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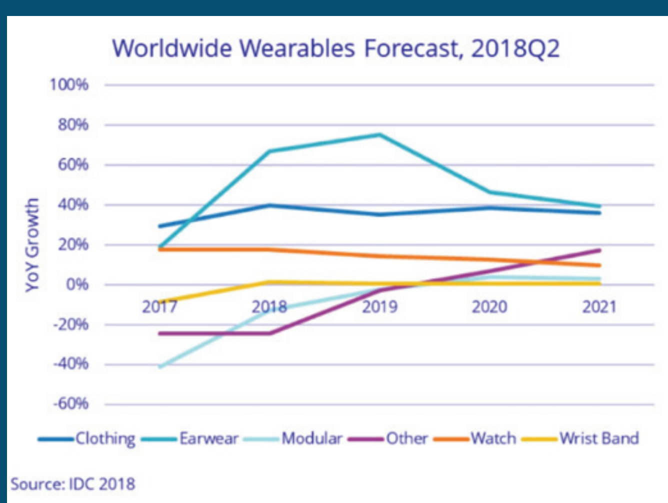
IP UPDATE

HOW TO PLAY (AND WIN) IN THE WEARABLES MARKET

BY AZUKA C. DIKE AND KIRK A. SIGMON

Powered by a frenzy of funding, advertising, and global interest, wearables (electronics that may be worn on the body, such as smartwatches, fitness trackers, and the like) have become a key priority for many CEOs. The bourgeoning wearables market has and continues to attract new entrants, causing some analysts to believe that sectors within this market may soon be saturated.[1] Today is not that day, as room for significant growth still remains in this market. According to industry analyst firm CCS Insight, the wearables market could be worth more than $25 billion by the end of 2019.[2] That projected growth is attributed to more than just wrist-mounted devices: the smart clothing segment alone rose 58.6 percent in the first quarter of 2018.[3] While some segments of the wearables market are slowly becoming saturated, significant profit growth is possible in other segments of the wearables market.



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For instance, recent forecasts conducted by the International Data Corporation (IDC), a leading global provider of market intelligence in consumer technology markets, project strong year-over-year growth through 2021 for the smart clothing and eyewear segments.[4] Other wearable sectors (e.g., jewelry, implantables, pet-tech, enviro-trackers) are also expected to see an upward trend.[5]

But how might a company best prepare for success in the wearables market? The short answer: look before you leap. Innovate strategically by looking for promising entry points into the appropriate sector of the wearables market. Once those entry points are identified, develop a long-term growth strategy that includes building a strong intellectual property portfolio, keeping in mind that speed and international coverage can be critical. After all, failing to develop a visible protection plan for your intellectual property assets is an open invitation for competitors to imitate your wearable technology—the likely precursor to a decline in market share. Once you have built a targeted intellectual property ("IP") portfolio, prepare for the worst, and be ready to cross-license with and/or litigate against competitors.

Determine Entry Points

Fierce competition in the wearables market necessitates careful planning. As the saying goes—only fools rush in! To the extent possible, determine areas where innovation can be profitable, rather than merely possible.

Before spending money on research and development, evaluate the wearables market to determine where relevant, viable, and profitable entry points may exist. Trends in the wearables market suggest that trivial modifications to existing products are likely to produce only incremental benefits and, thus, are not worth pursuit.[6] To that end, there has been an overall decline in so-called "basic" wearables and a rather significant increase in higher-priced, "smarter" wearables.[7] Indeed, some analysts believe that much of the future growth in the wearables market will relate to "[a]dditional sensors, years of underlying data, and improved algorithms."[8] Successful players in this market will therefore be apt to focus on unique technologies and implementations of existing technologies, instead of dashing to capitalize on minor variants of presently popular trends. To be clear, today's current wearables trend could quickly become yesterday's news, particularly since certain segments of the wearables market—like the smartwatch—may become saturated. In other words, strong consideration should be placed on finding natural markets for underserved, consumer-recognized needs (e.g., new hardware implementations, software implementations, and the like).

Focus on unique problems imposed by wearables, and try to solve them. Merely coming up with new ways to put electronics in fashion items is, standing alone, probably not the best way to go: the market is replete with successful and unsuccessful attempts to implement computing hardware in jewelry and clothing (e.g., rings, watches, bangles, necklaces, shirts, coats, shoes—the list goes on).[9] If nothing else, look to solve existing problems with existing devices. As a simplistic example, both the smartphone market and the wearables market grapple with implementing increasingly powerful hardware in increasingly smaller devices while still preserving battery life, managing heat, and keeping devices resilient. Even minor improvements that address these problems, e.g., those that enable wearables to be smaller, more powerful, cooler, more resilient, and/or consume less power, would likely benefit the entire wearables space, if not many additional fields.

Don't forget to assess the patent landscape of wearable technologies. Likewise, do not limit this search to traditional methods (e.g., competitor searches, patent searches). Many yet-to-be-patented—and typically, yet-to-be-perfected—wearables can be found on nontraditional funding websites like Kickstarter[10] and

Indiegogo.[11] Furthermore, keep in mind that past performance is not indicative of future returns. The nascent graveyard of failed wearables should not dissuade you from exploring similar concepts: sadly, many great ideas have failed for non-technical reasons, such as poor marketing, lack of technical knowledge, and/or substandard financial management.

Develop a Powerful Portfolio

Like many industries, the popularity, value, and breadth of competition in the wearables market necessitates careful IP strategies.

