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Recent Developments in
US Intellectual Property Law



GGI Litigation & Dispute Resolution
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Overview

- Trademarks
- Copyrights
- Patents



The Structure of the Federal Court System

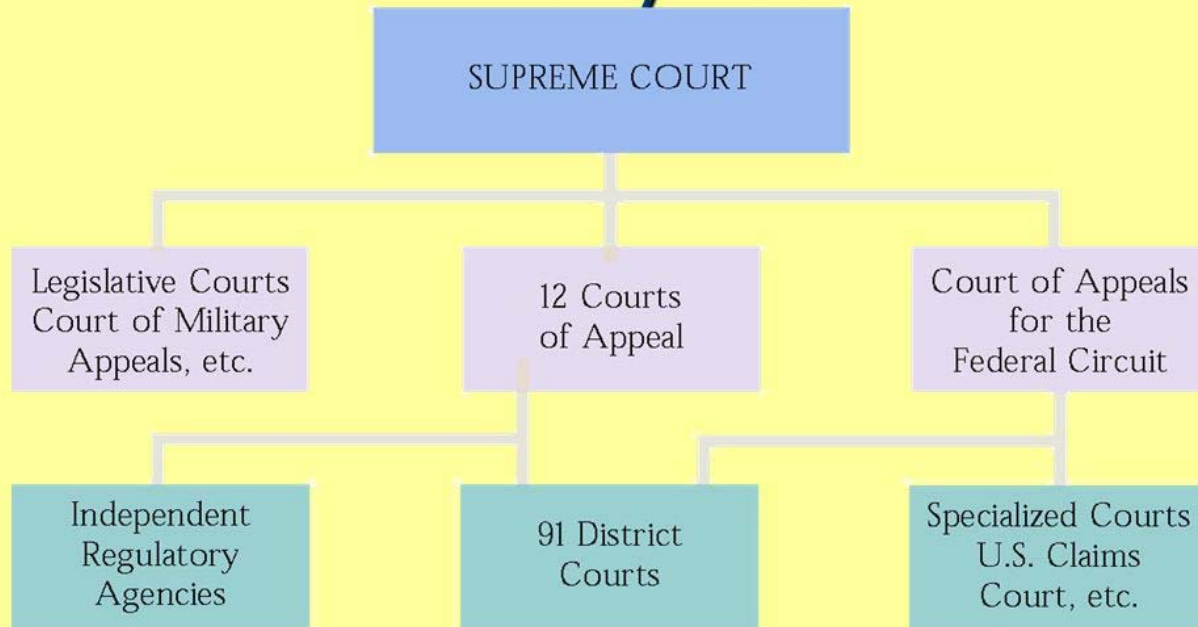


Figure 16.1



Trademarks

- *Converse v. ITC*: Proof of Secondary Meaning
- *RC Cola / Schlafly* : Protectability
- *Viacom* : The Krusty Krab
- *Mission Product Holdings* : Effect of bankruptcy on trademark license
- Proposed rule requiring US Attorneys for foreign applicants and registrants



Converse, Inc. v. ITC (Fed. Cir. 2018)

- **Issue:** Whether secondary meaning must be established for the time before the defendant begins use of the mark in order for the plaintiff to enforce the mark against the defendant
- **Background:** The ITC found that the mid-sole portion of Converse's All Star shoes was not a protected trademark for lack of acquired distinctiveness (secondary meaning). Held Registration invalid and denied relief.
- **Federal Circuit:**
 - For accused infringers whose first alleged use of the mark was *post-registration*, Converse is entitled to a presumption of acquired secondary meaning under the Lanham Act.
 - But, for accused infringers whose use *pre-dated registration*, no presumption is available. Converse needs to prove the mark acquired secondary meaning prior to any infringing use occurring before 2013
 - Five year look-back period



Royal Crown Cola v. Coca-Cola Co. (Fed. Cir. 2018)

