



Intellectual Property News

“Is This Thing Cool, or What?” The Blurring of Form and Function

By William B. Richards

“Design is a funny word. Some people think design means how it looks. But of course, if you dig deeper, it’s really how it works.”¹

Introduction

Late last year, the U.S. Supreme Court handed down its long-awaited decision in the long-running battle of Samsung v. Apple and held that design patent damages may be based upon profits on only a component of an accused device rather than the total profit from the entire end product.² In doing so, the Court reversed the decision of the Federal Circuit and remanded the case for further consideration as to what constitutes the “article of manufacture.”

(continued on pg. 2)

INSIDE

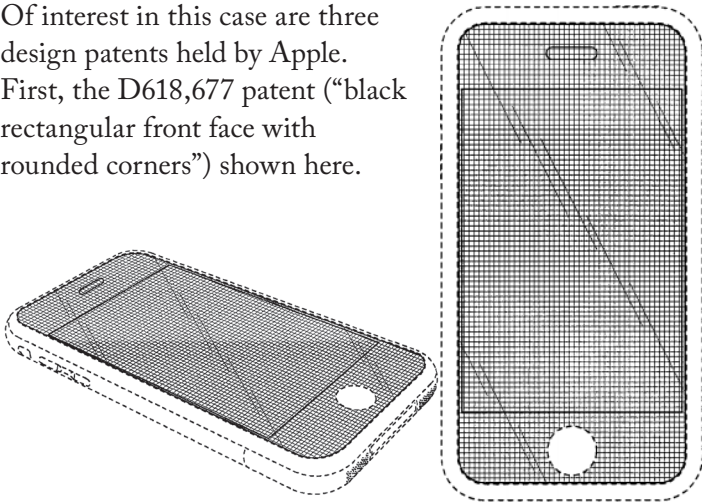
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Factual and Procedural Background

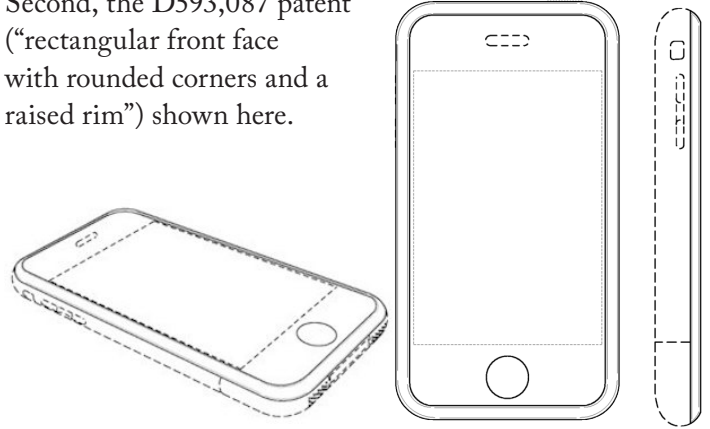
In 2011, Apple sued Samsung claiming that Samsung infringed Apple's design and utility patents and diluted Apple's trade dress. In the initial trial, the jury found for Apple and awarded over \$1 billion in damages.³ This award was later reduced to \$399 million, based upon the total profit Samsung realized from sales of infringing devices, and affirmed by the Federal Circuit.⁴ A general view of the accused Samsung device alongside the Apple device embodying the patents at issue is shown immediately below.



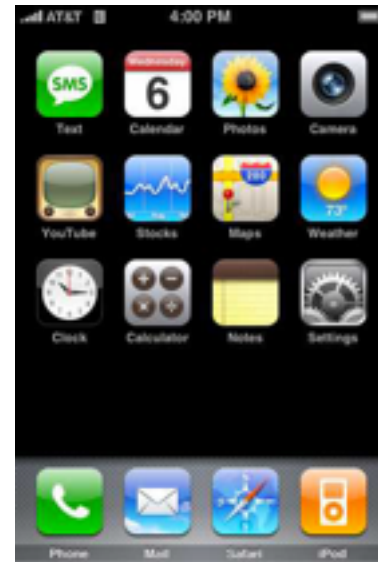
Of interest in this case are three design patents held by Apple. First, the D618,677 patent ("black rectangular front face with rounded corners") shown here.



Second, the D593,087 patent ("rectangular front face with rounded corners and a raised rim") shown here.



And third, the D604,305 ("grid of 16 colorful icons on a black screen") shown here.



The relevant status reads:

Whoever during the term of a patent for a design, without license of the owner, (1) applies the patented design, or any colorable imitation thereof, to any article of manufacture for the purpose of sale, or (2) sells or exposes for sale any article of manufacture to which such design or colorable imitation has been applied shall be liable to the owner to the extent of his total profit, but not less than \$250

35 U.S.C. §289.

In addition to affirming the damages resulting from the three design patents, the Federal Circuit considered infringement of the three design patents, three utility patents, a trade dress registration, and an unregistered trade dress. In fact, the portion of the opinion directed to design patent damages is just over 800 words in an opinion that runs over 30 pages and over 8,000 words. In deciding that design patent damages should be based upon the profit of the entire smartphone, the Federal Circuit reasoned that the elements covered by the design patents are not sold separately from the smartphone itself and that consumers were generally not aware of any distinct articles of manufacture. Thus, the Federal Circuit focused on “total profit” as outlined in the statute and applied the “article of manufacture” to the entire smartphone.

The U.S. Supreme Court granted certiorari on the narrow question presented of: “[W]hether, in the case of a multicomponent product, the relevant ‘article of manufacture’ must always be the end product sold to the consumer or whether it can also be a component of that product.”⁵

The U.S. Supreme Court Opinion

In a unanimous 8-0 opinion authored by Justice Sotomayor, the Court reversed the Federal Circuit decision that the profit award must be based on consumer sales of the end product. However, it remanded to the Federal Circuit to determine whether the “article of manufacture” is the smartphone, or a particular component. In doing so, the Court analyzed §289 and detailed two steps in arriving at a damages award under the statute. “First, identify the ‘article of manufacture’ to which the infringed design has been applied. Second, calculate the infringer’s total profit made on that article of manufacture.”⁶ Thus, in the case of a multicomponent product, is the relevant article of manufacture always the end product or may it also be a component of that end product? According to the Court, “[t]he text resolves this case” in that, as used in §289, the term “article of manufacture encompasses both a product sold and a component of that product. And, the term ‘article of manufacture’ is broad enough to encompass both. Two examples were presented. First, the easier case where there is a single component, such as a dinner plate to which has been affixed a design. Second, however, is the more difficult case of a multicomponent item.

Albeit in hindsight, one way to look at this issue is to consider that the claim(s) at issue (as well as with any design patent claims) show the actual claimed design in solid black lines while those portions of the device are shown in broken black lines. See, MPEP 1503.02 02 (“The two most common uses of broken lines are to disclose the environment related to the claimed design and to define the bounds of the claim. Structure that is not part of the claimed design, but is considered necessary to show the environment in which the design is associated, may be represented in the drawing by broken lines.”).

