclaims, a respondent must immediately file a notice of removal with a district court in which venue for any of the counterclaims is proper under 28 U.S.C. § 1391.²⁷ The filing of one or more counterclaims will not delay the Section 337 investigation.

5. Multiple Investigations May Be Consolidated

For patent owners looking to assert their rights against more than one party, the ITC offers the ability to consolidate investigations. The ITC is not subject to the AIA revision of 35 U.S.C. § 299 and the commission has authority to consolidate two or more investigations that are currently before the same ALJ.²⁸ Thus, patent owners who file in the ITC may be able to avoid litigating multiple individual cases. In contrast, under 35 U.S.C. § 299 it is difficult for patent owners to join multiple unrelated defendants in a single patent infringement action in district court. Instead, patent owners are often required to file multiple patent infringement actions — one against each party accused of infringement.

The ITC Provides Benefits to Accused Infringers

Notwithstanding the benefits to patent owners described above, the ITC should not be mistaken as a one-sided forum. Respondents who find themselves

subject to a Section 337 investigation at the ITC also serve to benefit from the procedural differences from district court.

1. *The ITC Has No Authority to Award Monetary Damages*

One benefit for accused infringers at the ITC is that monetary damages cannot be awarded. Whereas a patent owner in a district court would typically litigate claims of patent infringement and damages in one case, such a strategy is not possible in a Section 337 investigation. In ITC proceedings, patent owners are limited to equity relief in the form of temporary and/or permanent general exclusion orders, limited exclusion orders, and cease-and-desist orders. Notwithstanding the limited relief at the ITC, patent owners often file concurrent district court litigation to seek monetary damages with respect to the patents asserted in the Section 337 investigation. In such case, the respondent has the right to stay the district court litigation until the Section 337 investigation becomes final.²⁹

2. *ITC Actions Permit Invalidity Challenges*

The ITC offers accused infringers an opportunity to challenge the validity of an asserted patent outside district court litigation or the U.S. Patent and Trademark Office. Like district court litigation, a respondent may raise invalidity and unenforceability defenses in a Section 337 investigation. However, an ITC decision on validity or enforceability is not binding on a district court.³⁰ But as a result, an accused infringer can again challenge the validity of the patent in a district court and at the USPTO, providing three opportunities for an accused infringer to invalidate an asserted patent.

3. *ITC Actions Must Meet the Domestic Industry Requirement*

Section 337 investigations are limited by domestic industry requirements which prevent certain patent owners from initiating investigations at the ITC. In order to bring a Section 337 investigation, patent owners must demonstrate domestic exploitation of the asserted patents, which includes meeting a two-part test comprised of an economic prong and technical prong.³¹ No such domestic industry requirement exists in district court.

The first “economic” prong requires proof of economic activity within the United States relating to the patent rights being asserted. This economic activity requirement may be satisfied by demonstrating: (1) significant investment in plant and equipment, (2) significant employment of labor or capital, or (3) substantial investment in its exploitation, including engineering, research and development, or licensing.³² The second “technical” prong requires proof that the patent owner or a licensee is practicing the asserted patent within the United States; i.e., by making, using, offering to sell, or selling an “article” covered by the asserted patent.³³ This “article” requirement may be satisfied by a licensee’s manufactured articles that practice the patent.³⁴

This domestic industry requirement places the burden on patent owners to “establish a nexus between the asserted patent and the U.S. investment in its exploitation.”³⁵ Such a requirement also prevents patent owners with insufficient activities within the United States from leveraging the ITC as a forum to enforce their patents rights.

Conclusion

Patent owners in a post-TC Heartland and In re Cray era may explore alternative forums for enforcement of their patent rights for many reasons, including to avoid the narrowed application of § 1400(b) and the corresponding risk of having to litigate in a defendant’s home venue. The ITC may be one viable alternative that offers substantive benefits for all parties involved. And if recent trends continue, the ITC may be the new forum of choice for litigating patent infringement.