- **Background:**

- Coca-Cola filed 17 applications for marks incorporating ZERO. Royal Crown opposed those applications arguing that:
 - (1) the term ZERO was merely descriptive
 - (2) the term ZERO is generic when applied to certain beverage products
- TTAB dismissed Royal Crown's opposition and held that ZERO served as a source-designating trademark for Coca-Cola and consumers would not see "zero" as a generic word for soft drinks

- **TTAB**

- Applied two part genericness test from *Marvin Ginn*
 - (1) identify the genus of goods or services at issue
 - the broad category of soft drinks (and sports and energy drinks)
 - (2) assess whether the public understands the mark, as a whole, to refer to that genus

- **Federal Circuit**

- Board neglected to consider whether the relevant consuming public would consider ZERO to be generic for a subcategory of the claimed genus of beverages (i.e. beverages with few or no calories or few or no carbohydrates)
- The Board failed to determine whether, if not generic, the marks were at least highly descriptive



Schlafly v. The Saint Louis Brewery (Fed. Cir. 2018)

- **Background:** Phyllis Schlafly's nephew, who ran a craft brewery, sought to register SCHLAFLY in connection with beer. Phyllis Schlafly and others argued that SCHLAFLY was a surname which precluded the mark from registration.
- **Federal Circuit: Affirmed**
 - Sufficient evidence supported the Board's determination that SCHLAFLY had acquired distinctiveness, particularly in connection with applicant's sales/marketing of SCHLAFLY beer since 1991, and its current sales in 15 states (plus DC) and 14,000 retail locations
 - **Holding:** a surname can be registered when it has acquired secondary meaning and distinctiveness



Viacom Int'l v. IJR Capital Investments (5th Cir. 2018)

- **Background:** Viacom Int'l, owner of SpongeBob SquarePants animated television series, sued IJR to block opening of seafood restaurants using the name “The Krusty Krab”
- **Federal Circuit – affirmed summary judgment of infringement**
 - As to validity of trademark in “The Krusty Krab,” salient question is whether The Krusty Krab mark, as used, will be recognized *in itself* as an indicator of origin for Viacom’s goods and services.
 - Focus is on the role it plays within the show and not on the overall success or recognition of the show.
 - For example: “The Daily Planet”; Kryptonite; “General Lee” (Dukes of Hazzard)
 - Central role in the show, extensive licensing supported finding that The Krusty Krab was entitled to common law trademark protection.



Mission Product Holdings v. Tempnology (1st Cir. 2018)

- Chapter 11 Debtor (Tempnology) attempted to “reject” the executory trademark license rights in a contract with Mission Products
- Section 365(n): when a Bankruptcy trustee rejects a contract under which the debtor is a licensor of a “right to intellectual property,” the licensee may elect to treat the election as termination of the contract or, subject to certain restrictions, retain its rights in the contract
- Trademark rights are not included as “intellectual property” under 365(n)
- **Holding:** Debtor allowed to reject the contract.
- **Circuit Split:** 7th Circuit has held that debtor’s rejection terminates its performance obligations (including obligation to police) but not the licensee’s rights under the license
- **Supreme Court granted cert.** Case argued 2/20.



Proposed Rule: U.S. Attorneys for Foreign Applicants

- February 2019 USPTO notice of proposal to amend rules of practice in Trademark cases.
- Proposed rule require all applicants, registrants, and parties to a proceeding whose domicile or principal place of business is not in the U.S. or its territories to be represented by an “active member in good standing of the bar of the highest court of a state in the U.S. (including the District of Columbia and any Commonwealth or Territory of the U.S.).
- Would apply to all applications including Madrid Protocol



Copyrights

- Supreme Court review: *Fourth Estate ; Rimini*
- *Oracle v. Google*
- *BMG Rights Management and Round Hill Music v. Cox Communications*



