



# 2019 SPRING NEWSLETTER

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## SUPREME COURT

***Rimini Street, Inc. v. Oracle USA, Inc.***

On March 4, 2019, the U.S. Supreme Court unanimously decided *Rimini Street, Inc. v. Oracle USA, Inc.*, holding that under the “full costs” provision provided by 17 U.S.C. § 505 (“§ 505”) of the Copyright Act, a court cannot award litigation expenses beyond the six categories of “costs” outlined by Congress in 28 U.S.C. §§ 1821 and 1920 (“§§ 1821 and 1920”).

Oracle USA, Inc. (“Oracle”) develops and licenses software programs that manage data and operations for businesses, and also offers its customers software maintenance services. Rimini Street, Inc. (“Rimini”), a direct competitor of Oracle, sells third-party software maintenance services to Oracle customers. In 2010, Oracle sued Rimini in U.S. district court for copyright infringement, alleging that Rimini copied Oracle’s software without licensing it. After the jury found for Oracle, the judge ordered Rimini to pay Oracle \$12.8 million for litigation expenses, which included expenses outside the six categories of §§ 1821 and 1920. Rimini subsequently appealed to the U.S. Court of Appeals for the Ninth Circuit (“Ninth Circuit”).

On appeal, the Ninth Circuit also found Rimini was liable for copyright infringement. When determining the appropriate award for litigation expenses, the Ninth Circuit noted the district court included expenses not covered by the six categories provided by Congress in §§ 1821 and 1920. However, the Ninth Circuit, relying on its decision in *Twentieth Century Fox v. Entertainment Distributing*, found the “full costs” provision of § 505 did not limit litigation expenses to the six categories identified in §§ 1821 and 1920. Accordingly, the Ninth Circuit affirmed the district court’s \$12.8 million award for litigation expenses. Next, Rimini filed a petition for a writ of certiorari in the Supreme Court to address the meaning of “full costs” as used in the Copyright Act. The Supreme Court granted certiorari.

The Supreme Court first acknowledged that § 505 provides that a district court in a copyright case has discretion to “allow the recovery of full costs....” However, the Supreme Court further noted that Congress had specified six categories of litigation expenses that a federal court may award as costs. Relying on Supreme Court precedent, the Supreme Court determined that absent express authority by Congress, ‘costs’ are limited to the categories set forth by statute. Upon review of the Copyright Act, the Supreme Court found the Copyright Act did not expressly authorize the award of litigation expenses beyond the six categories specified in §§ 1821 and 1920.

First, the Supreme Court found the term “full” simply permitted federal courts to award all expenses available under law, not other expenses. For example, the Supreme Court noted “a ‘full moon’ means the moon, not Mars,” and “a ‘full breakfast’ means breakfast, not lunch.” Therefore, the Supreme Court concluded that the term “full costs” encompassed all costs generally available under §§ 1821 and 1920.

## SUPREME COURT

***Rimini Street, Inc. v. Oracle USA, Inc. (cont'd.)***

Second, the Supreme Court found the historical definition of “full costs” only covered costs under the relevant costs statutes. More specifically, the Supreme Court recognized that in the over 800 Copyright cases to date, only the Ninth Circuit in *Twentieth Century Fox* interpreted “full costs” to encompass expenses outside the six categories specified in §§ 1821 and 1920.

Accordingly, the Supreme Court concluded that under the Copyright Act, the maximum award amount a court can give to the prevailing party is limited to the six categories of expenses specified under §§ 1821 and 1920. Therefore, potential copyright litigants should be aware that not all expenses that are incurred during trial are recoverable. For example, “non-taxable costs” such as electronic discovery expenses and expert fees, cannot be recovered because they fall outside the six categories.



