DLA PIPER

UNITED STATES

INTELLECTUAL PROPERTY AND TECHNOLOGY NEWS

Perspectives • Analysis • Visionary Ideas

IN THE ITC

- THE PUBLIC INTEREST FACTORS – NEWEST PATENT TROLL COUNTERMEASURE?
- ITC OR DISTRICT COURT? LOOK AT THE MATH

THE NEW GTLDS AND THE TRADEMARK CLEARINGHOUSE: FOUR TIPS FOR BRAND OWNERS

TRADE DRESS WATCH

SUPREME COURT CORNER

www.dlapiper.com/ip_global | Issue 18, Q2 2013

INTERNATIONAL IP LITIGATOR PAUL STEADMAN JOINS DLA PIPER IN CHICAGO

IP litigator Paul Steadman has joined DLA Piper's growing IPT practice as a partner in Chicago. A highly regarded first-chair trial lawyer, Paul works primarily on patent, trade secret and other complex IP-related litigation matters. He has significant experience in many of the major US district courts, the ITC and the Federal Circuit on behalf of US clients and Pacific Rim clients.

Paul litigates patent cases involving complex technologies such as software, semiconductors, consumer electronics, MP3 players, GPS navigation systems, auto parts and medical devices. With more than 15 years of experience handling US patent matters for Japanese companies, Paul has established long-term relationships and gained a deep understanding of business issues facing Japanese companies. A frequent author and speaker in Japan, he is co-author of two recent books on US patent litigation published in Japanese: *US Patent Litigation Q&A 150* published by AIPPI, and the forthcoming *US Patent Law Reform*, to be published by JIII.

Learn more about Paul at www.dlapiper.com/paul_steadman

Paul Steadman

EDITOR'S COLUMN

CHANGE IS IN THE AIR

Darius C. Gambino
Partner, Intellectual Property and Technology

First, let me say that we are delighted to be partnering with *Corporate Counsel* magazine for both our Q2 and Q3 issues – welcome to all first-time readers of the *IPT News*! For those of you new to our magazine, DLA Piper's *IPT News* is a quarterly analysis of the leading-edge IP and technology issues affecting business. You may also be interested in exploring the archives of our global *IPT News* on this page: www.dlapiper.com/ipt_news/. And for the latest news on IPT issues, please visit our two blogs, Remarksblog.com (trademark, copyright and media), and Technologyslegaledge.com (technology, privacy and sourcing).

In our previous issue, I suggested some major developments that would likely occur this year around intellectual property law, and one has already happened: the Supreme Court's decision in *Kirtsaeng*. As we point out in *Supreme Court Corner*, this case may have significant ripple effects both inside and outside the copyright field. We will continue to keep a close eye on *Kirtsaeng* and other IP cases before the Supreme Court this term.

We also highlight the ITC – what it is, what it isn't and why you should consider it as a viable (and sometimes more attractive) alternative to district court litigation.

With the impending launch of thousands of new generic top level domains (gTLDs) just around the corner, we examine what this onslaught means for businesses with brands to protect.

In our *Trade Dress Watch* column, we take a close look at a rapidly evolving area: the registration of color as trade dress and how the Second Circuit's decision in *Louboutin v. YSL* may shape the future of this area.

I hope you enjoy this issue of the *IPT News*. As always, I am open to your thoughts, suggestions and questions.

darius.gambino@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.

DLA PIPER HOSTS HIGH-PROFILE GLOBAL PRIVACY SEMINAR AND RECEPTION

Privacy professionals from around the world attended DLA Piper's Global Privacy Seminar in our Washington, DC office in March. In her keynote talk, FTC Commissioner Julie Brill explained the importance of mobile privacy and the FTC's many education and enforcement initiatives. A panel on mobile privacy compliance in the US and Australia followed, along with a panel on major shifts in the Asian and EU privacy landscape, and another on privacy and information management compliance deploying a "bring your own device" program internationally.

Participants included Accenture Global Privacy Director Bojana Bellamy and DLA Piper information law practitioners from our offices in the US, Australia, Hong Kong, Holland and France. After the discussion, guests were joined for a cocktail reception by UK Information Commissioner Christopher Graham and outgoing FTC Chairman Jon Leibowitz.