Recent SCOTUS Copyright Cases

- *Fourth Estate Public Benefit Corp. v. Wall-Street.com* (SCOTUS 2019)
 - For purposes of section 411 of the Copyright Act, registration of a copyright claim occurs when the Copyright Office registers a copyright, not when a copyright owner submits the application, materials, and registration fee to the Copyright Office.
- *Rimini Street, Inc. v. Oracle USA* (SCOTUS 2019)
 - An award of “full costs” to a prevailing copyright litigant under section 505 of the Copyright Act is limited to the 6 categories of costs specified by Congress in the general costs statute, 28 USC 1821, 1920.
 - Yes: fact witness fees; docket, clerk and marshal fees; transcripts; printing; exemplification; and court-appointed expert fees
 - No: expert witness fees, e-discovery expenses, and jury consultant fees



Oracle America v. Google LLC (Fed. Cir. 2018)

Background: Oracle sued Google, asserting that Google's unauthorized use of Oracle Java API packages in its Android operating system infringed Oracle's copyrights in Java. Google argued that its use of the Java API packages was fair use. District court agreed.

Federal Circuit: Google's use was commercial and not fair use. Reversed and remanded for damages

- The purpose and character of the use
 - **Google:** transformative because used in new context – smartphones
 - **Fed. Cir.:** Java API packages were already being used in smartphones
- Nature of the copyrighted work
 - Weighed in favor of fair use because of functional considerations
- The amount and substantiality of the portion used
 - “Google copied 11,500 lines of code—11,330 more lines than necessary to write in Java.”
- The effect of the use on the potential market
 - Android was used as a substitute in some cases and as leverage to lower the cost of Oracle's Java packages



BMG Rights Management, et al. v. Cox Communications (4th Cir. 2019)

■ *Background*

- BMG Rights Management asserted contributory copyright infringement against Cox Communications based on its subscribers' use of Bit Torrent technology to share copyrighted works. Jury found Cox liable and awarded \$25 million statutory damages.

■ **Held:**

- District court properly denied Cox the DMCA “safe harbor” under 17 USC 512 (that it has “adopted and reasonably implemented ... a policy that provides for the termination in appropriate circumstances of subscribers ... who are repeat infringers.”
 - Cox policy to automatically reactivate after every DMCA termination regardless of infringement
 - Evidence showed concern over loss of revenue
 - Cox deleted millions of takedown notices from BMG’s rights agent without viewing them
- District court erred in instructing jury that “contributory infringement” requires that Cox knew or “should have known” of infringing activity.
 - Actual knowledge or willful blindness is the standard.



Patents – Overview

- Administrative Attack – IPR, PGR, CBM
- Venue for Infringement Suits
- Eligibility - *Alice* and *Mayo*
- Damages



Administrative Attacks - PGR / IPR / CBM

- America Invents Act (AIA) (2011)
- Post Grant Review (PGR)
 - Any post-AIA patent
- Inter Partes Review (IPR)
 - Any patent
- Covered Business Method (CBM)
 - Financial products or services; but not technological inventions



Administrative Attacks - Effect

- Petitions filed (9/2012 – 2/2019): 9,558
 - 92% IPRs
- Instituted: 5,074
 - 1+ claim likely unpatentable
- Final Written Decisions: 2,614
 - No claim unpatentable: 501 (19%)
 - Some claims unpatentable: 463 (18%)
 - All claims unpatentable: 1,650 (63%)

(Source: PTAB Trial Statistics IPR, PGR, CBM February 2019)



IPR - Time Bar

- An IPR may not be instituted “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.” (Section 315(b))
- *Click-to-Call Technologies v. Ingenio* (Fed. Cir. 2018)
 - Service of complaint starts 1-year clock
 - Even if that complaint is voluntarily dismissed



IPR / PGR / CBM – Estoppel

- **Petitioner, real party in interest, or privy of the petitioner** may not later assert (in court/ITC/IPR) that the claim is invalid “on any ground that the petitioner raised or reasonably could have raised.” (Section 315(e))
 - Same rule for PGR
 - More limited estoppel effect for CBM



Applications in Internet Time v. RPX Corp. (Fed. Cir. 2018)

■ Background

- AIT sues Salesforce in 2013
- Salesforce filed CBM petitions – denied by PTAB in 2015
- RPX files IPRs. Salesforce is a member of RPX.
- AIT alleges that Salesforce is RPI and thus time barred.
- PTAB found that SF is not RPI

