



# IDEAS ON INTELLECTUAL PROPERTY LAW

JUNE/JULY  
2018

*Case closed*

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Case closed

## Federal Circuit confirms expansion of liability for divided patent infringement

Patentees have long struggled when trying to enforce method patents in “divided infringement” cases, where multiple parties carried out the required steps. The Federal Circuit Court of Appeals seems to have come to their rescue, though. The court, which hears all appeals in patent-related cases, recently made clear that it’s applying a looser standard when it comes to establishing direct infringement liability in divided infringement cases.

### UNLOCKING THE CASE

David Tropp holds two patents on a method of improving airline luggage inspection through the use of “dual-access locks” with a combination lock component and a master key component. The method calls for four steps. The first two involve making and marketing the lock; the final two involve using the master key to access luggage for screening.

Travel Sentry administers another lock system that similarly permits the Transportation Security Administration (TSA) to access baggage. It entered a memorandum of understanding with the TSA, under which the company provided passkeys designed to permit screeners to open checked luggage secured with Travel Sentry’s certified locks without breaking them.

Tropp sued Travel Sentry for patent infringement, and the district court dismissed the case before trial, finding no evidence that the company had any influence on the third and fourth method steps carried out by the TSA. Tropp appealed.

### TESTING THE KEYS TO LIABILITY

Direct infringement occurs when all of a patented method’s steps are performed by or attributable to a single entity. If more than one actor performed the steps, a court must determine whether the acts

of one are attributable to the other so that a single entity is responsible for the infringement.

In 2015, the Federal Circuit held in *Akamai Technologies, Inc. v. Limelight Networks, Inc. (Akamai V)*, among other things, that direct liability can be found when an alleged infringer:

1. Conditions a third party’s participation in an activity or receipt of a benefit on performance of a step or steps of a patented method, and
2. Establishes the manner or timing of that performance.

In such circumstances, the third party’s actions are attributed to the alleged infringer, making the



## CONDITIONING CAN OCCUR WITHOUT OBLIGATION

The Federal Circuit in *Travel Sentry, Inc. v. Tropp* rejected the argument that the conditioning required to attribute the actions of a third party to an alleged infringer can't occur if the third party isn't obligated to perform part of the patented method. Travel Sentry, the alleged infringer, asserted that, because the Transportation Security Administration (TSA) is under no obligation to perform any particular luggage screening activity, the condition prong wasn't satisfied.

The court acknowledged that the TSA isn't obligated to adhere to the terms of its memorandum of understanding with Travel Sentry. But, it said, the TSA only receives something of benefit from Travel Sentry when it performs two of the patented method's steps.

The court found it irrelevant that the TSA can meet its luggage screening mandate through other means. The critical fact was that the TSA must perform the two patent steps if it wishes to participate in the activity of screening luggage with the Travel Sentry system or receive benefits from using it.

alleged infringer the single actor chargeable with direct infringement.

### FINDING THE RIGHT KEY

On appeal in the *Travel Sentry* case, the Federal Circuit faulted the district court for interpreting the *Akamai V* opinion too narrowly — as applying only to the facts in that case and leaving the existing standard for direct infringement liability intact. To the contrary, the court said, the two-prong test expanded the circumstances in which others' acts can be attributed to an alleged infringer for purposes of direct infringement liability.

Applying the test to this case, the Federal Circuit held that a reasonable jury could conclude that the TSA's performance of the two final steps in the patented method is attributable to Travel Sentry, rendering Travel Sentry liable for direct infringement.

Under the first prong, the court found that jurors could conclude that Travel Sentry conditions the TSA's participation in the activity of screening luggage with its lock system on performance of two method steps. The TSA also received benefits from using the Travel Sentry system (for example, a reduced number of claims for broken luggage) only if it performed the last two steps.

For the second prong, the court cited evidence that Travel Sentry controls the design of the locks and passkeys and provided the TSA with training materials. In addition, the agreement between the parties describes the steps the TSA must follow to obtain the associated benefits. A jury could determine that these factors establish the manner of the TSA's performance of the final two steps.

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If more than one actor performed a patented method's steps, a court must determine whether the acts of one are attributable to the other.

