

Top Intellectual Property Cases of 2008—Part I

by Daniel J. Sherwinter

This article provides summaries of several notable intellectual property law cases of 2008. Cases for each of IP's main disciplines—trademark, copyright, and patent law—are summarized in Part I. Part II will summarize the remaining cases.

During 2008, a number of important cases were decided across the main disciplines of intellectual property law: trademark, copyright, and patent law. This article provides a summary of ten notable cases for each discipline. Part I covers five cases for each discipline; Part II, which will be published in the April 2009 issue of *The Colorado Lawyer*, will summarize the remaining cases. The facts of each case are consolidated as much as possible to highlight significant legal discussions and implications.

Trademark Cases

➤ **No Gain, No Pain: Noncommercial Website is Not a Use in Commerce.** *Utah Lighthouse Ministry v. Foundation for Apologetic Info.*, 527 F.3d 1045 (10th Cir. 2008).

Plaintiff Utah Lighthouse Ministry (UTLM) was established “to critique the Church of Jesus Christ of Latter-day Saints (LDS Church). In support of its mission, UTLM sells books at both a brick-and-mortar bookstore in Utah and through an online bookstore at the official UTLM website, www.utlm.org.”¹ Defendant Foundation for Apologetic Information and Research (FAIR) is “a volunteer organization that responds to criticisms of the LDS Church.”² FAIR’s vice president and Webmaster, Alan Wyatt, registered ten domain names containing the words “Utah Lighthouse Ministry” and the names of its principals, and created a noncommercial website “parodying the UTLM website—the Wyatt website is similar in appearance [to the UTLM website] but has different, though suggestively parallel, content.”³ Wyatt’s website included multiple links, but none was to any storefront.

UTLM sued FAIR for trademark infringement and unfair competition under the Lanham Act,⁴ and for cybersquatting, in violation of the Anticybersquatting Consumer Protection Act

(ACPA).⁵ The Tenth Circuit affirmed the lower court’s dismissal of UTLM’s Lanham Act claims, finding that operation of a non-commercial website did not constitute use in commerce (declining to follow a contrary holding from the Fourth Circuit). The Tenth Circuit determined that there was no likelihood of confusion under the traditional factors and that the website was a successful parody. Finally, the ACPA claims were dismissed for lack of requisite bad faith intent to profit from the use of UTLM’s mark. Specifically, under a safe harbor provision of the ACPA, there can be no bad faith intent where the court determines that the defendant reasonably believed the use to be fair use or otherwise lawful.

➤ **A “Vail” of Protection: Geographically Descriptive is Not Distinctive.** *Vail Associates, Inc. v. Vend-Tel-Co., Ltd.*, 516 F.3d 853 (10th Cir. 2008).

Plaintiff Vail Associates, Inc., owner of the registered service mark “VAIL,” sued defendant Vend-Tel-Co., Ltd. for operating a toll-free “1-800-SKI-VAIL” phone service. Plaintiff contended that defendant’s use of its registered 1-800-SKI-VAIL mark in commerce was likely to cause confusion, with customers mistakenly dialing the toll-free number in an attempt to reach Vail Associates.

After evaluating extensive testimony from witnesses, including plaintiff’s vice president of marketing and sales, a travel agent, and a trademark attorney, the Tenth Circuit affirmed the lower court’s decision for defendant. The Circuit decided all of the likelihood-of-confusion factors in defendant’s favor, including finding little evidence of actual confusion and no proof of defendant’s intent to deceive customers or to trade on plaintiff’s goodwill. For example, the Circuit concluded that, as a geographically descriptive mark, VAIL is a strong mark for ski destinations, but a weak mark for goods and services.

Article Editors

Steven J. Merker, Denver, of Dorsey and Whitney LLP—(303) 629-3400, merker.steve@dorsey.com; William F. Vobach, Denver, of Townsend and Townsend and Crew LLP—(303) 571-4000, wfvobach@townsend.com



About the Author

Daniel J. Sherwinter is an associate at Townsend and Townsend and Crew LLP. His practice focuses on strategic patent portfolio development, with an emphasis on patent prosecution in the electronics, software, and mechanical arts—(303) 571-4000, djsherwinter@townsend.com.

Intellectual Property and Technology articles are sponsored by the CBA Intellectual Property and Technology Law and Policy Sections. They provide information of interest to intellectual property and technology attorneys who advise clients on protecting and exploiting various forms of intellectual property in the marketplace.

➤ **Changes Afoot for Declaratory Judgment Jurisdiction.** *Surefoot LC v. Sure Foot Corp.*, 531 F.3d 1236 (10th Cir. 2008).

Plaintiff Surefoot LC owns the registered SUREFOOT mark for shoe pads and other products. Defendant Sure Foot Corp. owns the SURE FOOT mark for custom-fit ski boots. After years of settlement attempts, cease-and-desist letters, and Trademark Trial and Appeal Board (TTAB) actions,⁶ plaintiff sued for declaratory judgment (DJ) of noninfringement.

The district court denied standing for lack of “reasonable apprehension of imminent suit,”⁷ Tenth Circuit precedent at the time. However, shortly thereafter, the U.S. Supreme Court essentially rejected that test in a patent-related case, *MedImmune, Inc. v. Genentech, Inc.*,⁸ and plaintiff appealed under the new *MedImmune* standard.

