

# IPLS P ROCEEDINGS

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## The Uncertain State of Patent Law 10 Years into the Roberts Court

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Since John Roberts was appointed chief justice over 10 years ago, the U.S. Supreme Court has fundamentally depressed the economic value of patents and the investment incentives created by patent protection. Beginning with *eBay, Inc. v MercExchange, LLC*, the court has repeatedly rejected the Court of Appeals for the Federal Circuit’s attempts to increase certainty in patent law. It has now reached the point where one must question whether the Supreme Court’s decisions and current thinking are consistent with the constitutional mandate that patent law should further the progress of “science and useful arts.”

The net result of these decisions is a confused and tumultuous U.S. patent system – the exact opposite of what business leaders, in-house counsel, investors and innovators want and need. Without legal certainty, resources are unnecessarily diverted to guessing at legal outcomes, instead of developing future innovations, while investments in R&D begin to dry up. How we arrived here is directly traceable to key Supreme Court decisions over the past 10 years – as we review these decisions, certain key themes become evident.

First, the Supreme Court has eschewed almost all opportunities to resolve ambiguity in patent law. In *KSR International Co. v Teleflex Inc.* it rejected as too rigid the “teaching, suggestion, motivation” test and replaced it with a “reason to combine” test based on common sense. In *eBay*, it rejected the Federal Circuit’s analysis as too rigid and instead instructed that a court must apply the traditional four-factor test “exercised consistent with traditional principles of equity.” While some flexibility is desirable, with insufficient guidance this results in an abdication of critical analysis for injunctions and raises the spectre of hindsight for obviousness determinations.

Second, the Supreme Court continues to employ vague and undefined notions, such as “abstract concepts,” “natural law or phenomenon,” claims “directed to” ineligible exemptions and “significantly more,” being added by other limitations. These terms have never been adequately defined and no court has been able to define even modestly the term “abstract.” Disappointingly, the Supreme Court clings to vapid terminology based on dicta from its older cases. With biotech cases, the court seems unable or unwilling to apply the plain language of the statute and has grown unduly aggressive on policy issues better left for Congress. These fundamental deficiencies with the court’s Section 101 jurisprudence are adversely affecting high-tech, biotech, pharma and ubiquitous software-implemented technologies.

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# View from the Chair

Members:

Over 1,000 State Bar of Michigan attorneys are member of the Intellectual Property Law Section. The mission of the Section is:

[T]o study the laws and procedures pertaining to federal and state patent, trademark and copyright laws and to promote the fair and just administration of such laws; to study and report upon proposed legislation; to promote the legal education of members of the bar, and the general public on the problems of patent, trademark and copyright law by sponsoring meetings, institutes and conferences devoted to the problems of patent, trademark and copyright law by the preparation and dissemination of pamphlets and brochures with respect thereto and by preparing, sponsoring and publishing legal writings in the patent, trademark and copyright field. IPLS By-Laws, Sect. 2 (revised, July 2015).

In short, the Section aims to provide services to its members, but also to serve the community. Both goals are especially important in light of the role intellectual property plays in our dynamic regional economy. Our Section events provide valuable updates for members and the public, allowing in-depth discussion of the latest developments in IP law. For example, this term the U.S. Supreme Court will be deciding at least eight IP cases, including patent, copyright, and trademark cases. The recent federal Defend Trade Secrets Act has had a significant impact on trade secret strategy and practice. Section events help attendees to stay current with developments like these. The events also provide valuable networking opportunities, allowing attendees to renew friendships and meet new colleagues.

I invite you to plan now to attend two upcoming Section programs:

**First, on Monday, March 13, 2017**, the Section will present its annual Intellectual Property Spring Seminar at the Kellogg Hotel and Conference Center in East Lansing. Once again, the program includes distinguished speakers to give updates on developments in the IP law field. You can register online at [www.icle.org](http://www.icle.org).

**Second, on July 20-22, 2017**, the Section will co-sponsor the 43<sup>rd</sup> Annual Intellectual Property Law Institute. This year we will be returning to the Grand Hotel on Mackinac Island. I am pleased to announce that Hon. Jimmie V. Reyna, of the U.S. Court of Appeals for the Federal Circuit will be a presenter, along with an outstanding program of nationally renowned IP experts.

Finally, as part of our mission to “promote the fair and just administration” of IP law, this issue of *IPLS Proceedings* includes the 2016 Annual Report of the Michigan Patent Pro Bono Project. The Project is a service program of the Section, which appointed a steering committee of distinguished Michigan IP practitioners to lead the planning and launch the effort as part of a nationwide network of regional patent pro bono programs. In its first two years of operation, the Project has provided pro bono patent legal services to seventeen low-income inventors. I want to convey special thanks to the law firms, corporations, and law schools that accepted pro bono clients through the Project in 2016: Dobrusin Law Firm, Fishman Stewart PLLC, Ford Global Technologies LLC, Harness Dickey & Pierce PLC, Kreis Enderle, Price Heneveld LLP, University of Detroit Mercy Law School International IP Clinic, and Wayne State Law School Patent Procurement Clinic.

Thanks for being a member of the IP Law Section. I look forward to seeing you all at a future IP Section event.

—David C. Berry

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Third, in many instances, the court guesses at the optimal economic and innovation policy, despite its inherent lack of expertise in doing so, its inexperience with policy creation and an incomplete factual record. Article III courts are, by their nature, restricted in what information they consider and what their role is in broader policy issues. By basing important policy decisions on unvetted, incomplete information from *amicus* briefs and academic articles, the court is encroaching on Congress's constitutionally structured role of deciding patent policy.

Fourth, the Supreme Court's decisions, together with the America Invents Act, have significantly shifted decision-making powers in patent law. In 1982 Congress established the Federal Circuit to make patent law more certain and uniform. However, recent Supreme Court decisions and the act have radically diminished the Federal Circuit's role in key areas of patent law. The shift raises serious administrative questions about whether the approximately 1,000 district court judges, 260 Patent Trial and Appeal Board (PTAB) judges and over 8,000 patent examiners can correctly and consistently implement patent law when the Federal Circuit's appellate role is confined. Congress never intended this outcome and it further contributes to the unsettled state of patent law.

Fifth, the cases we review here raise the substantial question of whether the Supreme Court is unduly hostile to patents and patent rights. The recent trend suggests that it is anti-patent in an era when patents are more important than ever to economic growth, global competitiveness and job creation.

### Preference for flexible analysis leads to unacceptable confusion

One of the most apparent trends in key Supreme Court patent cases over the past 10 years is its aversion to anything approaching a well-defined test, standard or rule. The court routinely reverts to its preference for flexible tests, much to the dismay of inventors, corporate executives, and investors.

This trend began in 2006 with *eBay*, where the Supreme Court rejected the Federal Circuit's presumption of issuing an injunction once a patent was held valid and infringed. It called for a return to a flexible four-factor test based on discretion without categorical rules – although Justice Kennedy's concurrence suggested otherwise. This spurred categorical denials of injunctions for many patent holders, based on the type of business and patent – precisely the “categorical denial of injunctive relief” that the full court's opinion warned against. That outcome overlooks the long tradition of granting injunctions dating back to the beginning of U.S. patent law. We see no

reasoned rationale as to why district courts have latched onto Kennedy's concurrence instead of Roberts,' which explained that even before the Federal Circuit, the general practice was to grant “injunctive relief upon a finding of infringement in the vast majority of patent cases.”

Injunctions have become much more difficult to obtain. Before *eBay*, a patent owner would be denied an injunction less than 10% of the time once infringement was proven. After *eBay*, more than 25% of patentees are denied a permanent injunction. Even more startling, from 2010 to 2013 a full third of successful patentees were denied an injunction. The downward trend illustrates the decreasing value of valid intellectual property.