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### A CHECK ON INFRINGEMENT

The case confirms that the Federal Circuit will take an expansive view when it comes to proving direct infringement liability in divided infringement cases. This is good news for the holders of method patents and should serve as a warning to others that dividing patented steps among multiple parties may not protect them from infringement liability. ■

## Will innocent, immaterial inaccuracies defeat copyright registration?

**M**istakes happen — but, thanks to a new ruling by the Eleventh Circuit Court of Appeals, mistakes in a copyright registration application don't necessarily doom the resulting registration. According to a recent case, the registration will be upheld unless it contains material inaccuracies *and* the registrant intended to conceal relevant information from the Copyright Office.

### BATTLE OF THE BANDS

Rick Ross is one of the authors of the classic rap song “Hustlin’.” In the wake of the song’s success, the group LMFAO authored the highly successful dance song “Party Rock Anthem,” which included the phrase “every day I’m shufflin’” in its beat drop.

Ross sued LMFAO, alleging that “Party Rock Anthem” infringed his lyric “every day I’m hustlin’.” After the district court dismissed the case before trial, finding he lacked the copyright registration required to sue for infringement, Ross appealed.

### MUSIC TO THE PLAINTIFF’S EARS

“Hustlin’” was the subject of three copyright registrations, each of which contained errors. It was, however, uncontested that Ross and his co-authors were the song’s true authors.

The first registration incorrectly stated that the song was unpublished — actually, promotional phonorecords had been distributed to local disc jockeys. The second incorrectly stated that the creation date was 2006, instead of 2005, and didn’t disclose the first registration. The third similarly had the wrong date and didn’t disclose the earlier registrations.

The Copyright Act provides that inaccuracies can invalidate a registration in some instances. Under



the Eleventh Circuit’s interpretation, to invalidate a registration, the application must contain material inaccuracies (meaning that, if known, they would have caused the Register of Copyrights to refuse registration), and the applicant must have intended concealment.

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Good-faith inaccuracies, according to the Eleventh Circuit, shouldn’t preclude the undisputed authors from copyright protection.

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As the court pointed out, this wasn’t a case where Rapper A attended Rapper B’s concert, heard a good song, stole it and then fraudulently registered it with the Copyright Office. Further, LMFAO never offered any argument or theory as to why Ross and his co-authors would attempt to deceive the Copyright Office when they were the undisputed authors.

The first registration's mistaken assertion that the song was unpublished lacked any deceptive intent, especially as no evidence indicated that registration for a published work would have been denied. The court also said that the authors could gain nothing of substance by listing a creation date of 2006 instead of 2005 on the subsequent two registrations.

Without any evidence of a motive for deception, the court found that the errors in each of the registrations were made in good faith. As record companies acquired portions of the ownership interest in the song, they — incorrectly but in good faith — filed for a new registration, presumably under the belief that no previous registration had been filed.

While only one copyright registration generally is permitted for the same version of work, federal regulations recognize three exceptions. The court of appeals determined that logic dictated that prior rulings requiring intentional concealment for registration invalidation would support another exception for a good-faith, redundant registration. Good-faith inaccuracies, it declared, shouldn't preclude the undisputed authors from copyright protection.

#### THE NEXT VERSE

The Eleventh Circuit concluded that Ross was “erroneously ‘hustled’ out of court.” It reversed the lower court decision and sent the case back for further proceedings on the infringement issue. □

## What makes a patent invalid due to “indefiniteness”?

### *The role of functional language in patent applications*

**A**lthough in 2014 the U.S. Supreme Court announced a standard for assessing whether patent language is fatally indefinite, the limits of the Court's decision are still being determined. More recently, the U.S. Federal Circuit Court of Appeals provided additional guidance — and it seems to favor patentees.

#### THE DISPUTE

BASF Corporation owns a patent on catalytic converter systems that work on nitrogen oxides in an exhaust gas stream. It covers a partly-dual-layer arrangement of coatings over which exhaust gas passes. One layer is described as containing a material composition “effective to catalyze” a selective catalytic reduction (SCR) of nitrogen oxides; the other is described as containing a composition “effective for catalyzing” ammonia oxidation.

