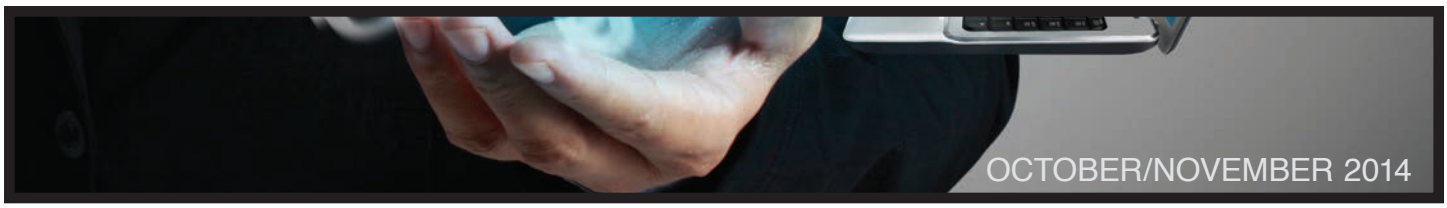
IDEAS ON INTELLECTUAL PROPERTY LAW



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Step to it

Supreme Court tightens standard for induced patent infringement

In recent years, patent holders have increasingly pursued lawsuits against defendants who didn't necessarily directly infringe the patents themselves. The plaintiffs claimed that these defendants were liable for inducing others to infringe the patents. Those cases just became a lot harder to win, thanks to a unanimous ruling by the U.S. Supreme Court in *Limelight Networks, Inc. v. Akamai Technologies, Inc.*

Through the courts

Akamai Technologies is the exclusive licensee of a patent for a method of delivering electronic data using a content delivery network (CDN). Limelight Networks also operates a CDN and carries out several of the steps claimed in the patent. But its customers, rather than Limelight itself, perform a step of the patent known as "tagging."

Akamai sued Limelight for patent infringement in 2006. A jury awarded Akamai more than $40 million, but the district court granted Limelight's motion for judgment as a matter of law. It concluded that Limelight:

- Couldn't have directly infringed the patent because infringement required tagging, and
- Didn't control or direct its customers' tagging.

The U.S. Court of Appeals for the Federal Circuit reversed this decision. It held that a defendant who performed some of the steps of the method patent and encouraged other parties to perform the remaining steps could be liable for *induced* infringement under Section 271(b) of the Patent Act — even if no one had directly infringed the patent.

Enter the high court

The Supreme Court reversed the Federal Circuit, holding that liability for inducement must be based on direct infringement. The patented method at issue here, though, hadn't been infringed because the performance of all of its steps wasn't attributable to any one party. In the absence of direct infringement, the Court said, there could be no inducement of infringement.

A method patent, the Supreme Court said, claims a number of steps — and the patent isn't infringed unless all of the steps are carried out. The Federal Circuit's approach would deprive Sec. 271(b) of "ascertainable standards," according to the Court.

The Supreme Court went on to posit a situation in which a defendant pays another party to perform just one step of a 12-step process — and no one performs

Still at issue: The direct infringement rule

In *Limelight Networks, Inc. v. Akamai Technologies, Inc.* (see main article), Akamai also asked the U.S. Supreme Court to review the U.S. Court of Appeals for the Federal Circuit's rule for direct infringement. As expressed in *Muniauction, Inc. v. Thomson Corp.*, the appellate court said direct infringement requires that a single party perform every step of the allegedly infringed method.

The Federal Circuit explained that the requirement is satisfied even if the steps are actually undertaken by multiple parties as long as a single defendant exercises "control or direction" over the entire process so that every step is attributable to that controlling party. In other words, steps can be attributable to a single defendant if the defendant:

- Actually performed the steps, or
- Directed or controlled others who performed them.

The Supreme Court declined to address whether the Federal Circuit's rule is correct. However, it did note that, because its decision on induced infringement required a remand to the appellate court, the lower court would have the opportunity to review its direct infringement rule.

the other 11 steps — but that one step is the most important step in the process. The defendant wouldn't have encouraged direct infringement, but there would be no reason not to find him or her liable under the Federal Circuit's reasoning, which would allow inducement liability when fewer than all of the steps are performed.

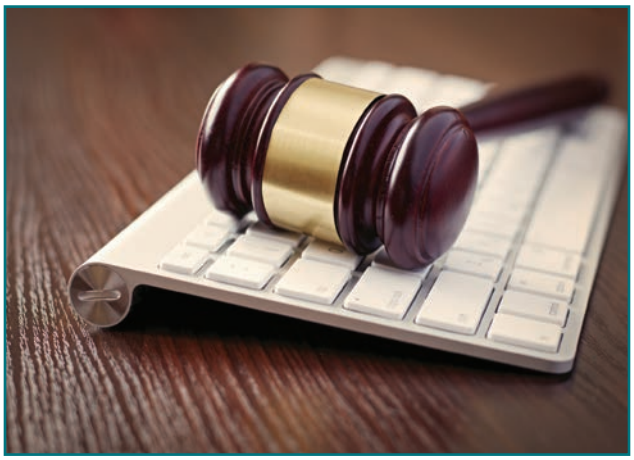
A method patent, the Supreme Court said, claims a number of steps, and the patent isn't infringed unless all of the steps are carried out.

