DLA PIPER

UNITED STATES

INTELLECTUAL PROPERTY AND TECHNOLOGY NEWS

Perspectives • Analysis • Visionary Ideas

SUBSTITUTION ALLOWED?

STATE BIOSIMILAR LAWS ARE EVOLVING

SURVIVING A TRADEMARK OPPOSITION CHALLENGE: DO YOU HAVE A TRUE "INTENT-TO-USE"? 5 KEY TIPS

IS YOUR ENERGY COMPANY LEAVING MONEY ON THE TABLE?

SUPREME COURT CORNER

IN MEMORIAM: DENNIS WIECZOREK, A FRANCHISE INDUSTRY GIANT

On July 13, Dennis Wieczorek, US Chair of our Franchise and Distribution practice, passed away suddenly.

Dennis was widely recognized by his peers as one of a kind – a giant in the industry and one of the premier transactional lawyers in the United States, not to mention a brilliant counselor and advocate, and a generous philanthropist and mentor.

Dennis concentrated his practice in US and international franchising, licensing, antitrust and distribution law matters for more than 30 years. He joined our predecessor firm in 1977 and played a vital role in the growth and success of our US Franchise and Distribution group, which he helped develop into one of the world's premier practices. He served as its chair for many years.

Dennis Wieczorek

The loss of Dennis is also a loss for the worldwide franchise community. Dennis was the longtime General Counsel to the International Franchise Association. His work touched so many of us around the world. Clients, colleagues and peers all held him in the highest regard for his professionalism, sophistication, even temperament, kindness and good humor.

Dennis was a wonderful friend, family member, leader, and a beloved member of our work family. It was an honor to know him and work with him. We miss him.

EDITOR'S COLUMN

Thomas Zutic
Partner, Intellectual Property and Technology

It's been an eventful summer in the IP world. The Supreme Court issued a much anticipated ruling in *Aereo*, making clear that Aereo's retransmission service violated the rights of content owners. In a decision swiftly reported around the world, the US Trademark Trial and Appeal Board cancelled six trademark registrations containing the word REDSKIN owned by the Washington Redskins professional football team, stating the registrations "must be cancelled because they were disparaging to Native Americans at the time of registration." The matter is on appeal. Next, the annual International Trademark Association meeting in Hong Kong served as a great opportunity for DLA Piper to host interesting events and discuss a range of emerging trademark issues. On a personal note, INTA was also a wonderful occasion for those of us at DLA Piper to catch up with clients, friends and colleagues from around the world.

In addition to a detailed article on INTA events, we offer several other interesting articles in this issue. Our cover article looks at the evolving state laws affecting biosimilars. While only a handful of states have such laws, more states will likely be moving forward when biosimilars reach the US market.

We also examine the growing importance of patents in the energy industry and discuss proactive strategies for sector stakeholders. Additionally, we discuss recent decisions at the TTAB in cases where one party attacks the validity of a trademark application based on an applicant's alleged lack of bona fide "intent to use" the trademarks. For trademark applicants we provide some tips gleaned from the outcomes.

Finally, in Supreme Court Corner we discuss the *Aereo* case in more detail and note which cases to watch out for this fall.

I hope this issue of *IPT News* is an enjoyable read and that you take away some helpful information. As always, I am open to your questions, comments and suggestions – please feel free to contact me.

Tom

thomas.zutic@dlapiper.com

The award-winning *Intellectual Property and Technology News* is now published in the United States, Asia Pacific and EMEA regions. Find all current and past editions of the *IPT News* here: www.dlapiper.com/ipt_news/. To subscribe to this complimentary publication, please email your contact information (including your physical mailing address) to IPTnews@dlapiper.com.

HIGHLY RANKED IN THE US AND GLOBALLY

DLA PIPER'S IP AND TECHNOLOGY PRACTICES RECEIVE HIGH MARKS IN PROMINENT LEGAL DIRECTORIES.

Top Ranked CHAMBERS GLOBAL 2014 Leading Firm

Chambers Global 2014 ranks many DLA Piper IPT groups among the top practices worldwide, including Data Protection, IP, Outsourcing, and Technology & Communications. Our Franchise and Distribution practice ranks in the top tier once again.

Top Ranked CHAMBERS USA 2014 Leading Firm

Chambers USA 2014 ranks DLA Piper among the leading practices in the US. Here are just a few samples of the publisher's comments. Chambers describes our nationwide US IP practice as having a *"[t]ruly nationwide IP capability, able to represent significant intellectual property clients all over the country. Excels in litigation, prosecution and transactions involving all IP rights… Sources mention 'DLA attorneys' attentiveness, deep understanding of complex issues, and unparalleled defense instincts.'"* Our Franchise practice once again earned the top tier ranking in the US. We are also highly ranked by Chambers in IT & Outsourcing, Privacy & Data Security, International Trade: IP (Section 337) and numerous other practice areas. Additionally, 35 US IPT lawyers are ranked by Chambers as leading individuals.

