



IDEAS ON INTELLECTUAL PROPERTY LAW



FEBRUARY/MARCH 2014

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Patent obviousness analysis fails with Federal Circuit

Most of the patents that make the news these days are utility patents rather than *design* patents. This might explain the result of *High Point Design LLC v. Buyer's Direct, Inc.* Here, the U.S. Court of Appeals for the Federal Circuit found many errors in the district court's ruling.

Slippers put on trial

Buyer's Direct Inc. (BDI) holds a design patent for "the ornamental design for a slipper." High Point Design LLC manufactures and distributes "Fuzzy Babba" slippers.

When BDI became aware of Fuzzy Babba slippers, it sent High Point a cease-and-desist letter, asserting infringement of its patent and infringement of the trade dress found in its "Snoozies" slippers. High Point responded by seeking declaratory judgment in federal district court that the manufacturing and sale of its slippers didn't infringe BDI's patent, and that the patent was invalid. BDI filed counterclaims for, among other things, patent infringement.

The district court found the patent invalid because the design was obvious from prior art. BDI appealed.

Two-step analysis applied

According to the Federal Circuit, the ultimate inquiry in an obviousness analysis of a design patent is whether the claimed design would have been obvious to an ordinary designer of the type of item involved. To make that determination, the court will apply a two-step process.

In the first step, the court must find "a something in existence," or a single reference, with design characteristics that are basically

the same as those of the design claimed in the patent. To accomplish this, the court must:

- Discern the correct visual impression created by the patented design as a whole, and
- Determine whether there's a single reference that creates basically the same visual impression.

In the second step, the court may use other references to modify the primary reference to create a design that has the same overall visual appearance as the claimed design.

Slip-ups abound

The Federal Circuit found that the district court had made multiple errors in its obviousness analysis. These mistakes included:

Applying the wrong standard. The lower court applied an "ordinary observer" standard, rather than the "ordinary designer" standard. The appellate court held that the use of an ordinary observer standard to assess the potential obviousness of a design patent was improper.



Failing on functionality, too

In *High Point Design LLC v. Buyer's Direct, Inc.* (see main article), Buyer's Direct Inc. also appealed the district court's judgment that the patent was invalid because the design was primarily functional rather than primarily ornamental.

A design is primarily functional if it's "dictated by" the utilitarian purpose of the article. The district court interpreted previous rulings by the U.S. Court of Appeals for the Federal Circuit to require it to determine whether the design's primary features can perform functions. It concluded, for example, that the slipper's fuzzy interior provided the functional purpose of comfort.

The Federal Circuit found this to be the wrong standard. The appellate court noted the distinction between the functionality of an item or its features and the functionality of the particular design of the item or features that perform a function. In returning the case to the lower court, the Federal Circuit directed it to make the functionality assessment by viewing the claimed design in its entirety, considering not the functional or decorative aspect of each separate feature but the slipper's overall appearance.



Disregarding an expert's opinion. The Federal Circuit noted that an expert's opinion, while not necessary or controlling on the legal conclusion of obviousness, may be relevant to the factual aspects of the analysis leading to that legal conclusion. The district, therefore, had erred by disregarding a statement from a slipper designer that the design wasn't obvious.

The ultimate inquiry in an obviousness analysis of a design patent is whether the claimed design would have been obvious to an ordinary designer of the type of item involved.

Misapplying the process. The appellate court faulted the district court's application of the two-step process noted above — especially of the first step. When it came to "discerning the correct visual impression created by the patented design as a whole," the district court erred by failing to translate

the design of BDI's patent into a verbal description. The lower court characterized the design as "slippers with an opening for a foot that can contain a fuzzy (fleece) lining and have a smooth outer surface."

The Federal Circuit found this description represented "too high a level of abstraction" because it didn't focus on the distinctive visual appearance of the primary reference and the claimed design. The district court should have added sufficient detail to its verbal description of the claimed design to evoke a visual image consistent with the design.