The Court pointed to Section 271(f)(1) for further support. This provision imposes liability on a party who supplies (or causes to be supplied) in or from the United States all or a substantial portion of a patented invention's components in a manner that actively induces the combination of the components "outside of the United States in a manner that would infringe the patent *if such combination occurred within the United States*." [Court's emphasis.]

According to the Supreme Court, the provision illustrates that, when Congress wants to impose liability for inducing activity that doesn't itself constitute direct infringement, "it knows precisely how to do so."

Holders must prove it

The Court's decision in *Limelight Networks, Inc. v. Akamai Technologies, Inc.* reels back the Federal Circuit's looser *Muniauction* standard for establishing liability for induced infringement of a patent. Patent holders will once again need to prove an underlying act of direct infringement occurred before they can expect to prevail on an induced infringement claim. ❍



More false advertising claims on the way?

Plaintiff pool may widen following Supreme Court decision

A lawsuit between two parties involved in printer cartridge manufacturing has trudged on with little notice for more than a decade. But the most recent ruling in the case — *Lexmark Int'l, Inc. v. Static Control Components, Inc.* — has gotten quite a bit of attention. That's because it was made by the U.S. Supreme Court, which resolved a split among the federal courts of appeals over which parties can bring claims for false advertising.

Setting the tone

Lexmark sells the only style of toner cartridges that work with its laser printers. Remanufacturers acquire and refurbish used Lexmark cartridges to sell in competition with the company. To combat this, Lexmark offers a "Prebate" program that gives customers a discount on new cartridges if they agree to return empty cartridges.

In 2002, Lexmark sued Static Control, a maker and seller of components for the remanufacture of Lexmark cartridges, for copyright infringement. Static Control counterclaimed, alleging that Lexmark engaged in false advertising in violation of the federal Lanham Act and that its misrepresentations had caused Static Control lost sales and damaged business reputation. It asserted that Lexmark had:

- Purposefully misled end-users to believe they were legally bound by the Prebate terms to return cartridges to Lexmark, and
- Falsely advised remanufacturers that it was illegal to sell refurbished Prebate cartridges and to use Static Control's products to refurbish those cartridges.

The district court held that Static Control lacked the necessary standing to bring a Lanham Act claim. The U.S. Court of Appeals for the Sixth Circuit reversed this ruling.

Devising a test

On review, the Supreme Court noted that three competing approaches have developed for determining whether a plaintiff has standing to sue under the Lanham Act:

1. Antitrust standing or the *Associated General Contractors* multifactor balancing test,
2. The categorical test, allowing suits only by an actual competitor, and
3. The reasonable interest approach.

To come within the zone of interests in a false advertising suit, a plaintiff must allege an injury to a commercial interest in reputation and sales.

The Court, however, adopted an entirely new two-part test. It held that Lanham Act lawsuits can be brought only by plaintiffs: 1) who fall within the zone of interests protected by the law, and 2) whose injury was proximately caused by a violation of the law.

To come within the zone of interests in a false advertising suit, the Court explained, a plaintiff must allege an injury to a commercial interest in reputation and sales. As far as proximately caused

injury, a plaintiff must show that its economic or reputational injury flows directly from the deception wrought by the defendant's advertising. The Supreme Court said this occurs when deception of consumers causes them to withhold trade from the plaintiff.

Turning to the case at hand, the Court concluded that Static Control could sue for false advertising. Its alleged injuries (lost sales and damaged reputation) fell within the zone of interests protected by the law, and Static Control sufficiently alleged that its injuries were proximately caused by Lexmark's misrepresentations.

Emboldening competition

The Supreme Court's ruling could embolden more indirect competitors to pursue false advertising claims. At the very least, it should reduce forum-shopping for more favorable courts in false advertising cases, as all federal courts must now apply the two-part test for standing. ❍

Raising the bar on the standard for patent definiteness

One of the purposes of a patent is to notify the public that certain inventions have already been claimed and that their unauthorized use could result in liability for patent infringement. But how precise — or "definite" — must the language in a patent be to provide sufficient notice?

The U.S. Supreme Court recently considered that question and ultimately rejected the Federal Circuit Court of Appeals' answer. Instead, in *Nautilus, Inc. v. Biosig Instruments, Inc.*, the Court issued a unanimous decision adopting a new standard for patent definiteness that raises the bar for patent holders.

Heart of the matter

Biosig Instruments holds a patent related to a heart-rate monitor used with exercise equipment. The patent asserts that previous heart-rate monitors were often inaccurate in measuring the electrocardiograph (ECG) signals that accompany each heartbeat because of the presence of electromyogram (EMG) signals generated by the user's skeletal muscles. EMG signals could be generated when an exerciser moves her arm or grips an exercise monitor with her hand, thereby impeding ECG signal detection. The patented invention claims to improve on previous heart-rate monitors by detecting and processing ECG signals in a way that filters out the EMG interference.

