



NGE IP FOCUS: Manufacturing

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Automation in the industrial manufacturing sector and within products created in this sector, especially IoT devices, continues to be widespread and an everyday part of our economy. Automation creates constant change in our consumer-driven society. This change sometimes takes incremental steps and often has "game changing" or even every-day "life changing" effects, especially with consumers and the IoT devices that they interface with being so very connected to one another. It should therefore be no surprise that intellectual property law issues are being created at a rate equal to this constant change. The IP issues encountered are numerous. Some are specific to the manufacturing and related consumer products industry, and some have general applicability across industries. In this issue of *NGE IP Focus*, we highlight some recent legal decisions in the industrial manufacturing space that illustrate and exemplify current legal issues encountered in the field.

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Competition among players in any manufacturing or products space is where the rubber meets the road. Competitors, or parties that once had business relationships with one another that went south, battle with one another in the market place, and when one believes their IP rights have been implicated, battle within adversarial proceedings. Trying to take market share from the other is an everyday occurrence.

Of late, this is especially true in the automotive industry. While competition in the automotive space has always been pervasive, use of adversarial proceedings between at least the larger players has historically been insignificant. But the barriers for entry have diminished and smaller players can create and produce automated aspects of vehicles, and can become market players, without significant manufacturing facilities or resources. These players, and there are many of them,

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In Touch with Jim Muraff

Jim is a strategic intellectual property advisor who helps clients develop and protect the value of their global intellectual property portfolios. His practice encompasses all components of intellectual property – domestic and foreign patents, trademarks, copyrights and trade secrets – with a primary focus on businesses seeking market penetration and growth in computer software, hardware, electronics, automation, and internet technologies.

A registered patent attorney, Jim is highly experienced in patent clearance and patentability counseling, as well as patent application preparation and prosecution before the U.S. Patent and Trademark Office. He regularly advises clients concerning corporate transactions, licenses and transfers related to various components of their intellectual property portfolios. Jim also has extensive experience enforcing and defending clients' intellectual property rights in litigation involving numerous technologies before federal courts across the country.

Before he started his legal career, Jim obtained valuable industry experience as a software engineer and systems analyst. He gained valuable insight into the vital business considerations and needs of companies that develop and market high-tech software and hardware products. His practical and legal background enables him to serve as a reliable business and legal advisor who develops cost-effective and competition-focused strategies to achieve their objectives.

A substantial portion of Jim's practice is devoted to developing comprehensive intellectual property portfolio strategies for mobility, autonomous, infotainment, communication, navigation, and other controls technologies for the automobile

and heavy equipment industries, prescription-servicing computer systems for pharmacies, medication delivery systems used by nurses, quick-service restaurant order fulfillment systems and automated vending computer systems.

Jim is an adjunct faculty member of The John Marshall Law School, where he teaches substantive patent law and introductory intellectual property law classes. Jim further teaches Chinese patent examiners and re-examiners, as well as groups of Chinese IP attorneys, U.S. patent law topics within a program he helped create through The John Marshall Law School Chinese IP Resource Center.

He has also been listed with Chambers for patent law for several years. He has served on the board of managers and various committees of IPLAC and acted as the Vice President of the IPLAC Educational Foundation. He has also been a judge for the Modern Marvels Invent Now Challenge, sponsored by the History Channel and Invent Now, Inc., a subsidiary of the National Inventors Hall of Fame Foundation. Jim has also sat on the American Intellectual Property Law Association's AIPLA Quarterly Journal Editorial Board. He is often quoted in the press on intellectual property law matters.



James P. Muraff

Partner

Neal Gerber Eisenberg

jmuraff@nge.com

312.269.8034



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NGE Focus seeks to inform clients of key trends and critical issues that arise in Intellectual Property practice. Authored in conjunction with the editors of Wolters Kluwer Legal & Regulatory, U.S., *Antitrust Law Daily* and *IP Law Daily*, the publication is not intended as legal advice; rather, it serves as a general overview of the key legal issues in this area of practice. We encourage you to consult with your Neal Gerber Eisenberg attorney about specific legal matters or if you have additional questions about the content provided here.

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smartly protect their inventions with patents. Nonpracticing entities have also acquired significant numbers of patents in the automotive space from these smaller players and others, and continue to assert these patents for monetary gain. Larger technology companies have also entered the automotive space, at least as it relates to automation, and are amassing significant IP portfolios. It has yet to be seen whether the tech players will assert their patents in adversarial proceedings. However, alleged infringers, especially larger companies, will typically fight vigorously against such infringement allegations.

As we know, patent eligibility has become a very common defense to allegations of patent infringement, especially when automation driven by software is involved. This leads to our first set of cases highlighted in this issue's articles. Specifically, in the first article we initially learn how BMW's patent eligibility

Competitors will encroach on and use the crown jewels of your company if you have not properly protected your IP.

challenge to adaptive cruise control system patents was denied by a district court because these patents comported with the first step of the *Alice* test. The court focused on the patents being directed to a physical system operating in three-dimensional space that, when certain conditions are met, physically impacts the speed of a moving object.

