



IDEAS ON INTELLECTUAL PROPERTY LAW

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Federal Circuit cuts the line on patent-ineligible fishing method

The limits of artificial intelligence

PTO restricts "inventorship" to natural persons

Will they or won't they?

SCOTUS makes it easier to recover trademark infringer's profits

Supreme Court: Sovereign immunity sinks copyright claims



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Federal Circuit cuts the line on patent-ineligible fishing method

The U.S. Court of Appeals for the Federal Circuit has thrown back yet another patent aimed at what it considers a patent-ineligible abstract idea. While many of the earlier cases in which the court has applied the so-called *Alice/Mayo* test for patent eligibility have involved computer-implemented processes or software, the recent case revolved around something much more simple.

APPLICANT CASTS THE NET FOR PATENT

The case focused on a patent claim for a method of fishing. The method comprised three steps, whereby the user:

- Determines whether the water is clear, stained or muddy,
- Measures light transmittance at a depth in the water where a fishing hook is to be placed, and
- Selects a colored or colorless fishing hook based on the clarity and light transmittance of the water, according to an included chart.



The Patent Trial and Appeal Board found that the claim covered the abstract idea of selecting a colored or colorless fishing hook based on observed and measured water conditions — a concept performed in the human mind. Therefore, it was ineligible for a patent. The patent applicant went fishing for a different take on appeal.

THE COURT TACKLES THE APPEAL

Section 101 of the Patent Act limits patent-eligible inventions to new and useful — or new and useful improvements of — processes, machines, manufactures or compositions of matter. Laws of nature, physical phenomena and abstract ideas aren't patent-eligible. To assess whether the fishing method indeed was an abstract idea, the Federal Circuit applied the two-step *Alice/Mayo* test for identifying patents that cover nothing more than abstract ideas (so named for the cases where the U.S. Supreme Court developed and refined the test).

Under the test, the court determines whether the claimed invention is a patent-ineligible abstract idea.

If so, it then determines whether the invention includes an “inventive concept” that transforms it into a patent-eligible application of the abstract idea.

In its analysis of the first step, the Federal Circuit noted that it has previously held in a computer context that “collecting information” and “analyzing” that information fall within the realm of abstract ideas. The same is true, it said, in the fishing context.

According to the court, the fishing method claim required nothing more than collecting information about water clarity and light transmittance and applying it using the included chart. The court concluded that these steps together amounted to the abstract idea of selecting the color of a fishing hook based on observed water conditions.

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The Federal Circuit dismissed several of the applicant's arguments to the contrary. He claimed, for example, that the claim didn't cover an abstract idea because fishing is a practical technological field recognized by the U.S. Patent and Trademark Office. The court conceded the possible existence of patent-eligible claims in the field of fishing but found that the claim at issue wasn't one of them.

The applicant also contended that observing light transmittance was unlikely to be performed mentally

because "it is doubtful a fisherman could mentally determine light transmittance with the accuracy and precision found" in the patent claim. As the court pointed out, though, the plain language in the application encompassed such mental determination by a fisherman. Moreover, the applicant admitted that light transmittance could be measured by any instrument or method; the claim didn't specify how it was to be done.

Moving on to the second step of the test, the court of appeals found that the three elements of the claim didn't transform the nature of the claim into a patent-eligible application of the abstract idea, individually or as an ordered combination. Each of the three elements was an abstract mental process akin to data collection or analysis. Considered as an ordered combination, the three elements merely repeated the abstract idea.

BAITING THE HOOK

The Federal Circuit has shown little reluctance to deny patents for abstract ideas. Patent applicants would be wise to anticipate the *Alice/Mayo* test when drafting their patent applications. ▣

PTO GUIDANCE ISN'T CONTROLLING LAW

The U.S. Court of Appeals for the Federal Circuit did agree with one of the patent applicant's arguments in *In re: Rudy* (see main article), but that wasn't enough to salvage the case for him. Specifically, he asserted that the Patent Trial and Appeal Board (PTAB) shouldn't have applied the Patent and Trademark Office's "2019 Revised Patent Subject Matter Eligibility Guidance" in its patent eligibility analysis as if the guidance were prevailing law.

