

## SUPREME COURT 2013-2014 IP CASE REVIEW

By Charles R. Macedo, David P. Goldberg, Sandra A. Hudak, and Michael Sebba\*

### INTRODUCTION

In the past term, the Supreme Court issued a historically high number of patent and other intellectual property opinions. The Amicus Brief Committee filed briefs in four of these cases.<sup>1</sup> Each of these briefs may have influenced the Court’s decisions, which have changed the prevailing rule of law in the area addressed. Below, we summarize these cases in the order they were issued by the Court. It is likely that the Court will continue its heightened interest in intellectual property matters, as the Supreme Court has already accepted at least two intellectual property cases for next term.

***Medtronic, Inc. v. Mirowski Family Ventures, LLC*, No. 12-1128, 134 S. Ct. 843 (Jan. 22, 2014)**

**Issue: Patent Law – Burden of Proof in Declaratory Judgment Actions**

**Question Presented:**

The question presented is whether, in such a declaratory judgment action brought by a licensee under *MedImmune* [*MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007)], the licensee has the burden to prove that its products do not infringe the patent, or whether (as is the case in all other patent litigation, including other declaratory judgment actions), the patentee must prove infringement.

Medtronic, Inc. licensed a portfolio of patents from Mirowski Family Ventures, LLC. The license agreement provided that Medtronic should pay royalties when certain of its medical devices infringed the licensed patents. During the term of the license agreement, Mirowski sent Medtronic notice that it believed certain Medtronic products infringed its patents and that royalties were due. In response, Medtronic filed a declaratory judgment action to challenge whether royalties were due. Medtronic did not pay royalties during the pendency of the declaratory judgment action and instead paid the royalties into an escrow account in case it lost, as permitted by the agreement.

The district court held that the patentee, Mirowski, had the burden of proving infringement and that Mirowski had not met that burden. *Medtronic, Inc. v. Boston Sci. Corp.*, 777 F. Supp. 2d 750, 764-70 (D. Del. 2011). However, the Federal Circuit reversed, holding that when a licensee files a declaratory judgment action, it has the burden of persuasion of proving non-infringement since the patentee could not file an infringement counterclaim. *Medtronic Inc. v. Boston Sci. Corp.*, 695 F.3d 1266, 1274 (Fed. Cir. 2012)

On *certiorari*, the Supreme Court reversed the Federal Circuit’s decision and held that placing the burden of proof on the patentee even when a licensee in good standing sues for declaratory judgment was the correct approach. *Medtronic, Inc. v. Mirowski Family Ventures, LLC*, 134 S. Ct. at 849 (January 22, 2014). The Supreme Court supported its decision with the following rationales:

1. A patentee ordinarily bears the burden of proving infringement. *Id.*;
2. The operation of the Declaratory Judgment Act is only procedural, leaving substantive issues like the burden of proof unchanged. *Id.*; and
3. The burden of proof is a substantive aspect of a claim. *Id.*

The Supreme Court also expressed concern that shifting the burden based on the form of the action could create uncertainty about a patent’s scope. *Id.* at 849-50. It added that a licensee should not have to prove a negative—i.e., that it does not infringe. Finally, the Supreme Court indicated that if it were to shift the burden of proving non-infringement to the accused infringer when declaratory judgment actions were filed, this would create a disincentive to file declaratory judgment actions and would frustrate the purpose of the Declaratory Judgment Act: to give parties facing threats of litigation a way to proactively assert their rights and clear their risks. *Id.* at 850-51.

***Lexmark Int’l, Inc. v. Static Control Components, Inc.*, No. 12-873, 134 S. Ct. 1377 (Mar. 25, 2014)**

**Issue: Trademark Law – Standing**

**Question Presented:**

Whether the appropriate analytic framework for determining a party’s standing to maintain an action for false advertising under the Lanham Act is (1) the factors set forth in *Associ-*

*ated Gen. Contractors of Cal., Inc. v. Cal. State Council of Carpenters*, 459 U.S. 519, 537-45 (1983), as adopted by the Third, Fifth, Eighth, and Eleventh Circuits; (2) the categorical test, permitting suits only by an actual competitor, employed by the Seventh, Ninth, and Tenth Circuits; or (3) a version of the more expansive “reasonable interest” test, either as applied by the Sixth Circuit in this case or as applied by the Second Circuit in prior cases.