The Circuit focused on language from *MedImmune*:

[T]he question in each case is whether the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.⁹

Under this standard, the Circuit found that DJ jurisdiction existed. Specifically, it determined that defendant would have jurisdiction to bring a straight infringement action (as a counterfactual case); that not-withdrawn allegations of infringement, even years old, showed a substantial controversy; and that a recent burst of activity at the TTAB supported a continuing belief of controversy by the DJ defendant.

The Circuit was careful to limit its discussion to only the specific facts presented, and the final determination of factors to consider for DJ jurisdiction was remanded to the district court. Even so, the Circuit expressly rejected arguments restricting *MedImmune* to patent cases and to parties in privity (like the licensee relationship at issue in *MedImmune*).

➤ **If it Acts Like a “Duck,” it Might be Generic.** *Boston Duck Tours, LP v. Super Duck Tours, LLC*, 514 F.Supp.2d 119 (D.Mass. 2007) (granting preliminary injunction), *clarified by* 2007 U.S. Dist. LEXIS 94681 (D.Mass. Dec. 5, 2007), *rev’d*, 531 F.3d 1 (1st Cir. 2008).

Plaintiff Boston Duck Tours, LP has operated land and water tours around Boston since 1994, using brightly painted DUKWs (amphibious World War II vehicles, pronounced “duck”), with trademarks registered for BOSTON DUCK TOURS and a splashing cartoon duck logo. Defendant Super Duck Tours has provided similar services in Portland, Maine since 1991, but did not enter the Boston market until 2003 (its maiden Boston tour under the name “Super Duck Tours” was not until May 2007).

Plaintiff sued defendant for trademark infringement, and the district court granted a preliminary injunction after finding all likelihood-of-confusion factors and preliminary injunction factors to weigh in plaintiff’s favor. Notably, the court rejected arguments that DUCK TOURS was a generic term for amphibious sightseeing tours, finding that even if merely descriptive, plaintiff had shown sufficient secondary meaning evidence based on long-term use of the mark.

Subsequently, defendant renamed itself SUPER DUCK EXCURSIONS, but continued to purchase the phrase “boston duck tours” as a Google “sponsored link” advertising program keyword. Defendant filed a motion to determine whether this activity vio-

lated the injunction. The court determined that, though the purchase of the keyword constituted use under the Lanham Act, defendant’s name change distinguished defendant from plaintiff, such that consumer confusion “was likely diminished rather than increased.” Thus, defendant’s actions were not in violation of the preliminary injunction.

Plaintiff appealed, giving the First Circuit an opportunity to visit the question of whether the “duck tours” phrase was generic. The Circuit reversed the district court, finding “duck tours” generic and thus not entitled to trademark protection. The Circuit’s determination relied on evidence of generic use, including articles in the media, similar names of companies offering similar services around the country, and plaintiff’s admission on its website that “the unique idea of a [d]uck [t]our did not originate in Boston.”¹⁰

The Circuit found no likelihood of confusion:

Allowing “duck tours” to largely drop out of the analysis, we conclude that the parties’ marks are reasonably, although not completely, dissimilar. Although both “Boston” and “Super” are two-syllable words, and they are each followed by a two-word generic phrase, the words look and sound completely different. In addition, they have different meanings, describing a different feature of their products.¹¹

The preliminary injunction was reversed and the case was remanded to the district court.

➤ **Video Game is Not Stripped of Free Speech Expression.** *E.S.S. Entertainment 2000, Inc. v. Rock Star Videos, Inc.*, 547 F.3d 1095 (9th Cir. 2008).

Rock Star Videos manufactures and sells the popular video game series “Grand Theft Auto,” in which players experience life as a “gangster.” In one game in the series, players ravage the town of “Los Santos,” where they can find myriad virtual stores and clubs modeled after photos from actual locations in Los Angeles (but explicitly disclaimed in the game as fictional), including the “Pig Pen” strip club. The “Pig Pen” strip club is loosely based on the real “Play Pen” strip club operated by plaintiff.

Plaintiff sued, alleging that defendant’s imitation of the strip club in the game caused consumers to believe plaintiff was somehow associated with the game. The district court dismissed the case on summary judgment, finding defendant’s actions to be protected as free speech under the First Amendment.

The Ninth Circuit affirmed, guided by the Second Circuit’s decision in *Rogers v. Grimaldi*.¹² The *Rogers* test limits application of the Lanham Act to artistic or creative expression, balancing public interest in avoiding consumer confusion against public interest in free speech. Rejecting plaintiff’s argument that the mark was not artistically relevant (because the game is not about the strip club, for example), the Ninth Circuit stated that the “level of relevance merely must be above zero,”¹³ suggesting that marks deserve First Amendment protection unless they have no relevance to the underlying work at all. In this case, the Ninth Circuit found that the overall artistic goal of the game was to create an alternate reality; providing a critical context of businesses establishes the artistic backdrop to a convincing parody of Los Angeles.

Copyright Cases

➤ **Infringement Letter Creates Personal Jurisdiction.** *Dudnikov v. Chalk & Vermilion Fine Arts Inc.*, 514 F.3d 1063 (10th Cir. 2008).

