

UPDATE

SPRING/SUMMER 2016

THE METAPHYSICAL QUANDARY OF COPYRIGHT PROTECTION FOR FASHION DESIGNS: SUPREME COURT MAY PROVIDE ANSWERS IN *VARSITY BRANDS, INC. V. STAR ATHLETICA, LLC*



BY: DARRELL G. MOTTLEY

The Supreme Court has agreed to review an August 2015 ruling by the U.S. Court of Appeals for the Sixth Circuit in Cincinnati in *Star Athletica LLC v. Varsity Brands Inc.*, as to whether Varsity's two-dimensional graphic designs are entitled to copyright protection as "pictorial, graphic, and sculptural works" under the copyright law. It is the first time the Supreme Court will address copyright protection for apparel.

WHY IS THIS CASE IMPORTANT?

Fashion is part of the creative economy. The fashion and apparel design sector brings together fashion creatives, executives and entrepreneurs in more than 200 countries. According to industry reports, fashion is a nearly \$1.2 trillion global business with more than \$250 billion spent yearly in the United States. Blogs and social media like Twitter cover the fashion industry as part of their



LEFT TO RIGHT: Varsity copyrighted design; Star's uniform design

international news coverage, focusing on the ever-changing world of creative designer expressions.

Intellectual property rights are an essential tool to protect new innovations and developments in the fashion design business. Copyright protection can be the appropriate avenue of protection for certain aspects of apparel, but so far it has proven to be a problematic strategy for fashion designers.

[MORE ▶](#)

IN THIS ISSUE

- 1 The Metaphysical Quandary of Copyright Protection for Fashion Designs: Supreme Court May Provide Answers in *Varsity Brands, Inc. v. Star Athletica, LLC*
- 6 Is Broadest Reasonable Interpretation the Appropriate Standard in an IPR? U.S. Supreme Court to Decide
- 10 Agreement Drafting Tips to Safeguard IP Rights
- 16 Apple and Samsung at the Supreme Court: Case Proves Need for Design Patents in Overall IP Strategy

COPYRIGHT PROTECTION

Copyright protection for fashion design has been difficult to obtain and is very limited, mainly due to copyright rulings that clothing designs are utilitarian or functional. In *Fashion Originators Guild v. FTC*, 114 F.2d 80, 84 (2d Cir. 1940) (L.Hand, J.), *aff'd*, 312 U.S. 457, 61 S.Ct. 703, 85 L.Ed. 949 (1941), dresses were determined to be merely useful articles not protectable by the Copyright Act. In other words, clothing design is a useful article because its function is to cover or enclose the human body of the wearer. However, many clothing designs and accessories have ornamental, artistic value that probably should be entitled to copyright protection because they are artistically expressive rather than solely utilitarian in nature. Ideally, as new expressive mediums evolve, the law should steer toward providing designers adequate protection for their creative works.

THE SEPARABILITY TEST

The difficult hurdle for copyright protection of clothing designs as useful articles is to pass the so-called “separability” test. The separability test permits copyright protection only if, and to the extent that, the design incorporates graphic, pictorial, or sculptural features that are conceptually or physically separable from the utilitarian aspects of the article. 17 U.S.C. § 101. Courts have struggled to formulate an effective test for determining conceptual separability. In *Galiano v. Harrah’s Operating Co.*, 416 F.3d 411, 419 (5th Cir. 2005), an outfit worn by a casino employee was not protectable under copyright law because it mainly served as a uniform.

Likewise, in *Jovani Fashion, Inc. v. Cinderella Divine, Inc.*, 808 F.Supp.2d 542 (S.D.N.Y. 2011), ornate features of dresses were not protectable under the Copyright Act because the clothing served to cover the body.

While useful articles, analyzed as a whole, are not eligible for copyright protection, the individual design elements comprising a useful article may, when viewed separately, meet the Copyright Act’s requirements. For example, in *Kieselstein-Cord v. Accessories by Pearl, Inc.*, 632 F.2d 989 (2d Cir. 1980), a case concerning fashion design accessories, the court found that artwork as part of an ornate belt buckle was protectable under copyright law. The court found that the buckle design was conceptually separable from the useful belt function, because the design did not enhance the belt’s ability to hold up a person’s pants. As a conceptually separable design, the buckle could be properly viewed as a sculptural work with independent aesthetic value, and not as an integral element of a belt’s functionality.

In another fashion case, *Poe v. Missing Persons*, 745 F.2d 1238 (9th Cir. 1984), the court found an ornate swimsuit design likely copyrightable on the basis that it was more of a museum-type soft sculpture, rather than a solely utilitarian article of clothing.

VARSITY BRANDS V. STAR ATHLETICA

The recent ruling in *Varsity Brands, Inc. v. Star Athletica, LLC*, 799 F.3d 468 (6th Cir. 2015), is instructive for design-driven apparel companies seeking to overcome the obstacle of separability and obtain copyright protection. However, the Supreme Court will now have the last word on copyright protection of apparel. Plaintiff Varsity Brands is a manufacturer of apparel including cheerleading uniforms. Despite the general reluctance to grant copyright protection to apparel designs, Varsity received U.S. copyright registrations for several of its cheerleading uniform designs for “two-dimensional artwork.” The Varsity designs included graphical elements such as stripes, chevrons, zigzags, and colorblocks.

Defendant Star Athletica also sold cheerleading uniforms. Star advertised cheerleading uniforms that were strikingly similar in appearance to Varsity's designs, and so Varsity sued for copyright infringement based upon its registered designs.

At the district court, Star asserted that the Varsity copyright registrations were invalid because clothing is a useful article and therefore ineligible for copyright protection. The district court applied the separability framework that pictorial, graphic, or sculptural features are protectable if they are conceptually separable from the utilitarian function of the article, even if the features cannot be physically removed. *Id.* at 483. Subsequently, the district court entered summary judgment for Star by defining Varsity's uniforms as having a utilitarian function as *uniforms for cheerleading* so as "to clothe the body in a way that evokes the concept of cheerleading." *Varsity Brands, Inc. v. Star Athletica, LLC*, No. 10-2508, 2014 WL 819422, at *8 (W.D. Tenn. Mar. 1, 2014) (emphasis added).

Simply put, the court reasoned that in order to be a cheerleading uniform, the clothing must have certain essential graphical features that make it look like cheerleading apparel to the observer so that the observer recognizes that the wearer is a *cheerleader and/or a member of a cheerleading team*. For this reason, the district court concluded that the aesthetic ornamental elements (e.g., stripes, chevrons, zigzags, and colorblocks) in Varsity's cheerleading uniforms were not separable from the clothing's utilitarian function of identifying the wearer as a *cheerleader*. Dissatisfied with the result, Varsity appealed the district court's entry of summary judgment to the U.S. Court of Appeals for the Sixth Circuit.

