April 2018

The Goods on IP®

Sterne Kessler Goldstein Fox
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An Intellectual Property Newsletter for Consumer Product Companies

The April 2018 issue of Sterne Kessler's *The Goods on IP*® discusses prosecuting consumer product claims that include "process" limitations, the doctrine of aesthetic functionality in design patents, and issues with licensee marking. This issue also provides an update on design patent PTO litigation statistics.

Sterne Kessler's Consumer Products practice is focused on the unique intellectual property needs of consumer product companies. Our practice integrates utility and design patent and trademark expertise to implement the right combination of IP tools available to meet our clients' global business goals. For more information, please contact Mark Rygiel or Tracy-Gene G. Durkin.

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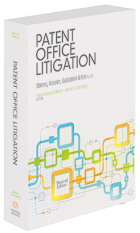
In This Issue



Patent Office Litigation, 2nd Edition We Wrote the Book -- *Again!*

Nordt: Structural Limitations Masquerading As Process Limitations

By: Stephen A. Merrill and Mark W. Rygiel

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Nordt Development Co., LLC filed an application[2] directed to an elastic knee brace having a framework and a hinge that included a strut and arm components.[3] During prosecution, the examiner rejected pending claim 1 as anticipated by U.S. Patent No. 6,238,360 to Gildersleeve *et al.*, finding that Gildersleeve taught the claimed framework, strut, and arm components.[4] In response, Nordt amended the claim by limiting the strut and arm components with the term "injection molded" and adding a limitation that recites "an elastically stretchable framework injection molded about the strut and arm components of the hinge mechanism."[5] Nordt also "argued that 'injection molded' conveys 'a clear structural limitation.'"[6]

Although the examiner acknowledged that Gildersleeve did not disclose the claimed components as injection molded, the examiner gave this term no patentable weight because it described a process rather than an apparatus.[7] Thus, the examiner maintained the rejection, reasoning that, for anticipation, "the prior art must disclose the finished product and not the method of making the product."[8] Nordt appealed to the Patent Trial and Appeal Board, but the Board affirmed the examiner's rejection because "Appellants do not persuasively explain what structural limitation is imparted by this manufacturing practice."[9]

On further appeal, the Federal Circuit disagreed with the Board's "claim construction of the term 'injection molded' as a process limitation with no patentable weight."[10] The court noted that "claim scope is generally based on the product itself, not the process,"[11] but that "structure should be considered" for a process limitation that "connotes specific structure and may be considered a structural limitation."[12] In this instance, the Board had "presumed 'injection molded' to be a process limitation in a product-by-process claim, then required Nordt to rebut its presumption by explaining the specific structural limitation provided by 'injection molded.'"[13] In doing so, the Federal Circuit explained that "the Board confounded two somewhat distinct inquiries": (1) "whether 'injection molded' is a process or structural limitation"; and (2) "the precise meaning of the limitation if structural."[14]

Turning to the first inquiry, the Federal Circuit found that "at a minimum, the specification demonstrates that 'injection molded' connotes an integral structure," even though the application described this term as a process of manufacture.[15] In addition, the Federal Circuit noted that Nordt "has repeatedly represented

that" "injection molded" conveys a structural meaning, even though Nordt "failed to persuasively or precisely explain" what that meaning was.[16] In light of the specification's teachings, the Federal Circuit interpreted the term "injection molded" as a structural limitation because "words of limitation that can connote with equal force a structural characteristic of the product or a process of manufacture are commonly and by default interpreted in their structural sense, unless the patentee has demonstrated otherwise."[17]

Accordingly, the Federal Circuit vacated the rejection as based on an incorrect claim construction and remanded the case to the Board to fully construe the "injected molded" limitation, and particularly determine whether the claim language required additional structure beyond being integral.[18] The Board has not yet acted on the Federal Circuit's remand. But since the *Nordt* decision in February 2018, the Board has relied on the *Nordt* decision at least twice in reversing an examiner's rejection based on giving no patentable weight to an alleged product-by-process limitation.[19]

Thus, *Nordt* can be an important reminder for patent applicants. As *Nordt* suggests, arguing that a term connotes structure may be enough to give the term patentable weight where the structural nature "can be gleaned from the plain claim language and the specification itself."[20] In addition to simply relying on *Nordt*, patent applicants should use the specification to show that the term connotes structure. In particular, describing the actual structural differences between the product that results from the process and other products will bolster an applicant's argument that a term connotes structure (and, if appropriate, could be amended into the claim or included in an alternative claim). Although not a change in the law, *Nordt* gives applicants a strong footing for relying on process-related terms that connote structure to distinguish a claim over prior art.

