

Patent Litigation Tips For Digital Content Providers

Law360, New York (November 06, 2012, 5:26 PM ET) -- Like many U.S. newspapers and television stations, the Atlanta Journal-Constitution has a website that covers local entertainment and events, which it calls accessatlanta.com. The organizer of an event can add it to the site by filling out a form. This innocuous feature apparently resulted in the Journal-Constitution's publisher, Cox Enterprises, being sued for patent infringement.

The patent in question, U.S. Patent No. 6,370,535, claims to cover a "system and method for structured news release generation and distribution." The patented method consists of three steps: specifying the content of several predetermined sections of a news release, digitally storing the content for those sections, and then assembling the news release by retrieving the sections from storage. The owner of the patent, Gooseberry Natural Resources LLC, sued Cox and several other media companies in Los Angeles in December for patent infringement.[1]

The Gooseberry lawsuit is yet another illustration that as content providers develop and use innovative business methods and technologies, they face risk of patent infringement claims in addition to the more familiar risks of defamation, invasion of privacy and copyright infringement. While many of the patents asserted against media defendants cover various aspects of the Internet, such as providing click-to-call links in Internet search results, playing games over the Internet, and Web browsing, other areas are covered as well, including providing media and content to mobile devices, systems for generating billing statements for published advertising, and electronically displaying advertisements and information in elevators.

Digital media companies not only are defendants in patent lawsuits, they also own patents, and sue on them. Facebook Inc. holds a patent covering "dynamically providing a news feed about a user of a social network." [2] Gannett Satellite Information Network owns the elevator advertising patents mentioned earlier and sued a competitor, Office Media Network, for allegedly infringing them. [3] By understanding the risks and using some defense strategies, media companies can reduce the danger patent infringement claims pose.

Overview of Patent law

A patent grants the holder the exclusive right to make, use, sell, or offer to sell the invention it describes within the U.S., or to import it into the U.S, for 20 years from the date of its application. [4] To be patentable, an invention must be a "new and useful process, machine, manufacture, or composition of matter." [5] In its decision last year in *Bilski v. Kappos*, [6] the U.S. Supreme Court reaffirmed that so long as a patent does not seek to cover an abstract idea, it can cover novel methods for conducting business and computer software.

In a patent, the inventor describes his or her invention in both writing and drawings, and then concludes the patent with one or more “claims,” each of which specifies the details of invention for which the inventor claims exclusive rights. The patent claims determine whether a patent has been infringed. If every element of a claim is found in a device made or a method used by someone other than the patent owner, the patent has been infringed.

The patent claims also determine whether the patent is valid. A patent can be obtained only on a new invention, and while the Patent Office tries to ensure that this requirement is met before it issues a patent, it is by no means perfect and frequently issues patents that fail this requirement. If all of the elements of a patent claim can be found in a piece of “prior art” — earlier available technology — the patent is invalid. But even when some elements of a claim are not found in a single piece of prior art, the patent is also invalid if it claims an obvious change to the prior art.

Remedies for infringement include damages suffered by the patent holder as a result of the infringement and an injunction against future infringement. If the patent holder shows that the defendant infringed willfully, the court may award up to three times the damages proved, and award attorneys’ fees.

Patents Covering Internet Technology

Content providers are often accused of infringing patents covering software or business methods related to the Internet. The development of the Internet coincided with an expansion of the scope of patentable subject matter to cover software and business methods. As a result, the Patent Office has issued many patents covering various aspects of the Internet, including online business methods and software. Although many of these patents may be valid, many are questionable at best.

A concurrent development that has increased the threat of patent infringement claims is the rise of the “patent troll” or, less pejoratively, the nonpracticing entity. An NPE is a company that owns one or more patents but does not practice the inventions that they cover. NPEs derive most or all of their income from enforcing their patents — licensing alleged infringers and suing for damages.