On August 19, 2015, Varsity prevailed at the Sixth Circuit. The district court's judgment

was vacated and Varsity won on the issue of whether the designs are copyrightable pictorial, graphic, or sculptural works. The Sixth Circuit provides a unique framework to the vexing problem of shaping copyright protection for garment designs applying the separability analysis. Specifically, the court set forth a five factor/question test to determine whether "pictorial, graphic, or sculptural features" are conceptually separable from the utilitarian function of a useful article:



LEFT TO RIGHT: Varsity copyrighted design; Star's uniform design

1. Is the design a pictorial, graphic, or sculptural work?
2. If the design is a pictorial, graphic, or sculptural work, then is it a design of a useful article?
3. What are the utilitarian aspects of the useful article?
4. Can the viewer of the design identify "pictorial, graphic, or sculptural features" separately from the utilitarian aspects of the useful article?
5. Can "the pictorial, graphic, or sculptural features" of the design of the useful article exist independently of the utilitarian aspects of the useful article?

Varsity, 799 F.3d at 476.

MORE ►

THE SIXTH CIRCUIT'S ANALYSIS OF SEPARABILITY

As to the first question, the court ruled the Varsity uniform designs have two-dimensional graphic works. For the second question, they held that it was clear the cheerleading uniform designs are useful articles. For the third question, the Sixth Circuit deviated from the district court's view of the definition of utility. The Sixth Circuit determined that Varsity's uniforms had a utilitarian function to cover the body, to wick away moisture and withstand athletic movements of the wearer. It rejected the definition of utility that the uniforms convey information to the observer that merely identifies the wearer as *a cheerleader or member of cheerleading team*. The court reasoned, by the statutory definition, a useful article must not only convey information (e.g., identifying the wearer) but must have a useful function, such as "to clothe the body." The court also rejected the argument that the graphical elements in the clothing only serve a utilitarian function of decorating clothing for a cheerleading uniform. The court notes that this definition of "decorative function" as a utility would "render nearly all artwork unprotectable." *Varsity* at 490.

For the fourth question, the court noted that the graphic features can be identified separately from the parts of the uniform design as "the record establishes that not all cheerleading uniforms must look alike to be cheerleading uniforms." *Id.* at 491. The graphic features of the design, including the stripes, chevron, zigzags, and color-blocking, are separately identifiable because customers can identify differences between the graphic features of

each of Varsity's designs, and thus a graphic design and a blank cheerleading uniform can appear "side by side." *Id.*

On the fifth question, the court observed that the arrangement of the stripes, chevrons, color blocks, and zigzags can exist independently of the cheerleading uniform; these designs are interchangeable on articles of clothing that can be incorporated on the surface of other types of garments, such as practice athletic wear, warmups, and jackets. Finally, the court articulated the opinion that Varsity's graphical elements are more akin to protectable "fabric designs" imprinted on fabric rather than generally unprotectable "dress designs," which primarily pertains to the cut or silhouette of an article of clothing. *Id.* at 490.

CONCLUSION

The dissent in *Varsity* notes that the separability analysis has been a metaphysical quandary for the courts and "[t]he law in this area is a mess—and it has been for a long time." *Varsity* at 496-97. "[C]ourts will continue to struggle and the business world will continue to be handicapped by the uncertainty of the law." *Id.* at 497.

Under this uncertainty, to present a stronger case of copyright protection for an article of apparel, seek to clearly identify the pictorial, graphic, or sculptural feature in the work of art, and make sure that the utility function of the clothing can be defined separate and apart from any graphical, pictorial or structure features.¹ In most cases, high-value fashion designs will need a blend of copyright, trademark, and design patent protection to combat fashion piracy. Given the current ambiguity highlighted

by *Varsity*, clients and attorneys will need to carefully consider the best routes for intellectual property protection of each article to determine which is most consistent with the client's business objectives. Hopefully, the Supreme Court will provide more certainty in this area of the law. We will continue to monitor the developments in this case. ■

U.S. Prosecution Paralegal Heather Smith-Carra researched and contributed to this article.

¹ One note of interest under administrative law is that the Sixth Circuit held "the Copyright Office's finding a design is protectable under the Copyright Act is entitled to *Skidmore* deference." See *Skidmore v. Swift & Co.*, 323 U.S. 134 (1944). Under *Skidmore*, an agency's decision will be given deference, and therefore, courts may defer to the Copyright Office's technical decisions because the office has more specialized experience than that of the judiciary. The Sixth Circuit noted that the Copyright Office has specialized experience in identifying useful articles, and pictorial, graphic, and sculptural works.

**DESIGN
LAW
2016**

**SAVE THE DATE
DESIGN LAW 2016**

10.14.2016
Friday, October 14, 2016
8:30 A.M. - 5:00 P.M. & Reception to follow
THE GEORGE WASHINGTON UNIVERSITY LAW SCHOOL
2000 H STREET NW
WASHINGTON, DC 20052

Registration is complimentary and **advance registration** is required as it will not be available on-site on the day of the program.

WWW.DESIGNLAW2016.COM

GW | LAW

B BANNER & WITCOFF, LTD.
INTELLECTUAL PROPERTY LAW

**Sterne Kessler
Goldstein Fox**
ATTORNEYS AT LAW

IS BROADEST REASONABLE INTERPRETATION THE APPROPRIATE STANDARD IN AN IPR? U.S. SUPREME COURT TO DECIDE



BY: ROBERT
H. RESIS AND
BENJAMIN
KOOPFERSTOCK

On April 25, 2016, the Supreme Court heard argument in *Cuozzo Speed Technologies, LLC v. Lee*.¹ The case stems from an *inter partes* review (IPR) proceeding in front of the Patent Trial and Appeal Board (PTAB). The IPR decision invalidated several claims of a patent owned by Cuozzo, who then appealed the decision to the Court of Appeals for the Federal Circuit, and following the Federal Circuit affirmance, to the Supreme Court.

WHAT IS AN IPR?

Congress created IPR proceedings² with the passage of the America Invents Act (AIA) to allow third parties to challenge the validity of issued patents based on prior art patents and printed publications. Starting on September 16, 2012, IPR proceedings superseded *inter partes* reexamination proceedings.³ An IPR differs from an *inter partes* reexamination proceeding in four principal ways: (1) a three-judge panel of the PTAB presides over an IPR, whereas a patent examiner handled an *inter partes* reexamination; (2) discovery, including depositions of declarant experts, is permitted in an IPR, but was not permitted in *inter partes* reexamination; (3) an IPR has statutory deadlines, including a final written decision by the PTAB within 12 months of the PTAB decision to institute trial on an IPR petition, whereas there were no like statutory deadlines in *inter partes* reexamination, which could take years to conclude; and (4) the PTAB rarely grants a motion to amend claims in an IPR, whereas a patent owner could readily amend and add claims in *inter partes* reexamination.

In most, but not all cases, IPR proceedings are instituted by an accused patent infringer in response to litigation or threat of litigation. The accused infringer can challenge the asserted patent in an IPR proceeding, which is “a quicker and cheaper substitute for litigation.”⁴ Frequently, district courts grant accused infringers’ motions to stay litigation pending IPR proceedings. Over the past few years, the PTAB has invalidated a large percentage of claims that have been reviewed, and thus IPR has become a very popular avenue for accused infringers.