Failing to draw a comparison. The district court didn't provide its reasoning for determining that the primary reference created "basically the same" visual impression as the patented design, so the parties would have a basis for challenging that determination. The Federal Circuit said the lower court should have done a side-by-side comparison of the two designs to determine whether they create the same visual impression.

Overlooking “secondary considerations.” The district court failed to take into account factors such as the copying and commercial success of Snoozies. The appellate court had previously held that evidence related to such secondary considerations must *always* be contemplated as part of a determination of obviousness.

Court toes the line

For all its criticism of the district court’s analysis, the Federal Circuit declined to take a position on whether, under the proper standard, BDI’s design was or wasn’t obvious. Instead, it reversed the judgment of obviousness and sent the case back to the district court to make the determination applying the standards outlined above. ○

Learning a tough lesson on how to write patent descriptions

There are situations when taking a broad, scattershot approach is a good idea. Drafting a patent application generally isn’t one of them. In the recent *Novozymes A/S v. DuPont Nutrition Biosciences APS*, the holder of a patent on some modified enzymes learned a tough lesson on how to write a patent description.

Court strikes out jury

Novozymes held a patent for particular mutated enzymes that exhibit improved functionality and stability under certain conditions. It sued DuPont, alleging patent infringement. DuPont filed a counterclaim seeking a declaratory judgment that the patent was invalid for failing to satisfy the U.S. Patent Act’s written description requirement.

A jury concluded that the patent was valid and awarded infringement damages of more than \$18 million. The district court, however, entered a judgment “as a matter of law” that the claims were indeed invalid. Novozymes appealed.

Patentee fails test

Under the written description requirement, a patent application must clearly demonstrate to persons of ordinary skill in the field that, as of the filing date, the inventor has invented and possessed what’s claimed. A mere plan to obtain the invention will not suffice.



Novozymes’ patent was issued from an application filed in December 2009, with a priority claim dating back to 2000. The 2000 application identified seven possible parent enzymes and 33 promising amino acid positions on them that could be manipulated to result in specific beneficial properties, including thermo-stability (heat tolerance).

The written descriptions of the 2009 and 2000 applications were nearly identical. The later application, however, included — for the first time — claims related to a

certain mutation involving the “BSG” parent enzyme at the amino acid position known as “239” with a specifically increased thermostability. DuPont had filed a patent application related to that same mutation in 2008, for which a patent was issued in June 2009.

A patent application must clearly demonstrate to persons of ordinary skill in the field that, as of the filing date, the inventor has invented and possessed what’s claimed.

Plot didn’t thicken

The U.S. Court of Appeals for the Federal Circuit determined that the 2000 application didn’t adequately demonstrate that, by the filing date, Novozymes had invented and possessed the particular

variant enzymes that it claimed almost a decade later. Although the original application listed BSG and position 239 — and provided broad ranges of thermostability — it didn’t disclose any one variant that actually satisfied all three patent claims.

The 2000 application may have predicted that at least some mutations at position 239 would yield variant enzymes with increased thermostability. But, to actually possess the variants, Novozymes had to confirm its predictions by making and testing individual variants or at least identifying subclasses of variants that could be expected to have the claimed properties. It didn’t do so before the 2000 application and, thereby, the Federal Circuit affirmed the district court’s decision.

It’s about the ending

The court’s ruling is a valuable reminder that a patent “is not a reward for the search, but compensation for its successful conclusion.” It’s not enough to list the various claims you hope your invention will end up with. You must show that you already possess such an invention. ○

Bam! Pow! Smash!

The demise of a comic book artist’s copyright

With comic book characters increasingly taking to the silver screen, disputes over their ownership are as predictable as the eventual defeat of an arch-villain. One such case, *Marvel Characters, Inc. v. Kirby*, may have left the heirs of a well-known artist longing for a superhero to prevent the demise of their father’s rights to his drawings.

Origin story

Jack Kirby was an influential comic book artist who created and/or drew many well-known characters, including the Fantastic Four, the Hulk, the X-Men, Captain America and Thor.

For much of his career, he worked for Marvel Comics but wasn’t a Marvel employee. Kirby set his own hours and worked from home. Marvel was free to reject Kirby’s drawings or ask him to redraft them. When the company accepted drawings, it paid him at a per-page rate. He received no fixed salary or wage, nor any benefits.