Lexmark and Static Control have been locked in litigation since 2002, when Lexmark accused Static Control of intellectual property infringement and violation of the Digital Millennium Copyright Act by selling microchips used to refill and renew Lexmark’s toner cartridges. Static Control countersued Lexmark on claims including false advertising, alleging that Lexmark falsely told customers that Static Control’s products infringed Lexmark’s intellectual property.

The trial court dismissed Static Control’s counterclaims, concluding that Static Control lacked standing, but the Court of Appeals for the Sixth Circuit reinstated the Lanham Act claims. *See Static Control Components, Inc. v. Lexmark Int’l, Inc.*, Nos. 02-571, 04-84, 2006 U.S. Dist. LEXIS 73845 at \*23 (E.D. Ky. Sept. 28, 2006), *rev’d*, 697 F.3d 387, 413 (6th Cir. 2012). The Supreme Court agreed.

The Supreme Court rejected three different tests used by the circuit courts for standing, writing, “[w]hile none of those tests is wholly without merit, we decline to adopt any of them.” *Lexmark Int’l, Inc. v. Static Control Components, Inc.*, 134 S. Ct. 1377, 1391 (2014). Instead, the Supreme Court found that “this case presents a straightforward question of statutory interpretation” and held “that a direct application of the zone-of-interests test and the proximate-cause requirement supplies the relevant limits on who may sue.” *Id.* at 1388, 1391.

The Supreme Court simply held that “[t]o invoke the Lanham Act’s cause of action for false advertising, a plaintiff must plead (and ultimately prove) an injury to a commercial interest in sales or business reputation proximately caused by the defendant’s misrepresentations.” *Id.* at 1395. The Supreme Court concluded that “Static Control ha[d] adequately pleaded both elements.” *Id.*

***Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, No. 12-1184, 134 S. Ct. 1749 (Apr. 29, 2014); *Highmark Inc. v. Allcare Health Mgmt. Sys. Inc.*, No. 12-1163, 134 S. Ct. 1744 (Apr. 29, 2014)**

**Issue: Patent Law – Attorney fees**

### Question Presented (*Octane*):

Does the Federal Circuit’s promulgation of a rigid and exclusive two-part test for determining whether a case is “exceptional” under 35 U.S.C. § 285 improperly appropriate a district court’s discretionary authority to award attorney fees to prevailing accused infringers in contravention of statutory intent and this Court’s precedent, thereby rais-

ing the standard for accused infringers (but not patentees) to recoup fees and encouraging patent plaintiffs to bring spurious patent cases to cause competitive harm or coerce unwarranted settlements from defendants?

### Question Presented (*Highmark*):

Whether a district court’s exceptional-case finding under 35 U.S.C. § 285, based on its judgment that a suit is objectively baseless, is entitled to deference.

This pair of cases both addressed the standard of review required to award attorney fees to the prevailing party in a patent litigation.

In April 2008, ICON Health & Fitness, Inc. filed suit against Octane Fitness, LLC in the U.S. District Court for the Central District of California. ICON alleged infringement of U.S. Patent No. 6,019,710. The case was later transferred to the District of Minnesota. Octane moved for summary judgment for noninfringement. The district court found noninfringement but refused to award attorney fees under Section 285, reasoning that Octane did not meet the standard set forth in *Brooks Furniture Mfg., Inc. v. Dutailier Int’l, Inc.*, 393 F.3d 1378, 1381 (Fed. Cir. 2005). The Federal Circuit affirmed.

In *Octane*, the Supreme Court rejected the standard established by the Federal Circuit in *Brooks Furniture* that, “[a]bsent misconduct in conduct of the litigation or in securing the patent, . . . fees ‘may be imposed against the patentee only if both (1) the litigation is brought in subjective bad faith, and (2) the litigation is objectively baseless.’” *Octane*, 134 S. Ct. at 1754. The Supreme Court determined the *Brooks Furniture* standard to be “overly rigid.” *Octane*, 134 S. Ct. at 1756. The Supreme Court reasoned that *Brooks Furniture* “appear[s] to render § 285 largely superfluous” because of its high standard, and rejected the requirement that entitlement to fees under Section 285 be demonstrated by “clear and convincing evidence.” *Id.* at 1758.