Keynote speaker FTC Commissioner Julie Brill

LEADING DATA PROTECTION FIRM

DLA Piper ranks as a leading firm in Data Protection/ Privacy and Data Security, both nationwide and global-wide – *Chambers USA 2012, Chambers Global 2012, Legal 500 USA 2012*

ITC VERSUS JURY TRIAL

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

One of the lead articles in this issue discusses the differences between ITC proceedings and jury trials. And there are many. I have tried a dozen ITC cases and well over two dozen patent jury trials. The two proceedings are quite different modes of adjudication, each with its advantages and disadvantages.

But from a trial lawyer's point of view, these proceedings share many similarities. Both require the same level of preparation. The quality of the direct, cross and other components of the trial need to be the same, whether the proceeding goes forward before a single finder of fact or a dozen. In preparation, the things you spend your time on may be a little different, but the level of preparation has to be the same.

Both proceedings require careful attention to the story of why you should win and the underlying facts. Sometimes we forget that judges are human and are persuaded by the big picture – not only the sound legal basis which entitles litigants to win, but also the human story that says why.

In both proceedings, it is necessary to provide the fundamental tools that will help the finder of fact arrive at a just result. Before persuasion, we must provide education and understanding.

The bottom line: while the advocate must adjust to the audience, some of the most fundamental advocacy skills apply in both forums. A trial is a trial.

john.allcock@dlapiper.com

THE NEW GTLDS AND THE TRADEMARK CLEARINGHOUSE:

FOUR TIPS FOR BRAND OWNERS

by Ryan Compton and James Stewart

The imminent launch of more than 1,400 new generic top-level domains (gTLDs) poses a major challenge to brand owners seeking to enforce and maintain control over the way their key trademarks appear in domain names. The domain ender ".com" is the most widely used of the current gTLDs, but ".net," ".org" and ".edu" gTLDs are also prevalent. All of the current gTLDs are managed by the Internet Corporation for Assigned Names and Numbers (ICANN). On June 20, 2011, ICANN approved a plan to expand the universe of gTLDs to include virtually any string of characters, including trademark words (e.g., ".docs," ".rocks," ".world," ".pepsi," etc.).

To help brand owners exercise greater control over use of their trademarks, ICANN has developed the Trademark Clearinghouse (TMCH), which gives brand owners the first opportunity to obtain domain names incorporating their trademarks upon the launch of a new gTLD. Brand owners registered with the TMCH will receive notice when a third party registers a domain name incorporating their trademark. The third-party registrant is also notified of the brand owner's rights in the mark.

This expansion of the list of available gTLDs, and its implications for brand owners, have been hot topics within the legal and branding communities since ICANN approved the expansion program. In June 2012, ICANN announced 1,930 applications had been submitted for 1,409 unique gTLDs.

The availability of new gTLDs has both thrilled and terrified brand owners. The prospect is thrilling because new gTLDs will provide brand owners with new, more specific domain names and opportunities for consumer recognition. The terror comes from the daunting prospect of monitoring and enforcing trademark rights with respect to the new gTLDs, and the costs involved in registering second-level domain names within each new gTLD. Second level domains are what we typically think of as the company identifier or trademark portion of a domain (i.e., the "dlapiper" portion of www.dlapiper.com). Brand owners need to at least consider the prospect of registering their trademarks at the second level for any new gTLDs (e.g., "dlapiper.docs," "dlapiper.rocks," "dlapiper.world").

The first new gTLDs will be available this summer. Before they launch, brand owners should take proactive measures to protect their IP, especially trademarks. The TMCH is a valuable resource to this process, and should not be overlooked.

FOUR TIPS FOR BRAND OWNERS

- Check the list of new gTLDs to identify potential threats and opportunities
- Budget and plan your brand's registration and objection strategy
- Register key trademarks with the TMCH prior to the launch of new gTLDs this summer
- Monitor TMCH notices, similar domain name registrations and gTLD launch dates

ABOUT THE TMCH

Opened on March 26, 2013, the TMCH is a central database run by Deloitte and IBM into which trademark holders may submit evidence of their trademark rights. Holders of valid national or international trademark registrations for word or design marks are eligible to register with the TMCH. Trademark applications, sub-national registrations (such as state trademark registrations) and IP rights that cannot be represented within the technical limitations of the domain name system (such as patents, designs or figurative marks) are not eligible. To register, trademark holders must identify their key trademarks and submit their contact information, along with the trademark registration particulars of the selected marks.