¹ 137 S.Ct. 1514 (2017).

² Id. at 1521.

³ VE Holding Corp. v. Johnson Gas Appliance Co., 917 F.2d 1574, 1583–84 (Fed. Cir. 1990), cert. denied, 499 U.S. 922 (1991).

⁴ Id. at 1578–80.

⁵ TC Heartland, 137 S.Ct. at 1520–21.

⁶ Id. at 1521.

⁷ Raytheon Co. v. Cray, Inc., No. 2:15-cv-01554, 2017 WL 2813896, at *1–2 (E.D. Tex. June 29, 2017)

⁸ Id. at *7–13.

⁹ Id. at *11–13.

¹⁰ Petition for Writ of Mandamus, In re Cray Inc., 871 F.3d 1355 (Fed. Cir. 2017) (No. 17-129).

¹¹ *In re Cray Inc.*, 871 F.3d at 1357.

¹² *Id.* at 1362–64.

¹³ 19 C.F.R. §§ 210.9, 210.10.

¹⁴ 19 C.F.R. §§ 210.10, 210.51.

¹⁵ 19 C.F.R. § 210.3.

¹⁶ 19 C.F.R. § 210.36.

¹⁷ 19 C.F.R. § 210.42.

¹⁸ *Id.*

¹⁹ See 19 U.S.C. § 1337(j)(1)–(4).

²⁰ See Section 337 Statistics: Number of New, Completed, and Active Investigations by Fiscal Year, USITC, (last updated Oct. 13, 2017).

²¹ 19 U.S.C. § 1337(b)(1).

²² 19 C.F.R. § 210.51(a).

²³ Time-to-trial statistics are based on a Lex Machina Report analyzing patent cases filed in the EDOX and the District of Delaware between Jan. 1, 2009 and Nov. 27, 2017.

²⁴ 547 U.S. 388, 391 (2006).

²⁵ *Id.*

²⁶ 19 C.F.R. § 210.14(e).

²⁷ *Id.*

²⁸ 19 C.F.R. § 210.14(g).

²⁹ 28 U.S.C. § 1659(a).

³⁰ See *Texas Instruments v. Cypress Semiconductor Corp.*, 90 F.3d 1558, 1569 (Fed. Cir. 1996).

³¹ 19 U.S.C. § 1337(a)(3).

³² 19 U.S.C. § 1337(a)(3).

³³ See Certain Comps. and Comp. Peripheral Devices, and Components Thereof, and Prods. Containing the Same, Inv. No. 337-TA-841, Comm’n Op. at 26–27 (Jan 9, 2014).

³⁴ *Id.* at 33–34.

³⁵ Certain Integrated Circuit Chips and Prods. Containing the Same, Inv. No. 337-TA-859, Comm’n Op. at 37–38 (Aug. 22, 2014).

New Law: Federal Circuit Finds Ban On Scandalous/Immoral Trademarks Unconstitutional

David Bell, Jason Bloom, Wesley Lewis



David Bell Jason Bloom Wesley Lewis

As part of a now-infamous 1972 monologue, comedian George Carlin listed the “Seven Words You Can Never Say on Television,” colorfully repeating each throughout his routine. While many of those words remain unacceptable for the airwaves, they may now be suitable for federal trademark registration, thanks to a recent decision from the Federal Circuit Court of Appeals.

Last month, the Federal Circuit issued its opinion in *In re: Brunetti*,¹ the first major decision analyzing Lanham Act Section 2(a) in the wake of the June 2017 decision in *Matal v. Tam*.² In *Tam*, the U.S. Supreme Court unanimously affirmed a Federal Circuit en banc decision striking down the Lanham Act’s prohibition on the registration of “disparaging” trademarks. As was largely expected, the Court relied heavily on *Tam* to hold that a closely related provision prohibiting registration of “immoral” or “scandalous” marks also could not survive First Amendment scrutiny.