To determine the circumstances where attorney fees should be awarded, the Supreme Court simply turned to the text of Section 285, which reads, “[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party.” The Supreme Court reasoned that the ordinary meaning of “exceptional,” both when Congress first enacted the statute and today, is “uncommon,” “rare,” or “not ordinary.” *Id.* at 1756. Therefore, the Supreme Court held “that an ‘exceptional’ case is simply one that stands out from others with respect to the substantive strength of a party’s litigating position (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated.” *Id.* The “[d]istrict courts may determine whether a case is ‘exceptional’ in the case-by-case exercise of their discretion, considering the totality of the circumstances.” *Id.*

The Supreme Court reversed the Federal Circuit’s application of a two-part test to determine whether a case was “exceptional” under Section 285 and replaced it with

a factor analysis. The factors to consider include “frivolousness, motivation, objective unreasonableness (both in the factual and legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence.” *Id.* at 1756 n.6.

In the other case, in 2003, Highmark, Inc. filed suit against Allcare Health Management System, Inc. in the U.S. District Court for the Northern District of Texas. Highmark sought a declaratory judgment that Allcare’s U.S. Patent No. 5,301,105 was invalid and not infringed. Allcare counterclaimed alleging infringement. The district court found noninfringement, and the Federal Circuit affirmed. The district court also granted attorney fees under Section 285. The Federal Circuit affirmed in part and reversed in part and, in doing so, applied a *de novo* standard of review.

In *Highmark*, the Supreme Court relied on and built upon its decision in *Octane* to find “that an appellate court should review all aspects of a district court’s § 285 determination for abuse of discretion,” which gives greater deference to the district court, instead of conducting a *de novo* review. *Highmark*, 134 S. Ct. at 1747.

The NYIPLA submitted identical amicus briefs in *Octane* and *Highmark*, in support of neither party. See <http://www.nyipla.org/images/nyipla/Documents/Amicus%20Briefs/HighmarkvAllcare12-1163.pdf>.

***Petrella v. Metro-Goldwyn-Mayer, Inc.*, No. 12-1315, 134 S. Ct. 1962 (May 19, 2014)**

**Issue: Copyright Law – Laches**

**Question Presented:**

Whether the nonstatutory defense of laches is available without restriction to bar all remedies for civil copyright claims filed within the three-year statute of limitations prescribed by Congress, 17 U.S.C. § 507(b).

Frank Petrella wrote and registered the screenplay for *Raging Bull* in 1963. After MGM acquired the motion picture rights to the screenplay and released the movie in 1980, Mr. Petrella died, and his copyright renewal rights reverted to his daughter Paula. In 1991, Paula Petrella renewed the copyright of the screenplay and, in 1998, contacted MGM regarding its alleged infringement.

In 2009, Ms. Petrella brought suit against MGM, alleging infringement of the copyrighted screenplay. Recognizing the three-year statute of limitations under the Copyright Act, Petrella sought damages only for acts of infringement occurring since the three-year window began in 2006. Under the theory of laches, the district court found Petrella to have unreasonably delayed in bringing her claims between 1991 and 2009, thereby prejudicing MGM. Accordingly, the district court dismissed Petrella’s complaint on summary judgment, and the U.S. Court of Appeals for the Ninth Circuit affirmed. See *Petrella v. Metro-Goldwyn-Mayer, Inc.*, No. CV 09-72-GW, slip op. at 9 (C.D. Cal. Feb. 3, 2010), *aff’d*, 695 F.3d 946, 957 (9th Cir. 2012).

Justice Ginsburg, writing for the majority, held that laches cannot be used to prevent a claim for damages brought within the Copyright Act’s three-year window provided by the statute of limitations. However, Justice Ginsburg tempered her holding by stating that “[i]n extraordinary circumstances, however, the consequences of a delay in commencing suit may be of sufficient magnitude to warrant, at the very outset of the litigation, curtailment of the relief equitably awardable.” *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. at 1977. While “extraordinary circumstances” were not defined, the Supreme Court suggested that the applicability of laches should be evaluated in view of the reasonableness of delay and the equity of the relief sought. For support, Justice Ginsburg pointed out that the principal application of laches is for equitable claims in which the legislature has not created a statute of limitations. *Id.* at 1973. The Supreme Court has often cautioned against using laches to bar legal relief. *Id.* As the Supreme Court found that laches was invalid in this instance, it remanded the case for further proceedings to determine the length and reason for Petrella’s delay, and bases for MGM’s reliance upon it.