ADVANTAGES/DISADVANTAGES

The first advantage of the TMCH is the right to acquire second-level domains for trademarks in new gTLDs during the sunrise period – the 30-day period after a new gTLD launches, during which trademark owners registered with the TMCH may purchase second-level domain names for the new gTLD before the name is made available to the general public. To take advantage of this period, a trademark owner must provide evidence of use of the relevant trademark.

The second advantage of the TMCH is the trademark claims period. During the first 90 days (or longer, depending on specific gTLD policies) following the sunrise period, the trademark owner will be notified when any third-party seeks to register a second-level domain name identical (or nearly identical) to a mark registered with the TMCH. During that process, the registry also notifies the gTLD registrant about the trademark owner's rights in the mark.

However, while the TMCH is helpful, it is not perfect. It does not alert brand owners to registrations incorporating confusingly similar marks. Accordingly, brand owners cannot be complacent. Given the numerous gTLDs coming into existence, trademark enforcement in second-level domain names will become far more challenging for brand owners. To take full advantage of the TMCH, brand owners must register their marks with the TMCH prior to the launch of the first new gTLDs this summer. Moreover, it is essential to work with your IP team to craft a comprehensive strategy that will provide maximum coverage in this rapidly evolving online landscape. Brand owners will find additional benefit by continuing to monitor new gTLDs through watch services covering second level domain name registrations that may be confusingly similar to their marks.

Ryan Compton, Of Counsel in DLA Piper's Trademark, Copyright and Media group, has extensive experience in online IP protection. He is based in Washington, DC. Reach him at ryan.compton@dlapiper.com.

James Stewart is a law clerk in DLA Piper's Trademark, Copyright and Media group, based in Washington, DC.

INTA MEETS IN DALLAS

More than 9,500 trademark practitioners from over 140 countries came to Dallas in early May for the International Trademark Association's 35th annual meeting, and DLA Piper celebrated INTA throughout the week with a series of events.

Reunion Tower's highly acclaimed restaurant Five Sixty by Wolfgang Puck, with spectacular sunset views of the city, was the site of a reception for nearly 100 clients and friends. DLA Piper also hosted an informative breakfast event looking at trademark issues facing the Fashion, Retail and Design sector.

Joined by representatives from client Goodwill Industries, partner Gina Durham discussed social media during the INTA panel "Retweet, Repost and Repin: How Do Brands Get Their Message Out and Whose Content Is It Anyway?"

Visit remarksblog.com for more information.

Tamar Duvdevani (DLA Piper, New York) speaks at our Fashion, Retail and Design client breakfast

Networking at INTA

Ann Ford (DLA Piper, DC), David S. Modzeleski (Vice President, Legal – Trademark, Discovery Communications, Inc.), Tom Zutic (DLA Piper, DC) and Savalle Sims (Senior Vice President, Litigation and Intellectual Property, Discovery Communications, Inc.)

Mark Feldman (DLA Piper, Chicago) with Stephanie Brooks (Director, Legal Administration, FASTSIGNS International) and Chris Brooks (Vice President, Creative Services, FASTSIGNS International)

TOP TRADEMARK FIRM

DLA Piper ranked #2 nationally, with more US registrations issued than any other general practice law firm.
– *IP Today, 2012*

CHINA-FOCUSED PATENT PARTNER JOINS DLA PIPER IN SAN FRANCISCO

DLA Piper's patent practice expands further with the recent hire of Dr. Paul Li in San Francisco. Dr. Li represents clients in complex IP matters, with a focus on patent prosecution and counseling, particularly on behalf of Chinese companies.

He also handles patent litigation for private and public companies in highly technical areas such as biotechnology (with a small molecule focus), biopharmaceuticals, pharmaceuticals and stem cell technologies. His clients range from startups to top research institutions and multinational conglomerates.

With extensive research experience in chemistry and related fields, Dr. Li obtained his doctorate under American Chemical Society's award-winning Professor Richard Adams at the University of South Carolina. Dr. Li was appointed by the US State Department as the US Intellectual Property Rights (IPR) speaker in the Greater China region to promote IPR protection and enforcement and serves as a special adviser to the Technology Commercialization Research Center for Nanjing University.

Learn more about Dr. Li at www.dlapiper.com/zhaoyang_li

Dr. Paul Li

ITC OR DISTRICT COURT? LOOK AT THE MATH

By Jeffrey Johnson and Chris Richart

When considering the optimal forum for bringing a patent infringement case in the US, litigators may find it useful to take into account not only client exposure and received wisdom, but also statistical information about the prospective forum. In this column, we examine the outcomes of infringement disputes in federal district court compared to the International Trade Commission (ITC).

