



# IDEAS ON INTELLECTUAL PROPERTY LAW

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## **Better get used to it**

Court addresses patent infringement of an information system

## **Blurred vision: Trademark dilution standard clarified**

## **You call that art?**

Flower display doesn't make the cut for copyright protection

## **Getting particular with false marking claims**



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# Better get used to it

## *Court addresses patent infringement of an information system*

When someone uses another party's patented invention without authorization, it's clearly infringement. But what qualifies as "use" when the invention is an information system? The answer isn't as clear. Fortunately, in *Centillion Data Systems LLC v. Qwest Communications Int'l Inc.*, the U.S. Court of Appeals for the Federal Circuit provided some clarification as to exactly what's required to "use" a patented information system.

### **Used and abused?**

Centillion Data Systems holds a patent for a system that collects, processes and delivers information from a service provider, such as a telephone company, to a customer.

Centillion sued Qwest, alleging that its billing system infringed the patent. Qwest's system includes two parts: 1) a back-end system, and 2) front-end client applications that a user can — but doesn't have to — install on a personal computer. Customers

who sign up for the system can download monthly electronic billing information without installing the front-end applications.

The back end of Qwest's system performs its monthly processing regardless of whether the customer downloads the data. The system also allows for on-demand reports, whereby a user at a personal computer requests different data ranges, causing the back-end system to process and deliver the requested data via download. The district court found that, to "use" a patented invention as Centillion alleged, an accused infringer must either:

1. Exert control over or "practice" every component of the invention, or
2. Control or direct the actions of another who practices the component in question.

Because Qwest didn't control the "personal computer processing means" of its allegedly infringing system,



## Making vs. using an invention

In the case of *Centillion Data Systems, LLC v. Qwest Communications Int'l, Inc.* (see main article), the U.S. Court of Appeals for the Federal Circuit had another important question to ponder: What is the difference between making and using an invention?

Centillion alleged that Qwest infringed its patent by “making” (as opposed to “using”) the invention. It argued that Qwest built all of the system’s parts, including the client-side software, and acted as the “mastermind” of the system by directing and controlling its customers’ actions to install the software. Qwest contended that it asserts virtually no control over its customers to complete the system — its customers are free to choose whether to install the software.

The Federal Circuit sided with Qwest. It found that Qwest manufactures only part of the system. To “make” the system, Qwest would need to combine all of the components. But it doesn’t do so. The customer, not Qwest, completes the system by providing the personal computer data processing means and installing the client software.

the court granted summary judgment of noninfringement. Centillion appealed.

### What’s unlawful?

On appeal, the Federal Circuit focused on what constitutes an unlawful “use” of a patented system or apparatus under Section 271(a) of the Patent Act. Centillion argued that use doesn’t require a party to “practice” every element — only that it uses the system as a whole. The operation of one component of an invention may “put into service” the invention — even if the accused infringer doesn’t directly interact with other components. Qwest countered that, to “use” a system, an accused infringer must exert control over or practice each claimed element.

The court noted that it had never before directly addressed the issue of infringement based on “use” of a system claim that includes components in the possession of more than one actor. In such a case, the Federal Circuit held that, to “use” a system for purposes of infringement, a party must put the invention into service — that is, control the system as a whole and obtain benefit from it.

Furthermore, the court found that the district court had erred by holding that a party must exercise physical or direct control over each individual

component of the system in order to “use” a system. To the contrary, it’s sufficient that the user puts the system into service.

### Who’s the user?

Having established the proper definition for “use,” the Federal Circuit considered whether either Qwest’s customers or Qwest itself used the patented system. The court concluded that the on-demand operation of Qwest’s system constituted a use because the customer controls the system and obtains a benefit from it.

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The customer’s query kicks the back-end processing into action — or puts it into service. According to the court, “It makes no difference that the back-end processing is physically possessed by Qwest.” The

court likewise found that the customer's standard operation, by which a customer subscribes to receive monthly billing information, was a use. Once a customer subscribes, the back end generates and makes available monthly reports. But for the customer's actions, the entire system wouldn't have been put into service.