Traditionally, patents were owned by companies who operated in the areas of technology that their patents protected. Before suing a competitor for patent infringement, an operating company had to assess the risk that the competitor would turn around and sue it for infringing patents owned by the competitor. Because NPEs have no operations, they are not subject to counterclaims for patent infringement, freeing them from that restraint on enforcing their patents. Also, because NPEs have no operations, it is easy for them to incorporate and set up business in plaintiff-friendly forums, such as the Eastern District of Texas, which has one of the heaviest patent litigation dockets of all of the federal judicial districts.[7]

The financial risk from a patent infringement claim can be high. In addition to the threat of a damages award, defending a patent infringement suits entails substantial legal costs. The latest Economic Survey of the American Intellectual Property Law Association reports that median litigation costs for a patent infringement suit in which \$1 million to \$25 million is at risk amount to \$1.5 million through the end of discovery and \$2.5 million inclusive of all costs.[8] Costs are higher for cases with more than \$25 million at risk and less for those with less than \$1 million at risk.

The Increasing Patent Attack on Content Providers

As media companies and other content providers innovate and develop new platforms for serving content, they have become increasingly prominent targets for NPEs. For example, Software Rights Archive LLC, known as “SRA,” acquired a family of patents directed to software for use in legal research. The patents claim that by looking at the various connections between cases, a search engine can better locate relevant cases.[9]

Between 2009 and 2011, SRA sued the major Internet search engines for patent infringement, claiming their method of ranking search results using hyperlink connections between pages infringed their patents.[10] Recently, however, SRA has begun asserting its patents even more broadly, suing LinkedIn for its method of locating individuals based on their connections to other individuals[11] and Facebook for its method of serving relevant news articles.[12]

In addition to SRA, Unified Messaging Solutions LLC, known as “UMS,” has been using its patent portfolio to attack media companies. Like SRA, UMS has no operations and exists only to monetize its patents. UMS owns a family of patents directed at a system for routing incoming faxes to individual recipients. Nonetheless, UMS has taken an expansive reading of its patents and filed suit against nearly 100 companies in jurisdictions across the country, each asserting nearly identical claims using a template complaint. UMS has asserted its patents against Time Warner Cable Inc., AOL Inc., American Airlines Inc., Google Inc., Travelocity.com LP and Twitter Inc.[13] In one suit, UMS’ attorneys famously forgot to “fill in the blank” and included the following allegation:

38. Defendant has committed direct infringement as alleged in Counts I through V at least through operation of its “Orders & Activity” feature accessible at least through its website, www._____.com[14]

Many defendants settled with UMS to escape the lawsuit early.[15] Although settlement agreements are, by their terms, confidential, some estimate a typical settlement with UMS includes “a one-time payment of about \$300,000, which is low enough that a public company usually does not have to disclose the amount and makes settling an attractive alternative to the time and expense of a trial, which could cost \$1 million to \$5 million.”[16]

Lodsys LLC is yet another example of a NPE targeting media companies. Lodsys owns patents that claim methods for obtaining user feedback on a product. Lodsys has filed numerous infringement actions against a variety of defendants, all in the Eastern District of Texas, including a suit against Playboy Enterprises and other defendants for “try and buy” subscription offerings on their website. In addition, after Lodsys sent the New York Times Company demand letters, the New York Times sued it in Chicago, asking the court to rule that tracking click-through for ads on its website does not infringe the patents.

Prelitigation Defensive Measures

Many preventive actions can be taken to reduce the risk that patent infringement suits pose. One strategy is to identify higher-risk activities and ensure they are undertaken only after a diligent analysis. Another is to position yourself to improve your ability to defend against future suits. These interconnected strategies work together to reduce the overall risk.

Risk Management Requires Identifying High-Risk Activities

Identifying high-risk activities is an important first step. Because patents expire 20 years^[17] after the filing date of the application, technology that has been unchanged for more than 20 years is unlikely to be subject to another party's valid patent. Although even traditional practices are susceptible to the risk of an infringement claim, new technology-based business models are aggressively patented and pose an even greater risk.

For example, business methods unconnected to any technology are rarely patented,^[18] unlike innovations involving the Internet or computing technology (such as mobile devices). Once the high-risk activities have been identified, it should be determined whether they may be covered by another another's valid patent.