Interestingly, the same district court simultaneously denied another patent eligibility challenge for a method of providing identity verification, including eliciting radio responses from RFID tags at an access door of a secure area, checking access authorization for a wearer of the RFID tag, recording an image of the wearer, and controlling access to the door. However, on the contrary, in the second article, the district court granted an eligibility challenge to a patent directed to vehicle operating systems that capture and process hand gestures from a driver and a passenger, determine whether the signals are consistent, and execute only the signal from the driver where they are inconsistent. The Court was heavily influenced by the *Alice*-based case law, which focuses on whether the claim can be carried out by a human, exercising only generic computer-implemented steps, without more. This case and other cases illustrate the need to draft patent applications having thorough descriptions of inventions,

including significant details on how inventions are carried out, and claim enough details to make clear the invention is not just an abstract idea.

These cases also underscore the continued lack of consistency in trying to implement the *Alice* patent eligibility analysis. This lack of consistency recently led the U.S. Patent and Trademark Office to issue the *2019 Revised Patent Subject Matter Eligibility Guidance*. Initial feedback has been positive, and more patent applications, especially in the automation space where there are nongeneric computer technology implementations, are more often avoiding patent eligibility rejections in view of the USPTO clarifications. The inconsistency in this area of patent law has also caused a handful of members of the U.S. Congress to work toward establishing proposed legislation for amending the patent eligibility statute. Specifically, only a few weeks ago, Senators Thom Tillis (R-NC) and Chris Coons (D-DE),

and Representatives Doug Collins (R-GA-9), Hank Johnson (D-GA-4), and Steve Stivers (R-OH-15) released a letter having a revised framework for amending the patent

eligibility laws, to create more predictability and consistency. These efforts are welcome and positive developments for appropriately protecting software-driven automation in the manufacturing industry.

Vigorous challenges to patent infringement allegations in the automation space take other forms as well, which leads us to the third and fourth articles in this issue. Specifically, if the claims in asserted patents require instrumentalities or devices operating in different locations and controlled by different entities, which is often the case in the IoT devices space, "joint infringement" issues arise about who is the actual infringer and whether certain parties can infringe the patent at all. In the third article, in a case involving a patent directed to digital cameras that include radio frequency (RF) transceivers for transmitting digital photos to a remote destination according to user preferences, the alleged infringer moved to dismiss the case for failing to plead enough to set forth claims for direct infringement, contributory infringement, or induced infringement. However, even though the district court determined that distributing "the majority of the claimed invention" to customers, with the customers completing the required elements of the claim during use of the instrumentality,

was not sufficient pleading for direct infringement, it was sufficient pleading to allege making and using the digital camera apparatus by the alleged infringer's employees. The district court also determined that the pleading directed to contributory and induced infringement was sufficient, but only for acts occurring after the alleged infringer became aware of the asserted patent.

In the fourth article, the Federal Circuit reversed and remanded a district court's summary judgment noninfringement determination for a patented system that tracked equipment and patients in hospitals, which included ultrasonic base stations, portable locator tags, a server, RF base stations, and a backbone network. The accused infringer provided the software and some, but not all, of these hardware elements, with the customers providing the remaining network and server hardware. The Federal Circuit noted that infringement can exist because the alleged infringer may have installed the system at its customer's facility, thereby "completing the infringing combination" and "making" the patented system under §271(a). These nuances of whether infringement can exist within the context of disputes teaches us that the patent preparation process should always pay keen attention to who the patent claims should be directed to in order to avoid "joint infringement" issues.

Players in the manufacturing space often have cooperative business relationships with one another. These relationships can take many forms, including joint development arrangements. When these relationships go south or a company's "secret sauce" ends up in the hands of competitors, IP battles can ensue. In the fifth article, in a case where the parties had a joint development relationship that fell apart, the district court determined that the manufacture of industrial "current-carrying" hoses was adequately pleaded and described the proprietary technology as the trade secret taken without permission, as well as the reasonable measures that were put in place to protect this confidential technology. In the sixth article, the Eighth Circuit affirmed a district court's determination that a trade secret cause of action was time-barred, where the action was directed to the use of confidential engineering documents for the manufacture of and replacement parts for asphalt plants. The Court based its decision on communications between the parties warning the accused trade secret misappropriator that it was using the confidential engineering documents without permission, and then

not filing the action until the respective time periods had passed for the federal Defend Trade Secrets Act and the Iowa Uniform Trade Secrets Act. These cases remind us that joint development agreements should always include clear provisions about what should happen, and who can do what with the IP involved, when the development is completed and/or the relationship falls apart and the parties become competitors, as well as to seek counsel and timely file actions to preserve IP rights.

The last two articles in this issue are instructive for the industrial manufacturing and products space in that it is critical to secure the proper forms of protection in advance of an IP dispute and within the statutorily required time frame. Competitors *will* encroach on and use the crown jewels of your company if you have not properly protected your IP. In the seventh article, in a case where no patent protection was obtained, the district court held that alleged copyrights in technical drawings encompassing the designs for industrial automation control systems did not extend to the designs for the controls systems. The control systems were for controlling injection molding machines that assist in making rotary turntable mechanisms. According to the Court, the Copyright Act did not confer the right to prevent others from "using" a copyrighted work, and could not be used to stop manufacture, sale, and use of the control systems. As we know, that is the purpose of patent protection.

In the last article, in another case where no patent protection was obtained, a company attempted to use state and federal unfair competition laws to stop a competitor from selling unmarked replacement parts for highway lane delineators, which consist of a base, a vertical plastic post, an insert to connect the two, and a hinge. The accused infringer did not use the plaintiff's trademark, and consumers were not confused into believing the posts originated from the plaintiff. Had the plaintiff obtained patent protection, including utility and/or design patent protection, the outcome would likely have been very different.