One possible reason that the PTAB is invalidating such a large percentage of claims reviewed in an IPR is that the PTAB uses a different standard than the district courts when construing claims. In an IPR, the PTAB uses the broadest reasonable interpretation (BRI) standard, which is the standard used by the U.S. Patent and Trademark Office (PTO) during examination of a patent. District courts, when construing claims in litigation, use the standard set out by the CAFC in *Phillips*, which is known as the plain and ordinary meaning standard.⁵

WHAT IS AT ISSUE?

Cuozzo presents two issues to the Supreme Court: 1) whether the BRI standard should be used in IPR proceedings; and 2) whether the PTAB’s decision to institute an IPR is barred from appeal, or whether it should be subject to appellate review. The first issue, whether to use BRI or plain and ordinary meaning to construe claims in IPR, may impact the percentage of issued claims that survive IPR proceedings. The second issue, regardless of how it is decided, would likely only play a significant role in a limited number of IPR proceedings.

FEDERAL CIRCUIT OPINION

A panel of three judges of the Federal Circuit affirmed the PTAB and upheld the use of BRI during IPR, stating that there was “no indication that the AIA was designed to change the claim construction standard that the PTO (US Patent and Trademark Office) has applied for more than 100 years” and that the BRI “standard has been applied in every PTO proceeding involving unexpired patents.”⁶

The Federal Circuit also declared that the AIA “precludes interlocutory review of decisions whether to institute IPR,” and that the AIA “prohibits review of the decision to institute IPR even after a final decision.”⁷ Cuozzo filed a petition for rehearing *en banc* in front of the Federal Circuit, but was denied the rehearing in a 6–5 ruling.⁸

IS IPR A MINI-LITIGATION OR CONTINUED EXAMINATION?

At the Supreme Court, the Justices grappled with whether IPR proceedings are an extension of patent examination or more analogous to litigation. IPR shares certain aspects with both examination and litigation. Like an applicant in examination or a patent owner in a reexamination of an issued patent, a patent owner can present claim amendments once an IPR has been instituted. But, unlike examination, claim amendments are not entered as a matter of right during IPR, and there is only a limited opportunity to amend. Additionally, unlike litigation, there is no presumption of validity of the patent in question during IPR.

On the other hand, like litigation, IPR is adversarial and generally includes discovery, briefs, and oral argument in front of the PTAB. Justice Ginsburg described IPR as “kind of a hybrid...in certain respects it resembles administrative proceedings, and other, district court proceedings...so it’s a little of one and a little of the other.”

THE GOVERNMENT’S ARGUMENT FOR BRI

The AIA does not provide instructions to the PTO as to which standard should be used during IPR proceedings. During argument, Justice Kagan said that “if I look at the statute, I mean, it just doesn’t say one way or the other. So we’re a little bit reading tea leaves, aren’t we?” The government argued that Congress had left it to the PTO to decide which standard to use during IPR.⁹ The government’s position is that because the PTO uses BRI throughout examination and in most other proceedings, the PTO’s decision to use BRI during IPR proceedings was reasonable and is “precisely the sort of expert judgment that warrants judicial deference.”¹⁰ Additionally, because “[t]he agency often has multiple pending proceedings concerning the same patent,” which may be combined into a single proceeding, the government argued that it is more efficient for the PTO to use the same standard in each of these proceedings.¹¹

CUOZZO’S ARGUMENT FOR PLAIN AND ORDINARY MEANING

Cuozzo argued that IPR is more analogous to litigation than examination, and thus the plain and ordinary meaning standard is the only reasonable interpretation of the statute.¹² Cuozzo reasoned that the intent of Congress was clearly to create an adjudicatory proceeding, different from the prior reexamination proceedings, and thus there is no ambiguity in the statute because the only appropriate standard would be the one used by district courts.¹³ Cuozzo also pointed out that, unlike during examination where applicants can amend claims freely, patent owners have only a very limited opportunity to amend claims during IPR proceedings.¹⁴

[MORE ▶](#)

[CUOZZO, FROM PAGE 7]

Counsel for Cuozzo argued that “the process that Congress enacted in IPR is a brand new adjudicatory proceeding unlike the PTO has ever confronted in the past,” and that using BRI during IPR “is really the quintessential example of trying to pound a square peg into a round hole simply because that peg used to fit a very different hole.”

In an amicus brief, the American Intellectual Property Law Association (AIPLA) supported Cuozzo’s position, arguing that there was “clear and unambiguous Congressional intent that AIA trials were to be adjudicatory,” and that because the “*Phillips/Markman* standard is applied in district court trials...there is no hint that Congress intended any other standard to apply in post-grant trials.”¹⁵

AIPLA further argued that the BRI “standard functions well for patent examination, but it is inappropriate for adjudicatory proceedings before the PTAB.”¹⁶

INCONSISTENCIES BETWEEN IPR AND DISTRICT COURT LITIGATION

Justice Roberts asked a number of questions regarding inconsistent outcomes between district court litigation and IPR proceedings due to BRI being used in the latter, but not the former. Justice Roberts remarked “it’s a very extraordinary animal in legal culture to have two different proceedings addressing the same question that leads to different results.” Justice Roberts further stated that having two different interpretations of a patent was “a bizarre way to...decide a legal question.”

AIPLA also pointed to this issue in its amicus brief, arguing that “issued claims can be given a different and broader interpretation in AIA trials than they are given in district court infringement proceedings, leading to inconsistent results and uncertainty about the scope and value of patents.”¹⁷ The Intellectual Property Law Association of Chicago (IPLAC)

made a similar argument in an amicus brief, stating that “[a]pplying differing standard to a claim construction reached under an IPR from one reached by a district court would be incoherent,” and that this “would unacceptably permit differing tribunals, both created by Congress, to reach differing results on the same evidence.”¹⁸

REVIEWABILITY OF INSTITUTION DECISION

In enacting the AIA, Congress limited the reviewability of the PTAB’s decision to institute an IPR. 35 U.S.C. § 314 states that “[t]he determination by the Director whether to institute an inter partes review under this section shall be **final and nonappealable**.”¹⁹ The decision of whether or not to institute an IPR is particularly important because once an IPR is instituted, the PTAB “invalidates more than four out of every five patent claims that reach a final decision.”²⁰

Cuozzo asserted that § 314 was enacted in order to reduce the amount of time needed for the PTAB to issue a final decision in an IPR proceeding.²¹ But, once a final decision has been rendered, Cuozzo argued that “nothing bars a party from arguing that the Board’s final decision must be set aside because the proceeding was instituted in violation of the statutory restrictions.”²² The government countered that there is no need to relitigate “threshold questions that do not bear on the proper scope of the patentee’s exclusive rights.”²³ But Cuozzo noted that “permitting review is the only way to ensure that the Board’s scrutiny of an issued patent actually complies with the AIA’s requirements.”²⁴

UPCOMING SUPREME COURT DECISION

An opinion is expected in June or July, and it appears likely that the Court will issue a final

determination as to whether or not BRI is appropriate during IPR rather than defer to the PTO's discretion of the standard to use. If the Court decides that BRI is inappropriate, a decrease in the percentage of claims invalidated during IPR is likely, although it is not clear how significant this decrease would actually be. If the PTAB were to begin using the same claim construction standard as district courts, then the decision could impact litigation as well, because district courts may defer to, or be influenced by, PTAB claim construction. ■

¹ *Cuozzo Speed Techs., LLC, v. Lee* No. 15-446 (U.S. argued April 25, 2016).