The court found that the guidance doesn't carry the force of law and isn't binding on the analysis. Rather, the court applies its own, and the relevant U.S. Supreme Court, precedent. Where the guidance contradicts or doesn't fully agree with that case law, the case law controls.

The Federal Circuit acknowledged that part of the board's analysis was based on the guidance but ultimately ruled against the would-be patentee. In this particular case, it found, the PTAB's reasoning and conclusion, despite being framed as a recitation of the guidance, were nonetheless fully in accord with the relevant case law.

The limits of artificial intelligence

PTO restricts “inventorship” to natural persons

Decades after “2001: A Space Odyssey” hit theaters, artificial intelligence (AI) is finally gaining ground in everyday life — but not without legal limits. The U.S. Patent and Trademark Office (PTO), for example, recently ruled that AI systems can’t be listed as an “inventor” on a patent application.

PTO SEEKS MAN OR WOMAN

The applicant filed a utility patent application listing a single inventor with the given name “DABUS” and family name “Invention generated by artificial intelligence.” According to the applicant, DABUS is a “creativity machine” programmed as a series of neural networks trained with general information in the relevant field to independently create the invention.

The PTO issued a Notice to File Missing Parts of Nonprovisional Application indicating that the application failed to identify each inventor by the applicant’s legal name. The applicant sought a supervisory review, but the PTO dismissed his petition. He subsequently sought reconsideration of that decision.

IT’S ONLY NATURAL

The applicant contended that inventorship shouldn’t be limited to natural persons, so it was proper to name DABUS as the inventor on the application. The PTO disagreed, citing the language of the Patent Act, rulings by the U.S. Court of Appeals for the Federal Circuit (which hears all appeals of patent-related cases), the Code of Federal Regulations (CFR) and the *Manual of Patent Examining Procedure* (MPEP) for support.

The Patent Act consistently refers to inventors as natural persons, using the words “whoever,” “himself” and “herself.” In light of that, the PTO said, interpreting “inventor” broadly to include machines would contradict the law’s plain language.



The Federal Circuit also has explained that patent law requires that an inventor be a natural person. It has found, for example, that a state couldn’t be an inventor because inventors are those who “conceive of the invention” — and “conception” is a mental act that can be performed only by natural persons.

Interpreting “inventor” broadly to include machines would contradict the Patent Act’s plain language.

The PTO found that the patent statutes and Federal Circuit decisions requiring inventors to be natural persons were similarly reflected in the CFR. The regulations make many references to the inventor as a “person.”

And the MPEP also follows the statute, regulations and Federal Circuit case law on inventorship, stating that the threshold question for inventorship is conception. It defines conception as “the complete performance of the mental part of the inventive act.”

The manual further states that conception is “the formation in the mind of the inventor of a definite and permanent idea of the complete and operative invention as it is thereafter to be applied in practice.” According to the PTO, the use of words such as “mental” and “mind” indicates that conception must be performed by a natural person.

Because the application named a machine as inventor — contrary to statutory language, case law, and rules and regulations — the application didn’t

comply with the applicable requirements. The notice requiring identification of the inventor by his or her legal name, therefore, was properly issued.

STAY TUNED

Note that, while its European and U.K. counterparts found that DABUS had created the invention, the PTO didn’t determine who or what had actually created it — the agency held only that the application required identification of a natural person as inventor. As AI develops, it will likely create more issues related to patents, and more guidance is sure to come from U.S. and foreign authorities. ▣

Will they or won’t they?

SCOTUS makes it easier to recover trademark infringer’s profits

In yet another eventful season of important U.S. Supreme Court rulings, one decision brings welcome news to trademark owners. The unanimous landmark decision resolved a split among the federal appellate courts.

DEFENDANT BAGS ON TRADEMARK HOLDER

Romag Fasteners, Inc., sells magnetic snap fasteners for leather goods. Fossil, Inc., designs, markets and distributes a wide range of fashion accessories, including leather goods.