The Federal Circuit, however, found that Qwest didn't use its system. Although the company may make the back-end processing components, the court said, it never used the entire system because it never put into service the personal computer data processing means.

Moreover, the Federal Circuit held that Qwest wasn't vicariously liable for the actions of its customers

because it in no way directs the customers to perform, nor did the customers act, as agents. Because the district court had erred in granting summary judgment, the appellate court vacated the judgment and sent the case back for further proceedings — including consideration of whether Qwest's system actually infringes the patented invention.

### **Are we finished?**

The law regarding the type of joint infringement at issue in this case continues to evolve. Just recently, for example, the Federal Circuit vacated the decision of a three-judge panel in *Akamai Technologies, Inc. v. Limelight Networks, Inc.* and granted a rehearing before the full court. The court will consider what constitutes joint infringement of a *method* patent, so significant changes could be on the way. ○

# **Blurred vision: Trademark dilution standard clarified**

The owners of famous trademarks often face a constant onslaught of parties using marks similar to their famous marks. In its ruling in *Levi Strauss v. Abercrombie & Fitch*, the U.S. Court of Appeals for the Ninth Circuit came to the rescue of such owners by making it easier for them to pursue cases of trademark dilution by blurring.

### **In the jeans**

Since 1873, Levi Strauss has stitched the back pockets of its jeans with two connecting arches that meet in the center of the pocket. Levi Strauss holds a federally registered trademark on this "Arcuate" design.

Abercrombie & Fitch began using its "Ruehl" stitching design in 2006. The design consists of two less-pronounced arches that are connected by a "dipsy

doodle," which resembles the mathematical sign for infinity.

**Blurring occurs when the association arising from the similarity between a famous mark and another mark impairs the distinctiveness of the famous mark.**

In 2007, Levi Strauss sued Abercrombie for, among other things, trademark dilution by blurring, seeking injunctive relief. Blurring occurs when the association arising from the similarity between a famous



mark and another mark impairs the distinctiveness of the famous mark. The district court ruled for Abercrombie, finding that the Ruehl design isn't "identical or nearly identical" to the Arcuate mark. Levi Strauss appealed.

### Legal stitches in time

On appeal, Levi Strauss contended that the district court had erred in requiring the company to establish that its mark was identical or nearly identical to the Ruehl design. The Ninth Circuit began its analysis by noting that the "identical or nearly identical" requirement of identity, or substantial similarity, predates the adoption of the Trademark Dilution Revision Act (TDRA) in 2006.

In the 2002 case of *Thane International, Inc. v. Trek Bicycle Corp.*, the Ninth Circuit tied the requirement

for identity or near identity to the language of the then-governing Federal Trademark Dilution Act (FTDA) and to tests that it had developed in interpreting FTDA. But here the court pointed out that, under TDRA, Congress "created a new, more comprehensive federal dilution act," one that includes no references to the standards commonly employed by the courts of appeals in the past — including "identical," "nearly identical" or "substantially similar."

In fact, TDRA provides a nonexhaustive list of relevant factors for determining whether dilution by blurring has occurred. These factors include:

- The degree of similarity between the mark or trade name and the famous mark (in this case, the Arcuate mark),
- The degree of inherent or acquired distinctiveness of the famous mark,
- The extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark,
- The degree of recognition of the famous mark,
- Whether the user of the mark or trade name intended to create an association with the famous mark, and
- Any actual association between the mark or trade name and the famous mark.

The Ninth Circuit concluded that the inclusion of "degree of similarity" in the factors indicates that it's only one consideration in a multifactor list — and not necessarily the controlling factor.

### Court opts for relaxed fit

The court ultimately held that, to obtain injunctive relief, TDRA doesn't require a plaintiff to establish that the mark is identical, nearly identical or substantially similar to the famous mark. Rather, the plaintiff must show, based on all of the relevant factors, that the mark is likely to impair the distinctiveness of the famous mark. ○

# You call that art?

## *Flower display doesn't make the cut for copyright protection*

The Visual Artists Rights Act of 1990 (VARA) amended the Copyright Act to give artists certain rights of attribution and integrity in paintings, drawings, prints, sculptures and exhibition photographs. In *Kelley v. Chicago Park District*, the U.S. Court of Appeals for the Seventh Circuit clarified the scope of VARA to an extent. Although attorneys may welcome this clarification, certain artists probably won't.