In its Brief for the United States as Amicus Curiae Supporting Neither Party⁷, the U.S. Solicitor General suggested a study of the “relationship among the design, any relevant components, and the product as a whole” and proposed four “considerations” relevant to the “article of manufacture” inquiry:

- i. scope of the design claimed points to “which portions of the underlying product the design is intended to cover”; the patent identifies the article of manufacture the patentee views as the article to which the design is applied;
- ii. “relative prominence of the design within the product as a whole” (e.g., product has many other components unaffected by the design) or the design “is a significant attribute of the entire product as a whole”;
- iii. whether “design is conceptually distinct from the product as a whole”;
- iv. whether “design adheres only to a component of the product” (e.g., physically separable).

None of this, of course, provides much substantive guidance and the lower courts—and juries—are left to fend for themselves as they attempt to find their way.

On remand to the Federal Circuit, the Federal Circuit remanded the case back to the district court for reconsideration as to whether the patented article of manufacture should be the entire article sold or a component thereof.

Practical Considerations

This author would like to propose some real world considerations and to raise some less-substantive ways of looking at the problem, especially the instant controversy involving smartphones.⁸ For example, many purchasers of these products (e.g., smartphones and smartwatches) view them as an elegant merging of art and technology and believe that the look and feel of these devices should be as seamless and graceful as the functional aspects. There is a blurring of form and function. Not only that, there is a certain “coolness” factor that one experiences when picking up the device that says, “I gotta have this!” Users want to be able to enjoy the device while they’re using the device and accomplishing various tasks. So, if one were to ask such a consumer to articulate the “article of manufacture” they would either have a great deal of difficulty doing so, or would tend to feel that much of the value (profit) of the device was embodied in the design aspects at issue here.

Such considerations were vitally important to none other than Steve Jobs, who believed that craft was important. Finely crafted logos that almost no one saw, visually attractive circuit boards that looked clean and orderly, and the fit and finish of the iPhone were all part of the final package.⁹

Conclusion

Even at oral argument, and in keeping with what the briefs had discussed, it seemed that all counsel (Kathleen Sullivan for Samsung, Seth Waxman for Apple, and Brian Fletcher for the United States as amicus) were ready to accept that there can be no blanket rule that the “article of manufacture” is the final and complete article sold to consumers. And, that that was the problem with the Federal Circuit decision. The question, however, is where to draw the line. There did, however, seem to be support by the justices for the four-factor test proposed by the solicitor general (*supra*). But, as oral arguments wound down, the justices were troubled with just how such a determination would be made in practice. Beyond that, the Court has provided little guidance as to how to resolve the perplexing issue of “article of manufacture.”

There does seem to be little question that the Court’s decision weakens design patent damages, and it does so in two ways. First, it reduces the total “pie” available by stepping back from the total profit measure. In many instances, a protected design is but a portion of the total article, thus the damages piece of the pie will be smaller. Second, it greatly adds to the burden of the jury to try to decide just what the profit is on just part of an article.

Both courts and juries can now look forward to long and complicated litigation revolving around not only just what is considered an “article of manufacture,” but just how much that “article of manufacture” drives sales and profits. An unenviable assignment, to be sure.

Endnotes

¹ Wolf, Gary, “Steve Jobs Interview,” *Wired Magazine*, Feb. 1, 1996.

² *Samsung Electronics Co., Ltd., et al. v. Apple Inc.*, 580 U.S. ____ (2016).

³ *Apple Inc. v. Samsung Electronics Co., Ltd.*, 114 U.S.P.Q.2d 1953, 786 F.3d 983 (Fed. Cir. 2015). The infringed design patents are U.S. Design Patent Nos. D618,677 (“D’677 patent”), D593,087 (“D’087 patent”), and D604,305 (“D’305 patent”), which claim certain design elements embodied in Apple’s iPhone. The infringed utility patents are U.S. Patent Nos. 7,469,381 (“’381 patent”), 7,844,915 (“’915 patent”), and 7,864,163 (“’163 patent”), which claim certain features in the iPhone’s user interface. The diluted trade dresses are Trademark Registration No. 3,470,983 (“’983 trade dress”) and an unregistered trade dress defined in terms of certain elements in the configuration of the iPhone. 786 F.3d at 989-990.

⁴ *Apple Inc. v. Samsung Electronics*, 786 F.3d 983, 114 U.S.P.Q.2d 1953 (Fed. Cir. 2015).

⁵ 580 U.S. ____, slip op. at 5.

⁶ *Id.*

⁷ Brief for the United States as Amicus Curiae Supporting Neither Party, p. 27-29.

⁸ The author is indebted to Mr. Robert Huston, MSEE, Embedded Developer, Engineer, and Technical Entrepreneur, iOS and macOS Developer, Pinpoint Dynamics and The Ohio State University for much of the following insight.

⁹ Kuang, Cliff (Nov. 7, 2011) *The 6 Pillars of Steve Job’s Design Philosophy*, <https://www.fastcodesign.com/1665375/the-6-pillars-of-steve-jobss-design-philosophy> (last viewed March 27, 2017).

Trade Secrets Seminar (State and Federal)

Thursday, August 24, 2017

4:30 - 5:30 p.m.

Huntington Convention Center of Cleveland

All-Ohio Legal Forum

Speakers

Steven M. Dettelbach, Esq.

Partner with BakerHostetler in Cleveland and
Former U.S. Attorney for the Northern District of Ohio

Ralph Jocke, Esq.

Principal with Walker & Jocke Co., LPA in Medina
Participated in drafting the Ohio Trade Secret Act

Matthew J. Schonauer, Esq.

Intellectual Property Law Section Chair

The Intellectual Property Law Section meeting will be held immediately after the seminar.

For more information or to register for the Forum, please visit www.ohiobar.org/forum.

Consumer Review Fairness Act of 2016

Any “form contract” in effect on or after March 14, 2016, may be subject to the Consumer Review Fairness Act of 2016. A “form contract” is one in which a party does not have the opportunity to negotiate the terms of the contract and the contract is used for leasing or selling goods or services. The Act regulates contractual provisions restricting or penalizing performance reviews of goods and services.

Under the Act, the seller or lessor cannot restrict the buyer or lessee from making a performance assessment, such as a review on social media, of the seller’s or lessor’s goods or services. Additionally, the seller or lessor cannot issue a penalty or extra fee against the buyer or lessee for making a performance review. Also, the “form contract” cannot demand that the buyer or lessee transfer its intellectual property rights in the review to the seller or lessor. A provision in a “form contract” that does any of those things is void from the inception of the contract.

For more information, please see Public Law 114-258 passed on Dec. 14, 2016.

Louis Vuitton isn't "all about that bag"

By Natasha Szalacinski

Parodies, especially since the advent of television and the internet, have become a staple in American culture. We are inundated with music, skits, images, and movies that comment, often critically, on everything from pop culture to the current political climate. Mel Brooks built his career on parodying franchises like "Star Wars" and classic tales such as Robin Hood and Frankenstein. Similarly, "Weird Al" Yankovic provides us with some hilarious renditions of our favorite songs. "Saturday Night Live" (SNL) continues to follow its roots with its ruthless portrayals of the current presidential administration.

