

When multiple parties are involved in completing the steps of a method, the patent on that method is directly infringed only if one party controls the entire process.

The U.S. Court of Appeals for the Federal Circuit held in *Muniauction v. Thomson Corp.* that the combined actions of multiple parties are not enough to demonstrate direct infringement of a method claim unless one of the parties exercises control over the entire process.

Muniauction decision clarifies joint infringement of a method

“Traditionally, infringement required that all the acts of a method be performed by a single entity, but that there could be joint infringement when parties acted in unison,” says Eley Thompson, a member in LVM’s Chicago office. “With this decision, the court has clarified the body of patents out there that include method claims requiring activities of multiple parties. There must be a control relationship among them to support a direct infringement.”

Muniauction involves an online system in which bidders for financial services enter their bids and an auction company

receives the data and determines the successful bidder. The claim at issue required multiple classes of people to execute all the steps in the process: the bidders and the auction company.

“Especially in the computer area, the person who actually performs the various tasks of a method is important,” says Wes Mueller, a member in LVM’s Chicago office. “The *Muniauction* case is not necessarily a narrowing of patent rights; it is a clarification of an area of law that had not been so clearly defined.”

Still, Thompson says, the decision could affect existing computer software method patents if they contain poorly drafted claims.

“Patents that have method claims requiring activities of multiple parties that do not control each other may be challenged,” he says. “And, as this case indicates, that may result in findings of no infringement.”

Mueller and Thompson agree, however, that claims can be structured to avoid such issues.

“If the claim at issue in the *Muniauction* patent had been written to require that the auction company perform the various steps, rather than both the auction company and the bidders, it may have been easier to demonstrate direct infringement,” Mueller says.

Adds Thompson, “The upshot is that the quality of claim drafting has a fundamental and dramatic effect on how valuable the patent is.”

American Century case provides valuable lessons

The Federal Court of Appeals for the Fifth Circuit recently found that defendants' use of "American Century" for non-standard automobile insurance created a likelihood of confusion under federal law and a likelihood of dilution under the Texas Anti-Dilution Act, where plaintiff uses the "American Century" mark for mutual funds and other financial services.

The case came before the Fifth Circuit on defendant's appeal of the Southern District of Texas' grant of summary judgment in favor of the plaintiff. The Fifth

Circuit affirmed summary judgment. LVM represented the plaintiff in this matter.

The case, *American Century Proprietary Holdings, Inc. v. American Century*

American Century provides lessons for trademark attorneys and for companies working to protect their trademark rights.

Casualty Co. et al., is of particular interest because few courts have addressed the issue of whether insurance products and financial products are similar for purposes

of trademark infringement analysis, even though many companies offer both types of products under the same brand name.

"The defendants argued that summary judgment is not a proper remedy in trademark cases, because likelihood of confusion is a question of fact," says Mark Liss, a member in LVM's Chicago office. "But the appellate court reaffirmed that summary judgment is a viable tool in trademark cases."

The Fifth Circuit's ruling also reaffirmed the value of seemingly routine trademark protection activities.

continued on page 3

Egyptian Goddess decision strengthens design patents

In a decision that both strengthens design patents and makes it easier to determine whether they have been infringed, the Court of Appeals for the Federal Circuit in September abolished an explicit point-of-novelty test for infringement of design patents.

"What used to be a very difficult test has become simpler as a result of the *Egyptian Goddess* ruling," says Charles Mottier, a member in LVM's Chicago office. "It is a big case for design patents."

The unanimous decision, issued in an en banc rehearing of *Egyptian Goddess v. Swisa Inc.*, which involved the design of a nail buffer, returned determination of design patent infringement to the "ordinary observer" test that has been used since 1871. That test, arising from the seminal *Gorham v. White* case, asks whether two designs are similar enough that an ordinary observer — or buyer — would be deceived into believing they were the same.

To the ordinary observer test, the Federal Circuit added a second test in 1984, with its ruling in *Litton Systems v. Whirlpool*. That decision held that no matter how similar two items looked, there was no infringement unless an accused item incorporated the point-of-novelty that distinguished the patented item from the prior art. The *Litton Systems* decision raised difficult questions: If there were several points of novelty, did they all have to have been misappropriated? What if the point of novelty was in the specific combination of known design elements?

Those questions will no longer arise explicitly, because the court said in *Egyptian Goddess* that it is possible to reach the same conclusions generated by the point-of-novelty test while staying within the parameters of the ordinary observer test — with one addition.

"The ordinary observer test requires a comparison between the accused design

and the patented design, and then a consideration of the prior art if additional analysis is required," says John Augustyn, a member in LVM's Chicago office. "It's almost a three-way comparison."

Another clarification from *Egyptian Goddess* is that the claim construction for design patents does not require a detailed verbal description of the claimed design.

"Design patents protect how something looks, and they use drawings to show that," Augustyn says. "District courts were attempting to provide detailed verbal descriptions of claimed designs during claim construction — similar to that used for utility patents — but with this ruling, the Federal Circuit recommended against a detailed verbal description for design patents."

In sum, says Mottier, "The overall effect of *Egyptian Goddess* is to strengthen design patents, because the case clarifies the presentation required to demonstrate infringement."

Broadcom decision upholds validity of attorney opinions

Notwithstanding its 2007 opinion in *In re Seagate Technology*, the U.S. Court of Appeals for the Federal Circuit has ruled that the standard for establishing intent with regard to indirect patent infringement is unchanged, and opinion-of-counsel evidence remains a relevant consideration in assessing whether an accused infringer induced another to directly infringe.