## FEDERAL CIRCUIT

***Cleveland Clinic Foundation v. True Health  
Diagnostics LLC***

On April 1, 2019, the U.S. Court of Appeals for the Federal Circuit (“Federal Circuit”) issue a non-precedential decision in *Cleveland Clinic Foundation v. True Health Diagnostics LLC*, holding that Cleveland Clinic Foundation’s (“Cleveland Clinic”) U.S. Patent Nos. 9,575,065 and 9,581,597 (collectively, “the disputed patents”) were invalid under 35 U.S.C. § 101 (“§ 101”). More importantly, however, the Federal Circuit stated it was not bound by the U.S. Patent and Trademark Office (“USPTO”) guidance.

In 2017, the U.S. District Court for the Eastern District of Virginia (“district court”) held that the disputed patents were invalid under § 101 for being directed to an ineligible natural law. Subsequently, Cleveland Clinic appealed to the Federal Circuit.

On appeal, Cleveland Clinic argued that the disputed patents were not directed to an abstract idea. Cleveland Clinic furthered its argument by alleging the district court failed to give proper weight to the USPTO’s decision to allow the disputed patent applications to issue. Specifically, according to Cleveland Clinic, the district court did not give the proper weight to the examiner’s decision to allow the disputed patent claims under the USPTO’s 2016 subject matter eligibility guideline’s Example 29.

In its opinion, the Federal Circuit first determined whether the disputed patent claims were directed to a natural law. Citing to its decision in *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, the Federal Circuit explained that it previously determined Example 29 was invalid under § 101 as being directed to an ineligible natural law. Therefore, the Federal Circuit reasoned the examiner’s reliance on Example 29 rendered the disputed patents invalid. Furthermore, the Federal Circuit concluded that the disputed patent claims did not recite an inventive concept which would render the claims patent eligible. Finally, the Federal Circuit turned to Cleveland Clinic’s argument regarding the district court’s failure to give proper weight to the examiner’s decision.

The Federal Circuit stated, “[w]hile we greatly respect the [USPTO’s] expertise on all matters relating to patentability, including patent eligibility, we are not bound by its guidance. And, especially regarding the issue of patent eligibility and the efforts of the courts to determine the distinction between claims directed to natural laws and those directed to patent-eligible applications of those laws, we are mindful of the need for consistent application of our case law.” Accordingly, in view of *Ariosa*, the Federal Circuit held the disputed patents were invalid.



## FEDERAL CIRCUIT

***Cleveland Clinic Foundation v. True Health  
Diagnostics LLC (cont'd.)***

Although this case revolved around the USPTO's 2016 subject matter eligibility guidelines, this case may indicate the Federal Circuit's unwillingness to follow the newly revised § 101 test provided by the USPTO's 2019 subject matter eligibility guidelines. However, as stated in our firm's 2019 Winter Newsletter, the 2019 subject matter eligibility guidelines essentially reduce Supreme Court and Federal Circuit precedent into the new § 101 test. Therefore, the Federal Circuit—when consistently applying its own case law—is likely to reach the same outcome as the USPTO when determining validity under § 101 for patents allowed under the new guidance.



## FEDERAL CIRCUIT

***Continental Circuits LLC v. Intel Corporation***

On February 8, 2019, the U.S. Court of Appeals for the Federal Circuit (“Federal Circuit”) decided *Continental Circuits LLC v. Intel Corporation*, holding an embodiment of a patent specification cannot limit the claims without express disavowal of claim scope or where the patent specification did not make clear that the limitation was an essential part of the claimed invention.

Continental Circuits LLC (“Continental”) owns several U.S. continuation patents, one of which was U.S. Patent No. 8,581,105 (“the ‘105 patent”). The patents are directed to a “multilayer electrical device... having a tooth structure.” Continental sued Intel Corporation (“Intel”) for patent infringement in the U.S. District Court of Arizona (“district court”), asserting several claims from each patent. Each claim included limitations regarding the “surface,” “removal,” or “etching” of “a dielectric material” or “epoxy.”

At trial, the district court first found the patent specification repeatedly distinguished the process covered by the ‘105 patent from the prior art and its use of a single desmear process, in addition to characterizing the present invention as using a repeated desmear process. Furthermore, the district court found that the expert declaration used to overcome an indefiniteness rejection clearly described a process that involved a two etching process. Accordingly, the district court found that Continental clearly limited the ‘105 claims to being “produced by a repeated desmear process.” Subsequently, Continental appealed.

