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 The Art of IP Law

Latest Developments in Intellectual Property Law

Pennsylvania Bar Institute
October 6, 2011
John P. Donohue, Jr.


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Leahy-Smith America Invents Act

- **First Inventor To File**
- **Prior Commercial Use**
- **Post Grant Review**
- **Submission By Third Parties**
- **Fees**
- **Supplemental Examination**

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Leahy-Smith America Invents Act

- **Best Mode**
- **Marking**
- **Business Method Patents**
- **Jurisdiction**
- **Calculation of 60-day Period for
Application of Patent Term Extension**

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Damages

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(un)Reasonable Royalty

“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 of the invention by the infringer . . .”




- Entire Market Value*
- Reliance on Standard*
- Sketchy Proof of Direct Infringement*
- Comparison to Any License*
- “Creative” Application of Georgia-Pacific Factors*

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Lucent Fallout



Liability: Still Easy to Prove

Damages: Lump Sum Award Unsupported by Evidence

“the infringing feature contained in Microsoft Outlook is but a tiny feature of one part of a much larger software program.”

“no evidence of record establishes the parties’ expectations about how often the patented method would be used by consumers.”

“how a license agreement structured as a running royalty agreement is probative of a lump-sum payment”

“license agreements for other groups of patents, invoked by Lucent, were created from events far different from a license negotiation to avoid infringement of the one patent here, the Day patent.”

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Uniloc and Beyond

- District Courts reacting much more strongly to Uniloc than to Lucent
- Getting to the real issue behind the entire market value rule: contamination of the jury and proper valuation

Rader: "The rule of 25% is out of whole cloth. It has nothing to do with economic reality."

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Future Damages

Paice v. Toyota (settled)

No right to jury:

"As such, the fact that monetary relief is at issue in this case does not, standing alone, warrant a jury trial."



Jury verdict not binding:

"Upon remand, the court may take additional evidence if necessary to account for any additional economic factors arising out of the imposition of an ongoing royalty."

Rader: "The rule of 25% is out of whole cloth. It has nothing to do with economic reality."

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Infringement

- Inducement
- Joint Infringement
- Distributed Infringement
- Infringing a Standard
- Doctrine of Equivalents

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SEB v. Global-Tech - Inducement

From *DSU Medical*:

“To establish liability under section 271(b), a patent holder must prove that once the defendants knew of the patent, they actively and knowingly aided and abetted another’s direct infringement.”

From *SEB (CAFC)*:

“The record contains adequate evidence to support a conclusion that Pentalpha deliberately disregarded a known risk that SEB had a protective patent.”



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SEB v. Global-Tech - Inducement

At the Supreme Court:

JUSTICE BREYER: The reason we took the case is because there seemed a bunch of standards floating around.

JUSTICE ALITO: If this is not willful blindness, I don't know what willful blindness is.

JUSTICE SCALIA: The reason you got the opinion from the lawyer was not to make sure that there were no patents.



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SEB v. Global-Tech - AFFIRMED

Based on this premise, it follows that the same knowledge is needed for induced infringement under §271(b). As noted, the two provisions have a common origin in the pre-1952 understanding of contributory infringement, and the language of the two provisions creates the same difficult interpretive choice. It would thus be strange to hold that knowledge of the relevant patent is needed under §271(c) but not under §271(b).

Accordingly, we now hold that induced infringement under §271(b) requires knowledge that the induced acts constitute patent infringement.

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But What Does it Really Take to Prove Inducement? – *Advanced Software v. Fiserv*

be independent grounds for its judgment. As to the latter, however, Advanced Software proffered evidence that Fiserv knew of the '110 patent and instructed its bank customers about how to use Secure Seal to validate checks. That evidence is sufficient to create a genuine issue of material fact as to whether Fiserv had the requisite specific intent to induce infringement. *See DSU Med. Corp. v. JMS Co.*, 471 F.3d 1293, 1305-06 (Fed. Cir. 2006) (en banc).