In sum, keeping track of the IP issues being generated in at least the automation and IoT devices space is a full time job. Paying attention to tracking and protecting your own IP and what your competitors are doing is only a baseline to competing. We hope that you enjoy reading more in the pages that follow, including these recent IP decisions in the industrial manufacturing sector. ■

Cruise control and property access patents pass *Alice* test

In separate cases, the federal district court in Wilmington, Delaware, recently issued opinions rejecting subject matter eligibility challenges based on arguments that the challenged claims were directed to abstract ideas. In the first case, two patents for an adaptive cruise control concept were directed to a tangible physical system, and in the second case, the asserted patent was directed to using radio frequency identification (RFID) equipment and video to monitor and limit access to property. Because the patents in both cases passed the first part of the Supreme Court's *Alice* test for patent eligibility, the court did not need to proceed to step two (*Carrum Technologies, LLC v. BMW of North America, LLC*, and *Axcess International, Inc. v. Genetec [USA] Inc.*, April 23, 2019, Andrews, R.).

A method of using a physical system is not a 'mental process.'

Cruise control systems. Carrum Technologies argued that the adaptive cruise control system of defendants BMW of North America and BMW Manufacturing Co. (together BMW) infringed Carrum's U.S. Patent Nos. 7,512,475 ('475 patent) and 7,925,416 ('416 patent). The patents' shared specification discloses an adaptive cruise control system that "provides smooth vehicle control in turning situations both by limiting lateral acceleration during the vehicle turn and by eliminating braking for out-of-path targets." BMW moved to dismiss for patent ineligibility under 35 U.S.C. § 101.

The first step of the Supreme Court's *Alice* test asks whether the claims are drawn to a patent-ineligible concept, and if so, the second step considers whether the claims contain an inventive concept. *Alice Corp. Pty. v. CLS Bank Int 'l*, 134 S. Ct. 2347, 2354 (2014). BMW argued that the asserted claims of the '475 and '416 patents are directed to the abstract idea of deciding to reduce speed based on perceived physical parameters. According to BMW, the claims described "methods and systems that do exactly what human drivers perform in their minds, without more." BMW analogized the abstract idea to the Federal Circuit's collecting, analyzing, and storing data line of cases.

The court, however, found that the claims of the '475 and '416 patents are not directed at an ineligible concept. Rather, they

are directed to a physical system operating in three-dimensional space that, when certain conditions are met, physically impacts the speed of a moving object. Far from an abstract idea, the claims are directed to a tangible system, or a method of using such a system, with an observable real-world impact, the court observed. Moreover, the claims are meaningfully limited to implementation of the method with an adaptive cruise control system having lateral acceleration sensors. A method of using a physical system is not a "mental process," according to the court. BMW's motion to dismiss was denied.

Location monitoring system. In the second case, the defendant Genetec (USA) challenged the eligibility of every claim of Axcess International's asserted U.S. Patent No. 7,216,158 ('158 patent) under 35 U.S.C. § 101. Asserted independent claim 14 is representative and claims a method of providing identity verification for access to a secure area, comprising the

eliciting of radio responses from RFID tags at an access door of a secure area, determining whether access by a wearer of the RFID tag is authorized and recording an image of that wearer, and controlling access to the door by only authorized RFID tag wearers.

Genetec argued that the claims are directed to "the naked idea of monitoring and controlling access to a location." The court was not persuaded. The asserted claims of the '158 patent are directed to using RFID equipment and video to remotely watch over, and limit access to, property, the court said. Using RFID equipment and video to monitor property is not an unpatentable abstract idea. Rather, it is a concrete application of an idea, the idea of keeping watch, and specifically tethered to tangible equipment. The asserted claims, for example, require a tangible RFID tag and a limited-access door. They also require a device capable of recording a video. Methods with real-world impact, implemented on physical devices, are not rendered abstract merely by the ability of a human to achieve a similar result (e.g. keeping watch) via different means, the court reasoned. Genetec's motion to dismiss was denied. ■

The cases are No. *1:18-cv-01645-RGA* and No. *1:18-cv-01276-RGA*.

Electric vehicle operating system claims not patent-eligible

A patent infringement suit by electric vehicle manufacturer Thunder Power New Vehicle Development Company against competitor Byton North America has been dismissed by the federal district court in San Francisco. The court determined that the asserted patent claims—all of which related to

A system's ability to prioritize between conflicting inputs in selecting an output is not inventive.

operating systems for electric vehicles—as a matter of law were directed to abstract ideas and lacked any inventive concept (*Thunder Power New Energy Vehicle Development Company Limited v. Byton North America Corporation*, October 31, 2018, Tigar, J.).

Both parties are in the business of developing and manufacturing electric vehicles. Thunder Power alleged that several concept cars imported and advertised by Byton included operating and display systems that infringed U.S. Patent No. 9,547,373 (the '373 patent) for a "Gesture Control" system and Nos. 9,563,329 (the '329 patent) and 9,561,724 (the '724 patent) for a "Shared Experience Display" system. Byton moved to dismiss on the ground that the patents-in-suit claimed ineligible subject matter.

