

## High Court IP Roundup - Last Session, And What's Next

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In recent years, the U.S. Supreme Court seems to have renewed interest in intellectual property issues, and the 2009-2010 term was no exception. While *Bilski v. Kappos* and the issue of patentable subject matter garnered the lion's share of the attention, the court also clarified the registration requirements for filing a copyright infringement action and addressed antitrust limits on the National Football League's IP licensing practices.

Looking ahead to next term, the court will consider whether the first-sale doctrine in copyright law applies outside the U.S., and it may take up issues including the scope of the U.S. Court of Appeals for the Federal Circuit's jurisdiction, the law of obviousness, and copyright damage awards.

### **2009-2010 Supreme Court IP Decisions**

*Bilski v. Kappos*, 130 S.Ct. 3218 (2010), revealed a court united against the particular patent claims at issue but fractured on the scope of patentable subject matter. The court rejected the Federal Circuit's requirement that a process be tied to a machine or transformation in order to be patentable.

Justice Anthony Kennedy, writing for the majority, explained that the machine-or-transformation test is a useful, but nonexclusive, tool for determining patent-eligibility of processes. The proper inquiry is whether a patent claim would cover an abstract idea, law of nature or physical phenomenon, all of which are well-settled exclusions from patentable subject matter.

According to the court, *Bilski's* claims were unpatentable abstract ideas.

The *Bilski* court also ruled that business methods cannot be categorically excluded from patenting, a conclusion sharply criticized by Justice John Paul Stevens in a concurring opinion joined by Justices Ruth Bader Ginsburg, Stephen Breyer and Sonia Sotomayor.

Based on textual, historical, and functional clues, Justice Stevens concluded that the Patent Act does not extend to business methods. Justice Breyer also penned a concurring opinion, joined in part by Justice Antonin Scalia, setting forth areas of perceived agreement within the court: The patent act is broad, but not unbounded; the machine-or-transformation test is important, but not exclusive; and "useful, concrete, tangible result" is not the proper test of patentability.

*Bilski* was not the court's only word on patentable subject matter this term. After the *Bilski* decision, two cases involving the

patentability of processes in life sciences were granted, vacated and remanded to the Federal Circuit. *Mayo Collaborative Svcs. v. Prometheus Labs*, 581 F.3d 1336 (Fed. Cir. 2009), and *Classen Immunotherapies Inc. v. Biogen Idec*, 304 Fed.Appx. 866 (Fed. Cir. 2008).

Review was denied in a third case, leaving in place the Federal Circuit's decision that a "method of marketing products" was unpatentable. *In re: Ferguson*, 558 F.3d 1359 (Fed. Cir. 2009).

In *Reed Elsevier v. Muchnick*, 130 S.Ct. 1237 (2010), the high court held that while registration of a copyright is a precondition to filing a copyright claim, failing to register does not foreclose federal court subject-matter jurisdiction over infringement. Writing for a majority of five, Justice Clarence Thomas explained that copyright registration was a claimprocessing rule required to obtain relief, not a jurisdictional rule barring access to federal court altogether.

A rule is jurisdictional only when the statute "clearly states" that it is, and the copyright registration statute does not. Justice Ginsburg concurred, joined by Justices Stevens and Breyer, to address the "undeniable tension" between prior court rulings on jurisdictional statutory language.

In *American Needle Inc. v. National Football League*, 130 S.Ct. 2201 (2010), the court considered whether antitrust law applies to the 32 NFL teams and the corporate entity founded to manage their IP. The league argued that the single IP entity was immune from antitrust scrutiny.

Writing for a unanimous Court, Justice Stevens noted that the inquiry does not turn on the legal nature of the relationship, but rather whether the agreement joins together separate economic actors to deprive the marketplace of diverse entrepreneurial interests.

While NFL teams may have some common interests, there is significant competition among teams for ticket sales, fans and players. Teams also compete in IP licensing, so collective IP licensing deprives the marketplace of independent decision-making.

The court therefore ruled that agreements between the teams and decisions of the NFL's collective IP licensing entity are not shielded from antitrust review. The court did not decide, however, whether these activities actually violated antitrust law, stating that they would be subject to the same rule of reason analysis as other alleged restraints on competition.

### **Notable Petitions Denied**

This term, the court received many petitions for certiorari involving IP issues, many of which had amicus curiae support. While these petitions were ultimately denied, they may give insight into the court's interests and potential IP issues for future terms.

In *Apotex Inc. v. Sanofi-Synthelabo Inc.*, 550 F.3d 1075 (Fed. Cir. 2008), petitioners posed the question whether, if an experiment was "obvious to try," a prima facie case of obviousness is automatically rebutted by showing that the outcome of the experiment was not entirely predictable. Amicus briefs in support of the petitioner were filed by AARP, Patients Not Patents and the Public Patent Foundation.

Petitioners in *Ferring B.V. et al. v. Meijer Inc.*, 585 F.3d 677 (2d Cir. 2009) asked whether circuit courts other than the Federal Circuit have appellate jurisdiction over a Walker Process claim — an antitrust claim alleging enforcement of an invalid patent that was procured through fraud — where nonpatent claims or theories are also potentially at issue.

Petitioners argued that this was required by the Federal Circuit's exclusive jurisdiction over patent law. Amicus briefs in support of petitioners were filed by Intellectual Property Owners Association and Biotechnology Industry Organization.

