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The Pendulum Swings: The Importance of Opinion Letters Post-US Supreme Court Decision in *Halo*

By Joseph D. Rossi

Everything flows, out and in; everything has its tides; all things rise and fall; the pendulum-swing manifests in everything; the measure of the swing to the right is the measure of the swing to the left; rhythm compensates” (“The Kybalion: A Study of The Hermetic Philosophy of Ancient Egypt and Greece”). This ancient philosophy also holds true in modern-day patent jurisprudence.

Section 284 of the Patent Act provides that in a case of infringement, courts “may increase the damages up to three times the amount found or assessed.” A typical ground supporting enhanced damages is a finding that the infringement was willful. For many years, the best defense against a charge of willful infringement was obtaining a well-reasoned opinion of counsel to show that, even if infringement were found, the infringement was not willful and egregious. Under the Federal Circuit’s two-part *Seagate* test (*In re Seagate Technology, LLC*, 497 F. 3d 1360 (Fed. Cir. 2007)), damages may be increased under Section 284 only if the patent owner can show, by clear and convincing evidence, both that “the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid

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Two, Four, Six, Eight ... [Copyright] Separability We Appreciate!

By Allison Z. Gifford

For many years, the fashion world has struggled with protection of decorative elements on apparel under copyright law. The U.S. Supreme Court decision on March 22 in *Star Athletica LLC v. Varsity Brands Inc.*, 580 U.S. ____ (2017), hopefully will provide clarification and guidance on this issue, as it was aimed at resolving “widespread disagreement” on when such designs are eligible for copyright protection.

Varsity Brands Inc. is a large player in the cheerleader uniform industry, and has registered over 200 U.S. copyrights for two-dimensional designs appearing on the surface of its uniforms. Varsity was not pleased with competitor Star Athletica’s use of five of Varsity’s registered designs on Star’s cheerleader uniforms. The designs in dispute consisted of chevrons, zigzags and stripes.

Varsity sued Star in the U.S. District Court for the Western District of Tennessee for copyright infringement. The district court granted summary judgment in Star’s favor, holding that the designs could not be conceptually or physically separated from the uniforms. Varsity appealed. The U.S. Court of Appeals for the 6th Circuit reversed, finding that the designs could be identified separately and “were capable of existing independently” of the uniforms.

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patent” and that the risk of infringement “was either known or so obvious that it should have been known to the accused infringer.”

In *Halo Electronics Inc. v. Pulse Electronics Inc.*, 579 U.S. ____ (2016), the U.S. Supreme Court last summer rejected the Federal Circuit’s *Seagate* test, concluding that it was inconsistent with the text of Section 284. The Court acknowledged that the *Seagate* test in many respects reflected a sound recognition that enhanced damages are generally appropriate only in egregious cases, but found that the test “is unduly rigid” and “can have the effect of insulating some of the worst patent infringers from any liability for enhanced damages.”

First, the Court rejected the idea that a defendant had to be objectively reckless. The Court pointed out that the “objective recklessness” prong of the *Seagate* test shields many of the most culpable infringers from punishment. The Court noted that if the infringer can muster a reasonable, even though unsuccessful, defense at trial, the existence of such a defense will insulate the infringer from enhanced damages under the *Seagate* test, even if the infringer did not act on the basis of the defense. But, the Court observed, culpability is generally measured against the knowledge of the actor at the time of the challenged conduct. Accordingly, the Court concluded that courts should take into account the particular circumstances of each case in deciding whether to award enhanced damages, and exercise their discretion in a manner free from the inelastic constraints of the *Seagate* test.

Second, the Court rejected the “clear and convincing” standard of proof, and adopted the lower “preponderance of the evidence” standard generally applied to infringement. The Court found that nothing in the statute imposes any specific evidentiary burden, and nothing in historical practice supports a heightened standard.

What does this all mean in a practical way regarding what clients should think about when designing products or processes? The Federal Circuit in its *Seagate* opinion made it more difficult to prove willful infringement, but the U.S. Supreme Court in *Halo* enunciated a test that makes it easier for patent owners to show willful infringement and, thus, obtain enhanced damages awards.



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As a result of *Seagate*, patent practitioners largely saw a decline in clients seeking opinions of counsel. Now, however, in view of the *Halo* decision, the issue becomes more of a subjective intent question; therefore, clients should consider seeking opinions of counsel to show lack of an intent to willfully infringe a competitor’s patent.

So what are the key elements behind a successful opinion of counsel defense? To be effective, an opinion of counsel must be competent, thorough and reasonable. This means that the opinion should include a comparison of the product or process to every element of the patent’s claims, an analysis of prior art cited by the patent office, and a discussion and comparison of recent case law developments. Moreover, the opinion should include all the information the attorney relied upon in forming the opinion, including a summary of discussions with technical personnel in the company.

Moreover, an opinion of counsel should be timely in that it is obtained in advance of a litigation or potential litigation, preferably in the product development stages and before commercialization — the earlier the better. That way, a client can be counseled regarding a design-around or to request a license, if needed to avoid infringement. A letter written long before litigation is more likely to be given weight by a judge, as opposed to one obtained after a lawsuit is filed.

Everything goes through cycles, and everything has a rhythm or a pattern. So, for now, the pendulum of willful patent infringement law has swung away from *Seagate* to *Halo*, where it has become easier to prove willful patent infringement. Clients need to plan accordingly.

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Star petitioned for and was granted certiorari by the U.S. Supreme Court to resolve the disagreement among courts over the proper test for implementing Section 101 of the Copyright Act of 1976.

