



IDEAS ON INTELLECTUAL PROPERTY LAW



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Whose home is it?

House designs avoid copyright infringement

If you thought the most competitive designers around are found on reality shows, think again. A recent case decided by the Seventh Circuit Court of Appeals illustrates that the claws can come out in the world of affordable home design, too. And, as the plaintiff learned, copyright law provides only limited protection.

HOME AWAY FROM HOME

The plaintiffs (collectively referred to as Design Basics by the court) claim copyrights for more than 2,700 home designs. They sued Lexington Homes, Inc., alleging the company had infringed four of those designs and built about 50 homes based on them.

The district court dismissed the case before trial. Design Basics appealed.

CROWDED HOUSE

To prevail on a claim of copyright infringement, a plaintiff must prove, among other things, that the defendant copied original elements of the copyrighted work. This requires a showing of “substantial

similarity.” To assess similarity, courts consider whether the allegedly infringing work is so similar to the copyrighted work that a reasonable person would believe that the defendant had unlawfully copied the plaintiff’s protected design “by taking material of substance and value.”

Two works could be strikingly similar, even identical, not because one is copied from the other but because they’re both copies of design in the public domain.

As the appellate court noted, the substantial similarity requirement is particularly hard to satisfy in the field of home design. Opportunities for originality are tightly constrained by functional requirements (which aren’t subject to copyright protection), consumer demands and the many similar designs



already on the market. A designer's or architect's copyright, therefore, is "thin," meaning only very close copying of protected elements can constitute infringement.

The court stressed that the focus is on protectable expression; similarity alone — even close similarity — isn't enough. After all, the public domain is crowded with countless ideas, themes, images and designs available to everyone. As result, two works could be strikingly similar, even identical, not because one is copied from the other but because they're both copies of design in the public domain.

The appellate court cited the *scène à faire* doctrine, which often helps distinguish protected expression from unprotected public domain material. The doctrine holds that the elements of a work that are indispensable, or at least standard, aren't protected. For example, designers get no credit, the court said, for putting a closet in every bedroom.

HOME SWEET HOME?

The Seventh Circuit ultimately rejected Design Basics' infringement claim. It found that Lexington's plans were like Design Basics' plans only because they both resembled common home designs. Because there are only so many ways to arrange bedrooms, kitchens, attached garages and shared areas, not all parts of architectural floor plans merit copyright protection.

Moreover, the court observed, Design Basics advertises thousands of home plans on its website. It might be that every blueprint for a single-family home anywhere in the country would match one of its designs using the loose standard of similarity Design Basics asked the court to use. An infringement doctrine that would allow an aggressive designer to sue every competitor "would turn the law of copyright on its head" and "chill the market."

Design Basics' claim was further undercut by the fact that, on close examination, the dueling plans turned out to have many aesthetic distinctions. An expert witness highlighted the dozens of differences between the two designers' plans in dimensions and spatial relationships, roofing configurations, building materials, carpentry and decor. The many differences, the court said, weren't trivial.

PROVING THERE'S NO PLACE LIKE HOME

Although the court in this case repeatedly emphasized the difficulty of meeting the substantial similarity requirement when it comes to home designs, it stopped short of holding that the task is impossible. In fact, it explicitly acknowledged that it's possible to design a one-of-a-kind work-of-art home. The designs at issue, though, didn't meet this standard. □

WEB PRESENCE ALONE DOESN'T PROVE ACCESS TO MATERIALS

The court in the *Design Basics, LLC v. Lexington Homes, Inc.* case found that the plaintiffs' copyright infringement claim didn't fail just because of the lack of substantial similarity between architectural plans. It also failed because the plaintiff didn't show that the defendant had a reasonable possibility of access to the plans at issue.

The court dismissed the plaintiffs' circumstantial evidence that the defendant may have been aware of some of its plans. This evidence included an employee's declaration that the firm disseminated its plans to home builders associations, including one in which the defendant was a member. But the plaintiffs' records showed it had last shipped plans to the association 18 years before the defendant joined.

The plaintiffs alternatively argued that the mere existence of its website with the plans posted established a reasonable possibility of access. The court declined to draw a "bright line" as to the quantity or quality of additional evidence required but specifically stated that the existence of the copyrighted materials on the Internet couldn't, by itself, justify an inference that the defendants had accessed them.

