

IDEAS ON INTELLECTUAL PROPERTY LAW



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Intellectual Property Attorneys

Defendant damaged: A patent infringement case

When it comes to infringement damages, design patents are different from utility patents. In fact, design patent damages can far exceed the reasonable royalties often associated with utility patent infringement. That's because design patentees can recover the infringer's total profits from the infringing product — even if only a single feature of the overall product infringes the patent. And this was good news for a patentee in *Nordock, Inc. v. Systems Inc.*

Plaintiff gets docked

Nordock Inc. and Systems Inc. are rivals in the loading dock device industry. Nordock holds a design patent on a leveler with a “durable combined lip lug and header plate hinge construction.” It sued Systems, alleging that Systems' hydraulic dock leveler infringed the patent. A jury awarded Nordock about \$47,000 in reasonable royalties but no profits because it found that Systems earned no actual profits from the infringing features of its product.

After the trial court denied Nordock's request for a new trial, the plaintiff appealed to the U.S. Court of

Appeals for the Federal Circuit. It claimed a new trial was required to determine damages.

Hinging on Patent Act provisions

When a design patent is infringed, a patentee can recover damages under Section 289 or Section 284 of the federal Patent Act. Under Sec. 289, the patentee can recover total profits from the infringer's sales or \$250 in damages. Sec. 284 provides for damages for the patentee's own lost profits or the reasonable royalty it would have received through licensing.

A design patentee, therefore, can recover:

- Total profits from the infringer's sales under Sec. 289,
- Damages in the form of the patentee's lost profits or a reasonable royalty under Sec. 284, or
- \$250 in damages under Sec. 289.

The patentee is entitled to recover whichever of the three amounts is greater.



Federal Circuit unloads

On appeal, Nordock argued that the trial court had improperly relied on Systems' expert's “cost savings” methodology. The expert had testified that, because Nordock hadn't established that it incurred any lost profits, lost profits weren't applicable damages.

He stated that royalty damages of \$15 per leveler were appropriate. In the alternative, the expert said, Systems' profits associated with the design of the lip and hinge plate were approximately \$15 or less per leveler. Based on this testimony, the trial court found

that the jury could select reasonable royalties as an appropriate form of damages.

The appeals court faulted the lower court for adopting the expert's cost savings methodology, which was limited to the lip and hinge plate portion of the levelers. By taking this limited approach, it said, the expert had ignored the fact that total profits are based on the entire product that incorporates the patent — not just the feature that infringes the patent. Apportioning profits isn't appropriate in design patent infringement cases.

The court found that the defense expert used an improper methodology and that his testimony was premised on an incorrect understanding of the relevant product. His testimony, it said, confused



and misled both the trial court and jury into believing that Nordock was entitled to recover only Systems' profits attributable to a small portion of the dock levelers.

Leveling the field

The court concluded that a new trial on damages was necessary for two reasons: 1) No reasonable jury could have believed the expert's testimony that profits were less than \$15 per unit, and 2) the trial court had erred in relying on the cost savings methodology to deny Nordock's motion for a new trial. Nordock was entitled to a proper determination of Systems' profits based on the appropriate gross revenue methodology, "not the so-called 'cost savings' approach." Design patentees who accept this or a similar apportionment approach will end up shortchanged. ○