■ Ruling: Vacate and remand

- PTAB erred in focusing on RPX’s independent interest in pursuing IPR.
- Focus on SF’s interest and whether RPX can be said to represent that interest.
- “[F]lexible approach that takes into account both equitable and practical considerations with an eye toward determining **whether the non-party is a clear beneficiary that has a pre-existing, established relationship with the petitioner.**”



WesternGeco LLC v. ION Geophysical Corp. (Fed. Cir. 2018)

■ **Background**

- PGS commissioned ION to design/mfg seismic survey equipment.
- WesternGeco sued ION (manufacturer) for infringement – appeals pending.
- WesternGeco next sued PGS (customer) on same patents, and PGS filed IPRs.
- The Board found that PGS was not a “privity” for ION.

■ **Ruling: Affirmed. On these facts, the manufacturer-customer relationship not sufficient for “privity”**

- Focus on collateral estoppel – relationship such that both should be bound by a trial outcome.
- Privity cannot extend beyond limits of due process.
 - Control is only one factor
 - Distinct companies, represented by different counsel.
 - Standard manufacturer-customer contract with loose indemnity provisions that “did not obligate ION to protect PGS in a comprehensive way”
- ION trial did not give PGS fair opportunity to litigate.



IPRs - Other Recent Developments

- *Oil States Energy v. Greene's Energy Group* (SCOTUS 2018)
 - IPRs are not unconstitutional.
- *SAS Institute, Inc. v. Iancu* (SCOTUS 2018)
 - If an IPR is instituted, must address every challenged claim.
- *Saint Regis Mohawk Tribe v. Mylan Pharm., Inc.* (Fed. Cir. 2018)
 - Cannot avoid IPR by assigning patents to an Indian Tribe.
- *Wi-Fi One v. Broadcom* (Fed. Cir. 2018) (en banc)
 - Time-bar determinations are reviewable by Federal Circuit.
- *Worlds Inc. v. Bungie, Inc.* (Fed. Cir. 2018)
 - Petitioner has burden to show IPR not time-barred.



Venue for Patent Infringement actions

- An action for patent infringement “may be brought in any judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business.” (28 USC 1400(b))
- ***TC Heartland v. Kraft Food Group Brands* (SCOTUS 2017)**
 - **Holding:** For purposes of patent venue statute, a domestic corporation “resides” only in its state of incorporation
- ***In re BigCommerce* (Fed. Cir. 2018)**
 - BigCommerce PPOB in WDTX but was sued in EDTX where it had no presence
 - **Holding:** “[F]or purposes of determining venue under § 1400(b) in a state having multiple judicial districts, a corporate defendant shall be considered to ‘reside’ only in the single judicial district within that state where it maintains a principal place of business, or, failing that, the judicial district in which its registered office is located.”



In re HTC Corp. (Fed. Cir. 2018)

- **Holding:** A foreign corporation may be sued for patent infringement in the United States in *any* judicial district
- **Background:**
 - Taiwanese company sued in Delaware
 - 28 U.S.C. § 1391(c)(3): “a defendant not resident in the United States may be sued in any judicial district”
 - *TC Heartland* expressly did not address venue for foreign corporations



Patent Eligibility

- **35 USC 101:** “Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.”
- **Exceptions:** Laws of nature, natural phenomena, abstract ideas



Mayo Collaborative Services v. Prometheus Labs (SCOTUS 2012)

- A method of optimizing therapeutic efficiency for treatment of an immune mediated gastro-intestinal disorder [IMGO] comprising
 - Administering a drug providing [6Tx] to a subject having IMGO, determining the level of [6Tx] in the subject, wherein a level of [6Tx] less than [low amount] indicates a need to increase the amount of [6Tx], and a a level of [6Tx] greater than [high amount] indicates a need to decrease the amount of [6Tx], subsequently administered to the subject.
- **Holding:** Not patent-eligible
 - Correlation between concentration of [6Tx] and efficacy of treatment is a law of nature