On appeal, the Federal Circuit found that the district court erred in limiting the claims to require a “repeated desmear process.” First, the Federal Circuit noted that although the patent specification disclosed a repeated desmear process, without clear indication in the specification, the claim terms should not be limited to a disclosed embodiment. The Federal Circuit found that the phrases, “for example,” “one technique...is the double desmear process,” and “the present invention can be carried out,” demonstrated that the ‘105 patent claims could be carried out by different processes. Moreover, the patent specification did not state that the “repeated desmear process” was an essential part of the claimed invention. Therefore, there was not clear and unmistakable indication that the claims should be limited to a “repeated desmear process.”

Furthermore, the Federal Circuit found that there was no clear disavowal of claim scope in the prosecution history. Although the expert declaration Continental submitted to overcome the indefiniteness rejection only discussed a repeated desmear process, the Federal Circuit stated “describing a particular claim term to overcome an indefiniteness or written description rejection is not the same as clearly disavowing claim scope. The Federal Circuit went on to say that the expert merely explained one technique for performing the claimed process and did not intend to limit the claims to that technique.

## FEDERAL CIRCUIT

***Continental Circuits LLC v. Intel Corporation (cont'd.)***

Therefore, the Federal Circuit concluded that because the patent specification and prosecution history did not limit the claims to a “repeated desmear process,” a consideration of extrinsic evidence was not needed. Accordingly, the Federal Circuit vacated the district court decision, finding an embodiment discussed in the patent specification cannot limit a claim without clear and unmistakable intent by the patentee.



## FEDERAL CIRCUIT

***In Re: Guild Mortgage Co.***

On January 14, 2019, the U.S. Court of Appeals for the Federal Circuit (“Federal Circuit”) decided *In Re: Guild Mortgage Co.*, holding the U.S. Patent and Trademark Office’s (“USPTO”) Trademark Trial and Appeal Board (“TTAB”) must consider an applicant’s evidence and arguments related to absence of actual confusion.

Guild Mortgage Co. (“Guild”) filed a trademark application in the United States Patent and Trademark Office (“USPTO”) to register the mark “GUILD MORTGAGE COMPANY.” The Examiner refused the registration, citing a likelihood of confusion with the registered mark “GUILD INVESTMENT MANAGEMENT.” In response, Guild argued that it and Guild Investment Management have coexisted in business in Southern California for over 40 years without any evidence of actual confusion. Guild supported its argument by submitting a declaration of its President and CEO stating Guild had never received communications from Guild Investment Management regarding infringement nor has Guild received any customer inquiries as to whether Guild was affiliated with Guild Investment Management. The Examiner rejected this argument in a final office action. The TTAB affirmed the Examiner’s refusal to register Guild’s mark. In its opinion, the TTAB did not address Guild’s argument and evidence regarding the absence of actual confusion. Guild subsequently appealed to the Federal Circuit.

On appeal, Guild argued that the TTAB failed to address its arguments and evidence related to an absence of actual confusion. In response, the USPTO argued that the TTAB properly dismissed Guild’s argument because in ex parte registration proceedings, the “uncorroborated statements of no known instances of actual confusion” of the party involved in the case are “of little evidentiary value.” Therefore, the USPTO argued Guild’s argument and evidence were irrelevant.

The Federal Circuit stated 15 U.S.C. § 1052(d) provides that the USPTO may refuse to register a trademark if it so resembles a prior used or registered mark “as to be likely, when used on or in connection with the goods of the applicant, to cause confusion, or to cause mistake, or to deceive.” However, the Federal Circuit further stated that examiners and the TTAB must consider all evidence of record when determining whether there is likelihood of confusion. With respect to the USPTO’s argument regarding the irrelevant nature of Guild’s argument and evidence, the Federal Circuit again explained all evidence is first considered and then the appropriate weight given to each piece of evidence is determined.

