

IP Cases To Watch In 2012

By **Erin Coe**

Law360, San Diego (January 01, 2012, 12:00 AM ET) -- The U.S. Supreme Court and lower courts are gearing up to rule on a series of important intellectual property showdowns this year, including disputes over when multiple parties can be held liable for joint patent infringement, whether a medical diagnostic method is patentable, and if companies can use trademarks they don't own in online keyword advertising.

Here are the cases that IP attorneys will be sure to keep track of in 2012:

Akamai Technologies Inc. et al. v. Limelight Networks Inc. and McKesson Technologies Inc. v. Epic Systems Corp.

In litigation that centers on the joint infringement defense and could affect patent litigators and prosecutors, Akamai and McKesson have urged the Federal Circuit to find entities that perform some, but not all, steps in a method patent claim to be liable for infringement.

The full Federal Circuit heard oral arguments in November and a ruling is expected to come down in the first six months of 2012.

The appeals court granted an en banc rehearing in the McKesson case in May, after a divided panel affirmed a lower court's decision to grant summary judgment to defendant Epic Systems Corp. under the joint infringement defense, on the basis that McKesson could not show that a single party had performed all steps specified in its allegedly infringed patent.

In April, the Federal Circuit also granted an en banc rehearing to Akamai, which is looking to reinstate a \$45.5 million patent verdict against Limelight Networks Inc.

Joint infringement is an important issue in light of the number of cases, including those brought by nonpracticing entities, that involve software or business method patents with claims that have multiple steps, said Natalie Hanlon-Leh, who leads Faegre & Benson LLP's Colorado IP practice.

The Federal Circuit will look at whether multiple parties are liable if they perform different steps of a method patent or whether all steps must be performed by a single party, she said. It will also consider how the nature of the relationship between accused infringers affects the question of direct or indirect infringement liability.

The two cases are big for anyone engaged in patent litigation, but patent prosecutors will also be watching to see how the cases could influence how patent attorneys draft claims covering methods or systems, according to experts.

“Proper claim drafting can get around the issue of multiple actors performing different steps of the patent, but a lot of patents out there are not worded in such a way [as] to avoid that,” said Rick Rambo, a partner with Morgan Lewis & Bockius LLP. “This decision could impact a great number of patents that are currently asserted or are in the pipeline to be asserted.”

McKesson is represented by King & Spalding LLP. Epic is represented by Kilpatrick Townsend & Stockton LLP. Akamai is represented by Finnegan Henderson Farabow Garrett & Dunner LLP. Limelight is represented by Kirkland & Ellis LLP, Kellogg Huber Hansen Todd Evans & Figel PLLC, and in-house counsel.

The cases are Akamai Technologies Inc. et al. v. Limelight Networks Inc., case number 2009-1372, and McKesson Technologies Inc. v. Epic Systems Corp., case number 2010-1291, in the U.S. Court of Appeals for the Federal Circuit.

Mayo Collaborative Services v. Prometheus Laboratories Inc.

After ruling on patentability in *Bilski et al. v. Kappos* in June 2010, the Supreme Court is revisiting the issue in *Mayo's* case challenging a decision upholding Prometheus' patented blood testing method.

In light of the high court's holding in *Bilski* that the machine-or-transformation test should not be the sole test for determining an invention's patentability and that a method for hedging risks in commodities trading was not patentable, the Federal Circuit found that because the high court did not reject the machine-or-transformation test outright, it could still be used to affirm an earlier ruling that Prometheus' patents were valid.

But *Mayo* has argued that the Federal Circuit failed to abide by both the *Bilski* ruling and long-standing precedent that claims attempting to preempt all uses of natural phenomena cannot be patented. Oral arguments before the high court took place in December, and a ruling is set to come out this year.

The *Bilski* decision's broad-brush principles on what kind of subject matter is eligible for a patent didn't provide the granularity many industries would have liked, and this case presents another opportunity for the Supreme Court to weigh in on the issue, according to Allan Soobert, vice chair of Paul Hastings LLP's Washington, D.C. office.