No matter what form these parodies take, their commentaries on society were deemed worthy of protection and Congress built protections for them into both the trademark and copyright regimes through a fair use defense. While some artists find having their work parodied to be a badge of honor, others are less inclined to take such mockery in stride. Louis Vuitton is, as several courts have indicated, one company that just cannot seem to take a joke. Known for the aggressive enforcement of its trademark rights, Louis Vuitton's most recent spectacle involved suing My Other Bag, a company that makes canvas tote bags bearing depictions of designer handbags

on one side of the tote and the phrase "My other bag..." on the other. Now, if I were a more creative writer, I would discuss this case in the form of an SNL skit or borrow a page from Weird Al's book and write a series of clever limericks. But, alas, what follows is merely a casual discussion of the Southern District of New York's scornful opinion directed at Louis Vuitton's inability to accept satire gracefully.

My Other Bag was meant to be a play on old school bumper sticker that was slapped on back of some beat up '87 Chevy Nova hatchback, indicating that "My other car is a BMW or Audi or Mercedes...."

Louis Vuitton brought claims of trademark dilution and infringement under the Lanham Act, a claim of trademark dilution under New York law, and a claim of copyright infringement against My Other Bag. However, in determining whether any of Louis Vuitton's claims held water, the court focused almost exclusively on whether My Other Bag's totes were considered a parody of Louis Vuitton's luxury handbags. In order to be a parody, the tote needed to "convey two simultaneous—and contradictory—messages: that it is the original, but also that it is not the original and instead a parody."¹ The tote needed to be able to "differentiate the alleged parody from the

original while also communicating some articulable element of satire, ridicule, joking, or amusement."² Furthermore, the tote, as a parody, also needed to clearly indicate to the ordinary observer that it was not connected in any way to Louis Vuitton.

The court found that this standard was easily met when looking at the context in which My Other Bag was using Louis Vuitton's trademarks.

My Other Bag was meant to be a play on old school bumper sticker that was slapped on back of some beat up '87 Chevy Nova hatchback, indicating that "My other car is a BMW or Audi or Mercedes (pick whichever one you prefer)." Carrying a My Other Bag tote jokingly indicates that the carrier's other bag—not the one being carried—is a Louis Vuitton bag. This joke, combined with the "stylized, almost cartoonish renderings" of the Louis Vuitton bags build what the court deemed to be significant distance between My Other Bag's inexpensive and practical totes and the expensive, luxury handbags that the totes are meant to evoke.³ The court even went on to say that the exclusivity and refinery that Louis Vuitton has worked so hard to cultivate is meant to be the brunt of the joke—while Louis Vuitton handbags are meant to be handled with "reverent

care” and are displayed to “communicate a certain status,” My Other Bag totes are intended to be “stuffed with produce at the supermarket, sweaty gym clothes, or towels at the beach.”⁴

Louis Vuitton attempted to argue against the court’s determination that My Other Bag’s totes were a parody on three separate grounds. First, while My Other Bag was a parody of something, it was not a parody of Louis Vuitton and any attempt to claim it as a parody was fabricated for the purposes of litigation. The court quickly dismissed this argument, stating that Louis Vuitton was taking too narrow a view on what qualifies as a parody and that its lack of a sense of humor about the comparison is not what dictates the parameters of what is considered a parody under trademark law.⁵

Louis Vuitton’s second argument was that the totes could not be a parody because My Other Bag did not explicitly need Louis Vuitton’s trademarks for the parody to make sense. While strictly speaking that was correct, the Court resolutely declined to accept Louis Vuitton’s proposed rule, indicating that the rule distorted the necessity requirement beyond recognition. Louis Vuitton’s argument “myopically suggests that where a parody must evoke at least one of a finite set of marks in order to make its point, it can evoke none of them because reference to any particular mark in the set is not absolutely necessary.”⁶

Louis Vuitton’s final argument was to allege that My Other Bag was using Louis Vuitton’s trademarks as a designation of My Other Bag’s own goods. However, the court refused to entertain this argument by simply pointing out that there was no basis to conclude that My Other Bag was intending to use the Louis Vuitton

trademarks for such a purpose and that Louis Vuitton did not present any evidence to support its allegation.⁷

Because the Court found My Other Bag’s totes to be a parody, the court quickly dismissed Louis Vuitton’s claims for trademark dilution and infringement under the Lanham Act, trademark dilution under New York law and copyright infringement. The court determined that My Other Bag’s totes did not pose a danger of impairing the distinctiveness of Louis Vuitton’s marks as required to find dilution by blurring. While My Other Bag intentionally drew an association to Louis Vuitton’s marks, it did so only partially and imperfectly so as to convey the message that it was not a source of Louis Vuitton’s products.⁸

The court found that both the trademark and copyright analyses were, at best, awkward in their application to a parody because a parody, by its nature, must evoke the original, creative mark or work in order to make its point. In light of the parody determination, the court found that nearly all of the *Polaroid* factors weighed in favor of My Other Bag in the trademark infringement analysis, despite the ill-fitting nature of the standard.⁹ Despite the court’s belief that the copyright infringement factors were a clumsy fit for claims that were, at their core, trademark and trade dress infringement claims, it found that the relevant factors again weighed in favor of My Other Bag.¹⁰ In particular, the court noted that even though commercial use tends to weigh against a finding of fair use, a parody, even when done for commercial gain, can still be eligible for a fair use defense.

In discussing this case at an INTA Roundtable, there seems to be some question as to whether the court got

this right. Is it fair that My Other Bag is profiting from the popularity of Louis Vuitton’s marks? Has the breadth of what is considered a parody become too wide? Was this suit necessary to maintain Louis Vuitton’s exclusivity and status? As practitioners, if this decision teaches us anything, it is that opinions often create more questions than they answer and that the outcome is never guaranteed to be in the bag.

Endnotes

¹ *Louis Vuitton Malletier, S.A. v. My Other Bag Inc.*, 156 F. Supp. 3d 425, 434 (S.D.N.Y. 2016).

² *Id.* at 435.

³ *Id.*

⁴ *Id.*

⁵ *Id.* at 436.

⁶ *Id.* at 437.

⁷ *Id.*

⁸ *Id.* at 440.

⁹ *Id.* at 441-44.

¹⁰ *Id.* at 444-45.

