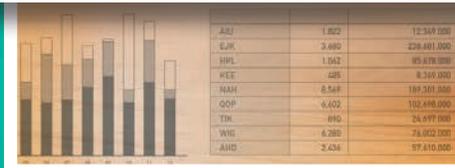




# IDEAS ON INTELLECTUAL PROPERTY LAW



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## Look before you leap

*Foreign publication leads to patent invalidation*

## Prescription for copyright protection: Register stat!

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*Appellate court lowers the bar*

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FOR U.S. UTILITY PATENTS\*

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## Look before you leap

### *Foreign publication leads to patent invalidation*

It's not easy out there for a patent owner. Even after a patent is granted, an owner can find the patent's validity challenged if it hasn't thoroughly searched for "prior art."

That's what happened to one telecommunications company: in an *inter partes review* (IPR) proceeding, the competitor alleged that prior art anticipated the invention, invalidating the patent. The case illustrates the low standard for the admission of late evidence in IPR proceedings and provides guidance on when a printed publication qualifies as potentially invalidating prior art.

#### PTAB SHELVES PATENT

Telefonaktiebolaget LM Ericsson (Ericsson) owned a patent for methods of receiving and processing wireless signals at multiple frequencies without requiring separate receiver components for different frequencies. TCL Corporation filed two IPR petitions for certain claims in the Ericsson patent.

Under IPR, the Patent Trial and Appeal Board (PTAB) can reconsider and cancel an already-issued patent based on limited types of prior art, namely patents and printed publications. The PTAB here

found the challenged patent claims obvious, largely based on an article published in a German technical journal. Ericsson appealed.

#### DECLARATION ISN'T OVERDUE

Ericsson's appeal focused on whether the article was — as required to invalidate a patent — publicly available more than one year before the patent application date of July 1, 1997. (Under current law, a patent is barred if an invention was disclosed in a printed publication any time before the application date.)

The relevant journal bore the date of May/June 1996 but wasn't available in the United States until October 1996. TCL submitted a sworn declaration from a librarian at a German university that the article was catalogued and publicly available there in June 1996, though.

Ericsson contested the PTAB's admission of the declaration. It cited a regulation that requires a party seeking to submit new or supplemental information more than one month after an IPR has begun 1) to show why the information reasonably couldn't have been obtained earlier,



## THE PLAINTIFF'S ALTERNATIVE ARGUMENT FAILS, TOO

The plaintiff in *Telefonaktiebolaget LM Ericsson v. TCL Corp.* (see main article) also argued that, even if the prior art was publicly available at the relevant time, it actually “taught away” from the patented invention, specifically its use of a frequency divider for phase shifting. A reference teaches away when it would:

1. Discourage a person of ordinary skill from following the path the reference sets out, or
2. Lead that person in a different direction than that taken by the patent applicant.

Ericsson contended that the article didn't teach that frequency dividing should be used because it discusses the disadvantages, as well as the advantages, of doing so. The Patent Trial and Appeal Board found — and the court agreed — that though the article cited a disadvantage, it didn't suggest frequency dividers would be ineffective. The article didn't “criticize, discredit or discourage the technological efficacy of a frequency divider for phase shifting.”

and 2) that consideration of the information would be in the interests of justice.

The PTAB determined that the librarian's declaration satisfied the regulation. It noted that the librarian was the only person TCL found with personal knowledge of the 1996 recordkeeping procedures at the library who was willing to sign a sworn declaration and travel to the United States to be deposed.

Ericsson also claimed it was prejudiced by the admission of this evidence because it had been developing its defense against other prior art that the board discarded after accepting the article as principal prior art. The court pointed out, though, that the PTAB gave Ericsson adequate opportunity to respond and produce contrary evidence. It concluded, therefore, that the interest of justice weighed on the side of admitting the declaration.

### EVIDENCE CHECKS OUT

Ericsson then argued that, even if admissible, the declaration didn't establish the date of public availability. A reference is publicly available if it has been “disseminated or otherwise made available to the extent that persons interested and ordinarily skilled in the subject matter or art, exercising reasonable diligence, can locate it.”

The librarian declared that the journal had been in her library's collection since 1963. The specific issue was inventoried June 18, 1996, and accessible to the public after a processing time of one to two days. She provided copies of the index card that recorded the library's acquisition of the journal and the library's entry for the specific issue.

Ericsson contended that the index card was insufficient evidence of public availability. But it provided no evidence to counter the librarian's declaration, the date on the journal, or the library's records showing receipt of the journal and its shelving.