“*Bilski* actually generated more questions than it answered; it found that abstract ideas were not patentable, but what an abstract idea is is now being hashed out,” he said. “Now it looks like this case is going to add additional color to the *Bilski* decision.”

While the case, which deals with a method for calibrating the dosage of a drug, is going to be closely watched by medical diagnostic companies and others in the life sciences and biotech spaces, a ruling could apply across the board to technology and financial services sectors, and every patent attorney will be tuning in to this dispute, according to experts.

“There's a ton of interest in what is eligible for a patent and what is not,” he said. “It's going to be a general decision on eligible subject matter for patenting, and there probably will be something in there for everyone.”

Mayo is represented by Mayer Brown LLP, Fish & Richardson PC, and UCLA School of Law. Prometheus is represented by Latham & Watkins LLP.

The case is Mayo Collaborative Services v. Prometheus Laboratories Inc., case number 10-1150, in the U.S. Supreme Court.

David J. Kappos v. Gilbert P. Hyatt

In a case that has the potential to spur more challenges in district court of patent application rejections by the U.S. Patent and Trademark Office, the Supreme Court will look at whether patent applicants suing the agency in a Section 145 civil action are entitled to introduce new evidence in the district court, even if the evidence was withheld from the USPTO.

The high court in June granted USPTO Director David Kappos' petition for a writ of certiorari after a divided Federal Circuit ruled in an en banc hearing that patent applicants could bring in new evidence, reviving Gilbert Hyatt's case against the agency over a denied software patent and barring district courts from excluding from Section 145 proceedings evidence that applicants neglected to produce at the USPTO.

When the USPTO turns down a patent application, an applicant can either challenge the decision in a Section 141 action before the Federal Circuit or bring a case against the USPTO director in a Section 145 action before a district court.

The Supreme Court will examine whether the district court must defer to the USPTO's ruling or whether it can review the facts for the first time and resolve the matter without giving deference to the agency, according to Soobert.

"It involves a technical issue on administrative agency law, but it's important nonetheless," Soobert said. "It has the potential to undermine the USPTO's authority. If the court is able to do a de novo review and give no deference to the USPTO, it's almost a do-over on fact questions."

While the Section 145 proceeding is not currently a popular route for patent applicants to take, that could change if the Supreme Court finds for Hyatt, according to Rambo.

"If a ruling finds that any evidence can be brought into the district court and that a review should be de novo not just for the new evidence but for all evidence, it could provide more of an incentive to bring these Section 145 actions," Rambo said.

Hyatt is represented in the action by Kellogg Huber Hansen Todd Evans & Figel PLLC.

The case is David J. Kappos v. Gilbert P. Hyatt, case number 10-1219, in the U.S. Supreme Court.

Retractable Technologies Inc. v. Becton Dickinson & Co.

While additional IP suits are on the Supreme Court's docket, one patent case the court is still considering could have a major impact on litigators.

In a dispute that has the potential to clear up uncertainty surrounding claim construction, Retractable is expected to file a petition for a writ of certiorari after the Federal Circuit in October refused to reconsider a decision reversing a portion of a \$5 million judgment for the company in a suit against Becton Dickinson over patents for retractable-needle syringes, according to Bradford Lyerla, a partner with Jenner & Block LLP.

As part of a 2-1 decision handed down in July, a three-judge panel nixed the trial court's judgment that Becton Dickinson's 3-milliliter Integra syringes infringed four claims of a Retractable patent, ruling the district court had mistakenly concluded that a key term in the patent — "body" — could describe structures consisting of separate pieces and improperly ensnared the defendant's syringe.

While the Federal Circuit rejected Retractable's bids for a panel rehearing and a rehearing en banc, Chief Judge Randall Rader and Judges Kimberly Moore and Kathleen O'Malley dissented, with Moore pointing out that the rules governing claim construction were "ill defined and inconsistently applied, even by us."

Litigators will be watching this case closely because claim construction is fundamentally the biggest problem in patent lawsuits today, according to Lyerla. While it comes up in every patent case, litigation can drag on for years and parties can spend a fortune because neither party has any sense of confidence over what the patents at issue mean, he said.