Appellant Erik Brunetti is a fashion designer who sells clothing under the brand FUCT. The U.S. Patent and Trademark Office (USPTO) refused registration for the brand, citing the Section 2(a) bar on immoral or scandalous marks. Brunetti appealed to the Federal Circuit Court of Appeals, arguing both that the TTAB lacked sufficient evidence that a substantial composite of the public would find the mark vulgar and that the Lanham Act’s prohibition on immoral or scandalous marks was unconstitutional.

The government principally argued at the Federal Circuit that the ban is viewpoint-neutral and therefore constitutional, but the Court declined to consider that issue.

Applying strict scrutiny review, the Court found that the ban on immoral or scandalous marks is “based in the government’s belief that the rejected mark conveys an expressive message—namely, a message that is scandalous or offensive to a substantial composite of the general population.” It consequently held that the ban gives rise to content-based discrimination, which is unconstitutional.

This decision should survive any challenges in light of *Tam*. It overturns a century-old federal restriction on trademark registrations and will have significant ramifications for those seeking federal protection for edgy or offensive marks. The impact of this decision will extend well beyond Carlin’s seven dirty words; indeed, the subjective nature of how to apply 2(a) has resulted in a wide swath of refused marks that now may be suitable for registration.³ Examples include words or designs with sexual innuendos, referring to religious figures, or having a double meaning that includes a drug reference, regardless of whether such marks are intended to be humorous.

¹ No. 2015-1109 (D.C. Cir. Dec. 15, 2017) (slip op.).

² 137 S. Ct. 1744 (2017).

³ For a few examples of previously refused marks under the 2(a) ban on immoral and scandalous marks, see, e.g., *In re Riverbank Canning Co.*, 95 F.2d 327, 329 (CCPA 1938) (MADONNA for wine); *Ex parte Martha Maid Mfg. Co.*, 37 U.S.P.Q. 156 (Comm’r Pat. 1938) (QUEEN MARY for women’s underwear); *In re Reemtsma Cigarettenfab- riken G.M.B.H.*, 122 U.S.P.Q. 339 (T.T.A.B. 1959) (SEaNUSSI [a Muslim sect that forbids smoking] for cigarettes); *In re Sociedade Agricola E. Comerical Dos Vinhos Messias, S.A.R.L.*, 159 U.S.P.Q. 275 (T.T.A.B. 1968) (MESSIAS for wine and brandy).

New Law: Federal Circuit Finds Ban On Scandalous/Immoral Trademarks Unconstitutional

Hal Borland



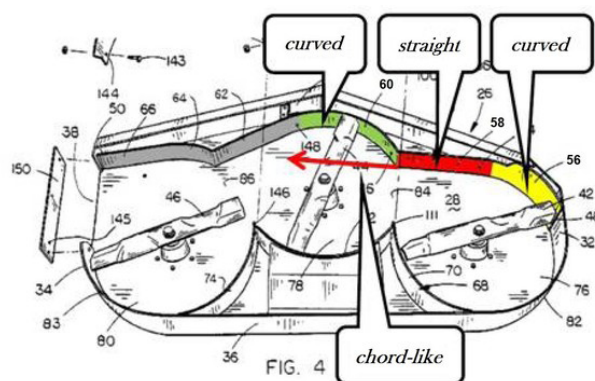
Hal Borland

The U.S. Court of Appeals for the Federal Circuit found in *Exmark Manufacturing Co. Inc. v. Briggs & Stratton Power Products Group LLC*, No. 2016-2197 (Fed. Cir. Jan. 12, 2018), that a district court did not err in denying summary judgment for indefiniteness.¹

Specifically, the Federal Circuit determined that the

claim language and specification of U.S. Patent No. 5,987,863 (“the ‘863 patent”) provided reasonable certainty on how to determine whether a lawn mower baffle portion was long enough and straight enough to be considered “elongated and substantially straight” (claim 1 of the ‘863 patent) for the purposes of determining infringement.²