The court found substantial evidence of public availability. It held that the PTAB didn't abuse its discretion accepting the article as a prior art reference and affirmed the obviousness finding.

### RESEARCH PAYS OFF

The results in this case make clear the importance of conducting exhaustive prior art searches before filing a patent application. By overlooking the article in the German journal, Ericsson not only lost its patent and the related competitive advantages, it also incurred years of costly litigation. ▣

## Prescription for copyright protection: Register stat!

Copyright protection generally takes effect as soon as you create an original work, but it might not be as extensive as you think. To get the full protection, including the ability to sue for infringement, you must register your work with the U.S. Copyright Office — and you should do so ASAP.

A copyright holder recently learned the risks of delaying registration the hard way. While the issue was distinctive, according to the U.S. Court of Appeals for the Fifth Circuit, the result was familiar.



### THE DISTRICT COURT'S DIAGNOSIS

Physicians must undergo a credentialing process involving several forms to practice at a hospital. Southern Credentialing Support Services verifies the forms. From 2010 to 2013, it created custom forms for its client Hammond Surgical Hospital, including a credentialing packet and a recredentialing packet, designed to increase the efficiency of the hospital's process.

After the business relationship ended, the hospital continued to use at least 50 pages of Southern's forms packet. By 2017, these forms could be accessed on the website of Hammond's new credentialing provider.

Southern registered copyrights for its credentialing and recredentialing packets in February and July 2014, respectively. After Hammond refused to stop using the materials, Southern sued for copyright infringement.

The trial court ruled in Southern's favor before trial and awarded statutory damages for both packets. Hammond appealed, arguing that the Copyright Act barred awarding statutory damages because it began infringing *before* the copyrights were registered.

### A BITTER PILL FOR THE PLAINTIFF

The Copyright Act allows a copyright holder to elect statutory damages, generally in an amount set by the court between \$750 and \$30,000 per infringed work, instead of actual damages. But, under Section 412 of the law, statutory damages aren't available for "any infringement of copyright in an unpublished work commenced before the effective date of its registration." This limit is intended to encourage authors to register their works promptly and give potential infringers notice that works are protected.

Citing the 1992 case *Mason v. Montgomery Data, Inc.*, the trial court pointed out that it has interpreted Sec. 412 to bar statutory damages even for post-registration infringement when the same defendant infringed the same work in the same fashion before and after registration. The question in this case, though, was whether the bar applies when the defendant engages in a different type of infringement after registration (distributing the forms publicly available on the website) than it did

before registration (copying the forms). The trial court found that it didn't.

The Court of Appeals, however, noted that no court had previously applied the lower court's approach and that one district court in the Fifth Circuit had "persuasively rejected it." That court reasoned that the Fifth Circuit's rationales in *Mason* applied with equal force when infringement occurring before and after registration violates different rights protected by copyright law.

The appellate court agreed with this reasoning. It saw no reason that infringements occurring after registration would be more worthy of punishment because they're different in kind from those occurring earlier.

Congress prohibited statutory damages when "any infringement" precedes registration, the Fifth Circuit said. And maintaining the rule — even when the infringements were of different exclusive rights afforded to copyright owners — promotes the early registration incentive.

### ALTERNATIVE REMEDIES

It's worth noting that the court's holding doesn't leave copyright holders without remedy against infringers who violate their rights both before and after registration. Although statutory damages are barred in such circumstances, actual damages remain available when a plaintiff can prove them. Southern couldn't do so here, but it obtained yet another remedy — an injunction against future infringement. ▣

## Attorneys' fees awards in trademark cases

### *Appellate court lowers the bar*

**W**hen most people think about what it takes to qualify as "exceptional," they probably imagine a fairly high bar. That's not how the U.S. Court of Appeals for the Seventh Circuit sees it, though — at least when it comes to the standard for awarding attorneys' fees to prevailing defendants in trademark litigation. In a recent trademark law case, the court joined most federal courts of appeal in applying a looser test in the wake of a 2014 U.S. Supreme Court ruling, which had arisen in a patent case.

#### DISTRICT COURT DENIES FEE REQUEST

The Seventh Circuit's decision arose out of a dispute between two hotel owners. LHO Chicago River, LLC, owns a hotel in downtown Chicago that became "Hotel Chicago" after a branding change in February 2014. Around May 2016, the defendants opened a

hotel with the same name just three miles from the LHO property.

LHO sued the defendants for trademark infringement but eventually voluntarily dismissed its claims with prejudice (meaning it couldn't sue on those claims again). The defendants asked the trial court to award it attorneys' fees.