'373 patent. The '373 patent, entitled "Vehicle Operating System Using Motion Capture," described a vehicle operating system that captures and processes hand gesture signals from a driver and a passenger, determines whether the signals are consistent, and executes only the signal from the driver where they are inconsistent. The system "may include camera devices for capturing images of gestures, a storage device for storing operating signals corresponding to gestures," and a "processing device that is configured, for example, to select a gesture command operator, to control the camera device so as to capture" that individual's gestures, to convert those captured images "into corresponding operating signals," and to execute, "by an execution device, the corresponding operation according to the operating signal." However, any explanation of *how* these various devices will accomplish these steps, at a technical level, was absent. Byton contended that the '373 patent merely described the ability to receive signals from two people, determine

if they are inconsistent, and if so, perform an operation based on the signal from one of the people. The court agreed that ultimately, the patent amounted to little more than a system for "collecting information, analyzing it, and displaying certain results of the collection and analysis," bringing it within "a familiar class of claims" directed to an abstract idea.

The court also agreed with Byton that the invention failed step two of the *Alice* test. Thunder Power failed to persuade the court that the components of the vehicle operating system, "in combination, perform special operations that go beyond the standard functions of cameras, processors, and execution devices." The fact that the system outlined in the '373 patent can prioritize between conflicting inputs in selecting an output was not enough to render it inventive, according to the court.

'724 patent. The '724 patent "Interchangeable Display of Information Panels on a Dashboard," described a display system in a "transportation apparatus" that displays two different information panels at different positions on a physical LCD screen, switches the positions of the panels in response to a physical user signal, and restores the original display positions after a predetermined time period. Thunder Power argued that "the claimed elements function together to allow users in a vehicle to share information via independent panels." The court disagreed. To an abstract concept, "the '724 patent adds only the feature of two display panels with the ability to switch back to their original positions automatically after a predetermined period," the court observed. The court found this feature insufficient to transform the abstract idea into an inventive concept. At the level of generality of the specification and claims, the '724 patent asserted no improvement beyond "the presentation of information in conjunction with other information," the court said.

'329 patent. Claim 1 of the '329 patent was similar to Claim 1 of the '724 patent but did not specify an LCD screen. If anything, the '329 patent was even more abstract and less inventive than the '724 patent. Accordingly, all claims were dismissed. ■

This case is No. [3:18-cv03115-JST](#).

Digital messaging patent suit involving customer infringement allowed to proceed

Claims of infringement of a patent relating to the transmission of photos from a digital camera to a remote destination that involved customer infringement were sufficiently pleaded, the federal district court in Wilmington, Delaware, has ruled. Claims brought for contributory and induced infringement survived, while claims for direct infringement were limited to alleged use of the accused apparatus by the defendant's employees (*FO2GO LLC v. KeepItSafe, Inc.*, April 16, 2019, Andrews, R.).

In May 2018, FO2GO LLC brought claims against j2 Global, Inc. for infringement of U.S. Patent No. 9,935,998 (the '998 patent), entitled "Digital messaging processing system." The '998 patent relates to digital cameras that "include a radio frequency (RF) transceiver for transmitting digital photos to a remote destination according to user preferences." After discussions between FO2GO and j2 revealed that the correct defendant was j2's subsidiary, KeepItSafe, Inc., FO2GO filed an amended complaint against KeepItSafe. KeepItSafe moved to dismiss the complaint, arguing that FO2GO had not adequately pleaded claims for direct infringement, contributory infringement, and induced infringement.

Direct infringement. KeepItSafe argued that FO2GO failed to adequately plead direct infringement. The court understood the amended complaint to allege that KeepItSafe employees provided its customers with the majority of the claimed system, and the customers completed the system during use of the accused "SugarSync" instrumentality. FO2GO argued that its allegation that KeepItSafe employees use the whole "SugarSync" system on cameras provided by KeepItSafe was enough to plead direct infringement under the "use" prong of 35 U.S.C. §271(a) and the Federal Circuit's decision in *Akamai Techs, Inc. v. Limelight Networks, Inc.* 797 F.3d 1020 (Fed. Cir. 2015). The court said that FO2GO had misunderstood *Akamai*, because *Akamai*

did not broaden the scope of direct infringement of system claims, for which the controlling case remains the Federal Circuit's 2011 decision in *Centillion Data Systems, LLC v. Qwest Communications International, Inc.*, 631 F.3d 1279 (Fed. Cir. 2011). The *Centillion* court ruled that a software manufacturer could not be held liable as a direct infringer where the customer completed the system by providing a claim element and installing the software. As a result, the court determined that FO2GO had not adequately pleaded that KeepItSafe sells or offers to sell the entire infringing system. However, it had adequately pleaded a claim for direct infringement to the extent that it alleged that KeepItSafe made and used some systems by providing the digital camera apparatus to its employees.

Contributory infringement. FO2GO also sufficiently alleged a facially plausible claim for contributory infringement. Its complaint described how the product worked and how direct infringement may occur by a user, and also provided facts supporting an allegation that the SugarSync system had no substantial non-infringing use. However, the court limited the contributory infringement claims to the time period after the first amended complaint was filed against KeepItSafe. FO2GO's original notice to j2 Global, KeepItSafe's parent, was insufficient to support allegations that KeepItSafe itself had knowledge of the patent or infringing use.

Induced infringement. Similarly, the court found that FO2GO had adequately pleaded induced infringement, but limited the claim to the period after the filing of the first amended complaint. FO2GO sufficiently pleaded direct infringement by the users of the SugarSync accused instrumentality, that KeepItSafe had knowledge of the FO2GO patent, and that it had knowledge that the induced acts constituted patent infringement.

This case is No. [1:18-cv-00807-RGA](#).