In September 2009, Kirby’s heirs served various Marvel entities with notices purporting to exercise statutory termination rights under the Copyright Act. The notices referred to 262 of Kirby’s drawings published by Marvel between 1958 and 1963.

Marvel filed a lawsuit seeking a declaration that the Kirby heirs had no termination rights because all of the drawings were “made for hire” for Marvel. The district court ruled in Marvel’s favor, and the plaintiffs appealed.

Two-fisted test

The Copyright Act of 1976 allows an author to terminate transfers of rights in materials copyrighted before Jan. 1, 1978. But these rights don’t apply to works made for hire. In such cases, the employer is deemed to be the author for purposes of copyright ownership.

To determine whether Kirby’s drawings were made for hire, the U.S. Court of Appeals for the Second Circuit applied the “instance and expense test.” The court explained that “instance” refers to the extent to which the hiring party provided the impetus for, participated in or had the power to supervise the creation of the work. Actual creative contributions or direction strongly indicate that the work is made at the hiring party’s instance.

The right to supervise and direct the manner in which the work is carried out — even if not exercised — can sometimes satisfy the instance requirement. One example of an unexercised right to supervise is if prior dealings between the parties on similar assignments have made close supervision unnecessary.

The “expense” component refers to the resources the hiring party invests in the creation of the work. The hiring party’s provisions of tools, resources or overhead may be decisive, but the goal is to properly reward with ownership the party that bore the financial risk with respect to the work’s success.

Heirs take a punch

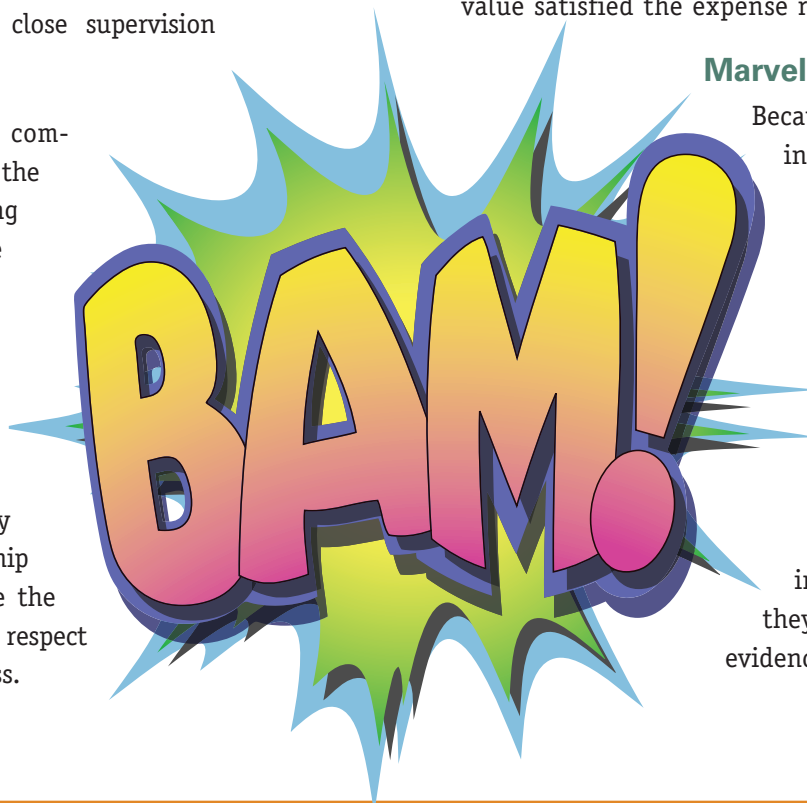
The Second Circuit determined that Kirby’s drawings had indisputably been made at Marvel’s instance. Most of Kirby’s works created between 1958 and 1963 were published by Marvel. Furthermore, most of his works were produced pursuant to Marvel’s assignment or with the company specifically in mind. Further, Marvel had the power, which it occasionally exercised, to reject Kirby’s drawings and require him to redo them.