An annotated version of Figure 4 of the ‘863 patent (see below) was provided on appeal illustrating the baffle portion 58 in question.³ The baffle portion 58 is disposed between a first arcuate baffle portion 56 and a second arcuate baffle portion 60 (col. 4, lines 8-12 of the ‘863 patent) and extends in a “chord-like” fashion with respect to the second arcuate baffle portion 60.⁴



The Federal Circuit reasoned that no strict numerical precision was required for definiteness as long as some standard for measuring a term of degree was provided.⁵ Here, the court found the claims and specification of the ‘863 patent provided that the baffle portion 58 “must be long enough and straight enough to at least connect these two arcuate portions [56 and 60] of the baffle.”⁶

Although any conceivable length and geometry, e.g., curved, wavy or jagged, could be theoretically employed to “connect” the two baffle portions 56 and 60, the Federal Circuit found that “‘elongated’ should be construed as ... longer than it is wide”⁷ and “one skilled in the art would understand that the ‘substantially straight’ portions of the baffle must be sufficiently straight to connect two arcuate portions of the baffle.”⁸ A fairly standard dictionary definition of the term “elongated” was adopted, but a broader

definition of for “substantially straight” was considered. The Federal Circuit did not suggest, however, that there was no limit to how askew a baffle portion could be and still be considered “substantially straight.” Rather, the Federal Circuit looked to the specification of the ‘863 patent for guidance. The specification does not define any limits for substantial straightness, but it does refer to the baffle portion 58 as “relatively straight baffle portion 58” (col. 4, lines 11-12 of the ‘863 patent). Thus, the Federal Circuit concluded that the “substantially straight” baffle portion is straight “relative to the curved baffle portions.”⁹ The court suggests that as long as a competitor’s baffle portion was straighter than the arcuate portions, that it could be considered “substantially straight,” and the competitor should not be ensured that they had successfully designed around the ‘863 patent simply by designing in some curvature or irregularity into a baffle portion connecting two arcuate baffle portions.

The court also turned to functional language in the claim to provide further guidance in determining whether or not claim 1 might be indefinite.¹⁰ The Federal Circuit quoted *Cox Communications Inc. v. Sprint Communication Co. LP*, 838 F.3d 1224, 1232, stating “Functional language can ‘promote [] definiteness because it helps bound the scope of the claims by specifying the operations that the [claimed invention] must undertake.’” Claim 1 of the ‘863 patent recites “said first elongated and substantially straight baffle portion being ... disposed ... in a chord-like fashion so that the cuttings from said first cutting blade will be deflected inwardly within the said circle defined by the blade tip path of said second cutting blade.” Although this language is recited in reference to the “chord-like” positioning of the baffle, the court extends the function of “deflecting clippings into the direction of the next blade” to also define the required length and straightness of the baffle portion.¹¹ Again, it is not clear a shorter, curved, wavy or jagged baffle portion could not direct clippings into the next blade if it were arranged to end at the second arcuate baffle portion in a “chord-like” fashion.

Ultimately, the Federal Circuit seemed to struggle in finding that the objective boundaries of the straightness of the recited “elongated and substantially straight” baffle portion could be understood by one skilled in the art with reasonable certainty. However, by suggesting

that that “substantially” straight was at least “relatively” straight compared to the arcuate baffle portions, at least “some standard”¹² for the required straightness was offered.

However, the definiteness requirement of 35 U.S.C. § 112 is only satisfied when patent claims “clearly circumscribe what is foreclosed from future enterprise.”¹³ This definiteness requirement for patent claims attempts to give the public notice about what is an infringement of those patent claims so that a party may design around them with confidence, and the analysis of the Federal Circuit in this case may diminish that confidence by expanding the scope of the terms like “substantially” utilized in claims to potentially include the scope of terms like “relatively” recited only in the specification.

