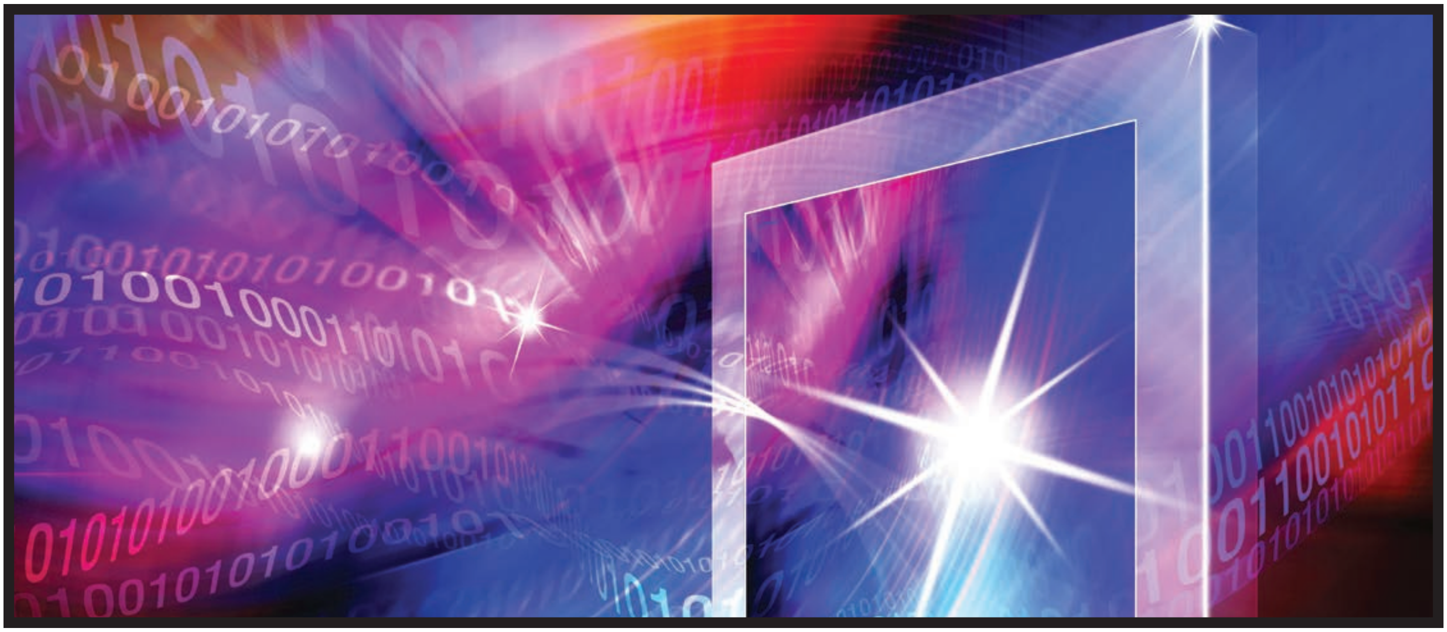
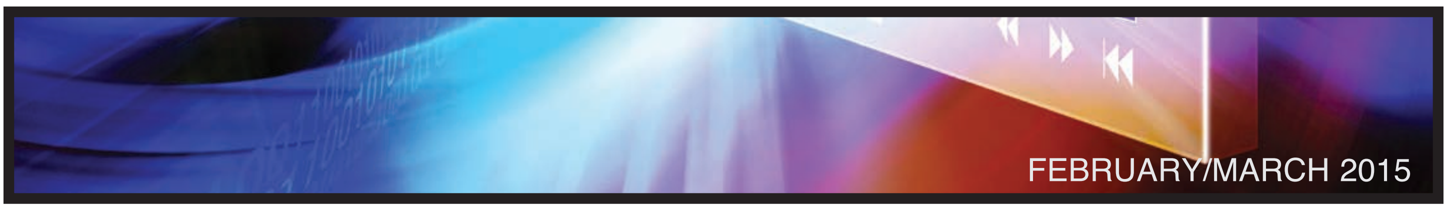