The Supreme Court notably distinguished the Copyright Act at issue in this case from other intellectual property legislation, including Trademark and Patent law. *Id.* at 1974 n.15.

Significantly, three Justices dissented. Justice Breyer, writing for the dissent, deemed that the laches defense should be applied here when the plaintiff had waited eighteen years to bring suit. Furthermore, the dissent postulated that the majority’s ruling will allow a plaintiff to wait until a defendant’s profit turns positive, then bring suit “every three years thereafter until the copyright expires.” *Id.* at 1981. Justice Breyer explained that the doctrine of laches plays a small but important role in copyright law and should be applied when necessary to achieve more equitable results. *Id.* at 1985-86.

***Nautilus, Inc. v. Biosig Instruments, Inc.*, No. 13-369, 134 S. Ct. 2120 (June 2, 2014)**

**Issue: Patent Law – Definiteness**

**Questions Presented:**

1. Does the Federal Circuit’s acceptance of ambiguous patent claims with multiple reasonable interpretations—so long as the ambiguity is not “insoluble” by a court—defeat the statutory requirement of particular and distinct patent claiming?
2. Does the presumption of validity dilute the requirement of particular and distinct patent claiming?

This dispute originated when StairMaster Sports Medical Products, Inc., which was later acquired by Nautilus, Inc., began selling exercise machines containing technology concerning a heart-rate monitor allegedly covered by a patent that was assigned to Biosig Instruments, Inc.

In 2004, Biosig brought a patent infringement suit against Nautilus in the U.S. District Court for the Southern District of New York. In a subsequent reinstatement of this lawsuit, Nautilus moved for summary judgment and argued that the claim term at issue, “spaced relationship,” did not satisfy the definiteness requirement under Section 112, ¶ 2. This provision requires a patent specification to “conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as [the] invention.” 35 U.S.C. § 112, ¶ 2 (2011). The district court granted the motion and concluded that the term was indefinite because no information was provided to define the term. *Biosig Instruments, Inc. v. Nautilus Group, Inc.*, No. 10-cv-7722 (S.D.N.Y. Feb. 22, 2012), Dkt. No. 58, Summary Judgment Hearing Transcript at 51:21-52:2.

The Federal Circuit reversed the district court’s decision, stating “[a] claim is indefinite only when it is ‘not amenable to construction’ or ‘insolubly ambiguous.’” *Biosig Instruments, Inc. v. Nautilus, Inc.*, 715 F.3d 891, 898 (Fed. Cir. 2013) (citation omitted). The Federal Circuit looked at the intrinsic evidence surrounding the claim limitation and determined that, since there were inherent parameters that allowed a skilled artisan to understand the bounds of the “spaced relationship,” the claim was definite. *Id.* at 899.

The Supreme Court, in an opinion penned by Justice Ginsburg, held that the Federal Circuit’s “insolubly ambiguous” standard does not satisfy the Section 112, ¶ 2 definiteness requirement. *Nautilus, Inc. v. Biosig Instruments, Inc.*, 134 S. Ct. at 2124. The Supreme Court reasoned that the statutory requirement involves a “delicate balance” between accepting indefiniteness as an inherent limitation of language, and requiring precision in describing a patent’s boundaries. *Id.* at 2128-29. According to the Supreme Court, the Federal Circuit had set an impermissibly high bar for evaluating indefiniteness because, under the Federal Circuit standard, a claim is indefinite only when it is “insolubly ambiguous” and has no ascribable meaning. *Id.* at 2130. The application of this standard “would diminish the definiteness requirement’s public-notice function and foster the innovation-discouraging ‘zone of uncertainty.’” *Id.* (citation omitted).

In place of the “insolubly ambiguous” standard, the Supreme Court clarified that “a patent is invalid for indefiniteness if its claims, read in light of the specification delineating the patent, and the prosecution history, fail to inform, with *reasonable certainty*, those skilled in the art about the scope of the invention.” *Id.* at 2124 (emphasis added). Under this new requirement, a claim is vague if it does not inform those skilled in the art of the scope of the invention with “reasonable certainty.”