For a practitioner drafting a specification, this analysis serves as a reminder that a frame of reference for the term “relatively” may be assigned if not clearly articulated in the specification, and that broader terms may be recited in the specification to potentially influence the interpretation of a narrower term of degree recited in the claims. Since the Federal Circuit left open the possibility that a somewhat curved baffle portion that is not quite as curved as the arcuate baffle portions and that directs clippings into the next blade might be interpreted as satisfying the “substantially straight” limitation of claim 1, this analysis may not be particularly satisfying to a competitor attempting to design around this particular claim feature. In light of this definiteness analysis, a competitor should definitely be conservative when interpreting the claimed features when creating a “design-around” product.

¹ Exmark, page 16.

² Exmark, page 16.

³ Exmark, page 4.

⁴ Exmark, page 4.

⁵ Exmark, pages 18-19 (citing *Nautilus, Inc. v. Biosig Instruments, Inc.* 783 F. 3d at 1378).

⁶ Exmark, page 17.

⁷ Exmark, page 18.

⁸ Exmark, page 19.

⁹ Exmark, page 18.

¹⁰ Exmark, page 19.

¹¹ Exmark, page 19.

¹² Exmark, page 18.

¹³ *United Carbon Co. v. Binney & Smith Co.*, 317 U.S. 228, 236 (1942).

Federal Circuit Flips – *Wi-Fi One v. Broadcom* Holds That PTAB’s Time-Bar Determinations Are Appealable

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On January 8, 2018, the U.S. Court of Appeals for the Federal Circuit issued its *en banc* decision in *Wi-Fi One, LLC v. Broadcom Corp.*, Appeal 2015-1944 (Fed. Cir. Jan. 8, 2018) (*en banc*) holding that Patent Trial and Appeal Board (“PTAB”) time-bar determinations under 35 U.S.C. § 315(b) in an *inter partes* review (“IPR”) proceeding are appealable. The *en banc* decision overrules a panel’s earlier decision in *Achates Reference Publishing Inc. v. Apple Inc.* 803 F.3d, 652 (Fed. Cir. 2015), *cert. dismissed*, 136 S. Ct. 998 (2016). A procedural background and discussion of the implications of this ruling are set out below.

I. Procedural Posture of the Case

Broadcom petitioned the PTAB to institute IPRs challenging the validity of various claims of three patents owned and asserted by Wi-Fi One (“the Wi-Fi One patents”). In its preliminary response, Wi-Fi One argued that the IPR should not be instituted because Broadcom’s petition was time-barred under 35 U.S.C. § 315(b). Specifically, Wi-Fi One asserted that, although the defendants in a district court litigation regarding the same patents were not petitioners in the IPR, the defendants were a real party-in-interest or a privy of petitioner Broadcom as to these patents and, thus, the one-year time bar under 35 U.S.C. § 315(b) for filing a petition applied. The PTAB disagreed and instituted the IPR proceedings. Wi-Fi One’s motion requesting additional discovery to determine if any of the defendants were a real party-in-interest or a privy of Broadcom was denied by the PTAB, as was Wi-Fi One’s request for a rehearing on the order denying discovery. A request for writ of mandamus filed by Wi-Fi One’s predecessor-in-interest asking the Federal

Circuit to compel that discovery was also denied. *In re Telefonaktiebolaget LM Ericsson*, 564 F. App’x 585 (Fed. Cir. 2014). Ultimately, the IPR proceedings concluded with a determination that the challenged claims of the Wi-Fi One patents were unpatentable. A request for rehearing was denied, and Wi-Fi One appealed the PTAB’s final ruling to the Federal Circuit.