Location monitoring solutions provider could have infringed tracking system patent marketed to hospitals

There were genuine issues of material fact as to whether claims of a patent directed to systems for locating and identifying portable devices using ultrasonic base stations, owned by CenTrak, Inc., were invalid for lack of written description or were not infringed by competitor Sonitor Technologies, Inc., making summary judgment inappropriate, the U.S. Court of Appeals for the Federal

A defendant does not need to assemble an entire claimed system to be liable for infringement.

Circuit has held. The appellate court reversed a decision of the federal district court in Wilmington, Delaware (*CenTrak, Inc. v. Sonitor Technologies, Inc.*, February 14, 2019, Chen, R.).

Patent-in-suit. CenTrak's U.S. Patent No. 8,604,909 (the '909 patent), entitled "Methods and Systems for Synchronized Ultrasonic Real Time Location," related to systems for real-time location (RTL), which allow users to locate and identify portable devices in a facility. CenTrak provided its RTL systems to healthcare facilities, such as hospitals, which used it to track equipment and patients. The asserted claims recited the use of ultrasonic base stations; portable devices (tags); a server; radio frequency (RF) base stations; and a backbone network that connects the server with the RF base stations. Although all claims of the '909 patent recited "ultrasonic" components, the vast majority of the specification focused on infrared or RF components.

Accused products. Sonitor made and sold an RTL system called "Sonitor Sense," which included three pieces of hardware: RF "gateways," ultrasonic location transmitters, and portable locator tags. Sonitor also provided related software. CenTrak asserted that the Sonitor Sense system infringed the '909 patent when these components are integrated with a customer's existing network and server hardware. Because Sonitor did not sell all of the hardware needed to practice the patent claims, CenTrak pursued a theory under 35 U.S.C. §271(a) that Sonitor

"makes" infringing systems when it installs and configures the Sonitor Sense system. Sonitor moved for summary judgment, asserting noninfringement and invalidity.

Written description. Sonitor argued that a mere two sentences in the specification dedicated to ultrasound did not show that the inventors had possession of an

ultrasound-based RTL system.

The district court ruled that while the specification "contemplated" ultrasound, mere contemplation was not enough to meet

the written description requirement. Reasoning that "electromagnetic radiation and sound waves are not simply two species of the same genus; rather these are two completely different types of phenomena" and that "one could not simply drop [an ultrasonic] transmitter into the system as disclosed in the specification and have a functioning [ultrasonic] system," the district court granted summary judgment that CenTrak's claims did not satisfy the written description requirement.

The Federal Circuit noted that the test for sufficiency of a patent's written description is whether the disclosure reasonably conveyed to skilled persons that the inventor had possession of the claimed subject matter as of the filing date. Written description, the court explained, was about whether the skilled person could recognize that what was claimed corresponded to what was described, not whether the patentee had proven to the skilled reader that the invention worked (which was an enablement issue).

In this case, the district court erred by leaning too heavily on the fact that the specification devoted less attention to the ultrasonic embodiment compared to the infrared embodiment. A specification's focus on one particular embodiment or purpose cannot limit the described invention where that specification expressly contemplates other embodiments or purposes, the court said. The '909 patent's specification at least mentioned base stations and receivers that used ultrasound. The

parties disputed the complexity and predictability of ultrasonic RTL systems, and the district court erred at the summary judgment stage by not sufficiently crediting testimony from CenTrak's expert. There was a material dispute of fact as to whether or not the named inventors actually possessed an ultrasonic RTL system at the time they filed their patent application.

Noninfringement. Sonitor's main noninfringement argument was that Sonitor does not make, use, or sell certain elements recited in the claims, including the required backbone network, Wi-Fi access points, or server hardware. CenTrak responded that the party assembling components into the claimed assembly "makes" the patented invention, even when someone else supplies most of the components.

The district court granted summary judgment of noninfringement, holding that because CenTrak had not

submitted proof that Sonitor personnel had made an infringing assembly, Sonitor could not have directly infringed.

The Federal Circuit disagreed with the district court's conclusion that there was no triable issue of fact as to whether Sonitor made infringing systems. Although Sonitor did not provide certain claimed elements in the accused systems, CenTrak argued that the final, missing elements were already part of the customers' own hardware, and that Sonitor was the "final assembler" of the accused systems because it provided the configuration that allowed the location transmitters to work with the network and the location codes that were entered into the server. In the appellate court's view, a reasonable fact-finder could conclude that Sonitor infringed the asserted claims of the '909 patent. The summary judgment ruling was reversed, and the case remanded. ■

The case is No. [17-2510](#).

Industrial hose designer states misappropriation claims against SharkNinja

Flexible Technologies, a manufacturer of industrial hoses, adequately pleaded that vacuum cleaner manufacturer SharkNinja Operating LLC misappropriated trade secrets in violation of the Defend Trade Secrets Act and (DTSA) and South Carolina law, the federal district court in Wilmington, Delaware has decided. After a development project between the parties fell apart, SharkNinja

SharkNinja's alleged continuing sale and use of vacuums that embodied Flexible Technologies' trade secrets after May 2016 fell within the scope of the DTSA.

allegedly used proprietary technology regarding current-carrying hosing that Flexible Technologies had disclosed under the terms of a confidentiality agreement. The complaint sufficiently described the trade secrets at issue, as well as measures taken to protect their secrecy. Even though the information allegedly was taken by SharkNinja before the DTSA was enacted, SharkNinja's

alleged use of the trade secrets after the statute took effect made the DTSA claim viable (*Flexible Technologies Inc. v. SharkNinja Operating LLC*, March 29, 2019, Connolly, C.).