Thanks for the memory

Clarifying the patent description requirement

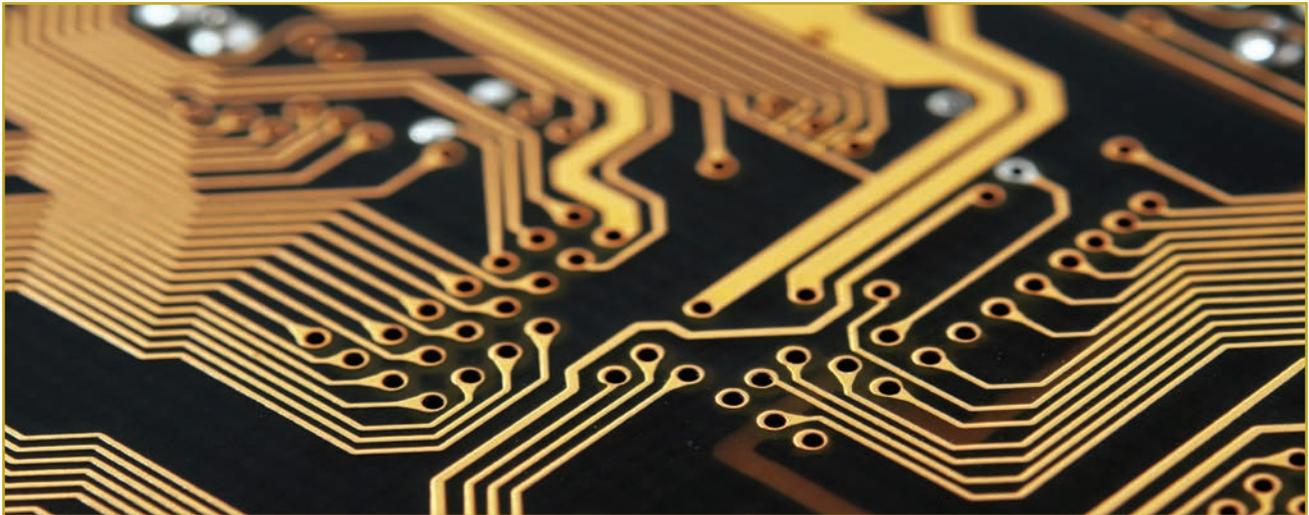
Section 112 of the federal Patent Act generally requires that a patent specification include a written description of the invention. However, according to the U.S. Court of Appeals for the Federal Circuit in *Inphi Corp. v. Netlist, Inc.*, the requirement can be satisfied by describing alternative features not actually included in the invention — even if the description doesn't articulate their advantages or disadvantages.

For the court, the question was whether such a description of alternative features can constitute a "reason to exclude" that satisfies the Sec. 112 written description requirement for a negative claim limitation under the standard established in the 2010 case known as *Santarus*.

Board challenged

Netlist Inc. holds a patent on an invention that can improve the performance and capacity of computer system memory modules, which Netlist designs and manufactures. The patented memory modules include a printed circuit board on which memory chips are mounted.

Netlist's patent claims exclude three particular types of "signals" that direct the actions of memory chips. The exclusion, or negative claim limitation, was part of an amendment that was added during re-examination of the company's patent application. The examiner found the amendment sufficient to overcome the previous rejection of the application for obviousness reasons. The Patent Trial and Appeal



Board affirmed the examiner’s determination. But the plaintiff appealed the board’s decision, arguing that the negative claim limitation failed the written description requirement.

Appellate court chips in

The appeals court explained that the written description requirement is satisfied when “the essence of the original disclosure” conveys the necessary information — regardless of *how* it conveys such information and whether the disclosure’s words are open to different interpretations. Specifically, the description must clearly allow “persons of ordinary skill” in the relevant field to recognize that the inventor invented what the patent claims.

The written description requirement is satisfied when “the essence of the original disclosure” conveys the necessary information.

The court also considered whether properly describing alternative features, without articulating advantages or disadvantages of each feature, can constitute a “reason to exclude” under *Santarus*. There it found that negative claim limitations are adequately

supported when the patent specification describes a reason to exclude the relevant limitation.

Inphi argued that the phrase “reason to exclude” requires something more than just properly describing alternative features. The court disagreed. It acknowledged that the *Santarus* court found that the patent-at-issue’s “express recitation of (dis)advantages was sufficient to provide a reason to exclude the claim limitation at issue.” But the *Santarus* court didn’t hold that such recitations were *required* to satisfy the written description requirements. And the *Inphi* court saw no reason to formulate such a new standard for negative claim limitations.

Instead, it found that the reason required by *Santarus* is provided by, for example, properly describing alternative features of the patented invention. The court cautioned, though, that a patentee couldn’t always arbitrarily dissect its invention by amending the claims to avoid the prior art that rendered the invention obvious. So, if a specification directly forecloses the negative claim limitation, it’s invalid under Sec. 112.

Negativity pays off

The appellate court held that *Santarus* didn’t create a heightened written description standard for negative claim limitations. Rather, properly described, alternative features are sufficient to satisfy the Patent Act’s written description standard for negative claim limitations. ○

Whom are you confusing?