The court's preference for flexibility over certainty is even more evident in *KSR* with its rejection of the Federal Circuit's teaching, suggestion, motivation test. The court dismantled Federal Circuit cases which sought to add analytical rigour to the obviousness analysis. Hindsight is the major risk when assessing obviousness – the solution to every puzzle is readily apparent after the pieces are in place. The obviousness analysis, as the Federal Circuit understood, “requires the oft-difficult but critical step of casting the mind back to the time of invention, to consider the thinking of [a person of skill in the art], guided only by the prior art references and the then-accepted wisdom in the field.” Numerous scientific studies have documented the psychological phenomenon of hindsight bias, which causes people to underestimate significantly the challenges faced by someone at a particular time in the past. In other words, our brains are hardwired to apply hindsight unless certain precautions are taken – the Federal Circuit's teaching, suggestion, motivation test attempted to implement such a precaution.

However, *KSR* rendered this test redundant – during oral argument, the late Justice Scalia called it “gobbledygook.” Certain applications of the teaching, suggestion, motivation test may have gone too far in requiring an explicit motivation in a prior art reference, but *KSR*'s common-sense approach has swung wildly in the opposite direction. Many inventions – including almost every mechanical device – can be described after the fact as a common-sense arrangement of their parts. The flexibility espoused by common sense invites hindsight.

More recently, in *Nautilus, Inc v Biosig Instruments, Inc*, the Supreme Court doubled down on flexibility by equating claim clarity with a “reasonable certainty” standard. *Nautilus* held that the definiteness requirement of 35 U.S.C. §112(2) (now §112(b)) is satisfied when the “claims, read in light of the specification delineating the patent, and the prosecution history... inform, with reasonable certainty, those skilled in the art about the scope of the invention.” *Nautilus* correctly

laid to rest an overly lenient “insolubly ambiguous” standard, but the court’s new standard is ironically ambiguous, given that the entire case was about trying to reduce ambiguity in patent claims.

This increasing flexibility in patent law is frustrating. Corporate leaders, innovators, investors, and lawyers are left guessing about the meaning of “reasonable certainty,” “common sense,” “abstract,” and other similar terms. Patent law should be statutory law based on the text of the Patent Act; but with these vague rulings it becomes judge-made common law, decided on a case-by-case basis. This is bad for investment and bad for innovation.

### Patent-eligibility jurisprudence for computer-based inventions hopelessly stuck in past

The most dramatic shift during Roberts’ tenure has been the shrinking scope of eligible subject matter under Section 101. Gone are the days when the court favorably cited the Patent Act’s legislative history, which taught that Section 101 was to “include anything under the sun that is made by man.” Over a mere five years, the court decided *Bilski v Kappos*, *Mayo Collaborative Services v Prometheus Laboratories Inc* and *Alice Corp v CLS Bank International*, laying waste to at least a decade of Federal Circuit precedent relating to computer-based inventions and upsetting the settled expectations and investments of a substantial portion of the U.S. economy.

A correction was due, in part. Through the late 1990s and 2000s, the U.S. Patent and Trademark Office (USPTO) was overwhelmed with Internet-era patent applications. The USPTO lacked sufficient resources to adequately examine applications and identify the prior art. The examination process was unprepared for a deluge of applications in a field lacking a defined nomenclature and searchable prior art. However, these problems related primarily to Sections 102, 103 and 112, not Section 101, and were solved within less than a decade.

As is often said, bad facts make bad law, which brings us to the abysmal status quo of Section 101. The Supreme Court’s decisions exhibit numerous problems. They formalistically apply vague and undefined implied judicial exceptions, such as “abstract” and “law of nature,” taken from *Benson*, *Flook* and *Diehr*, without providing any meaningful elaboration of the terms. The court expresses a preoccupation with the idea that Section 101 must consider pre-emption, apparently without realising that every claim pre-empts what it claims and that Section 112 was enacted specifically to handle overly broad claims. With *Mayo* and *Alice*, the court instituted a formalistic two-step test for satisfying Section 101; but this dissects the claim language, contrary to basic patent principles, and avoids realistic consideration of the underlying objectives of Section 101.

In 2010 *Bilski* held that business methods unconnected to any physical machine are not patentable. *Bilski* affirmed the Federal Circuit, but rejected the appeal court’s sole reliance on the machine-or-transformation test. The Supreme Court returned to its Section 101 jurisprudence of yesteryear and held that the claimed method “can be rejected under [the court’s] precedents on the unpatentability of abstract ideas,” but with little other guidance. In the court’s view, there was no need to “define further what constitutes a patentable ‘process,’ beyond pointing to the definition of that term provided in § 100(b) and looking to the guideposts in *Benson*, *Flook*, and *Diehr*.”

Those guideposts are flimsy and inconsistent, at best. None of the Supreme Court’s earlier cases explained what is meant by “abstract” or “insignificant post-solution activity.” Quoting an 1852 Supreme Court decision, *Benson* states: “A principle, in the abstract, is a fundamental truth; an original cause; a motive; these cannot be patented, as no one can claim in either of them an exclusive right.” However, this adds almost nothing. Even today, more than 40 years after *Benson*, we routinely hear well-informed and intelligent trial court judges lamenting the lack of any definition of “abstract.”

Next came *Mayo*. Although involving a medical diagnostic claim, *Mayo* provided the two-step process for analysing Section 101. First, a court determines whether the claims are directed to a patent-ineligible concept. If the answer is yes, the court asks whether the claim elements “transform the nature of the claim” into a patent-eligible application. This second step, in the eyes of the court, searches for an “inventive concept” (*i.e.*, something “sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself”).

Finally in 2014, *Alice* extended the two-step *Mayo* analysis to all Section 101 determinations. Some had thought (or hoped) that *Mayo* would be confined to diagnostic-type claims reciting laws of nature, but the *Alice* court made clear that the *Mayo* framework applied to computer-based claims as well. *Alice* also held that the system and computer-readable medium claims were patent ineligible because they recited “purely functional and generic” hardware or storage limitations.

With the trio of cases decided and the *Benson-Flook-Diehr* trio resurrected, computer-based patents have suffered significant casualties. As noted above, many of these patents issued during a period when the USPTO lacked the resources to adequately examine certain types of patent application, so in many instances their invalidation or cancellation is correct. However, the way that the court approached this task has left major unresolved questions.

The Supreme Court’s decisions have elevated the judicial exceptions to Section 101 to such a prominent role that the focus is no longer on the words of the statute. Instead, courts look first to these fuzzy terms, trying to divine what is meant



by law of nature or something more. This is an exceptional development because the modern Supreme Court, led by the late Scalia, has generally championed textualism – focusing on statutory texts – as the preferred way to understand the scope of a statute such as Section 101.

However, with the implicit exceptions, the inquiry drifts from the text into the nebulous area of laws of nature, natural phenomena and abstract ideas. In theory, “implicit exceptions” sounds scholarly, but the mystery is how it translates into the real world. In-house counsel need to understand whether to invest resources in patent families. Pharmaceutical companies need to understand the future value of a proposed product line. Technology companies need to know whether they can protect their next great ideas. All of this becomes exponentially more difficult when intellectual property is subject to the vagaries of “implicit exceptions.”

The court’s recent cases also suggest that Section 101 is better equipped to evaluate patent claims than Sections 102, 103 and 112. In *Mayo*, the court rejected “the Government’s invitation to substitute §§ 102, 103, and 112 inquiries for the better established inquiry under § 101.” The court wrote that “to shift the patent-eligibility inquiry entirely to these later sections risks creating significantly greater legal uncertainty, while assuming that those sections can do work that they are not equipped to do.” However, the court’s statement merely assumes its conclusion and offers no real support for its position.

If anything, Sections 102 and 103 are generally much better suited for ensuring that patents are issued only for inventions that promote the progress of the useful arts. The novelty and non-obviousness inquiries require factual records to be developed prior to invalidating a patent. Developing facts before invalidating a property right minimises the risk of hindsight.

Section 112 better addresses the court’s concern with pre-emption. If an inventor makes a fundamental discovery in a field, should not that inventor have the exclusive right to the discovery, as long as the inventor provides sufficient detail and teaching in the patent? By doing so, the inventor stakes out a large swathe of intellectual property, but also tells others how to practise the claimed invention and identifies the subject matter as fruitful for additional research and development. Of course, the court’s concern about pre-emption necessarily rests on the premise that a patent owner will obtain an injunction, but *eBay* has made this far less likely.