Get Good Patents, and Fast

Though the most promising source of protection, patents are often the most difficult form of intellectual property protection to acquire. Thankfully, there are ways to intelligently acquire patent protection without breaking the bank.

When you do identify an idea worth pursuing, seek a quick allowance. Many great ideas languish at patent offices for years on end because applicants seek the broadest claims possible at the infancy of prosecution.

Given the uncertainty of the wearables market, shrewd players in this space will take an experimental approach to developing their patent portfolio. Consider filing a relatively large number of provisional applications and only filing non-provisional applications for inventions that, upon further inspection and experimentation, seem ripe for market entry. In other words, file broadly, but pursue narrowly. Be willing to abandon applications that do not appear valuable or will generate only nominal returns. Even once you have elected to file an application as a non-provisional, don't shy away from abandoning an application that, during examination, doesn't have much promise. While at times painful, this strategy may save significant money in the long run (e.g., by avoiding unnecessary prosecution, maintenance fees on unused patents, and the like).

When you do identify an idea worth pursuing, seek a quick allowance. Many great ideas languish at patent offices for years on end because applicants seek the broadest claims possible at the infancy of prosecution. While this strategy has many merits (particularly in jurisdictions like Europe, where divisional applications can be prohibitively expensive[12]), it can be more valuable to receive an allowance of narrow claims quickly than to receive an allowance of broad claims later. After all, broader claims can always be pursued through a continuation application. In this instance, time is money, literally: the opportunity costs of pursuing these broadest possible claims may, in fact, outweigh the benefit of asserting them against competitors—after years of prosecution—in a rapidly changing wearables market.

Ideally, applicants seeking a quick allowance should file a broad specification with appropriately narrow claims, and plan to file broader claims in a continuation after securing an allowance of the original application.

This strategy similarly applies to foreign patent protection. Like many areas of technology, the wearables market is global, meaning that protection only in the United States is likely insufficient. By using Patent Prosecution Highway programs in various countries,[13] an applicant that has filed in the United States and foreign countries may then use the allowance of the claims of any one application to expedite the prosecution and allowance of corresponding claims filed in other countries. In other words, a fast allowance in, for example, the United States can be leveraged for a fast allowance abroad. While there can be negatives to using this program (particularly where the allowed claims are undesirably narrow and in countries where divisional/continuation applications are prohibitively expensive or even prohibited), the program can nonetheless be a valuable tool in acquiring international protection.

Get Creative with Design Patents, Copyrights, and Trademarks

Design patent, copyright, and trademark protection for your wearable inventions can be as valuable as a strong utility patent portfolio. Ultimately, your branding and proprietary software can be just as important as the wearable itself.

Design patents may protect ornamental designs of articles of manufacture. In the context of wearables, such ornamental designs may include the actual design of a wearable and elements of its graphical user interface, such as software icons. As, unlike trade dress, the subject matter of design patents need not be used in commerce to be protected, design patents may be particularly useful to protect ornamental designs before product launch.

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While factual information is generally not open to copyright protection, software and unique databases may be protected by copyright.[14] The source code of applications designed to run on conventional wearables (e.g., apps designed to run on the Apple Watch) or in conjunction with wearables (e.g., smartphone apps enabling configuration of wearables) is almost certainly copyrightable.[15] Similarly, databases of biometric or other user information collected by a wearable over time may be copyrightable as compilations, at least insofar as the collection of data is creatively organized.[16] Additionally, and not insubstantially, creative works (e.g., icons, background artwork) designed for wearables may be copyright-eligible.[17]

Keep trademarks and trade dress in mind for all wearable concepts. When possible, distinguish your product from the competition in both name and design. Like most aspects of business, branding is also important for wearables, as it makes a memorable impression on consumers while allowing them to know what to expect from your company.

Prepare for the Worst

Even the best portfolio cannot protect against competitors' actions–always prepare for the worst.

License IP

Entry in the wearables market may require licensing others' IP. For instance, consider acquiring patent rights secured by other entities (e.g., via licensing or direct acquisition) rather than spending the time and effort to design around those same rights. Similarly, consider using existing software packages even when subject to onerous license agreements, rather than developing similar software packages of your own. Do not be shy about paying to stand on the shoulders of market giants: the initial cost might be undesirable, but it is often cheaper in the long run.

Also, explore technology standardization and standards-essential patents available under Fair, Reasonable, and Non-Discriminatory (FRAND) licensing terms. Patents available under FRAND terms can be—as the name suggests—surprisingly fair and affordably licensed. More importantly, standards-essential technology is often well-documented and well-known by engineers, so that implementation of standards-essential technology in new and innovative products can be remarkably easy.

Develop a Litigation Strategy

Given the value and intensity of the wearables market, it is unfortunately likely that new entrants into this market will be targets of litigation. Prepare for this inevitability. Involve patent attorneys early and often to protect viable IP assets. Along these same lines, design around known IP to any extent practicable. Remember, a strong IP portfolio can, standing alone, help dissuade litigants that make their own wearable devices: after all, they may very well be infringing your patents to the same degree that you may infringe their own.

The question of whether to sue infringers is complex and would merit an article of its own. Suffice it to say, do not forget the value of market discipline. While the cost of a lawsuit against a potential infringer may well exceed its potential recovery, the lawsuit itself may send a signal to other, bigger entities in the wearables market that infringement will not be tolerated.

Given the uncertainty of the wearables market, shrewd players in this space will take an experimental approach to developing their patent portfolio. Consider filing a relatively larger number of provisional applications and only filing non-provisional applications for inventions that, upon further inspection and experimentation, seem ripe for market entry.