¹¹ *Id.*



Loomis v. Cornish:

By Karia Ruffin

Imagine just for a moment, you are a 20-something front-man (or woman) of an independent rock band. After a year of writing and rehearsing in your garage, your band releases its first album. Your freshman album includes a catchy new single with rich chords and a charming melody. Shortly thereafter, your band gains international recognition and is named one of the Top 25 Best New Bands in the World by MTV. Within a year, your band's YouTube channel viewership spike to over a million and your catchy single is included on a compilation CD, which is distributed through a chain of international clothing stores. The single you wrote in your garage has captivated a moderately sized audience and is being played in major clothing stores around the country. Somewhere in the middle of this, your mother/administrator/

coordinator receives an email from a major recording label's A&R Representative. The A&R Representative is fascinated by the charismatic single and has requested a copy; you oblige. The excitement over the album results in your guitarist being offered an opportunity to tour with an American pop star. Consequently, the adverse feeling associated with the loss of a band member is outweighed by the prospects of a recording deal. Unfortunately, the record deal never materializes and your album fails to reach the potential you had hoped. The energy behind the album ultimately fades. Two years later you find yourself submerged in a solo music career. The rise and fall of your band is a distant memory, until one day, you receive an email from a fan that recently purchased a copy of your album off the \$2.99 shelf at a

local record store. The fan tells you that your single has been ripped-off by a rising British pop star. Mixed emotions rush over you after hearing the new song by the British star. The new song's melody and chords sound extremely similar to the single you wrote in your garage years ago. A pit in your stomach instantly develops once you discover that the British star/bandit is grossing millions of dollars from the song you originally wrote. You are horrified because you haven't received any compensation for the use of your melody, not a dime. On the other hand, you have a feeling of pride once you learn that the British star is scheduled to perform "your" song for the Queen of England. You initiate an investigation and discover the British star wrote the new song with several other songwriters. You also discover that those same songwriters just so happen to write for the America pop star that snatched your guitarist years ago. You continue to investigate and find that the A&R Representative you sent a copy of your single to works for the same label that released the new song! You realize that the guitarist, A&R Representative and songwriters are all associated with the same British pop star who pilfered your song. Now ask yourself, is this grounds for a copyright infringement suit? Well, *Loomis v. Cornish* gives us insight on the many challenges one must overcome to succeed in a copyright infringement case under similar circumstances.

Will Loomis thought he had a good case for copyright infringement after hearing an international chart topping song called "Domino," by UK singer songwriter Jessica Cornish (publicly known as Jessie J). As a result, he brought suit alleging copyright infringement against Jessie J and her record labels, Universal Music Group, Lava Records and Universal Republic Records, in the U.S. District Court for the Central District of California. Unfortunately for Loomis, the district court thought otherwise when

it granted summary judgment for the defendants. The Ninth Circuit affirmed the lower court's decision in 2016. Loomis is a musician and front-man of the band Loomis and the Lust. He wrote a song called 'Bright Red Chords,' which was released on the band's 2009 album, *Nagasha*, and a 2010 album, *Space Camp*. From Loomis's point of view, Jessie J and her all-star team of songwriters, including Lukasz Gottwald (publicly known as Dr. Luke), Claude Kelly and Karl Martin Sandberg (publicly known as Max Martin) "stole a two-measure vocal melody from 'Bright Red

It doesn't take a music specialist to find stark similarities between "Domino" and "Bright Red Chords."

Chords' and used it as the theme for the verse melody in their hit song 'Domino'."

It doesn't take a music specialist to find stark similarities between "Domino" and "Bright Red Chords." In fact you can hear the songs side-by-side on YouTube and compare for yourself. The guitar chords are similar, as well as the melody. Although musically comparable, each song took very different paths after release. Jessie J's debut album *Who You Are* was released in 2011 and contained the single "Domino." It peaked at No. 6 on Billboard's The Hot 100 list in 2012 and topped charts in the U.K. and Australia. The song gained its most prestigious moment when it was reportedly performed by Jessie J for Queen Elizabeth's Diamond Jubilee. The single was a hit by all recorded music standards. In contrast, "Bright Red Chords" and Loomis and the Lust gained some national recognition by MTV and Billboard Magazine after the release of their album in 2009. Loomis offered evidence that the song was played in number of sneaker shops around the San Francisco Bay area. However, the single never gained much commercial success

and had no more than 46 documented sales. By all recorded musical standards, the song was a flop.

So why didn't the Ninth Circuit agree with Loomis? Why wasn't this a clear example of unauthorized sampled music by a super star? To prove copyright infringement, the plaintiff must first establish that he or she owns the copyrighted work. Once ownership is established, the plaintiff must demonstrate that the defendant copied or took another exclusive right of the plaintiff's original work. In other words, the plaintiff must prove that a theft or plagiarism occurred. Plaintiffs may offer direct or circumstantial evidence to prove the unauthorized copying. Direct evidence proving actual copying is typically not available in copyright infringement cases, leaving circumstantial evidence as the basis for many of these lawsuits. Circumstantial evidence tends to lend the most interesting legal arguments in this field, as you will see in this case. If direct evidence is unavailable, plaintiffs must show

Loomis argued that multiple intermediaries could have obtained copies of "Bright Red Chords" and provided copies to the "Domino" songwriters, Dr. Luke and Max Martin.

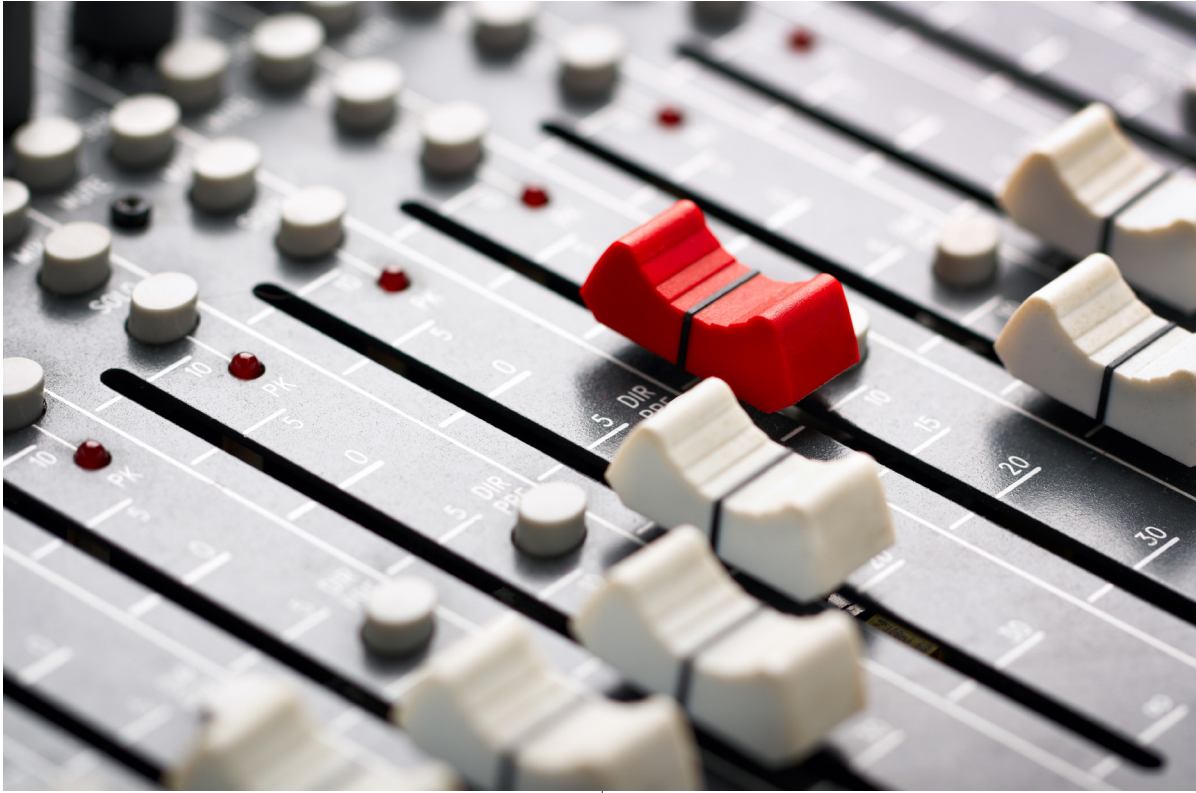
that defendant had access to the copyrighted material and that the two works exhibit substantial similarities of ideas and expression.