SAP AG v. Sky Technologies, 576 F.3d 1374 (Fed. Cir. 2009) presented the question whether the Patent Act allows state law to create classes of individuals with standing to sue under a patent other than the statutory classes of "patentee[s]," "heirs," and "assigns." Petitioners argued that "transferees" taking over a debtor's patent after foreclosure did not have standing. Amicus briefs in support of petitioner were filed by the Twenty-Second Century Foundation and the Independent Film & Television Alliance.

In Medela AG v. Kinetic Concepts Inc., 554 F.3d 1010 (Fed. Cir. 2009), petitioners asked the Supreme Court to consider whether a person accused of patent infringement has a right to an independent judicial, as distinct from lay jury, determination of whether an asserted patent claim is non-obvious. Amicus briefs supporting petitioner were filed jointly by Apple Inc., Cisco Systems Inc., Google Inc., Microsoft Corp., Symantec Corp. and Yahoo Inc., as well as by Intel Corp., SAP and ShoreTel Inc.

### **Looking Ahead to the October 2010 Term**

The court will begin its term on Oct. 4 with at least one IP case on its docket and several other IP issues awaiting review in certiorari petitions. Even at the certiorari stage, Costco Wholesale Corp. v. Omega SA, 541 F.3d 982 (9th Cir. 2008) garnered much attention, with amicus briefs filed by the Electronic Frontier Foundation, the Entertainment Merchants Association, eBay Inc., Retail Industry Leaders Association and others.

When the high court invited the U.S. government's views, the solicitor general urged the court to deny certiorari. Nonetheless, the court granted the petition with the certified question: "[w]hether the first-sale doctrine applies to imported goods manufactured abroad."

According to the petition, Costco sold a limited number of foreign-made Omega watches below the standard manufacturer price in so-called gray market transactions. The Supreme Court previously held in Quality King Distributors Inc. v. L'anza Research International Inc., 523 U.S. 135 (1998), that the first-sale doctrine prevented manufacturers from using copyright law to block U.S.-made products sold overseas from being brought back into the country.

Omega argued that this reasoning did not apply because manufactures can block importation of goods manufactured abroad, as the U.S. Court of Appeals for the Ninth Circuit had found. Merits briefing is now under way, with numerous amicus curiae briefs filed to date.

The court may also weigh in on other IP issues this term, with petitions pending on obviousness, induced infringement, and the jurisdiction in patent cases.

Petitioners in Davis v. Brouse McDowell, 596 F.3d 1355 (Fed. Cir. 2010), have asked the court to review the Federal Circuit's ruling that a U.S. district court properly exercised jurisdiction over a malpractice claim, even though malpractice is normally a state law issue, because patent law was a necessary element of the malpractice claim.

In Global-Tech Appliances Inc. v. SEB SA, 594 F.3d 1360 (Fed. Cir. 2010), the petitioner seeks review of a Federal Circuit decision that a defendant can be liable for inducing patent infringement based on a showing of "deliberate indifference" to the risk that a patent exists.

The petitioner argues that the proper standard is "purposeful, culpable expression and conduct" to encourage infringement.

The petition for certiorari in Media Tech v. Upper Deck, 596 F.3d 1334 (Fed. Cir. 2010) presents the issue of obviousness in a case involving patents on trading cards including sports memorabilia. A strong dissent by Circuit Judge Randall Rader from the Federal

Circuit's obviousness finding may strengthen the possibility of high court review.

A developing circuit split over the proper test for copyright damages for compilations may signal an issue for the Supreme Court's future. The U.S. Court of Appeals for the Second Circuit recently counted infringement of two albums containing 10 songs each as only two acts of infringement for purposes of calculating statutory damages, rather than counting the infringement of each individually copyrighted song. *Bryant v. Media Rights Productions*, 603 F.3d 135 (2d Cir. 2010).

The Second Circuit declined to apply the independent economic value test to determine whether damages should be granted on a per-album or per-song basis, unlike the First, Ninth, and Eleventh circuits, which have all applied the test in cases involving statutory damages for compilations.

There is also a growing circuit split over when in the copyright application process a copyright is considered registered. The date of registration affects when copyright holders can sue and how much they can recover.

Registration is a four-step process: (1) an author submits a copyright application, fee, and a copy of the work; (2) the U.S. Copyright Office determines whether the work is copyrightable; (3) the Copyright Office registers, or refuses to register, the work; and (4) the Copyright Office issues a certificate of registration.

The Fifth, Seventh and Ninth circuits, have adopted the date of application as the effective date of registration, most recently in *Cosmetic Ideas Inc. v. IAC/ Interactive Corp.*, 606 F.3d 612 (9th Cir. 2010). On the contrary, the Tenth and Eleventh circuits have adopted the date on which the Copyright Office approves or denies the registration. And some district courts have held that receipt of the certificate of registration is required for registration to be complete.

Finally, after informing the Federal Circuit that it "by no means foreclosed the development of other limiting criteria" for patent-eligible subject matter in *Bilski v. Kappos*, the Supreme Court may well take another case on that issue in the near future.

Cases now pending at the Federal Circuit involve the patentability of computer software, diagnostic methods, image processing, and genetics. These cases may provide future opportunities for the Supreme Court to address the scope of patentable subject matter in today's cutting-edge technologies.

### ***Disclaimer***

Finnegan represented petitioners in *Bilski v. Kappos*, petitioners in *Ferring BV et al. v. Meijer Inc.* and respondents in *Medela AG v. Kinetic Concepts Inc.*, and participated in the representation of amicus curiae American Intellectual Property Law Association in *Costco v. Omega*.

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