

Latest Intellectual Property News



From Hauptman Ham, LLP

VOL. 7, NO. 3

APRIL 2016

Welcome to The Latest Intellectual Property News, a newsletter for updating you with recent information about Intellectual Property.

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USPTO WINS ON BLACKJACK VARIATION

By Randy A. Noranbrock, Esq., Partner (randy@ipfirm.com)

In an appeal from a United States Patent and Trademark Office (USPTO), Patent Trial and Appeal Board (PTAB) decision, the Federal Circuit affirmed a PTAB decision rejecting claims to a wagering game using standard playing cards as being directed to patent-ineligible subject matter. (*In Re: Ray Smith, Amanda Tears Smith*, slip op. 2015-1664 (Fed. Cir. Mar. 10, 2016)).

The claims at issue are directed to a new set of rules for playing a card game which the PTAB found, and which the Court upheld, qualified as an abstract idea. Specifically, the PTAB found that the wagering game was effectively the same as “a method of exchanging and resolving financial obligations based on probabilities created during distribution of the cards.” Additional conventional steps requiring the shuffling and dealing of the playing cards were held to be insufficient to bring the claims into patent eligible territory. While these particular claims were held to not encompass patent-eligible subject matter, the Court opined that “claims directed to conducting a game using a new or original deck of cards potentially surviving step two of *Alice*.”

IPR –DISCLOSE ALL FACTUAL ASSERTIONS BEFORE ORAL ARGUMENT

By Chang H. Yang, Patent Agent (chyang@ipfirm.com)

Dell, Inc. v. Accelaron, LLC, slip ops. 2015-1513, 2015-1514 (Fed. Cir. Mar. 15, 2016).

The United States Court of Appeals for the Federal Circuit (“Federal Circuit”) overturned a decision from the Patent Trial and Appeal Board (“the Board”) of the United States Patent

and Trademark Office (“USPTO”) as the Board denied Acceleron’s procedural rights by relying exclusively on a factual assertion introduced for the first time at oral argument.

The Board instituted *inter partes* review of Acceleron, LLC’s (“Acceleron”) patent (U.S. Patent No. 6,948,021) based on Dell, Inc.’s (“Dell”) petition. After the review, the Board confirmed the validity of claims 14-17 and 34-36 and cancelled claims 3 and 20 as being anticipated. As to claim 3, Acceleron appealed to challenge as procedurally improper the Board’s reliance on a basis first raised during the oral argument before the Board.

Claim 3 at issue requires “caddies providing air flow from the front to the rear of the chassis.” Dell in its petition argued that Hipp’s articulating door 262 as shown in Fig. 12 performs the same function as the caddies in claim 3. In a reply to Acceleron’s patent owner response, Dell added an argument that Hipp’s power-supply mounting mechanisms 278 meet the caddies in claim 3. At oral argument before the Board, Dell for the first time pointed to the “slides” located below the power supplies in Fig. 12 as the caddies recited in claim 3. Acceleron made an oral objection to this first-time introduced argument, but the Board dismissed that procedural objection. In the final written decision, the Board concluded that claim 3 is anticipated by relying solely on the factual assertion presented at oral argument.

The Federal Circuit cited the Administrative Procedures Act (“APA”) which imposes particular requirements on the USPTO to advise participants in its Board proceedings that, at oral argument, a party may only present arguments relied upon in papers previously submitted. No new evidence or arguments may be presented at the oral argument.

The Federal Circuit further stated that, contrary to the Board’s conclusion, the key factual assertion was not in fact made in Dell’s reply, but only at oral argument. Acceleron has not had the required opportunity to present evidence on whether the Hipp “slides” meet the claim’s requirement. Therefore, the Federal Circuit overturned the Board’s decision regarding invalidity by anticipation of claim 3 owned by Acceleron.

REVISITING “WILLFUL” INFRINGEMENT AND “LACHES”

By Sam Araia, Esq. (saraia@ipfirm.com)

On March 31, 2016, the Federal Circuit opined that under Second Circuit law, a trademark owner can recover profits of an infringer only if the infringement was “willful” and that the equitable defense of laches applies to patent infringement actions. *Romag Fasteners, Inc. v. Fossil, Inc.*, slip op. 14-1856 (Fed. Cir. Mar. 31, 2016).