The federal trademark law, the Lanham Act, allows a court to award such fees to the prevailing party in "exceptional cases." The trial court found that LHO hadn't brought an exceptional case that warranted attorneys' fees. The defendants appealed.

#### APPELLATE COURT HAS RESERVATIONS

The trial court had applied the Seventh Circuit's previous standard for determining if a case is exceptional; that is, whether the decision to bring the



trademark infringement claim constituted an abuse of process. Under this standard, an abuse of process occurs when:

- A claim is objectively unreasonable because it's one that a rational party would pursue only to impose disproportionate costs on the opposing party, or
- A party brings a frivolous claim to obtain an advantage outside of the litigation, unrelated to securing a favorable judgment.

The question on appeal was whether the Court of Appeals should continue to apply this standard or follow in the footsteps of its sister circuit courts that adopted the looser standard articulated by the Supreme Court in *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*

That case was brought under the federal Patent Act, which has the same attorneys' fee provision as the Lanham Act. The Supreme Court held that an "exceptional case" is one that stands out from others in terms of:

1. The substantive strength of a party's position, in light of both the relevant law and the case facts, or

2. The unreasonable manner in which the case was litigated.

The Supreme Court instructed courts to consider the totality of the circumstances. It identified several nonexclusive factors courts should evaluate, including frivolousness, motivation and objective unreasonableness (in the factual and legal components of the case). In certain circumstances, courts might consider the need to advance considerations of compensation and deterrence, too.

The Seventh Circuit determined that the *Octane Fitness* test also should apply to the Lanham Act's attorneys' fee provision. The abuse of process standard, it concluded, was too rigid because it essentially required a showing that the opposing party acted with "ill motive."

#### LOWER COURT TO CHECK IN AGAIN

Having adopted a more relaxed standard than the trial court applied, the Seventh Circuit vacated the denial of attorneys' fees and sent the case back to the lower court. It will now be up to that court to determine whether a fees award is appropriate under the new test. ■

# Supreme Court slaps down PTO pursuit of attorneys' fees

**T**he U.S. Supreme Court has weighed in on a new U.S. Patent and Trademark Office (PTO) practice when patent applicants appeal adverse decisions in district court. And the Court's conclusion is welcome news for applicants who want to go this route to contest the denial of their applications.

## THE PTO'S PLEA

Section 145 of the federal Patent Act outlines two mutually exclusive methods for challenging adverse PTO decisions: An applicant can appeal directly to the U.S. Court of Appeals for the Federal Circuit, or file a new civil action against the PTO director in the U.S. District Court for the Eastern District of Virginia. Under the second option, the applicant must pay “[a]ll the expenses of the proceedings.”

After the PTO prevailed in a case in the district court, it sought an award of the pro rata salaries of the PTO attorneys and paralegal who worked on the case. The district court rejected the request, and the Federal Circuit affirmed. The PTO turned to the Supreme Court for help.

## THE SUPREME COURT'S DENIAL

According to the high court, the starting point for determining whether Sec. 145 authorizes payment of the PTO's legal fees is the so-called American Rule. This “bedrock principle” states that each litigant pays its own attorneys' fees regardless of whether it wins — unless a statute or contract provides otherwise.

The Court noted that, contrary to the PTO's argument, it has never suggested that any statute is exempt from the presumption against fee shifting or limited its American Rule inquiries to statutes that award attorneys' fees to the prevailing party. Moreover, the presumption against fee shifting was

particularly important because reading Sec. 145 to permit an unsuccessful government agency to recover attorneys' fees from a prevailing party would be a “radical departure” from long-standing fee-shifting principles.

The Supreme Court also found no evidence that Congress intended to disregard the American Rule presumption to allow the PTO to recover its legal personnel salaries under Sec. 145. The “expenses of the proceeding” wouldn't have commonly been interpreted to include attorneys' fees at the time Sec. 145 was enacted. And the appearance of “expenses” and “attorneys' fees” together in various other laws indicates that Congress understands the terms to be distinct and not inclusive of each other.



Finally, the Supreme Court pointed out that the PTO has never paid its personnel from sums collected from adverse parties. In fact, this case was the first in which the PTO sought attorneys' fees under Sec. 145.

## A DISINCENTIVE REMOVED

Patent applicants can be grateful that the Supreme Court nipped the PTO's new practice in the bud. If it hadn't, the potential liability for PTO legal fees would have loomed over their choice of an appeal strategy. □



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