Beat it

Heart disease diagnostic method isn't patent-eligible

Inventors in the pursuit of “personalized medicine” patents were likely discouraged by the Federal Circuit Court of Appeals’ ruling in *The Cleveland Clinic Foundation v. True Health Diagnostics LLC*, which involved a diagnostic method. The court’s ruling highlights the difficulty of obtaining patents for such methods.

THE HEART OF THE MATTER

The Cleveland Clinic Foundation holds two patents on methods of diagnosing cardiovascular disease. The methods call for measuring the level of the enzyme myeloperoxidase (MPO) in a patient’s blood and comparing it with the level of MPO in someone who has been diagnosed as not suffering from cardiovascular disease.

The Cleveland Clinic sued True Health Diagnostics LLC for patent infringement, but the district court dismissed the case before trial. The court held that the method wasn’t eligible for a patent.

THE TWO-PART TEST

Under the Patent Act, natural phenomena aren’t eligible for patents. To determine whether an invention is ineligible as a law of nature or natural phenomenon, courts apply a two-step test known as the *Alice* test. In step one, a court considers whether the patent covers a law of nature or natural phenomenon. If it doesn’t, the inquiry ends there.

If the patent does cover such a subject, the court examines the invention’s elements to determine whether they contain an inventive concept sufficient to transform it into a patent-eligible application of the law of nature or natural phenomenon. It will look at the elements both individually and as an ordered combination to make this determination.

THE COURT’S DIAGNOSIS

On appeal, the court found that the patents covered multistep methods of observing the law of nature



that MPO correlates to cardiovascular disease. Moreover, the patent specifically states that the methods are based on the discovery that patients with cardiovascular disease have significantly higher levels of MPO — and the method doesn’t purport to alter MPO levels in any way.

The invention, therefore, comes down to “seeing” MPO that’s already present in a blood sample and correlating it with cardiovascular disease. Because the patents are based on the relationship between the disease and heightened MPO levels that exist apart from any human action, the court found they covered a patent-ineligible law of nature. The method, it said, starts and ends with naturally occurring phenomena with no meaningful nonroutine steps between. The appellate court contrasted the

method with one at issue in an earlier case, noting that the patent there related to a “new and useful laboratory technique.” The Cleveland Clinic patents, on the other hand, use “well-known” techniques to execute the method.

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Moving on to the second step, the court determined that the patented methods didn't include an inventive concept that transformed the natural phenomenon of MPO being associated with cardiovascular risk into a patentable invention. It emphasized that transforming patents associated with a law of nature requires more than simply stating the law of nature in the patent language while adding the words “apply it.”

Here, the court said, the patents instructed doctors to apply routine, conventional techniques to detect

and determine MPO levels. As for the comparison step, they don't purport to derive new statistical methods to arrive at the control levels of MPO that would indicate a patient's risk of cardiovascular disease — known statistical models can be used.

Whether considered individually or as a whole, the claimed invention's elements were held to merely describe the correlations that the researchers discovered, the Federal Circuit said. The patents don't extend their discovery that MPO correlates to cardiovascular disease risk; they require only conventional MPO detection methods and compare those values to predetermined values derived from conventional statistical methods.

HEARTBREAK COULD BE AHEAD FOR INVENTORS

The court's ruling in this case sends a stinging reminder to would-be patentees. While a discovery may be groundbreaking, the court said, it can fall short of the requirements for patent eligibility. □

Why facts matter when using the fair use defense in trademark cases

The fair use defense can prove to be the bane of a trademark holder's infringement claim. The good news for trademark holders, though, is that the defense is difficult to establish before trial, giving them the opportunity to prove their cases to juries. That's what happened in one recent case.

CATALOG WARS

Marketquest Group, Inc. produces and sells promotional products. It holds a registered trademark on the phrase “All-in-One.” Norwood Corp., a promotional products company owned by BIC Corporation, published a promotional product catalogue that

featured this phrase on the cover and inside. The catalog consolidated the company's eight previously published catalogs into one.

Marketquest sued BIC for infringement, but the district court dismissed the case before trial. It found that the fair use defense applied to the use of the mark in the catalog.