BASF sued its competitor Johnson Matthey Inc. for infringement of the patent. The district court held that the “effective for catalyzing” / “effective to catalyze” language was indefinite and therefore invalidated the patent. BASF appealed to the Federal Circuit.

#### CLEAN LANGUAGE

In *Nautilus Inc. v. Biosig Instruments, Inc.*, the Supreme Court held that a patent is indefinite if it fails to inform, with “reasonable certainty,” those with knowledge in the relevant field (referred to as “ordinary skilled artisans”) about the invention's scope. The Federal Circuit applied that standard to this case, explaining that the issue was whether the patent language in question would have given such people a reasonably certain understanding of the compositions the patent covered.



The Court of Appeals began its analysis by faulting the district court for focusing on the functional nature of the BASF patent’s language. The *Nautilus* standard, it said, doesn’t exclude claim language that identifies a product by what it does. Instead, what’s required is a context-specific inquiry into whether the particular functional language actually provides the necessary reasonable certainty.

The appellate court also criticized the district court’s reliance on the lack of language identifying a minimum level of function needed for a composition to qualify as “effective.” The lower court said this absence meant ordinary skilled artisans couldn’t determine which materials qualified as patented compositions.

According to the Federal Circuit, though, other language in the patent made clear that it’s the partly-dual-layer arrangement of the catalysts, not the selection of particular catalysts, which purportedly rendered the invention an advance over existing inventions. The context of the language at issue — that is, other language in the patent — let the public know that any known catalysts could be used so long as they play their described roles.

In addition, other language in the patent provided examples of material compositions that are “effective” to catalyze an SCR reduction of the nitrogen oxide and ammonia oxidation. Such language also disclosed the chemical reactions that define the SCR function and ammonia oxidation function. And it

illustrated — with figures, tables and accompanying descriptions — how the purportedly novel arrangement of the catalysts results in improvements.

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Notably, the appellate court addressed a footnote in the district court’s opinion that cited Johnson Matthey’s expert’s assertion that a practically limitless number of materials could perform the required catalysis. The lower court treated that scope as indicating that the language in question failed to sufficiently identify the material compositions. But, the court said, the inference of indefiniteness simply from the scope finding was legally incorrect because “breadth is not indefiniteness.”

#### CLEARING THE AIR

The court’s ruling provides assurance that a patent that uses functional language won’t be held invalid simply for that reason. If it informs ordinary skilled artisans about the scope of the covered invention with reasonable certainty, the patent shouldn’t fail due to indefiniteness. ▣

## Bar fight

### Court knocks down prohibition against immoral or scandalous marks

Just last year, in *Matal v. Tam*, the U.S. Supreme Court opened the door to the registration of trademarks that could be considered offensive when it ruled that the disparagement clause in the federal trademark law was unconstitutional. Now the U.S. Federal Circuit Court of Appeals has taken a similar stance, striking down the bar against the registration of trademarks that are “immoral or scandalous.”

#### TRADEMARK REGISTRATION SMACKED DOWN

Eric Brunetti owns the clothing brand “FUCTION.” His application to register the term as a trademark was rejected as immoral or scandalous by the U.S. Patent and Trademark Office (USPTO). The examiner for the USPTO reasoned that FUCTION is the past tense of a vulgar word and therefore scandalous. The Trademark Trial and Appeal Board (TTAB) affirmed that decision.

Brunetti appealed. He argued that the mark wasn’t vulgar and also challenged the constitutionality of the Trademark Act’s bar on immoral or scandalous marks. The Court of Appeals found that the mark was indeed vulgar and scandalous, but nonetheless reversed the TTAB’s holding, ruling that the bar unconstitutionally restricts free speech.

#### BAR DEFEATED

The Federal Circuit specifically found that the bar violated the First Amendment by discriminating based on content. Content-based restrictions by the government

on speech are presumptively invalid, and the government conceded that the bar is content-based.

The USPTO argued, however, that the bar was permissible because trademark registration is a government subsidy program and implicates the government’s spending power. The bar, the government claimed, was a reasonable exercise of its spending power.

