

IDEAS ON INTELLECTUAL PROPERTY LAW



JUNE/JULY 2009

Picking up the pieces

Court weighs in on liability for patent-infringing components

Pencils down!

Federal Circuit adopts definitive test for method patentability

How do team colors hold up in a trademark dispute?

IP in brief: *Societe Civile Succession Richard Guino v. Renoir*

Sold sculptures prompt copyright claim



Marjama Muldoon
An Intellectual Property Practice

MARJAMA MULDOON BLASIAK & SULLIVAN LLP

250 S. Clinton Street ♦ Suite 300 ♦

Syracuse ♦ New York 13202

Phone (315) 425-9000 ♦ Fax (315) 425-9114

ip@cny-iplaw.com ♦ www.cny-iplaw.com

The Fortune 250 turns to Marjama Muldoon for Patent Prosecution

Picking up the pieces

Court weighs in on liability for patent-infringing components

When it comes to patent infringement liability, an original whole can't always cover up for some of its not-so-original parts. Or so says the U.S. Court of Appeals for the Federal Circuit.

In *Ricoh Co. Ltd. v. Quanta Computer Inc.*, it held that bundling an infringing component in a product with substantial noninfringing use won't protect a manufacturer from patent infringement liability. The court also limited the circumstances under which software can be found to directly infringe a patented method.

Booting up the case

Ricoh is a diversified office automation equipment and electronics provider. Quanta manufactures optical disc drives as an "original equipment manufacturer," meaning it sells its products to other companies for retail marketing instead of selling directly to consumers.



The case arose when Ricoh sued Quanta, accusing it of directly and contributorily infringing Ricoh's patents for various aspects of optical disc drive technology. Ricoh claimed that Quanta contributorily infringed its patents by selling optical disc drives adapted to perform the patented methods for writing and recording data on a disc.

The district court found that, while Quanta's drives might be capable of being used to infringe the patented process, no liability for contributory infringement arose because the drives were also capable of "substantial noninfringing use." Citing Section 271(c) of the Patent Act, which imposes liability for contributory infringement, the district court granted summary judgment in Quanta's favor, dismissing all of Ricoh's claims.

Unbundling the liability

On appeal, the Federal Circuit recognized that the case presented "an important, and previously unresolved," question about the scope of liability for contributory infringement.

The court noted that Sec. 271(c) reflects the core notion that one who sells a component designed for use in a patented invention may be liable as a contributory infringer if the component isn't a staple article of commerce suitable for substantial noninfringing use — in other words, if it's "good for nothing else" but infringement of the patented process.

Quanta would clearly be liable under Sec. 271(c) if it were found to be a bare component of the patented invention, that is, if it is not a staple article of commerce suitable for substantial noninfringing use, but is only useful for infringement of the patented process.



Marjama Muldoon
An Intellectual Property Practice

MARJAMA MULDOON BLASIAK & SULLIVAN LLP
250 S. Clinton Street ♦ Suite 300 ♦
Syracuse ♦ New York 13202
Phone (315) 425-9000 ♦ Fax (315) 425-9114
ip@cny-iplaw.com ♦ www.cny-iplaw.com

The Fortune 250 turns to Marjama Muldoon for Patent Prosecution

where an infringing component is both manufactured and assembled into something else by the same person.”

The only remedy left under such a ruling might be against end users of the product, and it could prove impossible to effectively enforce rights in the product against all such direct infringers. And leaving only such a remedy would undermine a fundamental purpose of contributory liability — allowing the rights-holder to pursue the distributor of the component for liability.

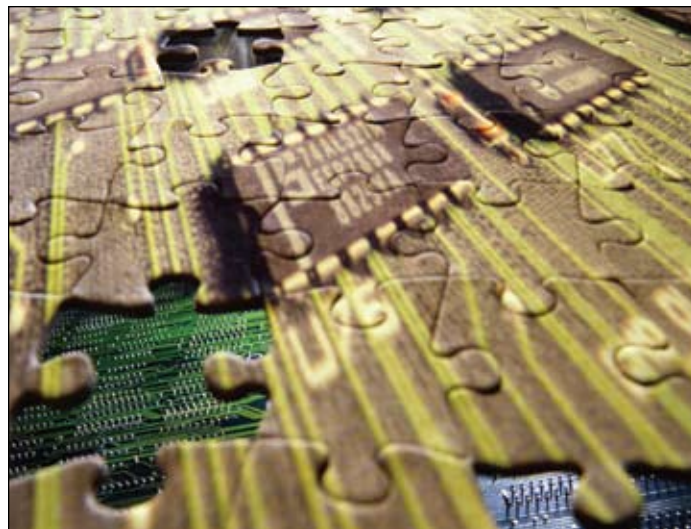
Citing the U.S. Supreme Court’s decision in *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster*, the Federal Circuit noted that the “substantial noninfringing use” exception is intended to permit the determination of circumstances in which the intent to infringe can be presumed based on the distribution of a product with an unlawful use.