Although the number of patent suits filed in the district courts far outpaces the number of §337 investigations, the ITC is growing in popularity for patentees. From 2000 to 2011, the number of §337 investigations increased by 530 percent. In contrast, the number of patent infringement suits has remained relatively unchanged in that same time period.

The outcomes in ITC proceedings differ in some significant respects from district court litigation. For example, ITC investigations are far less likely to result in settlement than suits in district court. Between 2008 to 2010, about 88 percent of all patents suits were resolved through settlement. During this period in the ITC, however, settlements were reached in only about 56 percent of all cases. When a case does survive to trial in district court, the patentee wins 75 percent of the time. In contrast, patentees win slightly less than half the time when an ITC investigation proceeds to the point of a final determination.

Of course, the risks presented by a §337 investigation are potentially greater for defendants than litigation. Since *eBay, Inc. v. MercExchange L.L.C.*, injunctions have become much less common in patent cases, and many Non-Practicing Entities (NPEs or "patent trolls") do not even request injunctions. The primary remedy of the ITC, however, is the exclusion order, which can have the same effect as an injunction. Thus, while an accused infringer may have better odds of success in the ITC, the consequences of a defeat may still make the ITC a riskier forum than district court.

That said, some accused infringers may still view §337 proceedings as being advantageous given the higher chances of success if the case reaches a final determination, but the risks should not be taken lightly.

Dr. Jeffrey Johnson, based in Houston, is a patent litigation partner in DLA Piper's Intellectual Property and Technology group. Reach him at jeffrey.johnson@dlapiper.com.

Chris Richart, a lawyer in DLA Piper's Patent Litigation practice, is based in Houston. Reach him at chris.richart@dlapiper.com.

Information for this article was obtained from www.patstats.org, www.usitc.gov and www.uspto.gov.

THE PUBLIC INTEREST FACTORS – NEWEST PATENT TROLL COUNTERMEASURE?

By Brent Yamashita

The International Trade Commission opened its doors to non-practicing entities (NPEs) with its decision in *Certain Coaxial Cable Connectors and Components Thereof*, Inv. No. 337-TA-650 (reported in *IPT News*, Q3 2010), holding that the domestic industry requirement can be satisfied by licensing activities. Previously, this requirement had been a barrier to entry deterring NPEs from filing patent infringement suits in the ITC. Before *Coaxial Cable,* ITC cases typically were company versus company disputes.

Since *Coaxial Cable*, NPEs have regularly filed patent infringement suits in the ITC, often naming all major industry players as respondents in the same complaint. That tactic benefits the NPE and, notably, has become a rarity in federal district courts (but not the ITC) in light of the joinder rules of the America Invents Act.

These developments have caused an uproar among companies that NPEs frequently target. To them, it seems antithetical to the ITC's very purpose that an entity that makes no products can obtain an order excluding billions of dollars' worth of popular products such as smartphones and flat-panel TVs from entering the US.

So-called public interest factors have come to assume an increasingly prominent role in ITC investigations. By statute, whenever a violation is found, the Commission must issue an exclusion order unless "after considering the effect of such exclusion upon the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers, it finds that such articles should not be excluded from entry." 19 U.S.C. § 337(d).

The Commission previously would consider public interest factors only after an Administrative Law Judge recommended that an exclusion order be issued (i.e., months after the hearing is held). However, in November 2011, the Commission enacted a new rule whereby the proposed respondents and members of the public can submit a five-page brief on public interest factors after the complaint is filed and before the investigation is instituted. *See* 19 C.F.R. § 210.8(c).

Following enactment of that rule, and in a sharp departure from previous practice, the Commission has instructed ALJs in certain investigations to make findings on public interest factors as part of the Initial Determination.

The shifting of the public interest inquiry from the post-hearing stage to the pre-institution and hearing stages will allow respondents, and industry players in general, to force NPEs to clear the public interest hurdle at an earlier stage, and the public interest issue will now be carefully weighed by the ALJs.

