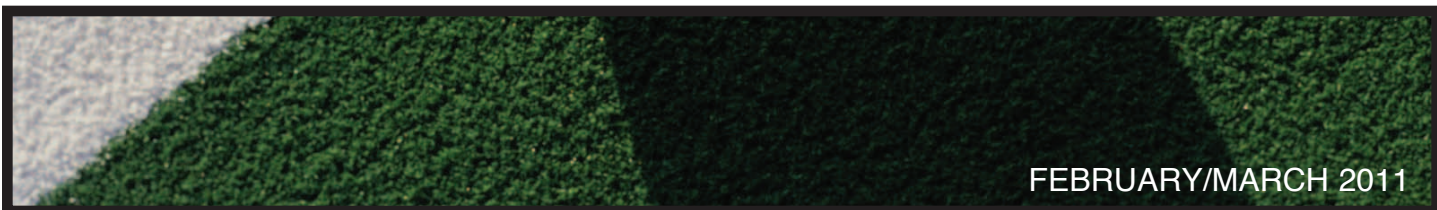




IDEAS ON INTELLECTUAL PROPERTY LAW



FEBRUARY/MARCH 2011

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Any given Sunday

Fourth Circuit makes the call on fair use

Once a jury finds that a defendant infringed a plaintiff's copyrighted work, the defendant must stop using that work, right? The Fourth Circuit Court of Appeals recently addressed this issue in *Bouchat v. Baltimore Ravens Limited Partnership*.

The pregame show

Frederick Bouchat owns the copyright in a drawing he created in 1995 for use as the Baltimore Ravens football team's logo (the "Shield"). Bouchat sent the Shield drawing to the Maryland Stadium Authority for possible use by the team, requesting only that he be given a letter of recognition and an autographed helmet if it were used.

The Shield drawing was then "mistakenly" used in the production of the Ravens' "Flying B" logo during the team's first seasons in 1996 through 1998. In an earlier decision in this ongoing dispute, the Fourth Circuit affirmed a jury's verdict that the Ravens and the National Football League (NFL) had infringed Bouchat's copyright with the Flying B logo.

Bouchat subsequently sought an injunction prohibiting all current uses of the Flying B logo and requiring destruction of all items with the logo, including several highlight films. The NFL sells Ravens highlight films for the team's first three seasons, and the team plays a short highlight film from the 1996 season at home games.

The Flying B logo appears in the films, primarily on the helmets of the players. The Ravens and the NFL contended that these uses were allowed under the fair use defense.

De-fense, de-fense!

Fair use of a copyrighted work is a defense to copyright infringement. Section 107 of the Copyright Act establishes four factors that may be used to determine whether a particular use is fair. The Fourth

Circuit analyzed the use of the logo in the highlight films according to these four factors:

1. The purpose and character of the use, including whether such use is of commercial nature or is for nonprofit educational purposes. The court noted that a new use of copyrighted material will qualify as fair use if it is "transformative," or uses the work in a different manner or for a purpose different from the original.

But the use of the logo in the films serves the same purpose that it did when Bouchat's logo was first infringed: to identify the player wearing it as a Raven. The court also found that the character of the use was "particularly indefensible" because the



All wasn't lost for the Ravens

Bouchat, the plaintiff in *Bouchat v. Baltimore Ravens Football Club* (see main article), also sought an injunction against the use of the Flying B logo in the lobby of the Ravens' headquarters. The lobby includes a wall dedicated to Ravens history, with various items from its early years that feature the logo.

The court applied the four-factor analysis set forth in Section 107 of the Copyright Act to find that this use *did* constitute fair use. It held that the first and fourth factors favored fair use, while the second factor tilted slightly against fair use, and the third factor was neutral.

In particular, the Fourth Circuit found that the lobby was a free-of-charge "museum-like setting," and the use of the logo in such a setting "adds something new" to the logo's original purpose as a symbol identifying the Ravens. The season tickets and player photos bearing the logo are displayed to represent the inaugural season and the team's first draft picks. Therefore, the logo was used for its factual, not expressive, content.

defendants are exploiting their original infringement to their commercial advantage. Thus, the first factor weighed against a finding of fair use.

