

# Major Intellectual Property Decisions in 2010

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בית הספר הגבוה לטכנולוגיה בירושלים  
JERUSALEM COLLEGE OF TECHNOLOGY

***Bilski v. Kappos***  
130 S. Ct. 3218 (June 28, 2010)

# *Bilski v. Kappos*

- ❖ Complex decision by Kennedy – four votes for full opinion, with Scalia agreeing to part of it for the fifth vote.
- ❖ Stevens filed opinion concurring in judgment in which Ginsburg, Breyer, and Sotomayor joined.
- ❖ Breyer also filed a separate concurring opinion



# *Bilski v. Kappos* – Kennedy Opinion

- ❖ Rejects the machine or transformation test of the Fed. Cir. as an exclusive test of eligibility;
- ❖ Business methods *not* categorically excluded
- ❖ Focused on the claims at issue being abstract ideas with only insignificant post-solution activity
- ❖ Concept of hedging, described in claim 1 and reduced to a mathematical formula in claim 4, is an unpatentable abstract idea, just like algorithms at issue in *Benson* and *Flook*.
- ❖ Allowing petitioners to patent risk hedging would preempt use of this approach in all fields, and would effectively grant a monopoly over an abstract idea.
- ❖ Remaining claims are broad examples of how hedging can be used in commodities & energy markets. *Flook* established that limiting an abstract idea to one field of use or adding token post-solution components did not make the concept patentable. That is exactly what the remaining claims in petitioners' application do.

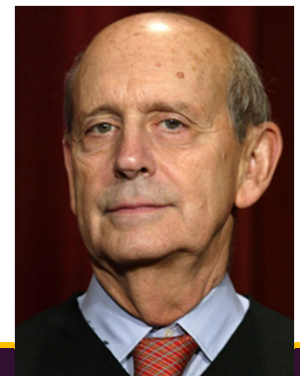
# *Bilski v. Kappos* – Stevens Opinion

- ❖ Stevens opinion goes through the history of patentable subject matter to suggest that methods of doing business are excluded from the meaning of “process”;
- ❖ Infers that section 273(b) at most reflected legislative awareness of the Federal Circuit’s opinion in *State Street* but not ratification of it;
- ❖ Raises constitutional (“promoting Progress”) concerns with patents extending beyond traditional subject matter to business methods (where he suggests patents are not needed and do harm to business particularly given the vagueness of business method patents).



# *Bilski v. Kappos* – Breyer Opinion

- ❖ Wrote separately to emphasize that all agree the claims were too abstract and that 101 is not unlimited;
- ❖ Machine or transformation is still a clue to patent eligibility & that machine or transformation is not the sole test;
- ❖ Expansion to business methods should not be an endorsement of the *State Street* “useful, concrete and tangible result” standard



***Prometheus v. Mayo***  
2010 WL 5175124 (Fed. Cir. Dec. 17, 2010)

# Prometheus v. Mayo

- ❖ Claim 1 of Patent No. 6,355,623 is representative:
  1. A method of optimizing therapeutic efficacy for treatment of an immune-mediated gastrointestinal disorder, comprising:
    - (a) administering a drug providing 6-thioguanine to a subject having said immune-mediated gastrointestinal disorder; and
    - (b) determining the level of 6-thioguanine in said subject having said immune-mediated gastrointestinal disorder,wherein the level of 6-thioguanine less than about 230 pmol per  $8 \times 10^8$  red blood cells indicates a need to increase the amount of said drug subsequently administered to said subject and  
wherein the level of 6-thioguanine greater than about 400 pmol per  $8 \times 10^8$  red blood cells indicates a need to decrease the amount of said drug subsequently administered to said subject.
- ❖ Supreme Court remanded to apply *Bilski*
- ❖ Federal Circuit panel decision December 17, 2010 – no change in ruling
- ❖ *En banc* petition pending



# ***Recent Patent Damages Trends***

# Remedies for Patent Infringement

TITLE 35--PATENTS  
PART III--PATENTS AND PROTECTION OF PATENT RIGHTS  
CHAPTER 29--REMEDIES FOR INFRINGEMENT OF PATENT, AND OTHER  
ACTIONS  
Sec. 284. Damages  
Upon finding for the claimant the court shall award the  
claimant damages adequate to compensate for the infringement,  
but in no event less than a reasonable royalty for the use made

“Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made by the infringer...”

