

IP Group Of The Year: Morgan Lewis

By Erin Coe

Law360, San Diego (January 04, 2012, 10:01 PM ET) -- Morgan Lewis & Bockius LLP secured a victory for French appliance maker SEB SA and reshaped the patent litigation landscape by persuading the U.S. Supreme Court to adopt a new legal standard for the mental state that must be proven to show induced infringement, earning the law firm a spot among Law360's Intellectual Property Groups of 2011.

The firm's IP team, which boasts 125 lawyers as well as 15 technical specialists and patent agents, nailed down a number of significant wins last year that resulted in several multimillion-dollar awards for its clients.

After the Federal Circuit ruled in February 2010 that Pentalpha Enterprises Ltd. had committed induced infringement of SEB's patent for a cool-touch deep fryer because it deliberately ignored the possibility that another company already held a patent, or acted with "deliberate indifference of a known risk," Pentalpha challenged the decision to the Supreme Court, arguing that induced infringement required "purposeful, culpable expression and conduct."

When the Supreme Court took up the case in October 2010, many attorneys thought the Supreme Court would reverse the decision in favor of SEB because the standard of deliberate indifference lacked support in the law and could potentially hamper innovation, but Morgan Lewis opted to argue for the court to uphold the decision for SEB under a different standard altogether.

Morgan Lewis asked the Supreme Court to apply the willful blindness standard, a stricter test that holds that defendants cannot escape the law by deliberately shielding themselves from clear evidence that their conduct is wrong and is often used in criminal cases.

"We made the strategic decision to not rely solely on the decision by the Federal Circuit, but borrow from a standard used in federal courts, because we thought it would be more salable to the Supreme Court," said Kell Damsgaard, head of Morgan Lewis' IP department.

In an 8-1 opinion, the high court in May affirmed the verdict against Pentalpha and rejected the appeals court's finding that only deliberate indifference to the risk of infringement was needed to satisfy the knowledge requirement for inducing infringement, adopting Morgan Lewis' suggestion to allow evidence of willful blindness. The court also held that the evidence was enough to show that Pentalpha met the new standard and that no remand was necessary.

The ruling left intact a \$4.88 million jury verdict against Pentalpha, which was also found to have directly infringed the patent.

Morgan Lewis also obtained a series of favorable judgments for ActiveVideo Networks Inc. in its case alleging Verizon Communications Inc.'s FiOS TV system infringed four patents related to interactive TV services, including video on demand. After a jury in a Virginia federal court awarded ActiveVideo \$115 million in damages against Verizon, the federal judge in October tacked on supplemental damages, bringing the total award to nearly \$140 million — one of the largest patent awards granted in the Eastern District of Virginia.

While the jury additionally found that ActiveVideo indirectly infringed the two Verizon patents-in-suit, it awarded the communications giant only \$16,000.

Also, in November, the judge issued a permanent injunction barring Verizon from continued use of technology relating to interactive TV services, including video on demand, that is set to take effect in May 2012. In the interim, Verizon was ordered to make monthly sunset royalty payments totaling nearly \$11 million per month, starting in December, according to Morgan Lewis. An appeal by Verizon remains pending.

“The video-on-demand market has exploded in the past five years, and video on demand is everywhere, from cell phones to TV,” said Daniel Johnson Jr., the lead attorney on the ActiveVideo case. “Without video on demand, a company is at a significant competitive disadvantage. This case was in no small part about who will control or have a significant impact on the burgeoning market.”

Morgan Lewis bolstered ActiveVideo's case by using a market expert to underscore the demand for video on demand and interactive services and by showing that ActiveVideo's founder began developing the technology in 1989, before the Internet was a household word, according to Johnson. He noted that Morgan Lewis also made the key move of having the original inventor and founder of ActiveVideo be the lead witness, instead of other company executives.

“The primary inventor grew up in Virginia Beach, 12 miles from the courthouse,” Johnson said. “We were able to weave in his story about growing up there and about how his father owned radio stations. We did it in a way where we were able to tell a compelling story right away.”

In a boost for Morgan Lewis' client Asahi Kasei Pharma Corp., a California state jury returned verdicts in April and May directing Actelion Ltd. to pay Asahi \$547 million in compensatory damages and \$30 million in punitive damages for disrupting Asahi's 2006 licensing agreement with CoTherix Inc. to commercialize a drug called Fasudil by acquiring the biotech company in 2007 in order to preserve a monopoly on a hypertension treatment.

The judgment against Actelion has since been trimmed to \$415 million and is the subject of an appeal by the defendant.

Damsgaard said Morgan Lewis' IP practice focuses on staffing clients' litigation matters with experienced trial lawyers and technical specialists. Partner Ted Cruz, who has argued eight cases and authored more than 80 briefs before the Supreme Court, represented SEB in its dispute with Pentalpha, while ActiveVideo relied on Johnson's trial know-how and other lawyers' technological expertise.

Morgan Lewis is a full-service law firm, with core practice groups concentrating on IP, litigation, business and finance, and employment matters. The firm is able to work with a client not just on one particular legal issue, but on many aspects related to its business, industry and business model, Damsgaard said.

“When it comes to giving clients excellent representation, that in-depth knowledge is helpful — whether we are working on a transaction, prosecution, counseling or IP litigation,” he said.

Many of the firm’s IP attorneys are located in Washington, but it also has IP experts spread across the U.S. — in Palo Alto, Calif.; San Francisco; Philadelphia; Houston; Chicago; and Irvine, Calif. — as well as one attorney in Tokyo.

The IP team in 2008 picked up a group of 11 lawyers with an active practice in the Eastern District of Texas, a popular patent forum, for its Houston office. And in recent years, Morgan Lewis has added seven attorneys from defunct firm Howrey LLP to its Chicago office, according to Damsgaard.

“We do not grow for growth’s sake,” he said. “When we add lawyers, we respond to clients’ needs geographically or technically. It’s a client-focused expansion, but we do keep a sharp eye out for talent.”

Damsgaard expects that the IP practice will continue to see more International Trade Commission cases come its way, and also predicts a steady rise in life sciences work.

“As the U.S. population ages, all the benefits that life sciences companies can provide will be increasingly important, and IP has to keep up with that,” he said.

Methodology: In November, Law360 solicited submissions from over 500 law firms for its practice group of the year series. The more than 550 submissions received were reviewed by a committee of Law360 editors. Winners were selected based on the significance of the litigation wins or deals worked on; the size and complexity of the litigation wins or deals worked on; and the number of significant, large or complex deals the firms worked on or lawsuits the firm had wins in. Only accomplishments from Dec. 1, 2010 to Dec. 1, 2011 were considered.

--Editing by Cara Salvatore.

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