

## **Patent Protection for the Stay-Puft Marshmallow Man**

***Brett S. Squires, Jones Day***

If there is something strange in your neighborhood, who you gonna call? Ghostbusters! While the Ghostbusters posed the above question as part of an advertising slogan to attract new customers, the U.S. Patent and Trademark Office is currently pondering the question of whether the Ghostbusters and other storylines are subject matter eligible for patent protection. While the Ghostbusters are anticipated by the prior art movies and cartoons and storytelling as a field of invention dates to antiquity, the age of a field of invention does not impact the eligibility for patent protection of the subject matter contained within the field of invention. The eligibility of storylines for patent protection is determined by the scope of the four statutory classes of subject matter defined by 35 U.S.C. § 101.

The four statutory classes of subject matter were first defined by The Patent Act of 1793, which stated “any new and useful art, machine, manufacture or composition of matter, or any new or useful improvement [thereof],” are eligible for patent protection. Act of Feb. 21, 1793, ch. 11, §1, 1 Stat. 318. The four statutory classes of subject matter eligible for patent protection under 35 U.S.C. § 101 were restated by Congress in The Patent Act of 1952, which provided that “any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof,” are eligible for patent protection.

Although the term “process” replaced the term “art” in the expression of subject matter eligible for patent protection in The Patent Act of 1952, a process has historically enjoyed patent protection because it was considered a form of “art” as that term was used in The Patent Act of 1793. The recodification of the four statutory classes of subject matter did little to change the scope of subject matter eligible for patent protection and, in reality, did little to define the scope of the four

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statutory classes provided by 35 U.S.C. § 101. The Committee Reports accompanying The Patent Act of 1952 indicate that Congress intended statutory subject matter to “include anything under the sun that is made by man.” S. Rep. No. 1979, 82d Cong., 2d Sess., 5 (1952), H.R. Rep. No. 1923, 82d Cong., Sec. 2d Sess., 6 (1952). In enacting The Patent Act of 1952 Congress did not intend to create limitless statutory classes of invention, but rather to limit the subject matter eligible for patent protection to that which is made by man. The Supreme Court reiterated this principle by holding that subject matter “excluded from such patent protection are laws of nature, natural phenomena, and abstract ideas.” *Diamond v. Diehr*, 450 U.S. 175, 192, 209 USPQ 1, 10 (1981)

The diversity of inventions made by man today has increased dramatically since 1952. Today, we have complex transistor based computers, software for operating these complex computers, and solar cells for converting sunlight into electricity. These diverse inventions have improved the quality of life, the condition of the environment, and increased the diversity of the

subject matter eligible for patent protection under 35 U.S.C. §101. However, the increase in diversity of subject matter eligible for patent protection does not change the scope of the statutory classes defined under 35 U.S.C. § 101 to include laws of nature, natural phenomena, and abstract ideas. Federal courts and the Patent Board of Appeals and Interferences have authored many decisions regarding ineligibility of subject matter such as printed matter, naturally occurring articles, and scientific principles for patent protection. See, e.g., *O'Reilly v. Morse*, 56 U.S. (15 How.) 62 (1854); *In re Miller*, 418 F.2d 1392, 164 USPQ 46 (C.C.P.A. 1969); *In re Jones*, 373 F.2d 1007, 153 USPQ 77 (C.C.P.A. 1967); *Ex parte Gwinn*, 112 USPQ 439 (Bd. App. 1955); *Ex parte Grayson*, 51 USPQ 413 (Bd. App. 1941). These judicially established doctrines are used to assist in determining the limits of the statutory classes defined under 35 U.S.C. § 101.

Under the judicially established printed matter doctrine, the Federal Circuit and the U.S. Patent and Trademark Office initially interpreted 35 U.S.C. § 101 so narrowly that they denied software eligibility as patentable subject matter. Based upon this narrow interpretation, the printed matter doctrine was viewed as the dividing line between copyright protection and patent protection. Eventually, the Federal Circuit held that software had been improperly excluded from patentable subject matter. See *AT & T Corp. v. Excel Commc'ns. Inc.*, 172 F.3d 1352, 50 USPQ2d 1447 (Fed. Cir. 1999). Software was determined to fit within the "process" statutory class because software performs a transformation on intangible material such as data signals. Similarly, software encoded on a computer-readable medium fits within the "manufacture" statutory class, because the encoded software defines structural and functional interrelationships between the encoded software, computer software, and computer hardware components which permit the encoded software's functionality to be realized.