Conclusion: Look Before You Leap

In the wearables market, as in many areas of business and law, an ounce of prevention is worth a pound of cure. Strategic, rather than unplanned, innovation can help avoid wasted research and development efforts and can help identify particularly profitable segments of the wearables market. As with many industries, a strong IP portfolio, in conjunction with careful approaches to licensing and litigation, can avoid many unexpected problems.

[1] *See, e.g.,* Emily Bary, *Have Wearables Peaked in the U.S.?,* BARRON'S (Mar. 3, 2017), *available at* https://www.barrons.com/articles/have-wearables-peaked-in-the-u-s-1488577870.

[2] CCS Insight, *Wearables Market to be Worth $25 Billion by 2019,* CCSINSIGHT.COM, *available at* https://www.ccsinsight.com/press/company-news/2332-wearables-market-to-be-worth-25-billion-by-2019-reveals-ccs-insight (last accessed Oct. 30, 2018).

[3] International Data Corporation, *Wearable Device Shipments Slow in Q1 2018 as Consumers Shift from Basic Wearables to Smarter Devices, According to IDC,* IDC.COM (June 4, 2018), *available at* https://www.idc.com/getdoc.jsp?containerId=prUS43900918.

[4] *Id.*

[5] *Id.*

[6] This may be in part because even popular wearables struggle to present a clear use case, particularly for older users. *See* Sarah Perez, *U.S. Wearables Market is Doing Much Worse than Expected,* TECH CRUNCH (Dec. 21, 2016), *available at* https://techcrunch.com/2016/12/21/u-s-wearable-market-is-doing-much-worse-than-expected/

[7] International Data Corporation, *Wearable Device Shipments Slow in Q1 2018 as Consumers Shift from Basic Wearables to Smarter Devices, According to IDC,* IDC.COM (June 4, 2018), available at https://www.idc.com/getdoc.jsp?containerId=prUS43900918.

[8] Id.

[9] For example, even Intel has struggled to develop compelling smart devices in formats like sunglasses. *See* Hugh Langley, *Intel Leaves Behind a String of Wearable Failures – And Some Great Experiments,* WAREABLE (Apr. 20, 2018), *available at* https://www.wareable.com/wearable-tech/intel-wearable-tech-exit-basis-3022.

[10] *See* https://www.kickstarter.com/discover/categories/technology/wearables

[11] *See* https://www.indiegogo.com/explore/fashion-wearables

[12] This is, in part, because applicants filing a divisional application must pay outstanding renewal fees for the parent. *See* European Patent Office, *Guide for Applicants: How to get a European Patent,* EPO.ORG, *available at* https://www.epo.org/applying/european/Guide-for-applicants/html/e/ga_d_viii.html (last accessed Oct. 30, 2018).

[13] *See, e.g.,* European Patent Office, Patent Prosecution Highway Pilot Programme between the IP5 Offices Based on PCT and National Work Products, EPO.ORG, *available at* https://www.epo.org/law-practice/legal-texts/official-journal/information-epo/archive/20131218.html (last accessed Oct. 30, 2018).

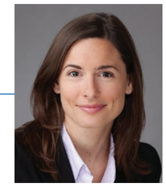
[14] *See generally* U.S. Copyright Office, *What Does Copyright Protect?,* COPYRIGHT.GOV, available at https://www.copyright.gov/help/faq/faq-protect.html (last accessed Oct. 30, 2018).

[15] *See id.*

[16] *See generally* U.S. Copyright Office, *Copyright in Derivative Works and Compilations,* COPYRIGHT.GOV (Nov. 2013), *available at* https://www.copyright.gov/circs/circ14.pdf.

[17] *See generally* U.S. Copyright Office, *What Does Copyright Protect?,* COPYRIGHT.GOV, *available at* https://www.copyright.gov/help/faq/faq-protect.html (last accessed Oct. 30, 2018).

TRADEMARK PORTFOLIO AUDITS: HOW AND WHY YOU SHOULD DO THEM



BY ANNA KING AND HEATHER R. SMITH-CARRA

Have you ever considered selling your trademark and been surprised to find that you didn't own it? Or, have you thought about enforcing your trademark against someone else and then realized your registration didn't cover the goods or services that you thought it did? To avoid such a rude awakening, you should review your portfolio regularly at a high level.

Why Do a Trademark Audit?

The primary goals of a trademark audit are to review existing applications and registrations, consider potential new applications, and review chain of title.[1] A regular trademark audit can assure a brand owner that its trademark portfolio is consistent with the overall business strategy for that brand. For example, an audit can reveal that excessive resources are being spent on a mark for a short-lived marketing campaign and can spur redirection of resources to marks that are associated with a long-term product or service.

An analysis of a brand's direction and primary focus allows a brand owner to consider whether any new trademarks will be used in the future and if there is already adequate protection for existing marks. Failure to conduct regular audits can result not only in lost opportunities to exploit a brand, but it can also lead to missing critical maintenance deadlines that could result in registrations being canceled. Ahead of maintenance deadlines, audits also present an opportunity for brand owners to ensure marks are in use and acceptable specimens are available. This is especially important in countries like the United States where specimens of use must be submitted periodically to show the mark is in use with the registered goods/services.

Another important reason for performing a regular trademark audit is to ensure compliance with agreements that may restrict ways in which marks may be used. Have you signed settlement agreements that prevent you from using a mark or from registering it for a specific good or service? Audits can also flag instances where opposing parties have breached your agreement.