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[1] *In re Nordt Development Co., LLC*, 881 F.3d 1371 (Fed. Cir. 2018).
[2] U.S. Application No. 13/241,865.
[3] *Nordt*, 881 F.3d at 1372.
[4] *Id.* at 1373–74.
[5] *Id.* at 1374.
[6] *Id.*
[7] *Id.*
[8] *Id.*
[9] *Id.*
[10] *Id.* at 1372.
[11] *Id.* at 1375 (citing *In re Thorpe*, 777 F.2d 695,697 (Fed. Cir. 1985)).
[12] *Nordt*, 881 F.3d at 1375 (citing *In re Garnero*, 412 F.2d 276, 279 (C.C.P.A. 1969)).
[13] *Nordt*, 881 F.3d at 1375.
[14] *Id.*
[15] *Id.*
[16] *Nordt*, 881 F.3d at 1376.
[17] *Id.* at 1375–76 (quoting *3M Innovative Props. Co. v. Avery Dennison Corp.*, 350 F.3d 1365, 1371–72 (Fed. Cir. 2003)).
[18] *Id.*
[19] *Ex parte Sanghera*, No. 2017-007436 (P.T.A.B. Mar. 26, 2018); *Ex parte Inoue*, No. 2017-006091 (P.T.A.B. Mar. 21, 2018).
[20] *Nordt*, 881 F.3d at 1376.

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Until recently, application of the doctrine of aesthetic functionality has been limited to trademarks. However, in a recent case, the Automotive Body Parts Association (ABPA), which represents replacement auto parts makers, sought to extend the aesthetic-functionality doctrine to designs protected by design patents. In the case, *Automotive Body Parts Association v. Ford Global Technologies, LLC*, the ABPA sought to invalidate two design patents owned by Ford covering the designs of two F-150 body parts. The ABPA claimed the designs were functional, and therefore ineligible for design patent protection under, among other things, the aesthetic-functionality doctrine. The ABPA argued that the designs were "dictated by the need to physically fit onto the F-150, including mating with the surrounding body parts and connecting to the truck's frame." Further evidence of the functionality of the designs, the ABPA claimed, could be found in certain insurance provisions and government regulations that allegedly set restrictions for the aesthetic designs of truck parts. Although the court found the ABPA's contention to be logical, it declined to "import the aesthetic-functionality doctrine from trademark law to design-patent law" for three reasons.

First, no court has ever applied the aesthetic-functionality doctrine in invalidating a design patent.

Second, the court explained that trademark and patent law serve different purposes—trademark law exists to promote competition, while patents inhibit competition. The purpose of trademarks is to facilitate the connection between a particular good or service and its source. If a mark is functional, it provides more for its owner than its intended function. Then, not only does it act as a source identifier, but it also prevents competitors from using it as a design element in their products. Such exclusionary rights are better suited for patent protection.

Third, building on this, the court pointed out that "there is greater reason for trademark law to be concerned with functionality . . . than design-patent law." For a patent to be granted, giving its owner a *temporary* monopoly over the claimed subject matter, the corresponding application must comply with the provisions of Title 35 of the U.S. Code, and survive prosecution at the U.S. Patent & Trademark Office. Conversely, trademarks applications do not require such rigorous examination, since their statutory requirements are different. Accordingly, as the term for a trademark lasts as long as it is used in commerce, a grant of a functional trademark would effectively grant an indefinite monopoly over a functional product while avoiding

examination by a patent examiner.

Ultimately, the court found that the designs of Ford's F-150 parts were not dictated by function, but in doing so it looked to design patent case law for guidance instead of the aesthetic-functionality doctrine rooted in trademark law. This case has been appealed to the Court of Appeals for the Federal Circuit, so in the coming months that court will have an opportunity to weigh in on the issue of the aesthetic-functionality doctrine as it applies to design patents.

So what guidance does this case provide for businesses wanting to protect their valuable product designs? Design patents should always be considered to protect product designs that are novel, not obvious, and not dictated by their function. Since design patents expire 15 years after they are granted, and there is no novelty requirement for trademarks, it is wise to consider trademark protection if the design has been on sale for some time and it serves to identify the source of the product (a requirement unique to trademark protection). However, if the design consists of a desirable aesthetic quality, trademark protection may not be available.

