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2015 End-Of-Year Wrap-Up

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On November 19, 2015, Benesch's 3D printing group quarterbacked a well-attended presentation sponsored by the Association for Corporate Growth-Cleveland. In addition to Mark Avsec from Benesch (and Ira Kaplan's introduction), Matt Hlavin from Thogus-RPM, and Rick Pollock, President of MakerGear, a Northeast Ohio manufacturer of desktop 3D printers, presented on a panel.

It is clear that there is immense interest in 3D printing in Northeast Ohio. America Makes is located in Youngtown, Ohio and is a leading collaborative partner in additive manufacturing and 3D printing in the United States. Taking into account that 2/3 of the manufacturing in the United States occurs within a 500 mile radius of Northeast Ohio, the tenor of the ACG discussion was that manufacturing industries in Northeast Ohio will most certainly be revitalized by additive manufacturing.

In 2015, UPS and Amazon certainly foresaw and are planning for changes in their businesses as consumers transition from ordering products from retailers (requiring UPS's and Amazon's standard shipping services) to printing out finished goods at home. UPS has already begun offering 3D printing services in stores. Best Buy also announced that it was installing kiosks for 3D printing.

Earlier this year, the United States Patent and Trademark Office published a patent filing by Amazon Technologies, Inc. that outlines a method of 3D printing on-demand within mobile manufacturing hubs. Amazon's method contemplates sending a digital file to a mobile unit that is close to a customer, and providing instructions to the mobile unit to print out the ordered item. When the item is printed out by the mobile unit, the customer can then conveniently pick it up at a location close to home. This will save Amazon money and time, and provide even faster service to customers - perhaps same-day service.

To be sure, 2015 saw 3D-printing in polymers, but also in metals, ceramics, glass, cement, chemicals, electronics, nanotechnology, and even human tissue. 2015 saw the FDA's approval of the first 3D-printed drug, Aprecia Pharmaceutical's Spritam for oral use, which could create regulatory, product liability and intellectual property issues if users print the drug "away from control" without proper supervision.

Apartment and office buildings were printed in 2015 with extremely large 3D printers at 2/3 the cost using 2/3 labor and 2/3 the energy. What will happen in 2016? Where will private equity and venture money flow? What are the salient IP issues? What are other businesses doing? **To find out, attend Benesch's second annual 3D summit on April 21, 2016 at Cleveland's Ritz-Carlton Hotel, with details to follow.**

Gartner analysts predict that by 2018 there will be $100 billion per year in intellectual property losses as a result of rogue 3D printing. Particularly vulnerable are the "spare parts" or replacement parts industries when customers begin scanning parts and printing them out themselves instead of

purchasing them from the OEM. To mitigate such threats, precautions should be considered today, including licensing models and patent claiming strategies that contemplate infringement in the digital realm. In addition, certain trademark validation features could be incorporated in the materials themselves.

A setback for rights-holders occurred this year in *ClearCorrect Operating, LLC v. Int'l Trade Comm'n*, a decision issued by the U.S. Court of Appeals for the Federal Circuit on November 10, 2015. In *ClearCorrect*, the Federal Circuit held that the jurisdiction of the International Trade Commission ("ITC") does not extend to electronically transmitted digital data. The ITC is a federal administrative agency with authority to halt importation of infringing goods into the United States. The ITC is an attractive forum and alternative to federal court actions because typical investigations are resolved (and any resulting exclusion orders prohibiting importation go into full effect) about 18 months from filing.

The ITC initially blocked the importation of digital files that would permit operators of U.S. 3D printing facilities to manufacture dental braces that infringed the patents on the "Invisalign" brand of clear braces. The Federal Circuit overturned that decision. The Federal Circuit specifically held that under U.S.C. section 1337(a), the statute governing the ITC, jurisdiction extends only to "articles," which the Federal Circuit interprets as material and tangible things. Therefore, the ITC's jurisdiction does not extend to digital files imported into the United States that are useful for 3D printing of patentable articles.

The notion that 3D model files or blueprints may themselves not be patentable subject matter impedes rights-holders from pursuing free-riding behavior in the world of things, the same kind of behavior that decimated the recorded music business post-Napster. However, the dissenting opinion from Judge Newman in *ClearCorrec*t suggests that the Federal Circuit's opinion will not be the end of the story. Moreover, the Federal Circuit's *ClearCorrect* holding only affects ITC investigations and not infringement actions in the federal courts. But the holding takes away one more tool useful to patent rights-holders. Even with this setback, other patent strategies remain viable to protect rights-holders. Copyright and trademark remain available. Licensing and warranty strategies remain viable. Are you thinking about these strategies? Your competitors probably are.

This is a time when most businesses are doing strategic planning for 2016. Almost every business doing long-term planning should be thinking about 3D printing and the impact it will have on its business.

3D Printing has the potential to revolutionize the way we make everything. Because the technology will change our clients' businesses, Benesch has formed a 3D Printing Industry Group, a multidisciplinary team led by core members of the firm's Innovations, Information Technology & Intellectual (3iP) Property Group.

For more general information and to learn more (including by viewing more than 20 Benesch-produced videos on 3D printing), click here.

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