An audit is also a good time to create or streamline procedures for your internal trademark clearance and registration process. Do you have a procedure for conducting clearance searches for new marks? Are new applications being filed before the marks are in use? Are applications being filed in all countries of interest? By setting up procedures to address the various stages and options, from developing a new mark to registering that mark, you will be better prepared and protected.

When Should I Conduct a Trademark Audit?

One way to schedule trademark audits is to calendar the m regularly, such as annually or bi-annually.[2] Audits should also be part of due diligence during a merger or acquisition, before purchasing or selling a trademark portfolio, and when third parties are enforcing their rights against you.[3]

Another appropriate time to conduct an audit is when a trademark owner is preparing to enforce its rights.[4] If there is potential for infringement in a particular region, an audit can be useful to ensure that a mark is protected in these geographic areas before infringement occurs.

What Happens in a Trademark Audit?

During an audit, brand owners should consider the expected life of the brand, whether and how much the brand is worth protecting, and in which jurisdictions the brand should be protected. What is the brand's purpose? Who are the brand's consumers? In what countries will the mark be used? Where will the goods be manufactured? Is the brand temporary or intended to be long-term? Are there any current third-party uses of concern?[5]

An audit is a good time to take note of the status of all registered marks.[6] A brand owner (or its outside counsel) should consider the owner's marks that are currently in use and the ways in which they are being used, and compare this to the applications and registrations already in the portfolio. To ensure a thorough review of the owner's marks, you should review the brand owner's / company's websites, marketing materials, and products and services currently offered. The audit is beneficial for identifying areas that are under- or over-protected and where watch notices may be useful to alert brand owners of potential infringement may be useful.[7] Or the audit may find that the mark is consistently used in a stylized form not protected by any registrations. Perhaps use of the core brand expanded and the existing applications and registrations do not cover the additional new goods or services. On the contrary, a brand owner may conclude it no longer needs to maintain registrations for certain goods or services that it no longer offers or may realize it no longer needs protection for a mark entirely. For example, if an audit finds that a broad registration covering numerous classes of goods and services is now being used more narrowly, a brand owner can adjust coverage to ensure costs are not wasted on renewing those classes or expanding the scope of protection for that mark in the future (assuming defensive protection isn't desirable).

An audit also allows trademark owners the opportunity to evaluate specific registration details. Do you have marks that were denied registration because they were found merely descriptive and want to reevaluate whether they may now be registrable? Are any registrations now incontestable? Is a mark at risk of becoming generic?

During an audit, brand owners can also reevaluate marks that they were unable to register in the past and determine whether applications should be refiled. For instance, you may have previously tried to register a mark but were blocked from registration due to a likelihood of confusion with a prior registration. An audit may reveal that the mark that previously blocked you is now canceled.

Audits often lead brand owners to file new trademark applications for existing marks to expand coverage to additional goods and services, and new applications for more recent versions of logos and stylized marks, and for protection in new jurisdictions. To streamline audits, in-house counsel may coordinate with its research and development team and marketing department. Best practice may be to prepare new trademark request forms and infringement reporting forms for internal use to keep records of workflow, which will increase efficiency in future audits. This can help research and development alert in-house counsel when new products or services are expected to launch in order to assure that clearance searches and new applications are being timely handled.

An audit also provides an opportunity to assess whether trademarks are being properly used on marketing and advertising materials, product packaging and labels, and goods to give notice to potential infringers.[8] If a mark is no longer registered or applications are still pending, an audit may show instances where the ® symbol of registration is being used inappropriately. Do you need to add the ® symbol to any newly registered marks? Do you want your marketing team to designate certain terms with "TM" to denote you are using the mark as a source identifier? The audit can also include coordination with marketing departments to understand the projected marketing plan to create marketing guidelines and reviews to ensure that trademarks are being properly used as adjectives rather than as nouns or verbs to help prevent genericide.[9]

Ownership issues may also be identified during an audit. Audits can identify where ownership updates are needed and errors in chains of title. The audit can include a review of assets for related companies (such as subsidiaries) and also any assets that may have been acquired or sold during a merger or acquisition. Thus an audit can confirm that marks are owned by the correct entity and identify marks which require ownership documentation updating.[10]

Domain names are another important piece of a company's portfolio to be examined during an audit.[11] Brand owners can evaluate whether to acquire new domain names defensively. Watch notices can also be created for both domain names and trademarks to alert brand owners of potential infringement when a confusingly similar domain name is registered or a new application is filed or published.

Conclusion

While a trademark portfolio audit may seem like a big undertaking, once the first audit is complete, future audits can be much simpler and less time consuming. If a portfolio is regularly audited, brand owners and their counsel will be able to act more efficiently, both offensively and defensively, to protect brands.

[1] Susan M. Natland, *The Importance of Trademark Audits,* INTABulletin Vol. 63, No. 5 (Mar. 1, 2008), https://www.inta.org/INTABulletin/Pages/TheImportanceofTrademarkAudits.aspx.

[2] Leslie J. Lott and Brian Dean Abramson, *The Internet Age IP Audit It's as Easy (Or Hard) as Looking in the Right Places and Asking the Right Questions*, 53 No. 6 Prac. Law. 29 (Dec. 2007); Christine M. Baker, *The Trademark Audit: A Necessary Legal Check-up,* The National Law Review, (Jan. 26, 2012), https://www.natlawreview.com/article/trademark-audit-necessary-legal-check

[3] Natland, *supra.*

[4] Natland, *supra.*

[5] Mary M. Squyres and Nanette Norton, *Trademark audits—Post-audit activities*, 3 Trademark Prac. Throughout the World § 25:7 (May 2007).