The Supreme Court remanded the case to the Federal Circuit for further proceedings consistent with its decision.

## ***Limelight Networks, Inc. v. Akamai Tech., Inc.*, No. 12-786, 134 S. Ct. 2111**

(June 2, 2014)

### **Issue: Patent Law – Divided Infringement**

#### **Question Presented:**

Whether the Federal Circuit erred in holding that a defendant may be held liable for inducing patent infringement under 35 U.S.C. § 271(b) even though no one has committed direct infringement under § 271(a).

Akamai Technologies, Inc. is the sole licensee of U.S. Patent No. 6,108,703. The patent protects a method for delivering electronic data using a content delivery network. One step of the method includes designating components to be stored on specific servers or “tagging” the components. Limelight Networks, Inc. provides a similar service, also delivering electronic data via a content delivery network. Limelight requires its customers to tag the components they intend to store, rather than doing the tagging itself. Limelight does, however, perform the other steps required by the method claim.

In *Limelight Networks, Inc. v. Akamai Technologies, Inc.* (“Limelight”), a unanimous Court (per Justice Alito) ruled that a party cannot be held liable for inducing patent infringement when no direct infringement has occurred. *Limelight*, 134 S. Ct. at 2115. The Supreme Court began its opinion with the simple proposition that “our case law leaves no doubt that inducement liability may arise ‘if, but only if, [there is] . . . direct infringement.’” *Id.* at 2117 (quoting *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 336, 341 (1961)). Thus, the Supreme Court in *Limelight* found that once the Federal Circuit concluded that there was no direct infringement, under its precedent, there could be no induced infringement under 35 U.S.C. § 271(b).

Significantly, the Supreme Court assumed for purposes of its analysis that the Federal Circuit’s ruling in *Muniauction, Inc. v. Thomson Corp.*, 532 F.3d 1318, 1329 (Fed. Cir. 2008), i.e., that a single party must perform all elements of the protected method, or exercise “control or direction” over the entire process for there to be infringement, was applicable. However, the Supreme Court expressly did not address whether this rule of law was correct and left room for the Federal Circuit to reconsider the rule, if appropriate, on remand. *Limelight*, 134 S. Ct. at 2120. Akamai had requested that the Supreme Court review the Section 271(a) standard from *Muniauction*, both in a separate petition and in responding to Limelight’s petition, but the Supreme Court decided not to grant *certiorari* on that issue in its June 5, 2014 conference.

## ***POM Wonderful LLC v. Coca-Cola Co.*, No. 12-761, 134 S. Ct. 2228 (June 12, 2014)**

### **Issue: Trademark Law – Preemption**

**Question Presented:**

Whether the court of appeals erred in holding that a private party cannot bring a Lanham Act claim challenging a product label regulated under the Food, Drug, and Cosmetic Act.

In 2008, Pom Wonderful LLC sued The Coca-Cola Company (“Coca-Cola”) under the Lanham Act, alleging that Coca-Cola misleadingly labeled its pomegranate-blueberry juice blend to trick consumers into thinking that the product consisted predominantly of pomegranate and blueberry juice when it consisted primarily of less expensive apple and grape juices. *POM Wonderful*, 134 S. Ct. at 2235. That confusion, POM complained, caused it to lose sales on its more expensive pomegranate juice products. Coca-Cola argued that it was in full compliance with the FDA labeling rules and that the Lanham Act claim was pre-empted by the labeling rules. *Id.* at 2239.

Justice Kennedy, writing for the Court, stated that the Coca-Cola blend contained a “minuscule amount of pomegranate and blueberry juice,” and specifically noted that the blend was made up of “99.4% apple and grape juices, 0.3% pomegranate juice, 0.2% blueberry juice, and 0.1% raspberry juice.” *Id.* at 2235.

However, the legal issue under consideration was not the misleading nature of the label, but rather the interplay between two federal laws—the Federal Food, Drug and Cosmetic Act (“FDCA”) and the Lanham Act. *Id.* at 2233. The FDCA forbids the misbranding of food by means of false or misleading labeling, while Section 43 of the Lanham Act allows one competitor to sue another if it alleges unfair competition arising from false or misleading product descriptions. *Id.* at 2233-35. Coca-Cola argued that an amendment to the FDCA preempted state and federal law, narrowed the scope of the Lanham Act, and barred competitors from bringing mislabeling claims. *Id.* at 2239-40. Previously, the Court of Appeals for the Ninth Circuit found for Coca-Cola and held that no matter how misleading Coca-Cola’s marketing was, POM’s false advertising claims were pre-empted by the FDCA. *See POM Wonderful LLC v. Coca-Cola Co.*, 679 F.3d 1170, 1178 (9th Cir. 2012).