Alice Corp. Pty, Ltd. v. CLS Bank International (SCOTUS 2014)

- When is a computer-implemented invention a patent-ineligible abstract idea?
- A computer-implemented method of lowering risk in foreign currency trades, including incorporating a third-party intermediary to ensure that one party will not default after half the trade is completed.
- **Holding:** Not patent-eligible
 - Claims are directed to the “abstract idea” of mediated settlement.
 - Generic computer implementation does not transform abstract idea into patent-eligible invention



Patent Eligibility – *Alice* Claim 33

- Claim 33 : A method of exchanging obligations as between parties, each party holding a credit record and a debit record with an exchange institution, the credit records and debit records for exchange of predetermined obligations, the method comprising the steps of:
 - (a) creating a shadow credit record and a shadow debit record for each stakeholder party to be held independently by a supervisory institution from the exchange institutions;
 - (b) obtaining from each exchange institution a start-of-day balance for each shadow credit record and shadow debit record;
 - (c) for every transaction resulting in an exchange obligation, the supervisory institution adjusting each respective party's shadow credit record or shadow debit record, allowing only these transactions that do not result in the value of the shadow debit record being less than the value of the shadow credit record at any time, each said adjustment taking place in chronological order, and
 - (d) at the end-of-day, the supervisory institution instructing on[e] of the exchange institutions to exchange credits or debits to the credit record and debit record of the respective parties in accordance with the adjustments of the said permitted transactions, the credits and debits being irrevocable, time invariant obligations placed on the exchange institutions.



Patent Eligibility - *Alice* and *Mayo* “Test”

- *Alice* sets out a two-part “framework” for distinguishing patents that claim patent-ineligible laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of those concepts.
 - Are the claims at issue “*directed to*” one of these patent-ineligible concepts.
 - Considering all the elements of the claims, do the additional elements transform the nature of the claim into a patent-ineligible invention.



Patent Eligibility – Post-*Alice* Havoc

- As of September 2018, over 810 district court decisions have addressed patent eligibility.
- Of those 810, around 480 decisions, or about 60% percent, found claims unpatentable under Section 101.
- Of those 480 invalidations, 355 of them, or about 74% resulted from a 12(b)(6) or 12(c) motion.
- Of patents invalidated in district court, 25% appealed to Federal Circuit.
 - 57 of the 122 appeals of district court invalidations received opinions from the Federal Circuit. The rest received a “Rule 36 Affirmance,” providing no guidance.
- After four years, over 90% of cases appealed to the Federal Circuit on patent ineligibility grounds have been affirmed. As of September 2018, the Federal Circuit has reversed or vacated only 9.

• Source: Alice at Age Four: Time to Grow Up, Meredith Addy (2018)



Damages - *WesternGeco v. ION Geophysical Corp.* (SCOTUS 2018)

- WesternGeco holds patents on a system for surveying the ocean floor, which it uses in performing ocean surveying services
- ION manufactured components for an infringing system in the US, and shipped the components to companies abroad who combined the components to create a surveying system that infringes WesternGeco's patents.
- Under 35 USC 271(f)(2), a company "shall be liable as an infringer" if it "supplies" certain components of a patented invention "in or from the United States" with the intent that they "will be combined outside of the United States in a manner that would infringe the patent if such combination occurred within the United States."
- **Holding:** Patentees may recover lost profits on sales outside of the U.S. when infringer commits domestic acts (i.e., in or from the United States) of supplying the infringing components



QUESTIONS?