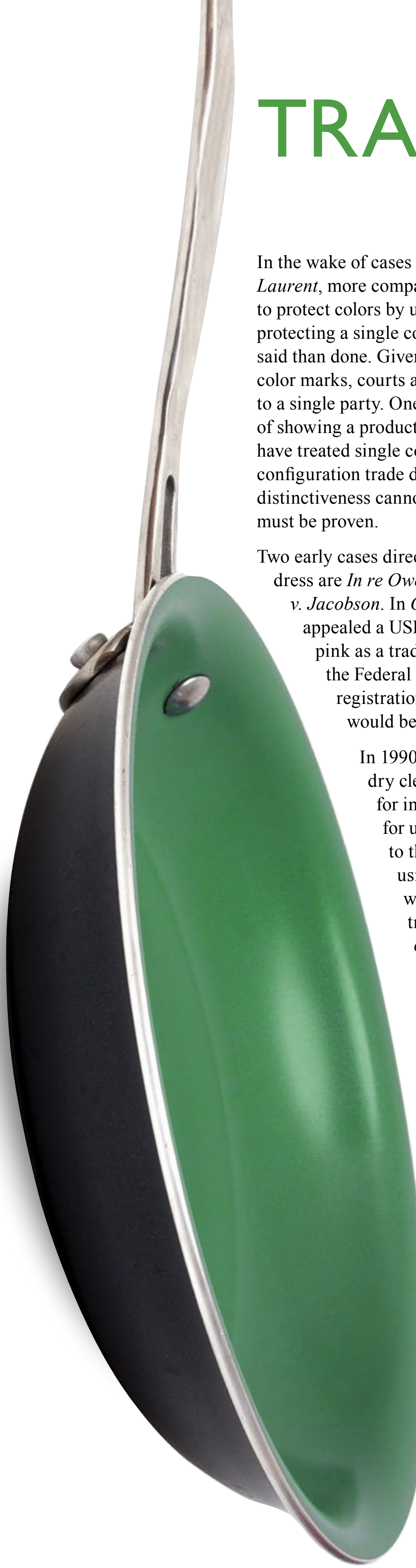
Will NPEs be able to convince ALJs, and eventually the Commission, that excluding popular consumer products from entering the US does not run afoul of public interest factors? Can they show that such exclusion would not negatively impact the US economy and consumers?

We expect to see a number of ALJ findings on public interest issues in NPE cases in 2013. Those findings may determine whether NPEs will become permanent fixtures at the ITC or will be treated as guests who have overstayed their welcome.

Brent Yamashita, based in DLA Piper's Silicon Valley office, is a partner in the Patent Litigation practice. Reach him at brent.yamashita@dlapiper.com.

TRADE DRESS WATCH

By William L. Bartow



In the wake of cases like *Louboutin v. Yves Saint Laurent*, more companies are now considering strategies to protect colors by using trade dress. But the task of protecting a single color as trade dress is much easier said than done. Given the arguably broad nature of single color marks, courts are reluctant to grant exclusivity to a single party. One big hurdle is the requirement of showing a product color is not functional. Courts have treated single color trade dress much like product configuration trade dress, holding that inherent distinctiveness cannot exist and secondary meaning must be proven.

Two early cases directed to developing color as trade dress are *In re Owens-Corning Fiberglas* and *Qualitex v. Jacobson*. In *Owens-Corning*, the applicant appealed a USPTO refusal to register the color pink as a trademark for its insulation. In 1985, the Federal Circuit reversed, permitting the registration and marking the first time color would be registered at the USPTO.

In 1990, Qualitex, a manufacturer of dry cleaning press pads, brought suit for infringement against a competitor for using a color for its pads identical to the green-gold Qualitex had been using for more than 40 years, and which Qualitex had registered as trade dress. Qualitex won at the district court, but the Ninth Circuit set aside the ruling, finding color alone cannot be registered by the USPTO. The Supreme Court reversed, holding that color can be registered, so long as it identifies the source of the products (that is, the color has developed secondary meaning).

Since *Qualitex*, many companies have registered single and multicolor trade dress. Prominent examples include Tiffany & Company registering its distinctive "robin's egg blue" for its gift boxes; United Parcel Service registering chocolate brown for its delivery vehicles and uniforms; 3M registering canary yellow for Post-It® notes; and Wolf Appliances registering red for the knobs on its ranges, cook tops, and barbeque grills.