The LEGAL 500 UNITED STATES LEADING FIRM 2014

The Legal 500 United States 2014 lists many of DLA Piper's IPT practice areas among the elite market leaders in the US, earning Tier One rankings in both Cyber Crime and Data Protection and Privacy. The publisher writes of our Data Protection, Privacy and Security practice, *"DLA Piper's 'thorough, pragmatic' 29-lawyer group provides the full range of advisory, litigation, transactional and public policy services. A significant US presence is supported by the firm's 'deep bench internationally.'"* Regarding our Patent Litigation practice, it comments, *"DLA Piper's team is 'highly responsive, works efficiently and is extremely knowledgeable.'"* Of our Patent Licensing and Transactional work, it comments that our *"'responsive and creative' team is praised for its 'stellar service and cutting-edge knowledge.'"* For Trademarks, *Legal 500* notes that *"'Go-to firm' DLA Piper has a 'top-notch' trademark group which 'provides not only great legal advice but also sound practical advice.'"*

Learn more about *Chambers and Partners*' rating of DLA Piper and its lawyers in the US by visiting www.chambersandpartners.com/USA, and more about the *Legal 500* rankings at www.legal500.com/c/united-states.

DEVOTION

John Allcock
Partner
Global Co-Chair and US Chair, Intellectual Property and Technology

I don't often write about one of our practice groups in this space, or talk about individual people. This time is an exception.

The Franchise practice is a key part of the IPT group, and while each of our practice areas has received many accolades, it is fair to say the Franchise practice has been most consistently ranked at the top, both in the US and globally: ranked as the only tier 1 practice by both *Chambers USA* and *Chambers Global* in 2014; ranked the International Franchise Law Firm of the Year for 10 years running by *Who's Who Legal*; and Law Firm of the Year by *US News and World Report* 2013. And there are more.

Devotion to client service, to quality counsel at the highest level and to the lawyer's craft is what allows this kind of achievement.

This was made possible in no small part by Dennis Wieczorek, who suddenly passed away this summer. As a lawyer, he exemplified all those things. But this is only one small aspect of the man. Dennis will be remembered for leading that world-class practice, but he will be remembered also for his keen wit, outstanding humor and even-keeled, gentlemanly leadership style. He was the kind of person who made the world better for those around him.

I join many here at DLA Piper who are sad that he was taken from us so soon.

john.allcock@dlapiper.com

PATENT WARS: CAN THE ENERGY INDUSTRY AVOID THEM?

By Claudia Wilson Frost, Dr. Jeffrey Johnson and Penny Prater

With the technological advances and resultant surge in oil and gas production in the last few years, it is not surprising that the number of patents issued to energy companies has increased substantially. In 2012 alone, the world's three largest oilfield service providers (Schlumberger, Halliburton and Baker Hughes) secured a combined total of over 1,000 patents, more than double the number they received just a decade ago.[1] Approximately 250 of those patents mention "hydraulic fracturing," but the patents also cover other technologies, including drill bits, an array of downhole tools, and instrumentation and software.[2] In that year, the energy industry spent $7.2 billion on R&D in the United States.[3]

The growth of R&D budgets and the corresponding increase in the number of patents issued to energy companies will almost inevitably result in a rise in patent disputes between competitors in the energy sector. Some suggest the energy sector could be the site of the next "smartphone wars."