Despite the musical similarities between the original and alleged copied songs, Loomis did not survive summary judgment, because he failed to provide potential admissible evidence that would establish defendant's access to his original work. Loomis sprinted out of the gates of copyright litigation like a thoroughbred at the Kentucky Derby. Valid copyright—check! Loomis obtained a copyright registration for "Bright Red Chords" by depositing a copy with the U.S. Copyright Office shortly after he

wrote the song. Unfortunately, the case seemed to slip away as Loomis rounded the corner to prong two. Because no direct evidence existed, Loomis relied on circumstantial evidence to support a finding that defendants had access to "Bright Red Chords." However, the district concluded otherwise and found that "Loomis failed to present sufficient evidence"² to support such a finding; the appellate court agreed.

As plaintiff, Loomis had the burden of proof to show that defendants had "an opportunity to view or to copy plaintiff's work."³ In fact, the Ninth Circuit requires plaintiffs to show "a reasonable possibility, not merely a bare possibility, that an alleged infringer has the chance to view the protected work."⁴ The court articulated two theories in which plaintiffs could employ. Under the chain-of-events theory, plaintiff "establishes a chain of events linking the plaintiff's work and the defendant's access."⁵ Whereas a "showing that plaintiff's work has been widely disseminated" is required on the widespread-dissemination theory.⁶ On appeal, Loomis relied on both theories to challenge the lower court's summary judgment ruling.

Under the chain of events theory, Loomis argued that multiple intermediaries could have obtained copies of "Bright Red Chords" and provided copies to the "Domino" songwriters, Dr. Luke and Max Martin. Loomis provided a list of several people whom he alleged were potential intermediaries. However, Loomis' argument was hampered by inadmissible hearsay and mere speculations. First, Loomis alleged that an A&R Representative, Sunny Elle Lee, and UMG Recordings were potential intermediaries, who granted Defendants access to his song. Apparently, Loomis provided a copy of "Bright Red Chords" to Lee per her request in May of 2010. Loomis failed to provide any evidence that Lee made contact with or gave a copy of the song to the "Domino" song writers. Furthermore, the court found no evidence to show that Lee was ever



involved with Jessie J's music or recordings. Loomis' argument rested on shaky ground as it required the trier of facts to "extrapolate that [Lee] provided 'Bright Red Chords' to the 'Domino' songwriters."⁷ The court rejected this argument stating, "there is no evidence of a nexus between Lee and the 'Domino' songwriters that would be sufficient to raise a triable issue of access."⁸

Next, Loomis argued that Casey Hooper, a lead guitarist for Loomis and the Lust from September of 2009 to April 2010, could have been an intermediary. He provided a colorful account of how Hooper may have given the "Domino" songwriters access to his song. He claimed that Tucker Bodine, an owner of the studio and assistant engineer on Katy Perry's *Teenage Dream* album, told him that Hooper was involved in a 10-day recording session with Katy Perry, Dr. Luke and Max Martin in early 2010. However, the court was unwilling to allow Loomis' inadmissible hearsay testimony and rejected it. In addition, no evidence was submitted to support a showing that Hooper was involved with *Teenage Dream*. Again,

Loomis failed to establish the requisite nexus between the intermediary and the alleged copier by not submitting any potential admissible evidence. Finally, Loomis argued that Hooper's involvement in Katy Perry's movie "Part of Me" gave rise to a "triable issue of access"⁹ and the requisite nexus between Hooper and the songwriters of "Domino." His argument rested on the fact that Hooper, Dr. Luke and Max Martin were three of the thirty-nine individuals whom received production credits for the film. However, Loomis provided no evidence demonstrating that the three ever worked together or were in personal contact with each other. Again, Loomis relied on speculation and again, the court rejected his fragile argument.

Loomis made comparable efforts to establish a reasonable possibility of access under the widespread-dissemination theory. Although the evidence required to show widespread dissemination vary from case to case, most cases turn on the level of commercial success and media distribution achieved by the work. Saturation of the work in a market in which

both the plaintiff and defendant participate is also a recognized doctrine under the widespread dissemination theory. In other words, a court will likely find a reasonable possibility that a defendant had an opportunity to view and copy an original work if the defendant routinely spends time in the market in which the original work has saturated. In a “Hail Mary” attempt to persuade the appellate court, Loomis contended that his case was similar to cases in which the court found reasonable possibility of access under the saturated market doctrine. Loomis argued that Dr. Luke and Max Martin were in Santa Barbara for the Teenage Dream session at a time when Santa Barbara was saturated with “Bright Red Chords.” Although Loomis provided testimony that “Bright Red Chords” received “tons of airplay”¹⁰ on radio stations; received recognition in multiple local publications; was distributed as promotional copies to a local recording studio; and was, indeed, saturated in the Santa Barbara local music scene, the court found no evidence that Dr. Luke and Max Martin ever participated in such market at that time. In fact, the court concluded that the Santa Barbara local music scene was irrelevant to the “Domino” songwriter’s production responsibilities and there was no evidence that they were involved with “listening to local radio, reading local press, or scouting local bands.”¹¹ The court further explained that the “Domino” songwriter’s presence in Santa Barbara during the time of the relevant market saturation presented only a “bare possibility.”¹² Essentially, Loomis’s assertion was too thin to meet the reasonable possibility of access standard.

It is worth mentioning that the Ninth circuit offers some reprieve to plaintiffs who are unable to prove access. “A ‘striking similarity’ between works may give rise to a permissible inference of copying.”¹³ It is an argument that would be highly useful in cases where the works are similar, such as the case at hand. However, the court notes that Loomis failed

to present evidence or an argument that would advance this theory. The court never reached the issue of similarity after finding Loomis’s allegations of defendant’s access to his work attenuated. As such, the court deemed summary judgment as the appropriate disposition of the matter. To summarize, Loomis presented an interesting set of facts and a colorful narrative of how the songwriters of “Domino” potentially gained access to “Bright Red Chords” under the chain of events and widespread-dissemination theories. However, Loomis’ arguments did not survive summary judgment because he was unable to bridge the gap between mere speculation and a genuine issue of a material fact. He provided no potential admissible evidence and his testimony lacked personal knowledge.