IDEAS ON INTELLECTUAL PROPERTY LAW



Cantor Colburn LLP
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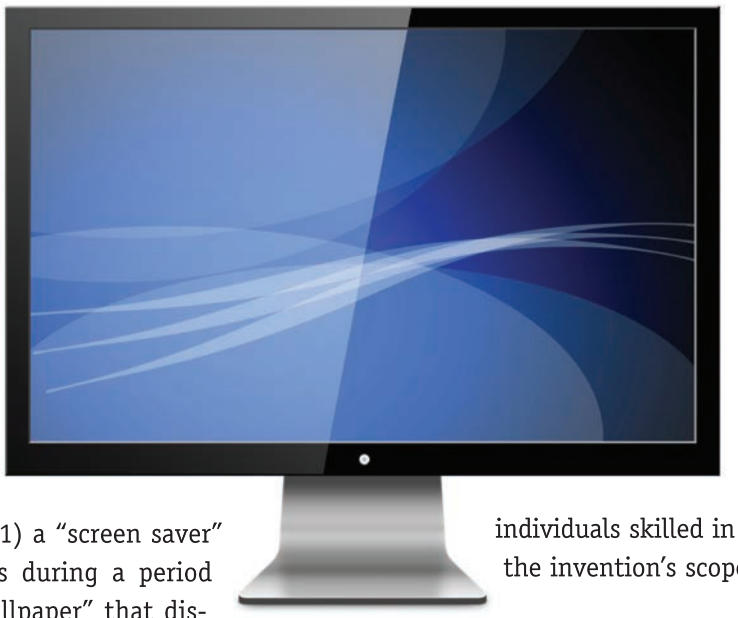
Definitely not: Patent rejected for indefiniteness

It's never a good sign when a court describes patent language as "at best muddled." But that's precisely what happened in the recent case of *Interval Licensing LLC v. AOL, Inc.* In this decision, the U.S. Court of Appeals for the Federal Circuit rejected a patent based on the test for indefiniteness recently laid out by the U.S. Supreme Court in *Nautilus, Inc. v. Biosig Instruments*.

A peripheral matter

Interval Licensing holds two patents for "occupying the peripheral attention of a person in the vicinity of a display device" such as a computer screen. They describe a system that:

- Acquires data from a content provider,
- Schedules the display of that data,
- Generates images from the data, and
- Displays images on a device.



The patents describe two main embodiments: 1) a "screen saver" that displays the images during a period of inactivity, and 2) "wallpaper" that displays the images on the background of a screen. The images display "in an unobtrusive manner that does not distract a user," according to the patent.

Interval sued AOL, alleging that it infringed the patents through products and software that use "pop up" notifications to present information to users. The district court found the patents invalid because the terms "in an unobtrusive manner" and "does not distract" were indefinite. Interval appealed.

Definiteness defined

According to the Patent Act, "a patent must conclude with one or more claims particularly pointing out and distinctly claiming" the invention at issue — this is what's known as "definiteness."

In the *Nautilus* ruling, the Supreme Court explained that the standard for determining definiteness needs to allow for a "modicum of uncertainty" to provide incentives for innovation. But the standard must also require clear notice of the invention being claimed to apprise those skilled in the field of the scope of the claimed invention relative to both granted patents and potential future patents of others.

Therefore, the Court held, a patent is invalid for indefiniteness if, when read in light of the patent's specification and prosecution history with the U.S. Patent and Trademark Office (USPTO), it fails to inform with reasonable certainty those individuals skilled in the relevant field about the invention's scope.

Key claim language

The Federal Circuit began its analysis in *Interval Licensing* by noting that the key claim language at issue included a "term of degree" — that is, "unobtrusive manner." It made clear that terms of degree aren't inherently indefinite. In fact, claim language using such terms has long been found definite when it provides enough certainty to one skilled in the field when read in the context of the invention.