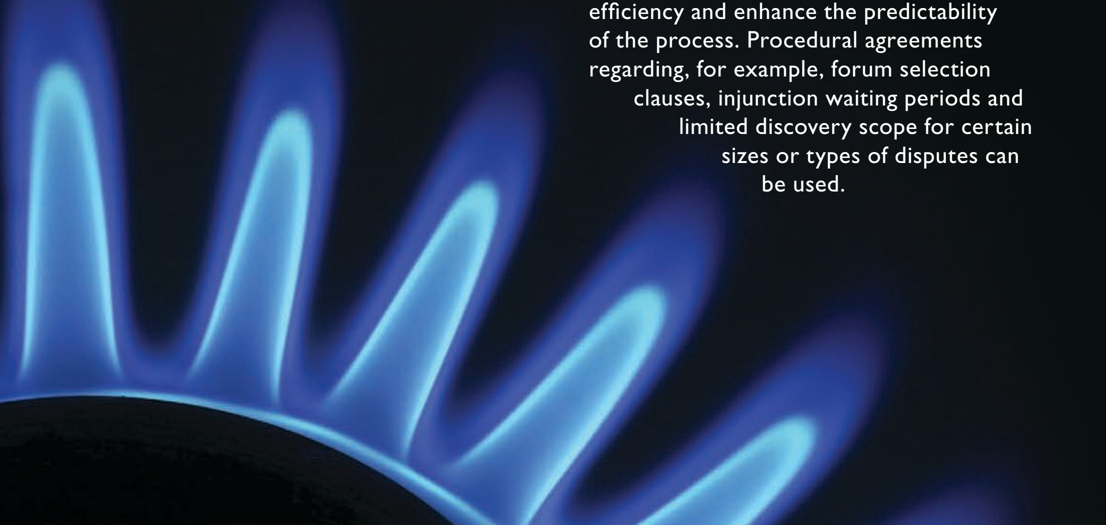
Patent suits between competitors pose substantial risks for both the patentee and the accused infringer. Competitors can seek lost profits and are much more likely to seek and obtain injunctions than NPEs. On the other side, an energy company that legitimately wants to protect its own IP will almost inevitably face infringement counterclaims, with all the attendant risks and costs of being a defendant.

These are not new issues for the energy industry. For many years the major oil companies have negotiated cross licenses and complex use agreements, reserving litigation as the last resort for resolving their disputes. But with the increase in the number of patents being issued, the enhanced value of the technology and the expanding number of stakeholders in the market, can the status quo be maintained? Or are we entering an age of energy patent wars?

Some major energy players have attempted to proactively navigate these challenges by entering into agreements that are intended to provide a fast and efficient framework for resolving future disputes. These agreements provide procedures for an amicable resolution of disputes at a business level, followed by mediation, and then arbitration if a compromise cannot be reached.

These types of agreements can broadly provide for resolution of past and future patent disputes or can be more narrowly focused on avoiding litigation through business negotiations and mediation with respect to particular patent portfolios, fields of use, products or market segments. Whether broadly drawn or narrowly tailored, this approach maximizes flexibility if disputes cannot be resolved, but requires the parties to act reasonably and in good faith (and to be perceived as doing so).

If litigation cannot be prospectively avoided by agreement, it is possible to increase the efficiency and enhance the predictability of the process. Procedural agreements regarding, for example, forum selection clauses, injunction waiting periods and limited discovery scope for certain sizes or types of disputes can be used.



Finally, the best defense is often a good offense. Having a national or global patent acquisition and enforcement strategy in place is a prudent practice for most energy companies in the current environment. Indeed, if an energy industry patent war is inevitable, having a multi-front battle plan and a set of identified countermeasures in place can prove to be critical to victory. Guidelines and best practices developed from experience in global patent litigation in the energy and other sectors will be discussed in a future edition of this publication.

[1] https://www.bloomberglaw.com/patent_search (last visited Aug. 22, 2104).

[2] *Id.*

[3] *See* Battelle, 2014 Global R&D Funding Forecast at 28 (Dec. 2013).

Claudia Frost, partner and US Co-Chair of patent litigation, based in Houston, has nearly 30 years of experience in federal and state trials, arbitrations and administrative proceedings. Her most recent trial experience is in the area of IP, oil and gas, and product liability.

Dr. Jeffrey Johnson, a partner in the Patent Litigation group based in Houston, is the founder and editor in chief of patstats.org. Reach him at jeffrey.johnson@dlapiper.com.

Penny Prater, Of Counsel in the Patent Litigation practice, based in Houston, is experienced in IP matters in the energy sector, having worked for major oil companies as an engineer as well as a lawyer. Reach her at penny.prater@dlapiper.com.

SURVIVING A TRADEMARK OPPOSITION CHALLENGE:

DO YOU HAVE A TRUE "INTENT-TO-USE"? 5 KEY TIPS

By John Nading and Tom Zutic

Unlike the vast majority of jurisdictions around the world, under the US Trademark Act, only someone "who has a bona fide intention, under circumstances showing the good faith of such person, to use a trademark in commerce may request registration of its trademark on the principal register." Over the last year, the United States Trademark Trial and Appeal Board (TTAB) has issued two precedential decisions emphasizing this requirement and sustaining oppositions lodged against trademark applications based on a lack of bona fide intent to use the opposed mark in US commerce.

In the first decision, *Swatch AG v. M.Z. Berger & Co. Inc.*, 108 U.S.P.Q. 2d 1463 (T.T.A.B. 2013), a family-owned watchmaker and retailer based in New York filed an intent-to-use application to register the mark IWATCH for watches and clocks. Well-known watch manufacturer and retailer Swatch opposed the application, citing likelihood of confusion and lack of bona fide intent to use the mark in US commerce. The TTAB sustained Swatch's opposition, citing a lack of bona fide intent to use the mark in commerce.