2. The nature of the copyrighted work. The court characterized Bouchat's work as a creative drawing. As creative works are "closer to the core of works protected by the Copyright Act," the court wrote, the second factor also weighed against a finding of fair use in the highlight films.

3. The amount and substantiality of the portion used in relation to the copyrighted work as a whole. Bouchat's entire work is reproduced in the films and, unless the use is transformative, the use of the entirety of a copyrighted work will normally weigh against a finding of fair use. The court stressed that what matters is the amount of the copyrighted work used; that the logo isn't a major component of the highlight films was irrelevant. The third factor, therefore, weighed against fair use.

4. The effect of the use upon the potential market for, or value of, the copyrighted work. The court described this factor as the most important element of fair use. The factor considers both the harm caused by the actions of the alleged infringer and whether unrestricted and widespread conduct of that sort

would have a substantially adverse effect on the potential market for the original work.

The court found that the NFL's grant of licenses and other forms of permission for the use of the Flying B logo was evidence of a potential market for the copyrighted logo, and that the defendants had failed to submit any evidence showing a lack of a potential market. The fourth factor weighed against fair use, too.

The court stressed that what matters is the amount of the copyrighted work used; that the logo isn't a major component of the highlight films was irrelevant.

The final score

After analyzing the fair use factors, the Fourth Circuit "easily" concluded that the use of the Flying B logo in the highlight films didn't qualify as fair use. The films infringe Bouchat's logo, so the case was sent back to the district court to determine whether an injunction is appropriate. ○

Patentability after *Bilski*

USPTO issues interim guidance on process claims

The machine-or-transformation test helps determine whether a process is patentable if it's tied to a particular machine or apparatus or if it transforms a particular article into a different state or thing. But, in its landmark *Bilski* decision last year, the U.S. Supreme Court held that it isn't the sole test for determining whether a business method or similar process is patentable.

In light of that ruling, the U.S. Patent and Trademark Office (USPTO) issued its *Interim Guidance for Determining Subject Matter Eligibility for Process Claims in View of Bilski v. Kappos*. The guidance provides valuable insight on the types of claims that might qualify for patents.

3 factors favoring patentability

The USPTO's guidance identifies three major factors that *favor* patentability because they either



satisfy the machine-or-transformation test or provide evidence that the process has been practically applied:

1. The claim describes a machine or transformation (either expressly or inherently) and the machine or transformation can be specifically identified. The machine or transformation must also meaningfully limit the execution of the method's steps — as opposed to only insignificantly contributing to the execution — and the machine must implement those steps.

In addition, the original article needs to be specifically identifiable, while the transformed article must undergo a change in state or thing. For example, the article would have an objectively different function or use. Last, the transformed article needs to be an object or substance, as opposed to a concept such as a contractual obligation or mental judgment.

2. The claim is directed toward applying a law of nature. The law of nature must be practically applied and that application of the law of nature needs to limit the execution of the steps meaningfully.

3. The claim is more than a mere statement of a concept. Rather, the claim must describe a particular solution to a problem to be solved and implement a concept in some tangible way. Finally, the performance of the steps needs to be observable and verifiable.

Factors opposing patentability

The USPTO's guidance also lists several factors that weigh against patentability because they indicate a process is merely an abstract idea. First, a claim may fail if there's no recitation of a machine or transformation (either express or inherent). Even an insufficient description of a machine or transformation may limit or prevent patentability.

One example is when the involvement of the machine or transformation with the steps is merely nominally, insignificantly or tangentially related to the performance of the steps (for example, data gathering). Other examples include when:

- The claim merely describes a field in which the method is intended to be applied,
- The machine is generically described so that it covers any machine capable of performing the claimed step(s),
- The machine is merely an object on which the method operates, and
- The transformation involves only a change in position or location of the article.