ELEMENTS OF THE DEFENSE

On review, the Ninth Circuit Court of Appeals explained that the fair use defense allows a party to use a term or phrase in its primary, descriptive sense



but *not* as a trademark or source indicator. To prevail, a defendant must show its use is:

- Other than as a trademark,
- Descriptive of the defendant's goods, and
- In good faith.

The appellate court also noted the relevance of consumer confusion, stressing that the fair use defense comes into play only after a mark holder has shown that confusion is likely. Without likelihood of confusion, infringement can't occur.

COURT ANALYSIS

The court found an issue of fact requiring a trial to determine whether Norwood used All-in-One as a trademark. While the company took some precautionary measures to minimize the risk of the mark being understood as a trademark on its catalog, a jury could potentially find trademark use when considering its additional uses of All-in-One (for example, in promotional materials referencing the "All-in-One catalogue"). In those uses, the court noted, no obvious distinction was made between Norwood and All-in-One.

The court found a compelling argument that Norwood's use of the phrase on the catalog was descriptive. First it was used as a heading for a list of the products consolidated "all in one" catalog. Further,

the company took precautionary measures to ensure the phrase wouldn't be understood as a source indicator. But the other uses of the mark, it said, arguably weren't descriptive and lacked precautionary measures. A jury could find those uses weren't descriptive or that Norwood could have used alternative words or phrases to capture its intended meaning.

The fair use defense comes into play only after a mark holder has shown that confusion is likely.

Finally, the court found that Norwood's mere knowledge of Marketquest's ownership and use of the mark, coupled with its use of two of Marketquest's marks in the same year, constituted "thin evidence of bad faith." Nonetheless, it couldn't rule before trial, without the benefit of additional evidence, that a jury couldn't possibly infer bad faith on Norwood's part.

THE FIGHT CONTINUES

In its opinion, the Ninth Circuit made a point of emphasizing that pretrial dismissal based on the fair use defense is "generally disfavored" in trademark cases. According to the court, the intensely factual nature of such disputes usually requires full trial. □

Failure to prove obviousness revives patent application

A patent applicant's first round of appeals is to the Patent Trial and Appeal Board (PTAB). But if a patent applicant receives a negative ruling from the PTAB, it isn't necessarily the end of the road. The Federal Circuit Court of Appeals made that clear in a case where it faulted the Board for failing to adequately lay out just *why* an invention was obvious and therefore unpatentable.

THE SEEDS OF THE CASE

The Stepan Company applied for a patent for a type of herbicidal concentrate consisting of water, a glyphosate salt in an aqueous solution and a surfactant, where the concentrate had a cloud point above at least 70 degrees Celsius. The patent examiner rejected the application for obviousness. The examiner cited an earlier patent application as showing that achieving a composition with a cloud point of at least 70 degrees would have been a matter of routine optimization.

The PTAB affirmed the examiner's rejection. The applicant then turned to the Federal Circuit Court of Appeals for relief.

DOWN IN THE WEEDS

Inventions are unpatentable due to obviousness if someone in the relevant field (a "skilled artisan") is motivated to combine existing inventions *and* he or she has a reasonable expectation of success. In this case, the PTAB agreed with the patent examiner that it would have been routine optimization for a skilled artisan to select and adjust the surfactants Stepan used to achieve the desired cloud point.

The Federal Circuit faulted the Board for not explaining 1) why it would have been "routine optimization" to select and adjust those particular surfactants and arrive at the claimed invention and 2)

why a skilled artisan would have had a reasonable expectation of success. The court further found that the PTAB had erred by requiring Stepan to prove the patentability of its invention. Instead, the Federal Circuit said, the U.S. Patent and Trademark Office first had to establish the elements of obviousness. Only then was Stepan required to rebut that evidence by proving its invention was indeed patentable.

Inventions are unpatentable due to obviousness if someone in the relevant field is motivated to combine existing inventions *and* has a reasonable expectation of success.

ANOTHER BITE AT THE APPLE

In the wake of its criticisms of the PTAB's approach to its review of the examiner's findings, the Federal Circuit vacated the Board's decision and sent the case back for further proceedings. The PTAB will first have to explain why a skilled artisan would have been motivated and likely to succeed at achieving Stepan's invention. Only if it does so will Stepan have to prove patentability. □





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