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Akamai v. Limelight - Joint Infringement




“While control or direction is a consideration, as is the extent to which instructions, if any, may be provided, what is essential is not merely the exercise of control or the providing of instructions, but whether the relationship between the parties is such that acts of one may be attributed to the other.”

En banc: “If separate entities each perform separate steps of a method claim, under what circumstances would that claim be directly infringed and to what extent would each of the parties be liable?”

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Akamai v. Limelight - Joint Infringement




Scenarios that might be reviewed:

1. One party is the master of the other(s)
2. One party controls or directs the other(s)
3. Multiple parties acting in concert
4. Independent actors with knowledge of the combined conduct

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McKesson v. Epic - Joint Infringement + Indirect Infringement



1. If separate entities each perform separate steps of a method claim, under what circumstances, if any, would either entity or any third party be liable for inducing infringement or for contributory infringement? See *Fromson v. Advance Offset Plate, Inc.*, 720 F.2d 1565 (Fed. Cir. 1983).
2. Does the nature of the relationship between the relevant actors—e.g., service provider/user; doctor/patient—affect the question of direct or indirect infringement liability?

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McKesson v. Epic - Joint Infringement + Indirect Infringement



Scenarios that might be reviewed:

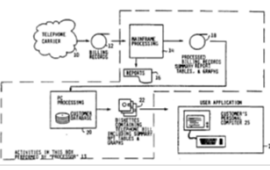
1. Could be decided on “Akamai” grounds
2. Predicate act of direct infringement vs. predicate finding that a single actor is directly liability
3. Participant in joint performance of method potentially liable for inducing or contributing to another’s performance of remaining steps

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Distributed Systems

Centillion v. Qwest



“We hold that to ‘use’ a system for purposes of infringement, a party must put the invention into service, i.e., control the system as a whole and obtain benefit from it.”


“In order to “make” the system under § 271(a), Qwest would need to combine all of the claim elements . . .”

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Infringing a Standard

Fujitsu v. Netgear



“We agree that claims should be compared to the accused product to determine infringement. However, if an accused product operates in accordance with a standard, then comparing the claims to that standard is the same as comparing the claims to the accused product.”


Unless: Industry standard may be too broad, or include optional features

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DOE – Siemens

Festo (CAFC 2007): “when a device that incorporates the purported equivalent is in fact the subject of a separate patent, a finding of equivalency, while perhaps not necessarily legally foreclosed, is at least considerably more difficult to make out.”



Court declined to block application of DOE to separately patentable subject matter

En banc denied, but reasoning badly fragmented

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Willfulness

iLOR v. Google – Objective prong difficult

Spectralytics v. Cordis – Opinion conduct relevant

Similar for fee awards

Willfulness Findings

Before <i>Knorr-Bremse</i> (1983-1999)	After <i>Knorr-Bremse</i> but Before <i>Seagate</i> (2004-2007)	After <i>Seagate</i> (After 2007)
64%	48%	37%


(Chris Seaman)

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Exhaustion

FujiFilm v. Benun
“Quanta Computer, Inc. v. LG Electronics, Inc. did not eliminate the first sale rule’s territoriality requirement.”



Costco v. Omega

- SG opposed
- Four Justices favored
- But how can an international sale be relevant to “authority”



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103 – KSR Fallout

- **Media Techs. v. Upper Deck**
 - Bad news for the non-technical arts
- **Perfect Web Techs. v. InfoUSA**
 - “Common sense . . . if explained with sufficient reasoning”
- **Wyers v. MasterLock**
 - “the legal determination of obviousness may include recourse to logic, judgment, and common sense, in lieu of expert testimony”
- **Western Union v. Moneygram**
 - “applying computer and internet technology to replace older electronics has been commonplace in recent years”

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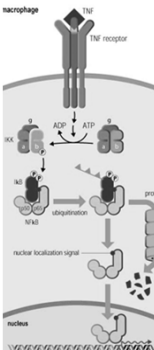
112 – W.D.