Although the TTAB clarified that neither the controlling US statute (the Lanham Act) nor the TTAB's previous decisions have required the contemporaneousness of an applicant's documentary evidence in support of an intent-to-use application, the TTAB stressed the importance of presenting documentation showing a clear plan to develop products covered under the applied for mark: the "inquiry is not into applicant's subjective state of mind alone. Rather, evidence of circumstances bearing on intent 'is "objective" in the sense that it is evidence in the form of real life facts and by the actions of the applicant, not by the applicant's testimony as to its subjective state of mind." *Swatch*, 108 U.S.P.Q. 2d at 1471. In other words, an opposer establishes a prima facie case for lack of bona fide intent to use a mark when it can show that the applicant does not have any such documentation evidencing steps to use the mark in US commerce.

Similarly, in *Lincoln National Corporation v. Kent G. Anderson*, 110 U.S.P.Q. 2d 1271 (T.T.A.B. 2014) (made precedential Mar. 26, 2014), the TTAB noted that to survive an opposition challenge, an intent-to-use applicant must do more than merely reserve a right to the future use of a mark. The applicant, an individual, filed an intent-to-use application for the mark FUTURE under several classes, including the challenged Classes 35 and 36. In sustaining the opposition challenge to the applicant's mark, the TTAB reviewed deposition testimony, correspondence between the applicant and third parties on licensing and business development, the applicant's website, expenditures relating to the mark and claimed projects. The documents suggested the applicant had been unsuccessful in finding partners or licensees and lacked the capacity to use the mark on his own. Indeed, the TTAB found the "applicant's idealistic hopes for forming a futuristic company based on his FUTURE mark . . . do not suffice as the requisite Section 1(b) specific bona fide intention to use the mark in commerce . . . ." *Lincoln Nat'l,* 110 U.S.P.Q. 2d at 1277. As a result, the TTAB found the applicant could not have a realistic intent to use the mark in the challenged classes. Notably, the TTAB did not touch on the applicant's intent-to-use applications under the unopposed classes, narrowing the precedential value of the decision to applications facing opposition challenges only.

These decisions suggest five steps trademark applicants may wish to consider to protect themselves against opposition challenges based on lack of bona fide intent-to-use, set forth on the sidebar to the right.

John Nading, an associate in the IPT group based in Washington, DC, focuses on trademark and unfair competition, copyright and domain name, and related Internet matters. Reach him at john.nading@dlapiper.com.

Thomas Zutic, a partner in the IPT group based in Washington, DC, focuses on the selection, adoption and use of trademarks, domestic and international trademark prosecution and enforcement, and trademark portfolio management. Reach him at thomas.zutic@dlapiper.com.

1

CLEARLY STATE YOUR PURPOSE

An intent-to-use based application will have difficulty surviving an opposition challenge if the applicant's intended use for the mark is nebulous or overly broad. Both applicants in the cited cases expressed overly broad intents-to-use the proposed marks; their intents seemed theoretical at best. Clarity is key. Have a plan that can be clearly communicated to an outsider.

2

DEVELOP THE VISION EARLY

While documents supporting intent-to-use applications do not need to be contemporaneous, it is a good idea to begin developing plans for your mark as soon as possible. TTAB determinations in opposition challenges focus on the applicant's intent at the time of filing. The sooner an applicant can document its intent in the application process, the better.

3

MAINTAIN THOROUGH AND CLEAR RECORDS

The TTAB has shown it will review all relevant documentation to determine whether the applicant actually intended to use the mark at the time of filing. This includes, and is not limited to, emails, letters, expenditures, business plans, product development plans and licensing agreements.

4

BE CONSISTENT

In the cited cases, inconsistency in the applicants' visions contributed to the TTAB's decisions. Adapting a business plan for the products and services covered under a mark is acceptable and natural; however, it is important to then take practical steps to execute that vision.

5

USE SOCIAL MEDIA AND THE INTERNET WISELY

It is essential to control the information you disperse online. Present a clear, unified message and take care not to communicate information that detracts from the intent-to-use basis of your application.

SUBSTITUTION ALLOWED?