Endnotes

¹ *Loomis v. Cornish*, 836 F.3d 991, 993 (9th Cir. 2016).

² Id. at 994–995.

³ Id. at 995.

⁴ Id.

⁵ Id.

⁶ Id.

⁷ Id. at 996.

⁸ Id.

⁹ Id.

¹⁰ Id. at 998.

¹¹ Id.

¹² Id.

¹³ Id. at 998 n.1.

SAS Institute, Inc. v. ComplementSoft, LLC, and its impact on inter partes review at the patent office

By Christopher B. Jacobs¹ and John L. Ruelbach III²

In *SAS Institute, Inc. v. ComplementSoft, LLC*,³ the Federal Circuit Court of Appeals (Federal Circuit) clarified two points regarding challenges to patent validity. First, the court confirmed that in response to a petition to review the validity of a patent, the Patent Trial and Appeal Board (the PTAB or the Board) can choose to review only a subset of the claims in a patent for which review was requested. And, second, the court found that the Administrative Procedure Act precludes the Board from changing its interpretation of terms in a patent without giving the parties involved notice and an opportunity to present evidence and arguments on the interpretation of those terms.

ComplementSoft's patent is directed to software that helps to visualize a data analysis process.

SAS Institute, Inc. (SAS) makes and sells software (SAS software) that helps companies analyze large quantities of data.⁴ SAS also makes and sells supplemental software that adds additional features to the SAS software package.⁵ At issue was SAS's supplemental software that visually illustrates a sequence of steps that will be taken by the underlying SAS software and how the data will be treated at different steps in the process.⁶

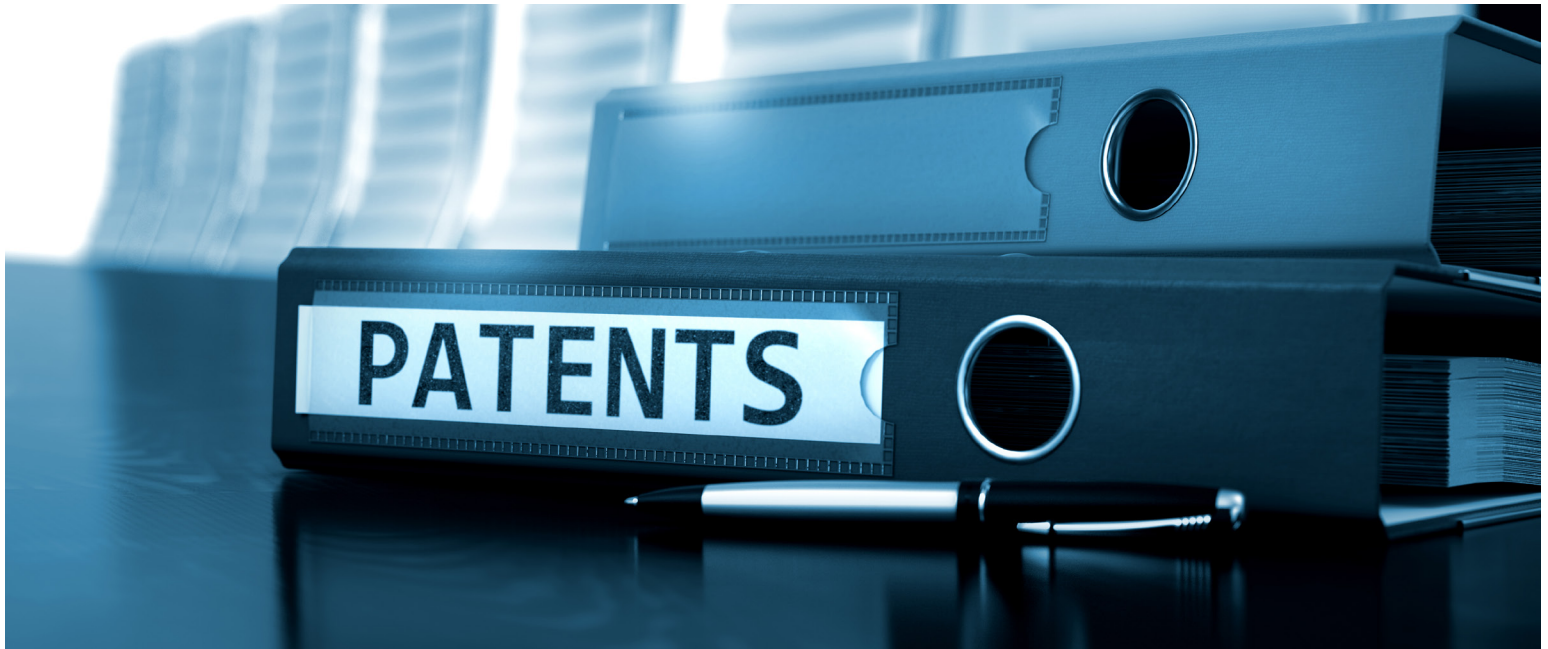
ComplementSoft also sells supplemental software that is intended to add features to the SAS software, including software that provides a graphical user interface which makes it easier to visualize the sequence of steps taken by the SAS software and how data is treated during that process.⁷ This visualization makes it easier for users to manage, parse, debug and edit the underlying software code.⁸ ComplementSoft also owns a patent related to its visualization technology.⁹

When ComplementSoft sued SAS for patent infringement, SAS challenged the validity of ComplementSoft's patent at the Patent Office.

In September 2012, ComplementSoft sued SAS in U.S. Federal District Court, arguing that two of SAS's supplemental software products infringed the ComplementSoft patent.¹⁰ SAS responded by challenging the validity of the ComplementSoft patent at the U.S. Patent and Trademark Office (the "Patent Office") through a petition for Inter Partes Review ("IPR") of claims 1-16.¹¹ Over ComplementSoft's objections, the Board agreed to institute an IPR for claims 1 and 3-10.¹² SAS then asked the District Court, and the District Court agreed, to stay the infringement case pending the outcome of the challenge to the validity of the patent.¹³

An IPR is a trial-like proceeding at the Patent Office, through the PTAB, where a petitioner challenges the patentability of one or more claims in an issued patent.¹⁴ In an IPR proceeding, the Board's review is limited to consideration of relevant prior patents or printed publications, and not other grounds for challenging the validity of a patent, such as sales or other public disclosures prior to the filing date for the patent.¹⁵ The Board will grant a petition for an IPR if the petitioner can show that there is a reasonable likelihood that the petitioner will prevail in demonstrating that at least one claim challenged is invalid.¹⁶

Once the IPR proceeding has begun, the Board interprets the claim language using the patent specification, ordinary uses of the terms in the relevant field of technology, dictionaries and other sources to determine the precise meaning of the patent's claims so that their scope can be identified.¹⁷ In interpreting the claims, the Board seeks to give the claim terms their broadest reasonable scope.¹⁸ Once the claims are interpreted ("construed"), the Board compares the claims to the disclosures made in the prior patents and printed publications to determine whether the claims were anticipated by or obvious and, thus, not patentable.¹⁹