The Supreme Court, unconvinced by Coca-Cola’s argument that compliance with FDA labeling rules should somehow shield companies from federal mislabeling claims, held that the FDCA does not preclude a competitor from suing under the Lanham Act based on false or misleading claims. *Id.* at 2241. Justice Kennedy wrote that the FDCA and the Lanham Act complement each other in the regulation of misleading labels and “it would show disregard for the congressional design to hold that Congress nonetheless intended one federal statute to preclude the operation of the other.” *Id.* at 2238. He further wrote that the FDA “does not have the same perspective or expertise in assessing market dynamics that day-to-day competitors possess” and “Lanham Act suits draw upon this market expertise by empowering private parties to sue competitors to protect their interests on a case-by-case

basis.” *Id.* “Their awareness of unfair competition practices may be far more immediate and accurate than that of agency rulemakers and regulators.” *Id.* As a result, the Supreme Court allowed POM to proceed with its case, reversing the judgment of the Court of Appeals for the Ninth Circuit and remanding the case for further proceedings consistent with its opinion. Justice Breyer did not participate in the case. *Alice Corp Pty. Ltd. v. CLS Bank Int’l*, No. 13-298, 134 S. Ct. 2347 (June 19, 2014)

**Issue: Patent Law – Subject Matter Eligibility****Question Presented:**

Whether claims to computer-implemented inventions—including claims to systems and machines, processes, and items of manufacture—are directed to patent-eligible subject matter within the meaning of 35 U.S.C. § 101 as interpreted by this Court.

Alice Corporation Pty. Ltd. (“Alice”) owns patents on methods for risk analysis software. CLS Bank International was using programs that performed the same methods and sued for a declaratory judgment that Alice’s patent claims were unenforceable, not infringed, or ineligible because they were directed to the abstract idea of risk analysis. In light of the Supreme Court’s decision in *Bilski v. Kappos*, 561 U.S. 593 (2010), the parties filed cross-motions for summary judgment regarding the patent eligibility of the asserted claims. The district court held the claims to be patent ineligible. *CLS Bank Int’l v. Alice Corp. Pty., Ltd.*, 768 F. Supp. 2d 221, 255-56 (D.D.C. 2011). The Court of Appeals for the Federal Circuit initially reversed the district court’s ruling, but, in a sharply divided *en banc* rehearing, affirmed the district court’s ruling. *See CLS Bank Int’l v. Alice Corp. Pty.*, 685 F.3d 1341, 1356 (Fed. Cir. 2012), *rev’d en banc*, 717 F.3d 1269, 1292 (Fed. Cir. 2013).

In a unanimous decision written by Justice Thomas, the Supreme Court found the particular computer-implemented claims at issue to be invalid under Section 101 since they were merely drawn to a patent-ineligible abstract idea and did not contain enough “something” more to make them patent eligible. *Alice Corp.*, 134 S. Ct. at 2359-60. The Supreme Court found that the introduction of a computer into the claims did not by itself alter the abstract nature of the claims. As the Supreme Court summarized from its previous opinions on patent eligibility, “[t]he mere recitation of a generic computer cannot transform a patent-ineligible abstract idea into a patent-eligible invention.” *Id.* at 2358.

The Court explained that in conducting a patent-eligibility analysis, a court “must distinguish between patents that claim the building blocks of human ingenuity and those that integrate the building blocks into something more” so that they **do not pre-empt** the use of the underlying abstract ideas. *Id.* at 2354 (internal citations, quotation marks, and brackets omitted). The Supreme Court described the patent-eligibility

analysis under Section 101 as distinguishing between claims that seek to preempt fundamental principles, such as “laws of nature, natural phenomena, and abstract ideas” (which are not in and of themselves patent eligible), and claims that are “patent-eligible **applications** of those concepts.” *Id.* at 2355 (emphasis added). In addressing this query, the Supreme Court adopted the two-step approach set forth in *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 132 S. Ct. 1289 (2012), as follows:

First, we determine whether the claims at issue are directed to one of those patent-ineligible concepts. If so, we then ask, “[w]hat else is there in the claims before us?” To answer that question, we consider the elements of each claim both individually and “as an ordered combination” to determine whether the additional elements “transform the nature of the claim” into a patent-eligible application. We have described step two of this analysis as a search for an “inventive concept”—*i.e.*, an element or combination of elements that is “sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself.”