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Patent Eligibility – Sample Cases

■ *Finjan v. Blue Coat Sys.* (Fed. Cir. 2018)

- system and method for providing computer security by attaching a security profile to a “downloadable” (construed as “an executable application program, which is downloaded from a source computer and run on the destination computer”).
- **Holding:** Patent eligible under Step One.
 - “[N]on-abstract improvement in computer functionality, rather than the abstract idea of computer security writ large.”
 - Specification claims a “behavior-based” virus scanning approach that can be contrasted with prior art “code-matching” scans, which simply scan for code that matches known viruses.
 - This “behavior-based” goes beyond known viruses to look for “all **potentially** hostile or suspicious code operations that may be attempted by the Downloadable“ based on the code’s behavior (e.g., renaming or deleting files).
 - Improvement to technology: unlike prior art code-matching scans, “behavior-based” scans protect against (1) previously unknown viruses, and (2) “obfuscated code”—known viruses that have been cosmetically modified to avoid detection by code-matching virus scans.



Patent Eligibility – Sample Cases

■ *Vanda Pharms v. Aventisub* (Fed. Cir. 2018)

- **U.S. Patent No. 8,586,610:** Method of treating schizophrenia patients with iloperidone wherein the dosage range is based on the patient's genotype.
- **Holding:** Patent eligible under Step One – “[A] new way of using an existing drug that is safer for patients because it reduces the risk of QTc prolongation.”
 - The relation in *Mayo* “is a consequence of the ways in which thiopurine compounds are metabolized by the body—entirely natural processes. And so a patent that simply describes that relation sets forth a natural law.” *Id.*
 - In *Mayo*, claim as a whole was not directed to the treatment of a particular disease. Instead, the administering step basically told engineers to apply a known natural relationship or to apply an abstract idea with computers.



Patent Eligibility – Sample Cases

■ *Berkheimer v. HP* (Fed. Cir. 2018)

- Methods for parsing files into multiple objects and tagging objects to create relationships between them. A change in one object carries over to all documents containing same object, eliminating redundant storage of common elements to improve system efficiency.
- **Step One:** Claims = abstract idea of parsing, comparing, storing, and editing data.
- **Step Two:**
 - Claims 1-3 and 9: No inventive step because “parsers and the functions they perform existed for years before [the] patent.”
 - Claims 4-7: Potentially eligible because contain arguably unconventional inventive concept for performing one-to-many editing in a specific way.
- **Held:** Court remanded to determine *factual* issue of whether Claims 4–7 archive documents in inventive manner.



Patent Eligibility – Sample Cases

■ *BSG v. Buyseasons* (Fed. Cir. 2018)

- “[S]elf-evolving generic index” for organizing a database according to relative historical usage information.
- Ex: For automobile database with a “model” parameter, patent suggested entries can be indexed by popularity of models, with popularity being measured by prior users of the system.
- Step One: Claims do not require any particular method of efficient indexing by frequency; computer only used to access the information
 - Claims were directed to patent-ineligible abstract idea of “considering historical usage information while inputting data.”
 - Claims not rooted in computer technology and did not overcome a technological problem.
 - “[A]n improvement to the information stored by a database is not equivalent to an improvement in the database’s functionality.”
- **Step Two:**
 - While underlying factual determinations may inform the legal decision of eligibility, court may decide Step Two as a question of law if the only inventive concept identified in the claim is the ineligible abstract idea.



Patent Eligibility – Sample Cases

■ *SAP America v. Investpic* (Fed. Cir. 2018)

- “systems and methods for performing certain statistical analyses of investment information.”
- Step one: The claims are to an abstract idea of “selecting certain information, analyzing it using mathematical techniques, and reporting or displaying the results of the analysis.”
- “We may assume that the techniques claimed are groundbreaking, innovative, or even brilliant, but that is not enough for eligibility.”



Patent Eligibility – Sample Cases

■ *Aatrix v. Green Shades Software* (Fed. Cir. 2018)

- Importing data into viewable forms for users to manipulate data and create viewable reports.

■ Held:

- District court erred when it denied leave to amend without claim construction and in the face of factual allegations in the second amended complaint that, if true, described problems present in prior art, and showed that the improvements and increased efficiencies of the computer technology itself are not directed to generic components performing conventional activities.
 - Federal Circuit remanded to amend complaint and for claim construction.
- Patent eligibility can be determined at Rule 12(b)(6) stage if “there are no factual allegations that, taken as true, prevent resolving the eligibility question as a matter of law.”