STATE BIOSIMILAR LAWS ARE EVOLVING

By Dr. Erica Pascal

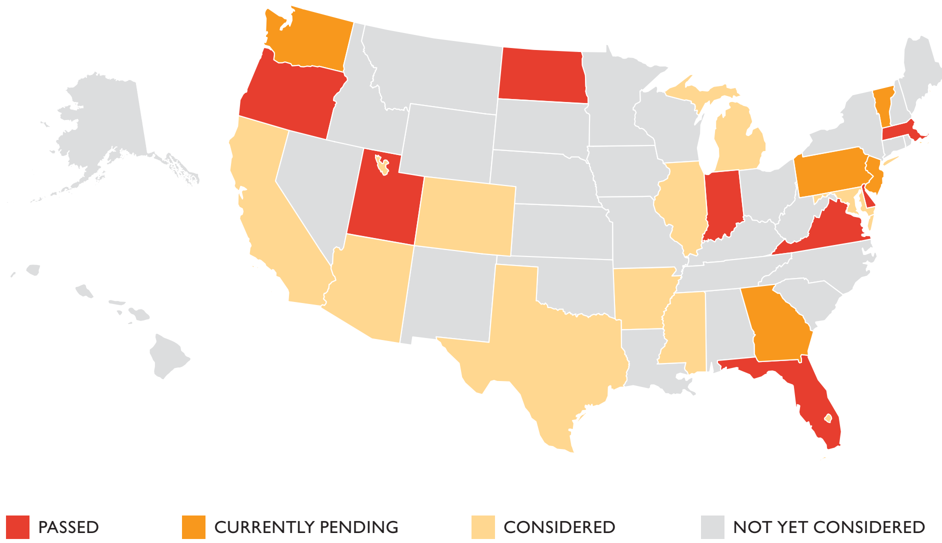
Biosimilar products have not yet reached the US market, but debates on the laws and regulations that will govern them have been raging for some time. It isn't just federal law at issue. State law may have a profound impact as well. State law governs the ability of a pharmacist to make substitutions for a prescribed branded drug. Thus, at the end of the day, these laws impact the sales ratio of branded to generic drugs.

State laws governing the substitution of generic versions of small molecule (chemical) drugs primarily divide into two categories: permissive and mandatory. Under permissive regulations, a pharmacist may substitute the generic version, whereas under mandatory laws, the pharmacist must make the substitution if a generic version is available. Both types of laws allow the prescriber to prohibit generic substitution with a "do not substitute" or similar indication on the prescription.

Currently, only eight states have enacted biosimilar substitution laws (Delaware, Florida, Indiana, Massachusetts, North Dakota, Oregon, Utah and Virginia). All these laws are of the permissive type – even where the same state requires mandatory generic substitution for small-molecule drugs, as in Florida. Many newly enacted laws also include provisions that further restrict the substitution or place additional requirements on the pharmacist. For example, Indiana only allows a biosimilar substitution if the prescriber writes "may substitute" on the prescription. Utah, North Dakota and Oregon all require the pharmacist to notify the prescriber of the substitution within one to three days (although, ironically, Utah's notification provision expires in May 2015, likely before the first biosimilar enters the US market). Notification provisions have attracted considerable attention. Some organizations claim these provisions will result in fewer substitutions, a hypothesis based on the effect pre-dispensation notification requirements had on the substitution of epilepsy drugs in some states.

An additional 13 states have considered or currently have legislation pending to govern biosimilar substitution, including Georgia, New Jersey, Pennsylvania, Washington and Vermont, which have newly introduced legislation or bills under active consideration. While many state efforts have faced an uphill battle, surprisingly, Washington state's efforts have garnered support from both the branded biologic and biosimilar manufacturers. The proposed legislation would require a written prescription form to show two choices – "dispense as written" and "substitution permitted" – with the prescriber indicating by signature the intended choice. The pharmacist would then have 10 days post-dispensation to notify the prescriber of the substitution. This notification can use an interoperable health records system shared with the prescriber if the system is available.

THE STATUS OF STATE BIOSIMILAR LAWS



Currently, only eight states have enacted biosimilar substitution laws (Delaware, Florida, Indiana, Massachusetts, North Dakota, Oregon, Utah and Virginia).

In addition to the ongoing debates on substitution legislation, another related debate continues to brew – the naming of biosimilars. With current small-molecule drugs, pharmacists are generally permitted to make substitutions for a generic with the same active ingredient, such as those listed as a pharmaceutical equivalent in the FDA's Orange Book and which carry the same United States Adopted Names (USAN) or International Nonproprietary Name (INN). Biosimilars may not easily conform to this system because it is still undetermined if they will carry the same USAN/INN as their branded counterparts.

Unlike small-molecule generic drugs, biosimilar drugs need only be "highly similar" rather than identical to the branded version. Biosimilars may differ, for example, in post-translational modifications to the protein that is the drug's active ingredient (i.e., modifications to chemical groups that are attached to the protein when it is produced by living cells). Accordingly, differently modified proteins may receive different USAN/INN designations.