In the end, a fundamental unanswered question is: to what extent are computer-based inventions patentable? The Federal Circuit, the district courts and the USPTO are trying to translate Supreme Court cases into meaningful guidance, but they are struggling. This is a critical issue as we enter a time of phenomenal growth of knowledge and information technology. The U.S. economy and our daily lives depend

more on computers than ever before and this trend will only continue. The Internet of Things, self-driving cars, computers that directly interface with the human brain, artificial intelligence and automated three-dimensional printing are just a few of the computer-based technologies currently being developed and commercialised. Corporate leaders, innovators and investors are owed much better guidance about the scope of patent eligibility under Section 101.

## Biotechnology

Biotechnology patents have presented another significant challenge to the Supreme Court. Its difficulties stem from the scientific complexities, the lack of clear legal guidance on patent eligibility and the continued invocation of undefined “judicial exceptions” to Section 101. The current status is troubling because the U.S. biotechnology industry – one of the most successful in the world – needs clear legal rules for patent protection.

The court’s challenge originates to at least the beginning of the biotech revolution. The era of genetic engineering began in 1973 when scientists discovered that they could engineer bacteria by inserting specific genes – including human genes – into the genome, revolutionising biotechnology and eventually transforming everyday life.

In 1980 the Supreme Court had to decide in *Diamond v Chakrabarty* whether one could patent a bacterium genetically engineered to digest crude oil, or in other words, whether “the creation of a live, human-made organism [is] patentable under Title 35 U.S.C. Section 101.” While the court agreed that it could be patented, it was close – a five-to-four decision – and the majority’s reasoning did little to clear the muddied patent-eligibility waters.

The court focused in part on the statutory terms “manufacture” and “composition of matter.” The majority explained that the claim covers “a nonnaturally occurring manufacture or composition of matter – a product of human ingenuity ‘having a distinctive name, character [and] use.’”

However, in doing so it held firm to undefined judicial exceptions, reiterating that “the laws of nature, physical phenomena, and abstract ideas have been held not patentable.” Of course, nothing in the text of Section 101 speaks to these exceptions. Even in 1948 Justice Frankfurter recognised that “such terms as ‘the work of nature’ and the ‘laws of nature’... are vague and malleable terms infected with too much ambiguity and equivocation.” His words crystallised the problem with these judicial exceptions as applied to biotechnology inventions: “Everything that happens may be deemed ‘the work of nature,’ and any patentable composite [*sic*] exemplifies in its properties ‘the laws of nature.’”

Some 30 years after *Chakrabarty* – and after *Bilski* and *Mayo* had been decided – the court’s next confrontation with a biotech invention was the famous (or infamous) gene patent case *Association for Molecular Pathology v Myriad Genetics, Inc.* In May 2009 the American Civil Liberties Union filed a lawsuit challenging patents directed to cancer-related human genes. By the time the case reached the Supreme Court, the four-word issue presented was perhaps the shortest ever: are human genes patentable?

The court’s unanimous answer was: no, they are not. In certain respects, *Myriad* was a closer case than *Chakrabarty*, where the inventor had undoubtedly created a novel composition of matter. In contrast, “Myriad did not create anything,” in the court’s view. Myriad “found an important and useful gene, but separating that gene from its surrounding genetic material is not an act of invention.” The court held that it fell short of being an invention because it identified a mere product of nature.

However, the decision raises an important question. If an inventor expends extraordinary time and resources to discover a new biotech material in a novel form, should that not satisfy the statutory language of a “composition of matter?” Through those efforts the inventor identified the new composition for the public’s benefit and added to the public storehouse of knowledge (unless it was obvious, of course). The patent system is structured to incentivise this type of innovation-seeking work. Should the inquiry not be whether it is obvious, instead of relying on an undefined judicial exception? The *Myriad* court never addressed these issues, instead relying on a rote invocation of the product of nature doctrine.

Notwithstanding its questionable reasoning, the outcome in *Myriad* was correct but, for a different reason. Unlike any other chemical compound, DNA stores information and the genetic information found in the DNA sequence of a gene is what matters. Controlling the structure and sequence essentially controls all information about the gene and all potential uses of the gene. Unfortunately, *Myriad* avoids the necessary in-depth analysis of DNA’s information-encoding role and instead relies on the judicially created product of nature doctrine.

*Myriad* did at least recognise that certain gene-related inventions may be patentable under Section 101. Many of the unchallenged claims, the court observed, were limited to “new applications of knowledge about the BRCA1 and BRCA2 genes.” While the genes themselves were not patentable, the court strongly hinted that some inventions using the genes likely were. Unfortunately again, though, the court created more questions than answers. Are gene-based diagnostics patentable? Are gene-based therapeutic methods patentable? To what extent does Section 101 allow patents on new gene technologies, such as CRISPR (a new technique for editing an organism’s genome, which will almost certainly win the Nobel

Prize)? Or are all of these subject to the whim of undefined judicial exceptions?

### *Supreme Court declines to repair harm*

With crucial questions left in the wake of *Myriad* and the other Section 101 cases, it was no surprise when another biotech eligibility case, *Sequenom v Ariosa*, quickly reached the Supreme Court. What was surprising, and disappointing, was its decision to pass on the case.

*Sequenom* was an ideal vehicle for the court to answer the lingering Section 101 questions. The inventors had determined that, contrary to conventional wisdom, one could analyse paternally inherited cell-free DNA of a fetus from the mother’s blood during pregnancy. Doctors could use this new method to perform genetic tests on an unborn child without having to carry out a risky amniocentesis procedure. The claimed method, according to the undisputed evidence, was a significant and widely praised breakthrough.

Even with these facts, the patent owner lost before the Federal Circuit, which affirmed invalidity under Section 101 using opaque reasoning. The case quite plainly “involve[d] patents on new applications of knowledge about” particular genes – precisely the type the Supreme Court had distinguished in *Myriad* as likely being patent-eligible. There was no concern about pre-emption, to the extent that should be relevant under Section 101. Doctors could obtain essentially the same genetic testing information using either the claimed method or the old amniocentesis method. The inventors had devised a new and safer medical diagnostic test – precisely the type of improvement the patent system is designed to encourage.

Many hoped – and indeed expected – the Federal Circuit to review the case *en banc*. However, it did not, perhaps still feeling the sting of being twice rebuked by the Supreme Court in *Myriad*. Even so, the *en banc* denial revealed major disagreement among the judges, a manifestation of the ambiguous guidance from the Supreme Court. Judge Dyk, although concurring in the rehearing denial, “worr[ie]d that method claims that apply newly discovered natural laws and phenomena in somewhat conventional ways are screened out by the *Mayo* test.” With favorable facts, a fractured Federal Circuit and broad *amicus* support, *Sequenom* seemed destined for Supreme Court review; but for whatever reason, the court left untouched the turmoil in biotech patent law.

At the time of writing, it is simply impossible to predict accurately where the Supreme Court will draw the Section 101 line for any biotechnology invention, which could have costly and detrimental consequences for the biotech industry. The court’s repeated invocation of undefined “implicit judicial exceptions” has created this legal limbo, with it repeatedly “conced[ing] that the category of nonpatentable ‘[p]henomena of nature,’ like the categories of ‘mental processes’

and ‘abstract intellectual concepts,’ is not easy to define.” In more confessional terms, *Flook* acknowledged that “[t]he line between a patentable ‘process’ and an unpatentable ‘principle’ is not always clear.” If the current trend continues, we should not be surprised to see a Section 101 opinion invoking Justice Potter Stewart’s description of hard-core pornography: “I shall not today attempt further to define the kinds of material I understand to be embraced within [Section 101]; and perhaps I could never succeed in intelligibly doing so. But I know it when I see it, and the [patent] involved in this case is not that.”

#### *Unelected policy makers with incomplete information*

The current Supreme Court also has an unnerving preoccupation with policy considerations, much more so than past courts. In our view, these policy arguments about the scope of Section 101 should be directed to Congress, not the courts. The Supreme Court used to agree.

