

# HOT TOPICS IN U.S. PATENT LAW

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**BANNER & WITCOFF, LTD.**  
INTELLECTUAL PROPERTY LAW

# HIGHLIGHTS

- Patentable subject matter: conflicting decisions and Supreme Court action
- “Joint” infringement of a patent by 2 entities
- Patent infringement damages under scrutiny
- Injunctions: harder to get?



## Statutory Subject Matter

### Mayo v. Prometheus

- Prometheus licensed patents for use of drugs to treat autoimmune diseases
- Patents cover tests to determine proper dosage: steps of “administering” drug and “determining” levels of metabolites in blood
- Original decision: Federal Circuit upheld patentability based on machine-or-transformation test
- U.S. Supreme Court: vacated and remanded to reconsider after *Bilski* decision



# Statutory Subject Matter

## Mayo v. Prometheus

- Federal Circuit (second decision): Reaffirmed largely along previous decision lines
- Supreme Court: reversed (2012)
  - Unpatentable invention: basically laws of nature
  - Steps of “administering” and “determining” did not sufficiently transform nature of claim
  - Simply adding “conventional” steps to laws of nature or natural phenomena don’t make patentable
  - Mixes notions of novelty/obviousness with utility



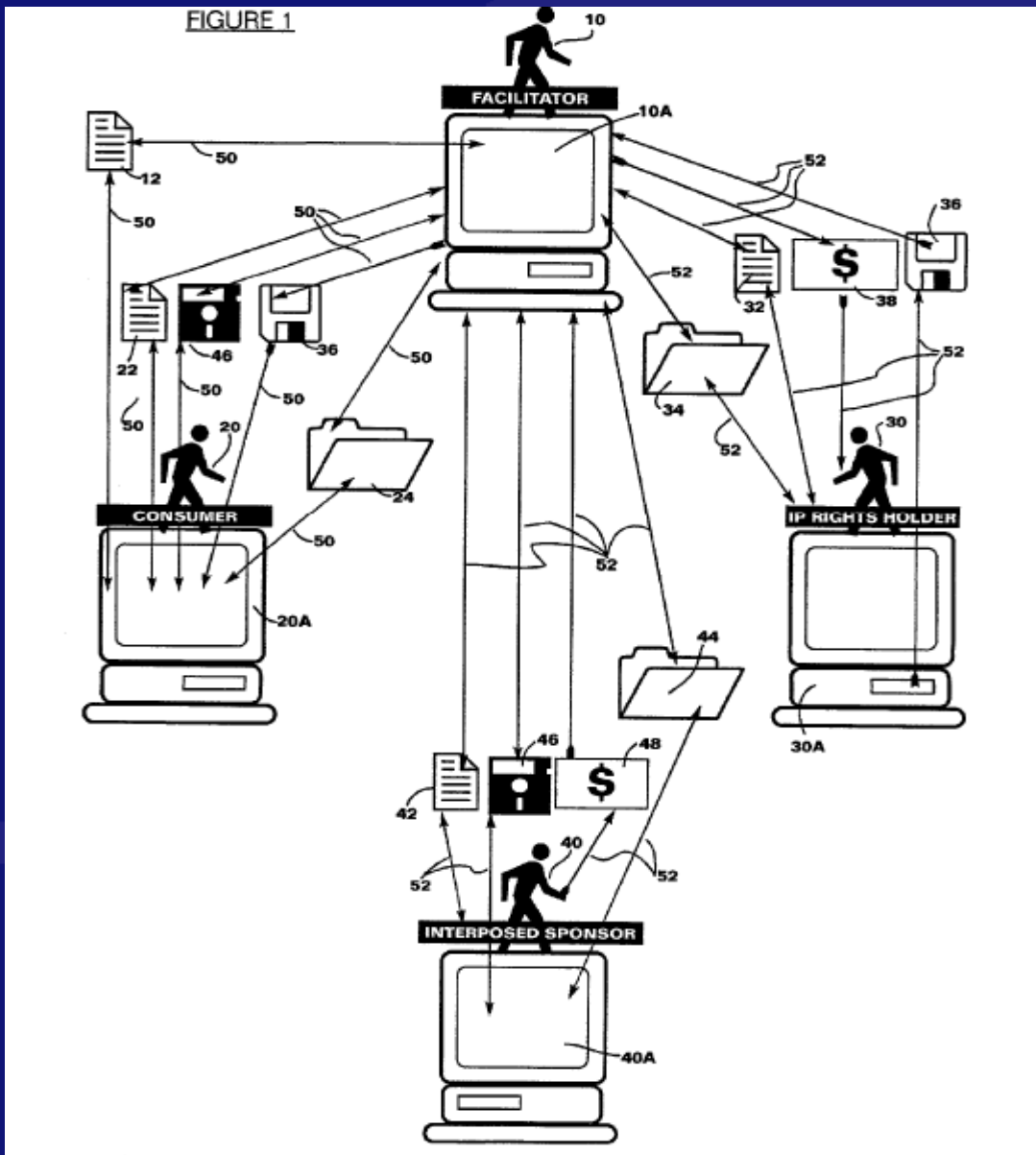
## Statutory Subject Matter

### Ulramercial v. Hulu

- Method of distributing copyrighted materials over the Internet by forcing users to watch advertisements
- District court invalidated claims – “abstract idea” and no machine or transformation
- Federal Circuit reversed:
  - Many steps required computer programming
  - One step recited product “on an Internet website”
  - Not abstract idea, and machine-or-transform not test



FIGURE 1



Statutory Subject Matter  
Ultramercial v. Hulu

- Supreme Court: vacated and remanded to reconsider in light of Mayo v. Prometheus
- Still awaiting new decision from the Federal Circuit



## Statutory Subject Matter

### Dealertrack v. Huber

- Computer-aided method of operating a credit system ruled invalid as “abstract idea”
- Although claim recited “computer-aided,” patent didn’t specify how computer and database were programmed to perform the steps
- Attempt to “wholly preempt” the concept
- “The term ‘computer aided’ is no less abstract than the idea of a clearinghouse itself”