However, protection of color as trade dress is not available when the color is considered functional. Functionality is often found where a color serves to indicate something other than the product's source. For example, the Trademark Trial and Appeal Board refused Ferris Corporation's application to register the color pink for wound dressings – the TTAB said pink was unregistrable in this context because the color blends in with certain skin tones, falling within the scope of being "flesh colored." Such refusal to recognize trade dress protection often occurs where colors are used to distinguish products' functional characteristics.

One case to keep an eye on is *Meyer Manufacturing Co. v. Telebrands Corp.*, pending in the Eastern District of California. In 2009, Telebrands was granted a trade dress registration for its ORGREENIC line, covering "the color green on the inside surface of a pot or pan." The trade dress registered on the Supplemental Register because Telebrands had only recently begun marketing the product. In 2011, Telebrands learned that TV sales channel QVC was selling Meyer's similarly colored product, the Earthpan. Telebrands sent a cease-and-desist letter to QVC, which stopped selling the Earthpan. Meyer then attacked Telebrands' trade dress registration, filing suit for declaratory judgment of non-infringement and cancellation.

Meyer alleged the color green is functional on pots and pans because it shows the cookware is eco-friendly and because consumers regard the color green as a sign a product is environmentally friendly. Telebrands, Meyer argued, cannot be permitted to monopolize this function. Meyer's motion for summary judgment is awaiting a ruling. Interestingly, in *Louboutin*, the Second Circuit limited the plaintiff's registered trade dress to shoes having a red sole that *contrasts* with the rest of the shoe. Could the court in *Meyer Manufacturing* similarly hold that a pan which is entirely green does not infringe Telebrands' trade dress?

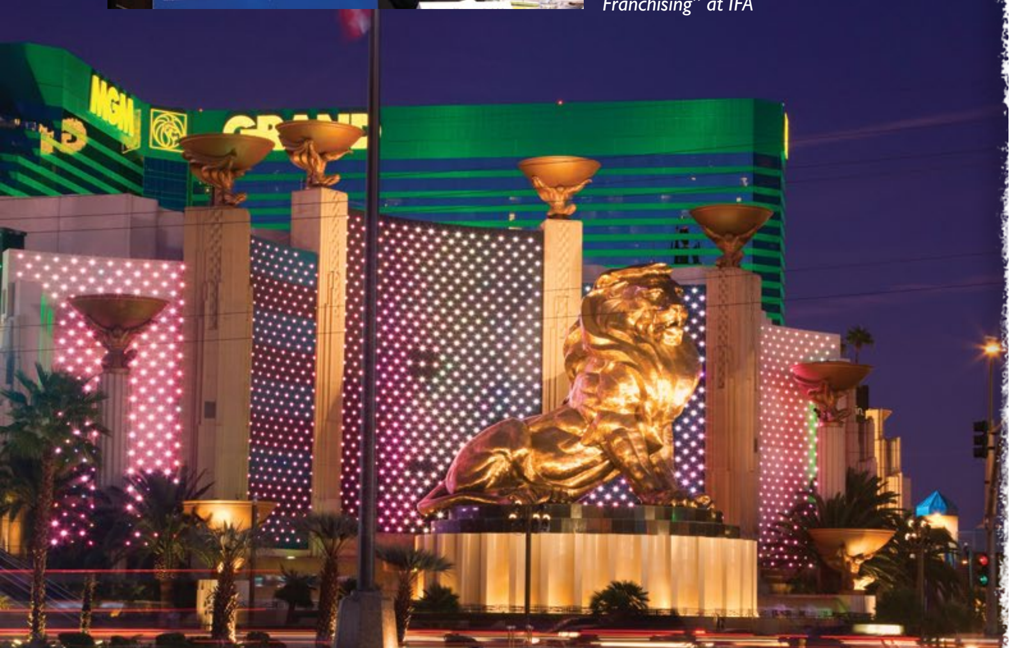
When looking to protect color, companies should carefully consider the issue of functionality before applying for, or asserting, trade dress. Be sure to examine: (a) whether the color serves a non-trademark purpose; (b) whether the purpose is important to consumers; (c) whether the color is the best or at least one of the few superior colors available for product purposes; (d) whether competitors are using the same color for the purpose; and (e) whether alternative colors are available for similar uses by others.

William L. Bartow is an associate in DLA Piper's Intellectual Property and Technology group and is based in Philadelphia. Reach him at william.bartow@dlapiper.com.