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The expense issue was less straightforward, but the Second Circuit concluded that the drawings had indeed been created at Marvel’s expense. Although both parties assumed risks with respect to the works’ success, the company’s payment of a flat rate and contribution to both creative and production value satisfied the expense requirement.

Marvel comes out on top

Because Marvel satisfied the instance and expense test, it raised a presumption that Kirby’s drawings were works for hire. Kirby’s heirs could overcome the presumption only with evidence of an agreement to the contrary contemporaneous with the drawings’ creation — and they failed to present such evidence. ○



The missing link?

Tenth Circuit weighs in on keyword advertising

The battle over the trademark implications of Google's AdWords advertising program has been playing out in the courts for years. The recent ruling by the U.S. Court of Appeals for the Tenth Circuit in *1-800 Contacts, Inc. v. Lens.com, Inc.* represents a major development. The decision may have dealt a death blow to the hopes of mark owners fighting to prevent competitors from using their marks as keywords to trigger-sponsored ads.

Parties make contact

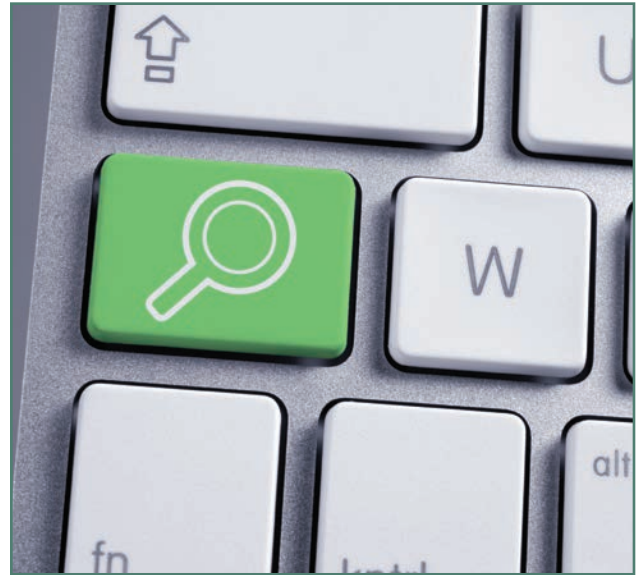
1-800 Contacts Inc. (1-800) owns the federally registered service mark "1800CONTACTS." It sued its competitor Lens.com, alleging it had infringed the mark by purchasing nine keywords that resemble the mark through the AdWords program.

The program permits a sponsor to buy keywords, including trademarks it doesn't own, that trigger the appearance of the sponsor's advertisement when the keyword is entered as a search term. Lens.com never used the mark in its ads. 1-800 claimed that Lens.com's practice created "initial-interest confusion" in consumers. The district court dismissed the case, finding that no likelihood of confusion existed.

Focus on confusion

The only issue on appeal was whether confusion existed. Initial-interest confusion occurs when a consumer seeks a particular trademark-holder's product and instead is "lured" to a competitor's product by the competitor's use of the same or a similar mark. According to the Tenth Circuit, initial-interest confusion would arise following these two steps:

1. A consumer searches for "1-800 Contacts" on Google and gets a results page with an ad for Lens.com, generated because of Lens.com's purchase of an allegedly infringing keyword, and



2. The consumer becomes confused about whether Lens.com is the same source as, or is affiliated with, 1-800, and is therefore lured to click on the ad to view the site.

Ordinarily, the likelihood that consumers would be lured by the alleged infringing use of the mark would be estimated. An estimation wasn't required in this case, however, because AdWords data showed that Lens.com's use of the allegedly infringing keywords yielded 1,626 impressions of ads for Lens.com or its associated website over eight months. The user clicked on the ad in only 1.5% of those instances. The court found that this figure was too low to support the contention that Lens.com's keyword activity was likely to lure consumers away from 1-800.

View from here

Because of the typically low click-through rate on sponsored ads, companies that want to buy competitors' trademarks as keywords to trigger ads may be sitting pretty. That's assuming, of course, that their ads don't incorporate the trademark itself. ○

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