SHIMOKAJI IP
INTELLECTUAL PROPERTY

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Federal Trade Commission Report on Patent Assertion Entities aka "Patent Trolls"

The FTC recently published its nearly 300 page report on what patent assertion entities (PAEs) do and their affect on commerce.

PAEs are in the business of acquiring patents from others and asserting those patents against alleged infringers to generate revenue. The FTC categorizes PAEs as either Portfolio PAEs or Litigation PAEs.

Portfolio PAEs have large patent portfolios (sometimes in the hundreds and thousands of patents) and negotiate licenses in the millions of dollars. They are often funded by institutional investors.

Litigation PAEs have small portfolios - often less than ten patents. They sue first and then negotiate a license typically less than $300,000. Patent sellers share revenue with them. They account for 20% of all PAE revenue, and 91% of licenses.

Of all patents held by PAEs, 88% are in Computers & Communications or Other Electrical, and more than 75% are software patents.

Licenses by Litigation PAEs that were less than the cost of defense through discovery - nuisance value - amounted to 77% of all licenses.

The FTC proposed reforms to: 1) address discovery burdens; 2) provide courts and defendants with more information about the plaintiffs, 3) streamline multiple cases against defendants, and 4) provide more notice of infringement theories.

COMMENT:

Apart from the statistical numbers, many would likely question whether the findings are something other than what the industry already knew.

Singers Justin Timberlake & Britney Spears Denied Attorney Fees in Patent Infringement Suit

Large Audience Display Systems sued Timberlake and Spears for infringement of a panoramic imaging and display system. The display system is cylinder shaped so that the audience can see the performer on the screen from any direction. Both singers used a large audience display screen in their performances.

Timberlake and Spears successfully sought reexamination of the patent. The USPTO found the patent claims, asserted in the district court, invalid. The singers then obtained an award from the district court for attorney fees exceeding $750,000.

The Federal Circuit explained that a reexamination adverse to the patent owner does not support a finding of "frivolousness" in bringing suit.

The lodestar method of calculating attorney fees was not used, according to the Federal Circuit. That method uses a number of reasonable hours expended times a reasonable hourly rate. Instead, the district court relied on a report of average costs of typical patent infringement suits, and that the singers' attorney fees were lower.

COMMENT:

In the end, the Federal Circuit sent the case back to the district court for another fee calculation. But the singers may have an uphill fight as the Federal Circuit did not seem convinced that $750,000 was needed to get through some initial discovery.

More Than 600 Words is Too Much for a Trademark

Prema Light filed a trademark application. It contained about 660 words and more than 90 character names.

The Federal Circuit pointed out that a party's intent that a proposed mark function as a trademark is not determinative of whether it is a trademark. Rather, the consuming public must see the proposed mark as a trademark. It must identify the source of goods.

In this case, the "exhaustive list of characters, recited in columnar format", weighed against finding a registrable trademark.

COMMENT:

The applicant had an uphill battle. She sought to register what appeared to be a single page of two columns of text, rather than seeking registration of just the title of the page as the trademark office examiner suggested.

Musicians Kanye West and Jay-Z Did Not Infringe "Made in America"

The court had to decide if there was "substantial similarity" between Joel Mac's "Made in America" and the musicians' "Made in America."

There is none if the "similarity between two works concerns only non-copyrightable elements of the plaintiff's work."

The court explained that "substantial similarity" turns on "whether an ordinary observer, unless he set out to detect the disparities, would be disposed to overlook them, and regard the aesthetic appeal as the same." This is the ordinary observer test.

First, according to the court, the title "Made in America" is a "well-known part of the national vernacular" and not copyrightable.

Second, both songs reference Martin Luther King, Jr. and Malcolm X. However, the names of historical figures are not copyrightable. Nor is a theme of "referencing significant Americans" copyrightable.

Further, plaintiff cannot own the "idea of an instrumental intro or outro followed by a chorus."

Finally, "with different expression and a different underlying idea", the court found that no reasonable jury could find defendants' lyrics "substantially similar to the limited protected expression present in Plaintiff's selection and arrangement of public domain elements.

COMMENT:

The decision emphasizes that merely putting public domain elements into an arrangement may be difficult to protect.

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