Clear labeling precludes trademark infringement claim

Trademark holders who have filed infringement claims are probably familiar with the eight-factor *Sleekcraft* test. This test typically is used to determine whether the accused mark gives rise to a likelihood of confusion. But as shown by the recent case of *Multi-Time Machine, Inc. v. Amazon.com, Inc.*, the test isn't always applicable — especially in the context of Internet search engines.

Amazon ticks off watchmaker

Multi-Time Machines, Inc. (MTM) manufactures MTM Special Ops military-style watches. It doesn't sell its watches to Amazon for resale, but if an Amazon user enters "MTM Special Ops" into the website's search box, Amazon returns a page of results. The page doesn't state that Amazon isn't a reseller of MTM products; instead, it displays similar watches made by MTM's competitors, such as Luminox.

MTM sued Amazon, alleging that a consumer could be confused into thinking a relationship exists between Luminox and MTM. As a result of this "initial confusion," MTM said, the shopper might consider buying a Luminox watch instead of seeking an MTM watch elsewhere.

The trial court granted Amazon's motion for summary judgment, finding that Amazon's use of MTM's trademark created no likelihood of confusion as "a matter of law." In other words, a jury couldn't possibly come to a contrary conclusion, so no trial was necessary. MTM appealed to the U.S. Court of Appeals for the Ninth Circuit. After a rehearing and withdrawing an earlier opinion, the appellate court affirmed the trial court's grant of summary judgment and determined there were no genuine issues of material fact as to whether there was a likelihood of confusion.

Ninth Circuit takes a time out

The test for the likelihood of confusion is whether a "reasonably prudent consumer" is likely to be confused about the origin of the good or service bearing a mark. The confusion must be *probable*, not just possible.

To determine whether a trademark use gives rise to a likelihood of confusion, courts usually apply the *Sleekcraft* test. But, in this case, the appellate court noted that the *Sleekcraft* factors aren't exhaustive, and other variables may come into play depending on the facts — especially in the Internet context. In evaluating claims of trademark infringement involving search engines, the court has found the labeling and appearance of advertisements as well as the surrounding context on the page displaying search results to be critical.

In the present case, the court said, the *Sleekcraft* test wasn't appropriate because it was developed to analyze whether two competing brands' marks are sufficiently similar to cause consumer confusion. This case



didn't involve confusion caused by the design of the competitor's mark, but confusion arising from the design of a Web page displaying the competing mark and offering competing products for sale.



Defendant handed a victory

The appellate court resolved this case by answering two questions:

1. Who is the relevant, reasonable consumer?

The court explained that confusion is less likely where buyers exercise care and precision in their purchases, as they typically do when buying expensive or sophisticated items. The watches at issue were indeed expensive, so the court found that the relevant consumer was a “reasonably prudent consumer accustomed to shopping online.”

The labeling and appearance of advertisements as well as the surrounding context on the page displaying search results is critical.

2. What would such consumers reasonably believe based on what is displayed on their screens?

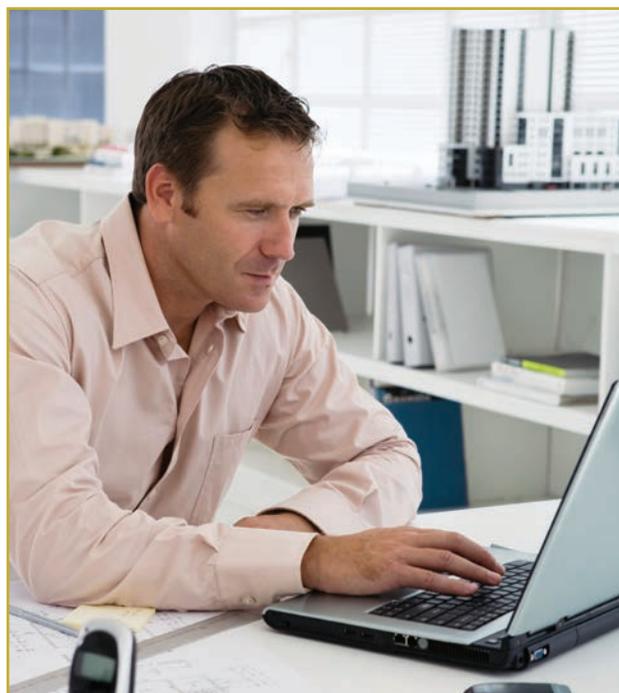
The most important factor, according to the court, was the labeling and appearance of the products for sale on the search results page. The court noted that clear labeling can eliminate the likelihood of initial interest confusion in cases involving search terms.