² With passage of the AIA, Congress also created post grant review (PGR) proceedings and covered business method (CBM) proceedings.

³ *Ex parte* reexamination, wherein a third party files a request but has no ability to provide further input to the examiner handling the request, is still available after the AIA became effective.

⁴ Brief for the petitioner at 17, *Cuozzo Speed Techs., LLC*, No. 15-446 (U.S. Feb. 22, 2016).

⁵ *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005).

⁶ *In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268, 1277 (Fed. Cir. 2015), *aff'g*, *Garmin Int'l v. Cuozzo Speed Techs., LLC*, 108 USPQ2d 1852 (PTAB 2013), IPR2012-00001, Paper 59.

⁷ *In re Cuozzo*, 793 F.3d at 1273.

⁸ Order Denying Rehearing *En Banc*, 793 F.3d 1297 (Fed. Cir. 2015).

⁹ Brief for the respondent in opposition at 9–17, *Cuozzo Speed Techs., LLC*, No. 15-446 (U.S. Dec. 11, 2015).

¹⁰ Brief for the respondent in opposition at 9–10 and 14.

¹¹ Brief for the respondent in opposition at 14.

¹² Brief for the petitioner at 16–42.

¹³ Brief for the petitioner at 18–35.

¹⁴ Brief for the petitioner at 29–31.

¹⁵ Brief of *Amicus Curiae* American Intellectual Property Law Association in Support of Neither Party at 5, *Cuozzo Speed Techs., LLC*, No. 15-446 (U.S. Mar. 7, 2016).

¹⁶ Brief of *Amicus Curiae* American Intellectual Property Law Association at 8.

¹⁷ Brief of *Amicus Curiae* American Intellectual Property Law Association at 8.

¹⁸ Brief of the Intellectual Property Law Association of Chicago as *Amicus Curiae* in support of neither party at 15.

¹⁹ 35 U.S.C. § 314 (emphasis added).

²⁰ Brief for the petitioner at 46, *citing* U.S. Patent and Trademark Office, Patent Trial and Appeal Board Statistics Dec. 31, 2015 at 12.

²¹ Brief for the petitioner at 48–49.

²² Brief for the petitioner at 49.

²³ Brief for the respondent in Opposition at 21.

²⁴ Brief for the petitioner at 52.

BANNER & WITCOFF REPRESENTS ELLIE'S HATS PRO BONO

Banner & Witcoff recently expanded its pro bono efforts with the representation of Ellie's Hats, a nonprofit organization in Virginia that offers children with cancer and their families care and support. Ellie's Hats started with the goal of spreading hope and joy to children with cancer by sending them a hat and showing them that someone is thinking of them. The organization has now taken on many new projects, including organizing fundraisers, offering support to hospitals that provide cancer treatment to children, and raising awareness of childhood cancer.

Robert S. Katz, one of the firm's principal shareholders, was introduced to Ellie's Hats by a member of its board of directors. He said that a primary goal of the organization is to "let the children express themselves through their hats and, in the process, create a dialogue about cancer awareness."

Banner & Witcoff associate Maurine Knutsson filed three trademark applications with the U.S. Patent and Trademark Office on behalf of Ellie's Hats on May 13, 2016:

MARK: ELLIE'S HATS

Serial No. 87036430

MARK:



Serial No. 87036437

MARK: MORE THAN JUST A HAT

Serial No. 87036443

"I was excited for the opportunity to help Ellie's Hats work toward protecting its brand," Maurine said. "I think it will be a great marketing tool for Ellie's Hats to later be able to mark its trademarks as registered and show that it is an established organization with real intellectual property rights."

For more information about Ellie's Hats, please visit ellieshats.org.

AGREEMENT DRAFTING TIPS TO SAFEGUARD IP RIGHTS



BY: REBECCA P. ROKOS

Intellectual property rights can arise through various situations that are typically covered by written agreements, including:

(1) employee developments, (2) consultant services, (3) joint development arrangements, and (4) acquisitions, such as licenses of third party IP. When negotiating and drafting such agreements, care should be taken to ensure that rights are properly identified and secured for the client (Company). Because IP may be developed directly for Company by its employees, by outside parties retained by Company, or through joint efforts with a third party (with the resulting work product from each of these being the “developed IP”), consideration must be given to IP ownership issues. Company’s ability to use and exploit the developed IP is a central concern for any IP agreement.

Effective IP agreements require careful thought and a good degree of precision in crafting definitions and various other provisions. Every technology transfer agreement affords the opportunity to legal counsel to creatively draft terms and conditions to meet the goals of the parties to the agreement and address the circumstances unique to each situation. This article highlights some of the more important considerations and agreement terms to help protect Company’s rights in the developed IP.

OWNERSHIP AND EMPLOYEE ASSIGNMENTS

In the United States, ownership of IP, such as patent and trade secret rights, does not automatically rest with the employer but instead initially rests with the inventor.¹

The inventor must execute an appropriate assignment document in order to transfer ownership of the invention to Company. Ownership will allow Company to seek protection for the invention, for example, through patent applications, and to enforce the rights against others. Without an assignment of the inventor’s rights, the inventor retains ownership in the invention, and Company may have limited² or no rights in the invention. Although U.S. Patent and Trademark Office procedures allow Company to pursue a patent application under certain circumstances even if the inventor’s signed declaration cannot be obtained,³ these procedures do not resolve all ownership issues. Consequently, although Company may obtain a patent on the invention, the uncooperative inventor who has not assigned his rights to Company will remain free to separately exploit any granted patent, and Company’s competitors could even gain rights from the inventor to practice the patented invention. This, of course, is not a desirable situation for Company.

An executed assignment typically is the most straightforward proof of ownership in IP rights. Assignments should be obtained from all inventors as soon as possible to avoid potential issues, such as departed inventors who can be difficult to locate or may no longer be cooperative. Employment agreements with relevant provisions can be a safeguard in situations where Company does not have current contact with a former employee or a former employee refuses to execute an assignment to an invention developed in the course of his employment. A standard employment agreement that includes language stating that the employee assigns to Company

[MORE](#) ▶

BANNER & WITCOFF DONALD W. BANNER DIVERSITY SCHOLARSHIP TO ARIZONA LAW STUDENT

Banner & Witcoff selected Kimberly Soto as the 2016 recipient of the Donald W. Banner Diversity Scholarship for law students.

The scholarship program will provide Ms. Soto with \$5,000 for her upcoming fall semester of law school. Ms. Soto earned a B.S. in molecular and cellular biology from the University of Arizona. She is currently enrolled at the University of Arizona James E. Rogers College of Law.

The scholarship is open to all law students who are members of a minority group (including any group traditionally underrepresented in the field of intellectual property law) and who meet the following criteria:

- Current enrollment in an American Bar Association-accredited law school in the U.S.;
- Commitment to the pursuit of a career in intellectual property law;
- Strong communication and writing skills; and
- Demonstrated leadership qualities and community involvement.

