



IDEAS ON INTELLECTUAL PROPERTY LAW



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Testing truths

Experimental use preempts public use, on-sale bars to patentability

Extra! Extra!

SCOTUS clarifies copyright infringement lawsuit prerequisite

Obviousness doesn't require motivation to combine prior art

Court of Appeals revives denied trademark application



Cantor Colburn LLP

Testing truths

Experimental use preempts public use, on-sale bars to patentability

Common sense might seem to dictate that a new invention would require testing before an inventor moves ahead with it. But could such testing trigger the public use or on-sale bar to patentability? Not necessarily. As the U.S. Court of Appeals for the Federal Circuit explained in a recent case, the experimental use exception may negate both bars.

JURY BACKS INVENTOR

The case involves two patents for methods and systems for correcting spinal column anomalies, such as those caused by scoliosis, by applying force to multiple vertebrae simultaneously. A surgeon was the sole inventor on both patents.

The surgeon used the invention in three surgeries treating the three most common types of scoliosis-caused spinal deviation conditions more than a year before he filed the patent application. After the three-month acute phase of recovery, the patients returned for follow-up appointments during which the doctor viewed X-rays to determine whether the surgery had corrected the curvatures. Two of these

follow-ups also occurred more than one year before the filing of the application on December 30, 2004.

The surgeon subsequently sued Medtronic for infringement of his patents. The jury found in his favor and awarded almost \$18 million in damages. Medtronic appealed, arguing, among other things, that the patents were invalid because of the public use and on-sale bars in Section 102(a) of the Patent Act.

The public use bar is triggered when an invention is ready for patenting and in public use before the critical date. The on-sale bar applies if an invention is ready for patenting and the subject of a commercial offer for sale before the critical date.

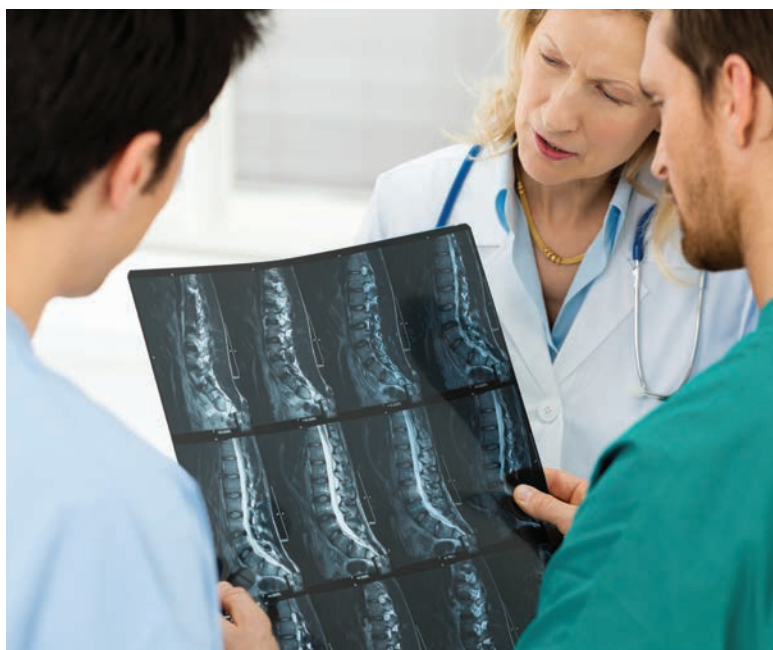
The critical date under the applicable law for this case was one year before the date of application filing. Under current law, the critical date is the application date, but a one-year grace period is allowed for a public use or commercial offer for sale by the inventor.

COURT DOESN'T BACK DOWN

On appeal, Medtronic asserted that the two surgeries that preceded the critical date triggered the public use and on-sale bars. The court acknowledged that an inventor's own prior commercial use — even if kept secret — can constitute a public use or sale, barring the inventor from obtaining a patent. But it concluded that these surgeries fell within the experimental use exception.

The court explained that a use is experimental if its purpose is to:

1. Test claimed features of the invention, or
2. Determine whether the invention will work for its intended purpose.



The experimental use inquiry asks whether the inventor's conduct would lead the public to reasonably believe the invention was in the public domain. If not, the exception generally applies.

According to the court, the evidence in this case pointed toward a finding of experimental use. For example, the surgeon wasn't certain the device would work on different types of scoliosis, so he performed surgeries on the three main types. He wasn't confident the new procedure was effective until the follow-up appointment for the third of those surgeries.