When *Chakrabarty* was decided, advocacy groups were urging a ban on the new gene technology, based on safety and ethical concerns. While those arguments made their way to the Supreme Court, it wisely rejected these entreaties, responding: “The choice we are urged to make is a matter of high policy for resolution within the legislative process after the kind of investigation, examination, and study that legislative bodies can provide and courts cannot.” “Whatever their validity,” the court observed, “the contentions now pressed on us should be addressed to the political branches of the Government, the Congress and the Executive, and not to the courts.”

The current Supreme Court, in contrast, seems smitten with policy arguments advanced in *amicus* briefs, but lacking any rigorous evaluation or factual support. For instance, Justice Breyer invoked “special public interest considerations” in 2006 when he urged that the court should have invalidated a medical diagnostic patent under Section 101 instead of dismissing the case as improvidently granted. Breyer, joined by Justices Stevens and Souter (now both retired), baldly asserted that a failure to invalidate the patent “may inhibit doctors from using their best medical judgment,” without any evidentiary support.

The legal uncertainty also directly and adversely affects biotech businesses and innovation. Prior to its recent acquisition, Sequenom’s stock had lost more than 80% of its market capitalisation (based on its 2015 high). Other biotech companies face similar threats to their fundamental business models, premised on certain long-accepted understandings of what advances could be patented. Investors are left questioning the value of biotech companies whose primary asset is their intellectual property

The legal chaos similarly disrupts the USPTO and the patent application process. Biotechnology patent applications receive an increasing number of Section 101 rejections, many of which are extreme overextensions of the law. The USPTO

has had to provide shifting guidance to its examining corps on how to apply the Supreme Court’s Section 101 decisions. While the USPTO’s effort is laudable, its suggestions at times have been questionable.

At one point, the USPTO made the incredible assertion that gunpowder would not be patent eligible under the new interpretation of Section 101. In the USPTO’s view, gunpowder – “a mixture of three naturally occurring materials: potassium nitrate, sulfur and charcoal” – cannot be patented as it is “not markedly different’ from naturally-occurring materials, ‘because none of the components have been changed.’” To be clear, the USPTO was basing this new policy on Section 101, not on Section 102 or 103.

The USPTO’s position was met with shock and disbelief. It wisely changed course, but the mere fact that it could advance such an absurd position reflects the confusion sown by the Supreme Court. Gunpowder is indisputably a composition of matter, yet ambiguous implicit exceptions to clear statutory text hijacked the USPTO’s legal analysis.

Now we hear vocal calls for amendment to Section 101. It may indeed be time for an amendment in order to protect valuable biotech inventions, although the need for any amendment stems not from any textual deficiency, but from a continued invocation of undefined judicial exceptions which are vague and malleable and infected with too much ambiguity and equivocation.

#### **Shift frustrates Congress’s plan for uniformity and certainty in Patent Law**

Even with the current turmoil in substantive patent law, an equally concerning trend is the significant shift in the locus of decision-making power for patent law. Almost 35 years ago, Congress enacted the Federal Courts Improvement Act, establishing the Federal Circuit, with the objective to add uniformity where it was sorely needed. For many years the Federal Circuit did exactly this. However, with recent Supreme Court decisions and the enactment of the Leahy-Smith America Invents Act of 2011, we are likely to see less uniformity and certainty.

#### *America Invents Act compounds confusion*

The America Invents Act has completely changed the calculus of patent rights and their value. Post-grant proceedings under the act, at first blush, seemed not too different from re-examinations, but then the wave of early invalidations earned the PTAB the nickname of the ‘death squad.’ The sobering statistics reveal a high invalidation rate, although more recent numbers indicate a lowering of the invalidation rate.

The act’s least noticed but most significant impact is the way it has diminished the Federal Circuit’s role in assessing obviousness of patented inventions. Obviousness under Section 103 is the primary basis for requesting review and cancelling



claims in America Invents Act proceedings. Obviousness is a fact-intensive inquiry and the Federal Circuit reviews factual findings of an obviousness analysis for substantial evidence, which is a very deferential standard of review. Under this standard, the Federal Circuit will rarely overturn the PTAB's factual findings because the litigating parties (*i.e.*, petitioner and patent owner) will almost certainly offer some evidence to support a finding. The rare case will be when the board applies the wrong legal standard (*e.g.*, in assessing reasonable expectation of success or an incorrect claim construction). In short, the Federal Circuit will have to affirm the vast majority of board decisions of obviousness in America Invents Act proceedings, and we expect to see more non-precedential opinions and summary affirmances by the Federal Circuit, allowing the PTAB to run unchecked.

This consequence is troubling because America Invents Act proceedings have limited discovery, almost no live testimony and an illusory ability to amend claims. The reduced scope of discovery compared to district court litigation is generally a positive feature, but discovery in America Invents Act proceedings is so limited that it runs the risk of missing important information. Most participants also agree that the ability to amend claims is so limited that one has better odds of getting struck by lightning.

The lack of live testimony during an America Invents Act proceeding is a critical deficiency which the PTAB should remedy. Patent disputes are often battles between expert witnesses and the only way for a judge to assess a witness's credibility is to listen to the expert testify in person. There can be a world of difference between an expert's written report, an expert's testimony during deposition and an expert's final testimony in open court. Unfortunately, the PTAB almost never grants permission to hear live testimony. Its new rules – effective since May 2016 – may permit live testimony more frequently, although the USPTO still “does not expect that such live testimony will be required in every case where there is conflicting testimony.”

Other Supreme Court decisions have added to the diminished role of the Federal Circuit in ensuring patent uniformity. In *Teva Pharmaceuticals USA Inc v Sandoz, Inc*, the Supreme Court held that questions of fact within claim constructions must be reviewed for clear error, not *de novo*. This is certainly the correct decision, as it was a complete fiction to view claim construction as an entirely legal issue. However, it dramatically changes the claim construction legal landscape because the factual records on claim construction will likely differ between, say, a district court litigation and an *inter partes* review (where no live testimony is permitted). Will the Federal Circuit have to defer to the different factual findings and accept inconsistent claim constructions on appeal? If so, this will

contribute further to incongruities in patent law. Have we returned to the pre-Federal Circuit days where a patent will be upheld in one tribunal and struck down in another?

The Supreme Court's decision in *Cuozzo Speed Technologies, LLC v Lee* and its affirmation of the broadest reasonable interpretation during America Invents Act proceedings will similarly lessen the Federal Circuit's impact on patent law. *Cuozzo* validates the USPTO's implementation of the broadest reasonable interpretation during America Invents Act proceedings, much to the dismay of many patent owners. While claim construction is reviewed *de novo*, the USPTO will likely have significant leeway in assessing the broadest reasonable interpretation. Moreover, as discussed above, we may see instances in which the claim construction at the USPTO differs from that in the district court, although this should happen only rarely, when there is prosecution history disclaimer under the *Phillips* approach.

The Supreme Court's decisions in the attorneys' fees and enhanced damages cases – *Octane Fitness LLC v Icon Health & Fitness, Inc.*, *Highmark Inc v Allcare Health Management Systems* and *Halo Electronics, Inc v Pulse Electronics, Inc* – will also shift some influence from the Federal Circuit to district court judges. This is not a wholly negative outcome in these specific cases and this approach conforms to the statutes. District court judges know the most about the parties litigating the cases and are well positioned to reward or punish certain conduct.

We are not saying that these cases are wrongly decided. Quite the contrary, it appears that *Cuozzo*, *Teva*, *Octane Fitness*, *Highmark* and *Halo* were all correctly decided as legal matters. The key takeaway is that the combined effect of these decisions is twofold. First, the rulings diminish the Federal Circuit's role in reaching the correct decision. In other words, the Federal Circuit may disagree with the particular outcome, but the outcome will have to stand based on the statute and the standard of appellate review. Second, we should expect more variance in patent law. For instance, there may no longer be a single correct claim construction when cases reach the Federal Circuit. Similar circumstances may lead to an attorneys' fees award in one case, but not in another case with similar facts.

### Is Supreme Court anti-patent?

All of this raises a fair question: is the Supreme Court unfairly anti-patent? Is it biased in believing that patents, while laudable in theory, are misguided in reality and inhibit innovation more than advance it? It may not be explicit in its decisions, but the Roberts' court has displayed a palpable distrust of patents.