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In the last issue, we discussed patent marking basics and issues related to licensee marking. A recent district court summary judgment decision provides another reminder regarding licensee marking and whether marking product literature complies with statutory requirements.

As required by 35 U.S.C. § 287(a), patentees and their licensees must mark products covered by a particular patent in order to provide constructive notice to the public. In *Acantha LLC v. DePuy Orthopaedics Inc., et al*, Acantha accused DePuy of infringing one of its patents relating to an orthopedic implant.[1] In response, DePuy filed a motion for partial summary judgment, alleging that Acantha's damages should be limited due to its failure to mark its products pursuant to § 287(a).[2]

Acantha licensed the products in question to Stryker Spine SA, which had agreed in a licensing agreement to mark all of the products covered by Acantha's patent on the product packaging.[3] However, the court found that Stryker failed to mark as much as 95% of the licensed products.[4] Consequently, DePuy argued that, as a matter of law, damages should only accrue from when counsel for Acantha sent DePuy a claim chart asserting that DePuy's products infringed Acantha's patent, rather than from when the licensed products were available on the market.[5] The court agreed with DePuy for two reasons. First, Stryker marked neither the licensed products themselves nor the product packaging. Second, Acantha did not make reasonable efforts to ensure Stryker's compliance with the marking requirement.[6]

Though Stryker did not mark the actual licensed products or the product packaging, it did provide marks on surgical technique guides associated with those products.[7] Acantha argued that it was entitled to "great discretion" when deciding how to mark its products, and accordingly, a jury should determine whether the marking satisfied § 287.[8] The court disagreed, however, explaining that "[w]hile some courts have found that placing the patent mark in the literature describing the patented article constitutes constructive notice, they have done so only when the literature is distributed with the product or placed in the box the product is contained.[9]" Because Stryker did not distribute the guides alongside the products, the court declined to find that marking of the guides satisfied § 287.

Acantha also argued that it did not need to establish substantial compliance with § 287 because it made reasonable efforts to ensure that Stryker complied with the marking requirements by maintaining consistent contact with Stryker about its obligation.[10] The court, however, found that Acantha's communication with Stryker was simply "reasonable diligence," which wasn't enough absent actual substantial compliance.[11] The court cited *Maxwell v. J. Baker Inc.* to explain that "[w]hen the failure to mark is caused by someone other than the patentee, the court may consider whether the patentee made reasonable efforts to ensure compliance with the marking requirements.[12]" In the *Maxwell* case, the patentee had ensured that 95% of its products were marked, and only 5% of its products were unmarked due to non-compliance by a

licensee.[13] Such evidence was sufficient to show that substantially all of the covered products were marked. In contrast, only about 5% of Acantha's covered products were actually marked. Accordingly, it could not show that it made reasonable efforts to ensure Stryker's compliance. Ultimately, the court granted partial summary judgment, thereby limiting Acantha's damages.

This case is another important reminder for consumer product companies requiring licensees to mark products covered by their patents. Patent owners should ensure actual substantial compliance with patent marking provisions by their licensees to maximize damages and their return on investment.

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[1] *Acantha LLC v. DePuyOrthopaedics Inc., et al.,* 15-C-1257 at *1 (E.D. Wis. Apr.25, 2018).
[2] *Id.*
[3] *Id.* at *3.
[4] *Id.* at *7.
[5] *Id.* at *3.
[6] *Id.* at *7, *10.
[7] *Id.* at *7.
[8] *Id.*
[9] *Id.*
[10] *Id.* at *8.
[11] *Id.* at *9.
[12] *Acantha LLC*, 15-C-1257 at *9; *See Maxwell v. J. Baker Inc.*, 86 F.3d 1096, 1111-12 (Fed. Cir. 1996).
[13] *Acantha LLC*, 15-C-1257 at *9.

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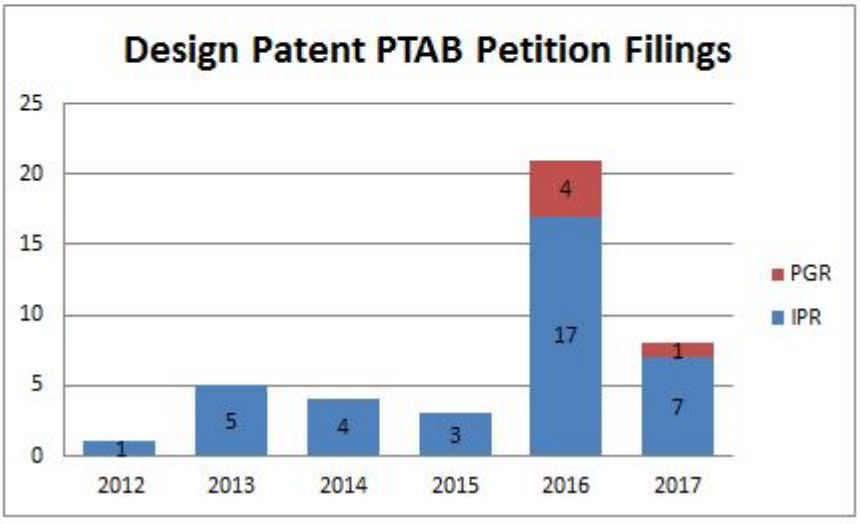
I. Proceeding Breakdown