*Alice*, 134 S. Ct. at 2355 (internal citations omitted).

As such, the Supreme Court recognized that the mere addition of a computer to a claim directed to an abstract idea is not enough by itself to make the claim patent eligible. Significantly, the Supreme Court did not adopt a view that all computer-implemented inventions or methods of doing business claims are *per se* not patent eligible. Of course, claims which do not pre-empt the abstract idea should continue to be patent eligible.

The NYIPLA submitted several amicus briefs in this case, including a brief to the Supreme Court on the merits in support of neither party. See [http://www.nyipla.org/images/nyipla/Documents/Amicus%20Briefs/AliceCorpV-CLSN013-298\\_251738.pdf](http://www.nyipla.org/images/nyipla/Documents/Amicus%20Briefs/AliceCorpV-CLSN013-298_251738.pdf).

***American Broadcasting Companies, Inc. v. Aereo, Inc.*, No. 13-461, 134 S. Ct. 2498 (June 25, 2014)**

**Issue: Copyright Law – Public Performance**

**Question Presented:**

Whether a company “publicly performs” a copyrighted television program when it retransmits a broadcast of that program to thousands of paid subscribers over the Internet.

Copyright holders sued Aereo, Inc. for infringing their exclusive right to “publicly perform” their copyrighted works, and sought a preliminary injunction. The U.S. District Court for the Southern District of New York denied the preliminary injunction, and the U.S. Court of Appeals for the Second Circuit affirmed, relying on its precedent set forth in *Cartoon Network LP v. CSC Holdings, Inc.*, 536 F.3d 121

(2d Cir. 2008) (“*Cablevision*”). See *WNET v. Aereo, Inc.*, 712 F.3d 676 (2d Cir. 2013). In *Cablevision*, the Second Circuit had held that Cablevision’s remote storage digital video recorder system did not infringe copyright holders’ public performance right. 536 F.3d at 140.

Aereo’s competitor, FilmOn X, formerly known as “Aereokiller,” and also formerly known as “BarryDriller,” was unable to replicate the success that Aereo found in the Second Circuit. The U.S. District Court for the Central District of California issued an injunction barring FilmOn X from using similar technology to rebroadcast copyrighted television programs throughout the Ninth Circuit. *Fox TV Stations, Inc. v. Aereokiller, LLC*, 915 F. Supp. 2d 1138, 1151 (C.D. Cal. 2012). The U.S. District Court for the District of Columbia similarly enjoined FilmOn X across the country *except* for the Second Circuit, where *Cablevision* is law. *Fox TV Stations, Inc. v. FilmOn X LLC*, 966 F. Supp. 2d 30, 52 (D.D.C. 2013).

Both the petitioners and the respondent, in light of the conflicting decisions, petitioned for a writ of *certiorari*, which the Supreme Court granted.

Before the Supreme Court heard oral arguments, however, the District of Utah granted a preliminary injunction against Aereo itself, which extended to the Tenth Circuit. *Cnty. TV of Utah, LLC v. Aereo, Inc.*, No. 13-910, 2014 U.S. Dist. LEXIS 21434, at \*29-30 (D. Utah Feb. 19, 2014).

In the decision penned by Justice Breyer, the majority of the Supreme Court found Aereo’s service to be a “public performance” of copyrighted works in violation of the Copyright Act. *American Broadcasting Companies v. Aereo, Inc.*, 134 S. Ct. 2498, 2511 (2014) (“*ABC*”). The majority recognized that Aereo does more than merely supply equipment that allows others to “perform,” rather Aereo itself “perform[s].” *Id.* at 2506. The majority analogized Aereo’s activities to those of the cable companies in *Fortnightly* and *Teleprompter* in which it distinguished between broadcasters and viewers in regard to performing. See *Fortnightly Corp. v. United Artists Television, Inc.*, 392 U.S. 390 (1968); *Teleprompter Corp. v. Columbia Broadcasting System, Inc.*, 415 U.S. 394 (1974). Specifically, the majority stated that Aereo uses its own equipment, located outside of its subscribers’ homes, to carry programs to viewers via private channels. *ABC*, 134 S. Ct. at 2506. The fact that subscribers “‘select[t] the copyrighted content’ that is ‘perform[ed]’” was of no consequence to the majority. *Id.* at 2507 (quoting dissent of Scalia, J.).