In its decision in *Broadcom Corp. v. Qualcomm Inc.*, the court reaffirmed its position that although opinions from attorneys are not required to defend against allegations of indirect infringement, juries may consider lack of such opinions in deliberating whether someone knowingly infringed a patent.

“The *Seagate* decision seemed to suggest there was no longer a need for

legal opinions, but that was not the court’s intention,” says Michael Hartmann, a member in LVM’s Chicago office. “I would argue, in fact, that opinions are essential just as a matter of good business risk management, but also to help determine a defense or alternative strategy once you’re charged with knowledge of a patent.”

Indeed, the *Qualcomm* decision turned on the absence of an attorney’s opinion. Although *Qualcomm* said it had obtained opinions on the validity of the patents at issue in the lawsuit, it did not waive attorney-client privilege with respect to the opinions, meaning they could not be introduced in court.

“There are valid reasons not to waive privilege on opinions, such as if the opinion differed from the defenses presented at trial,” says David Airan, a member in LVM’s Chicago office. “But

if an opinion is soundly based on a full understanding of the project and prior art, it can be wrong without bad faith. Even if an attorney’s opinion is different from that of the court or the jury, the client may have relied in good faith on the patent attorney’s advice.”

Conversely, opinions based on less-than-candid information or that fail to thoroughly investigate the charge of patent infringement can be counterproductive.

“In sum, companies want to be aware of the risks they are undertaking in developing new products,” says Hartmann. “It just makes good sense to review the patent and trademark landscapes before going to the trouble and expense of development. With *Broadcom*, the Federal Circuit has made it clear that attorneys’ opinions are a valuable part of that landscape.”

Bilski shifts focus on business method patents

The U.S. Court of Appeals for the Federal Circuit has clarified how courts will determine whether business method claims are eligible to be patented, modifying its 1998 *State Street Bank* decision in the process.

In a long-awaited en banc opinion in *In re Bernard L. Bilski and Rand A. Warsaw*, the court said the only test of patent eligibility for method claims is the machine-or-transformation test first articulated by the U.S. Supreme Court

in 1972 in *Gottschalk v. Benson*. The court specifically discounted other tests, including the technological arts test and the *State Street Bank* “useful, concrete, and tangible result” test that courts had also used.

“Our experience is that the U.S. Patent & Trademark Office has been applying this test for some time,” says Steven Petersen, a member in LVM’s Chicago office. “With *Bilski*, the Federal Circuit is really just endorsing that. But

the decision definitely leaves unanswered some key questions on how to meet the standard, and there are some qualifiers that are a little vague. Still, case law to come will probably sort things out in relatively short order, and the decision is not an insurmountable barrier to obtaining business method patents.”

Two judges concurred in the decision; three others dissented.

American Century

continued from page 2

“Because the plaintiff in this case had filed an ‘intent-to-use’ application before either party began using the trademark in commerce, the issue of priority was removed from the case,” says Tamara Miller, a member in LVM’s Chicago office. “Priority can be pivotal in trademark cases, so companies are well-advised to file intent-to-use applications as soon as they select trademarks.”

“The *American Century* decision also demonstrates the importance of considering all available claims,” adds Caroline Stevens, a member in LVM’s Chicago office. “In this case, the plaintiff’s claim for dilution based on a Texas state statute was successful. State dilution claims should not be overlooked in trademark litigation,

because it is often easier to satisfy those elements than to satisfy the elements of a federal dilution claim, or even an infringement claim.”

In sum, the *American Century* case provides lessons for trademark attorneys and for companies working to protect their trademark rights.

LVM Announces

In recognition of her contributions to Leydig, Voit & Mayer, **Caroline L. Stevens** has become a member of the firm. A resident in the Chicago office, her practice is focused on trademark, copyright, Internet, unfair competition issues, and related litigation.

Chicago

The following attorneys have become associated with the firm:

Emer L. Simic received a bachelor's degree in natural sciences in 2001 and a master's degree in philosophy in 2002 from the University of Cambridge in England. She also received a barrister-at-law degree in 2006 from the Honorable Society of Kings Inns (Ireland). She worked as a law clerk for Leydig, Voit & Mayer in 2007, while earning her law degree from Chicago-Kent College of Law in 2008.

Christopher K. Leach received a bachelor's degree in chemical engineering, *with honors*, from Washington University in St. Louis and a bachelor's degree in chemistry from Saint Louis University in 1994. He received his law degree, *cum laude*, from the University of Illinois College of Law in 2008. He is a member of the American Institute of Chemical Engineers and the American Chemical Society.

Washington, D.C.

Joseph G. Contrera, who has been in private practice for 10 years and spent the past five years at an IP boutique located in Washington, D.C., joins Leydig, Voit & Mayer as counsel, resident in the Washington, D.C. office. He will focus on patent prosecution; patent and license litigation; FDA and regulatory matters; and technology transfer and licensing in the areas of chemistry, biotechnology, and medical devices.

Before entering private practice, Joseph was a licensing specialist at the National Institutes of Health (NIH). At the NIH, he negotiated licensing and technology transfer deals with the private sector and academia, for which he received the NIH Award of Merit. Before joining the NIH, he was a biologist at the FDA, where he received a Group Recognition Award for work related to analytical methods development.

Joseph received a bachelor's degree in biochemistry from the University of Maryland in 1985, a master's degree in cell biochemistry and pharmacology from Hood College in 1987, and a law degree from American University in 1995.

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