The two companies signed an agreement that allowed Fossil to use Romag’s fasteners on its handbags and other products. Romag subsequently discovered that the factories in China that Fossil hired to make its products were using counterfeit Romag fasteners, and that Fossil was doing little to prevent the practice.

Romag sued Fossil for trademark infringement under the Lanham Act, the federal trademark law. Specifically, it alleged that Fossil had violated Section 1125(a), which prohibits the false or misleading use of trademarks. A jury sided with Romag and found Fossil had acted in “callous disregard” of Romag’s rights — but not willfully.

The trial court therefore denied Romag’s request that Fossil turn over its profits attributable to the trademark violations. The court cited controlling precedent from the U.S. Court of Appeals for the Second Circuit that requires a plaintiff seeking an award of profits to prove the defendant’s violation had been willful. Romag appealed, and the U.S. Court of Appeals for the Federal Circuit affirmed. The case then landed in the Supreme Court.



THE COURT SNAPS TO IT

The Lanham Act specifically states, “subject to the principles of equity,” that a plaintiff generally can recover the defendant’s profits for:

- “Violation” of Sec. 1125(a) or Sec. 1125(d) (which addresses cyberpiracy), and
- “Willful violation” of Sec. 1125(c) (which addresses trademark dilution).

Romag sued Fossil under Sec. 1125(a).

Fossil contended that Romag couldn’t recover profits because it hadn’t established that Fossil had acted willfully. It largely hung its argument on the phrase “subject to the principles of equity.” It asserted that equity courts historically required a showing of willfulness before allowing a profits remedy in trademark disputes. The willfulness requirement was so long and universally recognized, Fossil claimed, that it had become a “principle of equity” for purposes of the Lanham Act.

The Supreme Court was skeptical, describing this argument as “a curious suggestion.” It noted that the Lanham Act includes many references to mental

states, including terms such as “intentionally,” “knowledge” and “willful.” The law also specifies certain *mens rea* (or intent) standards for establishing a defendant’s liability.

Fossil’s argument, the Court said, would require the justices to assume that Congress had intended to indirectly incorporate a willfulness requirement for Sec. 1125(a) and (d) while it expressly imposed *mens rea* conditions elsewhere in the law. Not exactly “an obvious construction of the statute,” the Court found.

The defendant argued that the willfulness requirement was so long and universally recognized that it had become a “principle of equity” for purposes of the Lanham Act.

The high court determined, though, that it wasn’t necessary to determine whether that construction was in fact correct because it didn’t buy that trademark law has clearly and historically required a showing of a willfulness to obtain a profits remedy. The Lanham Act’s statutory predecessor, for example, didn’t mention such a requirement.

The most the Court would say with certainty was that *mens rea* was an important consideration in awarding profits in pre-Lanham Act cases. It didn’t find, though, that willfulness is an “inflexible precondition” to the recovery of profits. The Supreme Court thus reversed the Federal Circuit and sent the case back for further proceedings.

FASTEN YOUR SEATBELTS

Trademark owners should recognize the limits of this decision. The Court stopped short of finding that willfulness is *irrelevant* to the issue of a profits remedy — only that it isn’t a prerequisite. It remains possible a court will find that a defendant’s lack of willfulness in a particular case precludes profits damages. ■

Supreme Court: Sovereign immunity sinks copyright claims

If your copyright is infringed by a state, you're likely out of luck. That's the result of a unanimous decision from the U.S. Supreme Court striking down a federal law that allowed copyright owners to sue states in federal court for infringement.

THE SUNKEN TREASURE

The case arose out of the discovery of a wrecked pirate ship off the North Carolina coast in 1996. As the shipwreck's legal owner, the state contracted with a videographer to document recovery operations. He recorded videos and took photographs for more than a decade, registering copyrights in all his works.

When North Carolina published some of the works online, the videographer sued the state for copyright infringement. The state asserted sovereign immunity, but the trial court sided with the videographer. It found that the Copyright Remedy Clarification Act of 1990 (CRCA) abrogated state sovereign immunity from copyright claims. The U.S. Court of Appeals for the Fourth Circuit reversed, and the case moved to the Supreme Court.