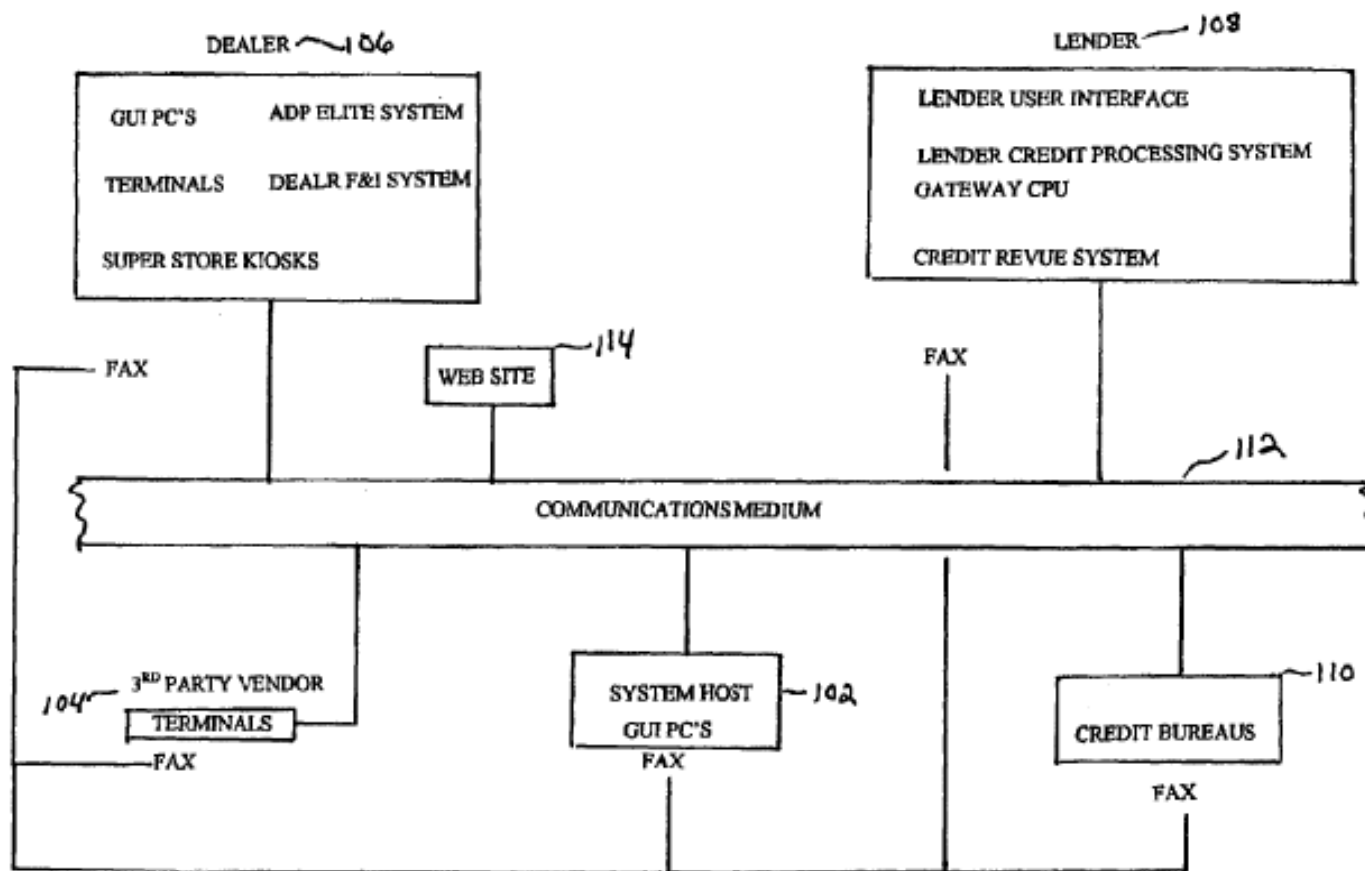


FIG. 1



## Statutory Subject Matter

### Fort Properties v. American Master Lease

- Patented method of creating real estate investment instrument
  - held invalid as abstract idea
- Most claims didn't require computer
- Even claims requiring computer don't make it less abstract: “simply adding a ‘computer aided’ limitation . . . is insufficient to render the claim patent eligible”