Karen Dudnikov and Michael Meadors own a small business in Colorado that sells goods over eBay's online auction site. As stated by the Tenth Circuit:

[the] case concerns two of plaintiffs' prints, both of which play on famous images by the artist Erté, *Symphony in Black* and *Ebony on White*. While Erté's images depict elegant women walking aquiline dogs, plaintiffs' prints portray Betty Boop next to her aptly named canine companion, Pudgy.¹⁴

The copyright of Erté's work is owned by Seven Arts. Seven Arts' U.S. agent, Chalk & Vermillion Fine Arts Inc., sent a takedown request to eBay in California through eBay's VeRO (Verified Rights Owners) program. In response, eBay canceled the auction. Dudnikov and Meadors contested the takedown, prompting Chalk & Vermillion to send a letter threatening to file a copyright infringement suit.

Dudnikov and Meadors filed a declaratory judgment action in Colorado that their prints did not infringe defendants' copyrights. Chalk & Vermillion filed a motion to dismiss, arguing lack of personal jurisdiction (general or special), because the letter was sent to California.

Chalk & Vermillion won in district court on the ground that sending a letter to California to cause a California company to take action did not create sufficient jurisdiction in Colorado. Dudnikov and Meadors appealed to the Tenth Circuit. The Circuit decided in favor of Dudnikov and Meadors, finding that the effect of the California letter was to cancel the auction and to affect business in Colorado, thereby creating personal jurisdiction in Colorado.

► **Making a Mesh: 3-D Wireframe "Replicas" Not Protectable.**

Meshwerks, Inc. v. Toyota Motor Sales U.S.A., Inc., 528 F.3d 1258 (10th Cir. 2008).

For a 2003 advertising campaign, Toyota Motor Sales U.S.A., Inc. hired Meshwerks, Inc.¹⁵ to digitize and model its 2004 line of products for the creation of digital three-dimensional wireframe representations. The digitization and modeling efforts essentially included performing precise surveys, collecting myriad three-dimensional points from each product, and mapping the points to a computer grid that could be interpreted by modeling software. After Toyota used the Meshwerks models in multiple advertisements in different media, Meshwerks sued for copyright infringement and breach of contract in district court, claiming it had been contracted to create the models (for which Meshwerks had registered copyrights) only for a single use.

Toyota filed a motion for summary judgment on the ground that the wireframe models lacked sufficient originality to merit copyright protection, because all original expression could be attributed to Toyota's designs. Without any original expression, there could be no copyright; without a copyright, there could be no infringement. The district court granted the motion, finding that Meshwerks' contractual "intent was to replicate, as exactly as possible, the image of certain Toyota vehicles."¹⁶ Incidentally, the court also found that dismissal of the copyright claim eliminated any grounds for supplemental jurisdiction over Meshwerks' state law contract claim.

Meshwerks appealed to the Tenth Circuit. The Circuit affirmed, according to a two-part analysis. First, the Circuit performed an objective assessment of the wireframe models at issue to determine whether there was any independent creation. The conclusion was that the models:

are untouched by a digital paintbrush; they are not depicted in front of a palm tree, whizzing down the open road, or climbing up a mountainside. Put another way, Meshwerks' models depict nothing more than unadorned Toyota vehicles—the car as car. . . . And the unequivocal lesson from *Feist* is that works are not copyrightable to the extent they do not involve any expression apart from the raw facts in the world.¹⁷

Second, the Circuit analyzed Meshwerks' intent in creating the models. The Circuit held that “the undisputed evidence before us leaves no question that Meshwerks set out to copy Toyota's vehicles, rather than to create, or even to add, any original expression.”¹⁸

➤ **A Picture is Worth a Decade in Court: Electronic Reprints as Privileged Revisions.** *Greenberg v. National Geographic Society*, ___ S.Ct. ___, 2008 WL 4451872 (U.S. 2008).

After eleven years, the U.S. Supreme Court ended photographer Jerry Greenberg's battle against *National Geographic* over re-use of his photographs without his permission on a CD-ROM reproduction of more than 100 years of *National Geographic* back issues. In 2001, the Supreme Court issued the landmark copyright ruling *New York Times v. Tasini*.¹⁹ *Tasini* held that *The New York Times* could not license the works of freelance journalists contained in the newspapers without their permission when licensing reformatted re-publications of back issues in electronic databases.

Although this generally was seen as a huge win for freelancers, many publishers have read certain language in Justice Ginsburg's majority decision²⁰ as limiting use of the freelance work only outside its original context. As such, publishers may be privileged within the language of the decision to re-use the freelance work, as long as it remains in its original context.

A few months before *Tasini*, the Eleventh Circuit awarded Greenberg \$400,000 in a judgment against *National Geographic* for willful copyright infringement.²¹ *National Geographic's* CD-ROM contained scanned page images from its back issues, and the Circuit found the library constituted a new product in a new medium

for a new market. After the Supreme Court decided *Tasini*, however, *National Geographic* sought review of the judgment, claiming that the CD-ROM images of the magazine pages were merely re-uses of the freelance works in their original context.

The Eleventh Circuit agreed, ruling in favor of *National Geographic* and reversing its earlier judgment.²² Specifically, the Circuit concluded that “long-embraced doctrine of media neutrality” found in *Tasini* stands for the idea that:

[the] transfer of a work between media does not alter the character of that work for copyright purposes. . . . Greenberg's copyrights . . . and National Geographic's privilege of reproducing and distributing the collective works—were not determined thirty years ago based on the medium in which they were produced, and they should not be determined on that basis today. . . . [A]s technology progresses . . . copyright law must remain grounded in the premise that difference in form is not the same as a difference in substance.²³

Greenberg sought review of the Eleventh Circuit decision by the Supreme Court, and the Supreme Court denied *certiorari*. The Supreme Court's denial ends Greenberg's avenues for appeal.