The court noted, though, that a patent doesn't satisfy the definiteness requirement merely because a court can ascribe some meaning to a patent's claims. Here, the Federal Circuit found that the phrase "unobtrusive manner" was highly subjective and provided little guidance on its face. Specifically, the term offered no objective indication of the manner in which content images were to be displayed to the user.

The Federal Circuit made clear that terms of degree aren't inherently indefinite.

Considerable uncertainty

The court then turned to the patent's written description for guidance but found it distinctly lacking in descriptiveness, too.

The Federal Circuit rejected Interval's contention that the phrase was sufficiently defined through its relationship to the wallpaper embodiment, thus informing those skilled in the field that "unobtrusive" has only a spatial (as opposed to temporal) meaning in the context of the patents. Although Interval identified portions of the patent specification that appeared to use the phrase "unobtrusive manner" in conjunction with the wallpaper embodiment, the court said, other portions of the specification suggested that the phrase could also be tied to the screen saver embodiment.

The prosecution history further illustrated the difficulty in pinning down the relationship between the written description and the "in an unobtrusive manner that does not distract the user" claim phrase. The statements of Interval, and the USPTO's responses, reflected considerable uncertainty about which embodiments were tied to the "unobtrusive manner" language.

Boundaries, please

The Federal Circuit's finding of indefiniteness in this case serves as a valuable reminder of the risks related to subjective claim language in patents. To satisfy the definiteness standard, a patent must provide objective boundaries that convey the invention's scope to those skilled in the field with reasonable certainty. ❍

"e.g." vs. "i.e." in satisfying the definiteness requirement

The plaintiff in *Interval Licensing LLC v. AOL, Inc.* (see main article) also tried to persuade the U.S. Court of Appeals for the Federal Circuit to use a "narrow example" in the patent's written description to define the phrase "unobtrusive manner." The court acknowledged that a patent that defines a claim phrase may satisfy the definiteness requirement but declined in this case to cull out a single "e.g." ("for example") phrase from a lengthy written description to serve as the exclusive definition of a subjective claim term.

Notably, the Federal Circuit said that, if the example had been cast instead as a definition — in other words, had it been preceded by "i.e." ("that is") rather than "e.g." — the clarity that the patent specification lacked would have been provided. As written, though, the patent's example created ambiguity that fell within the "innovation discouraging" zone of uncertainty that the U.S. Supreme Court has warned against.

What if ... ?

The very real case of a hypothetical license

It's hard enough to recover copyright damages under the clearest of circumstances. A particularly tricky situation arose recently in *Oracle Corp. v. SAP AG*. Here, the U.S. Court of Appeals answered the difficult question of whether a copyright holder could recover infringement damages based on a "hypothetical" license — that is, one it never granted.

Downloading the case

Oracle and SAP are self-described fierce competitors in the enterprise software industry. In 2005, Oracle acquired PeopleSoft, another enterprise software company that itself had recently acquired an enterprise software company, JD Edwards. Then, in 2006, Oracle acquired a software business called Siebel Systems.

In response, SAP initiated a marketing program dubbed Safe Passage. A key part of that program was the acquisition of TomorrowNow, a software maintenance service company founded by former employees of PeopleSoft. It served PeopleSoft's customers, including JD Edwards' customers — at a 50% discount off Oracle's prices.

In 2006, an Oracle employee noticed thousands of suspicious downloads of Oracle software. Oracle investigated and determined that TomorrowNow had illegally downloaded millions of PeopleSoft, JD Edwards, Siebel and Oracle database files. TomorrowNow continued providing maintenance services to Oracle customers using these downloads until sometime in 2008.

Oracle sued SAP for copyright infringement in 2007, and SAP admitted liability before trial. Thus, the only issue at trial was the amount of damages. The jury awarded Oracle $1.3 billion based on the fair market value (FMV) of a hypothetical license granted by Oracle to SAP.