Patentability is also limited when the “article” is merely a general concept — including basic economic practices or theories, basic legal theories, mathematical concepts, mental activity, interpersonal interactions, teaching concepts, human behavior or instructions on how business “should be” conducted.

Even an insufficient description of a machine or transformation may limit or prevent patentability.

What’s more, a claim can’t be directed to an application of a law of nature, nor can it monopolize a natural force or patent a scientific fact by, for example, claiming every mode of producing an effect of that law of nature. If the law of nature is applied in a merely subjective determination, the claim may be denied. And if the law of nature is merely nominally, insignificantly or tangentially related to the performance of the steps, the claim may also not pass muster.



Additionally, it’s critical that a claim not be a mere statement of a general concept. A claim may also be deemed unpatentable under the “general concept” factor if:

- Both known and unknown uses of the concept are covered, and can be performed through any existing or future-devised machinery (or even without any apparatus),
- The claim states only a problem to be solved,
- The general concept is disembodied, and
- The mechanism(s) by which the steps are implemented is subjective or imperceptible.

Finally, if use of the concept, as expressed in the method, would effectively grant a monopoly over the concept, patentability will likely be denied.

Beyond patentability

Although the guidance doesn’t specifically address software applications, many observers are watching carefully to see how the revised standards will affect these products. And, of course, patentability is only a threshold issue. An invention that’s deemed patentable also must satisfy the Patent Act’s other requirements — including novelty, nonobviousness, definiteness, adequate description, enablement and best mode. ○

When patent > trademark

Some trademarks might not be worth the paper they're written on. That's the hard lesson one trademark holder learned from the U.S. Seventh Circuit Court of Appeals in *Jay Franco & Sons, Inc. v. Franek*.

Laying out the facts

In 1988, Clemens Franek's company was granted a trademark on the "configuration of a round beach towel." The towel was pitched to consumers as both a fashion statement and a way for sunbathers to avoid the need to constantly readjust their towels as the sun moves.



In 2006, Franek learned that Jay Franco & Sons was selling round beach towels and sued two of Franco's customers for unauthorized use of his trademark. Franco had agreed to indemnify and defend its customers in such suits, so it sued Franek to invalidate the mark.

The district court ruled in Franco's favor, finding that the round beach towel was functional and, therefore, not eligible for trade dress protection. Franek appealed.

Trademark deemed all wet

A design is functional when it's essential to the use or purpose of the device or affects the costs or quality of the device. As the Seventh Circuit explained, "A design that produces a benefit other than source identification is functional."

To determine whether the towel design was functional, the court looked to utility patents for similar products, "because any design claimed in a patent is supposed to be useful." It found one patent describing a round beach towel laced with drawstrings that could turn the towel into a satchel. The court held that this patent created a presumption that the round shape is useful.

Franek failed to rebut that presumption. In fact, Franek's own advertising highlighted two functional aspects of the design — fashion and convenience.

The court was also reluctant to grant a producer the exclusive use of a basic design element, such as shapes, materials and colors. It found that the more rudimentary and general the element, the more likely that restricting its use would significantly impair competition. And, because trademarks can be continued indefinitely, allowing Franek to trademark circular towels would grant him an unrestricted competitive advantage.

Plaintiff gets soaked

The court noted that many cases hold that fashionable designs can be freely copied unless protected by patent law. (Unlike trademarks, patents generally expire after 14 to 20 years.) But Franek chose to pursue a trademark rather than a design patent to protect the circularity of his towel, so he "must live with that choice." ○

Can a private party enforce a federal statute?

Most of us are taught from an early age that you can't take the law into your own hands. But, in *Stauffer v. Brooks Bros., Inc.*, the U.S. Federal Circuit Court of Appeals considered whether a private party had the standing to enforce the false marking statute. And the court's finding may surprise you.

Plaintiff all tied up

Brooks Brothers manufactures and sells bow ties with an "Adjustolox" mechanism that's manufactured by J.M.C. Bow Company. The ties are marked with numbers for two patents that expired in 1954 and 1955.