Thus, the Federal Circuit concluded the TTAB erred by failing to consider Guild’s argument and evidence in its final opinion. The Federal Circuit refused to assess the evidentiary weight of Guild’s declaration. Accordingly, the Federal Circuit vacated the TTAB’s decision and remanded the case back to the TTAB to properly consider Guild’s evidence.



**FEDERAL CIRCUIT*****Booking.com v. lancu***

On February 4, 2019, the U.S. Court of Appeals for the Fourth Circuit (“Fourth Circuit”) affirmed the U.S. district court’s determination that mark BOOKING.COM was subject to federal mark registration.

Booking.com maintains an online travel reservation service since 2006, under the domain name BOOKING.COM. In 2011 and 2012, the Booking.com filed four U.S. service mark applications to register BOOKING.COM. The U.S. Patent and Trademark Office (“USPTO”) rejected the mark applications, finding the mark generic for online hotel reservation services. Alternatively, the USPTO concluded the marks were merely descriptive and Booking.com had failed to prove the marks had acquired secondary meaning. Booking.com appealed to the USPTO’s Trademark Trial and Appeal Board (“TTAB”), which affirmed the examiner’s decision to deny mark registrations from the four applications. Next, Booking.com appealed to the U.S. District Court for the Eastern District of Virginia (“district court”).

In the district court, Booking.com submitted new evidence that BOOKING.COM was recognized by consumers as a brand rather than a generic service. In light of the new evidence, the district court concluded that the company met its burden of demonstrating that the BOOKING.COM mark had acquired secondary meaning and was subject to registration. Subsequently, the USPTO appealed to the Fourth Circuit. On appeal, the USPTO argued that the BOOKING.COM mark was generic; however, the USPTO stated it would concede that Booking.com had successfully demonstrated the mark had acquired secondary meaning if the Fourth Circuit determined the mark to be descriptive.

First, the Fourth Circuit explained that the USPTO had the burden of establishing that the mark was generic by: (1) providing the identification of the class of service to which use of the mark is relevant; (2) providing the identification of the relevant consuming public; and (3) determining whether the primary significance of the mark to the relevant public was an indication of the nature of the class of the services, rather than the brand, to which the mark related, which suggests that the mark is generic.

Next, the Fourth Circuit stated that the mark needed to be considered as a whole (BOOKING.COM), instead of its component, BOOKING. While adding the term “.com” to a generic word is evidence that the entire domain name is generic, the Fourth Circuit emphasized that evidence of the public’s understanding of the mark is controlling. The Fourth Circuit further noted that consumer surveys are the preferred method of proving whether a term is generic. Accordingly, the Fourth Circuit analyzed Booking.com’s survey of the public’s understanding of the mark, BOOKING.COM. Ultimately, the Fourth Circuit found the survey’s findings that 74.8 percent of respondents identified BOOKING.COM as a brand name highly persuasive that the mark was descriptive, not generic.

## FEDERAL CIRCUIT

***Booking.com v. Iancu (cont'd.)***

After concluding the district court did not err in its finding that BOOKING.COM was not generic and was subject to federal registration, the Fourth Circuit affirmed the district court. This case demonstrates the importance of producing evidence, specifically surveys, when arguing that a term is at least descriptive, not generic.



## Patents – USPTO

### PTAB Reversals Under New USPTO January 2019 § 101 Guidance

On January 7, 2019, the U.S. Patent and Trademark Office (“USPTO”) revised guidance for subject matter eligibility under 35 U.S.C. § 101 took effect. Within two weeks, the USPTO Patent Trial and Appeal Board (“PTAB”) used the revised guidance in several decisions which reversed the examiners’ § 101 rejections. As of February, 2019, the PTAB has continued to use the revised guidance and § 101 reversal rates are at an all-time high.

Briefly, the revised guidance adds two additional steps to Step 2A of the two-step Alice/Mayo test for determining whether the claims are “directed to” any judicial exceptions. The new test under 2A is:

2A(1): evaluate whether the claim recites any judicial exception, or an abstract idea rooted in an abstract group (e.g. mathematical concepts, certain methods of organizing human activity, and mental processes); and

2A(2): evaluate whether the claim recites additional elements that integrate the judicial exception into a practical application.