Ariad v. Eli Lilly


“We now reaffirm that § 112, first paragraph, contains a written description requirement separate from enablement”

Fact – Law Dichotomy

Fallout – Numerous Recent Cases



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112 – W.D.

- *Centocor v. Abbott* (Feb. 23, 2011) - reversed jury verdict finding written description
- *Crown v. Ball* (Apr. 1, 2011) - reversed summary judgment of no written description
- *Billups-Rothenberg v. ARUP Labs.* (Apr. 29, 2011) - affirmed summary judgment of no written description
- *Rambus v. Hynix* (May 13, 2011) - affirmed jury verdict finding written description

Lessons: Frame invention advantageously and develop factual evidence


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Inequitable Conduct

- *Therasense*
 - To prevail on a claim of inequitable conduct, the accused infringer must prove that the patentee acted with the specific intent to deceive the PTO
 - the accused infringer must prove by clear and convincing evidence that the applicant knew of the reference, knew that it was material, and made a deliberate decision to withhold it.
 - as a general matter, the materiality required to establish inequitable conduct is but-for materiality.

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Trade Secrets



- *E.I. DuPont de Nemours and Co. v. Kolon Industries Inc. et al.*, 3:09-cv-00058 (VAED)
 - Jury awarded DuPont \$920 million in damages for using trade secrets brought over by an ex-DuPont employee.
 - Jury found Kolon illegally obtained information about the technology used to make the Kevlar aramid fiber.

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Patsy's

- *Patsy's Italian Restaurant, Inc., et al. v. Anthony Banas d/b/a Patsy's*
2011 U.S. App. LEXIS 17674 (2nd Cir. N.Y., August 24, 2011)



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Parties

- Patsy's Italian Restaurant, Inc. (836 & 866)
- Patsy's Brand, Inc. (789)
- Patsy's Pizzeria
- I.O.B. Realty (110 & 574)
- Patsy's, Inc.
- Anthony & Patsy's, Inc. – Staten Island
- Anthony & Patsy's, Inc. – Syosset


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Prior Sauce Dispute

- Cross cancellation proceedings initiated
 - Stayed
- Complaint filed in SDNY by Patsy's Brand
- Preliminary Injunction – Granted
 - Falsified data provided in support of date of first use
 - On appeal IOB prevailed, but, failed to file declaration of continuing use – registrations cancelled (110 & 574)


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2007 Suit

- Patsy Brand sues Anthony & Patsy's, Inc. – Staten Island
 - Staten Island location closes
 - Patsy brand sues Anthony & Patsy's, Inc. – Syosset – IOB intervenes
 - IOB files SJ Motion to restore 574 – Granted
 - Jury Trial


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Jury Verdict

- IOB is Senior Party
- Staten Island and Syosset exceeded license
- IOB Abandoned marks by naked licensing
- Staten Island infringed PIR marks
- Syosset infringed PIR marks
- IOB fraudulently obtained registration (574)
- PIR did not fraudulently obtain registrations (836 & 866)

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District Court Judgment

- Syosset ordered to put sign in window
- Granted post trial motion to interpret abandonment narrowly – geographic limit
- Refused to reinstate 574 registration
- Cancelled 836 & 866 registrations
- Permanently enjoined Syosset from using “Trattoria Impazzire”
- All parties enjoined from using Patsy's alone

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Appeal

- Cancellation of 836 and 866 affirmed
- Partial abandonment (geographic) affirmed
 - Naked Licensing impacts only market licensed
- Distinction between restaurant and pizzeria affirmed
- IOB Fraud on Trademark Office affirmed
- Refusal to reinstate 574 affirmed
- Limited use of Patsy’s affirmed

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*Christian Louboutin S.A. et al. v. Yves Saint Laurent
America, Inc. et al., (SDNY 2011)*



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Questions?

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