➤ **Opening the Door to Open Source Remedies.** *Jacobsen v. Katzer*, 535 F.3d 1373 (Fed. Cir. 2008).

Plaintiff Robert Jacobsen is the manager of the Java Model Railroad Interface (JMRI), an open source software environment licensed under the Artistic License version 1.0. As with many open source licenses, the Artistic License provides a nonexclusive license to use content in a noncommercial way—others are free to copy portions of software for their own use under the license, as long as the resulting software is not sold. Jacobsen sued Matthew Katzer and Kamind Associates, Inc., developers of commercial software for model trains, alleging that Katzer copied portions of the JMRI software and incorporated them into commercial software. Jacobsen brought suit in federal district court for a preliminary injunction.

The district court denied the injunction, reasoning that Katzer's alleged violations of license terms would create liability for breach of contract, not copyright infringement. Specifically, the district court determined that notice and other open source requirements of the Artistic License were contractual covenants, rather than conditions on the scope of the license. Violation of those covenants would give rise to monetary damages, potentially limiting Jacobsen's chances of receiving his desired injunctive remedy. Jacobsen appealed to the U.S. Court of Appeals for the Federal Circuit, which vacated the judgment of the district court.

The Federal Circuit held that license terms can be considered enforceable copyright conditions, and breach of those license terms could give rise to copyright infringement. Notably, the Circuit seemed to consider open source licensing as an important part of modern copyright law, pointing out that:

[o]pen source licensing has become a widely used method of creative collaboration that serves to advance the arts and sciences in a manner and at a pace that few could have imagined just a few decades ago.²⁴

Because the open source license allows use of the copyrighted work only under certain conditions, breaching those conditions was seen by the Circuit as use of the work outside the scope of the license, which constitutes copyright infringement.

The case was remanded for consideration by the district court of whether an injunction was warranted. This decision of the Federal Circuit arguably is the first major ruling in the United States to test remedies in the context of a breach of an open source license.

➤ **Bot Killed by Blizzard: Virtual Game Play Outside License Scope is Infringement.** *MDY Industries v. Blizzard Entertainment*, 89 USPQ 2d 1015 (D.Ariz. 2008), and *motion for permanent injunction and alternative motion to amend the judgment denied*, No. CV-06-2555-PHX-DGC, 2008 U.S. Dist. LEXIS 78432 (D.Ariz. Sept. 18, 2008).

Defendant and counterclaimant Blizzard Entertainment distributes the popular massively multiplayer online role-playing game “World of Warcraft” (WoW), in which more than 10 million monthly subscribers control avatars through a virtual world. Characters become successful over time, for example, by gathering resources, learning and practicing trades, exploring, and questing.

Plaintiff and counterdefendant, MDY Industries, created a program called Glider that allows WoW characters to play the game essentially unattended by automating many of the tasks involved in game play. These types of programs, called “bots,” allow subscribers to continue building their characters when they are not playing. As is typical with software applications, starting a session of the WoW game requires the player’s computer to make a local copy of portions of WoW software code (regardless of whether the game is being played by a bot, like Glider). Under the terms of the End User License Agreement (EULA) and the Terms of Use Agreement (TOU), subscribers are granted a limited, nonexclusive license to copy the software for the purpose of playing the game. However, both the EULA and the TOU explicitly prohibit the use of game bots.

In October 2006, Blizzard representatives showed up at the home of MDY’s owner and accused him of infringement, threatening suit unless he stopped selling Glider. MDY filed a declaratory judgment action in Arizona later that day. Blizzard filed counterclaims and third-party complaints on a number of counts, including tortious interference with contract, contributory and vicarious copyright infringement, and violation of the Digital Millennium Copyright Act (DMCA).²⁵

Both parties subsequently filed for summary judgment on multiple claims. Blizzard’s infringement arguments on summary judgment essentially were based on allegations that distribution of the Glider program caused subscribers to violate terms of the EULA and TOU, and that these violations (playing the game in violation of the EULA and TOU) result in using their copyrighted work outside the license grant and in an infringing way.

The court granted Blizzard’s summary judgment motions on its infringement claims, agreeing that Glider infringes Blizzard’s copyright each time it copies WoW code into the computer’s memory as part of the sequence of loading the bot program. In

light of the ruling, MDY agreed to pay a stipulated judgment of \$6 million to Blizzard.²⁶

Patent Cases

➤ **Let the Chips Fall Where They May: Patent Exhaustion Applied to Method Claims.** *Quanta Computer v. LG Electronics*, ___ U.S. ___, 128 S.Ct. 2109 (2008).

LG Electronics purchased a number of patents, some of which it licensed to Intel Corp. under a license agreement. The license agreement broadly authorized Intel to make, use, and/or sell microprocessors and chipsets using the licensed patents. The license agreement did not explicitly affect any patent exhaustion rules.

A separate master agreement required Intel to provide written notice to customers that making products by combining Intel Products with non-Intel products would be outside Intel’s license scope, and that a breach of the master agreement would not affect the license agreement. Quanta Computer purchased microprocessors and chipsets from Intel that were covered by the licensed patents and combined the microprocessors and chipsets, without modification, with non-Intel parts to make computers.