On appeal, Wi-Fi One again argued, *inter alia*, that the district court defendants were a real party-in-interest or a privy of Broadcom as to the patents subject to the IPR proceedings and, therefore, Broadcom’s petition was untimely under 35 U.S.C. § 315(b). A panel of the Federal Circuit declined to review the PTAB’s decision to institute the IPR, citing the Court’s earlier decision in *Achates*. The panel held that a PTAB decision to institute an IPR proceeding, which involves an assessment by the PTAB as to whether or not the time bar of 35 U.S.C. § 315(b) has been met, is not reviewable because such review is precluded under 35 U.S.C. § 314(d).

Wi-Fi One petitioned the Federal Circuit for rehearing en banc, and the petition was granted on January 4, 2017. *Wi-Fi One, LLC v. Broadcom Corp.*, 851 F.3d 1241 (Fed. Cir. 2017). The Court requested supplemental briefs limited to the question of whether the Court should overrule *Achates*. *Id.* Oral arguments were heard on May 4, 2017.

II. The Opinion

The majority opinion, written by Judge Reyna, held that time bar determinations under 35 U.S.C. § 315(b)¹ are appealable. In overruling *Achates* and holding that 35 U.S.C. § 314(d)² does not bar judicial review of a time-bar determination under 35 U.S.C. § 315(b), the majority relied on “the strong presumption favoring judicial review of administrative actions” and a finding of “no clear and convincing” indication of congressional intent to prohibit review. *Wi-Fi One*, Appeal 2015-1944, slip op. at 14-15 (internal quotations omitted). In reaching this conclusion, the majority reviewed both the statutory language and the statutory scheme.

The majority first held that “the natural reading of the statute limits the reach of § 314(d) to the determination by the Director whether to institute IPR as set forth in § 314.” *Id.* at 15. The majority found that 35 U.S.C.

§ 314(a), “the only subsection addressing substantive issues that are part of the Director’s determination under this section,” does only two things: (a) identifies the threshold requirements for institution and (b) grants the Director discretion not to institute even when the threshold is met. The majority clarified that 35 U.S.C. § 314(a) “does not address any other issue relevant to an institution determination.” *Id.* at 16. Thus, the majority concluded that 35 U.S.C. § 314(d) limited unreviewability to the Director’s preliminary patentability assessment or the Director’s discretion not to initiate an IPR even if the threshold is met.

The majority then held that time-bar determinations under 35 U.S.C. § 315(b) are reviewable because “§ 315(b) controls the Director’s authority to institute IPR that is unrelated to the Director’s preliminary patentability assessment or the Director’s discretion not to initiate an IPR even if the threshold reasonable likelihood is present.” *Id.* at 17 (internal quotations omitted).

The majority found such a reading to be consistent with the statutory scheme “as understood through the lens of” the Supreme Court’s decision in *Cuozzo Speed Technologies, LLC v. Lee*, 136 S. Ct. 2131 (2016), which, according to the majority, “strongly points toward unreviewability being limited to the Director’s determinations closely related to the preliminary patentability determination or the exercise of discretion not to institute,” such as the procedural requirements of §§ 311-13. *Id.* at 18. The majority went on to further state that the time-bar “limit[s] the agency’s authority to act under the IPR scheme,” and that “[t]he timely filing of a petition under § 315(b) is a condition precedent to the Director’s authority to act.” *Id.* at 19.

The majority concluded by stating that “the statutory scheme as a whole demonstrates that § 315 is not closely related to the institution decision addressed in § 314(a), and it therefore is not subject to § 314(d)’s bar on judicial review.” *Id.* at 20 (internal quotations omitted).

Judge O’Malley’s concurrence “turn[ed] on the distinction between the Director’s authority to exercise discretion when reviewing the adequacy of a petition to institute an inter partes review (“IPR”)

and authority to undertake such a review in the first instance.” Concurring opinion at 3. Judge O’Malley stated: “Section 314(d)’s bar on appellate review is directed to the Director’s assessment of the substantive adequacy of a timely filed petition. Because § 315(b)’s time bar has nothing to do with the substantive adequacy of the petition and is directed, instead, to the Director’s authority to act, § 314(d) does not apply to decisions under that provision.” *Id.* at 4. According to Judge O’Malley, a determination under 35 U.S.C. § 315(b) is reviewable because it is directed to a procedural right that prevents an agency from acting outside its statutory limits - “one of the categories of ‘shenanigans’ envisioned by the majority in *Cuozzo*”- and is “entirely unrelated to the agency’s ‘core statutory function’ of determining whether claims are or are not patentable.” *Id.* at 7.