Flexible Technologies designed and made flexible, stretchable, retractable, and current-carrying hoses for a variety of industrial applications.

In early 2012, SharkNinja sought help from Flexible Technologies in designing a current-carrying self-retracting stretch hose for a new vacuum cleaner product

line, which was named the "Shark Rotator Powered LiftAway" vacuum (the "LiftAway"). The parties collaborated on a project to custom-engineer innovative and proprietary hose technology for the LiftAway. During the project, Flexible Technologies disclosed to SharkNinja various methods, techniques, know-how, and other confidential information and

trade secrets, allegedly with an “implicit understanding, duty, and agreement” that all of Flexible Technologies’ proprietary information was to be kept confidential and the project at hand. This understanding was eventually reduced to writing in the form of a “Visitor Confidentiality Agreement” signed by one of SharkNinja’s employees.

In early 2014, SharkNinja stopped communicating with Flexible Technologies and shortly after started to sell LiftAway vacuums that incorporated imported hosing technology that allegedly was “indistinguishable” from the patented and proprietary technology disclosed to SharkNinja. Flexible Technologies filed suit against SharkNinja, asserting claims for patent infringement, violation of the DTSA, breach of contract, breach of the covenant of good faith and fair dealing, and unjust enrichment. SharkNinja moved to dismiss all counts except for the patent infringement claim.

Misappropriation of trade secrets. SharkNinja argued that the misappropriation counts should be dismissed because Flexible Technologies failed to identify its trade secrets with particularity and because the allegations in the complaint established as a matter of law that Flexible Technologies did not take sufficient precautions to protect its trade secrets. SharkNinja also argued that the DTSA claim should be dismissed because the misappropriation allegedly occurred before DTSA became effective.

Identification of trade secrets. In the court’s view, Flexible Technologies identified its trade secrets with sufficient particularity to survive a motion to dismiss. Flexible Technologies asserted that it supplied SharkNinja with know-how relating to current-carrying self-retracting stretch hoses that optimized retractability, comfort, aesthetics, safety, durability, and other important features. This know-how included the composition of Flexible Technologies’ product, the material texturing of the product, and methods

of testing and manufacturing. The level of detail provided in the complaint was sufficient to put SharkNinja on notice of the nature of the trade secrets alleged to have been misappropriated.

Efforts to safeguard trade secrets. Contrary to SharkNinja’s assertion, the complaint alleged sufficient facts “from which it can be plausibly inferred that Flexible Technologies exercised eternal vigilance to keep its information secret,” the court said. For example, its facilities were protected by perimeter fences and its docks were gated, its exterior doors were locked and people were able to gain access only with a bar-coded badge or other security clearance, all digital networks and file servers were password protected, employees were subject to a variety of background checks, and engineers as well as visitors to the manufacturing floor were subjected to contractual requirements, including nondisclosure and confidentiality obligations.

Coverage by DTSA. The complaint alleged that SharkNinja improperly used and disclosed Flexible Technologies’ trade secrets after May 11, 2016, the effective date of the DTSA. However, the DTSA defined “misappropriation” to include the “use” of the trade secrets in question. SharkNinja’s alleged continuing sale and use of vacuums that embodied Flexible Technologies’ trade secrets after May 2016 fell within the scope of the DTSA. Accordingly, the court denied the motion to dismiss either trade secrets claim.

Other claims. The court also determined that Flexible Technologies sufficiently alleged the terms of the confidentiality agreement between the parties in order to go forward with its breach of contract claim. However, the court decided to dismiss the claim for breach of the covenant of good faith and fair dealing because it was duplicative of the breach of contract claim. ■

This case is No. [18-348-CFC](#).

Asphalt equipment manufacturer's misappropriation claims against competitor were time-barred

An asphalt plant and equipment manufacturer's trade secrets misappropriation claims under the Defend Trade Secret Act and the Iowa Uniform Trade Secret Act claims against a seller of replacement parts were time-barred under the statutes' respective three-year statute of limitations because the manufacturer should have been aware of the seller's alleged misappropriation several years before it filed suit in February 2016, the U.S. Court of Appeals in St. Louis

Once CMI was on notice of possible misappropriation by Iowa Parts, it had a duty to investigate.

has held. The manufacturer's common law conversion and unjust enrichment claims, even if not time barred by the applicable five-year statutes of limitations, failed on their merits. The appellate court affirmed a district court's grant of summary judgment to the defending seller on all of the manufacturer's claims (*CMI Roadbuilding, Inc. v. Iowa Parts, Inc.*, April 4, 2019, Beam, C.).

Plaintiffs CMI Roadbuilding, Inc. and CMI Roadbuilding, Ltd. (together, "CMI") manufactured and sold asphalt plants and related equipment, including replacement parts for such plants. CMI had obtained ownership of many of its assets, including intellectual property, related to the manufacturing of asphalt plants, concrete plants, and landfill and dirt compaction equipment through a series of mergers and acquisitions involving several companies, including Terex Company, CMI Corporation, Cedarapids, Inc., and Standard Havens, Inc.