Thus, “it is entirely appropriate to presume that one who sells a product containing a component that has no substantial noninfringing use in that product does so with the intent that the component will be used to infringe.”

Rereading the instructions

Ricoh also argued that Quanta had directly infringed the patents “through the sale or offer for sale of software that causes the accused drives to perform the claimed methods.”

The Federal Circuit recognized that this case presented “an important, and previously unresolved,” question about the scope of liability for contributory infringement



instructions that control the drive can be separated from the hardware that carries out the instructions. It asserted that the issue at hand was whether the term “any patented invention” in Sec. 271(a) includes “process,” so that a party that sells or offers to sell a patented process infringes the patent.

The Federal Circuit, however, concluded that it didn’t need to definitively answer that question because Quanta didn’t sell or offer to sell the invention covered by Ricoh’s method claims. It explained that Ricoh “mistakenly confused software with a process.”

A process is nothing more than the sequence of actions that make up the process. Software, however, isn’t a sequence of actions but rather a set of instructions that directs hardware to perform a sequence of actions. It’s the carrying out of the instructions that constitutes a process under Sec. 271(a).

Because the allegedly infringing sale in this case was the sale of software — and, therefore, not the sale of

t wasn’t
be sold,
, it held
ntaining
directly



Marjama Muldoon
An Intellectual Property Practice

MARJAMA MULDOON BLASIAK & SULLIVAN LLP
250 S. Clinton Street ♦ Suite 300 ♦
Syracuse ♦ New York 13202
Phone (315) 425-9000 ♦ Fax (315) 425-9114
ip@cny-iplaw.com ♦ www.cny-iplaw.com

nponent
make it
, alleged
:ase also
directly

The Fortune 250 turns to Marjama Muldoon for Patent Prosecution

Pencils down!

Federal Circuit adopts definitive test for method patentability

Is patent law stuck in the days of the Industrial Revolution? Some might think so after the decision of the U.S. Court of Appeals for the Federal Circuit in *In re Bilski*.

The Federal Circuit both declared a definitive test for determining the patentability of methods and specifically rejected tests previously articulated by the U.S. Supreme Court and the Federal Circuit itself. In so doing, the court may have made it more difficult to obtain a patent for business methods and computer-based processes.

Standardized testing

The case arose when the plaintiffs filed a patent application for a method of hedging risk in the field of commodities trading. According to the Federal Circuit, the claimed process centered on a mental and mathematical means of identifying transactions that would hedge risk.

In hearing the case, the court was faced with the question of which test should govern the determination of whether such a claimed process is patentable under Section 101 of the Patent Act. It began its analysis by reviewing U.S. Supreme Court precedent.



In *Diamond v. Diehr*, the Court held that a process isn't eligible for a patent if it claims laws of nature, natural phenomena or abstract ideas. The Court noted that a mathematical algorithm alone is unpatentable because mathematical relationships are akin to laws of nature.

But the inventors in *Diehr* weren't seeking to patent a mathematical formula; rather, they sought to protect a process that used a well-known equation. Ultimately, the process was patentable because it didn't attempt to preempt use of that equation, or fundamental principle, altogether.

By contrast, in *Gottschalk v. Benson*, the process at issue was unpatentable because the mathematical formula involved had no substantial practical application outside of the claimed process. Patenting the process would have wholly preempted the formula and effectively been a patent on the formula itself.

Although the *Bilski* court noted that such cases have limited usefulness in today's world, it cited both cases in concluding that "[t]he Supreme Court, however, has enunciated a definitive test to determine whether a process claim is tailored narrowly enough to encompass only a particular application of a fundamental principle rather than to preempt the principle itself."