### The roots of the case



In 1984, Chapman Kelley, a nationally recognized artist known for his representational paintings of landscapes and flowers, received permission from the Chicago Park District (CPD) to install an ambitious wildflower display in downtown Chicago's Grant Park. *Wildflower Works*

comprised two elliptical flower beds, each nearly as big as a football field, featuring a variety of native wildflowers and edged with borders of gravel and steel.

By 2004, the display had deteriorated, and the CPD dramatically modified it by:

- Substantially reducing the garden's size,
- Reconfiguring the oval flower beds into rectangles, and
- Changing some of the planting material.

Kelley then sued the CPD under VARA for violating his "moral rights" — the right of artists to prevent, during their lifetimes, any distortion or modification of their work that would be "prejudicial to [their] ... honor or reputation."

The district court rejected Kelley's moral-rights claim. Although the court found that *Wildflower Works* could be classified as both a painting and a sculpture — and, therefore, a work of visual art under VARA — it found the display lacked sufficient originality to be eligible for copyright protection under VARA.

### Court plants its foot

The Seventh Circuit agreed that the garden display wasn't eligible for copyright and, therefore, was not protected under VARA. But it came to this conclusion based on grounds different from those used by the district court.

For the appellate court, the problem wasn't a lack of originality but the lack of authorship and fixation. "Gardens are planted and cultivated, not authored," wrote the court, and the various elements of a garden are alive and inherently changeable.

Although the Seventh Circuit conceded that a human determines the initial arrangement of plants, it found that this isn't the kind of authorship required for copyright. Seeds and seedlings might be considered a medium of expression, but they originate in nature, and natural forces determine their form, growth and appearance — not an "author." Moreover, a garden is simply too changeable to satisfy the primary purpose of fixation: supplying a baseline for determining questions of copyright creation and infringement.

### Dig at the district court

Although the CPD didn't challenge it, the Seventh Circuit also questioned the district court's finding that *Wildflower Works* was both a painting and a sculpture entitled to VARA protection as a work of visual art.

The Seventh Circuit explained that, "to qualify for moral-rights protection under VARA, *Wildflower Works* cannot just be 'pictorial' or 'sculptural' in some aspect or effect; it must actually *be* a 'painting' or a 'sculpture.' Not metaphorically or by analogy, but *really*." ○

# Getting particular with false marking claims

Qui tam provisions, like the one in the False Marking Statute, empower everyday citizens to enforce laws. The provisions, however, also provide financial incentives that can encourage frivolous lawsuits. In *In re BP Lubricants USA Inc.*, the U.S. Court of Appeals for the Federal Circuit urged potential plaintiffs to get particular with the factual basis of their false marking claims.

## A false start

The False Marking Statute allows any person to file a qui tam action on behalf of the United States to recover the statutory penalty for marking an unpatented article as patented for purposes of deceiving the public. If successful, the person (the relator) receives half of the \$500 penalty for each offense.

In this case, a patent attorney sued BP Lubricants for marking some products with an expired patent number. BP sought to have the case dismissed because the relator's complaint failed to allege any underlying facts indicating that BP knew its patent had expired when marking the products.