LG sued Quanta in district court for infringement of three patents, and Quanta moved for summary judgment on the ground that Intel’s license exhausted LG’s patent rights against legitimate purchasers from Intel. LG responded that the patented methods were not fully infringed until they were used by Quanta, and therefore could not have been exhausted before that time.

The district court agreed with Quanta, concluding that the license caused forfeiture of future infringement actions against legitimate purchasers,²⁷ and that, although none of the products fully practiced any of the patented methods at issue, the lack of any reasonable noninfringing use caused their authorized sale to exhaust patent rights in the completed computers.²⁸ The district court separately limited the ruling in an order restricting patent exhaustion to apparatus or composition claims, as opposed to method claims.²⁹

LG appealed to the Federal Circuit. The Circuit agreed with the district court that exhaustion does not apply to method claims, but it ultimately reversed the exhaustion ruling on the ground that Intel’s license did not authorize it to sell products to Quanta under the license for use in combination with non-Intel products. Quanta appealed to the Supreme Court, which reversed the judgment of the Federal Circuit and held in favor of Quanta.

The Supreme Court stated unequivocally that the patent exhaustion doctrine applies to method claims. LG argued that method patents are embodied by processes rather than products, and therefore can never be exhausted through sale. However, the Supreme Court concluded that: (1) methods can be “embodied” in products (even if the method is not typically sold on its own); (2) Supreme Court precedent showed no differentiation of sales of products involving patented methods versus apparatuses; and (3) taking method claims out of the purview of exhaustion would allow patentees to simply draft claims as methods to avoid any possibility of exhaustion.

The Supreme Court also held that sales of products that “embod[y] essential features of [the] patented invention” trigger exhaustion even when the product does not completely practice the patented method, because there is no reasonable noninfringing use of the product. Quanta argued, and the Supreme Court agreed, that the sale of the Intel products exhausted LGE’s patents, even

though the products were incomplete. Comparing the situation to the sale of lens blanks in *United States v. Univis Lens Co.*,³⁰ the microprocessors and chipsets were seen as all but practicing the patented methods. Particularly, the only remaining steps requiring performance by Quanta were portions of the method claims that were well known in the art (Quanta used the Intel products without modification by adding standard additional components or by integrating the products in known ways).³¹

Finally, the Court determined that the sale to Quanta allowed Quanta to practice the patented processes. LG contended that any implied license for Quanta to practice the patented inventions would be invalid as arising in breach of the license agreement with Intel. The Supreme Court determined, however, that because Quanta was asserting a right to practice the patented processes under exhaustion and not under an implied license, this argument was irrelevant.

LG argued that exhaustion is triggered only by authorized sales by the patent holder, and that Intel's sale for use in combination with non-Intel products was unauthorized as outside the scope of its license. The Supreme Court disagreed here too, finding that the license grant broadly authorized Intel to sell the products without condition. The unconditional authority to sell products that substantially embody the patented processes was held to trigger exhaustion. The patent exhaustion thus prevented LG from asserting patent rights against Quanta for use of the products from Intel.

➤ **Risky Business: The New Test for Business Method Patent Eligibility.** *In re Bilski and Warsaw*, 545 F.3d 943 (Fed. Cir. 2008).

Bernard Bilski and Rand Warsaw filed a patent claiming, among other things, a method of hedging risk in the field of commodities trading. After receiving a final rejection, the case was appealed to the Board of Patent Appeals and Interferences (BPAI), which sustained the rejection of all eleven claims on the ground that transformation of “non-physical financial risks and legal liabilities of the commodity provider, the consumer, and the market participants” is not patent-eligible subject matter under 35 U.S.C. § 101.³² Specifically, the BPAI found that the claims merely recited an abstract idea that “preempted any and every possible way of performing the

steps of the [claimed process], by human or by any kind of machine or by any combination thereof,” and failed to produce a “useful, concrete and tangible result.”³³ The decision of the BPAI was appealed to the Federal Circuit, which affirmed *en banc*.

Based on the 1972 decision in *Gottschalk v. Benson*,³⁴ the Federal Circuit concluded that the purpose of the subject matter requirement was to limit claims to particular applications of fundamental principles, rather than to allow claims to the fundamental principles themselves. In reaching this conclusion, the Circuit found that the long-standing “useful, concrete and tangible result” test, although often a useful indicator, was insufficient to consistently ensure these limitations on claim scope.

Instead, the Circuit pronounced a “machine-or-transformation test,” stating that

the proper inquiry under § 101 is not whether the process claim recites sufficient “physical steps,” but rather whether the claim meets the machine-or-transformation test. As a result, even a claim that recites “physical steps” but neither recites a particular machine or apparatus, nor transforms any article into a different state or thing, is not drawn to patent-eligible subject matter. Conversely, a claim that purportedly lacks any “physical steps” but is still tied to a machine or achieves an eligible transformation passes muster under § 101.³⁵

Further, the Circuit stated that the machine or transformation must be central to the patentability of the process, and cannot simply be extra-solution activity. The Circuit also pointed out that novelty and non-obviousness requirements (under §§ 102 and 103) are completely separate from the threshold determinations of patent eligibility under § 101, as supported by other Supreme Court precedent.

The Federal Circuit quickly determined, and the appellants agreed, that the claims were not “tied to a particular machine,” allowing dismissal of the first prong of the test with little discussion or clarification. Thus, the decision focused primarily on the second prong: whether the claimed process transformed a particular article to a different state or thing.