“The firm is thrilled to reward Kimberly’s commitment to making contributions to science and the law, and her desire to blend her experience in both of these fields by practicing in intellectual property law,” said Banner & Witcoff President Thomas K. Pratt. “We wish her continued success in law school and in her future career.”



BANNER&WITCOFF
COMMITMENT TO DIVERSITY



[AGREEMENT DRAFTING TIPS, FROM PAGE 10]

all inventions developed during her employment will help support a claim that the employee at least had an obligation to assign and therefore Company rightfully owns all rights in the invention. For example, including a provision such as “[employee] agrees to assign, and hereby assigns, all inventions made during the course of my employment...” in the employment agreement can effectively transfer ownership rights to Company without any further assignment from the inventor. Similarly, with respect to copyrights, the agreement could include a clause that “the parties agree that the work product shall be a ‘work made for hire’ but, if not, then employee hereby assigns to Company the copyright of the work product.”

EXPRESS ASSIGNMENT LANGUAGE

Express language such as “hereby assigns,” rather than merely “agrees to assign” or “shall assign,” should be used in an agreement to effectively assign the applicable rights. “Hereby assigns” is viewed as a present assignment of all applicable future rights in an invention,⁴ and no further assignment is necessary to transfer ownership of the rights (although a confirming assignment document for a specific patent application later may be obtained so that it can be recorded with the U.S. Patent and Trademark Office).

CONSULTING OR DEVELOPMENT AGREEMENTS – A NDA IS NOT ENOUGH

When developing new technology, Company may seek assistance from outside parties. Even if Company is paying a consultant or contributing to joint efforts undertaken with another party, Company’s rights can be compromised if the proper agreement is not in place before work begins.

Although research and development (R&D) personnel may enter into a non-disclosure agreement (NDA) with an outside party before initiating discussions about developing new technology, a NDA alone will not protect Company’s interests in future IP rights. In most cases, terms on IP rights and responsibilities—other than confidentiality and use restrictions—preferably are not included in the NDA, and the parties will need to enter into a subsequent, more comprehensive agreement following initial discussions. However, having a NDA in place may give R&D personnel a false sense of security if they lose sight of the limitations of the NDA and the need to enter into a further agreement at the appropriate time. Company can lose leverage in negotiations or, more significantly, the ability to control and/or practice the IP rights, if the parties have not entered into an agreement before development activities commence.

Any consulting or development agreement should include as much detail as possible regarding rights, responsibilities and other terms of the relationship, rather than relying on a separate addendum or a Statement of Work (SOW) to define key terms. Although reference may be made in the agreement to the format for the SOW, a template of which often is attached to the agreement as an exhibit, it will be incumbent on the parties to follow up later with an executed SOW. Additional issues may arise if R&D negotiates the SOW but an attorney does not have the opportunity to review the SOW to ensure that no terms conflict with the original agreement or that any SOW terms unintentionally supersede the prior agreement terms. To guard against this, the consulting or development agreement should include all terms and should specify that those agreement terms will control over terms in a subsequent SOW. Certain exceptions may be warranted, for example, if there is a later-

developed invention that the parties agree to treat differently such that it is necessary to have the SOW or an amending agreement override terms of the original agreement. In such situations, the SOW or amending agreement should clearly specify the particular subject matter that will be governed by the new terms and confirm which original terms continue to govern the original subject matter.

BACKGROUND OR PRE-EXISTING IP

Typically, each party will retain ownership of its pre-existing IP that it brings to the relationship. If pre-existing, or background, IP is potentially relevant to the joint efforts and may be utilized in the developed IP, the agreement should clearly define each party's pre-existing IP and require that a party notify the other party if pre-existing IP is incorporated into the developed IP. Also including in the

particularly important if Company has internal R&D operations in related technology areas and does not wish to share with the other party any developments from those separate R&D operations.

DEVELOPED IP – CONSULTANTS

When Company hires an outside consultant to develop technology, Company usually will seek to own and control all developed IP, even if developed solely by the outside consultant, without any further payments to the consultant and without granting any ownership or commercialization rights to the consultant. If the consultant is another company, rather than an individual, the agreement should specify that the consultant will ensure that each of the consultant's employees performing work on the project agrees in writing to assign all IP rights.

“Company can lose leverage in negotiations or, more significantly, the ability to control and/or practice the IP rights, if the parties have not entered into an agreement before development activities commence.”

agreement a license grant to the pre-existing IP will ensure that Company is able to practice the developed IP, both during and after the development activities. The terms of the license (e.g., exclusivity, royalties, field of use, etc.) can be negotiated along with the terms of the joint development agreement and tailored to address the expected needs of Company after the conclusion of the development activities.

INDEPENDENT IP

During the term of the agreement, a party may independently develop IP that is not related to the scope of work under the agreement. The party who develops that IP most often will retain the ownership rights in the IP, and the agreement will typically exclude such IP from any grant of rights to the other party. This is

The consultant must be responsible for obtaining all executed assignments and other documents from its employees. In the event that an inventor's assignment is needed, the burden should be on the consultant to obtain the assignment, and Company will have a cause of action against the consultant if it fails to obtain the assignment. The “hereby assigns” language can be included in the agreement as further evidence that the consultant has agreed that it will not retain any rights in the developed IP.

DEVELOPED IP – JOINT DEVELOPMENT

Unless one party will make a greater contribution of resources to the joint activities or has a stronger position in negotiations,

MORE ▶

ownership rights under joint development agreements often follow inventorship of the developed IP. Thus, if both parties have employees who have contributed to the invention, the parties will jointly own, and each have an undivided, equal interest in, the developed IP in accordance with 35 USC § 262. Of course, the right to commercially exploit the developed IP need not track ownership rights, and the parties have flexibility in allocating ownership of the IP (with corresponding assignment obligations between the parties) and/or carving out commercialization rights in the developed IP generally however they desire. For example, they may choose to grant sole ownership of certain types of developments (e.g., manufacturing processes to one party or compositions to the other party) or give each party exclusive rights in particular fields of use, all of which can be set forth in the agreement. The parties also may allocate rights differently in view of other considerations that arise in the context of joint development efforts. For example, joint ownership presents unique issues regarding patent rights, (e.g., prior art status, enforcement of the rights, etc.) that should be carefully evaluated when drafting a joint development agreement to ensure that the parties recognize the maximum benefits from their joint efforts and avoid unanticipated situations.

In addition to dividing up ownership rights, the agreement can provide for contingent rights. Company may seek a right of first refusal to purchase or license the other party's interest in the pre-existing IP or developed IP if that party is no longer interested in the IP. This will help prevent an unintended transfer of rights to a competitor or other third party by the other joint owner.

PROTECTION AND ENFORCEMENT

The agreement ideally will include terms addressing how the parties desire to handle on-going responsibilities with respect to the rights, as well as disposition of the rights after the relationship ends. Providing as much detail as possible in the agreement regarding prosecution responsibilities can help avoid misunderstandings later on. Relevant terms include how the parties will decide whether and where to file new or continuing patent applications, who will control prosecution decisions and the level of input each party will have, whether to maintain an application or patent in a particular country, whether to enforce a patent, and how the costs will be apportioned in each of these situations.