[6] 53 No. 6 Prac. Law. at *34.

[7] Baker, *supra.*

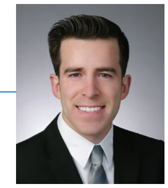
[8] Natland, *supra.*

[9] Malla Pollack, Implementing a trademark audit program—Quality control, Corporate Counsel's Guide to Trademark Law § 7:12 (Aug. 2017).

[10] 53 No. 6 Prac. Law. at *31.

[11] Natland, *supra.*

THE DEAL WITH REAL PARTIES IN INTEREST



BY GREG ISRAELSEN

In recent years, post-grant proceedings—and particularly inter partes review (IPR)—before the Patent Trial and Appeal Board of the U.S. Patent and Trademark Office (PTAB) have exploded in popularity. While IPR proceedings are open to almost anyone, a petitioner cannot request an IPR proceeding more than one year after the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent in a U.S. federal court.[1] In July 2018, the Court of Appeals for the Federal Circuit for the first time addressed the question of who is a real party in interest in the context of an IPR proceeding in Applications in Internet Time v. RPX Corporation.[2] The court reversed the PTAB's decision to institute an IPR, explaining that the PTAB took an unduly restrictive view of "real party in interest" and committed other errors.[3]

In July 2018, the Court of Appeals for the Federal Circuit for the first time addressed the question of who is a real party in interest in the context of an IPR proceeding in Applications in Internet Time v. RPX Corporation.

Background of Applications in Internet Time v. RPX Corporation

RPX Corporation provides defensive patent services to its members, which pay subscription fees to RPX. In addition to services like defensively buying patents and providing insurance, RPX sometimes files inter partes review petitions. RPX identifies patents to pursue based on factors including "likelihood of threat to any or all RPX members."[4] In preparing patent challenges, RPX seeks "to ensure that RPX is and will be deemed by the PTAB and district courts as the sole real party-in-interest in all validity challenges."[5] To this end, "RPX's best practices (1) expressly discourage the company from taking suggestions from third parties, including clients, regarding validity challenges; (2) provide that it will not discuss forthcoming validity challenges with third parties in advance of filing; and (3) mandate that RPX will not discuss strategy or take feedback on pending validity challenges, and will "maintain complete control of all aspects of pending validity challenges."[6]

One of RPX's members,[7] Salesforce.com, Inc., was served in November 2013 with a complaint for patent infringement by Applications in Internet Time (AIT), meaning that under 35 U.S.C. § 315(b), Salesforce was eligible to file IPRs only until November 2014. Instead, Salesforce filed petitions for covered business method review of the asserted patents in August 2014, but its petitions were denied in February 2015.

In March 2015, RPX offered to Salesforce "to reach out to AIT to try to obtain information regarding AIT's expectations for its litigation campaign" against Salesforce.[8] Salesforce turned down the offer, but in April or May tried to discuss the litigation with RPX.[9] Salesforce also made a significant membership-fee payment around this time.[10]

In August 2015, RPX filed three IPR petitions challenging the patents that Salesforce was accused of infringing, and RPX identified itself in the petitions as the "sole real party-in-interest."[11] AIT argued that "IPRs could not be instituted because RPX failed to properly identify Salesforce as a real party in interest and because the petitions were time-barred," but the PTAB instituted IPRs anyway.[12] At oral argument, AIT again raised its real-party-in-interest concerns.[13] The PTAB eventually issued final written decisions on the patents. The PTAB eventually issued final written decisions on the patents. AIT appealed to the U.S. Court of Appeals for the Federal Circuit, and the court issued its opinion in July 2018.

The Federal Circuit concluded that the PTAB "applied an unduly restrictive test for determining whether a person or entity is a 'real party in interest' . . . and failed to consider the entirety of the evidentiary record in assessing whether" to institute the IPRs.[14] The court did not explicitly say that RPX was trying to make an end run around the one-year time bar, but strongly implied it before vacating and remanding the case to the PTAB.

The common-law meaning of "real party in interest" is expansive

After outlining the common-law history of the terms "privy" and "real party in interest," the court explained that by using these terms, Congress intended for the terms to maintain their expansive common-law meaning.[15] The court explained that Federal Rule of Civil Procedure 17(a), which codifies the common-law principles underpinning real-party-in-interest considerations, provides that "an action must be prosecuted in the name of the real party in interest."[16] The purpose of this rule is "to protect the defendant against a subsequent action by the party actually entitled to recover, and to ensure generally that the judgment will have its proper effect as res judicata."[17]

The court also acknowledged that not "anyone who otherwise would be able to petition for IPR" should be listed as a real party in interest. For example, an attorney or agent who represents another solely for the purpose of bringing suit is not a real party in interest.[18] Nor is an association "the appropriate party for bringing suit to assert the personal rights of its members."[19] But an agent or association with an ownership interest in the suit would be a real party in interest. Thus, when "evaluating the relationship between a party bringing a suit and a non-party," the relevant question is who "will benefit from the redress that the chosen tribunal might provide."[20] In an IPR proceeding, the question is "who will benefit from having [the claims challenged in the IPR petition] canceled or invalidated."[21]

The court explained that Federal Rule of Civil Procedure 17(a), which codifies the common-law principles underpinning real-party-in-interest considerations, provides that "an action must be prosecuted in the name of the real party in interest."