Many pages of the opinion were devoted to defining what kinds of “articles” could be transformed to constitute patent-eligible subject matter. On one side of the spectrum, a method transforming a physical and tangible article was considered clearly patent-eligible. On the other side of the spectrum, a method transforming electronic data representing something wholly intangible was clearly not patent-eligible. Within the spectrum are many difficult cases, most of which were not addressed in the decision. Interestingly, citing *In re Abele*,³⁶ the Circuit determined that a method transforming data that “clearly represent[s] the physical and tangible objects, namely the structure of bones, organs, and other body tissues” is patent-eligible.

The Federal Circuit characterized the claims at issue within a category of transformations of public or private legal obligations or relationships, business risks, or other such abstractions, all of which are intangible and not patent-eligible. As such, the Circuit affirmed the BPAI's determination that the claims were not patentable. The Circuit was careful to point out that the decision was not intended to categorically exclude business methods or software from patent-eligibility; rather, any method still is potentially patentable, as long as it meets the machine-or-transformation test.

It remains unclear how much impact the decision will have. First, the case may be appealed to the Supreme Court. Second, the

Patent and Trademark Office has yet to publish new rules to guide examiners in light of this decision. Finally, the decision leaves open many questions, including what is considered a “particular machine,” what it means to be “tied to” the machine, and what constitutes a sufficiently “tangible” article.³⁷

➤ **One of These Things is Not Like the Other: A New Test for Design Patent Infringement.** *Egyptian Goddess, Inc. v. Swisa, Inc.*, 543 F.3d 665 (Fed. Cir. 2008).

Egyptian Goddess, Inc. owns a design patent (the '389 patent) on a hollow rectangular nail buffer with buffers on three sides. Swisa, Inc. sells a hollow rectangular nail buffer with buffers on four sides. Egyptian Goddess sued Swisa for design patent infringement in district court.

The district court found the design to be governed by more than just function, holding the patent not invalid, after which Swisa filed a motion for summary judgment of noninfringement. In granting the motion, the district court determined that Swisa's accused product did not incorporate the fourth bare side of the buffer, identified as the “point of novelty” of the '389 patent. Egyptian Goddess appealed to the Federal Circuit, and the Circuit announced a new test for design patent infringement in an *en banc* ruling.

Under the previously used point of novelty test for design patent infringement,³⁸ the point of novelty could include a single novel design element or a nontrivial combination of known design elements. Over the years, many have questioned the propriety of the point of novelty test, arguing that it places too much weight on subtle differences that may not affect overall design.³⁹

This case provided the Federal Circuit, *en banc*, with an opportunity to address this question on the basis of arguments from the parties and numerous *amici curiae* briefs. The Circuit decided to discontinue use of the point of novelty test, leaving only the “ordinary observer” test for finding design patent infringement. Under the “ordinary observer” test, there is no infringement unless an accused article “embod[ies] the patented design or any colorable imitation thereof.”⁴⁰ The Circuit cautioned, however, that the ordinary observer test is not a test for determining validity; rather, it is a test only for infringement.

Under the new test, an ordinary observer, comparing the claimed and accused designs in light of the prior art, will evaluate differences according to their overall effect on the design. In the Circuit's formulation:

When the differences between the claimed and accused design are viewed in light of the prior art, the attention of the hypothetical ordinary observer will be drawn to those aspects of the claimed design that differ from the prior art. And when the claimed design is close to the prior art designs, small differences between the accused design and the claimed design are likely

to be important to the eye of the hypothetical ordinary observer.⁴¹

Returning to the question of infringement in this new light, the Circuit concluded that Egyptian Goddess had not met its burden of proof to show that an ordinary observer, taking into account the prior art by a preponderance of the evidence, would believe the accused design to be the same as the patented design. As such, the Circuit *en banc* affirmed the panel decision, albeit under the new standard, holding that:

[t]he Swisa buffers have raised, abrasive pads on all four sides. When considering the prior art in the nail buffer field, this difference between the accused design and the patented design cannot be considered minor.⁴²

➤ **Making Opinions Count: No Opinion of Counsel May Suggest Intent to Induce.** *Broadcom Corp. v. Qualcomm Inc.*, 543 F.3d 683 (Fed. Cir. 2008).

Broadcom Corp. sued Qualcomm Inc. for infringing three of its patents relating to wireless voice and data communications on cellular telephone networks implemented in third-generation (3G) baseband processor chips. After trial at the district court level, a jury found Qualcomm liable for direct and induced infringement of certain patent claims, and of willful infringement of all three patents, awarding approximately \$20 million in damages.

Shortly thereafter, the Federal Circuit released a decision in *In re Seagate Technology, LLC*,⁴³ which found that there is no “affir-

mative duty of care” to avoid infringement, such that willfulness requires only a showing of objective recklessness. In this light, the district court vacated the willfulness verdict and asked Broadcom to indicate “whether it wishe[d] to accept the liability and damages verdicts or proceed to a new trial on all issues, including willfulness.”⁴⁴ Broadcom chose to accept the liability and damages verdicts without a new trial, and the district court entered a permanent injunction against Qualcomm on all three patents. Qualcomm appealed to the Federal Circuit.