*U.S.C. Title 35, Section 284*

# Entire Market Value Rule Analysis



- ❖ FR Is the patented feature the “basis for customer demand”?
- ❖ FR Does the invention combine with other features to become a single functional unit?
- ❖ FR Will the product/machine function the same without the invention?
- ❖ FR Are the patented and the unpatented components sold together?

# Lucent v. Gateway (Fed. Cir. 2009)



- ❖ Affirmed on liability but remanded on damages
- ❖ Reliance on EMV was against the clear weight of evidence
- ❖ EMV – feature must be “basis for customer demand”
- ❖ Lucent did not prove that anyone purchased Outlook because of the patented method

# Chief Judge Rader v. EMV

*Cornell University v. Hewlett Packard Company*  
(N.D. N.Y. 2009) (Rader, J., by designation)

- ❖ Server > board > “CPU brick” > CPU > “instruction issuing mechanism”
- ❖ JMOL after \$184MM verdict; Judge Rader excluded \$23B base
- ❖ Recalculated base to be \$8B; awarded \$53MM

*IP Innovation LLC v. Red Hat, Inc.,*  
(E.D. T.X. March 2, 2010) (Rader, J., by designation)

- ❖ IP Innovation calculated base from 100% of defendants’ revenues
- ❖ Damages expert did not account for the fact that most users don’t use patented feature at all
- ❖ “stunning methodological oversight” led to rejection of expert opinion

# Other Damages Decisions

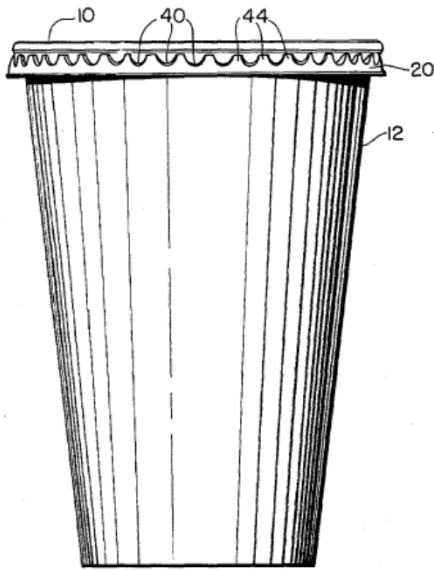
*ResQNet v. Lansa* (Fed. Cir. 2010)

- ❖ Expert used unrelated licenses
- ❖ Federal Circuit focused on “most reliable license” (a settlement agreement) and remanded

*Wordtech v. Integrated Networks Solutions* (Fed. Cir. 2010)

- ❖ Lump-sum award unsupported by evidence -
  - Wordtech offered lump sum license evidence
  - Not economically or technologically comparable
  - Did not describe how sum was calculated, intended products, or the number of units
  - Other licenses also not helpful
- ❖ Federal Circuit described as “pattern of guesswork” and reversed denial of motion for new trial

# False Marking Damages



- ❖ 35 U.S.C. § 292 – “. . . Whoever marks upon . . . any unpatented article the word "patent" or any word or number importing the same is patented, for the purpose of deceiving the public; . . . Shall be fined not more than **\$500 for every such offense.**
- ❖ Any person may sue for the penalty, in which event **one-half** shall go to the person suing and the other to the use of the United States.
- ❖ *Forest Group v. Bon Tool* (Fed. Cir. 2009) – “per article” calculation
- ❖ *Pequignot v. Solo Cup* (Fed. Cir. June 10, 2010) – high bar for proving deceptive intent

***Princo Corp. v. Int'l Trade Comm'n***  
616 F.3d 1318 (Fed. Cir., April 20, 2009)



# Princo Corp. v. ITC

## CD-R/W Patent Pool Sony / Phillips

Essential  
Patents  
(Lagadec)

Nonessential  
Patents  
(Raaymaker)

Princo

- ❖ Patent misuse is about “patent leverage, i.e., the use of patent power to impose overbroad conditions on the use of the patent in suit that are not within the reach of the monopoly granted by the Government”
- ❖ “Some courts and commentators have questioned the continuing need for the doctrine of patent misuse, which had its origins before the development of modern antitrust doctrine.”