In seeking to have ComplementSoft's patent invalidated and thus avoid the infringement lawsuit, SAS had asked the Board to review all sixteen claims in the ComplementSoft patent.²⁰ But in granting the petition to reconsider the validity of ComplementSoft's patent, the Board only agreed to review a subset of the claims, specifically claims 1 and 3-10.²¹ The petitioner, SAS, presumably failed to convince the Board it would succeed in invalidating claims 2 and 11-16.²² Therefore, as is the case with patents generally, those claims are still presumed valid.²³ If SAS wants to challenge the validity of those claims, SAS may still do so in court.²⁴

ComplementSoft opposed the initiation of an IPR proceeding, and in doing so had proposed an interpretation of the term "graphical representation of data flows."²⁵ In granting review of the patent, the Board gave that term a different interpretation.²⁶ SAS did not address the interpretation of this term.²⁷ In fact, after the Board initiated the IPR, neither party objected to or suggested

any alternative interpretations of this term in response to the Board's original definition.²⁸

In its final written decision, however, the Board adopted a different interpretation of the term "graphical representations of data flow" than the one it had given when it granted the IPR.²⁹ Based on the Board's new interpretation and the disclosures in the prior patents and publications, the Board concluded that most of the claims were not patentable and thus, invalid—leaving only one valid claim (claim 4) from the group of claims that the Board reviewed.³⁰

SAS appealed to the Federal Circuit, the appellate court for all patent disputes, which rendered the current opinion.³¹ In its appeal, SAS argued that (1) the Board's decision to review only a subset of the challenged claims was improper, and (2) the Board should not be permitted to change the interpretation of a claim term without notifying the parties and giving them a chance to make their case for or against a different interpretation.³²

Recall that in granting the IPR in the first place, the Board had indicated that SAS would likely prevail in its challenge to all of the claims, including claim 4.³³ And by changing its interpretation of "graphical representations of data flows," leading to the Board upholding the validity of claim 4, SAS argued that they were denied the opportunity to challenge how the Board interpreted that claim term.³⁴

First, the Board reaffirmed that the Patent Office may review fewer than all of the claims for which review was requested in an IPR petition.

As to the issue of whether the Board may institute an IPR proceeding for fewer than all of the claims petitioned, the Federal Circuit held that this issue had already been decided in *Synopsys, Inc. v. Mentor Graphics Corp.*³⁵ Although generally agreeing with the decision, Judge Newman dissented on this issue, contending that all of the challenged claims should be reviewed in light of Congress's intended

purpose in creating the IPR process in the America Invents Act (AIA), namely that the Patent Office can address questions of patentability more efficiently and cost-effectively than the courts.³⁶ Judge Newman argued that instituting review of only some of the challenged claims “foils the legislative purpose of resolving certain patent issues in an administrative forum” rather than in the courts.³⁷

Judge Newman’s dissent highlights the possible results of the majority’s finding. Because the PTAB may select only some patent claims for an IPR proceeding while ignoring others, it is likely that there will be subsequent litigation on the remaining claims. If a petitioner is willing to challenge patent claims in an IPR proceeding, then that same petitioner would have a strong incentive to subsequently challenge the remaining claims in litigation, if given the chance. The estoppel provision, meant to restrict subsequent litigation and turn IPR proceedings into a complete litigation substitute, would no longer be effective, because a petitioner would not be estopped with regard to claims that were not reviewed in the IPR proceeding.³⁸ Accordingly, the petitioner could, and likely would, continue to challenge the validity of the remaining claims in court. This would result in increased time and costs, for both the patent holder and the petitioner, because after IPR proceeding both parties would have to go to court to litigate the validity of the remaining claims.³⁹

Under the estoppel provisions of the AIA, a final decision of the Board in an IPR cannot be challenged in later court proceedings.⁴⁰ Further, a petitioner is prevented from raising any new arguments that he or she might have reasonably raised in the

IPR proceeding, in addition to the arguments he did raise.⁴¹ Congress included the estoppel provisions to provide finality to the Board’s decision, intending an IPR proceeding to be a “complete substitution” for litigation.⁴² Otherwise, a patent challenger could simply bring subsequent litigation after losing an IPR proceeding and

of the Administrative Procedure Act (APA).⁴⁸ The APA requires that “[p]ersons entitled to notice of an agency hearing shall be timely informed [of] the matters of fact and law” asserted in the proceeding.⁴⁹ Such notice had previously been required for patent owners, and here the Federal Circuit extended the

Judge Newman argued that instituting review of only some of the challenged claims “foils the legislative purpose of resolving certain patent issues in an administrative forum” rather than in the courts.

thus double the amount of time spent validating a patent.⁴³ Specifically, because the PTO was deemed to be more efficient and better suited to determine patent validity regarding IPR matters than the courts, the AIA meant to remove these debates from the courtroom and allow the Patent Office to handle them.⁴⁴ Since not all of the claims were reviewed in the IPR, not all of the claims of ComplementSoft’s patent received this estoppel protection.⁴⁵ Thus, SAS can, and likely will, challenge the validity of the claims not considered in the IPR – in court.⁴⁶ Judge Newman otherwise agreed with the decision of the court, however.⁴⁷

In IPR proceedings, the Patent Office must comply with the Administrative Procedure Act.

More significantly, the Federal Circuit held that IPR proceedings are formal administrative proceedings that are subject to the procedural requirements

same requirement to IPR petitioners, saying “an agency may not change theories in midstream without giving respondents reasonable notice of the change” and “the opportunity to present argument under the new theory.”⁵⁰ Therefore, SAS was entitled to the opportunity to respond to the Board’s uncontested and unanticipated change in claim interpretation.⁵¹ The court reversed and remanded the Board’s finding of validity based on the newly-construed claim term because the Board “change[d] theories midstream,” did not provide the parties with sufficient notice to address the new interpretation, and it would have been nearly impossible for the parties to anticipate “that already-interpreted terms were actually moving targets.”⁵²

The Federal Circuit agreed that the Board’s newest interpretation was permissible as the “broadest reasonable interpretation” because the new interpretation was reasonable and was supported by the disclosure in the patent, even though the new

interpretation was narrower than the original interpretation given by the Board.⁵³ Despite the Federal Circuit's agreement with the interpretation, however, the Court sent the case back to the Board for further briefing by the parties in light of the Board's new interpretation of the claim language.⁵⁴

As a result of this decision, in the future the PTAB may be reluctant to provide any preliminary interpretations of the claims in its decision to institute IPR proceedings. Thus, it will be

Court for certiorari. The petition was granted on May 22, 2017.

What does this case mean for patent owners and patent practitioners?