Among many issues on appeal was Qualcomm’s argument that its failure to secure a noninfringement opinion was improperly relied on by the jury in the lower court to show intent to induce infringement. Under 35 U.S.C. § 271(b), anyone who “actively induces infringement of a patent” is liable for infringement. Inducement requires a specific intent to cause infringement—that the accused infringer both “intended to cause the acts that constitute the direct infringement” and “kn[ew] or should have known [that] its action would cause the direct infringement.”⁴⁵

Qualcomm contended that the specific intent requirement for inducement is higher than the objective recklessness standard for willfulness under *Seagate*.⁴⁶ Thus, if the district court found it not liable for willfulness on the same evidence, it should not be liable for inducement.

The Circuit disagreed, relying largely on its decision in *DSU Med. Corp. v. JMS Co.*,⁴⁷ in which it upheld the use of an opinion of counsel to show a lack of requisite specific intent to induce. The rationale was that it would be unfair to allow an accused infringer to use an opinion of counsel as a defense to infringement, while

not allowing the patent owner to assert a failure to obtain an opinion as evidence of intent to induce. As such, the Circuit reaffirmed that opinions of counsel can be considered as a factor in determining specific intent to induce, and upheld the jury’s findings of intent.⁴⁸

➤ **Careful What You Wish for: Claims Invalid for Lack of Full Scope Enablement.** *Sitrick v. Dreamworks*, 516 F.3d 993 (Fed. Cir. 2008).

Sitrick is an individual inventor⁴⁹ who invented a method for integrating user-generated audiovisual content into video games and movies. Sitrick sued Dreamworks for allegedly infringing the patented method by using certain software applications to insert audio signals and video images into existing movies.

Sitrick asked for a broad construction of the claim terms to cover video games and movies, and the district court agreed that the claim terms were broad enough to cover both cases. However, the patents asserted by Sitrick included substantial disclosure for practicing the methods in the context of video games; they did not specifically teach how the methods would be practiced in the context of movies. A patent specification must enable its claimed invention under 35 U.S.C. § 112 ¶ 1. This generally requires that, using the specification,⁵⁰ a person having ordinary skill in the art could practice the invention without undue experimentation.

Dreamworks moved for summary judgment of invalidity on the ground that Sitrick’s patents did not enable both the video game- and movie-related embodiments covered by the broad claim construction. Sitrick’s expert made conclusory statements about the applicability of teachings in the asserted patent specifications to movies, but made repeated caveats about his lack of expertise in movie technology.

In response, Dreamworks’ experts cited numerous differences between video game and movie technology, and illustrated why certain of Sitrick’s method steps exploited characteristics of video game data not available in movie data. For example, a video game frame typically is dynamically generated from a number of separate virtual objects (such as background objects and characters) that may be digitally replaced by other virtual objects (a user-generated image, as in Sitrick’s patents). A movie frame, however, typically is just a flat image with no easily separable objects.

The district court granted Dreamworks’ motion for summary judgment, and Sitrick appealed to the Federal Circuit. The Circuit affirmed, holding that the conclusory and admittedly nonexpert nature of Sitrick’s expert did not raise a triable issue of fact. The *Sitrick* decision is only one in what appears to be a trend toward stricter application of the enablement doctrine for patents through what is being called “full scope enablement.”⁵¹

Notes

1. *Utah Lighthouse Ministry v. Foundation for Apologetic Info.*, 527 F.3d 1045, 1048 (10th Cir. 2008).

2. *Id.* at 1048.

3. *Id.* at 1049.

4. 15 U.S.C.A. §§ 1051 to 1127.

5. 15 U.S.C.A. § 1125(d).

6. The actions of the Trademark Trial and Appeal Board ultimately were consolidated into a single proceeding, Opposition No. 91153685.

7. *Teva Pharm. USA, Inc. v. Pfizer, Inc.*, 395 F.3d 1324, 1333 (Fed. Cir. 2005).

8. *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007).

9. *Id.*, citing *Maryland Casualty Co. v. Pacific Coal & Oil Co.*, 312 U.S. 270, 273 (1941).

10. *Boston Duck Tours, LP v. Super Duck Tours, LLC*, 531 F.3d 1, 30 (1st Cir. 2008).

11. *Id.* at 42.

12. *Rogers v. Grimaldi*, 875 F.2d 994 (2d Cir. 1989).

13. *E.S.S. Entertainment 2000, Inc. v. Rock Star Videos, Inc.*, 547 F.3d 1095, 1100 (9th Cir. 2008).

14. *Dudnikov v. Chalk & Vermilion Fine Arts Inc.*, 514 F.3d 1063, 1067 (10th Cir. 2008).

15. Specifically, Saatchi & Saatchi North America, Toyota's advertising company, contracted with Grace & Wild, Inc., which subcontracted with Meshwerks.

16. *Meshwerks, Inc. v. Toyota Motor Sales U.S.A., Inc.*, 528 F.3d 1258, 1261 (10th Cir. 2008), citing D.Ct. Op. at 8.

17. *Id.* at 1265.

18. *Id.* at 1268.

19. *New York Times v. Tasini*, 533 U.S. 483 (2001).