Romag is the owner of U.S. Patent No. 5,722,126 for magnetic snap fasteners and sells its fastener products under the “ROMAG” trademark. Fossil Inc., one of Romag’s distributors authorized Superior Leather Limited (a manufacture of leather bags, belts, wallets etc..) to purchase ROMAG products from Romag’s licensed manufacturers and use them in Fossil’s products. Superior used counterfeit “Romag” fasteners, instead of genuine fasteners.

In November 2010, Romag brought a patent and trademark infringement lawsuit against Fossil in federal district court. The jury found Fossil liable, and awarded Romag a reasonable royalty of \$51,052.14 for patent infringement. For trademark infringement, the jury awarded \$90,000 under unjust enrichment and \$6.7 million of Fossil’s profits under deterrence theory for the trademark infringement. The jury, however, found that the infringement was not willful. The court held a bench trial to address equitable defenses, and held that Romag’s delay in bringing the lawsuit until just before “black Friday”

constituted laches and accordingly reduced the patent royalty by 18% and because trademark infringement was not willful, the court precluded Romag from receiving \$6.7 million in Fossils profits.

Romag argued that the equitable doctrine of laches does not apply to patent infringement based on the Supreme Court decision in *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962 (2014), holding that laches cannot be invoked as a defense to copyright infringement. But the federal circuit held that laches still remains a valid defense to legal relief in a patent infringement case because Congress codified a laches defense to patent infringement under 35 U.S.C. §282(b)(1).

Romag also argued that “willfulness” is not a requirement for recovery of infringer’s profits in trademark infringement matters. Romag stated that in 1999 Congress amended the Lanham Act to provide monetary damages for “willful” dilution. According to Romag, by not introducing a “willfulness” requirement into the language relating to trademark infringement damages, Congress must not have intended for willfulness to be a prerequisite for infringement damages.

The Federal Circuit disagreed, and stated that the 1999 Amendment to the Lanham Act did not change the Second Circuit’s position, which is applicable in this case. The Second Circuit held that under the Lanham Act, a plaintiff must prove that a trademark infringer acted with “willful deception” to recover profits. *George Basch Co. v. Blue Coral, Inc.*, 968 F.2d 1532 (2d Cir. 1992). According to the Federal Circuit, all the 1999 Amendment intended to do was limit monetary recovery for trademark “dilution” to cases that involve willfulness without upsetting the existing pertinent case law that requires willfulness as a condition of recovering infringer’s profits.

The Federal Circuit thus affirmed the district court’s ruling that Romag is not entitled to recover Fossil’s profits.

OBVIOUSNESS OF LED-BASED WHITE LIGHT EMITTER UPHELD

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In an appeal by Cree, Inc. (“Cree”), a Federal Circuit panel upheld a Patent Trial and Appeal Board (“Board”) decision that claims added during ex parte reexamination of Cree’s U.S. Patent No. 6,600,175 (“the ‘175 patent”) are unpatentable as obvious. *In Re: Cree, Inc.*, slip op. 2015-1365 (Fed. Cir. Mar. 21, 2016).

The claims at issue are directed to a blue, light-emitting-diode (LED) in combination with a down-converting medium for converting the blue light to polychromatic white light. Although the initial rejection and Board decision were based on multiple combinations of references, the panel based its decision on a single prior art combination: U.S. Patent No. 3,691,482 (“Pinnow”), U.S. Patent No. 3,819,974 (“Stevenson”), and U.S. Patent No. 5,578,839 (“Nakamura”).

Pinnow describes down-conversion based on laser-generated blue light, Stevenson describes an LED that emits light in the violet region capable of being down-converted, and Nakamura is directed to a blue LED with greatly improved brightness compared to the prior art. Contrary to Cree’s challenge, the panel agreed with the Board that the increased brightness of Nakamura’s LED would have suggested to a person of ordinary skill in the art to upgrade Stevenson’s down-conversion to be suitable for Pinnow’s white light production.

The panel found that the Board did not err in concluding, based on multiple references, that

making white light by down-converting from a monochromatic LED was known in the art, even if considered impractical. The panel also held that the Board did not base its conclusion on a misreading of the declarations of Cree's experts. Cree's submission of secondary evidence was dismissed by the panel, which held that industry praise was directed to the work of others, and that licensing and commercial success evidence lacked a sufficient nexus to the '175 patent. Quoting the Board, the panel stated that "the evidence of secondary considerations 'does not outweigh the strong evidence of obviousness.'"