Year	IPR	PGR	Grand Total
2012	1		1
2013	5		5
2014	4		4
2015	3		3
2016	17	4	21
2017	7	1	8
Grand Total	37	5	42



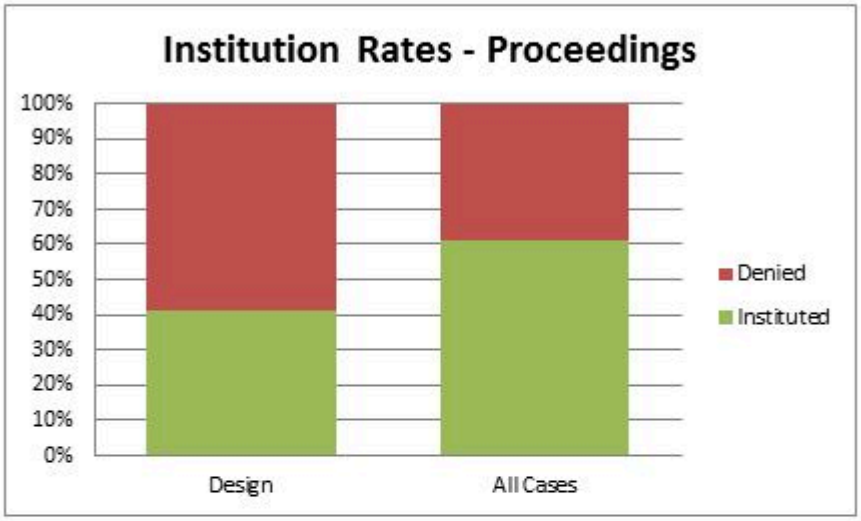
II. Institution Rates/Case Statuses

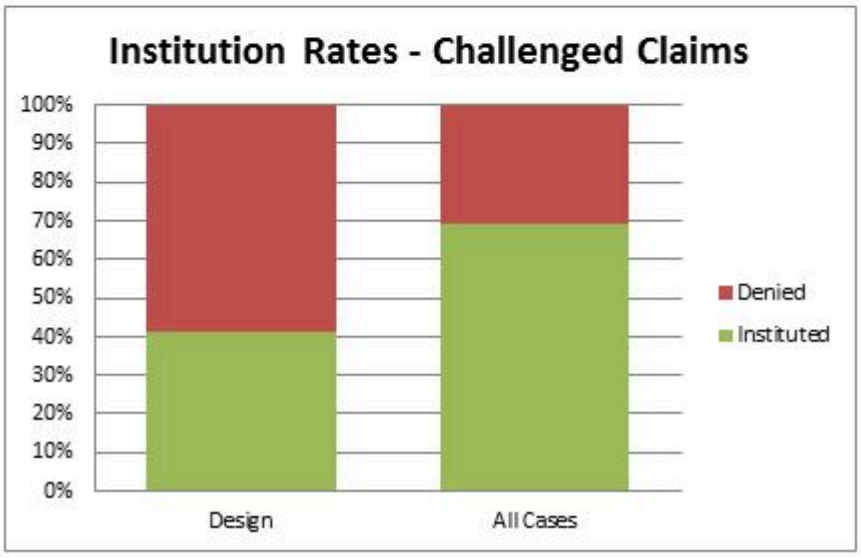
The institution rate for design patents, for both claims and proceedings, is 41% (17/41).