Defendant Iowa Parts was incorporated in 2002 to sell replacement parts previously designed and manufactured by Standard Havens, Cedarapids, CMI Corporation, and Terex. Iowa Parts did not manufacture any parts, but contracted with various vendors to manufacture replacement parts that were sold to owners of Cedarapids, Standard Havens, and CMI Corporation. Iowa Parts obtained the plans, blueprints, and specifications from third parties. It also hired several individuals, including its general manager (Jay King), who previously worked as

a parts manager at Terex. Iowa Parts originally limited its business to smaller and cheaper (\$50 to \$250) parts, but it transitioned to larger component parts which were priced in the range of \$300,000 to \$400,000.

When CMI found out about Iowa Parts' business changes, it sued Iowa Parts for misappropriation of trade secrets under the Defend Trade Secrets Act of 2016 (DTSA) and the Iowa Uniform Trade Secrets Act (UTSA), conversion of trade secrets, and unjust enrichment under Iowa common law. CMI alleged that Iowa Parts misappropriated certain engineering

documents—technical drawings, plans, and specifications relating to the manufacture of asphalt plants and component parts. The complaint was filed on February 22, 2016.

The district court granted summary judgment to Iowa Parts on all claims. The district court agreed with Iowa Parts that the statutory claims were time-barred, rejecting CMI's theory that the "discovery" doctrine should toll the statute. The district court also held even if the conversion claim was not barred by the applicable five-year statute of limitations, the claim failed because Iowa Parts' use of the engineering documents did not actually deprive CMI of any of its trade secrets. With regard to unjust enrichment, the district court found that CMI would have had an adequate remedy at law if it had timely brought suit, and thus the equitable doctrine of unjust enrichment was unavailable. CMI appealed.

Trade secrets misappropriation. The Eighth Circuit noted that both the DTSA and UTSA had three-year statutes of limitations for bringing misappropriation claims. Iowa Parts began doing business in 2002, and according to the appellate court, CMI had "abundant knowledge" of this fact.

CMI argued that it could not have discovered that its trade secrets were being misappropriated until Iowa Parts went into the business of providing large components. However, in 2002, Terex had sent King a letter indicating a possible problem with Iowa Parts' use of the engineering documents

and warned that it was illegal for Iowa Parts to use them without authorization. Iowa Parts did not make any efforts to conceal its activities. In the court's view, CMI was likely on inquiry notice at the time that Terex sent the letter to King in 2002, but also was continuously on notice beyond that time due to Iowa Parts' advertising, exhibiting, and sales activities. Once CMI was on notice of possible possible misappropriation by Iowa Parts, it had a duty to investigate. Accordingly, the Eighth Circuit affirmed the district court's determination that that DTSA and UTSA claims were time-barred.

Other claims. The appellate court also affirmed the district court's grant of summary judgment on the conversion claim and unjust enrichment claims. The conversion claim was barred by the applicable five-year statute of limitations. Even if the unjust enrichment claim had not been time-barred (which it likely was), CMI would have been an adequate remedy at law if it had filed its trade secrets claims in a timely manner. ■

This case is No. [18-1075](#).

Use of technical drawings to create manufacturing control systems not copyright infringement

A company that provided industrial automation design, installation, and maintenance services cannot go forward with claims that a manufacturer of injection molding machines to make rotary turntable mechanisms infringed the copyrighted design for the control system of the machines, the federal district court in Detroit has decided. The defending manufacturer's use of the asserted design—which consisted of technical drawings—to create control

Multiject's use of the design to create control systems could not be infringement because "use" is not one of the exclusive rights listed in Section 106.

systems was not actionable as infringement under the Copyright Act. Copyright law protected the copyright owner's exclusive right to reproduce the design, prepare derivative works, distribute copies, and display it, but "use" rights were governed by the Patent Act. The Copyright Act did not confer the right to prevent others from using a copyrighted work. Moreover, the design portrayed a useful article and was therefore excluded from copyright protection by Section 113(b) of the Act (*RJ Control Consultants, Inc. v. Multiject, LLC*, November 8, 2018, Cohn, A.).

Plaintiff RJ Control Consultants, Inc., and its principal, Paul E. Rogers (together, "RJ Control") formerly worked together with defendants Multiject, LLC, and its principal,

Jack Elder (together, "Multiject") on various projections, including the manufacture of injection molding machines used to make rotary turntable mechanisms. Rogers focused on developing the control system for the molding machines. For a few years, RJ Control constructed control systems for Multiject based on Rogers's original design. In 2013, Multiject ordered five control systems. In filling this order, RJ Control updated the system and created modified designs, including what was called "Design 3," consisting of technical drawings of the control system and code. A dispute arose regarding the invoicing for these systems, and the relationship between the parties soured and ended. On February 17, 2016, Rogers obtained a copyright registration for Design 3. A few weeks later, RJ Controls sued Multiject, alleging that Multiject improperly used the copyrighted Design 3 to make control systems. Multiject moved for summary judgment.

The issue was whether use of "Design 3" to manufacture control systems was an act of copyright infringement. The court assumed that Multiject copied the design and used it to make control systems. Use of the design, however, was not actionable as infringement, the court decided. Pursuant to Section 102(b) of the Act, the scope of copyright protection did not extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form

in which it was described, explained, illustrated, or embodied. Unlike a patent, a copyright gave its owner no exclusive right to the art disclosed. Protection was given only to the expression of the idea, not the idea itself. To the extent that Design 3 was copyrightable, Multiject's use of the design to create control systems could not be infringement because "use" is not one of the exclusive rights listed in Section 106.