Drafting technology development agreements to address as many issues as possible regarding IP ownership, rights and responsibilities, while also anticipating the needs of Company during the course of the relationship and later during commercialization of the developed IP, can mitigate easily avoidable pitfalls and subsequent disputes. Careful consideration of the various issues can help prevent inadvertent loss of rights and other unintended consequences so that Company can enjoy the full extent of rights in the developed IP. ■

¹ The laws differ depending on the type of IP. For example, unlike patents, copyrightable work product created by an employee in the course of his or her employment duties may be considered a "work made for hire," and the copyright typically belongs to the employer. 17 U.S.C. § 101.

² At best, Company may be a joint owner, if there are other inventors and they have assigned their rights to Company. Without the inventor's assignment or obligation to assign, Company may have only a limited implied license, or "shop right" in the invention.

³ 37 C.F.R. § 1.64 Substitute statement in lieu of an oath or declaration.

⁴ *FilmTec Corp. v. Allied-Signal, Inc.*, 939 F.2d 1568, 1572-73 (Fed. Cir. 1991); see also *Board of Trustees of the Leland Stanford Junior University v. Roche Molecular Systems, Inc.*, 563 U.S. 776 (2011). Although current law under *FilmTec* recognizes "hereby assigns" clauses as automatically and immediately assigning legal title (as opposed to equitable title) to future inventions, the rule was questioned in Justice Breyer's dissenting opinion in *Stanford* and continues to be criticized by legal scholars.

LITIGATION SUCCESS STORIES

BANNER & WITCOFF WINS FOR CLIENTS IN MULTIPLE VENUES IN EARLY 2016

FEDERAL CIRCUIT

RIPARIUS VENTURES LLC V. CISCO SYSTEMS INC. ET AL. (SKYPE TECHNOLOGIES S.A. AND RTX TELECOM A/S)

On March 15, the Federal Circuit entered judgment in favor of clients Skype Technologies S.A. and RTX Telecom A/S. The Federal Circuit affirmed the USPTO Patent Trial and Appeal Board's March 2014 final decision in two *inter partes* reexaminations initiated by Skype Technologies and RTX Telecom. Those decisions reaffirmed Skype Technologies and RTX Telecom's positions that each and every claim of U.S. Pat. Nos. 7,139,371 & 7,016,481 is invalid.

Jason S. Shull, Bradley C. Wright, Timothy C. Meece and Shawn P. Gorman represented Skype Technologies and RTX Telecom in the case. Shawn P. Gorman and Jason S. Shull, along with Bradley C. Wright, represented Skype Technologies and RTX Telecom in the *inter partes* reexamination as well as the appeal of the reexamination to the Patent Trial and Appeal Board.

LEXMARK INTERNATIONAL, INC. V. IMPRESSION PRODUCTS, INC.

On February 12, the Federal Circuit, in an *en banc* opinion, ruled in favor of client Lexmark International, Inc., finding the "first sale" doctrine under patent law does not apply to: (1) patented articles sold subject to restrictions on resale and reuse communicated to the buyer at the time of sale; and (2) patented articles first sold outside of the United States. The Federal Circuit remanded the case for entry of a judgment of infringement of 21 patents in favor of Lexmark, as well as awarded Lexmark its costs.

Timothy C. Meece, V. Bryan Medlock, Jr., Jason S. Shull and Audra C. Eidem Heinze represented Lexmark in the case.

SYNOPSYS, INC. V. MENTOR GRAPHICS CORP.

On February 10, client Mentor Graphics prevailed in a Federal Circuit appeal by rival Synopsys, Inc., seeking to overturn the USPTO Patent Trial and Appeal Board's final decision in an *inter partes* review that upheld challenged claims of Mentor's U.S. Patent No. 6,240,376. The decision affirms the PTAB's finding that challenged claims 1 and 28 of the '376 patent are not anticipated by the prior art as argued by Synopsys.

Christopher L. McKee and Michael S. Cuiello represented Mentor in the IPR and the Federal Circuit appeal. Bradley C. Wright also represented Mentor in the Federal Circuit appeal.

DISTRICT COURT

REMBRANDT GAMING TECHNOLOGIES, LP V. BOYD GAMING CORP., ET AL.

On April 5, the U.S. District Court for the District of Nevada entered judgment of no infringement in a patent infringement suit filed by Rembrandt Gaming Technologies, LP against clients WMS Gaming, Inc.; Aria Resort & Casino Holdings, LLC;

Bellagio, LLC; Caesars Entertainment Operating Company, Inc.; Circus Circus Casinos, Inc.; Mandalay Corp.; MGM Grand Hotel, LLC; New Castle Corp.; New York-New York Hotel & Casino, LLC; Ramparts, Inc.; The Mirage Casino-Hotel; and Victoria Partners. This win follows up Banner & Witcoff's wins on all claim construction issues and prior win in the USPTO during reexamination invalidating all asserted claims except one.

Timothy C. Meece, V. Bryan Medlock, Jr., Michael J. Harris and Audra C. Eidem Heinze represented WMS Gaming and its casino customers in the case.

PHIL-INSUL CORP. V. AIRLITE PLASTICS, ET AL.

On March 2, client Airlite Plastics Co. prevailed in defense of a patent infringement claim asserted by Phil-Insul Corp (d/b/a IntegraSpec) in the U.S. District Court for the District of Nebraska. The patent at issue relates to insulated concrete forms used to make energy efficient concrete buildings. The district court granted summary judgment of non-infringement based on the preclusive effect of prior rulings against the patent holder in a previous litigation.

Jon O. Nelson and Louis DiSanto represented Airlite Plastics in the case, with the support of Brown & Brown.

NIKE, INC. V. FUJIAN BESTWINN (CHINA) INDUSTRY CO., LTD.

On February 17, Banner & Witcoff filed suit in the U.S. District Court for the District of Nevada on behalf of client Nike, Inc., against Chinese footwear manufacturer Fujian Bestwinn for selling numerous models of shoes that infringe at least 20 of Nike's design patents. On the day Nike filed suit, the court granted Nike's request for a temporary restraining order and a seizure order. Nike executed the seizure order at a trade show and obtained additional evidence of Fujian Bestwinn's infringements. Thereafter, the court granted Nike's request for a preliminary injunction.

Christopher J. Renk, Erik S. Maurer, Michael J. Harris and Aaron Bowling represented Nike in the case.

PATENT TRIAL AND APPEAL BOARD

SEAGATE TECHNOLOGY LLC V. ENOVA TECHNOLOGY CORP.

Client Seagate Technology won a clean sweep of four *inter partes* reviews invalidating two patents of Enova Technology Corp. that relate to computer storage device encryption technology. In a series of four Final Written Decisions issued between September 2, 2015 and February 4, 2016, the USPTO Patent Trial and Appeal Board found all of the claims of both patents invalid as obvious over prior art asserted in the IPR petitions.

Joseph M. Potenza, Christopher L. McKee, Michael S. Cuiello and Bradley C. Wright worked with attorneys of Faegre Baker Daniels LLP in the representation.