The Federal Circuit further noted that the surgeon had earned no more from the surgeries than he would have earned using existing methods, nor had he attracted the three patients because of the new technique, as they were unaware it was being used. And others in attendance at the procedures were aware he was experimenting.

Moreover, the surgeon didn't surrender control of the invention before the critical date. He was the only person to perform the method with his device, and very few of the others in attendance had a clear view of the surgical field. He also maintained control through the expectation of secrecy binding the other medical professionals who were present at the surgeries.

The court dismissed Medtronic's claim that the fact that the surgeon had charged for the three procedures weighed against a finding of experimental use. Because the inventor had earned no more from the surgeries than he would have using prior-art methods and had not attracted his patients based on use of the inventive method, the court concluded that his fee could be viewed as incidental to experimental work. (See "When is a use 'experimental'?" for factors indicating a use is experimental.)

FEDERAL CIRCUIT SUPPORTS TESTING

The Federal Circuit's findings regarding the experimental use exception suggest the court

recognizes the need for testing in certain circumstances. It was reasonable, the court said, to engage in testing for a brief time on a small but representative range of expected circumstances of use and to rely on follow-up to determine whether the method worked. ■

WHEN IS A USE "EXPERIMENTAL"?

The Federal Circuit in *Barry v. Medtronic, Inc.* (see main article) enumerated a host of factors that courts might find relevant when determining whether a use of an invention is experimental, including:

- The necessity for public testing,
- The amount of control over the experiment retained by the inventor,
- The nature of the invention,
- The length of the test period,
- Whether payment was made,
- Whether there was a secrecy obligation,
- Whether records of the experiment were kept,
- Who conducted the experiment,
- The degree of commercial exploitation during testing,
- Whether the invention reasonably requires evaluation under actual conditions of use,
- Whether testing was systematically performed,
- Whether the inventor continually monitored the invention during testing, and
- The nature of contacts made with potential customers.

But the court cautioned that, while many of these factors are fact-based, experimental use nonetheless is a question of law. This means a judge will resolve the issue based on legal principles, rather than a jury determining the issue based on evidence.

Extra! Extra!

SCOTUS clarifies copyright infringement lawsuit prerequisite

Authors of work obtain exclusive rights — copyrights — in their works immediately on creation of the work. But they generally can't file a civil lawsuit for infringement of those rights until they register the work with the U.S. Copyright Office.

The federal courts of appeal have split, however, as to when a copyright infringement suit could be filed — on filing the application for copyright registration with the Copyright Office or on grant of the copyright registration by that office. Now, in a unanimous decision, the U.S. Supreme Court has resolved the issue once and for all.

NEWS BRIEF

Fourth Estate Public Benefit Corporation, a news organization, licensed works to Wall-Street.com, a news website. After the licensing agreement was canceled, Wall-Street failed to remove Fourth Estate articles from its website, as required by the agreement.

Fourth Estate subsequently sued Wall-Street for copyright infringement. At the time it filed the lawsuit, Fourth Estate had filed applications to register the articles with the Copyright Office, but that office had not acted on the applications. Under the U.S. Copyright Act, a copyright holder can't bring a civil action for infringement until the registration "has been made."

The district court dismissed the complaint because of the lack of registration. The U.S. Court of Appeals

for the Eleventh Circuit affirmed, holding that registration doesn't occur until the Copyright Office grants a registration. Fourth Estate turned to the Supreme Court for relief.

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OPINION PIECE

As the high court explained, copyright owners must have a registration before filing an infringement action, except in limited circumstances. For example, an owner who's preparing to distribute a work vulnerable to predistribution infringement (for example, a movie or song) can apply to the Copyright Office for preregistration. Once preregistration has been made, the applicant can bring a lawsuit. A copyright owner also may sue for infringement of a live broadcast before registration. In both scenarios, the owner eventually must pursue registration to maintain a suit for infringement.

Fourth Estate didn't claim one of these exceptions, though. Instead, it focused on the question of when registration actually occurs, arguing that the language "has been made" means when a copyright owner



submits the applications, materials, and fee required for registration. Wall-Street, on the other hand, advocated the “registration approach,” which recognizes registration only once the Copyright Office grants registration of a copyright.