Apparel is usually outside the scope of the Copyright Act, which bars protection for “useful items,” but courts have ruled that decorative elements on apparel can be “conceptually separable” enough from the underlying garment to be protected. Under the definition recited in Section 101 of the Copyright Act of 1976:

“Pictorial, graphic, and sculptural works” include two-dimensional and three-dimensional works of fine, graphic, and applied art, photographs, prints and art reproductions, maps, globes, charts, diagrams, models, and technical drawings, including architectural plans. Such works shall include works of artistic craftsmanship insofar as their form but not their mechanical or utilitarian aspects are concerned; the design of a useful article, as defined in this section, shall be considered a pictorial, graphic, or sculptural work only if, and only to the extent that, such design incorporates pictorial, graphic, or sculptural features that can be identified separately from, and are capable of existing independently of, the utilitarian aspects of the article. 17 U.S.C. § 101 [emphasis added].

The question before the Court was: When can a feature incorporated into a useful article “be identified separately from” and when is that feature “capable of existing independently of” “the utilitarian aspects” of the article? The Court determined this analysis depended “solely on statutory interpretation.”

Delivering the opinion of the Court, Justice Clarence Thomas looked directly at the statutory meaning of Section 101 and also at the Copyright Act’s history. In *Mazer v. Stein*, 347 U.S. 201 (1954), decided under the 1909 Copyright Act, the Court held that a statuette created for use as a lamp base was protected under copyright, thus approving a Copyright Office regulation “extending protection to works of art that might also serve a useful purpose.” The *Mazer* holding introduced the modern separability test to copyright law, and the post-*Mazer* Copyright Office regulations became part of Section 101 of the 1976 Copyright Act.

Using Section 101 as a guide and clarifying case law on separability, Justice Thomas set out a two-part test for determining when a “feature incorporated into the design of a useful article is eligible for copyright protection.” First, the feature must “be perceived as a two- or three-dimensional work of art separate from the useful article,” and second, the feature must “qualify as a protectable pictorial, graphic or sculptural work” when “imagined separately from the useful article into which it is incorporated.”

Applying the test to the design features on Varsity’s cheerleading uniforms, the Court found that removing the design features, the



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surface decorations (for example, the chevrons and stripes) could be “identified as features having pictorial, graphic, or sculptural qualities.” Further, separating the designs from the uniforms and applying them in another medium qualified the designs as two-dimensional works of art under Section 101. The dissent argued that the designs were not separable “because imaginatively removing them from the uniforms and placing them in some other medium of expression” still created “pictures of cheerleader uniforms,” a useful article not subject to copyright protection.

Justice Thomas countered the dissent’s argument by considering a fresco on a wall, or a design etched or painted on the surface of a guitar. Removing both the fresco and the design or etching still tracks or resembles the surface (a wall) or the shape of a guitar. The resulting images do not “replicate” the wall or guitar, which are useful articles. This separability is important because the Copyright Act protects works of art that correspond to the shape of the useful article to which it is applied. Otherwise only designs that cover part of a useful article would be protected.

The Court affirmed the judgment of the 6th Circuit because the designs on the surface of Varsity’s cheerleading uniforms in this case satisfy these requirements. In affirming, the Court also carefully limited the scope of its holding in two ways. First, the Court was clear that Varsity had “no right to prohibit any person from manufacturing a cheerleading uniform of identical shape, cut, and dimensions to the ones on which the decorations in this case appear” and that the feature of the cheerleading uniform eligible for a copyright in this case is the two-dimensional work of art.

Taking that point a bit further, interestingly and importantly, the Court did not hold that the “surface decorations” are copyrightable and sufficiently original to qualify for copyright protection. This issue will be back before the U.S. District Court for the Western District of Tennessee.

The fashion world is satisfied for now with the Court’s decision clarifying design separability and the protection of two-dimensional and three-dimensional features of useful articles. In addition to the protections for their designs provided by trademark law, this decision gives fashion designers an additional claim under copyright law to those fast-fashion groups that so quickly copy a design and get it to market before the designer does. Knockoffs beware!

IP Client Spotlight



Stradley handles IP law (trademarks, copyrights and related areas) matters for Saint Joseph's University. For 160 years, SJU has advanced the professional and personal ambitions of men and women by providing a rigorous Jesuit education guided by service with and for others and rooted in the liberal arts — one

that demands high achievement, expands knowledge, deepens understanding, stresses effective reasoning and communication, develops moral and spiritual character, fosters a keen dedication to service to others, and imparts enduring pride. Located on the edge of metropolitan Philadelphia, SJU provides ready access to the vast career opportunities and cultural resources of America's fifth-largest city, while affording students a cohesive and intimate campus experience. SJU has extension programs with other institutions around the world. On campus, SJU offers a variety of

graduate and executive programs and is home to several academic centers, including the Kinney Center for Autism Education and Support, the Center for Food Marketing, the Arrupe Center for Business Ethics, and the Catholic Bioethics Institute.

The focus of Stradley's IP work with SJU has been on securing trademark protection for SJU's various logos and brands. The logo depicted above was adopted in 2006, and consists of the university's initials with the icon of a lily (the liturgical flower of Saint Joseph) above the letter "J." Other IP issues addressed by Stradley on behalf of SJU and at the request of the Office of the General Counsel have been IP ownership disputes, enforcement of IP rights, dispute resolution, IP licensing, various agreements (e.g., recording and publishing), copyright "fair use" determinations, IP matters raised by social media, and development of IP policies. Since 1970, Stradley has been proud to assist SJU in its efforts to navigate the complex IP issues faced by a modern university, along with a variety of non-IP work, including sponsorship agreements, contract matters and nonprofit issues.



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