In light of the Federal Circuit's decision to include software as patentable subject matter, some now consider the process statutory class to be limitless and the manufacture statutory class to include anything that can be stored on a computer-readable medium. For some, the printed matter doctrine has blurred the line between patent protection and copyright protection, because some

subject matter such as software is eligible for both patent and copyright protection. However, the eligibility of software for patent protection has not opened the door for all copyrightable material that can be written on paper or encoded on a disk to become patentable. Similarly, it has not redefined the statutory classes. Rather, the determination that software is eligible for patent protection simply means that software is not a law of nature, a natural phenomenon, or an abstract idea.

The "Process of Relaying a Story Having a Unique Plot," US 2005/0244804 is the first of many "storyline" patent applications pending before the U.S. Patent and Trademark Office. In the background of invention section, the applicant contends that the eligibility of software for patent protection supports the patentability of storylines. He argues that the scope of protection provided by a copyright is too narrow to protect new and unique ideas presented by an author. Furthermore, the applicant contends that the broader scope of protection provided by a patent is required to protect these new and unique ideas and, therefore, storylines should be eligible for both patent and copyright protection.

In reality this analogy is false because the applicant fails to consider the differences between storylines and software. Software performs a transformation on data signals, which are intangible subject matter themselves, but correspond to a real world activity. Software encoded on a computer-readable medium defines structural and functional interrelations between the encoded software, computer software, and computer hardware components which permit the encoded software's functionality to be realized. A storyline does not rely on any particular apparatus to be told and a storyline fails to perform a transformation on tangible or intangible subject matter. Further, a storyline encoded on a computer-readable medium does not define structural and functional interrelations between the storyline and the computer software and hardware component.

Above all, a storyline is based on the imagination of the author and not facts. Therefore, storylines are not analogous to software and do not fit within the limitations of the process or manufacture statutory classes. Storylines are instead abstract ideas based on imagination rather than facts, and are therefore are not patentable

subject matter defined by the four statutory classes of 35 U.S.C. § 101. As the Supreme Court has held: “An idea of itself is not patentable, but a new device by which it may be made practically useful is.”

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**Revised MPEP § 2141: Suggestions for  
Responding to 35 U.S.C. § 103 Obviousness  
Rejections under the Office’s New Procedures  
Following KSR**

**Matthew W. Johnson, Jones Day**

In September 2007, the Patent and Trademark Office rewrote section 2141 of the Manual of Patenting Examining Procedure (the “MPEP”) according to the Office’s interpretation of the Supreme Court’s decision in *KSR International Co. v. Teleflex Inc.*, 127 S.Ct. 1727 (Apr. 30, 2007). These changes detail the Office’s standing with regards to patent claim rejections under 35 U.S.C. § 103 based on obviousness. The following is a discussion of the changes to MPEP 2141 and possible strategies going forward based upon these changes.

The rewrite begins with MPEP § 2141(I), which notes that the Supreme Court in *KSR* reaffirmed the familiar framework for determining obviousness as set forth in *Graham v. John Deere Co.*, 383 U.S. 1 (1966), but stated that the Federal Circuit had erred by applying the teaching-suggestion-motivation (TSM) test in an overly rigid and formalistic way. Revised § 2141(I) further states that the Supreme Court particularly emphasized the need for caution in granting a patent based on the combination of elements found in the prior art and that the combination of familiar elements according to known methods is likely to be obvious when it does no more than yield predictable results. The MPEP notes that these familiar elements may come from different fields of endeavor, and the operative question is whether the improvement is more than the predictable use of prior art elements according to their established function.