A patent's definiteness is evaluated from the perspective, at the time the patent was filed, of someone skilled in the relevant art.

In 2004, Biosig sued Nautilus for patent infringement, alleging that Nautilus sold exercise machines with Biosig's patented technology without obtaining a license. Biosig's patent described, among other

things, the placement of two electrodes "mounted [on a bar] … in spaced relationship with each other" so that both electrodes would touch one hand.

The district court dismissed Biosig's claims before trial because the term "in spaced relationship with each other" wasn't sufficiently definite, but the Federal Circuit reversed.

Pulse of perspective

The Patent Act requires that a patent specification "conclude with one or more claims particularly pointing out and distinctly claiming" the subject that the patentee regards as the invention. A patent that fails to do so will be struck down as invalid for "indefiniteness." A patent's definiteness is evaluated from the perspective, at the time the patent was filed, of someone skilled in the relevant art.

The Supreme Court considered the delicate balance of how definite a patent must be to satisfy the definiteness requirement. On the one hand, it said, some modicum of uncertainty is the "price of ensuring the appropriate incentives for innovation." The Court also noted that patents aren't addressed to lawyers or the general public, but to those skilled in the relevant art.

At the same time, the Supreme Court recognized, a patent must be precise enough to provide clear notice of what is claimed. This way, the public knows which inventions are still unclaimed and can be pursued without risk of infringement claims.

Pumped up standard

Under the Federal Circuit's standard, a patent claim must be "amenable to construction" (or interpretation) and not "insolubly ambiguous." The Supreme Court, however, found this standard was more "amorphous" than the definiteness requirement allows, lacking the requisite precision. It would, the Court said:

- Tolerate some ambiguous claims but not others,
- Diminish the requirement's public-notice function, and
- Foster an "innovation-discouraging 'zone of uncertainty.'"

Moreover, the Supreme Court said, the standard could leave courts and patent attorneys "at sea without a reliable compass."

The Supreme Court, therefore, rejected the Federal Circuit's approach and established a new standard for indefiniteness. The Court held that a patent is invalid for indefiniteness if its claims, read in light of both the patent specification and the history of the patent application process, fail to inform, with reasonable certainty, those skilled in the related art about the invention's scope.

Without such a "meaningful definiteness check," the Supreme Court found, patent applicants would have powerful incentives to inject ambiguity into their claims.

A skipped beat

The Court didn't weigh in on whether Biosig's patent satisfied the Patent Act's definiteness requirement, holding only that the Federal Circuit applied the wrong standard. The Supreme Court remanded the case to the appellate court so the Federal Circuit could apply the new standard to determine whether the patent's claims were sufficiently definite to allow the infringement case to proceed. ❍

Blocked! Court finds doggy jerseys obvious

A ruling by the U.S. Court of Appeals for the Federal Circuit lays out an important two-part test for determining whether a patented design is invalid for being obvious. The court's application of the test in *MRC Innovations, Inc. v. Hunter Mfg., LLP* blocked the plaintiff's infringement claims.

Xs and Os

MRC Innovations holds a patent on a design for a football jersey for dogs. After a souring of the business relationship between MRC and Hunter Manufacturing, a retailer of licensed pet jerseys, Hunter hired another supplier.

MRC sued for patent infringement. The district court dismissed the case before trial, finding that the design patent was invalid as obvious.

The playbook

When analyzing the obviousness of a design patent, a court first must identify a "primary reference" — something existing with visual design characteristics that are basically the same as the patented design. Then, "secondary references" may be used to modify the primary reference to create a design with the same overall visual appearance as the patented design. If secondary references are "so related" to the primary reference that the appearance of certain ornamental features in one would suggest the application of them to the other, the patented design is obvious.

Game on

The Federal Circuit found that the lower court correctly used a Philadelphia Eagles pet jersey as the primary reference. Although there were some differences between that jersey and the patented design, they had the same overall shape, along with similar fabric and ornamental serge stitching.

The appellate court also upheld the district court's choice of two secondary-reference jerseys. Both jerseys suggested the use of two of the differences between the primary reference and the patented design. The appellate court dismissed MRC's argument that the district court erred by failing to explain why a skilled designer would have incorporated those features with the Eagles jersey: "[I]t is the mere similarity in appearance that itself provides the suggestion that one should apply certain features to another design."

The court applied a similar reasoning to find that a design for a baseball jersey for dogs was also obvious. With both designs, it had "no trouble" concluding that the secondary references were "so related" to the primary reference that the striking similarity in appearance would have motivated a skilled designer to combine features from one with features of another in the way of the patented design.

Final score

Patent holders would be well advised to note the results of this case. It provides critical clarification on the standard for design patent invalidity. ❍

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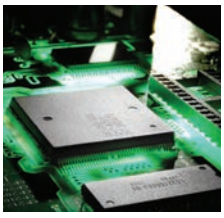


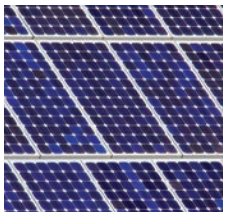

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