Judge Hughes, joined by Judges Lourie, Bryson, and Dyk, dissented. The dissent argued that the plain language of 35 U.S.C. § 314(d) bars judicial review of the Director’s decision to institute and that *Cuozzo* confirmed such an interpretation.

III. Implications

The Federal Circuit’s decision narrowly interprets 35 U.S.C. § 314(d)’s restriction on appealing a decision to institute an IPR as being limited to substantive determinations under 35 U.S.C. § 314(a) and those closely related to 35 U.S.C. § 314(a), *i.e.*, determinations closely related to the preliminary patentability determination or the exercise of discretion not to institute. By narrowly interpreting 35 U.S.C. § 314(d), it appears that the Federal Circuit has limited the “non-appealable” restriction of 35 U.S.C. § 314(d) to PTAB determinations that require the particular expertise of the Patent Office, *i.e.*, determinations regarding the patentability of claims. Thus, it seems likely that in the future there will be additional appeals challenging PTAB determinations to institute, or even not institute, an IPR based on tangential issues that are a “condition precedent” to the PTO’s authority to act, or that are otherwise outside the substantive determinations related to the preliminary patentability determination of whether to institute a post-issuance review proceeding.³ For example, a PTAB

decision that a dismissal without prejudice under Federal Rule of Civil Procedure 41(a) voids a 35 U.S.C. §315(b) time bar, decisions applying the declaratory judgment bar under 35 U.S.C. § 315(a)(1), the petitioner estoppel provision under 35 U.S.C. § 315(e)(1), and that a petition filed after a 35 U.S.C. § 315(b) bar date but filed with a motion for joinder to an earlier filed petition voids the time bar, could be subject to appellate review. The decision arguably also raises the question of whether a determination under 35 U.S.C. § 325(d) can be appealed.

Furthermore, although the Court's decision permits appeal of at least some decisions to institute an IPR, it did not address when the appeal can be filed. If interlocutory appeals are permitted, it would delay the statutory mandate that IPR decisions be made within one year of institution. On the other hand, if a final, written decision in the IPR must be in hand before appealing, this could leave a cloud hanging over a patent with claims determined to be invalid by the PTAB while the appellate court could decide the institution was improper in the first place.

¹ 35 U.S.C. § 315(b) states: "An inter partes review may not be instituted if the petition requesting the proceeding is filed more than 1 year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent. The time limitation set forth in the preceding sentence shall not apply to a request for joinder under subsection (c)."

² 35 U.S.C. § 314(d) states: "The determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable."

³ We note that the decision in *Wi-Fi One* was limited to appealing a decision to institute. The decision did not specifically address whether a determination to not institute is appealable.

Haynes and Boone Ranked Among Most-Dominant Federal Circuit Firms

Haynes and Boone ranked among the law firms with the most patent wins in 2017 appeals before the U.S. Court of Appeals for the Federal Circuit, according to a survey by *Law360*. Haynes and Boone was among the 14 firms that “dominated the Federal Circuit in 2017,” *Law360* reported, noting that the firms “handled some of the hottest issues in intellectual property last year, racking up wins and setting precedent in all corners of patent law.” Haynes and Boone was the only firm on the list that did not lose a Federal Circuit appeal in 2017, posting a 7-0 record at the court, the survey showed.

[Read more.](#)

World Trademark Review Ranks Haynes and Boone in U.S. Top 20

The *World Trademark Review 1000 (WTR 1000)*, a directory of the world’s leading trademark professionals, has again ranked Haynes and Boone among the top 20 trademark practices in the nation and as the preeminent large firm in Texas.