As a result of this case, a decision by the Board regarding patent validity in an IPR proceeding may no longer carry the force that Congress intended in passing the AIA. The Federal Circuit's decision allows the Board to continue to select which claims

if parties challenging the validity of another's patent may, under certain circumstances, be able to challenge the validity of a patent's claims through two different routes. Some claims could be challenged at the Patent Office, and some claims could be reserved to challenge in the courts. For example, if an independent claim is found valid after an IPR proceeding, and a dependent claim off of the independent claim was not reviewed in the IPR, then the petitioner would still be able to litigate the dependent claim. In doing so, the patentability of the features of the underlying independent claim would necessarily have to be considered. Because the dependent claim was not a part of the IPR proceeding in this scenario, the petitioner would not have had a reasonable opportunity to argue against it, and therefore would not be estopped from subsequently asserting arguments against the dependent claim. Of course, the dependent claims include additional limitations beyond those found in the independent claim, and those additional limitations would factor into the patentability of that claim. While we can imagine other scenarios and their potential outcomes, we will be watching for subsequent decisions to shed further light on these issues. Stay tuned.

For now, both parties will want to ensure that they address as many claim terms as possible in their briefs and arguments in the IPR proceedings, as any claim term may now be a "moving target."⁵⁸ Doing so will be complicated by the page limit for briefs and limited time for oral arguments. Therefore, it would be in the best interests of patent holders and IPR petitioners to be as concise and precise as they can. Petitioners should do

The court also upheld the Board's new construction of a claim element that was not the subject of disagreement between the parties in the IPR proceeding.

increasingly important for the parties to use some of their page-limited briefs and limited time for oral argument to address issues of claim interpretation. Additionally, the Board may provide parties to an IPR proceeding with notice, at the outset of the proceeding, that any claim interpretations are subject to change during the course of the proceedings. Either way, parties to an IPR proceeding will likely be less sure of the ultimate interpretations of patent claims, and therefore the results of an IPR decision, until the Board actually issues its final written decision.

After the decision, SAS filed a petition for rehearing en banc regarding the issue of whether the Board is permitted to issue a final written decision with respect to the patentability of only some of the patent claims challenged in the petition, which was denied by the Federal Circuit in November 2016.⁵⁵ SAS has since petitioned the Supreme

to include in an IPR, rather than requiring the Board to consider all of the claims for which review was requested. The court also upheld the Board's new construction of a claim element that was not the subject of disagreement between the parties in the IPR proceeding.⁵⁷ Consequently, this case suggests that IPR proceedings likely will not be the efficient and cost-effective mechanisms Congress intended, since the claims not included in the IPR may be litigated after the administrative proceeding is over, and the Board is not required to consider all of the challenged claims. As a practical matter, however, if the petitioner is unable to convince the Board that it is likely to succeed in invalidating a claim, then the petitioner's arguments probably are not going to be successful in court either.

The extent of the implications is still unclear. From the majority's reasoning, buttressed by the critical analysis of Judge Newman, it would appear as

their best to completely address all claim terms in a challenged patent to ensure that they are not estopped from subsequently raising arguments related to those claim terms, even if the terms were not the subject of direct dispute between the parties. And this is yet another reason that patent owners should make sure that their underlying specification and claims are well-drafted, so that in the event of IPR proceedings the Board will be bound by the language of the specification, and will have less leeway in imposing their own interpretation of the claim terms.

Endnotes

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³ SAS Inst., Inc. v. ComplementSoft, LLC, 825 F.3d 1341 (Fed. Cir. 2016).

⁴ See Id. at 1343.

⁵ Id.

⁶ Id. at 1343-47.

⁷ Id. at 1343

⁸ Id.

⁹ U.S. Patent No. 7,110,936.

¹⁰ Complement Soft, LLC v. SAS Institute, Inc., Docket No. 1:12-cv-07372 (N.D. Ill. Sept. 14, 2012).

¹¹ SAS Inst., Inc. Petitioner, IPR2013-00226, 2013 WL 8595939, at *1 (Aug. 12, 2013); SAS Inst., 825 F.3d at 1346-47.

¹² SAS Inst., Inc. Petitioner, IPR2013-00226, 2013 WL 8595939, at *1-2 (Aug. 12, 2013).

¹³ Motion to Stay Pending Inter Partes Review, No. 1:12-cv-07372 (N.D. Ill. Filed April 3, 2013), ECF No. 38; Minute Entry, No. 1:12-cv-07372 (N.D. Ill. May 2, 2013), ECF No. 43; and 35 U.S.C. § 315 (2012).

¹⁴ 35 U.S.C. §§ 311-12 (2012).

¹⁵ Id.

¹⁶ 35 U.S.C. § 314 (2012).

¹⁷ See SAS Inst., 825 F.3d at 1346.

¹⁸ Id. at 1347.

¹⁹ 35 U.S.C. §§ 311, 316, 318 (2012).

²⁰ SAS Inst., 825 F.3d at 1346.

²¹ Id. at 1346.

²² Id. at 1346; see § 314.

²³ 35 U.S.C. §§ 282 (2012).

²⁴ SAS Inst., 825 F.3d at 1358-59 (Newman, J., dissenting); see 35 U.S.C. §315(e) (2012).

²⁵ Id. at 1350.

²⁶ Id. at 1350-51.

²⁷ Id. at 1350.

²⁸ Id.

²⁹ Id. at 1346.

³⁰ Id.

³¹ Id. at 1347.

³² Id. at 1347.

³³ See Id. at 1346; 35 U.S.C. §314(a) (2012).

³⁴ SAS Inst., 825 F.3d at 1347.

³⁵ Id. at 1352.

³⁶ Id. at 1354-60 (Newman, J., dissenting).

³⁷ SAS Inst., Inc. v. ComplementSoft, LLC, 842 F.3d 1223, 1224 (Fed. Cir. 2016).

³⁸ See SAS Inst., 825 F.3d at 1358 (Newman, J., dissenting).

³⁹ See Id. at 1353.

⁴⁰ 35 U.S.C. § 315(e) (2012).

⁴¹ Id.

⁴² SAS Inst., 825 F.3d at 1358 (Newman, J., dissenting).

⁴³ Id. at 1358-59.

⁴⁴ Id. at 1356.

⁴⁵ Id. at 1357-59; see § 315(e).

⁴⁶ SAS Inst., 825 F.3d at 1357-59 (Newman, J., dissenting); see § 315(e).

⁴⁷ SAS Inst., 825 F.3d at 1353 (Newman, J., dissenting).

⁴⁸ Id. at 1351.

⁴⁹ Id.

⁵⁰ Id. (citing Belden Inc. v. Berk-Tek LLC, 805 F.3d 1064, 1080 (Fed. Cir. 2015).

⁵¹ SAS Inst., 825 F.3d at 1351-52.

⁵² Id.

⁵³ Id. at 1348-49.

⁵⁴ Id. at 1352-53.

⁵⁵ SAS Inst., 842 F.3d at 1224.

⁵⁶ SAS Inst., 825 F.3d at 1352-53.

⁵⁷ Id. at 1352-53.

⁵⁸ Id. at 1351.

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