*eBay* exemplifies this distrust. Kennedy's concurrence in this case presumes that certain companies, such as non-practising entities, are categorically less deserving of an injunction



than others. However, U.S. patent law has long rejected any working requirement, so the mere fact that a patent owner does not practise the invention should be of little moment. Even Justice Thomas's opinion for the court recognised that "some patent holders, such as university researchers or self-made inventors, might reasonably prefer to license their patents, rather than undertake efforts to secure the financing necessary to bring their works to market themselves."

Kennedy also expressed consternation that a possible injunction could be a bargaining tool to obtaining higher licensing fees from an infringer. But what else is a patent but a bargaining tool to reach a financial arrangement? Scholarship by Professor Adam Mossoff and others describes the vibrant marketplace for patent rights which developed during the 19th century.

Other decisions have continued the theme of questioning the societal value of patents. In *Microsoft Corp v i4i Ltd. Partnership*, the Supreme Court upheld the clear and convincing standard needed to invalidate a patent in court; yet Breyer, joined by Scalia and Alito, wrote: "By preventing the 'clear and convincing' standard from roaming outside its fact-related reservation, courts can increase the likelihood that discoveries or inventions will not receive legal protection where none is due." In *Halo*, Roberts, writing for the Supreme Court, legitimised the use of the pejorative term "patent troll:" "Trolls, in the patois of the patent community, are entities that hold patents for the primary purpose of enforcing them against alleged infringers, often exacting outsized licensing fees on threat of litigation." Breyer's *Halo* concurrence, joined by Kennedy and Alito, focused on supposed bad actors that send "tens of thousands" of demand letters, suggesting that businesses will more often settle than fight and thus increase the likelihood that "a patent will reach beyond its lawful scope to discourage lawful activity."

Not every statement from the Supreme Court is anti-patent, but the current court rarely highlights the positive contributions of the U.S. patent system. If the court's analysis considers the effects of the patent system, it is almost uniformly emphasising the anti-competitive harm assumed to be caused by patents, rather than recognising how the patent system encourages innovation and the disclosure of ideas.


## Conclusion

The Supreme Court, it seems clear, will not fix the problem because it is mired in its own ancient dicta. Instead, Congress and the USPTO will have to rectify the current situation, aided by guidance from corporate leaders, inventors and the investing community.

## Action plan

In view of the trend in Supreme Court cases, the court itself is unlikely to be the source of the necessary fixes to the identified problems. Many of the potential solutions are rooted in policy issues better suited for the legislative and executive branches. Moving forward, innovator companies, investors and inventors will have to lobby Congress and the U.S. Patent and Trademark Office (USPTO) to enact statutory amendments and adopt rule changes to ensure that patent rights will again provide the proper legal protections and business incentives.

Industry leaders, investors and inventors should consider the following points as they formulate a plan to address the current situation:

- Amend 35 U.S.C. §101 to recognise that a patent claim with a physical aspect or element necessarily satisfies patent eligibility – this would include computer-implemented methods.
- Implement statutory and procedural changes in America Invents Act proceedings to reduce the risk of producing conflicting outcomes compared to district court litigation.
- For injunctions, a statutory amendment could prohibit discrimination based on whether the patent owner invented or practises the claimed invention or mandate that a court not consider as a factor whether the patent claims only one component of a multi-component product.
- Obviousness will always be a difficult assessment, but courts must be particularly cognisant of the inherent risk of hindsight bias.
- Finally, while beyond the scope of this article, the USPTO must have the necessary resources to ensure that the patent examination process allows valid patent claims and rejects invalid claims. 

*This article first appeared in IAM issue 80, published by Globe Business Media Group - IP Division. To view the issue in full, please go to [www.iam-media.com](http://www.iam-media.com).*

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# Michigan Patent Pro Bono Project

## A Service Project of the State Bar of Michigan Intellectual Property Law Section

### 2016 Annual Report

#### Summary

The Michigan Patent Pro Bono Project addresses the unmet need for patent legal services in Michigan by matching low-income inventors and innovators with volunteer patent attorneys. In 2016, the Project received requests for legal services from 35 persons. Of these, seven were placed with volunteer attorneys and three more were placed with law school patent clinical programs. Several outreach programs introduced the Project to the community and attorneys.

#### Organization

On September 17, 2015, the State Bar of Michigan Intellectual Property Law Section (“IPLS” or “Section”), formally amended its by-laws to establish the Project as a standing committee of the Section. The Section Council appointed a Steering Committee, chaired by David Berry, the 2016-2017 Section chair. The Steering Committee for 2016 included the following people:

- Frank Angileri, Brooks Kushman
- John S. Artz, Dickinson Wright
- David Berry, Brooks Kushman/Wayne State Law School
- Sharon Brady, Formerly Dow Corning
- William Coughlin, Ford Global Technologies
- Denise Glassmeyer, Young Basile
- Fernando Alberdi and Matthew Szalach, Honigman
- John Guenther, Dykema
- Stephen Olson, Harness, Dickey & Pierce
- Karl Ondersma, Gardner Linn Burkhardt & Flory
- Norman Sims, Dobrusin Law Offices
- Michael Stewart, Fishman Stewart
- Adam Strauss, Stryker Corporation
- John VanOphem, VanOphem IP Law

During 2016, the Section recognized Denise Glassmeyer, Sharon Brady, and Norm Sims for their efforts in launching the Project at the 2016 Spring Intellectual Property Seminar in East Lansing.

#### Operation:

**Funding.** The Project’s operating costs are limited to the cost of additional insurance premiums to include the Project

in the State Bar of Michigan’s pro bono policy, and expenses associated with promoting the Project. The Section is currently holding funds representing excess sponsorship donations relating to the Gala Reception to celebrate the opening of the Elijah McCoy Regional U.S. Patent Office on July 12, 2012, and those excess donations are earmarked for the pro bono effort. During 2016 SBM fiscal year, \$2,471.53 in Project-related expenditures were approved by the IPLS Council.

Ongoing operating expenses for the Project are minimal. The SBM Pro Bono Initiative provides administrative support services at no cost to the Project. Currently, there is no immediate need for the Project to secure additional start-up or operations funding.

During 2016, Landon-IP, a division of CPA Global, volunteered to provide pro bono patentability search reports to Project clients. Once a request for pro bono assistance with the filing of a non-provisional patent application has been approved by the Screening Committee and accepted by a participating volunteer attorney, the attorney can ask Landon IP to perform a patentability search on a pro bono basis. Landon IP performs a focused patentability search and provides a feature matrix deliverable with a one-week turn-around. Details of this generous assistance are described on the attached summary.

**Clients Served.** Since the Project launch, a screening committee has worked with the PBI to screen applicants based on their legal needs and available program resources. The following attorneys served on the committee: Sharon Brady, Denise Glassmeyer, Norm Sims, Robert Mathis (PBI), and David Berry. During 2016, Dan Aleksynas (Dobrusin Law Offices) replaced Norm Sims on the Screening Committee.

#### During 2016:

Applications for assistance submitted: ...	35
Applicants placed: .....	10
(Two applicants applied in late 2015 and were placed with a volunteer attorney in 2016.)	
7 with volunteer attorneys	
3 with law school clinical programs	
Reasons for not accepting applicants:	
No application filed with USPTO .....	17
Over income .....	7
Client not responsive.....	2
Not a patent issue.....	1
Not a Michigan resident.....	0

Since launch of the Project in 2014, 77 applications have been received for assistance, and 17 clients have been placed with volunteer attorneys at firms or other organizations.

The following firms/organizations accepted pro bono referrals through the date of this report (those accepting clients in 2016 are in **bold**.)

- Brooks Kushman PC
- **Dobrusin Law Firm**
- Gifford Krass/Dinsmore & Shohl
- **Fishman Stewart PLLC**
- **Ford Global Technologies LLC**
- **Harness Dickey & Pierce PLC**
- **Kreis Enderle**
- **Price Heneveld LLP**
- **University of Detroit Mercy Law School International IP Clinic**
- **Wayne State Law School Patent Procurement Clinic**

**Coordination.** The Project closely coordinates its operations with the USPTO and a national association of regional patent pro bono programs. The USPTO has collaborated with regional IP law associations to establish a network of 20 regional programs, servicing low-income inventors in all 50 states. David Berry serves on the Board of Directors of the Pro Bono Advisory Council, a non-profit corporation which provides support, coordination, and educational services to the regional programs.