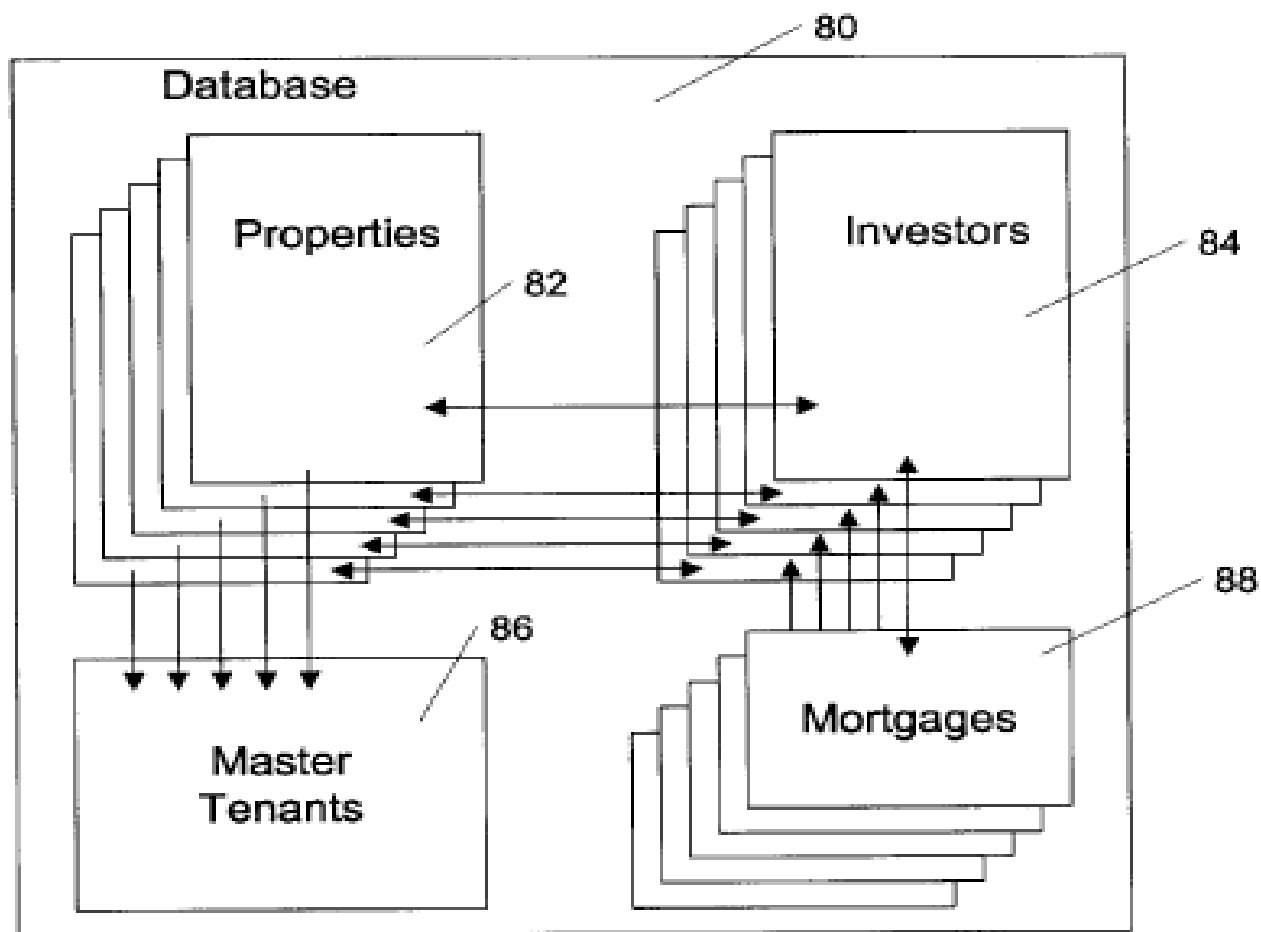


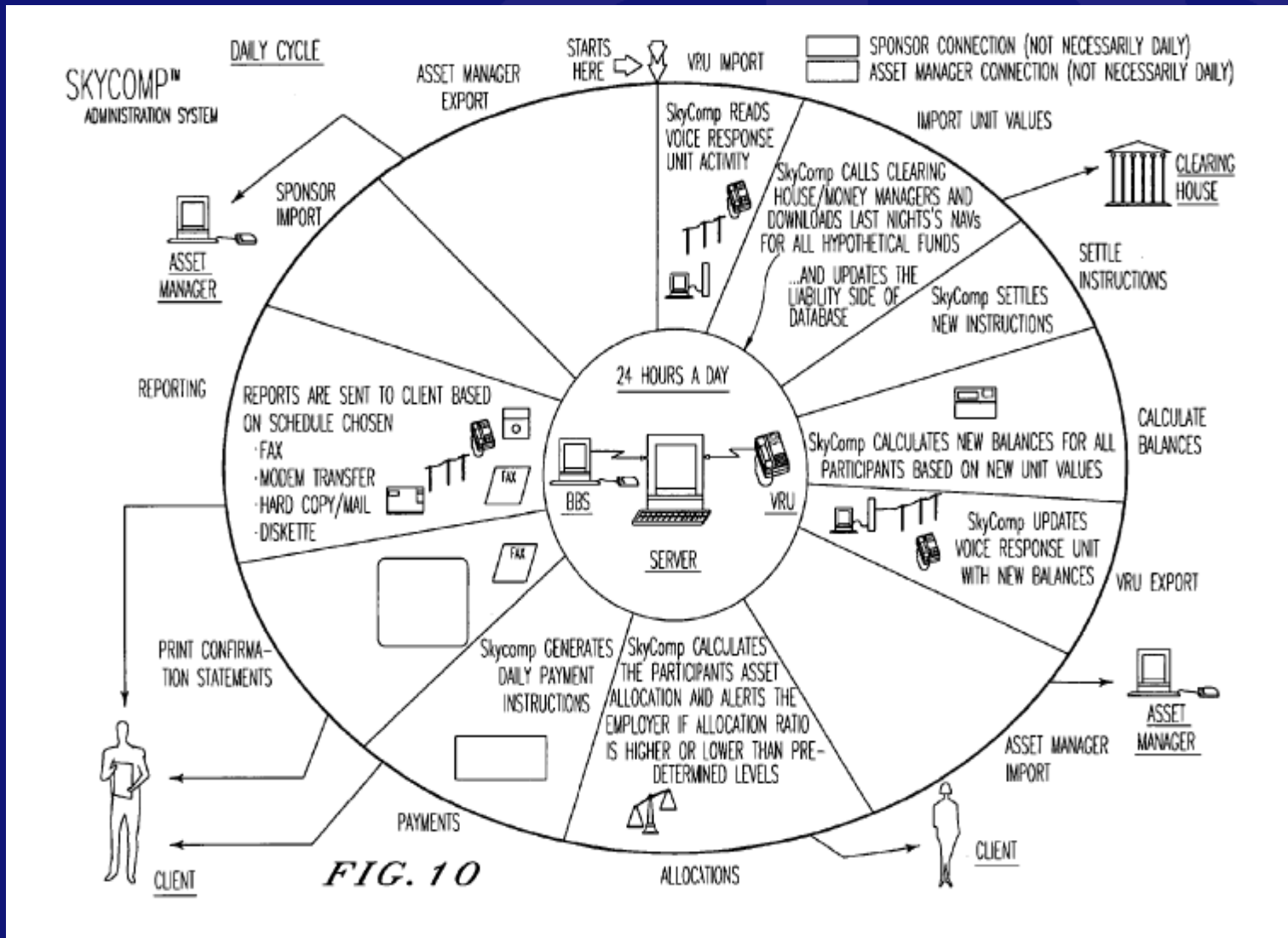
FIG. 7

## Statutory Subject Matter

### Bancorp Services v. Sun Life Assurance

- Patents for tracking and administering value of life insurance policies: invalid abstract idea
- Even though claims required use of a computer, Federal Circuit held that one must look at the “underlying invention”
- Use of computer for no more than its most basic function – making calculations – fails to circumvent prohibition against abstract ideas





## Statutory Subject Matter

### CLS Bank v. Alice Corp.

- Patent covering computerized trading platform for exchanging obligations
- Federal Circuit (original decision):
  - Claims directed to practical applications
  - It must be “manifestly evident that a claim is directed to a patent ineligible abstract idea”
- October 9, 2012: vacated and rehearing en banc granted – new decision issued May 10<sup>th</sup> 2013 – all claims thrown out as unpatentable



## CLS Bank (continued)

- 3 types of claims:
  - Method of exchanging obligations between parties by manipulating electronic records (“shadow” records)
  - Computer-readable storage medium storing program code that causes a computer to perform steps similar to method claim
  - System claim: data storage unit and computer, configured to manipulate electronic records in a manner similar to method claim



## CLS Bank (continued)

- Per curiam opinion: majority of judges conclude that method and computer-readable medium claims are not patent-eligible, but **disagree** as to reasoning
- Equally divided court affirms holding that system claims are not patent-eligible
- Note: only 10 of 12 judges participated in decision
- Seven opinions issued – none precedential





## CLS Bank (continued)

- 5 judges (Lourie): all claims invalid because they “preempt a fundamental concept” – the “idea” of the invention is third-party mediation
  - Don’t reward clever claim drafting
- 4 judges (Rader): system claims are patent-eligible; a machine can’t be an “abstract idea”
  - Method claims not patentable because they recite a general concept
- 4 judges (Moore): system claims are not an abstract idea



## CLS Bank (continued)

- Judge Newman: All claims are patent-eligible:
  - Reject “abstract idea” test for computers
- Linn and O’Malley: All claims are patent-eligible: parties agreed all claims require computer
- Rader: laments lack of agreement on the issue
- Note: Issue may be revisited by U.S. Supreme Court or by different set of judges (2 vacancies at time of decision)