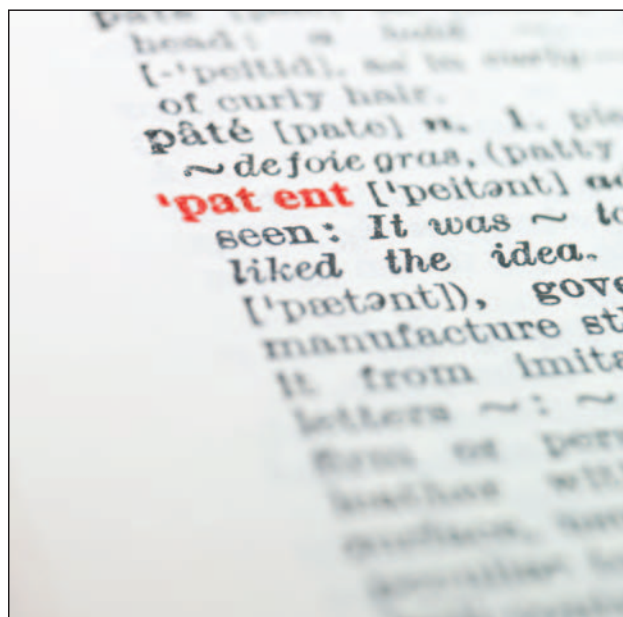
Specifically, BP claimed that the complaint failed to satisfy the "particularity" requirement in Rule 9(b) of the Federal Rules of Civil Procedure. The provision applies to all cases based on fraud or mistake and requires a plaintiff to plead "with particularity the circumstances constituting fraud or mistake." The district court disagreed and BP appealed, hoping for a dismissal of the case.

## True facts required

As the Federal Circuit explained, Rule 9(b) acts as a safety valve to ensure only viable fraud or mistake claims are allowed to proceed to discovery. But the court hadn't previously considered whether the particularity requirement applies to false marking claims.

The Federal Circuit determined that, here, it does. The plaintiff must provide some objective indication that reasonably implies the defendant was aware that the article wasn't patented.

The court further held that conclusory allegations (such as the one made against BP) that the defendant is a "sophisticated company" with experience applying for, obtaining and litigating patents was insufficient. The allegation provided "no more of a basis to reasonably distinguish a viable complaint than merely asserting the defendant should have known the patent expired."



## Down but not out

The Federal Circuit noted that, when a complaint is dismissed under the particularity requirement, the plaintiff generally has the opportunity to amend its complaint to satisfy the requirement. It found that such an approach is especially appropriate here, as the court hadn't previously addressed the applicability of the requirement in false marking cases. ○

# First Sale Doctrine

Taken from an Original Article by Christopher Pignato, Law Clerk

After years of hard work and considerable financial investment, an inventor who receives a patent finally has his ticket to easy street, right?

Inventors often believe that a granted patent provides an unlimited right to control who is and is not allowed to use their patented products. While it is true that the holder of a patent may prevent others from using his patent, this right is not absolute. The common law "First Sale Doctrine" can be utilized to free an individual from the monopolistic control of a patentee.

Patentees who provide public access to their patent should learn about the first sale doctrine in order to make informed decisions on the best ways to maintain control of their rights. Under this doctrine, once there has been an unrestricted sale of a patented article and this sale has been authorized by the patentee, the patentee loses the right to later restrict and control the use of the product which has been sold. Once a consumer purchases an item, it becomes impossible for the inventor to claim either patent infringement or to later restrict the consumer from using the product as he sees fit. Further, if that inventor sells a product containing the purchased item (patented item) to a buyer within the US, that buyer cannot be held as an infringer of the patent because the inventor acquired the patented item under the first sale doctrine.

The first sale doctrine, while restrictive of an individual's control, can also be circumvented. There are ways to make money off the use of a patent without bringing a product to the retail market. Substantial revenues can be realized from utilizing only licenses for patents, rather than selling a product. Licensing may also be advantageous in order to decrease potential competition. While licensing is an excellent way to achieve revenues yet still maintain control, inventors must read their licensing agreements carefully. What may be referred to as a "licensing agreement" may contain clauses which structure the agreement as if it were a sale. If a license agreement is structured in a way which acts like a sale rather than permission to use, then the first sale doctrine applies, and the patentee's right to control the use of the patent will be exhausted. The standard is whether or not the license agreement includes conditions that the licensee must abide by and whether or not the patentee has been compensated for the use of the articles.

Overall, the first sale doctrine can be a tricky situation that must be taken into account when a patentee is deciding the best course for receiving revenues from his patent. Read the entire article with citations at <http://www.iplawusa.com/news/news.aspx?id=67>.

## Thank You To Summer Clerks

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