According to a recent post from Anticipat Blog<sup>1</sup>, roughly 41 percent (61 of 149 decisions) of § 101 rejections were completely reversed by the PTAB. Although 41 percent may not seem significant, it is remarkable considering PTAB reversal rates were as low as 10 percent last year. Furthermore, the PTAB has significantly increased its findings of patent eligibility under step 2A when compared to the number of reversals under step 2A and 2B before the revised USPTO guidelines.

The extent to which PTAB reversals will continue to rise remains unknown. However, the USPTO revised January, 2019 guideline is clearly a step in the positive direction and we look forward to updating you on future § 101 trends at the PTAB.

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<sup>1</sup> The full post and accompanying data can be found at: <https://blog.anticipat.com/2019/04/01/updated-february-ex-parte-decisions-show-alice-based-rejections-getting-overturned-at-a-dizzying-rate/>

## Patents – USPTO

### IP Licensing Trends

On March 18, 2019, the Licensing Executives Society (“LES”) released its High Tech Sector Royalty Rates and Deal Terms Survey Report<sup>1</sup>. The report consists of data collected from 155 IP deals and 70 companies from 2014 to 2017. The most notable statistics are:

- 88% of respondents were licensors with 35% having entered into deals for monetary gains; 28% for strategic purposes; 11% for Standards Essential Patent (SEP) licensing; and 10% as part of an assertion strategy.
- Roughly two-thirds of deals had an academic or governmental licensor.
- 61% of IP licensed assets included patents; 36% had software, copyrights or trademarks; and 34% had know-how or trade secret components.
- 48% of deals were exclusive grants and 45% were non-exclusive.

When compared to LES’s 2014 licensing trends report, statistics seem to be on an upward trend, especially within certain industries. For example, in the aerospace industry, the highest average royalty rate in 2014 was roughly 12% and has increased 7% since then. Additionally, there was a 13% increase of licensors who entered into new deals to support new products.

- 36% of the licensed technology was either in production or fully developed. The aerospace industry had the highest average royalty rates at 11.69%, a 7% increase over the 2014 survey.
- 35% of licensors entered into deals to support new products, a 13% increase over the 2014 survey

Staas & Halsey LLP is happy to note that several of our attorneys are members of LES. If you would like to receive more information regarding the High Tech Sector Royalty Rates and Deal Terms Survey Report, please let us know.

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<sup>1</sup> <https://www.lesusacanada.org/news/443145/LES-Unveils-Results-of-Groundbreaking-High-Tech-Sector-Royalty-Rates--Deal-Terms-Survey-March-5.htm>



## Retirement of Randall J. Beckers



Staas and Halsey LLP is delighted and disheartened to announce that firm partner Randall J. Beckers is retiring. Mr. Beckers has been an incredible patent attorney, who is gifted with a strong legal and engineering mind. He joined Staas and Halsey LLP in July 1981 and over the course of his career, Mr. Beckers has worked extensively in the preparation and prosecution of patent applications, patentability, infringement and validity opinions, right-to-use and product clearance opinions, licenses, and intellectual property counseling relating to all phases of advanced electronics, bioelectronics, neural networks, computer hardware, software, computer languages, artificial intelligence, expert systems, business models and methods, e-commerce, and WWW based transaction systems.

Staas and Halsey LLP would like to thank Mr. Beckers for his contributions to the firm over the years and wishes him well as he starts a new chapter in his life.