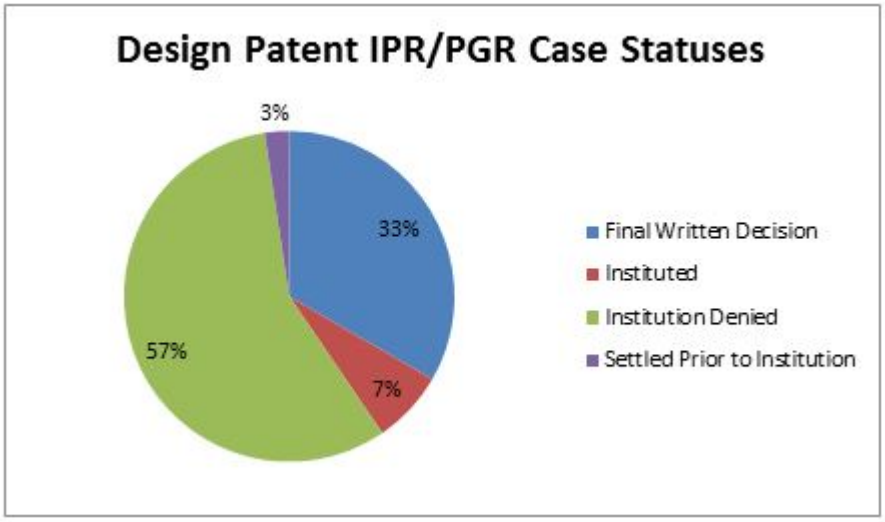
For cases overall, the proceeding institution rate is 68%, and the claim institution rate is 61%.

Here is a breakdown of the current case statuses for all of the design cases:

Status	Total
Final Written Decision	14
Instituted	3
Institution Denied	24
Settled Prior to Institution	1
Grand Total	42



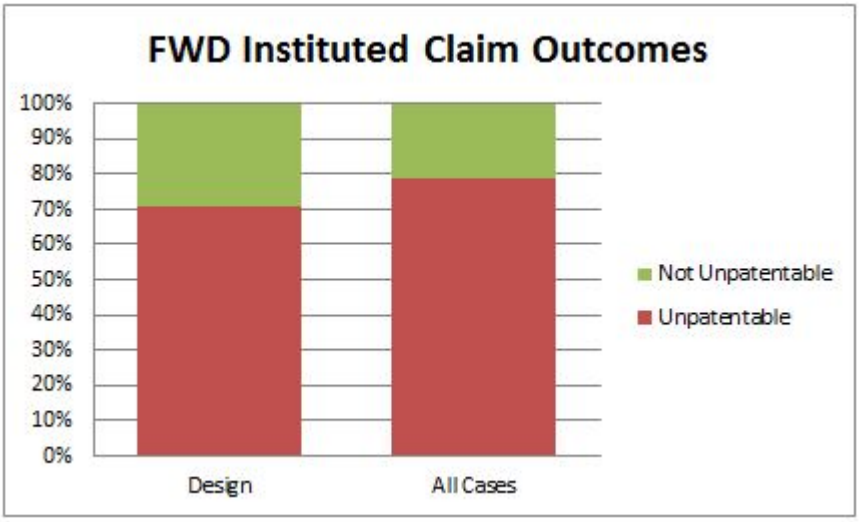




III. Final Written Decision (FWD) Outcomes

A. Claim Cancellation Rate

The instituted claim has been cancelled in 10 of 14 design FWDs (71%). The overall claim cancellation rate is 77%.



B. FWD Ground Type

	FWD Ground Type		
Claim Outcome	102/103	103	Grand Total
Not Unpatentable	2	2	4
Unpatentable	4	6	10
Grand Total	6	8	14

C. FWD Prior Art Type

Trial Number	FWD Ground Type	FWD Prior Art Type
IPR2017-00096	102/103	Patent
IPR2017-00095	103	Patent
IPR2017-00094	103	Patent
IPR2017-00091	103	Patent
IPR2016-00826	103	Patent
IPR2016-00816	103	Patent
IPR2016-00130	102/103	NPL
IPR2015-01453	102/103	NPL
IPR2015-00416	103	NPL/Patent
IPR2015-00306	103	Patent
IPR2013-00580	102/103	Patent
IPR2013-00501	102/103	Patent
IPR2013-00500	102/103	Patent
IPR2013-00072	103	Patent

	FWD Prior Art Type			
Claim Outcome	Patent	NPL	Both	Grand Total
Not Unpatentable	2	2	0	4
Unpatentable	9	0	1	10
Grand Total	11	2	1	14

IV. Technology Areas

Tech Area	#
Footwear	15
Household Items	11
Construction	4
Retail Fixtures	4
Automotive	2
Apparel	1
Aviation	1
Electronics	1
Furniture	1
Gaming	1
Medical Devices	1