INTERNATIONAL FRANCHISE ASSOCIATION MEETS IN LAS VEGAS

More than 3,500 franchise professionals from around the globe met in Las Vegas in February for the International Franchise Association (IFA) 2013 Annual Meeting. DLA Piper Franchise and Distribution lawyers spoke at more than half a dozen IFA sessions and brought together more than 200 clients and friends at Tabu Lounge inside the MGM Grand for a lively reception.

Dennis Wieczorek and Philip Zeidman (seated) discuss "The 22nd Annual Elements of Successful Franchising" at IFA



TOP FRANCHISE FIRM

Ranked the only Tier 1 firm for Franchise and Distribution – *Chambers USA 2012* and *Chambers Global 2012*

International Franchise Law Firm of the Year for eight consecutive years – *International Who's Who 2012*

DLA PIPER SECURES SIGNIFICANT PATENT INFRINGEMENT WIN FOR COVIDIEN

DLA Piper recently represented Covidien (NYSE: COV), a leading global provider of health care products, in a successful patent infringement suit against Ethicon Endo-Surgery, Inc., relating to Ethicon's Harmonic® line of ultrasonic surgical products.

In late March, the Honorable Janet Bond Arterton, a District Court Judge for the District of Connecticut, awarded Covidien US$176.5 million, ruling that three of its patents relating to ultrasonic cutting and coagulation surgical devices had been infringed by Ethicon. The amount of the verdict, which could be appealed, was based on an eight percent royalty rate from infringed sales up to March 2012, plus prejudgment interest.

New York partners Drew Wintringham and Frank Ryan led the DLA Piper team.

Drew Wintringham
Partner, New York

Frank Ryan
Partner, New York

Mark Rueh
Partner, New York

Erica Pascal
Associate, San Diego

Melissa Reinckens
Associate, New York

Airina Rodrigues
Associate, New York

Matt Ganas
Associate, New York

Joanna Sykes-Saavedra
Associate, Atlantic City

Past results are not a guarantee of future success.

SUPREME COURT CORNER

By Stan Panikowski, Darius C. Gambino, Brian Biggs and Andrew Stein

RECENT DECISIONS
CASES TO WATCH

Bowman v. Monsanto Co.

Decided: 5/13/2013

Patent

Holding: (9-0) Patent Rights Are Exhausted For Only Original Seed Sold

Bowman, a farmer, purchased and planted Monsanto's patented herbicide-resistant soybean seeds for his first crop of the season, subject to an agreement that he would not harvest and replant any progeny seed. For his second crop of the season, instead of purchasing new seeds, Bowman planted progeny seeds created from the original Monsanto seeds. In a unanimous decision penned by Justice Kagan, the Court held that Monsanto retained its patent rights to control the use and sale of progeny seeds despite the first sale of the original seeds: "If the purchaser of [the seed] could make and sell endless copies, the patent would effectively protect the invention for just a single sale." The Court was careful, though, to limit the decision only to seed technology and went out of its way to note that the decision should not be applied to other self-replicating technologies (such as genetically modified organisms, live vaccines, cell cultures and advanced computer software): "We recognize that [self-replicating] inventions are becoming ever more prevalent, complex and diverse…[we] need not address here whether or how the doctrine of patent exhaustion would apply in such circumstances."

Note: in our next issue, "Supreme Court Corner" will contain a more extensive analysis of *Bowman v. Monsanto*.

Assoc. for Molec. Pathology v. Myriad Genetics, Inc.
Argument: 4/15/2013

Patent

Issue: Are isolated human genes patentable?

At argument, the Justices focused on how much the DNA sequence needed to be manipulated to be patentable under 35 U.S.C. § 101, a question addressed in turn by the petitioners, the US government (amicus curiae) and the patentee-respondent, which isolated genes that code for early-onset breast cancer. Justice Ginsburg asked whether isolating DNA was any different from developing "aspirin and the whooping cough vaccine." The petitioners argued manipulation rather than isolation was key: one could not simply pluck a medicinal leaf off a tree in the Amazon and patent it. Myriad argued it had sufficiently manipulated the genes: the scientists needed to determine at which points to "snip" the DNA strand to obtain the relevant portions. Justice Kagan, following the leaf analogy, skeptically questioned whether the ingenuity and cost to find the Amazonian medicinal plant should be grounds for patenting the naturally occurring leaf. Myriad argued that, unlike the leaf, the isolated DNA is not naturally found in isolation. Ultimately, it appears the Court took notice of the difference between the at-issue isolated DNA and complementary DNA, which the government argued is patentable; the Court may elect to draw the patent-eligibility line between those two.