The Supreme Court came down firmly on the side of the registration approach, finding it reflects the only satisfactory reading of the relevant statutory text. It cited one provision, for example, that confirms that application is separate from, and precedes, registration.

The Court noted, too, that the provision regarding the preregistration option would have little use if a complete application sufficed to make registration.

The copyright owner who fears prepublication infringement would have no reason to apply for pre-registration if he or she could simply apply for registration and then immediately file an infringement lawsuit.

THE TAKEAWAY

The lesson to be learned from the Supreme Court’s ruling is clear: Creators should file copyright applications for works with economic value as soon as possible. Otherwise, they might not be able to pursue infringement-related litigation — whether for damages or to obtain a preliminary injunction before extensive damage is done — in a timely manner. ■

Obviousness doesn’t require motivation to combine prior art

When a party challenging a patent’s validity alleges that multiple prior references made the invention obvious, it may need to show that someone would have been motivated to combine those references into the invention. However, in a recent case, the U.S. Court of Appeals for the Federal Circuit found that no motivation to combine is required where a secondary reference is used only to explain the primary reference.

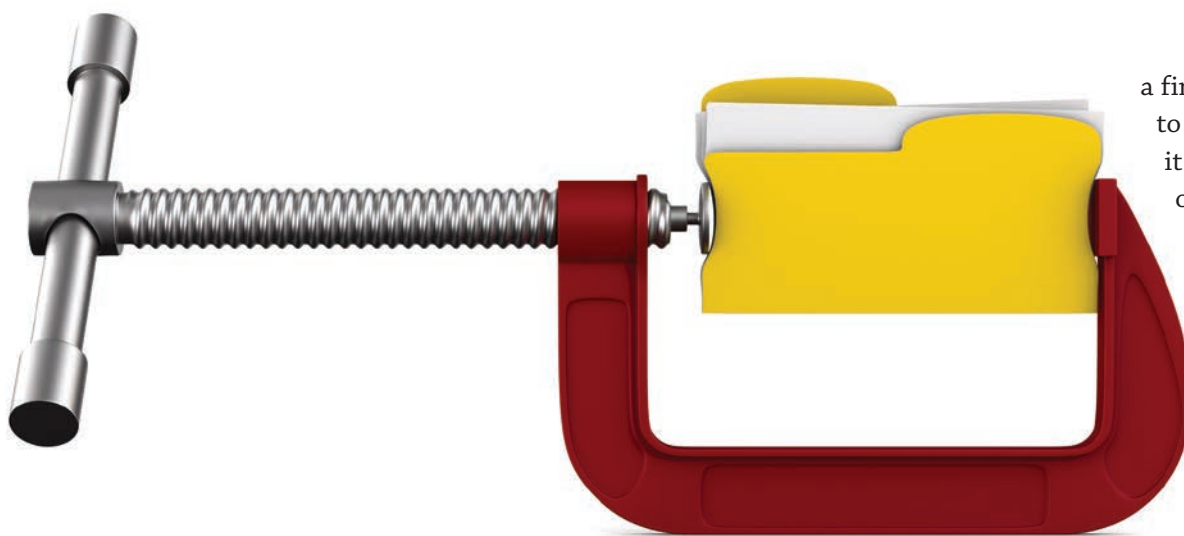
A LACK OF MOTIVATION

Realtime Data, LLC (Realtime) holds a patent for a method of data compression and decompression using a system known as dictionary-based encoding. This type of encoding assigns a code word to a particular data string (which has more characters than the code word), maps that code word to an index and replaces every matching data string with the

corresponding code word — thereby compressing the data.

Hewlett Packard (HP) asked the U.S. Patent and Trademark Office’s Patent Trial and Appeal Board (PTAB) to reconsider and cancel the patent based on “prior art” that made the claimed invention obvious and therefore unpatentable. Specifically, HP contended that the invention would have been obvious from a previously issued patent (dubbed “O’Brien” by the court) in view of a 1992 data compression textbook (referred to as “Nelson”).

The PTAB ruled in HP’s favor, finding the patented method was obvious. Realtime appealed, asserting that the board was wrong to hold that a “person of ordinary skill” in the relevant field would have been motivated to combine the teachings of O’Brien and Nelson.



THE COMBINED RULINGS

When a party claims that a combination of references made a patented invention obvious, the court must consider whether a person of ordinary skill in the field would be motivated to make such a combination. The fact that independent elements of the patented invention already existed isn't enough to make the invention obvious.