PLAIN MEANING NOT SUPERSEDED BY SPECIFICATION DESCRIPTIONS

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Luminara Worldwide, LLC v. Liown Electronics Co. LTD, slip op. 2015-1671, (Fed. Cir. Feb. 29, 2016).

In 2008, Candella, LLC (acquired in 2015 by Luminara Worldwide, LLC) exclusively licensed intellectual property related to producing an artificial flickering flame effect. In 2010, negotiations between Candella and Liown Electronics to arrange an agreement to manufacture products containing the licensed artificial flame technology broke down, and Liown filed a patent application in China relating to flameless candles. In 2012, Candella sued Liown for infringement of the licensed patents relating to the flameless candle technology. The parties settled, until Liown, upon receiving a United States patent for similar flameless candle technology, notified Candella that it would no longer adhere to the settlement terms, and would resume sale of flameless candle technology products in the U.S. Candella amended its flameless candle technology licensing agreement with Disney Enterprises to include the right to sue for infringement of the licensed U.S. patent 8,696,166, and filed suit against Liown.

Luminara won a preliminary injunction barring Liown from importing or selling flameless candle technology products. Liown challenged the validity of the preliminary injunction. On appeal, Liown successfully argued that there was a substantial question of the validity of the '166 patent in view of another licensed patent, U.S. 7,261,455. Validity of the '166 patent depends on the language of claim 1: "*the body is free to pivot when supported by the flame support element.*"

The Federal Circuit reviewed the district court's claim construction *de novo*. "Absent lexicography or disavowal, we do not depart from the plain meaning of the claims." (Slip op. page 16). The Federal Circuit found no evidence of definition, and no disavowal or disclaimer in the specification away from the plain meaning of the term "free to pivot." While the '166 specification teaches a pendulum "suspended using a V-shaped wire passing through a larger hole," a "relatively loose suspension [that] allows the pendulum to rotate around three axes" and "slide along the wire," pivoting "includes rotation around a single axis" and does not require chaotic motion. (Slip op. page 15). In granting the preliminary injunction, the district court incorrectly "construed the term 'free to pivot' to include two additional limitations: (1) chaotic movement and (2) movement that is more than rotation around two axes." *Id.*

DIRECT-POINTING LIMITATION IMPORTED INTO HANDHELD DEVICE

By Thomas S. Auchterlonie, Esq. (tauchterlonie@ipfirm.com)

In *UltimatePointer, L.L.C., v. Nintendo Co., LTD., Nintendo Of America Inc.*, slip op. 2015-1297 (Fed. Cir. Mar. 1, 2016), the Federal Circuit affirmed the District Court's holding that

Nintendo's Wii gaming system did not infringe UltimatePointer's patent, but reversed the holding that the claims were indefinite. UltimatePointer's patent describes two types of pointing devices: direct-pointing and indirect-pointing. Indirect-pointing devices are those where the object of pointing (e.g., a cursor) bears an indirect relationship to the physical point-of-aim of the pointing device (e.g., a computer mouse). Direct-pointing devices, in contrast, are devices for which the physical point-of-aim coincides with the object of pointing.

In order to interpret the claims as valid under 35 U.S.C. §112(a) (written description), the District Court imported the "direct pointing" limitation from the specification into the claims, which the Federal Circuit affirmed. "Taken together, the repeated description of the invention as a direct-pointing system, the repeated extolling of the virtues of direct pointing, and the repeated criticism of indirect pointing clearly point to the conclusion that the "handheld device" in claims 1, 3, 5, 6, and 12 is limited to a direct-pointing device." (Slip at p. 11.)

The allegedly infringing Wii system includes a console (a special-purpose computer), a sensor bar (which sits above or below the television) and a Wii remote. Contrary to the term "sensor" in the name, the "sensor bar" does not sense but merely emits infrared (IR) light. Accordingly, the District Court interpreted the Wii gaming system as including an indirect-pointing device, and thus not infringing UltimatePointer's patent. The Federal Circuit affirmed.

Independent apparatus claim 1 recited (among other things) a gerund clause: "said image sensor generating data" The District Court interpreted the gerund clause as a method step, and thus the apparatus claims as indefinite for including a method step. The Federal Circuit disagreed and reversed. According to the Federal Circuit, the 'generating data' limitations indicate only that the associated structures (e.g., the image sensor and the processor in claim 1) have data-generation capability, and do not require that any data be actually generated by the user.

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