[Read more.](#)

Haynes and Boone Patent Practice Ranked No. 2 Nationally by Juristat

Haynes and Boone has been ranked No. 2 among patent law firms in the United States by Juristat, a leading patent analytics company focused on Patent Office practice.

This was the third straight time Haynes and Boone appeared among the top 15 firms in Juristat’s rankings, moving up from No. 13 in 2016 to No. 6 in 2017 and now up to No. 2.

[Read more.](#)

Haynes and Boone Helped Win Jury Verdict Named Nation’s Largest in 2017

A federal jury verdict that Haynes and Boone helped win for clients ZeniMax Media Inc. and idSoftware has been recently named the nation’s largest jury verdict of 2017 by VerdictSearch. ZeniMax topped the list of the nation’s 10 largest verdicts for 2017, according to the VerdictSearch report, which was released earlier this year.

[Read more.](#)

Haynes and Boone Claims Multiple Honors at 2018 Americas IP Awards

Managing IP, which covers intellectual property news and developments worldwide, selected Haynes and Boone, LLP for several top honors at its 2018 Americas IP Awards, held March 15 in New York City. Haynes and Boone claimed the following honors:

- Patent Prosecution Firm of the Year (Southern U.S.)
- Patent Contentious Firm of the Year (Southern U.S.)
- Trademark Prosecution Firm of the Year (Southern U.S.)
- Partner Phillip Philbin was named the Outstanding Litigator in Texas

[Read more.](#)

IP QUIZ

Trademark Trivia

Is there a likelihood of confusion?

Attempted registration:



For toilet paper

Registered mark:



For bathroom tissue

and

According to the U.S. Trademark Trial and Appeal Board, the answer is YES.

The Board sustained an opposition brought by Kimberly-Clark Worldwide, Inc., finding a likelihood of confusion between the applicant's word and design mark for toilet paper and Kimberly-Clark's mark for bathroom tissue.

The Board first held that the goods are identical, as are the channels of trade and classes of purchasers. Despite the "readily apparent" differences in the marks, the Board also found that the overall commercial impressions of the marks were similar since both feature a puppy for toilet paper products. To support this finding, the Board provided several examples where confusion was found between design marks that were distinguishable but used on identical goods or services.

Regarding the similarities in the marks, the Board found that the similarities in the dogs outweighed any differences between the marks. Both dogs are similarly-colored puppies seated in similar orientations, and they appear to be, at least in part, the same breed. Even though one puppy holds a red heart in its mouth and the other puppy rests

its paw on a roll of toilet paper, the Board deemed these differences "insignificant."

As to the wording and banner design in the applicant's mark, the Board also found these elements insufficient to avoid confusion because the terms "TENDER PUFF" and "BATHROOM TISSUE" are suggestive and descriptive, respectively. Moreover, because Kimberly-Clark's mark consists solely of a puppy, consumers could identify its brand by referencing the puppy alone since the puppy mark, while not proved famous or strong, is "sufficiently distinctive that consumers familiar with it would be confused by the applicant's mark." Finally, the Board found that while some consumers may exercise care in selecting toilet paper, others would not, and that the lack of actual confusion was irrelevant to establishing likelihood of confusion since opposer had only been using its marks for a few years. As such, the Board sustained the opposition.

Kimberly-Clark Worldwide, Inc. v. Matosantos Commercial Corp., Opposition No. 91218800 (January 26, 2018) [not precedential]

If you have any questions, please visit the Haynes and Boone [Intellectual Property Law](#) page of our website.



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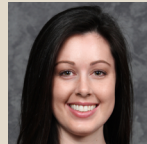


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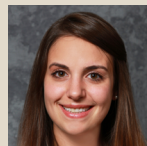


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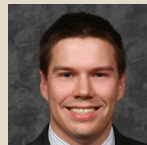


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