Revised section 2141(II) then outlines the basic factual inquiries that must be made in determining whether an obviousness rejection under 35 U.S.C. § 103 is appropriate according to

the *Graham* rationale in light of *KSR*. The section explains the Examiner’s role as fact finder in the prosecution of an application and the required factual inquiries that an Examiner must make. First, the Examiner must determine the scope and content of the prior art. He or she then must ascertain the differences between the claimed invention and the prior art, and finally must resolve the level of ordinary skill in the pertinent art. The Examiner must also evaluate the objective evidence relevant to the issue of obviousness, often referred to the “*Graham* secondary considerations.”

Section 2141(II) also discusses the first two *Graham* inquiries, and, in general, it does not reveal any alarming changes. However, section 2141(II)(C) (resolving the level of ordinary skill in the art) and 2141(III) (acceptable rationales to support a rejection under 35 U.S.C. § 103) raise some concerns as to the additional flexibility that the Office believes the *KSR* decision grants to Examiners. First, in determining the level of ordinary skill in the art, Examiners may rely on their own technical expertise to describe the knowledge and skills of a person of ordinary skill in the art. Second, and perhaps of more concern, in supporting a rejection of a claim for obviousness, the prior art references need not teach or suggest all of the claim limitations if the Examiner explains why the difference between the prior art and the claimed invention would have been obvious to one of ordinary skill in the art.

Combined with the Office’s stated procedures in 2141(IV) regarding the burdens for the applicant’s reply to a § 103 rejection, this additional flexibility may make rebutting a § 103 rejection by an Examiner very difficult despite the incorrectness of his or her position. Section 2141(IV) states that once an Examiner has established the *Graham* factual findings and concluded that the claimed invention would have been obvious, the burden shifts to the applicant to show that the Office erred in these findings or provide evidence to show that the claimed subject matter would have been nonobvious. Additionally, the section states that a mere statement or argument that the Office has not established a *prima facie* case of obviousness or that the Office’s reliance on common knowledge is unsupported by documentary evidence will not be considered substantively adequate to rebut the rejection or an

effective traverse of the rejection. Examiners addressing this situation may repeat the rejection made in the prior Office action and make the next Office action final.

The revisions to MPEP section 2141 present a difficult situation for practitioners when faced with the predicament of proving a negative, the nonobviousness of a claim, when the rejection of that claim is based upon the common knowledge of an Examiner. Section 2141(IV) suggests that it is not appropriate to rebut a rejection under 35 U.S.C. § 103 based on common knowledge by stating that the Examiner's reliance on common knowledge is unsupported by documentary evidence and requesting the production of such evidence.<sup>1</sup> If section 2141(IV) should be understood to mean that such a response is improper, the costs of prosecution will rise materially due to the difficulty in rebutting an Examiner's common knowledge claim. The following is a short list of possible responses to an Examiner who relies on the new MPEP 2141 in making an obviousness rejection.

- Show evidence from the prior art why the claimed combination of elements is not obvious. In other words, utilize the *Graham* secondary factors. MPEP 2141(II) states that the secondary considerations are still one of the controlling inquiries in any obviousness analysis. A good statement in a prior art reference, such as an explicit teaching away, could offer very convincing evidence of the nonobviousness of a claimed combination.
- Argument and evidence that reliance on common knowledge is inappropriate. While argument alone may be insufficient to rebut an Examiner's reliance on common knowledge, a document illustrating why something is not common knowledge is another option that will likely garner success. Providing actual evidence rebutting the Examiner's claim will meet the applicant's burden and force the Examiner to provide actual evidence or withdraw his claim.

- An expert affidavit. An affidavit from an expert that a claimed combination is not obvious or that a fact is not common knowledge is evidence which must be considered by an Examiner in reevaluating his obviousness rejection. If the examiner can offer no evidence or argument why the affidavit is incorrect, this submission may be sufficient to overcome the rejection. An affidavit from an expert who is not the inventor may be even more persuasive due to that expert's disinterested status with respect to the application at issue.

- Lawyer argument. While lawyer argument may be seen as the least persuasive response to a rejection in the eyes of an Examiner, a detailed explanation of why the Examiner is incorrect in his assertion of obviousness or common knowledge may be an effective way to respond to a 35 U.S.C. § 103 rejection. If the prosecuting attorney can clearly articulate why the Examiner is incorrect in his assertions and that he will likely lose on appeal to the Board, the Examiner may be willing to withdraw his assertion. While this method may not be effective with an entrenched Examiner, it may be a good first response to a rejection before seeking to hire an expert or pursuing other more costly avenues of response.