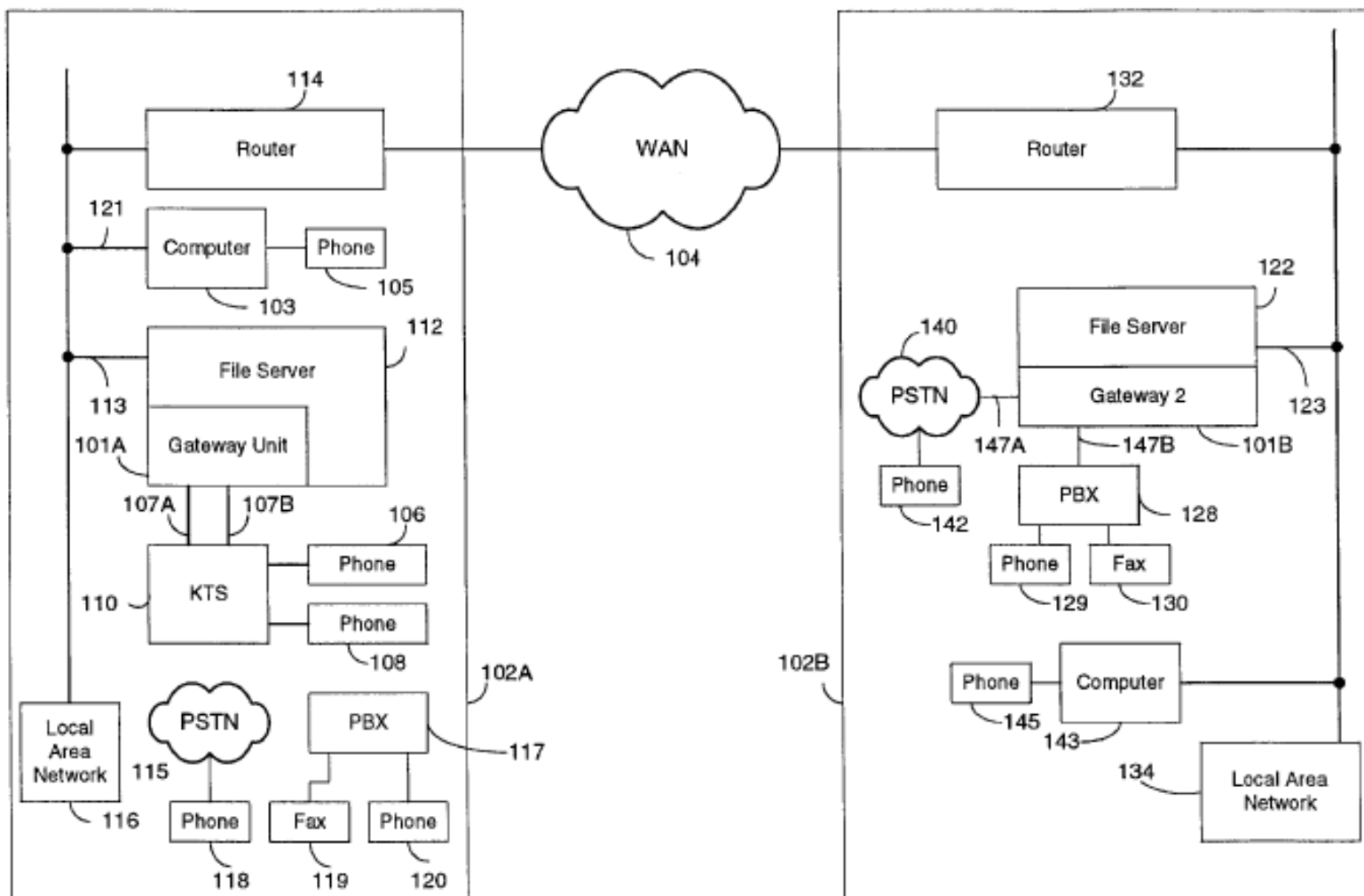


Figure 1

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## Statutory Subject Matter

### Assn for Molecular v. Myriad Genetics

- Another case that came back from the Supreme Court
- Issue: Are isolated DNA molecules and methods of testing for the molecules patentable subject matter?
- First Federal Circuit decision: largely upheld patentability of both types of claims



Assn for Molecular v. Myriad Genetics (continued)

- Supreme Court vacated and remanded to reconsider in light of Mayo v. Prometheus case
- Second Federal Circuit decision: largely followed its earlier decision upholding patentability
- November 30, 2012: U.S. Supreme Court grants cert, limited to the question: “Are human genes patentable?”