Under this "machine-or-transformation" test, a process is patentable if it is tied to a particular machine or apparatus or state



Marjama Muldoon
An Intellectual Property Practice

MARJAMA MULDOON BLASIAK & SULLIVAN LLP
250 S. Clinton Street ♦ Suite 300 ♦
Syracuse ♦ New York 13202
Phone (315) 425-9000 ♦ Fax (315) 425-9114
ip@cny-iplaw.com ♦ www.cny-iplaw.com

"several
ntability
er-Abele

hin the

inner to

The Fortune 250 turns to Marjama Muldoon for Patent Prosecution

Different answers lie in dissenting opinions

The decision in *In re Bilski* (see main article) was far from unanimous. Three judges filed lengthy dissenting opinions.

Judge Newman was the lone judge on the court to find that the claimed method was indeed patentable. Newman supported a broad definition of patentability and criticized the majority for excluding “many of the kinds of inventions that apply today’s electronic and photonic technologies, as well as other processes that handle data and information in novel ways.” The judge also emphasized the uncertainty created by the majority, which in turn creates a “disincentive to innovation-based commerce.”

Judge Mayer, on the other hand, argued that innovation is discouraged by allowing the patenting of business methods. In his view, “[a]ffording patent protection to business methods lacks constitutional and statutory support, serves to hinder rather than promote innovation and usurps that which rightfully belongs in the public domain.”

Judge Rader observed that the majority could have replaced its laborious explanation with a single sentence: “Because Bilski claims merely an abstract idea, this court affirms the [Patent] Board’s rejection.” He also faulted the majority for linking patent eligibility “to the age of iron and steel at a time of subatomic particles and terabytes.”

The *Bilski* court deemed the two-part test inadequate, finding that a claim that failed the test may nonetheless be eligible for a patent.

In formulating the *State Street* test, the Federal Circuit previously had held that the transformation of data by a machine through a series of mathematical calculations constituted a patentable invention because it produced a “useful, concrete and tangible result.”

In *Bilski*, though, the court concluded that, “while looking for a ‘useful, concrete and tangible result’ may in many instances provide useful indications of whether a claim is drawn to a fundamental principle or a practical application

More specifically, the court found that transformations or manipulations of public or private legal obligations or relationships, business risks or similar abstractions don’t qualify as the requisite transformation. A claimed process must transform physical objects or substances, or items such as electronic signals that are representative of a physical object or substance.

The court was faced with the question of which test should govern the determination of whether a claimed



Marjama Muldoon
An Intellectual Property Practice

MARJAMA MULDOON BLASIAK & SULLIVAN LLP
250 S. Clinton Street ♦ Suite 300 ♦
Syracuse ♦ New York 13202
Phone (315) 425-9000 ♦ Fax (315) 425-9114
ip@cny-iplaw.com ♦ www.cny-iplaw.com

The Fortune 250 turns to Marjama Muldoon for Patent Prosecution

er
ct.

ange of
patent-

range of
the door
hine-or-
Supreme
or now,
re. ○

How do team colors hold up in a trademark dispute?

Team colors do more than provide fodder for face-painters and other rabid sports fans. Sometimes they can spark trademark disputes that wind up in court. Such was the case in *Bd. of Supervisors for Louisiana State University Agricultural and Mechanical College v. Smack Apparel Co.*

The pregame

Four universities brought a trademark infringement claim against an apparel company, Smack, that sold T-shirts with the schools' color schemes and other identifying indicia that referenced the big games of the schools' football teams. Each of the schools has adopted a two-color scheme as its school colors. Louisiana State University, for example, uses a combination of purple and gold.

The schools have employed the combinations for more than 100 years, and the colors are immediately recognizable to people familiar with the universities. The schools use the combinations in many areas associated with university life, including on-campus signs and buildings, brochures, and publications, as well as in conjunction with their athletic programs.

The schools also grant licenses for the retail sales of products, such as T-shirts with the university colors and trademarks. Although the team names and initials are subject to federal trademark registrations, the schools hadn't federally registered the color schemes as trademarks.

Marks that merely describe a product aren't inherently distinctive because they don't identify the source of that product. To be protected, a descriptive mark must have acquired secondary meaning.