# *Princo Corp. v. ITC*

- ❖ “In sum, this is not a case in which conditions have been placed in patent licenses to require licensees to agree to anticompetitive terms going beyond the scope of the patent grant. Rather, in this case the assertion of misuse arises not from the terms of the license itself but rather from an alleged collateral agreement between Sony and Philips.”

***Ariad Pharma. Inc. v. Eli Lilly & Co.***  
598 F.3d 1336 (Fed. Cir. March 22, 2010)

# *Ariad Pharma. Inc. v. Eli Lilly & Co.*

## FR 2008 Federal Circuit (panel op.)

- Invention = “method of reducing activity of” particular DNA transcription factor
- Specification described three broad classes of agents that might reduce transcription factor activity
- But claims didn’t describe any particular agent that could be used to reduce activity of transcription factors

## FR Ariad tried to distinguish *Rochester* as including products, not just process of using products

- Court rejected distinction – still need to “describe some way of performing method”
- Suggested activity-reducing agents too broad, described only by functionally, not structure or method of producing
- Thus, Ariad failed written description because did not show it actually possessed way of performing method

# *Ariad Pharma, Inc. v. Eli Lilly & Co.*

## ❖ **Federal Circuit granted rehearing *en banc* on:**

- a. Whether 35 U.S.C. ¶ 112, paragraph 1, contains a written description requirement separate from an enablement requirement? and
  - b. If a separate written description requirement is set forth in the statute, what is the scope and purpose of the requirement?"
- Lots of *amici curiae* briefs
  - Although the written description requirement is primarily raised in pharmaceutical and biotechnology cases, it is an increasing aspect of software patent litigation

# *Ariad Pharma. Inc. v. Eli Lilly & Co.*

## FR Majority:

- Section 112, 1<sup>st</sup> paragraph, contains a WD requirement ***separate from enablement***
- Purpose of WD: “ensure that the scope of the right to exclude, as set forth in the claims, does not overreach the scope of the inventor’s contribution to the field of art as described in the patent spec”
- Test for WD is “whether the disclosure of the application relied upon reasonably conveys to those skilled in the art that the inventor had possession of the claimed subject matter as of the filing date”
- The specification must describe an invention understandable to the skilled artisan and show that the inventor actually invented the invention claimed

# *Ariad Pharma. Inc. v. Eli Lilly & Co.*

## ❖ **Majority (cont'd):**

- “We do not try here to predict and adjudicate all of the factual scenarios to which the WD requirement could be applied”
- WD requirement not limited to determining priority
- Ct. acknowledges that term “possession” not very enlightening
  
- Claims at issue invalid for lack of WD: claims were functional genus claims “far broader” than the disclosure in the spec relating to specific types of compounds

# *Ariad Pharma. Inc. v. Eli Lilly & Co.*

- ❖ **Judge Newman:** rejects the claim that WD requirement “has severe adverse consequences for research universities” because basic scientific research unpatentable!
- ❖ **Judge Gajarsa:** text of 112 ambiguous indeed; majority’s interpretation reasonable; however, WD NOT NECESSITY – empirical evidence suggests uses only in priority context, not as invalidity vehicle; WD should be limited to priority contexts by Congress



# *Ariad Pharma, Inc. v. Eli Lilly & Co.*

- ❖ **Judges Rader & Linn** (dissenting in part):
  - No separate WD requirement
  - No statutory support
  - Enablement arguably does the alleged work of WD
  - Vague possession notion
  - No contradiction with S.Ct. precedents
  - Impact on pioneer patents: mere improvements will invalidate genus patents
  - Possession test of majority not distinguishable from enablement