APPLE AND SAMSUNG AT THE SUPREME COURT: CASE PROVES NEED FOR DESIGN PATENTS IN OVERALL IP STRATEGY

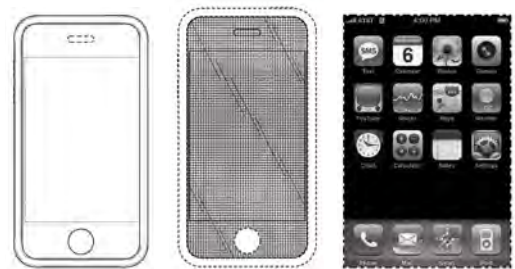


BY: BRADLEY J. VAN PELT, KEVIN C. KEENAN,
AND SEAN J. JUNGELS

The Supreme Court will dust off its treatises and review design patents for the first time in 122 years in *Samsung v. Apple*. Although the issues in the fray are plentiful, the Justices will only tackle one: how much can a design patent holder recover from an infringer?

Apple and Samsung arrived here after several years of long-running and extraordinarily public litigations over patents and other intellectual property rights both in the United States and internationally. These disputes have been dubbed the “Smartphone Wars.” In the case pending at the Supreme Court, Apple asserted design and utility patent infringement and dilution of trade dress. Apple first filed suit against Samsung in the U.S. District Court for the Northern District of California in 2011, asserting Apple’s D593,087, D618,677, and D604,305 design patents against various Samsung smartphones (examples of which are shown to the right) and asserting that Samsung diluted its unregistered and registered trade dresses that are materially identical to the designs claimed in its design patents, among other things.¹ A jury found that all three design patents were infringed, as well as dilution of the trade dresses, ultimately awarding damages of \$399 million for design patent infringement and \$382 million for trade dress dilution.²

In awarding \$399 million in design patent damages to Apple, the district court applied Section 289 and awarded infringer’s profits in the amount of Samsung’s entire profits on the sales of the accused phones.



TOP (LEFT TO RIGHT): Apple’s Patents: D593,087; D618,677; D604,305;
BOTTOM (LEFT TO RIGHT): Exemplary Accused Products: Galaxy S 4G; Samsung Fascinate UI

The district court did not require Apple to prove that the patented design features provided a material contribution to Samsung’s sales nor did it require any apportionment of the damages award. The Court of Appeals for the Federal Circuit affirmed the district court’s design patent award, and held that “total profit” in Section 289 constitutes all of an infringer’s profits from an entire product. *Id.* at 1101–1102.

After the Federal Circuit denied rehearing *en banc*, Samsung filed a petition for writ of certiorari to the Supreme Court and challenged two rulings: (1) the panel held design patent infringement depended on the factfinder's review of the overall ornamental appearance of a design, even if the design applied to aspects of the phone that had some utilitarian purpose, and (2) the panel held the text of Section 289 "explicitly authorizes the award of total profit." *Id.* However, the Supreme Court only granted certiorari with respect to the second issue.

35 U.S.C. § 289 states:

Whoever during the term of a patent for a design, without license of the owner, (1) applies the patented design, or any colorable imitation thereof, to any article of manufacture for the purpose of sale, or (2) sells or exposes for sale any article of manufacture to which such design or colorable imitation has been applied **shall be liable to the owner to the extent of his total profit**, but not less than \$250, recoverable in any United States district court having jurisdiction of the parties. Nothing in this section shall prevent, lessen, or impeach any other remedy which an owner of an infringed patent has under the provisions of this title, but he shall not twice recover the profit made from the infringement. (emphasis added)

SECTION 289 – A SHORT HISTORY

As a short summary of the history behind Section 289, the law was enacted in part due to Congress being dissatisfied with a Supreme Court ruling that a patentee only deserved minimal damages for the infringement of its carpet design patent. When design patent law was established, similar standards were used in determining damages for infringement of both design and utility patents, which required an accounting of the profits attributed to

infringing the patented design. Because of this standard, however, design patent owners encountered much difficulty in establishing that the value of the product was attributed to the design and, thus, often only received a nominal damage award.⁴ The most often cited example of the application of this standard is in *Dobson v. Dornan*, where the Court determined that a patented carpet design infringement was infringed but only awarded 6 cents in damages, reasoning that the design patent owner failed to establish that the cost of the infringing carpets could be attributed to the patented design.⁵

Dissatisfied with the result in *Dobson*, in 1887, Congress removed the attribution requirement for design patent damages and replaced this provision with the total profit rule providing that an infringer should be required to pay the design patent holder the total profit made in the sale of the infringing product including the patented design, with a minimum liability of \$250.⁶ Congress later codified the Patent Act of 1887 in 35 U.S.C. § 289, which is at the center of the current Supreme Court case between Apple and Samsung.

DIFFERING VIEWS ON SECTION 289

Much of Samsung's petition for writ of certiorari is dedicated to the Federal Circuit allegedly misinterpreting Section 289 and the "absurd" results that the Federal Circuit's application of Section 289 creates. Samsung argues that the damages award of all profits from its smartphones is disproportionate because it fails to account for how much the design contributed to the product's value or sales. For example, in applying this rule, "a jury that awards infringer's profits must award the entire profits on a car (or even an eighteen-wheel tractor-trailer) that contains an infringing cup-holder..."⁷ Samsung also argues that the Federal Circuit erred in construing "article of manufacture" in the statute to mean the "entire product sold separately to **MORE ▶**

ordinary customers.” (internal quotes omitted). Instead, citing to dictionary definitions and the Federal Circuit’s predecessor court, the Court of Customs and Patent Appeals, Samsung argues that an “article of manufacture” is only the portion of the product to which the patented design is applied.⁸ In addition, Samsung noted that the “total profit” is limited by the statutory language “profit made from the infringement” in the second paragraph of Section 289.⁹ Finally, Samsung argues that the principles of causation and equity render an award of all profits excessive and supports an award of infringer’s profits proportional to the infringer’s wrong.¹⁰

In its opposition to certiorari, Apple argued that Section 289 is clear and mandates awards of all of the infringer’s profits. Apple further argued that this is well supported by clear legislative history and case law precedent. Apple argued that in enacting Section 289, Congress’s clear intent was to “prevent[] the infringer from actually profiting by his infringement. The patentee recovers the profit actually made on the infringing article...that is what the infringer realized from infringing articles minus what they cost.”¹¹ Apple further argued that Congress had multiple opportunities to revise the “total profit” provision of Section 289 but chose not to do so. For example, in 1946, Congress abolished a similar “total profits” rule for utility patents but did not abolish the design patent equivalent. Also in 1952, Congress updated the language of Section 289, but did not alter the “total profits” provision of section 289.¹² Apple additionally argued that the total profits rule was supported by “an unbroken line of cases... that applied § 289” to mean an infringer’s entire profits, not merely some portion thereof. In sum, Apple contends that “Samsung had its day in court...and the...jury was well-justified in finding that Samsung copied Apple’s designs and should pay the damages that the statute expressly authorizes.”¹³

Samsung’s opening brief was due June 1. Apple’s response is due July 29, and Samsung’s reply brief is due August 29. Oral argument has not yet been scheduled, but pundits predict it will be held in October. Several amici curiae briefs are also expected to be filed in support of both parties.