## Spring in Washington, D.C.



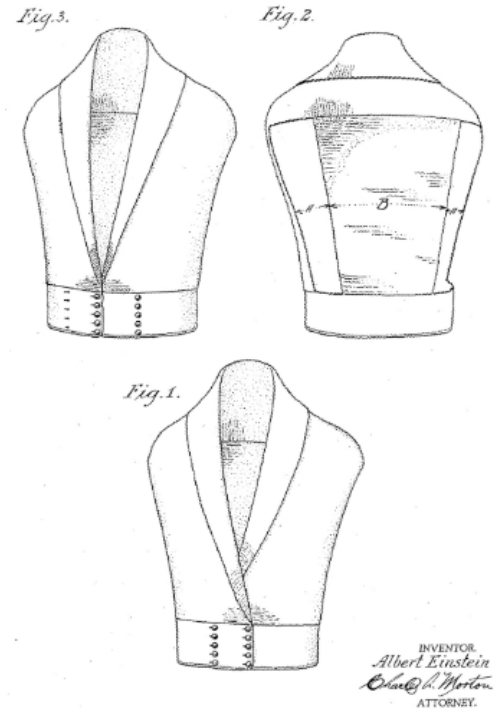
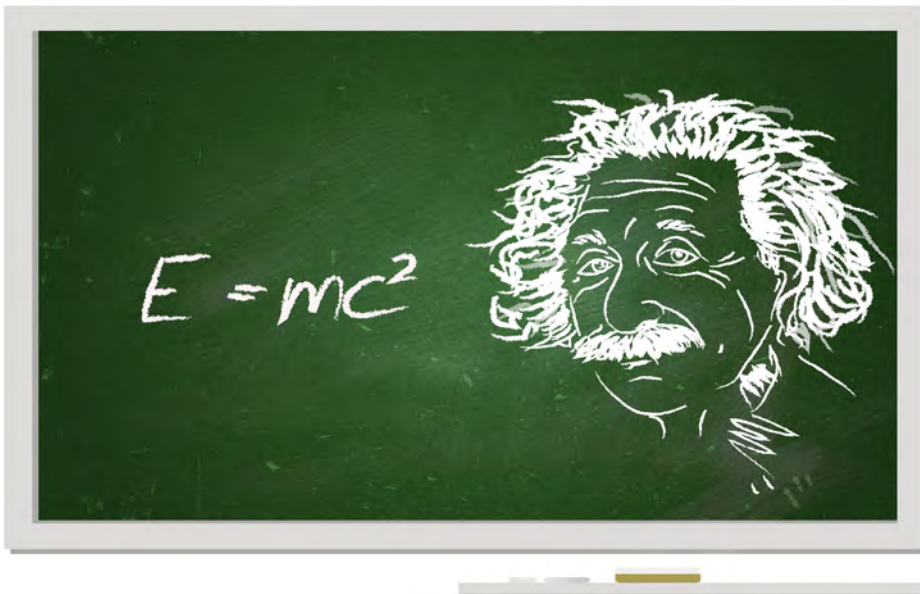
Any time you get to see the cherry blossom trees is time well spent. Visit the District during this time and you'll find the nation's capital is highlighted in pink for the National Cherry Blossom Festival, which takes place from March 20 – April 14, 2019. The cherry blossom trees are certainly the stars of springtime in Washington, D.C. Although the blossoms can last for up to two weeks under ideal conditions, the best time to view the cherry blossom trees typically lasts four to seven days after peak bloom begins. The best place to visit the cherry blossom trees is at the Tidal Basin which offers beautiful photo opportunities close to the Jefferson Memorial. There are also small groups of cherry blossom trees that can be found along the National Mall near the Lincoln Memorial and the Washington Monument. Many D.C. area hotels and restaurants offer special cherry blossom themed events that everyone can enjoy. If you are in the area, do not hesitate to visit our firm's office here in downtown Washington D.C.

FIRM NEWS

**Celebrity Inventor: Albert Einstein**

It is not a surprise to see that the Nobel-award winning scientist obtained many patents for inventions like compasses, hearing devices and refrigerators. It is also amusing to think that Albert Einstein had an interest in fashion. However, one of his patents was unique. According to the United States Patent Office, a “new, original, and ornamental design for a blouse” was patented in 1936. The design described by the side openings which also serve as arm holes. The central back panel spreads from the yoke to the waistband resulting in an expandable suit jacket that has two sets of buttons.

**U.S. Patent No. 101756S  
October 27, 1936**



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