# ***Joint Infringement***

# Joint Infringement

- ❖ *Golden Hour Data Sys. v. emsCharts* (Fed. Cir. Aug. 9, 2010)  
emsCharts and Softtech formed a strategic partnership to enable their medical charting and flight dispatch software products to work together. Use of each of the software products infringed separate elements of the method claims. “Where the combined actions of multiple parties are alleged to infringe process claims, the patent holder must prove that one party exercised ‘control or direction’ over the entire process such that all steps of the process can be attributed to the controlling party, i.e., the ‘mastermind.’”
- ❖ *Akamai v. Limelight* (Fed. Cir. Dec. 20, 2010)  
Limelight performed most of the method steps, but its customers performing the URL tagging step. Limelight’s customers are not agents for Limelight, despite a contractual agreement to perform the tagging step.

# ***eBay* & Its Progeny**

# Knocking Out Knock-Offs

❖ Who bears the burden of policing infringement: the Auction Site or the Trademark Owner?



❖ *Tiffany Inc. v. eBay, Inc.*, 600 F.3d 93 (2d Cir. 2010), *cert. denied*

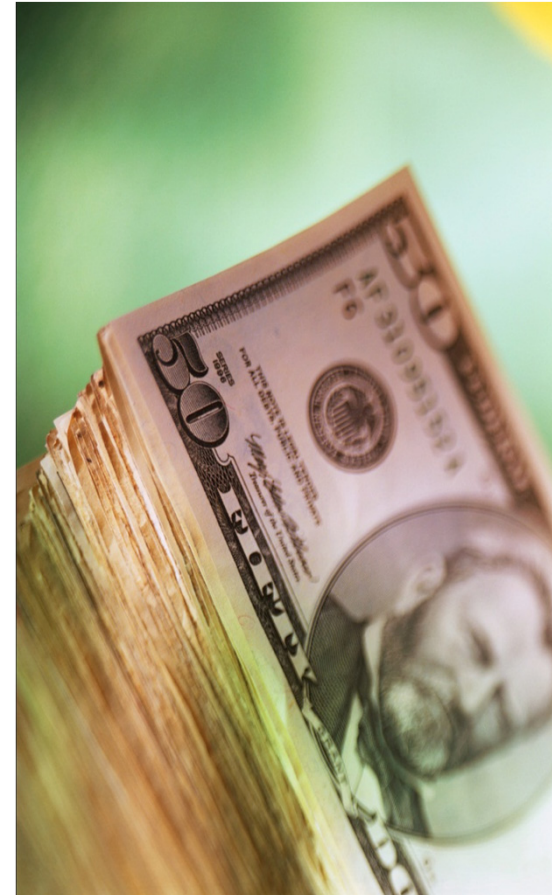
- Filed in 2004
- United States District Court, Southern District of New York ruling on July 14, 2008
- 2<sup>nd</sup> Circuit Appeal in April 2010
- Supreme Court of United States declined to hear the appeal on November 29, 2010

# What the *eBay* Court Decided

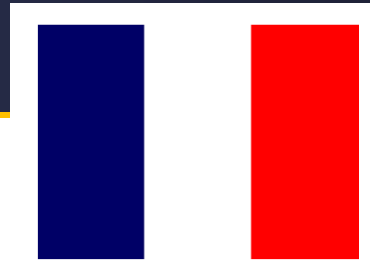
- ❖ “[I]t is the trademark owner's burden to police its mark and companies like eBay cannot be held liable for trademark infringement based solely on their generalized knowledge that trademark infringement might be occurring on their websites.”
- ❖ Restatement Third, Unfair Competition § 27 finds contributory infringement by Manufacturers and Distributors when:
  - (a) the actor intentionally induces the third person to engage in the infringing conduct; or
  - (b) the actor fails to take reasonable precautions against the occurrence of the third party’s infringing conduct in circumstances in which the infringing conduct can be *reasonably anticipated*
- ❖ Tiffany argues for the “5 or More” Rule / Prospective Ban

# The 2008 New York *eBay* Decision

- ❖ When determining that the standard should be “knew or had reason to know,” rather than “could reasonably anticipate” the trademark infringement, the Court conducts a detailed and pain-staking analysis into the financial investment by each party
- ❖ This decision reviews the \$\$ far more than consumer confusion!



