



CORPORATE GIANTS PLUNGE INTO IMPORTANT IP CASES

GOOGLE, MICROSOFT GO TO COURT TO LITIGATE PATENT, TRADEMARK ISSUES

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The docket for high courts is packed with cases that will have an impact on intellectual property owners in 2011 and beyond. This is a brief review of the highest profile cases, touching on issues from the intent requirement in patent infringement to deceptive advertising on search engines.

Global-Tech Appliances v. SEB S.A. Supreme Court

Intent requirement for inducement

Direct patent infringement is a strict liability tort. Liability extends to innocent infringers who had no knowledge that they were infringing.

On the other hand, indirect infringement has an intent requirement. There are two types of indirect infringement: (1) contributory infringement; and (2) active inducement of infringement. Active inducement requires a higher level of intent than contributory infringement. There is conflicting case law on the precise level of intent, and the intent to do what, that is required for liability as an active inducer.

In *Global-Tech*, the Supreme Court may define the standard for actively inducing patent infringement. The Federal Circuit had held that the standard is satisfied by a “deliberate indifference of a known risk” that infringement may occur. In a 2005 copyright case, however, the Supreme Court required “purposeful, culpable expression and conduct” to encourage infringement for liability

under the Copyright Act. *MGM Studios, Inc. v. Grokster Ltd.*, 545 U.S. 913 (2005).

Global-Tech may resolve whether the intent requirement can be subjective as suggested by the Federal Circuit’s “deliberate indifference” standard or must it be more objective as in copyright law.

Microsoft v. i4i Supreme Court Presumption of validity

The Patent Act states that a patent is presumed valid and that the burden of establishing invalidity rests on the party asserting invalidity. For about 30 years, the Federal Circuit has interpreted the law’s presumption of validity to require proof of invalidity by the higher “clear and convincing” evidence rather than the typical “preponderance of evidence” standard.

In *KSR International Co. v. Teleflex Inc.* (2007), the Supreme Court raised the issue of the appropriate level of deference to the U.S. Patent and Trademark Office even though that question was not before the Court. The *KSR* Court thought “it appropriate to note that the rationale underlying the presumption – that the PTO, in its expertise, has approved the claim – seems much diminished here” because the PTO did not have the relevant evidence before it.

Recent Supreme Court opinions demonstrate that the Court disfavors bright-line rules in patent cases. A context-driven rule may limit the presumption to art already



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cited or considered by the PTO. Prior to the creation of the Federal Circuit, the regional Courts of Appeal applied the presumption only where the art had been considered previously. The Federal Circuit, in effect, continues this tradition by holding “the offering party is more likely to carry its burden of persuasion” when it offers prior art that the PTO did not consider. However, the Federal Circuit has held that the Patent Act’s instruction that a “patent shall be presumed valid” applies in all situations.

Given the language from *KSR*, and the Court’s recent history, the *i4i* Court may reject the bright line clear-and-convincing standard for all invalidity challenges. If so, we expect applicants to flood the PTO with prior art from entire classes of technology.

Therasense v. Becton Dickinson Federal Circuit Inequitable conduct

Anyone involved in applying for a patent has a duty of candor in dealing with the PTO. As part of this duty of candor, applicants have a duty to disclose any information known to them that would be material to the patentability of the claims.

A patent may be rendered unenforceable for inequitable conduct if an applicant, with intent to mislead or deceive the examiner, fails to disclose material information or submits materially false information to the PTO during prosecution.

Despite the harsh penalty, the rules surrounding inequitable conduct are anything but clear and predictable. For example, there is no clear definition of materiality nor of intent to deceive. Given the lack of clear guidance from the courts, patent practitioners have resorted to disclosing everything they can think of while volunteering nothing about the disclosed information. Such a system does not improve the quality of issued patents.

The inequitable conduct defense has been called "an absolute plague" because it is so often pled but seldom proven. However, every accused infringer has no choice but to plead inequitable conduct because it provides an absolute defense even if an otherwise valid patent claim is infringed.

The full court of the Federal Circuit will rehear an inequitable conduct case,

Therasense, which has the potential to completely rewrite the law on inequitable conduct. Any clarity in this area of patent law would be very welcome to patent owners and practitioners. If the law also led to improved prosecution and the issuance of valid patents, then competitors and consumers would also benefit.

Rosetta Stone v. Google **Fourth Circuit Court of Appeals**

Trademark infringement by keyword ads

Google generates revenue by selling AdWords to the highest bidder. Whenever a user uses the AdWord as a search keyword, a sponsored link to the bidder's web site appears at the top of the search results page. Potentially, a competitor could use a permissible generic word such as "shoe" or an impermissible trademark such as "Nike."

To combat trademark infringement and counterfeiting, Google removes AdWords after receiving a complaint. Google has a team dedicated to preventing trademark infringement and counterfeiting. However, infringement still occurs.

Trademark owners complain that Google has set up a system that is condu-

cive to infringement. Google, they argue, profits by indirectly allowing infringement. A contributory trademark infringer is one who "intentionally induces another to infringe a trademark or continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement." *Inwood Laboratories Inc. v. Ives Laboratories Inc.*, 456 U.S. 844, 854 (1982).

Because Google cannot know who is selling counterfeit products, the district court held that Google did not possess the degree of specific knowledge necessary contributory infringement. Google was also not vicariously liable because it did not exercise joint ownership or control over the infringing product. Google sells ad space not products. The district court held: "This is no different than building owners in New York's Times Square who sell space for billboards."

In *Rosetta Stone*, the Fourth Circuit will have to decide whether a business that offers a legitimate service where infringement sometimes occurs possesses the requisite level of intent to be liable as a contributory infringer. ■

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