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Legal Updates & News

Bulletins

Intellectual Property Quarterly Newsletter, Winter 2007

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Note from the Editors

In this issue of our Intellectual Property Quarterly Newsletter, we look at one aspect of the pending Patent Reform Act, the proposed changes to the "entire market value" rule that can be applied in some circumstances to damages issues in patent cases. If any reforms like the current proposals are ultimately passed in 2008, there could be significant changes in the law relating to patent damages. We also address two recent decisions by the Federal Circuit that appear to narrow the scope of patentable subject matter. Finally, we review a recent decision by the Second Circuit regarding retroactive copyright licensing that could have a broad impact on copyright licensing generally.

As the law evolves, including the fallout from the two recent Supreme Court decisions impacting patent litigation—*eBay* (injunctions) and *KSR* (obviousness)—we will continue to offer guidance on where the law is going. We hope you find the Morrison & Foerster Intellectual Property Quarterly Newsletter helpful in keeping you abreast of developments in intellectual property law.

The Narrowing of Patentable Subject Matter by the Federal Circuit: *In re Nuijten* and *In re Comiskey*

By Richard Kim and Katherine Parker

Until very recently, the scope of patentable subject matter under the Patent Act encompassed four categories – process, machine, manufacture, or composition of matter. These were broadly construed to encompass just about anything manmade. However, with the *In re Nuijten* and *In re Comiskey* opinions, explained and compared in this article, the Federal Circuit substantially narrowed what was previously thought to be within the purview of 35 U.S. C. § 101. The Federal Circuit held that a business method, if not combined with a machine, is not patentable, and that a signal, on its own, is similarly not patentable. These decisions create three new conditions for patentability not previously recognized by case law: a "technological arts" requirement, a "non-

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transience requirement, and a "tangibility" requirement.

Click here to read the full text of this article.

Second Circuit Says No Retroactive Copyright Licensing
By Craig Whitney

In the *Davis v. Blige* case, discussed in depth in this article, the Second Circuit ruled that all retroactive copyright transfers and licenses are invalid. While the decision seems sound under the facts of this case, its broad conclusions could have far-reaching effects in the copyright licensing world.

Click here to read the full text of this article.

News & Notes on Reexaminations
By Marc D. Peters

Reexamination requests are increasing at an impressive rate, given the Supreme Court's decision in *KSR v. Teleflex*, wherein the Court expanded the obviousness inquiry beyond the Federal Circuit's teaching-suggestion-motivation (TSM) test. This article explores the importance of the *KSR* decision and it's growing impact. While clients and litigators are obviously more comfortable with the reexamination process, they must pay very close attention to how the PTO handles the administrative challenge of the increase in reexamination requests.

Click here to read the full text of this article.

***eBay* Scorecard**
By Angela Rella

On May 15, 2006, the Supreme Court changed the landscape of patent cases by striking down the Federal Circuit's long-standing rule that courts will issue permanent injunctions against patent infringement absent exceptional circumstances, and holding that "the traditional four-factor framework that governs the award of injunctive relief" applies to patent cases. *eBay Inc. v. MercExchange, L.L.C.*, 126 S. Ct. 1837, 1841 (2006) ("*eBay*"). The Supreme Court stated that "the decision whether to grant or deny injunctive relief rests within the equitable discretion of the district courts, and that such discretion must be exercised consistent with the traditional principles of equity, in patent disputes no less than in other cases governed by such standards." *Id*.

We began tracking courts' application of *eBay* in the spring 2007 inaugural edition of our Intellectual Property Quarterly Newsletter. This third installment of our "*eBay* Scorecard" tracks the application of such discretion by the district courts, and the review for abuse of that discretion by the Federal Circuit, through September 30, 2007. Included in this quarter's count is the district court's decision on remand in *eBay*. The district court applied the four-factor framework set forth by the Supreme Court and denied the injunction. We hope that you find this chart helpful.

	Plaintiff Practices Invention?		**Infringing Use Limited to Minor Component?**		**Injunction Would Cause Public Harm?**	
	Y	**N**	**Y**	**N**	**Y**	**N**
Total **(July 1, 2007 through September 30, 2007)**						
Injunctions Granted (5)	3	0	0	1	0	1

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Injunctions Denied (1)	0	1	0	0	0	1
Cumulative Total (May 15, 2006 through September 30, 2007)						
Injunctions Granted (26)	17	1	0	5	0	17
Injunctions Denied (8)	1	5	2	2	3	1

The Patent Reform Act: Reining in the Entire Market Value Rule?
By Marc Pernick and Chris Jeu

This article focuses on one potential change, as a result of the passage of H.R. 1908 by the House and the pending S. 1145 in the Senate. The authors examine the state of existing law on the "entire market value rule" of damages, review the changes in the pending legislation, describe the advocates lobbying on the proposal, and try to predict what will result if the legislation in its current form passes.

Click here to read the full text of this article.

Awards and Top Honors

On November 8, Chambers & Partners named the firm as a Top 3 finalist for both the **Global Intellectual Property Law Firm of the Year** and **Global Law Firm of the Year** awards. The award is recognition for the IP practice's exceptional work around the world in all areas of IP law. Click on this link to read about the award: http://www.chambersandpartners.com/img/awards/GlobWinners2007.pdf.

The Condé Nast business publication, *Portfolio.com*, named **Harold McElhinny** to its 2007 list of **Top 10 U.S. Patent Litigators**. The article calls attention to Mr. McElhinny's list of clients, including EchoStar, and reputation "for his independent judgment." This is the latest honor presented to Mr. McElhinny, who earlier this year was inducted as a fellow into the **American College of Trial Lawyers**. Click on this link to read the full article: http://www.portfolio.com/resources/business-intelligence/Best-Patent-Litigators.