The PTAB's findings must be supported by substantial evidence

The Federal Circuit reviews the PTAB's findings regarding whether a party should be listed as a real party in interest under the substantial evidence standard.[22] This standard of review "requires an examination of the record as a whole, taking into account both the evidence that justifies and detracts from an agency's opinion."[23] In RPX, the Federal Circuit found that the PTAB decision was not supported by substantial evidence.

As an example, the patent owner accused the petitioner of engaging in willful blindness to avoid learning whether its client—the potential real party in interest—wanted the petitioner to file the IPR petition. This accusation was supported by evidence in the record indicating that the petitioner's client would likely have filed IPR challenges if it was not time-barred from doing so.[24] Yet the PTAB wrote that it was "not persuaded" that the petitioner "adopted a 'willful blindness' strategy," and did not provide any reasoned explanation for this conclusion.[25] Nor did anything in the record contradict the theory that the petitioner was engaging in willful blindness.

The burden of proof is on the petitioner to show compliance with statutory requirement

The PTAB's erroneous failure to support its findings with substantial evidence was compounded by the fact that the PTAB misallocated the burden of proof to the patent owner. The court explained that the petitioner always bears the burden of proof to "establish that it has complied with the statutory requirement to identify all real parties in interest."[26] Thus, if a patent owner challenges a petitioner's failure to identify all real parties in interest, the burden lies with the petitioner to prove it has properly identified all real parties in interest and that its petition is not time-barred under the statute.[27]

The PTAB's erroneous failure to support its findings with substantial evidence was compounded by the fact that the PTAB misallocated the burden of proof to the patent owner.

The PTAB must consider the entirety of the administrative record

Another PTAB error the court discussed was its failure to consider all of the evidence. As discussed earlier, the PTAB failed to consider the patent owner's evidence that the petitioner may have filed the disputed petitions at least in part to benefit its time-barred client, and that the petitioner was engaging in willful blindness. The court criticized the PTAB for selectively weighing the record evidence, and for failing to address "whether, and under what circumstances, [the petitioner] takes a particular client's interests into account when determining whether to file IPR petitions."[28] This failure to consider all the evidence meant "that the Board's consideration of the evidence was impermissibly shallow," and thus did not meet the substantial evidence standard.[29]

Because the PTAB erroneously analyzed the real-party-in-interest issue, the Federal Circuit vacated the PTAB's final written decisions, and remanded the case to the PTAB for further proceedings.[30]

A recent PTAB decision denied institution for failure to properly identify real parties in interest

A recent example in our own practice shows the power of carefully considering whether an IPR petition meets the statutory standard for identifying real parties in interest.[31] In November 2018, the PTAB denied institution of IPR of four patents owned by RTC Industries, Inc. (RTC), after finding that "substantial evidence" showed Olympus Partners LP, a private equity firm with an ownership stake in petitioner Fasteners for Retail (FFR), should have been listed as a real party in interest in the four IPR petitions filed by FFR.[32] The PTAB focused on evidence that a managing partner at Olympus discussed on behalf of FFR settling co-pending litigation between RTC and FFR, threatened to file petitions for IPRs against RTC (which FFR did), and did so using his Olympus Partners email address. The PTAB gave the petitioner FFR a chance to amend its real-party-in-interest disclosure, but the petitioner failed to take the opportunity to include Olympus Partners. The PTAB denied the four petitions on that basis.

Thus, when responding to a petition for IPR, every patent owner should carefully consider whether every relevant party has been listed as a real party in interest. Similarly, when preparing a petition for IPR, the petitioner should be sure to list every real party in interest. This will prevent a seemingly minor statutory requirement—listing the real party in interest—from becoming a case-killer.

[1] 35 U.S.C. § 315(b) states: An *inter partes* review may not be instituted if the petition requesting the proceeding is filed more than 1 year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent. The time limitation set forth in the preceding sentence shall not apply to a request for joinder under subsection (c).

[2] *Applications in Internet Time*, LLC v. *RPX Corp*., 897 F.3d 1336 (Fed. Cir. Jul. 9, 2018).

[3] *Id.* at 1351.

[4] *Id.* at 1340.

[5] *Id.*

[6] *Id.*

[7] Salesforce and RPX also "share a member on their respective boards of directors." *Id.*

[8] *Id.* at 1342.

[9] *Id.*

[10] "Salesforce has paid RPX substantial sums as membership fees since its membership began, including a very significant payment shortly before the IPR petitions at issue here were filed." *Id.* at 1342.

[11] *Id.* at 1339.

[12] *Id.* at 1342.

[13] *Id.* at 1343.

[14] *Id.* at 1339.

[15] *Id.* at 1347, 1350.

[16] *Id.*at 1347 (citing Fed. R. Civ. P. 17(a)).

[17] *Id.* at 1348 (quoting Wright & Miller § 1553).

[18] *Id.* at 1349 (quoting Wright & Miller § 1553).

[19] *Id.* (quoting Wright & Miller § 1553).

[20] *Id.* (quoting USPTO Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,759 (Aug. 14, 2012)).

[21] *Id.* at 1348.

[22] *Id.* at 1356.

[23] *Id.* at 1352 (quoting *Princeton Vanguard, LLC v. Frito-Lay N. Am., Inc.*, 786 F.3d 960, 970 (Fed. Cir. 2015)).

[24] *Id.* at 1355.