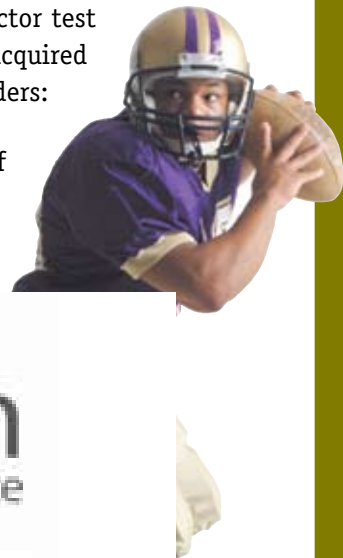
The schools didn't assert that every use of their color schemes violated their trademarks. Rather, they argued that their claimed trademarks were in the colors when included on merchandise that combines other identifying indicia referring to the schools. For this reason, the court explained, it was appropriate to "consider not only the color, but also the entire context in which the color and other indicia are presented on the T-shirts at issue."

A decoy play

A mark acquires secondary meaning when, in the minds of the public, its primary significance is to identify the source of the related product, rather than the product itself. The question is whether the public associates the mark with the mark holder.

The Fifth Circuit applies a seven-factor test to determine whether a mark has acquired secondary meaning. The test considers:

1. The length and manner of use of the mark or trade dress,
2. The volume of sales,



Marjama Muldoon
An Intellectual Property Practice

MARJAMA MULDOON BLASIAK & SULLIVAN LLP
250 S. Clinton Street ♦ Suite 300 ♦
Syracuse ♦ New York 13202
Phone (315) 425-9000 ♦ Fax (315) 425-9114
ip@cny-iplaw.com ♦ www.cny-iplaw.com

The Fortune 250 turns to Marjama Muldoon for Patent Prosecution

The court concluded that, in the minds of consumers, the color marks identify the schools as the source of the products. The schools' long-term use of the color marks, the marks' prominent display on merchandise, the well-known nature of the colors as shorthand for the schools, and Smack's intentional use all indicated the marks had acquired secondary meaning in the context of apparel.

The playbook going forward

The court went on to find that Smack's shirts were likely to cause consumer confusion as to their source. But not every color scheme will function as a trademark. A

purported trademark holder must demonstrate that its color scheme is distinctive and used to identify the source of the product or service. The colors also may not serve a functional purpose.

For example, in *Brunswick Corp. v. British Seagull Ltd.*, the court held that the color black serves a functional purpose when used on outboard boat motors because black is compatible with many other boat colors and also makes the motor appear smaller. These functions provided a competitive advantage. ○

IP in brief: *Societe Civile Succession Richard Guino v. Renoir*

Sold sculptures prompt copyright claim

U.S. copyright law holds that works created before 1923 are in the public domain. So how could a federal court in *Societe Civile Succession Richard Guino v. Renoir* find that the copyright on sculptures created between 1913 and 1917 was infringed in 2003?

Our mystery begins when the famed impressionist artist Pierre-Auguste Renoir and his assistant Richard Guino created several sculptures between 1913 and 1917. The sculptures were first published, or made available to the public, in France no later than 1917. Before 1978, when the Copyright Act of 1976 took effect, the works had not been published in the United States or with an American-style

States without copyright protection. As the court noted, the question of whether a work is published without copyright protection is affected by where the work is published. Publication without a copyright notice in a foreign country doesn't put the work in the U.S. public domain.

The court, therefore, found that the sculptures weren't in the public domain. They were published in France as Renoir works in 1917 and as Renoir-Guino works in 1974 in a Paris exhibition — in both cases without a copyright notice.

Further, because they were never published with a copyright notice, the sculptures also weren't



Marjama Muldoon
An Intellectual Property Practice

MARJAMA MULDOON BLASIAK & SULLIVAN LLP
250 S. Clinton Street ♦ Suite 300 ♦
Syracuse ♦ New York 13202
Phone (315) 425-9000 ♦ Fax (315) 425-9114
ip@cny-iplaw.com ♦ www.cny-iplaw.com

right
and
only if
aren't
trust.

either
ighted
d to
right
r the
thor,
was,

The Fortune 250 turns to Marjama Muldoon for Patent Prosecution

loyment,
or assume