**Promotion.** During 2016, the following public programs and communications have introduced the program to the public and interested attorneys:

- PBAC Advisory meeting at the U.S. Court of Appeals for the Federal Circuit, Washington, D.C., hosted by Hon. Jimmie V. Reyna (April 7, 2016).
- Two presentations at Small Business Legal Academy 2016, held at Wayne State Law School in conjunction with 2016 Detroit Entrepreneur Week (DEW16) (May 7, 2016).
- Michigan Inventors Entrepreneurs Coalition, 4<sup>th</sup> Annual Innovate MI Event, Lansing (September 7, 2016).
- The Project is collaborating with the Michigan IP Inn of Court to produce a short video production with basic information about IP law and a listing of resources available to low income innovators, including the Project.
- 16th Annual Collaboration for Entrepreneurship (ACE'16), Southfield (January 26, 2016).
- USPTO Midwest Regional Seminar: "Seminar for Startups: Protecting Your Intellectual Property," MSU Technology Innovation Center, East Lansing (September 8, 2016).

- Wayne State Law School, Pro Bono Opportunities Panel Presentation, Detroit (October 25, 2016).
- In addition, detailed information concerning the Project, online application forms, and links to additional information are located on the State Bar of Michigan website ([connect.michbar.org/iplaw/patent](http://connect.michbar.org/iplaw/patent)).
- Additional links to the Project are located on the USPTO website (<http://www.uspto.gov/patents-getting-started/using-legal-services/pro-bono/patent-pro-bono-program>) and the Federal Circuit Bar Association website.
- The Project was featured in an article published in the Michigan Bar Journal, "New Pro Bono Opportunities for Michigan IP Attorneys," (Feb 2016), co-authored by Jennifer McDowell (USPTO Pro Bono Coordinator), David Berry, Robert Mathis, and Shivangee Pandya (Creative Many Michigan).

**Coordination with Other IP Resources.** In addition to coordinating with law firms and in-house law departments, the project has coordinated with other IP legal resources. It has referred inquiries involving non-patent IP legal issues to Creative Many of Michigan, which operates the Lawyers for the Creative Economy ("LCE") program. It has referred clients to USPTO-certified law school patent clinical programs at Wayne State University Law School and University of Detroit Mercy Law School. ?





# Darmok and Jalad in District Court

## The Battle Over the Linguistic Use of Trademarks

By Bryan Wheelock

In “Darmok,” the 102<sup>nd</sup> episode of *Star Trek: The Next Generation*, the crew of the *Enterprise* was confounded by their inability to communicate with the Tamarians. On the surface of El-Adrel, Dathon, the Tamarian captain, repeats the phrase “Darmok and Jalad at Tanagra” to Captain Picard. It took most of the episode for the *Enterprise* crew to deduce that Tamarian communication is entirely based on metaphors from Tamarian folklore. A lawyer, trained in the application of legal precedent (a particular form of metaphor), might have more quickly deciphered the Tamarian language, and saved Captain Dathon, but lawyers are (disturbingly) sparse in the 24<sup>th</sup> Century. Trademark lawyers often communicate in their own metaphorical language, arguing the DuPont Factors<sup>1</sup>, or the *Walmart*<sup>2</sup> distinction between product configuration and packaging configuration, or functionality under *Traffix*.<sup>3</sup> So to, metaphors enrich our everyday speech, allowing us to colorfully convey complex thoughts and images with a few words imbued with special, shared meanings.

We know trademarks to be source identifiers, allowing consumers to repeat a prior satisfactory experience based upon the presence of mark. Trademarks also have an expressive meaning. A trademark communicates not only with consumers, but among consumers. Why are brands displayed on the exterior of so many consumer products? This is not necessary for their function as a source identifier, but so that a consumer can use the trademark to communicate with other consumers – maybe it’s something like: “look at me, I have what the cool people have” or perhaps “look at how much I can afford to spend on a shirt.” Trademark owners benefit from this expressive use as well because it can drive demand for their branded products.

As messengers of both their owners and their consumers, trademarks are especially evocative. They have been endowed by their owners with carefully cultivated meanings through advertising. Their message is amplified by consumers who wear or carry the marks as living billboards. Trademarks are an integral part of the modern world, and are essential tools for realistically depicting that world and communicating about it. Having voluntarily exposed their marks to the world, and profited therefrom, what right should the owner of a mark have to control expressive, non-trademark uses of the mark?

### Depicting the Real World

Trademark owners have not been successful in suppressing incidental expressive use of their trademarks in literary and dramatic works to depict the real world. Gottlieb was denied

relief for Paramount’s incidental inclusion of Gottlieb’s Silver Slugger pinball machine in the background of a scene in the movie *What Women Want*.<sup>4</sup> The Court found that no viewer of the film would find from the fleeting appearance that Paramount sponsored the pinball machine, or that Gottlieb sponsored the film.<sup>5</sup> The court further found that no consumer decision would likely be affected by the appearance in the film, and that there was no evidence Paramount intended to capitalize on the good will associated with Gottlieb’s marks.<sup>6</sup> The Court also found that the notion that any viewer would think less of Gottlieb because of the brief appearance of its product “absurd.”<sup>7</sup> Finding no allegation that the use would cause consumer confusion, or that Paramount was motivated by an intent to free ride on the Gottlieb’s goodwill, the court dismissed the action.

Even where the product is used more prominently, there is no trademark cause of action where there is no attempt to free ride. Caterpillar was denied a preliminary injunction against Disney’s depiction of the villains using branded, real Caterpillar bulldozers to destroy the jungle in the movie *George of the Jungle 2*.<sup>8</sup> The court found that Disney’s actions did not fit within the statutory definition of infringement.<sup>9</sup> Caterpillar’s assertion that the use of its products and trademarks without authorization resulted in unfair competition was unsettling to the court because the appearance of products bearing well known trademarks in cinema and television was a common phenomenon.<sup>10</sup> In any event, the court found the absence of any free riding by Disney on Caterpillar’s goodwill made it unlikely that Caterpillar would succeed in its unfair competition claim.<sup>11</sup> The court also rejected the assertion that Disney’s use diluted Caterpillar’s marks by disparagement, finding even the most credulous viewer would understand that Caterpillar’s bulldozers were merely the inanimate implements of the villains, and thus presumably not bad themselves.<sup>12</sup>

In *Mil-Spec Monkey, Inc. v. Activision Blizzard, Inc.*,<sup>13</sup> the district court granted summary judgment that Activision’s depictions of an angry monkey morale patch in its military video games that was similar in appearance to Mil-Spec’s Angry Monkey morale patch was protected by the First Amendment, and did not constitute trademark infringement. The court found that a video game was an expressive work, noting that like the protected books, plays, and movies that preceded them, video games communicate ideas—and even social messages—through many familiar literary devices (such as characters, dialogue, plot, and music) and through features distinctive



to the medium (such as the player's interaction with the virtual world).<sup>14</sup> Because the game was entitled to First Amendment Protection, the court followed Ninth Circuit precedent and applied the *Rogers* test.<sup>15</sup> The court found that the moral patch bore some level of artistic relevance to the game,<sup>16</sup> and was not expressly misleading,<sup>17</sup> and thus its use was protected and could not constitute trademark infringement. This was consistent with the Ninth Circuit decision in *E.S.S. Entertainment 2000, Inc., v. Rock Star Video, Inc.*,<sup>18</sup> where the Ninth Circuit held that the depiction of a Pig Pen strip club similar to plaintiff's Play Pen Gentlemen's Club was protected by the First Amendment.