HP argued that all of the elements at issue were disclosed in O'Brien and that it relied on Nelson simply to demonstrate that a person of ordinary skill would have understood that the compression disclosed in O'Brien (string compression) was, in fact, a type of dictionary encoder, the terminology used in the patent. In the alternative, HP claimed that Nelson disclosed some of the claim elements.

The PTAB relied on HP's primary argument, not the alternative. Under these circumstances, the Federal Circuit said, the PTAB was free to conclude that O'Brien alone disclosed every claim element at issue. And, because it didn't rely on Nelson for the disclosure of a particular element or teaching, the board had no obligation to find a motivation to combine.

In any event, the court found, substantial evidence in the case pointed toward a motivation to arrive at the claimed invention based on the teachings in O'Brien. According to the court, a motivation can be found in market forces; design incentives; and the background knowledge, creativity and common sense of the person of ordinary skill, among other places. The court made clear that the PTAB didn't need to make

a finding of motive to combine because it relied on one of the references (O'Brien), but, if it did need to find that motive, it could have.

Nelson, the court said, is a "well-known data compression textbook," and the

compression techniques it describes as dictionary encoders "share striking similarities" to O'Brien's compression techniques. Moreover, O'Brien itself encourages a person of ordinary skill in the field to turn to "well-known algorithms such as Nelson's." The Federal Circuit found this evidence sufficient to find that a person of ordinary skill would have turned to Nelson to better understand O'Brien's algorithms. Again, even though no motive to combine was necessary because O'Brien alone made the patent obvious, the court concluded it could be found.

When a party claims that a combination of references made a patented invention obvious, the court must consider whether a person of ordinary skill in the field would be motivated to make such a combination.

THE CASE COMPRESSED

Although the court ultimately found a motivation to combine, the critical takeaway from this case is that it didn't need to in these circumstances. The Federal Circuit's ruling illustrates that no motivation to combine need be shown when a secondary reference is used only to explain how a person of ordinary skill would have interpreted the primary reference. ■

Court of Appeals revives denied trademark application

Two companies with similar marks operated in the same region for more than 40 years without any actual confusion arising for consumers. Nonetheless, the Trademark Trial and Appeal Board (TTAB) found a disqualifying likelihood of confusion when one company tried to register its mark. Read on to learn why it can prove worthwhile to not just accept the board's rulings.

DUELING GUILDS

Guild Mortgage Company was founded in San Diego and expanded to more than 40 other states. It has used the mark "Guild Mortgage Company" since 1960. In 2015, the company applied to register the mark for mortgage banking services.

The trademark examiner refused registration based on a likelihood of confusion with the mark "Guild Investment Management." That mark was owned by an investment company in Los Angeles and registered for investment advisory services. The examiner concluded that three of the so-called *DuPont* factors for assessing the likelihood of confusion — the similarity of the marks, the nature of the services and the trade channels — created the likelihood of confusion.

The TTAB agreed, despite finding that consumers "may exercise a certain degree of care in investing money, if not perhaps in seeking a mortgage loan." Guild Mortgage appealed.

OVERLOOKED EVIDENCE

Guild argued that the TTAB had erred in failing to consider its argument and evidence related to one of the *DuPont* factors: "the length of time during and conditions under which there has been concurrent use without evidence of actual confusion." It contended that the more than 40 years of



concurrent use of both marks, with no evidence of actual confusion, demonstrated that there was no possibility of confusion in the minds of consumers between the marks.

The TTAB's opinion, however, gave no indication that the board had considered this factor, though argument and evidence on it were presented. As the Federal Circuit noted, *all 13 DuPont* factors for which evidence or argument is presented must be considered, even though all of them aren't always relevant or of similar weight in every case.

The court therefore held that the TTAB had indeed erred by not considering the concurrent use factor. And, because the factor weighed in favor of no likelihood of confusion, the appellate court found the error wasn't harmless.

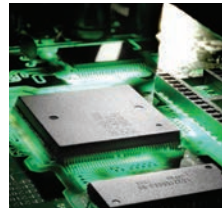
ANOTHER BITE AT THE APPLE

The court vacated the TTAB's decision and sent the case back for further proceedings. It made no assessment, however, of the weight of the evidence regarding the concurrent use factor, instead simply holding that it should have been considered. ■



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