# The French eBay Decisions



- ❖ eBay lost similar cases in France. eBay should have...
- checked commercial registers
  - checked for clear signs of counterfeits
  - asked for receipts or certificates
  - closed auctions immediately after notice
  - closed accounts permanently after notice
- ...to prevent the sale of counterfeits





# What Do the Various *eBay* Decisions Tell Us?



- ❖ Difficult to generalize holdings, especially in E.U.
- ❖ Very fact dependent on eBay practices
- ❖ French court is very protective of major French brand holders
- ❖ Traditional trademark law may not have caught up yet to specific new media issues (At a flea market, buyers can physically inspect goods, but can't see what they're buying from online auction houses)
- ❖ DMCA contains notice and take-down provision for copyright law. Will similar law be passed under Lanham Act?



**To Be Decided...**

**Cases Granted Cert by Supreme Court or  
*en banc* review by Federal Circuit**

# *Microsoft Corp. v. i4i Ltd.*

## ❖ Question Presented:

Whether invalidity based on §102 art must be proved by “clear and convincing evidence” even through reference was not considered by PTO

## ❖ *KSR Intern. Co. v. Teleflex Inc.*, 550 US at 426 (2007)

“We need not reach the question whether the failure to disclose Asano during the prosecution of Engelgau voids the presumption of validity given to issued patents . . . .  
We nevertheless think it appropriate to note that the rationale underlying the presumption-that the PTO, in its expertise, has approved the claim-seems much diminished here.”

# *Global-Tech v. SEB*

## ❖ Question Presented:

Whether the legal standard for the "state of mind" element of a claim for actively inducing infringement under 35 U.S.C. § 271(b) is "deliberate indifference of a known risk" that an infringement may occur or instead "purposeful, culpable expression and conduct" to encourage an infringement.

❖ Federal Circuit previously held (in *DSU*) that inducement necessarily includes the requirement that he or she knew of the patent."

❖ In *Global-Tech v. SEB*, the Federal Circuit stated that *DSU* did not "set out the metes and bounds of the knowledge-of-the-patent requirement."

# *Global-Tech v. SEB*

- ❖ How does court define “known risk”
  - Is a market participant knowingly risk infringement of any patent owned by competitors?

*MGM Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913, 936 (2005)

- ❖ “Mere knowledge of infringing potential or of actual infringing uses would not be enough here to subject a distributor to liability.” *Grokster*, 545 U.S. at 9
- ❖ “The inducement rule, instead, premised liability on purposeful, culpable expression and conduct,:

# *Stanford University v. Roche*

## ❖ Question Presented

Whether a federal contractor university's statutory right under the Bayh-Dole Act, 35 U.S.C. §§ 200-212, in inventions arising from federally funded research can be terminated unilaterally by an individual inventor through a separate agreement purporting to assign the inventor's rights to a third party

- June 28, 1988, Dr. Holodniy signed Stanford agreement with provision to "**agree to assign or confirm in writing**" inventions
- Seven months later, Dr. Holodniy signed agreement with Roche's predecessor Cetus containing "**I will assign and do hereby assign**" provision

# Federal Circuit Mandamus Review of Venue

- ❖ *In re Volkswagen of Am., Inc.*, 545 F.3d 304 (5th Cir. 2008) (en banc)
- ❖ *In re TS Tech USA Corp.*, 551 F.3d 1315 (Fed. Cir. 2008);
- ❖ *In re Genentech, Inc.*, 566 F.3d 1338 (Fed. Cir. 2009);
- ❖ *In re Hoffmann-La Roche Inc.*, 587 F.3d 1333 (Fed. Cir. 2009);
- ❖ *In re Nintendo Co.*, 589 F.3d 1194 (Fed. Cir. 2009);
- ❖ *In re Zimmer Holdings*, 609 F.3d 1378 (Fed. Cir. 2010);
- ❖ *In re Microsoft Corp* 2010 WL 4630219 (Fed. Cir. 2010);
- ❖ *In re Acer Am. Corp.*, 2010 WL 4911307 (Fed. Cir. 2010).

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