The district court, though, ordered a new trial conditioned on Oracle's rejection of a reduced award of $272 million. It also ruled that Oracle couldn't pursue hypothetical-license damages in a second trial. Oracle rejected the smaller award and appealed.

Showing willingness

In support of the district court's finding, SAP argued that Oracle had to show that it actually would have granted a license to TomorrowNow before it could recover hypothetical-license damages. And Oracle, SAP said, wouldn't have done so.

The court found that fair market value must be based on the range between the two poles of cost and benefit within which the parties likely would have settled.

The Ninth Circuit agreed that Oracle never would have granted such a license. And Oracle executives themselves testified that the company doesn't license its software to competitors.

The court, however, disagreed that "willingness" to license was required for an award based on a hypothetical license. It noted that the market value of the injury to the copyright holder under a theory of hypothetical damages is determined by the amount a willing buyer would have been reasonably required to pay a willing seller at the time of the infringement for the actual use made by the infringer of the copyrighted work. But, the court said, it has never required a copyright plaintiff to show that it would have licensed the infringed material — and declined to do so in this case.

Nonetheless, the Ninth Circuit affirmed the district court's ruling that Oracle couldn't recover hypothetical-license damages because such damages are appropriate only if the amount isn't based on "undue speculation." The FMV of a hypothetical license must be based on the amount, at the time of infringement, that the seller and buyer believed would be their respective cost.

In addition, the court found, the FMV must be based on the range between the two poles of cost and benefit within which the parties likely would have settled. Oracle failed to present evidence that provided this "range of the reasonable market value" for its hypothetical license.

Running up that hill

As the Ninth Circuit noted, Oracle "faced an uphill battle" because it had no history of granting licenses and presented no evidence of benchmark licenses in the industry resembling the hypothetical license. Other copyright holders seeking hypothetical-license damages may well run into similar obstacles. ❍

Another one bites the dust

Federal Circuit rejects business method claim

The ripple effects of the U.S. Supreme Court's recent ruling in *Alice Corp. Pty. Ltd. v. CLS Bank Int'l* continue to be felt by the holders of business method patents. The latest drop in the bucket is *buySAFE, Inc. v. Google, Inc.*, yet another decision involving patent claims covering computer-implemented methods. In this case, the U.S. Court of Appeals for the Federal Circuit found it a "straightforward matter to conclude" that the claims in question were invalid under Section 101 of the Patent Act.

What the patent was selling

BuySAFE owned a patent that claimed methods and machine-readable media encoded to perform steps for guaranteeing a party's performance of its end of an online transaction. According to the patent, a computer operated by the provider of a safe transaction service receives a request for a performance guaranty and underwrites the requesting party. The computer then offers, via a "computer network," a transaction guaranty that binds the transaction upon its closing.

The company sued Google for patent infringement, and Google asserted that the claims were ineligible for a patent under Sec. 101. The district court agreed, prompting buySAFE to appeal.

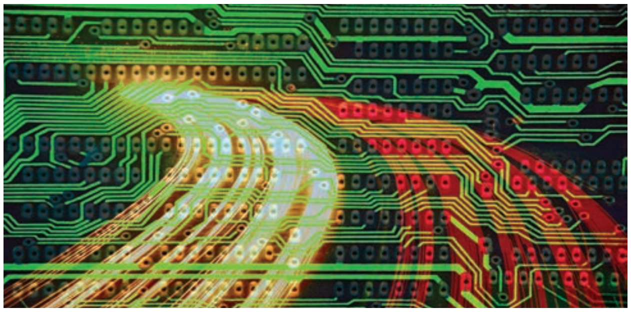
Why the court didn't buy it

As the Federal Circuit noted on that appeal, the U.S. Supreme Court has long held that laws of nature, natural phenomena and abstract ideas — "no matter how groundbreaking, innovative or even brilliant" — aren't patentable under Sec. 101. The Court has also recognized other Sec. 101 exclusions beyond these categories.