From the Docket

Software Industry Abuzz over Widely Watched Copyright Case *SCO v. Novell*

On Friday, August 10, 2007, a Morrison & Foerster team obtained summary judgment for **Novell** before Judge Dale Kimball in Federal District Court in Utah. The court ruled that Novell is the owner of the UNIX and UnixWare copyrights, and that SCO was obligated to recognize Novell's waiver of SCO's claims against IBM. In 2003, SCO claimed that Linux was an illegal knockoff of the UNIX operating system, which SCO had purchased from Novell. This ruling disposes of that claim. *The Wall Street Journal* described the ruling as "a boon to the 'open source' software movement...that has become an alternative to Microsoft Corp.'s Windows operating system." Novell still has claims pending regarding SCO's alleged failure to comply with the asset purchase agreement, entering into UNIX licensing agreements without Novell's permission, and royalties owed from those agreements. The team was led by **Michael Jacobs** and **Kenneth Brakebill**, along with **Eric Acker**, **Marc Pernick**, **Grant Kim**, and **David Melaugh**.

White v. Hitachi **Winds Down After Summary Judgment and Reexamination Opinion**

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Morrison & Foerster obtained a summary judgment ruling in the Eastern District of Tennessee on September 17, 2007, for **Hitachi Global Storage Technologies** (Hitachi GST) in a patent suit involving disk drive technology. The firm represented Hitachi Ltd. in its 2002 acquisition of a controlling interest in IBM's disk drive business, now renamed Hitachi GST. Hitachi Ltd. contributed its disk drive business to Hitachi GST in March 2003. Plaintiff White filed suit for infringement of his 519 patent in 2004, alleging that IBM's license terminated as a result of the Hitachi transaction. In 2005, the case was stayed pending reexamination of the patent, except for litigating Hitachi GST's license defense. On September 17, 2007, the court granted Hitachi GST summary judgment due to a valid license. Then on October 2, 2007, the PTO issued a final rejection of the more than 100 claims in patent, which had been through a previous reexamination. The team of IP litigators was led by **Andrew Monach** and **Kathy Vaclavik**. **Kenneth Siegel** and **Paul Jahn** headed the corporate and IP licensing transactions.

A Fixture at the ITC

2007 has been a busy year for the firm's ITC practice. In October, the firm filed a patent-related investigation with the ITC on behalf of complainants **Funai Corp**. and **Funai Electric Co.** The case (337-TA-617) involves Digital Television technology patented by Funai. The experienced team of ITC litigators includes partner **Brian Busey** and associates **John Kolakowski** and **Teresa Summers** from the firm's Washington D.C. office, partner **Harold McElhinny** from the San Francisco office, partner **Karl Kramer** from the Palo Alto office, partners **Anthony Press** and **Hector Gallegos** and associate **Nicole Smith** from the Los Angeles office, and partners **Moto Araki**, **Mark Danis** and **Louise Stoupe** from the Tokyo office. This latest action is the third ITC case the firm became involved in this year. The firm is presently handling two other ITC cases. In the first investigation, we represented complainants **Toshiba Corporation** and **Toshiba America Consumer Products LLC** (337-TA-2568) in a matter involving DVD technology against 17 Chinese manufacturers and U.S. distributors of DVD players and recorders. In the second investigation, we represented respondent **Sanyo** (337-TA-600) in a matter involving lithium-ion battery technology.

Broad Technical Talent on Display in the Eastern District of Texas

Clients have long known Morrison & Foerster's IP practice has the expertise to handle matters involving any technology. And if the venue is the Eastern District of Texas, clients know Morrison & Foerster is the firm to call. This year alone, Morrison & Foerster has been retained as counsel in over two dozen cases in the Eastern District of Texas. This speaks to our strong reputation in that influential venue. We highlight two new Eastern District of Texas cases for which we've been retained as counsel this fall, as well as two cases in other jurisdictions.

We currently represent Yahoo! in a patent infringement suit filed by Performance Pricing in the Eastern District of Texas. The case (*Performance Pricing v. Google, Yahoo!, et al.*) involves Internet advertising technology. Morrison & Foerster partners **Michael Jacobs** and **Richard Hung** along with associate **Jeremy Bock** make up the litigation team.

In November, the firm filed a patent infringement lawsuit (*Novartis Vaccines v. Hoffman-LaRoche, et al*.) on behalf of **Novartis Vaccines** against Hoffman-LaRoche in the Eastern District of Texas. Novartis contends Hoffman-LaRoche and the other defendants are willfully infringing a Novartis patent entitled "Antigenic composition comprising an HIV gag or env polypeptide" by making and selling the drug Fuzion in the United States. Novartis is seeking compensatory and treble damages in addition to a jury trial. Leading the San Francisco–based litigation team are Morrison & Foerster partners **Rachel Krevans**, **Matthew Kreeger**, and **Jason Crotty**, and associates **Daniel Muino** and **Amy Dachtler**.

In other jurisdictions, this month the firm filed a patent infringement suit on behalf of clients **Fujitsu Limited** and **U.S. Philips Corporation** in the Western District of Wisconsin, said to be a new rocket docket. The case, *Fujitsu Limtied et al v. Netgear, Inc.* covers inventions essential to the IEEE 802.11 standard ('WiFi').

Within the same week, we filed another patent infringement suit on behalf of plaintiff **Accenture**, *Accenture v. Guidewire*, in the District of Delaware. This matter concerns software patents that allow insurance companies to better manage and implement their claims processing. This is the first patent infringement suit Accenture has filed. The team handling both matters will be led by **Jim Pooley** and **Scott Oliver**.

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