Moreover, Section 113(b) provided that there could be no copyright protection for "a work that portrays a useful article." The court noted that the Congressional record

preceding the adoption of the Copyright Act set forth examples of the limitation expressed by Section 113(b), specifically stating that copyright protection would not extend to "A copyrighted technical drawing showing the construction of a machine used to manufacture the machine." In the court's view, RJ Control could not expand the scope of copyright protection to include the act of manufacturing an article using a copy or derivative copy of Design 3. Accordingly, Multiject was entitled to summary judgment in its favor. ■

This case is No. [2:16-cv-10728-AC-SDD](#).

Use of generic replacement posts in manufacturer's lane delineators was not passing off

A highway operations company's use of generic, unmarked posts as replacement parts in highway delineators sold by Flexstake, Inc., as a matter of law did not constitute unfair competition under Section 43(a) of the Lanham Act or Florida common law, the federal district court in Miami has decided, because Flexstake's mark was not "used" on the generic posts and as a result, consumers

The court was aware of no authority finding that a defendant's use of an unmarked, generic replacement part to service and maintain an existing product violated section 43(a).

were not confused into believing that the posts were manufactured by Flexstake. In addition, Flexstake's claim for violation Florida Deceptive and Unfair Trade Practices Act failed because Flexstake did not point to any actual damages caused by the defendant's use of the generic posts (*Flexstake, Inc. v. DBI Services, LLC*, November 30, 2018, Scola, R.).

Plaintiff Flexstake, Inc., manufactures and sells lane delineators ("Delineators") under the FLEXSTAKE mark for use on highways. The Delineator consists of: a base, a vertical plastic post ("Flexstake Post"), an insert to connect the two, and a hinge. Beginning in 2008, Flexstake furnished Delineators for use on I-95 express lanes in

Miami-Dade County, Florida. In 2014, DBI Services, LLC entered into an asset maintenance contract with the Florida Department of Transportation ("FDOT"), which included the servicing or replacement of damaged or missing delineators on I-95. DBI replaced worn down Delineator Posts with unmarked, generic posts not manufactured by Flexstake ("Generic Posts"). In 2016,

Florida ceased using Flexstake posts on I-5 because they did not meet new technical specifications adopted by FDOT.

Flexstake filed suit against DBI, asserting claims for unfair

competition under of Section 43(a) of the Lanham Act and Florida common law and violations of Florida's Deceptive and Unfair Trade Practices Act ("FDUTPA"). Before the court was DBI's motion for summary judgment on all three claims.

FDUTPA claim. Flexstake asserted that DBI violated the FDUTPA by "manufacturing and selling a knock-off" stake "designed to deceive the State of Florida and other consumers into believing that the knock-off is a genuine Flexstake TM 750 series delineator, and by installing said product into the Flexstake TM 750 base and hinge, thereby passing it off as a genuine Flexstake product."

The elements of a cause of action under FDUTPA are (1) a deceptive act or unfair trade practice; (2) causation; and (3) actual damages. DBI asserted that Flexstake failed to allege actual damages. Flexstake's FDUTPA claim sought recovery of "lost profits, damage to reputation and other adverse consequences" resulting from the "publication of the Technical Memorandum" and "the negative publicity, poor performance and unsightly appearance that resulted from the use of counterfeit [Generic Posts] on I-95."

The court agreed that "actual damages" under the FDUTPA do not include consequential damages and that all of Flexstake's theories for recovery—lost profits, damage to reputation, and other adverse consequences—constituted consequential damages. Because Flexstake failed to point to "actual damages," its FDUTPA claim failed as a matter of law.

Unfair competition claims. Flexstake's claims for unfair competition under the Lanham Act and Florida common law were premised on the theory that DBI "passed off" the Generic Posts as Flexstake Posts, causing confusion to consumers as to the origin of the Delineators. To establish a prima facie case for unfair competition under Section 43(a) and Florida common law, a plaintiff must show (2) that it had enforceable trademark rights in the mark or name, and (2) that the defendant made unauthorized use of the mark or name such that consumers were likely to confuse the two.

DBI argued it was entitled to summary judgment on both claims because Flexstake's mark was not "used" on the Generic Posts. The court agreed. In "passing off" claims, a defendant "uses" a mark if it "places" that mark on a good to pass it off as emanating from or authorized by the infringed-upon plaintiff. In this case, it was undisputed

that the Generic Posts installed on I-95 did not contain any markings, logos or words indicating Flexstake manufactured them.

Flexstake argued that courts have extended liability under section 43(a) to situations where a defendant made no affirmative misrepresentation of origin as to the manufacturer of a product. However, the cases cited by Flexstake were inapposite and the court was aware of no authority finding that a defendant's use of an unmarked, generic replacement part to service and maintain an existing product violated section 43(a). As explained by the Third Circuit, "[u]nfair competition goes to the question of marketing, not to the question of manufacture. ... But absent any other factors, the copying of an unprotected part for replacement purposes, whether done correctly or not, is not litigable by the originator, so long as there is no 'palming off' as to source." *B.H. Bunn Co. v. AAA Replacement Parts Co.*, 451 F.2d 1254, 1263 (5th Cir. 1971) (citations omitted).

The court concluded that no reasonable juror could find that DBI "placed" the Flexstake mark or a confusingly similar one on the Generic Posts. Therefore, DBI was entitled to judgment on all of Flexstake's claims. ■

This case is No. [1:17-cv-20858-RNS](#).

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