SIGNIFICANT ROLE OF DESIGN PATENTS

Regardless of the outcome of the Supreme Court decision, this immense clash between two technology titans illustrates the need for companies to obtain broad and varied coverage of their intellectual property rights. Intellectual property rights may be obtained using utility and design patents, trademarks, copyrights, trade dress, and trade secrets. These vehicles each confer different and often overlapping protections.

In the context of the intellectual property at issue in these cases, Apple originally sought \$2.75 billion in damages, and in 2012, Apple won a judgment of nearly \$930 million including:

- \$149 million related to infringement of Apple’s utility patents;
- \$382 million related to dilution of Apple’s trade dresses; and
- \$399 million related to infringement of Apple’s design patents.¹⁴

Of the nearly \$930 million, Samsung chose not to appeal the \$149 million judgment related to Apple’s utility patents, and the Federal Circuit eliminated the \$382 million portion of Apple’s award relating to trade dress dilution, finding Apple’s trade dresses to be functional and therefore invalid.¹⁵ Thus, without Apple’s design patents, Apple would be left with only \$149 million of the \$2.75 billion it originally sought.

Design patents are an often overlooked form of intellectual property protection. In 2015, for example, utility patent application

filings outpaced design patent applications by more than 15 to 1 (589,410 utility patent applications to just 39,097 design patent applications).¹⁶ Although design patents may only be obtained for the ornamental design of an item and typically the rights conferred by a design patent are narrower than the rights conferred by a utility patent, they are invaluable to an overall intellectual property portfolio and offer significant benefits over utility patents.

First, design patents are granted more quickly than utility patents. A utility patent can typically take three or more years to grant whereas a design patent may typically grant in as little as six-to-eight months, and in certain instances, as little as three months where expedited examination is requested. Second, design patents are relatively inexpensive compared to utility patents. A design patent may generally be obtained for about one-tenth the cost of a utility patent. Maintenance fees must also be paid to the U.S. Patent and Trademark Office during the life of a utility patent, but no such fees are required to keep a design patent alive. Third, design patents are allowed by the USPTO more frequently than utility patents. Design patents, for example, have an allowance rate of almost 90 percent, while utility patents have an allowance rate

of closer to 70 percent.¹⁷ Finally, as evidenced by the *Samsung v. Apple* case, damages related to design patent infringement can be significant as a patent owner can recover the infringer's **total profit**.

Although design patents are not appropriate for all types of inventions, Apple and Samsung's long-running legal battle demonstrates that design patents are a necessary addition to a successful overall intellectual property strategy. ■

¹ Apple also asserted its D504,889 design patent but no infringement was found. Apple has additionally asserted some of its utility patents directed to smartphone technology against Samsung.

² The Federal Circuit reversed the \$382 million judgment for trade dress dilution and held the asserted trade dresses invalid as functional.

³ During reexamination, the USPTO in a non-final action dated August 5, 2015, rejected the claim of the '677 design patent on several grounds. The rejection is being challenged by Apple.

⁴ Donald S. Chisum, *Chisum on Patents* § 23.05 (1)(a)(2014)

⁵ 118 U.S. 10

⁶ Patent Act of Feb. 4, 1887, ch. 105, § 1, 24 Stat. 387

⁷ *Samsung v. Apple*, No. 15-777, petition for writ of certiorari at 26.

⁸ *Id.* at 27.

⁹ *Id.* at 30-31.

¹⁰ *Id.* at 32 and 33.

¹¹ Apple brief in opposition to cert at 5, quoting 18 Cong. Rec. 834.

¹² Apple brief in opposition to cert at 27

¹³ Apple brief in opposition to cert at 37

¹⁴ *Apple v. Samsung*, No. 14-1335, Samsung brief at 3

¹⁵ *Apple v. Samsung*, No. 14-1335

¹⁶ http://www.uspto.gov/web/offices/ac/ido/oeip/taf/us_stat.htm

¹⁷ <http://www.uspto.gov/corda/dashboards/patents/main.dashxml?CTNAVID=1005>; and <http://www.uspto.gov/corda/dashboards/patents/main.dashxml?CTNAVID=1006>

BANNER & WITCOFF AND AIA POST-ISSUANCE PROCEEDINGS

Banner & Witcoff continues to increase its involvement in America Invents Act post-issuance review activity, including *inter partes* reviews (IPRs) and post grant reviews. The firm is currently handling 28 IPRs for such clients as NIKE, Inc.; Honeywell International Inc.; and Kimberly-Clark Corp.

Since the AIA took effect, the firm has brought a number of IPRs to a successful conclusion for its clients, including successfully defending an IPR for client Mentor Graphics through appeal to the U.S. Court of Appeals for the Federal Circuit (CAFC). The firm has several other appeals from IPRs currently pending before the CAFC.

Banner & Witcoff

is dedicated to excellence in the specialized practice of intellectual property law, including patent, trademark, copyright, trade secret, computer, franchise and unfair competition law. The firm actively engages in the procurement, enforcement and litigation of intellectual property rights throughout the world, including all federal and state agencies, and the distribution of such rights through licensing and franchising.

 Follow us on Twitter @BannerWitcoff

 Follow us on LinkedIn

EDITORIAL BOARD

EXECUTIVE EDITORS

Katie L. Becker

kbecker@bannerwitcoff.com

Sean J. Jungels

sjungels@bannerwitcoff.com

CONTRIBUTORS

Sean J. Jungels

sjungels@bannerwitcoff.com

Kevin C. Keenan

kkeen@bannerwitcoff.com

Benjamin Koopferstock

bkoopferstock@bannerwitcoff.com

Darrell G. Mottley

dmottley@bannerwitcoff.com

Robert H. Resis

rresis@bannerwitcoff.com

Rebecca Rokos

rrokos@bannerwitcoff.com

Bradley J. Van Pelt

bvanpelt@bannerwitcoff.com

You are receiving this newsletter because you are subscribed to B&W's Intellectual Property Update. To unsubscribe from this list, please send an e-mail to newsletter@bannerwitcoff.com with "Remove Newsletter" in the subject line.

This is a publication of Banner & Witcoff, Ltd. and is intended to provide general information with regard to recent legal developments. The material contained within should not be construed as a source of legal advice or as a substitution for legal consultation. Please consult an attorney with any specific legal questions.

©2016 Banner & Witcoff, Ltd.

WWW.BANNERWITCOFF.COM

CHICAGO

10 South Wacker Dr.
Suite 3000
Chicago, IL 60606
312.463.5000
312.463.5001 (fax)

WASHINGTON

1100 13th St., NW
Suite 1200
Washington, DC 20005
202.824.3000
202.824.3001 (fax)

BOSTON

28 State St.
Suite 1800
Boston, MA 02109
617.720.9600
617.720.9601 (fax)

PORTLAND

One World Trade Center
121 Southwest Salmon St.
11th Floor
Portland, OR 97204
503.425.6800
503.425.6801 (fax)