The naming convention is likely to impact the rate at which biosimilars are substituted by pharmacists. For example, the American Medical Association recommends that prescriptions of current generic drugs contain the USAN assigned name for the drug. Under this recommendation, a biosimilar with a different USAN designation would not be listed on the prescription, making it less likely to be substituted. The Federal Trade Commission held a roundtable workshop on naming regulations in February 2014. While these hearings fleshed out the debate, no consensus has yet emerged.

Dr. Erica Pascal, a partner in DLA Piper's Patent Litigation practice, focuses on patent litigation in the life sciences sector. She has a Ph.D. in biochemistry from UC Berkeley and is based in San Diego. Reach her at erica.pascal@dlapiper.com.

TOP FRANCHISE FIRM

- RANKED THE ONLY TIER I FIRM FOR FRANCHISE AND DISTRIBUTION
  Chambers USA 2014 and *Chambers Global 2014*

- INTERNATIONAL FRANCHISE LAW FIRM OF THE YEAR FOR TEN CONSECUTIVE YEARS
  International Who's Who Legal 2014

- LAW FIRM OF THE YEAR FOR FRANCHISE LAW
  US News & World Report 2013

RICH GREENSTEIN NAMED US CHAIR OF DLA PIPER'S FRANCHISE AND DISTRIBUTION PRACTICE

Rich Greenstein, a transactional lawyer with more than 30 years of experience, is taking the helm of our leading Franchise practice. He represents clients across multiple industries involving franchise and distribution law, intellectual property, licensing and M&A. Rich has led the firm's Franchise and Distribution practice in the Southeast US and is a founding member of the firm's Atlanta office, which opened in 2006. He also serves on the firm's Policy Committee and, besides the IPT practice, is a member of the Corporate and Private Equity practices. Earlier this year, Rich was recognized among *Franchise Times*' 2014 Dealmakers of the Year. You may reach Rich at rich.greenstein@dlapiper.com.

Ann Ford's picture of a typical Hong Kong street scene won INTA's photo contest

DLA Piper lawyers from Germany, UK, US and the Netherlands enjoying the view from Sevva.

DLA Piper lawyers Stacy Yuan (Beijing), Tom Zutic (US) and Rebecca Kay (UK) at our Sevva reception.

Gordon Chan (VP of Legal, Hyatt Asia Pacific) and Horace Lam (DLA Piper, Beijing) enjoy DLA Piper's client reception at Sevva.

INTA MEETS IN ASIA

More than 8,500 trademark practitioners from over 140 countries convened in Hong Kong this May for the International Trademark Association's 136th annual meeting – the first time this yearly event had ever convened in Asia. DLA Piper celebrated INTA throughout the week with a series of client events and trademark practice-related discussions and seminars.

In attendance were more than 30 DLA Piper lawyers from offices around the globe. Over 100 clients and friends attended a reception held at the highly acclaimed restaurant Sevva, featuring spectacular views of Hong Kong's harbor and glittering skyline – a great opportunity for participants from all over the world to meet, network and strengthen working relationships, and a way for us to show our appreciation for our clients.

Throughout the week, DLA Piper hosted several sector-focused events, including a Hospitality and Leisure Breakfast Seminar and a China Trademark Law Amendment Seminar, providing keen insight into the intricacies of China's 2013 trademark law reforms. DLA Piper's global Fashion and Retail Group held a gathering to discuss a range of industry and branding issues for retailers around the world, featuring colleagues from the US, Australia, Europe and Asia who spoke to these issues. DLA Piper also hosted a luncheon for its women trademark practitioners.