[25] *Id.*

[26] *Id.* at 1356 (quoting *Zerto, Inc. v. EMC Corp.*, Case IPR2014-01295, slip op. at 6–7 (PTAB Mar. 3, 2015) (Paper 34)).

[27] *Id.*

[28] *Id.* at 1353.

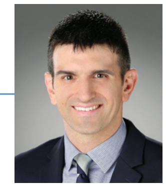
[29] *Id.* at 1351.

[30] *Id.* at 1358.

[31] PTAB Sinks Retail Patent Challenges Over Interested Parties, https://www.law360.com/ip/articles/1104824 (Nov. 26, 2018).

[32] *Fasteners For Retail v. RTC Industries Inc.*, Nos. IPR2018-00741, IPR2018-00742, IPR2018-00743, IPR2018-00744 (P.T.A.B. Sep. 12, 2018).

CLARIFYING MULTI-EMBODIMENT AND SINGLE-VIEW DESIGN FILINGS




BY BRADLEY VAN PELT AND ALISA ABBOTT

Judicial determinations related to design law occur infrequently; so, whenever an updated holding is released, practicing attorneys and patent law scholars alike are eager to review the opinion and issue their response. Most recently, two cases have provided some clarity on two polar opposite issues: the consequences related to filing multiple embodiments in a design application, and the consequences of filing only a single view in a design application.

Recent Case Law in the Application of Prosecution History Estoppel

Advantek Marketing Inc. v. Shanghai Walk-Long Tools Co.

Filing a design patent application with multiple embodiments requires great caution and careful strategy. This practice can indeed avail the applicant to some advantages, such as maintaining a specific priority date for several embodiments. Yet, multiple embodiments may place the patentee in a complicated and potentially detrimental position. The U.S. Court of Appeals for the Federal Circuit's holding in Pacific Coast Marine v. Malibu Boats, [2] and the more recent application of that holding in Advantek Marketing v. Shanghai Walk-Long Tools,[1] demonstrates the potential downsides of filing multiple embodiments in a single application.

In Pacific Coast, the applicant originally filed figures corresponding to seven embodiments of a marine windshield.[2] During prosecution, the examiner issued a restriction requirement identifying five patentably distinct groups of designs. In response, the applicant elected one embodiment of the designs and received a patent based on the elected embodiment. And, the applicant obtained a second design patent for one other embodiment disclosed in the original application. But, the applicant did not file applications to any of the other three nonelected embodiments.[3] Pacific Coast brought suit against Malibu Boats alleging infringement. The district court determined that the accused design was within the scope of the designs that Pacific Coast surrendered during prosecution, and, therefore, Pacific Coast was estopped from claiming that Malibu Boats' design infringed that patent.[4]

The Federal Circuit reversed the district court's holding. First, the Federal Circuit confirmed that prosecution history estoppel applies to design patents. Then the Federal Circuit focused on three main issues: (1) whether there was surrender during prosecution; (2) whether the surrender was for reasons of patentability; and (3) whether the accused design was in the scope of the surrender.[5] Regarding issues one and two, the Federal Circuit found in the affirmative. Regarding issue three, the Federal Circuit held that prosecution history estoppel did not bar Pacific Coast's infringement claim because Malibu Boats' accused design was not within the scope of the claim surrendered during prosecution.[6]

The recent holding in Advantek applied the concept of surrender in prosecution history estoppel developed in Pacific Coast, albeit requiring a nuanced approach.[7] Advantek designed a portable, gated pet kennel having the visual impression of a gazebo. The originally filed application included drawing figures showing two embodiments of the design: One embodiment showed the design without a cover, and one embodiment showed the design with a cover. During prosecution, the applicant received a restriction requirement and in response, proceeded by electing the embodiment of the pet gazebo design shown without a cover and cancelling the embodiment of the design shown with a cover.

After securing the design patent (US D715,006), Advantek sought to enforce protection against Shanghai Walk-Long Tools in the U.S. District Court for the Central District of California, alleging patent infringement based on Walk-Long's pet kennel gazebo design, which included a cover. Advantek argued that an ordinary observer would find its product and the defendant's product to be substantially the same. And, they did not deliberately surrender any scope of the design to secure a patent when cancelling the cover embodiment.[8]

The district court was not persuaded by these arguments, finding that the ordinary observer analysis is barred where prosecution history estoppel applies.[9] And, the district court determined that in the applicant's cancellation of the embodiment of the pet gazebo with a cover during prosecution, it had surrendered the covered version of the design, and found no infringement.

On appeal, however, the Federal Circuit found that prosecution history estoppel was not applicable in this case.[10] The Federal Circuit's determination centered on the third prong of the test established in Pacific Coast: whether the accused design is within the scope of the claim surrendered during prosecution.[11] Here, Advantek's claim was directed to the structural design of the kennel. The structural design of Advantek's kennel is present in Walk-Long's accused product, regardless of whether Walk-Long's product is provided with a cover or not. As such, the Federal Circuit reversed and remanded the district court's decision. Specifically, the Federal Circuit held that since Walk-Long's accused design included the structural claim of Advantek's '006 patent, which was not surrendered during prosecution, Advantek was not estopped by prosecution history from asserting the '006 patent against Walk-Long.[12]

In a sense, the Advantek panel distinguished Pacific Coast on the ground that the cancelled embodiment was the same as the pursued embodiment with a cover added, and that prosecution history estoppel should not apply in such "subset"type situations.