#### Misuse of Branded Products

Trademark owners have also been unsuccessful in preventing misuse of their branded products in literary and dramatic works, at least where the misuse was clearly a defect embodied by the misuser, and not the product.<sup>19</sup> In *Dickie Roberts: Former Child Star*, Paramount depicted a former child star (played by David Spade) misusing Wham-O's Slip-and-Slide toy while trying to experience the typical childhood activities he missed growing up. The court found no dilution of Wham-O's marks because the depiction made the marks no less distinctive, and the misuse of the product was so apparent that it would not reflect on Wham-O's marks.<sup>20</sup> The court also found no likelihood of confusion that could be the basis for trademark infringement or unfair completion.<sup>21</sup> According to the court, the use of Wham-O's marks in the movie constituted a nominative fair use, noting that they were not highlighted so as to exploit their value – a similar observation to the *Caterpillar* free ride analysis.<sup>22</sup>

#### Metaphorical Use

A brand is used metaphorically when it used not to literally identify its associated product or service, but instead as a symbol of the attributes of the product or service. This can be just as unsettling to the brand owner, but is it actionable?

#### Artistic Metaphor

It is one thing to use a mark to truthfully identify the mark owner's product, but what happens when a mark is used not just to refer to the mark holder's product (as in *Caterpillar* and *Wham-O*), but metaphorically? If Paul Simon sang about "color film" could it possibly have had the same impact as "Kodachrome"? We still talk about the "Cadillac" of an industry, and we describe ineffectiveness as putting a "Band-Aid" on a major problem. The mainstream media mocked President Reagan's strategic defense initiative as "STAR WARS."<sup>23</sup> These uses of third-party's trademarks effectively communicated complex ideas in a few words.

#### Movie Titles

In *Rogers v. Grimaldi*<sup>24</sup> the Second Circuit affirmed sum-

mary judgment in favor of the producers and distributors of the motion picture "Ginger and Fred," that they did not violate the Lanham Act, 15 U.S.C. §1125(a) (1982), or infringe Ginger Rogers' common law rights of publicity and privacy. Although the Second Circuit rejected the absolute privilege applied by the district court, the Second Circuit recognized the importance of expressive communications in the context of movie titles:

Though First Amendment concerns do not insulate titles of artistic works from all Lanham Act claims, such concerns must nonetheless inform our consideration of the scope of the Act as applied to claims involving such titles. Titles, like the artistic works they identify, are of a hybrid nature, combining artistic expression and commercial promotion. The title of a movie may be both an integral element of the film-maker's expression as well as a significant means of marketing the film to the public. The artistic and commercial elements of titles are inextricably intertwined. Film-makers and authors frequently rely on word-play, ambiguity, irony, and allusion in titling their works. Furthermore, their interest in freedom of artistic expression is shared by their audience. The subtleties of a title can enrich a reader's or a viewer's understanding of a work. Consumers of artistic works thus have a dual interest: They have an interest in not being misled and they also have an interest in enjoying the results of the author's freedom of expression. For all these reasons, the expressive element of titles requires more protection than the labeling of ordinary commercial products.<sup>25</sup>

The Second Circuit held that the Lanham Act should be construed to apply to artistic works only where the public interest in avoiding consumer confusion outweighs the public interest in free expression. In the context of allegedly misleading titles using a celebrity's name, that balance will normally not support application of the Act unless the title has no artistic relevance to the underlying work whatsoever, or, if it has some artistic relevance, unless the title explicitly misleads as to the source or the content of the work. According to the Second Circuit, [w]here a title with at least some artistic relevance to the work is not explicitly misleading as to the content of the work, it is not false advertising under the Lanham Act.<sup>26</sup>

The Second Circuit held that: "section 43(a) of the Lanham Act does not bar a minimally relevant use of a celebrity's name in the title of an artistic work where the title does not explicitly denote authorship, sponsorship, or endorsement by the celebrity or explicitly mislead as to content." In *American Dairy Queen Corporation v. New Line Productions, Inc.*,<sup>27</sup> the District of Minnesota preliminarily enjoined the use of

the title “American Dairy Queen” for a mock documentary (“mockumentary”) satirizing beauty contests in the dairy country of rural Minnesota. The district court noted that the Eighth Circuit had taken two different approaches to balancing first amendment rights. In *Mutual of Omaha Ins. Co. v. Novak*,<sup>28</sup> the Eighth Circuit focused on whether an injunction “leaves open [alternative] avenues of expression,” thus “depriv[ing] neither [the defendant] nor the public of the benefit of his ideas.” The Eighth Circuit noted that an injunction against selling “Mutant of Omaha” paraphernalia would not prevent defendant from presenting “an editorial parody in a book, magazine, or film.” Because defendant had alternative avenues available for expressing his public policy views, the Eighth Circuit found that the narrowly-drawn injunction was consistent with the First Amendment. In *Anheuser-Busch v. Balducci Publications*,<sup>29</sup> the Eighth Circuit framed a balancing test for any case where an expressive work is alleged to infringe a trademark, “it is appropriate to weigh the public interest in free expression against the public interest in avoiding consumer confusion.” Unfortunately for the producers of *American Dairy Queen*, the District of Minnesota concluded that alternative avenues were available for expressing the ideas expressed in the title. Ironically, defendant’s denial that the movie title was a reference to plaintiff’s company or its restaurants weakened the argument that there are no alternative means to express

its artistic impressions or ideas. The district court expressly distinguished *Rogers v. Grimaldi*, where Fellini testified that the title Fred and Ginger was referring directly to Fred Astaire and Ginger Rogers, and was *essential* to his filmic vision.<sup>30</sup>

*American Dairy Queen* puts a high burden on the freedom of expression. Blocking artistically relevant expression merely because there are alternatives impairs artists and cheats the public. In this regard, the greater deference offered under *Rogers v. Grimaldi* seems more appropriate.

In *Mattel, Inc. v. MCA Records, Inc.*,<sup>31</sup> the Ninth Circuit applied the Rogers test to find that the Danish band Aqua’s use of Barbie in the title and lyrics of the song Barbie Girl did not infringe Mattel’s trademarks in the iconic doll. In so doing, the Ninth Circuit discussed what happens when a trademark transcend it’s identifying purpose:

Some trademarks enter our public discourse and become an integral part of our vocabulary. How else do you say that something’s “the Rolls Royce of its class”? What else is a quick fix, but a Band-Aid? . . . Trademarks often fill in gaps in our vocabulary and add a contemporary flavor to our expressions. Once imbued with such expressive value, the trademark becomes a word in our language and assumes a role outside the bounds of trademark law.<sup>32</sup>

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## Intellectual Property Law *spring seminar 2017*

# Tackle Hot Topics in Your IP Practice

Presented by  
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The *Rogers v. Grimaldi* deference has been extended beyond titles. In *Louis Vuitton Malletier S.A. v. Warner Brothers, Entertainment Inc.*,<sup>33</sup> the Southern District of New York granted Warner's motion to dismiss Louis Vuitton's lawsuit challenging the use of a counterfeit Louis Vuitton bag in the movie *Hangover II*. The district court applied the *Rogers v. Grimaldi* test beyond the title, to the content of the movie, stating that Lanham Act is inapplicable to "artistic works" as long as the defendant's use of the mark is (1) "artistically relevant" to the work and (2) not "explicitly misleading" as to the source or content of the work.<sup>34</sup> Louis Vuitton did not contest that a movie was non-commercial, but instead argued that the use was not artistically relevant, and (2) the "explicitly misleading" prong is not limited to confusion as to the source or content of the defendant's work.

On Louis Vuitton's first point, the district court said that the threshold for "artistic relevance" is purposely low and will be satisfied unless the use "has no artistic relevance to the underlying work whatsoever,"<sup>35</sup> citing *Rogers*, 875 F.2d at 999. The court also noted that courts have held that under *Rogers*, "the level of relevance merely must be above zero".<sup>36</sup> The Court agreed that "it is not the role of the Court to determine how meaningful the relationship between a trademark and the content of a literary work must be; consistent with *Rogers*, any connection whatsoever is enough."<sup>37</sup> The *Louis Vuitton* court said that the artistic relevance prong ensures that the defendant intended an artistic—*i.e.*, noncommercial—association with the plaintiff's mark, as opposed to one in which the defendant intends to associate with the mark to exploit the mark's popularity and good will. The district court had no problem finding that the use of the counterfeit bag met this low threshold.