Following the position of the Supreme Court in the *Matal v. Tam* case, the Federal Circuit dismissed the notion that a trademark registration is a governmental subsidy. A trademark applicant doesn’t receive federal funds on the grant of a trademark; rather, applicants pay registration fees that fund the USPTO. Therefore, Congress’s spending authority wasn’t implicated by the operating expenses required to examine a proposed mark or by the USPTO’s ultimate grant of registration.

The court also shot down the government’s assertion that trademark registration is a limited public forum in which the government may impose content-based restrictions on speech so long as the distinction is reasonable in light of the forum’s purpose. Because trademarks are, by definition, used in commerce, the registration program “bears no resemblance” to limited public forums, the court added. The speech that flows from registration isn’t tethered to a public school, federal workplace or any other government property. And the fact that registered trademarks are listed on the Principal Register doesn’t create a limited public forum.

#### WINNING OFFENSE

The Federal Circuit further rejected the government’s attempt to classify trademarks as commercial speech, which can be subject to content-based restrictions tailored to substantial governmental interests. Even under that looser standard, the court found, the bar failed because the government hadn’t put forth any valid substantial interests. □



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## The nuts and bolts of court-ordered mediation

By Eric Chadwick

Conventional wisdom tells us that, in business disputes, mediation works best when it is voluntary. So why do judges regularly force litigants into mediation? Perhaps it's because, in their experience, reality is quite different from the conventional wisdom. Namely, that mediation, whether voluntary or coerced, often helps litigants avoid unnecessary and costly litigation.

While the exact process varies from court to court, the basic concept of mediation remains the same. Whether they want to or not, before the mediation session begins litigants must exchange their initial settlement demands. Receiving the demand from your opponent can be irritating, and occasionally shocking. After all, given the fact you are in a lawsuit, it's a safe bet that you believe the demands from the other side are unreasonable. Chances are the other side has the same view of your demand. Still, this exchange is productive because it establishes the boundaries within which resolution can be achieved and begins the give-and-take process of negotiation.

Parties are also often required to submit a confidential letter only to the mediator, which can be a trained legal professional or judge. Unlike the demand letter provided to your opponent, the letter to the mediator is designed to encourage a more realistic assessment of what you would require to settle the dispute. This letter is particularly useful because it provides the mediator "inside information" that can and will be used to convince litigants why it is in their interest to settle. And therein lies the real value of court-ordered mediation—the mediator, while assessing basic legal strengths and weaknesses, can use this "inside information" to help the parties reach a reasonable compromise that makes business sense.

The mediation session is where the real hard work gets done. Competent mediators will tell litigants to prepare for a full day of mediation and then periodically assess whether it makes sense to keep at it based on the state of the negotiations. Some mediators will even tell the parties to bring snacks because there will be no break for lunch. While it sounds a bit heavy-handed, when used properly, this tactic is actually a benefit to settlement. Lunch breaks are nothing if not momentum killers. In my experience, skipping lunch is one of the most useful tactics a mediator can employ. In fact, I often ask the mediator to adopt this approach, if he or she does not suggest it.

Most mediation sessions begin with all parties and the mediator gathered together. At this point, the mediator will explain the process, which involves separating the parties into their own rooms, followed by a type of shuttle-diplomacy with the mediator going from one party to the other in an effort to resolve differences. Occasionally, however, the mediator will ask the parties if they want to make an opening statement at the outset. Don't take the bait. At best, such statements are unnecessary and redundant of the pre-mediation demand letter. At worst, they are adversarial and off-putting. Such statements are better reserved for trial, after mediation has failed.

Once separated, the mediator will work to bring the parties to resolution. The key to success is to keep in mind you will not get everything you want. But neither will your opponent. That outcome is ensured by the nature of mediation, which involves compromise. (If you want it all, you have to convince a jury and take the risks that go along with it.) With some hard work by the mediator, the litigants and their counsel, a business resolution often can be reached. If so, the mediation is a success. But is it a failure if no resolution is reached? No. Mediation often has a way of crystallizing the real issues, which helps with later decisions to proceed to trial or settle. The key is to find an experienced mediator and trusted counsel to guide you through the process of compromise.

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