Amazon included photos of the items and clearly labeled each of the products for sale by brand name

and model number. Therefore, it was unreasonable to suppose that a reasonably prudent consumer accustomed to shopping online would be confused about the source of the goods.

Cause for alarm

Notably, the court found that application of the *Sleekcraft* factors wouldn’t have changed its conclusion. Three of the factors were neutral, and the others are considered “unimportant” in trademark cases involving search terms where ads are clearly labeled and relevant consumers would exercise a high degree of care. Trademark holders may face an uphill climb in such cases going forward. ○



Trademark infringement claims usually go to trial

The U.S. Court of Appeals for the Ninth Circuit dismissed *Multi-Time Machine, Inc. v. Amazon.com, Inc.* before the case went to trial. (See main article.) Yet it acknowledged that such early dismissals are generally disfavored in trademark infringement cases. Likelihood of confusion is often a question of fact that requires evidence and deliberation — but not always.

According to the court, summary judgment is appropriate when it’s possible to conclude that alleged consumer confusion is highly unlikely simply by reviewing the product listing or advertisement at issue. In fact, after reviewing the relevant label or ad, the court has at least twice concluded that no likelihood of consumer deception existed as a matter of law, because no reasonable consumer could have been deceived in the manner alleged.

Court finds yoga-related copyright claim to be a stretch

The founder of a popular form of yoga probably had to take some deep, cleansing breaths after a recent court ruling. In *Bikram's Yoga College of India, L.P. v. Evolation Yoga, LLC*, the U.S. Court of Appeals for the Ninth Circuit rejected his copyright claim for a sequence of poses.

Teaching a lesson

The plaintiff wrote the book *Bikram's Beginning Yoga Class*, in which he described 26 yoga poses and two breathing exercises that followed a particular order. This "Sequence" is used in his 90-minute-long yoga classes along with a series of instructions in a room heated to 105 degrees Fahrenheit.

He sued two former students of his Bikram Yoga Teacher Training course for copyright infringement. Their studio, Evolation Yoga, offered a "hot yoga" class that they admitted was similar to the Sequence. The trial court dismissed the case, finding that the Sequence wasn't entitled to copyright protection. The plaintiff appealed.

Posing a problem

Section 102(a) of the Copyright Act excludes from protection "any idea, procedure, process, system, method of operation, concept, principle, or discovery." Sec. 102(b) codifies the "idea/expression dichotomy," under which every idea, theory and fact in a copyrighted work becomes instantly available for public exploitation at the moment the work is published.



The plaintiff argued that he was seeking copyright protection for a healing art — a system designed to yield physical benefits and a sense of well-being. But the appeals court found that, even if the Sequence produced spiritual and psychological benefits, it was no less an idea, system or process — and, thus, no more eligible for copyright protection.

The plaintiff also contended that the Sequence's arrangement of postures is "particularly beautiful and graceful." The appellate court, however, found that the beauty of a process doesn't permit someone who describes it to gain through copyright the monopolistic power to exclude all others from practicing it. The court further rejected the plaintiff's arguments that the Sequence was protectable as a compilation or choreographic work.

In addition, the appeals court noted that *Bikram's Beginning Yoga Class* invites readers to practice the method it describes. Consumers would have little reason to buy the book if the plaintiff held a monopoly on the practice of the very activity he sought to popularize. Indeed, copyright protection for the Sequence would prevent the public from engaging with the idea and building on it.

Yoga belongs to the world

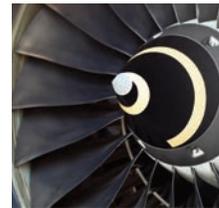
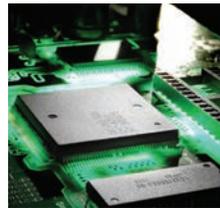
Bikram provides a useful example of the limits of copyright protection. While a work itself may be protected, the ideas, systems and similar content it holds are not. ○



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