Having concluded that the use of the counterfeit bag had some relevance to the movie, the district court noted that the use was unprotected only if it "explicitly misleads as to the source or the content of the work." The district court followed the Second Circuit test of whether the use of the mark "is misleading in the sense that it induces members of the public to believe [the work] was prepared or otherwise authorized" by the plaintiff, noting that only a "particularly compelling" finding of likelihood of confusion can overcome the First Amendment interests.<sup>38</sup> *Louis Vuitton* asserted two distinct theories of confusion: (1) that consumers will be confused into believing that the counterfeit bag is really a genuine Louis Vuitton bag; and (2) that Louis Vuitton approved the use of the counterfeit bag in the film. However, the court said this was not the type of confusion that could overcome *Rogers* protection, pointing out that **Louis Vuitton** was not alleging that Warner was trying to mislead consumers into believing that Louis Vuitton produced or endorsed the film.<sup>39</sup>

The need for succinct and memorable communication is nowhere as important than in advertising. Does commercial communication deserve the same consideration as artistic speech? (And isn't artistic speech, just the commercial speech of an artist?) Jennifer Convertibles successfully indulged in a trademark metaphor several years ago when it boasted that "only Revlon has more colors" than then colors offered by Jennifer on its upholstered furniture.<sup>40</sup> More recently Hyundai, wanting to convey the sense of luxury in a commercial, showed a street basketball game being played with what looked like a Louis Vuitton basketball. Sadly, from a free speech point of view, the district court granted summary judgment against this fictitious use. *Louis Vuitton Malletier, S.A. v. Hyundai Motor America*, 2012 WL 1022247 (S.D.N.Y. March 22, 2012).

## Conclusion

Trademarks are as much a part of the vernacular as anything else. When they simply displayed on their respective products to depict the real world, without any apparent intent to free ride on the mark owners' goodwill, such a use is usually not actionable. This is true even when the trademarked product is misused or otherwise the butt of a joke.

When the trademark is used metaphorically in an artistic work, under *Rogers v. Grimaldi* the use of the mark is generally not actionable when it is "artistically relevant" to the work and not "explicitly misleading" as to the source or content of the work. There is even some tolerance for metaphorical uses in a commercial context.

In analyzing expressive uses of a trademark, it is important to keep in mind that the owner of a trademark does not have a monopoly on the use of the mark. The owner is simply given protection against uses that are likely to cause confusion, mistake, or deception, and in the case of particularly strong marks, uses that dilute the distinctiveness of the mark or tarnish it. ♪

## About the Author

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## Endnotes

- 1 *In re E.I. DuPont DeNemours & Co.*, 476 F.2d 1357 (CCPA 1973).
- 2 *Wal-Mart Stores, Inc. v. Samara Brothers, Inc.*, 529 U.S. 205, 120 S.Ct. 1339, 146 L.Ed.2d 182 (2000).



3 *Traffix Devices, Inc. v. Marketing Displays, Inc.*, 532 U.S. 23, 121 S.Ct. 1255, 1259, 149 L.Ed.2d 164 (2001).

4 *Gottlieb Development LLC v. Paramount Pictures Corp.*, 590 F.Supp.2d 625 [89 USPQ2d 1862] (S.D.N.Y. 2008).

5 590 F.Supp.2d at 634.

6 590 F.Supp.2d at 635.

7 590 F.Supp.2d at 635.

8 *Caterpillar Inc. v. Walt Disney Co.*, 287 F.Supp.2d 913, [68 USPQ2d 1461] (C.D. Ill. 2003).

9 287 F.Supp.2d at 917, n. 2.

10 287 F.Supp.2d at 919.

11 287 F.Supp.2d at 920.

12 287 F.Supp.2d at 922.

13 74 F.Supp.3d 1134 (N.D. Cal. 2014).

14 74 F.Supp.3d at 1140,

15 74 F.Supp.3d at 1141,

16 74 F.Supp.3d at 1142-3,

17 74 F.Supp.3d at 1143-4,

18 547 F.3d 1095 (9<sup>th</sup> Cir. 2008)

19 *Wham-O Inc. v. Paramount Pictures Corp.*, 286 F.Supp.2d 1254, [68 USPQ2d 1841] (N.D. Cal. 2003).

20 286 F.Supp.2d at 1261.

21 286 F.Supp.2d at 1262.

22 286 F.Supp.2d at 1263.

23 George Lucas unsuccessfully complained about this usage of STAR WARS by both pro- and anti- SDI groups. U.S. District Judge Gerhard A. Gesell wrote: "When politicians, newspapers and the public generally use the phrase 'Star Wars' for convey-

nience, in parody or descriptively to further a communication of their views on SDI (Lucas) has no rights as owner of the mark to prevent this use of 'Star Wars,' " *Lucasfilm Ltd. v. High Frontier*, 622 F. Supp. 931 (D.D.C. 1985). The decision came two weeks after Gesell refused to grant a temporary restraining order sought by Lucas to bar a pro-SDI group called High Frontier from using the term in a television commercial. Lucas had also filed suit against an anti-SDI group called the Committee for a Strong Peaceful America, which at one point used the term in TV ads.

24 875 F.2d 994 [10 U.S.P.Q.2d 1825] (2d Cir. 1989),

25 875 F.2d at 998.

26 875 F.2d at 1000.

27 35 F.Supp.2d 727 (D. Minn. 1998).

28 836 F.2d 397 (8th Cir.1987),

29 28 F.3d 769 (8th Cir.1994)

30 35 F.Supp.2d at 734.

31 296 F.3d 894 (9<sup>th</sup> Cir. 2002).

32 296 F.3d at 900.

33 868 F.Supp.2d 172 [105 U.S.P.Q.2d 1806] (S.D.N.Y. 2012).

34 868 F.Supp.2d at 177.

35 868 F.Supp.2d at 178.

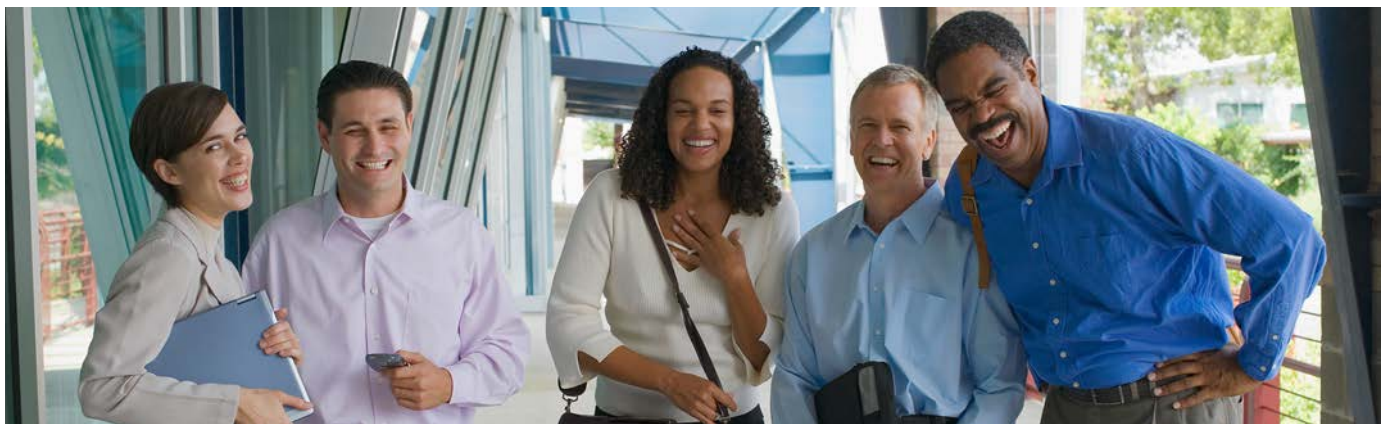
36 868 F.Supp.2d at 178.

37 868 F.Supp.2d at 178.

38 868 F.Supp.2d at 179.

39 868 F.Supp. 2d at 181.

40 *Revlon Consumer Products Corp. v. Jennifer Leather Broadway Inc.*, 858 F.Supp. 1268, 1277-78 (S.D.N.Y. 1994), *aff'd without opinion*, 57 F.2d 1062 (2nd Cir. 1995).



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