For practitioners, the holdings in Pacific Coast and Advantek demonstrate the importance of careful strategy when filing design applications including multiple embodiments. The inclusion of multiple embodiments in a single design application should not be viewed simply as an easy, cost-saving alternative to filing more than one application. Rather, multiple-embodiment design applications are a filing approach that is client- and product-specific. For instance, a furniture company may decide to file an application showing variations of a chair design that they plan to publicly disclose in a month, with the intent of only pursuing the best-selling variation(s). The prosecution history estoppel risk is that unelected but similar-looking embodiments, if restricted but not pursued in divisional applications, might be subject to prosecution history estoppel if they are not considered "subset" type embodiments as in Advantek.

In the situation where multiple embodiments are pursued in a single application, the next best strategy for a practitioner is to quickly file a preliminary amendment to cancel any other embodiments showing the chairs that are not commercially successful prior to receipt of a restriction requirement.

Recent Case Law in the Adequacy of Views Provided in a Drawing Disclosure

In re Maatita

In re Maatita[13] illustrates that a single two-dimensional drawing can provide enough support for a design claim. In a three-judge panel decision, Judge Timothy Dyk, writing for the panel, reversed the U.S. Patent and

Trademark Office (USPTO) enablement and indefiniteness rejections of a single-drawing design patent. The USPTO rejected Maatita's design patent application because the claim was open to multiple interpretations regarding the depth and contour of the claim features.[14]

In a rejection by the USPTO, the examiner prepared and included four three-dimensional renderings showing different possible interpretations of Maatita's design.[15]

Despite the differing possible interpretations, the panel reversed the USPTO's decision.[16] The court reasoned that like utility patents, definiteness and enablement of design patents are measured from the perspective of one skilled in the art.[17] And the court explained that the purpose of the definiteness requirement is to ensure that claims are clear enough to persons skilled in the art such that the scope of the claim and what would infringe can be understood.[18] The court cited a few examples of design claims that were held indefinite due to inconsistencies in the drawings, but distinguished these cases on the basis that no inconsistences existed in Maatita's drawing.[19] The court opined that the sufficiency of the disclosure for purposes of definiteness depends on whether a drawing can adequately disclose the design of the article.[20] For instance, the designs for an entire shoe or a teapot are three-dimensional and would not be capable of being understood with a single plan-view drawing.[21] The court found that although a shoe bottom can have three-dimensional aspects, that does not change the fact that a shoe bottom is capable of being understood with a two-dimensional plan-view drawing akin to rugs and place mats, which can be understood through a two dimensional plan-view drawing.[22]

Thus, the court found it is possible for a single two-dimensional plan-view drawing to convey sufficient detail to understand a claim to a three-dimensional structure such as a shoe bottom.[23] And, because a person of ordinary skill in the art could make the necessary comparisons for infringement based on the two-dimensional depiction, Maatita's claim meets the enablement and definiteness requirements.[24]

The holding in Maatita could be construed narrowly to apply only to single-view applications. While this approach might be considered too wooden, if adopted by the USPTO, it would sharply limit the effect of Maatita because in general, most design patent practitioners file more than one view where the invention is a three-dimensional design (and when they do file a single figure, it is often for graphical user interfaces, or GUIs, where having the protection of multiple depths may not be relevant). The holding of Maatita was essentially based on the fact that application contained only a single figure to examine. As a result, the court merged an enablement and definiteness analysis, and then connected the definiteness standard to design patent infringement. Nonetheless, practitioners should not feel encouraged to file a single view in design applications of a three-dimensional invention. At the very least, Maatita serves as a reminder that single-view designs are prone to invite challenge from the USPTO and beyond. That being said, options can be limited and there may be instances where a single drawing is all that is available to the applicant. For instance, if the applicant needs to claim priority to a utility application in order to overcome a prior disclosure, there may be limited drawings in the utility filing. Or, if there is an infringer that only misappropriates a single face or pattern of the claimed article, filing a continuation with one view may be the applicant's only option. And, Maatita validates these options to the applicant.

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[1] Advantek Marketing Inc. v. Shanghai Walk-Long Co., 898 F.3d 1210 (Fed. Cir. 2018)

[2] Pacific Coast Marine Windshields Ltd. V. Malibu Boats LLC, 739 F.3d 694, 109 USPQ2d 1225 (Fed. Cir. 2014).

[3] Id. at 698-99.

[4] Id. at 700.

[5] Id. at 702.

[6] Id. at 705.

[7] Advantek Mktg. Inc. v. Shanghai Walk-Long Tools Co., No. CV 16-3061-R, 2016 WL 9178079 (C.D. Cal. Nov. 3, 2016).

[8] Advantek Mktg. Inc. v. Shanghai Walk-Long Tools Co. Ltd.; Neocraft Tools Co. Ltd; Orion Factory Direct, and Does 1-10 inclusive, Defendants., 2016 WL8231355 (C.D. Cal.) (Trial Motion, Memorandum and Affidavit).

[9] Advantek, No. CV 16-3061-R at 2.

[10] Advantek Mktg., Inc. v. Shanghai Walk-Long Tools Co., Ltd. 898 F.3d 1210 (Fed. Cir. 2018).

[11] Id. at 1215.

[12] Id. at 1216-17.

[13] In re Maatita, Appeal No. 2017-2037 (Fed. Cir. Aug. 20, 2018)

[14] See id. at 13.

[15] See id. at 5.

[16] See id. at 13.

[17] See id. at 9.

[18] See id.

[19] See id. at 8.

[20] See id. at 12.

[21] See id.

[22] See id. at 13.

[23] See id.

[24] See id.

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