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### **The Era of Paid Music Downloads May Be Coming to an End**

**By Ty Coulter  
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After years of unsuccessfully fighting to protect their creative works from the realm of illegal online downloads, the music industry has recently announced that it has chosen to employ another approach: Qtrax. Qtrax is a former renegade peer-to-peer (P2P) file sharing service that has recently re-launched as a legal, advertisement-supported service that will eventually offer music downloads to its users free of charge while still managing to pay copyright holders for songs traded on its network. At the 2008 Midem conference in Cannes, France, the world's largest music industry trade fair, Qtrax and its parent company Brilliant Technologies Corp. announced that it has reached deals with the four major record labels (EMI, SonyBMG, Universal Music Group and Warner Music Group) that would

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<sup>1</sup> The interaction of MPEP 2141 and MPEP 2144.03(C) regarding Official Notice remains unclear as 2144.03(C) still states that the Examiner must support a Official Notice finding with adequate evidence.

make it the first free and legal music download service offering major label music. The company has also claimed that its service will house a music catalog of over 25 million songs, substantially surpassing the catalogs of iTunes and other online music stores.

All four record labels, however, have expressly denied the agreements claimed to have been made between the companies. For instance, on the eve of January 28, 2008, just hours before Qtrax was originally scheduled to release its software, both Warner Music Group and Universal Music Group stated that the service was not authorized to offer their music on its Web site. Similarly, spokesmen from EMI and SonyBMG have confirmed that neither company has reached a final agreement with Qtrax. Consequently, as of January 29, 2008, the Qtrax client is available for download, but music downloads are currently disabled.

Although the record labels continue to negotiate with Qtrax, many fear that the service may never fully get off the ground due to its lack of functionality and overstated claims. Qtrax representatives have assured the public that the ability to download music will be unlocked very soon, but that is a decision that rests solely upon the shoulders of the labels to which the music belongs. Only time will tell whether the assurances made by Qtrax and its officials will come to fruition.

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### **Patent Litigation Strategy: Seeking a Permanent Injunction v. Future Damages**

*By Anderson T. Bailey, Jones Day*

In the wake of the Federal Circuit's ruling last month in *Innogenetics, N.V. v. Abbott Laboratories*, \_\_\_ F.3d \_\_\_, 2008 WL 151080 (Fed. Cir. 2008), litigants involved in patent infringement cases must confront a new set of factors when considering the appropriate remedy. The court applied *eBay Inc. v. Mercexchange, L.L.C.*, 547 U.S. 388 (2006) and could force on patent holders an important choice between monetary and equitable relief.

The Supreme Court emphasized in *eBay Inc. v. Mercexchange, L.L.C.* that the propriety of permanent injunctions in patent cases depends on

the balance of four well known factors: 1) how irreparable is the patentee's injury; 2) how inadequate are legal damages to compensate that injury; 3) how the balance of hardships favors plaintiff or defendant; and 4) how an injunction will impact the public interest. Although the Court noted that broad classifications precluding equitable relief were inappropriate, it soundly rejected the lower court's conclusion "that a permanent injunction will issue once infringement and validity have been adjudged." There is no right to injunctive relief, the Court held, simply because a valid patent has been infringed.

In *Innogenetics*, the plaintiff claimed that Abbott's genotyping kit infringed patented technology used to identify different strains of the hepatitis C virus. After Abbott lost the construction argument that supported its claim of noninfringement, the trial court found literal infringement as a matter of law and rejected Abbott's anticipation defense. A jury subsequently awarded *Innogenetics* seven million dollars in damages, comprising a \$5.8 million market-entry fee and \$1.2 million in ongoing royalty payments.