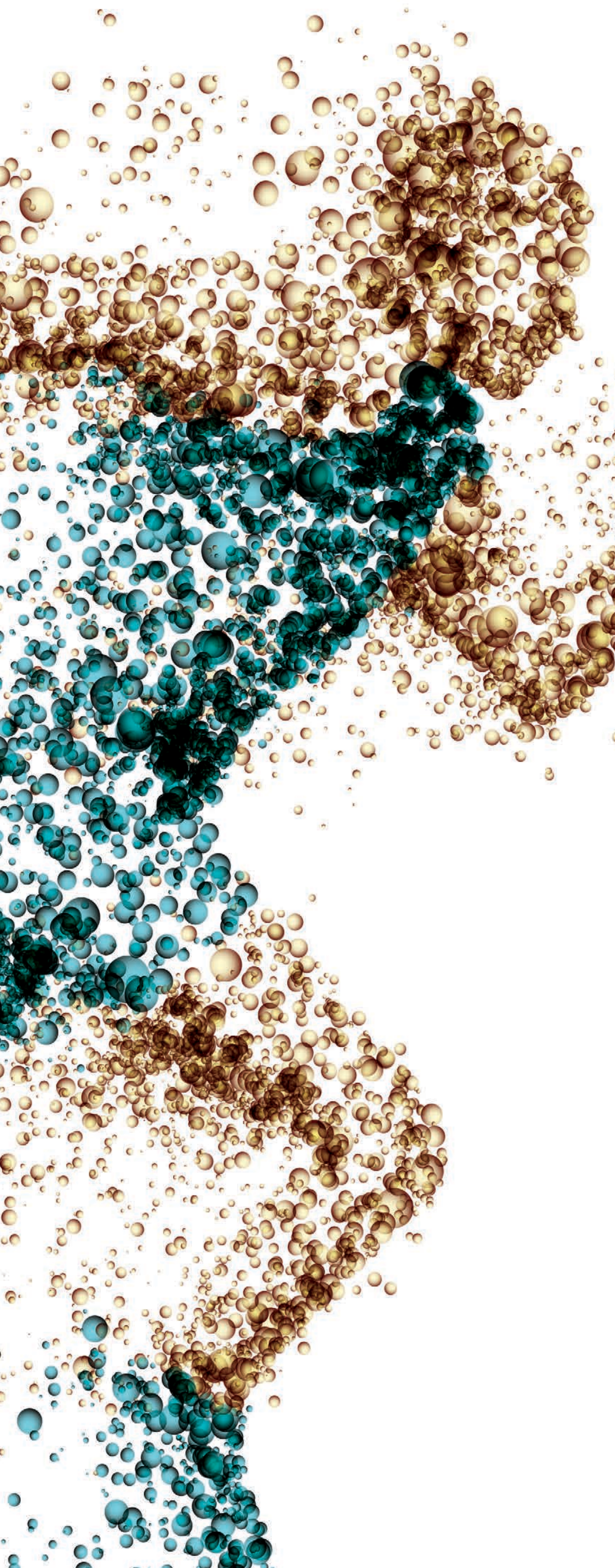
Social media, counterfeiting, and the development of trademark protection and enforcement in Asia were among other hot topics discussed at INTA. DLA Piper joined representatives from FIFA and VISA as presenters at a panel session on the essentials of managing a worldwide trademark portfolio.

Notably, a record number of representatives from more than 40 of the world's governmental intellectual property offices attended the annual meeting, providing our attendees with opportunities to better understand and discuss issues surrounding international trademark practice.

TOP TRADEMARK FIRM

DLA Piper ranked #4 nationally, with more US registrations issued than any other general practice law firm.
– IP Today, 2013

DLA Piper women trademark lawyers from nine countries gathered for a luncheon in Hong Kong.



SUPREME COURT CORNER

RECENT DECISIONS CASES TO WATCH

Nautilus, Inc. v. Biosig Instruments, Inc.
Patent: Decided: June 3, 2014

Holding: In a unanimous (9-0) opinion authored by Justice Ruth Bader Ginsburg, the Court held that the Federal Circuit's indefiniteness standard bred "lower court confusion" because it "lack[ed] the precision § 112, ¶2" demands.

The Federal Circuit has consistently held that § 112, ¶2 of the Patent Act, requiring that patent claims particularly point out and distinctly claim the subject matter of the invention, is satisfied, and a claim is not invalid as indefinite, so long as the claim is "amenable to construction," and is not "insolubly ambiguous." *See, e.g., Datamize, LLC v. Plumtree Software, Inc.*, 417 F.3d 1342, 1347 (Fed. Cir. 2005).

Finding this standard "can leave courts and the patent bar at sea without a reliable compass," the Court held that "insolubly ambiguous" lacked precision. The Court read "§112, ¶2 to require that a patent's claims, viewed in light of the specification and prosecution history, inform those of ordinary skill in the art about the scope of the invention with reasonable certainty." In the Court's view, the new "reasonable certainty" standard "mandates clarity, while recognizing that absolute precision is unattainable."

Many in the patent bar are reading *Nautilus* as lowering the standard for proving indefiniteness. But how will invalidity be shown under the new standard? *Nautilus* requires an accused infringer to show a person of ordinary skill cannot be "reasonably certain" about a claim's definition, inviting a court to make a factual determination of what is "reasonable" when construing the claim. If fact-finding on invalidity is involved, the question then becomes whether an accused infringer must prove those facts by "clear and convincing evidence."

Limelight Networks, Inc. v. Akamai Techs., Inc.

Patent: Decided: June 2, 2014

Holding: Induced infringement requires proof of an underlying direct infringement. A method claim, the Court found, is directly infringed when one either completes each step or directs or controls each step's performance.