## Enablement – Claim Overly Broad

### MagSil Corp v. Hitachi Global

- Patent claim recited “a change in the resistance by at least 10%”
- But patent specification only explained how to achieve “as much as 11.8% change”
- During litigation, patent owner asserted unlimited scope above 10%
- Held: claim invalid for lack of enablement
- Court noted that patent owner could have asserted smaller scope to avoid problem



## “Joint Infringement” of a Patent

### Akamai Techs. v. Limelight

- Akamai patent covers method for delivering content over the Internet
- Defendant Limelight performs most steps of method, but one of the steps is performed by Limelight’s customers (not Limelight)
- Original 2010 decision: no “joint” infringement of patent unless agency relationship between Limelight and its customers
- Otherwise all steps must be done by one entity



Akami Techs. v. Limelight (cont'd)

- August 31, 2012: en banc court overturned original decision
- Induced infringement can be found as long as all method steps are performed:
  - Need not all be performed by one entity
  - Induced infringement if one party performs some steps and induces another to perform the others
  - Note: inducement requires knowledge of the patent
  - Remanded to reconsider this issue





## “Joint Infringement” of a Patent

### McKesson Technologies v. Epic Systems

- McKesson patent: electronic method of communication between doctors and patients
- Original 2011 decision: McKesson’s patent not infringed because not all steps performed by one entity – split between doctors and patients
- Aug. 31: en banc court reversed decision:
  - Defendant can be liable if it knows of the patent, induced performance of the method steps, and those steps are actually performed
  - No need for all steps to be performed by same entity



## Damages

### Whitserve v. Computer Packages Inc.

- Patented method of docketing due dates for law firms over the Internet
- Jury awarded \$8.3 million in damages
- Federal Circuit vacated damages award:
  - Lump-sum licenses negotiated with others didn't support a running-rate royalty award, and running rate was over 3 times the lump sums
  - Also reject expert's "superficial recitation" of Georgia-Pacific factors



# Damages

## LaserDynamics v. Quanta Computer

- Federal Circuit reversed damages award for patent infringement:
  - Error in admitting prior settlement agreement reached with another defendant made on eve of trial after judge had severely sanctioned that defendant
  - Also reject royalty base – should be “smallest salable patent-practicing unit.”



# Injunctions

## Apple v. Samsung

- District court entered preliminary injunction against Samsung's Galaxy Nexus phones
- Patent covers “unified search” feature



## Apple v. Samsung (cont'd)

- Fed. Cir. vacates preliminary injunction
  - Insufficient proof of irreparable harm
  - Lack of nexus between infringement and harm
  - “The patentee must show that the infringing feature drives consumer demand for the accused product”
  - Apple failed to prove that people were buying the Samsung Galaxy Nexus because of the “unified search” feature



Standard of Review for Appeals of Claim Interpretation:  
Lighting Ballast Control v. Philips Electronics

- 1997 Cybor decision: Federal Circuit ruled that claim interpretation reviewed de novo on appeal
- No deference given to district court interpretation of patent claims
- Result: High reversal rates for appeals of claim interpretations in recent years
- Widespread criticism among the patent bar
- Recently: Federal Circuit granted rehearing en banc to revisit this issue



## Attorney Malpractice: Not a Federal Case

### Gunn v. Minton

- Recent years: Federal Circuit has held that patent malpractice cases must be brought in federal court
- Gunn v. Minton: state court reluctantly follows the rule -- patent malpractice case based on alleged failure to properly raise experimental use defense at trial
- Supreme Court: this was not a federal case – allow state courts to hear this issue



THE END



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