Raymond Stauffer is a patent attorney who purchased some of the marked bow ties. In December 2008, he brought a *qui tam* action against Brooks Brothers under the false marking statute, which prohibits marking an unpatented article, in a way that indicates the article is patented, for purposes of deceiving the public.

The *qui tam* provision operates as a partial assignment, or transfer, of the government's rights to damages.

In a *qui tam* action, a private citizen sues for a statutory penalty (up to \$500 for each case of false marking), with any penalties recovered to be split equally with the government. But the district court dismissed this particular action, finding that Stauffer lacked standing to bring the claim because he'd failed to show that the government had suffered an injury.

Standing knot a problem

The Federal Circuit explained that the *qui tam* provision in the false marking statute operates as a partial assignment, or transfer, of the government's rights

to damages to a private party. For Stauffer to have standing, he must allege that the government has suffered an injury causally connected to the defendant's conduct.



The appellate court found that, by enacting the false marking statute, Congress defined an injury to the government as "a violation of that statute [that] inherently constitutes an injury to the United States." The government would, therefore, have standing to enforce the statute, as would its assignee.

Reverse Windsor

Interestingly, the Federal Circuit suggested that the *qui tam* provision in the false marking statute might not withstand a challenge to its constitutionality. But because the defense didn't raise constitutional issues on appeal, the court declined to determine the statute's constitutionality. Instead, it reversed the district court and sent the case back for consideration on the merits of the claim. ○

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USPTO Pilot Program Will Provide Inventors with More Time and Options

by Kyle Peterson

USPTO Director David Kappos recently announced plans to implement a pilot program that would allow applicants to delay payment of the search and examination fees until 12 months after filing a non-provisional application. The filing fee would still be required at the time the application is filed. The additional 12 months are intended to provide inventors with additional time to obtain financing, evaluate a product's worth in the marketplace or fully develop the invention for commercialization.

For many years, inventors from across the country have asked the USPTO to formulate a plan to extend the current one-year requirement for converting a provisional application into a regular, non-provisional filing. The current one-year requirement provided by law can only be amended by Congress. However, the USPTO found that it could achieve the essence of the plan by changing its "missing parts" practice to provide inventors with an additional 12 months to perfect a non-provisional patent application. This would serve as a vehicle for inventors, at their option, to effectively have up to 24 months to make decisions regarding the significant investment of time and money required to take a regular (non-provisional) patent application forward.

This pilot program would effectively allow an applicant to delay examination of the non-provisional application for up to a year, as compared to the current practice, for which all fees must be paid within two months of filing the non-provisional application. According to the USPTO, the applicant must request a delay in payment of the search and examination fees at the time the non-provisional application is filed.

The non-provisional application must still meet all the requirements under 35 U.S.C. § 112 before it can receive an official filing date and enter the 12-month extension period. That means the non-provisional application for which a 12-month extension is requested would need to have a written description that clearly describes the invention so that someone with ordinary skill in the same technology can make and use the invention. It would also have to contain at least one claim, and drawings when necessary, to understand the invention.

It is important to remember that the pilot program would not change the requirement that an applicant file a non-provisional application, foreign, or PCT application within 12 months of the filing date of a provisional application. If a non-provisional application, foreign, or PCT application is filed later than 12 months from the filing date of a provisional application, it may not be entitled to the benefit of right of priority to the provisional application.

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New Partners

The firm recently named two new partners: Tye Biasco and Amy Salmela. Amy's practice focuses primarily on patent prosecution in the semiconductor, computer hardware and software, electrical and electronics, physics and mechanical arts. She also has extensive experience in international IP law, having served as in-house patent counsel for a major European semiconductor manufacturer for two years.

Tye's practice centers on intellectual property litigation, specifically involving patents and trademarks. He works with clients to develop patent and trademark protection and enforcement strategies, striving to add value to their IP portfolios, and also assists the firm's litigation team with infringement issues, trade dress matters and domain name disputes.

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