Induced infringement, under § 271(b) of the Patent Act, requires a finding of a predicate direct infringement under § 271(a). The Court found that the *en banc* Federal Circuit misapplied this rule by failing to apply (or reconsider) the Federal Circuit's own precedent in *Muniauction, Inc. v. Thomson Corp.*, 532 F.3d 1318 (Fed. Cir. 2008) and thus reversed.

Limelight, the respondent and accused infringer, performs all but one step of the patented method claim, the "tagging" step, which Limelight's customers may perform. On behalf of a unanimous (9-0) Court, Justice Samuel B. Alito reasoned that induced infringement requires an underlying direct infringement. Without deciding the accuracy of the Federal Circuit's *Muniauction* decision, he reasoned there can be no indirect infringement when "the performance of all the patent's steps is not attributable to any one person." *Muniauction* instructs there was no direct infringement; thus, there was no indirect infringement.

Commentators are touting this decision as a deterrent to non-practicing entities, which may bring induced infringement claims without being able to prove the elements of *Muniauction*. The question then becomes whether the Federal Circuit (or the Supreme Court, given the opportunity) will revisit the *Muniauction* standard for direct infringement.

Teva Pharmaceuticals USA, Inc. v. Sandoz, Inc.

Patent: Argument: October 15, 2014

Issue: Whether a district court's factual finding in support of its construction of a patent claim term may be reviewed *de novo*, as the Federal Circuit requires, or only for clear error, as Federal Rule of Civil Procedure 52(a) requires.

Kimble v. Marvel Enterprises, Inc.

Patent licensing: Cert. Pending

Issue: Whether the Supreme Court should overrule *Brulotte v. Thys Co.*, which held that "a patentee's use of a royalty agreement that projects beyond the expiration date of the patent is unlawful *per se*."

American Broadcasting Companies, Inc. v. Aereo, Inc.

Copyright: Decided: June 25, 2014

Holding: Aereo's system, which receives over-the-air television broadcasts and allows users to record them for later playback, publicly performs the programs and, thus, violates the Copyright Act.

The Court's majority (6-3) opinion, authored by Justice Stephen Breyer, found that Aereo provides a product similar to that of community antenna television (CATV) providers. Because Congress amended the Copyright Act so that CATV transmissions are public performances, and thus subject to copyright protection, Aereo's devices also fit within this definition. The dissent, authored by Justice Antonin Scalia, posited Aereo does not "perform" anything and compared Aereo instead to a "copy shop that provides its patrons with a library card," permitting the user to select which publicly-available programs to record. Despite this disagreement, the dissent "share[d] the Court's evident feeling that what Aereo is doing . . . ought not to be allowed."

Two interesting questions remain. First, the Court's narrow holding leaves undecided whether other streaming or cloud-based systems infringe. Second, because the Supreme Court's opinion likened Aereo to a CATV system, Aereo now is seeking a compulsory license like those granted to cable systems under the Copyright Act. If successful, Aereo would have a complete defense to the copyright claims. For more on *Aereo*, see the recent article by DLA Piper's Andrew L. Deutsch, Melissa A. Reinckens and Marc E. Miller: www.dlapiper.com/en/us/insights/publications/2014/07/following-loss/

Cisco Systems, Inc. v. Commil USA, Inc.

Patent: Cert. Pending

Issue: Whether, and in what circumstances, the Seventh Amendment permits a court to order a partial retrial of induced patent infringement without also retrying the related question of patent invalidity.

Commil USA, LLC v. Cisco Systems, Inc.

Patent: Cert. Pending

Issues: (1) Whether the Federal Circuit erred in holding that a defendant's belief that a patent is invalid is a defense to induced infringement under 35 U.S.C. § 271(b); and (2) whether the Federal Circuit erred in holding that *Global-Tech Appliances, Inc. v. SEB S.A.* required retrial on the issue of intent under 35 U.S.C. § 271(b) where the jury found the defendant had actual knowledge of the patent and was instructed that "[i]nducing third-party infringement cannot occur unintentionally."

Brian Biggs, an associate based in Wilmington, Delaware, practices in patent litigation, representing clients across many technical fields. Reach him at brian.biggs@dlapiper.com.

Stan Panikowski, a partner in DLA Piper's Patent Litigation group, co-leader of DLA Piper's Appellate practice and based in San Diego, focuses on IP, antitrust, appeals and other areas of business litigation. Reach him at stanley.panikowski@dlapiper.com.

Andrew N. Stein, an associate based in Washington, DC, focuses on defending operating companies against patent troll litigation in federal district courts. Reach him at andrew.stein@dlapiper.com.