Thereafter, *Innogenetics* moved the trial court for an injunction permanently preventing Abbott from marketing any infringing products. Although recognizing that injunctive relief no longer "follow[s] ineluctably from a finding of infringement," Judge Barbara Crabb nevertheless granted the motion. "After a long, expensive and arduous trial" the court found, "it would denigrate the value of [*Innogenetics*'] patent rights to allow [*Abbott*] to continue to sell plaintiff's invention as its own in exchange for the same fee it would have paid without a law suit." Despite the award of a market entry fee and ongoing royalty payments, legal damages were insufficient to fully compensate the patentee.

Sorting through a myriad of issues raised on appeal, the Federal Circuit ultimately vacated *Innogenetics*' equitable relief. The court found that the large market-entry fee was calculated with a long-term license in mind. "When a patentee requests and receives" a monetary award that contemplates anticipated revenue, Judge Kimberly Ann Moore wrote, "it cannot be heard to complain that it will be irreparably harmed by future sales." The trial court had therefore abused its discretion in awarding the permanent

injunction rather than establishing a license between the parties; the matter was remanded for a determination of the terms of such a license.

In light of the Supreme Court's decision in eBay, the Federal Circuit seems to have imposed additional restrictions on equitable relief by suggesting that, as a matter of law, plaintiffs who receive monetary awards accounting for future damages are ineligible for permanent injunctions. From a public-policy perspective, the opinion could broaden commercial markets by favoring compulsory licensing over patentees' monopoly rights. Moreover, the diminished possibility that a court will enjoin distribution of infringing products potentially gives alleged infringers greater leverage in licensing negotiations.

For litigants, this preference has at least two important practical implications. First, patentees have an incentive to only seek damages through the day that judgment is entered. In vacating Innogenetics' injunction, the Federal Circuit found several references in the record to ongoing or future damages, including some from the plaintiff's own expert. In order to preserve the likelihood of equitable relief, patentees in future infringement cases may be wise to tailor their evidence to exclude prospective injury.

Second, to the extent that parties now face compulsory licenses over both past and future damages, they may prefer voluntary royalty agreements to the uncertainty of a judge or jury undertaking the fact-sensitive hypothetical negotiation analysis. The Federal Circuit's decision may therefore encourage more amicable resolution of patent cases.

While it is obviously too soon to gauge the full impact of Innogenetics, one can discern an emerging trend against equitable relief. Not only must the demands of equity clearly militate in favor of an injunction, but it now appears that the patentee must also receive no monetary award for future damages. Innogenetics thus provides important guidance to both patentees faced with the prospect of litigation and those competing against patented technology.

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### Member Profile: MEDRAD

MEDRAD is a worldwide market leading manufacturer and distributor of high tech medical devices that enable or enhance diagnostic and therapeutic medical procedures for computed tomography, magnetic resonance, and cardiovascular applications. MEDRAD has over 1,700 global employees, 1,200 of whom are in the Pittsburgh area. PIPLA members Gregory Bradley, who serves as Chief Intellectual Property Counsel, and James Stevenson, Jill Denesvich and David Schramm oversee MEDRAD's intellectual property.

MEDRAD's Global Center is located in Warrendale, Pennsylvania, 18 miles north of Pittsburgh. The 125,000 square-foot facility houses all corporate administrative functions. MEDRAD's Indianola facility, located off of Rt. 910 in Indiana Township, Allegheny County, houses the company's three business units, research and development, sterile disposables manufacturing operation and warehousing. Additionally, located in nearby RIDC Park in O'Hara Township, the 155,000-square-foot Heilman Center contains MEDRAD's vascular injection system production, magnetic resonance (MR) coils and accessories production, research and testing labs, MEDRAD Service, and Multi Vendor Service operations. Opened in 2002, the building is named after MEDRAD founder M. Stephen Heilman, M.D.

A second sterile disposables manufacturing facility recently opened in Saxonburg, Butler County. The 120,000 square-foot facility will be one of the largest sources of new manufacturing jobs in Western Pennsylvania. MEDRAD's European headquarters office is located in Maastricht, The Netherlands, and additional international offices are located in France, Germany, Italy, China, UK, Brazil, Japan, Norway, Belgium, Sweden, Denmark, Singapore, Egypt, Mexico, Cyprus and Australia.

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