ROUGH WATERS

Federal courts generally can't hear lawsuits brought by any person against a nonconsenting state. But such claims are allowed if 1) Congress has enacted a statute that clearly abrogates states' immunity, and 2) the Constitution allows Congress to do so. The Court found that the first criterion was satisfied and focused on the constitutional requirement.

The videographer argued that the Intellectual Property Clause in the Constitution or the 14th Amendment gave Congress the necessary authority to sue the state. The Supreme Court disagreed, citing an earlier case in which it found that Congress couldn't

use its power over intellectual property to circumvent the limits that sovereign immunity put on federal jurisdiction. For the same reason, the Court found here that Article I didn't support the CRCA.

The earlier case imposed limits on Congress's ability to abrogate states' immunity under the 14th Amendment. Congress must identify a sufficient pattern of unconstitutional infringement that deprives people of their property rights without due process to justify stripping the states of sovereign immunity in all copyright infringement cases. With only a dozen possible examples of state copyright infringement identified, it fell short when enacting the CRCA.

THE SHIP HASN'T NECESSARILY SAILED

The decision could leave copyright holders without a remedy against states for infringement. Copyright owners might try to negotiate some contractual protections from use that exceeds the contemplated scope, such as a waiver of sovereign immunity or higher-than-market compensation. ▣





Since its founding in 1865, Reising has specialized solely in the practice of intellectual property (IP) law. Our clients range from Fortune 500 corporations to entrepreneurs. Our expertise includes:

Automotive	Patents	Prosecution	Electrical
Aerospace	Trademarks	Litigation	Mechanical
Medical Devices	Trade Dress	Portfolio Management	Chemical
Industrial Equipment	Trade Secrets	Post-Grant Proceedings	Computer Science
Universities	IP Due Diligence	Legal Opinions	Manufacturing

Did You Know?

Reising Ethington once again has been identified as a recommended law firm included in the “The IAM Patent 1000: The World’s Leading Patent Professionals” for 2020. The IAM Patent 1000 IAM resulted from a qualitative research project to identify outstanding firms and individuals across multiple jurisdictions. The IAM 1000 featured [Colin Cicotte](#), [Rick Hoffmann](#), [Eric Jones](#), [Matt Schmidt](#), and [Jim Stevens](#) as recommended attorneys. More information can be found [here](#).

The firm has also been ranked as an IP firm in the Chambers USA 2020 guide. Chambers and partners is an independent research company that identifies top lawyers and law firms for inclusion in their rankings. The rankings can be accessed [here](#).

Reising attorneys have once again been recognized by their peers as top attorneys in Intellectual Property. [Rick Hoffmann](#) and [Jim Stevens](#) were recently named as US News and World Report Best Lawyers, with the firm also receiving the same award as a Tier 1 patent law firm. Rick, Jim, [Scott Hogan](#), and [Shannon Smith](#) were recently named SuperLawyers in Michigan. [Jeff Doyle](#), [Bill Francis](#), Rick, and Jim were also selected by dBusiness magazine as Top Lawyers.

[Shannon Smith](#) is now an Officer of the Michigan Intellectual Property Law Association (MIPLA). She will serve as the Treasurer of the organization in the 2020-2021 membership year.

[Corey M. Beaubien](#) authored a chapter in The International Comparative Legal Guide to Patents 2020, 10th edition, released in the fall. The chapter is entitled “A New Fault Line in the Modern Era of U.S. Patent Eligibility” and looks at a recent court decision involving eligibility and a mechanical invention.

[Jim Stevens](#) has been asked to return to the University of Detroit Mercy for his 17th year of teaching Patent Law.

[Bill Kolakowski](#) and [Matt Schmidt](#) answered questions as part of a virtual roundtable having a topic of “Innovation and IP in Auto.” The participants in this roundtable were selected for their significant experience and expertise managing complex IP matters for a number of automotive clients.