"Claim construction is a mess and it baffles everybody," he said. "This case has the potential to resolve it."

Retractable is represented by Locke Lord LLP. Becton Dickinson is represented by WilmerHale.

The case is Retractable Technologies Inc. v. Becton Dickinson & Co., case number 2010-1402, in the U.S. Court of Appeals for the Federal Circuit.

Kinetic Concepts Inc. et al. v. Smith & Nephew Inc.

This dispute is believed to be the first case before the Federal Circuit over a district court making use of special interrogatories for the jury to help the court decide the issue of obviousness, according to Joseph Re, a Knobbe Martens Olson & Bear LLP partner who represents Smith & Nephew.

Patent owner Wake Forest University Health Sciences appealed the effect and use of the procedure after a Texas federal judge in October 2010 overturned a jury verdict and invalidated as obvious two patents that Wake Forest and exclusive licensee Kinetic had asserted against Smith & Nephew's negative-pressure wound therapy devices.

The district court reversed the trial jury's verdict that the patents were not obvious, concluding that prior art had in fact disclosed foam-based negative-pressure systems to help close hard-to-heal wounds, and scrapped the jury's total award of more than \$1.2 million for the plaintiffs.

Smith & Nephew pushed for special interrogatories in the case, in which the jury answers specific factual questions and issues a general verdict.

On appeal, the Federal Circuit will look at whether the court had to defer to the jury's finding or was free to make its own finding of facts.

If the Federal Circuit affirms the case, it means that a jury is not going to be deferred to beyond the questions it specifically answers, and judges will have more latitude in determining the outcome of a case — a scenario most defendants want, according to Re. It also could spur accused infringers to start demanding special interrogatories more often, according to Re.

"If the ruling is affirmed, defendants can limit what a jury does and pull legal questions away from the jury without giving it deference that it would normally get with a binding verdict," he said.

Wake Forest is represented by Weil Gotshal & Manges LLP and Tensegrity Law Group LLP; Smith & Nephew is represented by Knobbe Martens Olson & Bear LLP.

The case is Kinetic Concepts Inc. et al. v. Smith & Nephew Inc., case number 2011-1105, in the U.S. Court of Appeals for the Federal Circuit.

Rosetta Stone Ltd. v. Google Inc.

While many patent cases are on IP attorneys' radar, they are also keeping their eye on a high-profile trademark infringement battle between language-learning software maker Rosetta Stone and Google.

Rosetta Stone appealed the case to the Fourth Circuit in August 2010, after a judge ruled that Google's practice of selling Rosetta Stone's trademarks as keyword triggers to third-party advertisers would not create "a likelihood of confusion" as to the origin of Rosetta Stone's products.

The software maker had claimed Google was liable for trademark infringement based on its auctions of Rosetta Stone's marks to third-party advertisers for use in their sponsored link titles and advertising texts, but the Virginia district court ruled that the practice could not be considered infringement because no "reasonable juror" would find Google intended to confuse potential purchasers or that Google was trying to pass off its own goods as Rosetta Stone's.

Rosetta Stone filed suit in July 2009 in response to Google's announcement that it had changed its trademark policy in the U.S. and Canada to allow advertisers to use trademarked terms in their ad text, even if they did not own those marks or have permission to use them.

The case signifies the continuing debate over the use of trademarks in keyword advertising by competitors and other companies that don't own the trademarks, and the Fourth Circuit is going to decide whether the practice is allowed, according to Hanlon-Leh.

Oral arguments took place in September, and a ruling is anticipated sometime in 2012, she said.

"We are still sorting out the notion of what the rules are in terms of doing advertising through search engines and keywords," she said. "The case is important for attorneys and companies to know what is appropriate or not for advertising."

Rosetta Stone is represented by Skadden Arps Slate Meagher & Flom LLP; Google is represented by Quinn Emanuel Urquhart & Sullivan LLP and Odin Feldman & Pittleman PC.

The case is Rosetta Stone Ltd. v. Google Inc., case number 10-2007, in the U.S. Court of Appeals for the Fourth Circuit.

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