20. *Id.* at 496-97, citing H. R. Rep. 122-23:

A newspaper or magazine publisher is thus privileged to reproduce or distribute an article contributed by a freelance author, absent a contract otherwise providing, only "as part of" any (or all) of three categories of collective works: (a) "that collective work" to which the author contributed her work, (b) "any revision of that collective work," or (c) "any later collective work in the same series." In accord with Congress' prescription, a "publishing company could reprint a contribution from one issue in a later issue of its magazine, and could reprint an article from a 1980 edition of an encyclopedia in a 1990 revision of it; the publisher could not revise the contribution itself or include it in a new anthology or an entirely different magazine or other collective work."

21. *Greenberg v. New York Times*, 244 F.3d 1267 (11th Cir. 2001).

22. *Greenberg v. New York Times*, 533 F.3d 1244 (11th Cir. 2008).

23. *Greenberg v. National Geographic Society*, ___ S.Ct. ___, 2008 WL 4451872 (U.S. 2008).

24. *Jacobsen v. Katzer*, 535 F.3d 1373, 1378 (Fed. Cir. 2008).

25. Pub. L. No. 105-304, 112 Stat. 2860 (1998).

26. A two-day Bench trial was held in this case on January 8 and 9, 2009 on remaining issues, concluding with the judge taking the matter under consideration. As of this writing, no order has been issued.

27. See, e.g., *LG Electronics, Inc. v. Asustek Computer, Inc.*, 65 USPQ2d 1589, 1593 (N.D.Cal. 2002).

28. E.g., *United States v. Univis Lens Co.*, 316 U.S. 241 (1942).

29. E.g., *LG Electronics, Inc. v. Asustek Computer, Inc.*, 248 F.Supp.2d 912, 918 (N.D.Cal. 2003).

30. *Univis Lens*, *supra* note 28.

31. *Quanta Computer v. LG Electronics*, ___ U.S. ___, 128 S.Ct. 2109, 2120 (2008).

32. *In re Bilski and Warsaw*, 545 F.3d 943, 949 (Fed. Cir. 2008).

33. *Id.* at 950.

34. *Gottschalk v. Benson*, 409 U.S. 70 (1972).

35. *Bilski*, *supra* note 32 at 964.

36. *In re Abele*, 684 F.2d 902 (C.C.P.A. 1982).

37. A number of decisions citing the "machine-or-transformation" test from *Bilski* have come out of the Board of Patent Appeals and Interferences (BPAI). For example, claims for a "programmed computer method" operating to identify trade secret information were held not patent-eligible (*Ex parte Halligan* (BPAI 2008)), and *Beauregard* claims to a computer program product stored on a computer readable memory, adapted to be executed to implement a report generation method, were held patent-eligible (*Ex parte Bo Li*, Appeal 2008-1213 (BPAI 2008)).

38. The "point of novelty test" for design patent infringement traces its roots to *Smith v. Whitman Saddle*, 148 U.S. 674 (1893).

39. For example, there has been a long-lived debate of both scholars and practitioners over whether the "point of novelty" test is necessary, or whether the "ordinary observer" test from *Gorham v. White*, 81 U.S. 511 (1871), is sufficient. After all, in *Gorham*, the Supreme Court explained that the perception of the ordinary observer, and not the court, should control claim construction for design patent infringement.

40. *Egyptian Goddess, Inc. v. Swisa, Inc.*, 543 F.3d 665, 678 (Fed. Cir. 2008), citing *Goodyear Tire & Rubber Co. v. Hercules Tire & Rubber Co.*, 162 F.3d 1113, 1116-17 (Fed. Cir. 1998).

41. *Egyptian Goddess*, *supra* note 40 at 676.

42. *Id.* at 683, citing *Egyptian Goddess, Inc. v. Swisa, Inc.*, 498 F.3d 1354, 1358 (Fed. Cir. 2007).

43. *In re Seagate Technology, LLC*, 497 F.3d 1360 (Fed. Cir. 2007) (*en banc*).

44. *Broadcom Corp. v. Qualcomm Inc.*, No. 05-CV-467, slip op. at 9 (C.D.Cal. Nov. 21, 2007).

45. See *DSU Med. Corp. v. JMS Co.*, 471 F.3d 1293, 1305 (Fed. Cir. 2006), citing *Manville Sales Corp. v. Paramount Systems, Inc.*, 917 F.2d 544, 564 (Fed. Cir. 1990).

46. Notably, the Federal Circuit also considered opinions of counsel with regard to objective recklessness in *Finisar Corp. v. DirectTV Group, Inc.*, 523 F.3d 1323, 1339 (Fed. Cir. 2008).

47. See *DSU Med.*, *supra* note 45, citing *Manville Sales*, *supra* note 45.

48. *Broadcom Corp. v. Qualcomm Inc.*, 543 F.3d 683, 700 (Fed. Cir. 2008).

49. David Sitrick is a patent attorney with the firm of Sitrick & Sitrick in Skokie, Illinois.

50. Considering enablement in light of the specification may conflate the requirement with the separate written description requirement. Even so, this appears to be how the Federal Circuit typically understands enablement.

51. See, e.g., *Automotive Technologies Int'l Inc. v. BMW of North America Inc.*, 501 F.3d 1274 (Fed. Cir. 2007) (claims that could be read broadly enough to cover both mechanical and electrical sensors were invalidated by the Federal Circuit because only mechanical sensors were enabled); *Liebel-Flarsheim v. Medrad*, 481 F.3d 1371 (Fed. Cir. 2007) (claims that could be read broadly enough to cover needle holders with or without jackets were invalidated because only jacketed needle holders were enabled). ■