In *buySAFE*, the appellate court relied on the framework the Supreme Court laid out in *Alice Corp.* for identifying additional exclusions. Under the framework, a claim that relates to a patent-eligible human-made physical thing or human-controlled process will nonetheless fall outside Sec. 101 if:

- It's "directed to matter" in one of three excluded categories, and
- The additional elements in the claim don't supply an "inventive concept" (meaning a "new and useful application" of the ineligible matter in the physical realm).

When it comes to claims related to abstract ideas, the Federal Circuit noted, the Supreme Court in *Alice Corp.* made clear that a claim related to an abstract idea doesn't become eligible by merely requiring generic computer implementation.



The court concluded in *buySAFE* that the invocation of computers added no inventive concept to the idea of a transaction performance guaranty. "That a computer receives and sends the information over a network — with no further specification — is not even arguably inventive," the court stated.

It likewise wasn't enough that the transactions were online transactions, as attempting to limit the use of an abstract idea to a particular technological environment has long been held insufficient to save a claim in this context.

How to make your pitch

In light of this decision and other recent rulings on the patent eligibility of computer-implemented methods, it's important to determine whether a contested method amounts to something significantly more than the ineligible matter itself. If it doesn't, a court will likely deem the method patent-ineligible. ❍

Deliberate deception in a false advertising case

The term "false advertising" is bandied about regularly in both casual conversations and legal discussions. But actually demonstrating the competitive injury and lost sales required to recover damages on a false advertising claim often proves difficult in court.

Doing so just got a little bit easier thanks to a recent ruling by the U.S. Court of Appeals for the Second Circuit in *Merck Eprova AG v. Gnosis S.p.A.* In this case, the court clarified some presumptions that may be made in false advertising claims where deliberate deception is established.

Folate follies

Since 2002, Merck has marketed and sold a folate product called Metafolin®, which is sold to customers in bulk who use it in various finished resale products such as vitamins and supplements. In 2006, Gnosis began marketing a synthetically produced competing folate product, Extrafolate®. Its product is significantly cheaper than Merck's but doesn't provide the same nutritional benefits. Gnosis advertised Extrafolate as a naturally occurring product. In 2007, Merck sued Gnosis for false advertising. The district court sided with Merck and awarded damages, prejudgment interest and attorneys' fees. Gnosis appealed.

When willful deception is proven, the presumption of injury can be used to award the plaintiff the defendant's profits.

Presumptions prevail

Gnosis contended that the district court's award of damages based on a presumption of customer confusion, as well as a presumption of injury to Merck, was improper. The Second Circuit disagreed.

Under the Lanham Act, a presumption of customer confusion arises if a plaintiff can prove that:

- Actual consumer confusion or deception occurred, or
- The defendant's actions were intentionally deceptive.

Citing previous rulings, the Second Circuit found that, when literal falsity of advertising is proven (as was the case here), further evidence of actual consumer confusion isn't required to establish liability. Moreover, the court found that Gnosis' use of chemical descriptions for naturally occurring folate in its advertising established implied falsity. And when implied falsity occurs with proof of an intention to mislead, the Second Circuit said, a presumption of deceit is appropriate and the burden of proof shifts to the defendant to rebut the presumption. According to the court, Gnosis failed to do so. As to the presumption of injury, Gnosis argued that it was appropriate only for comparative advertising that identifies a specific competing product. The Second Circuit, however, made clear that, in a two-player market, the presumption of injury is appropriate when deliberate deception has been proven. The court reasoned that, because Merck was the only competitor with a naturally occurring folate product, it followed that Merck had been injured by Gnosis' deception.

Notably, the Second Circuit also held that, when willful deception is proven, the presumption of injury can be used to award the plaintiff the defendant's profits. The presumption may justify enhanced damages, too.

False advertising's future

Going forward, the Second Circuit's recognition of the presumptions of injury and confusion in circumstances involving deliberate deception should ease the burden of plaintiffs making false advertising claims. They also may now be able to recover larger damages awards. ❍

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