The majority further held that Aereo “performs” the copyrighted works “publicly” when it streams a program over the Internet to one of its subscribers. *Id.* at 2508-09. The majority considered the fact that each transmission is to only one subscriber, but found this to be no different from that of a cable system that does perform “publicly.” *Id.* at 2508. Specifically, the majority held that “whether Aereo transmits from the same or separate copies, it performs the same work; it shows the same images and makes audible the same sounds. Therefore, when Aereo streams the same television program to multiple subscribers, it ‘transmit[s] . . . a performance’ to all of them.” *Id.* at 2509.

In an apparent attempt to counter the concern that a ruling in the broadcasters' favor would hinder cloud computing, the majority concluded by stating its belief that its decision is limited and will not "discourage or . . . control the emergence or use of different kinds of technologies." *Id.* at 2510.

Justice Scalia dissented, joined by Justices Thomas and Alito, arguing that the "claim fails at the very outset because Aereo does not 'perform' at all." *Id.* at 2512 (Scalia, J., dissenting). According to Justice Scalia, Aereo does not "perform" copyrighted works and even if it did, it would not be directly liable for copyright infringement. He analogized Aereo to "a copy shop that provides patrons with a library card." *Id.* at 2514 (Scalia, J., dissenting). Just as a customer at a copy shop may "duplicate a famous artist's copyrighted photographs," Justice Scalia believes that "[b]ecause the shop plays no role in selecting the content, it cannot be held directly liable when a customer makes an infringing copy." *Id.* at 2513.

Justice Scalia concluded by criticizing the majority's view of the limited nature of the holding, writing that "[t]he Court vows that its ruling will not affect cloud-storage providers and cable-television systems, . . . but it cannot deliver on that promise given the imprecision of its result-driven rule." *Id.* at 2517.

The NYIPLA submitted an amicus brief in this case in support of petitioners. See <http://www.nyipla.org/images/nyipla/Documents/Amicus%20Briefs/AmericanBroadcastingVAereo13-461.PDF>.

**(Endnotes)**

\* Charles R. Macedo is Co-Chair of the Amicus Brief Committee for the New York Intellectual Property Law Association, and a partner at Amster, Rothstein & Ebenstein LLP.

David P. Goldberg is a member of the Amicus Brief Committee and an Associate at Amster, Rothstein & Ebenstein LLP.

Sandra A. Hudak is also a member of the Amicus Brief Committee and a Law Clerk and Patent Agent at Amster, Rothstein & Ebenstein LLP.

Michael Sebba was a 2014 Summer Associate at Amster, Rothstein & Ebenstein LLP. Their practice specializes in intellectual property issues, including litigating patent, trademark and other intellectual property disputes. They may be reached at [cmacedo@arelaw.com](mailto:cmacedo@arelaw.com), [dgoldberg@arelaw.com](mailto:dgoldberg@arelaw.com), and [shudak@arelaw.com](mailto:shudak@arelaw.com).

<sup>1</sup> The cases in which the NYIPLA submitted amicus briefs are *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*; *Highmark Inc. v. Allcare Health Mgmt. Sys. Inc.*; *Alice Corp Pty. Ltd. v. CLS Bank Int'l* (two amicus briefs submitted); and *American Broadcasting Companies, Inc. v. Aereo, Inc.* The Amicus Brief Committee will continue to monitor and propose amicus curiae submissions, where appropriate, to be made to the Court(s). If you would like to join the Amicus Brief Committee, please contact Co-Chairs, Charles Macedo ([cmacedo@arelaw.com](mailto:cmacedo@arelaw.com)), Robert Isackson ([rmisackson@orrick.com](mailto:rmisackson@orrick.com)) and David Ryan ([dfrhawley@optonline.net](mailto:dfrhawley@optonline.net)).