Many questions focused on policy. Justice Alito asked whether denying patents on isolated genes would inhibit future research. The government argued that such a patent could alternatively inhibit research: "Allowing a patent on [a naturally occurring gene] would effectively preempt anyone else from using the gene itself for any medical or scientific purpose."

Federal Trade Commission v. Actavis
Argument: 3/25/2013

Patent

Issue: Are reverse payment agreements in patent cases anticompetitive?

The FTC argued that reverse payment agreements in settlement of infringement suits against generic drug manufacturers are presumptively unlawful and anticompetitive; respondents argued such agreements should be subject to a "rule of reason" scrutiny. Reverse payment settlements have arisen in the Hatch-Waxman context, whereby the patentee drug manufacturer settles the first-filed generic drug manufacturer's suit challenging the patent (termed a "reverse" payment because the patentee offers the alleged infringer a monetary incentive to not enter the market). The FTC proffered a test that "agreements of this sort should be treated as presumptively unlawful with the presumption able to be rebutted in various ways." Justice Kennedy voiced concern that this test applies the same whether a patent is strong or weak. Justice Scalia questioned whether patent law is an exception to antitrust law. Respondents argued the Court should apply a "rule of reason" finding an agreement unlawful if it goes beyond the patent's scope or if the settlement arose from a patentee's "sham" allegations. Terming such scrutiny "the kitchen sink," Justice Breyer questioned whether there was a test between it and the *per se* unlawful approach. Interestingly, a 4-4 split (Alito, J., recused) would uphold the Eleventh Circuit's ruling, that such agreements within the patent's term are not anticompetitive, but would not solve the current circuit split.

Kirtsaeng v. John Wiley & Sons
Decided: March 19, 2013

Copyright

Holding: The "first sale" doctrine applies to copies of a copyrighted work lawfully made abroad.

John Wiley & Sons often assigns to its wholly owned foreign subsidiary (Wiley Asia) rights to publish, print and sell foreign editions of Wiley's textbooks abroad. Wiley Asia's books state they are not to be taken into the US without permission. Kirtsaeng, who came to the US as a student, asked friends in Asia to send him less costly foreign-edition English-language textbooks, which he then sold at a profit in the US.

The issue for the Court was whether the words "lawfully made under this title" restrict the scope of section 109(a)'s "first sale" doctrine geographically. The Court held they do not, finding the "geographical" reading of section 109(a) "bristles with linguistic difficulties" because it "gives the word 'lawfully' little, if any, linguistic work to do." The Court confirmed its non-geographical interpretation was correct by discussing the historical and contemporary statutory context, which lacked a geographic bent, and by noting the common-law "first sale" doctrine made no geographical distinctions.

The impact of *Kirtsaeng* is that "first sale" doctrine now applies worldwide. This may result in copyright owners licensing, as opposed to selling, their works in the future (because Section 109(a) does not apply to licenses). This is already being done with some eBooks.*

Kirtsaeng may also have a broader impact. *Quanta v. LG* strengthened the "first sale" doctrine in defending against claims of patent infringement, but that product was both sold and used domestically. There is little guidance on how the doctrine might apply to international sales. What happens when a licensed product is first sold outside the US, then brought into the US and used or sold? Courts may look to *Kirtsaeng* for guidance, especially because the Court recently refused to hear an appeal from the Federal Circuit on this very issue (in *Ninestar Technology v. ITC*). Unlike the patent and copyright fields, the "first sale" doctrine has almost no teeth in the trademark arena – present law in most Courts of Appeal strongly favors manufacturers in stopping so-called gray market goods (like the textbooks in *Kirtsaeng*). *Kirtsaeng* will likely encourage copyright owners to think more about how trademark law can be used to stop parallel imports.

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

Partner Darius C. Gambino, based in Philadelphia, focuses on patent prosecution and litigation, trademark registration and enforcement, trade secrets and licensing. Reach him at darius.gambino@dlapiper.com.

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

Andrew Stein, an associate based in Washington, DC, focuses on patent litigation in federal district courts and § 337 investigations before the ITC. Reach him at andrew.stein@dlapiper.com.

*For more on this issue, see www.dlapiper.com/kirtsaeng-v-john-wiley.

DLA Piper LLP (US)
401 B Street, Suite 1700
San Diego, California 92101-4297