Careful Analysis Should Be Conducted Before Engaging in High-Risk Activities

There are several ways to determine whether an activity may already be patented, each with its own advantages and limitations. One option is to obtain a lawyer's "freedom to operate" opinion. This process involves first conducting a search for relevant patents. When the search is completed, a lawyer analyzes the results and provides an opinion describing the risk a proposed activity poses. Another way to locate patents that may cover new business methods or technology is to apply for a patent on that innovation. Although obtaining a patent certainly does not guarantee that practicing the patented invention is free from risk, the examination process may incidentally turn up other relevant patents.

A More Formidable Opponent Is Less Likely To Get Sued

In addition to incidentally locating relevant prior art, obtaining patents also helps reduce the likelihood of being sued by a competitor. Having a patent portfolio allows a defendant to bring a counterclaim that the plaintiff infringes one of the defendant's patents. But this is effective only against a plaintiff that is operating in an area in which you have patent protection — a defensive portfolio is not effective against NPEs, which have no operations other than suing for patent infringement.

Require Licensors To Indemnify You

A company that obtains the e-commerce portion of its website from a third-party vendor, for example, may face patent infringement claims for using that technology, because use of an infringing product or method developed by someone else is itself infringement. It therefore is prudent to demand that technology agreements include a warranty against patent infringement claims.

Defensive Measures After Suit Has Been Filed

Plaintiff Must First Prove That You Infringe

To prove infringement, the patent owner must show that a single entity performs each of the steps of a patented method (or sells a device that has each of the elements of a patented device). This requirement may be particularly helpful for media companies, which frequently use technologies that distribute content and advertisements over the Internet or through mobile devices.

The method claims of patents covering these technologies often include some steps that take place on the provider's server and others on the end-user's computer. Although a party cannot avoid infringement by acting as a "mastermind" and inducing others to carry out the claim elements on its behalf, a customer that performs the steps without being induced by the content provider does not give rise to infringement.^[19]

Invalidating a Patent Not Only Avoids Liability, but Also Destroys a Plaintiff's Valuable Asset

Even if each of the patented elements is performed, there can be no infringement if the patent is invalid. Invalidating a patent often involves locating prior art through a process akin to finding a needle in a haystack. Traditionally, prior art searches have been done by a researcher who performs electronic searches of patents and patent applications, academic publications, and the general Internet.

Specialized prior art search companies or experts in the relevant field can be retained for this. Recently, "crowdsourcing" has become available. For example, a company called Article One Partners developed a community of thousands of individuals who search for prior art.[20] Article One can be hired to post a "bounty" that will be paid to any of their searchers who locates prior art that invalidates a target patent. This system allows a defendant to harness the power of thousands of individuals searching for prior art and pay only when invalidating art is located.

When prior art is located, there are two procedures available to challenge the patent. First, a defendant can file a counterclaim in the lawsuit and ask that the court declare the patent invalid. Second, if the prior art is a publication that was not viewed by the Patent Office during examination of the patent application, the defendant can institute a form of post-grant review. This is a process in which the prior art is submitted to the Patent Office to decide whether the patent should be either narrowed or canceled. A plaintiff's desire to avoid the risk of a court or the Patent Office publicly announcing its patent's invalidity often pressures a plaintiff to discuss settlement.

But whether disputing infringement or validity, it is unlikely the defense will be a silver bullet that cleanly knocks out a plaintiff's claim. Likewise, however, the plaintiff is unlikely to have a patent clearly infringed and unquestionably valid. In most cases, a balance of uncertainty leads to settlement.[21]

Conclusion

As content providers creatively grow their business and use the Internet and computing devices, they become increasingly tempting targets for NPEs. These suits are expensive to defend and may result in a substantial damages award. Content providers should therefore proactively take steps to reduce the risk of suit. But if sued, careful strategy should be employed to either defeat the claim or position a favorable settlement.

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[1] *Gooseberry Natural Resources LLC v. Cox Enter. Inc. et al.*, No. 2:10-cv-09220-JHN-CW (C.D. Cal. filed Dec. 1, 2010). The case was dismissed in September 2011, apparently reflecting settlements with all defendants.

[2] U.S. Patent No. 7,669,123 to Mark Zuckerberg et al., (filed Aug. 11, 2006) (issued Feb. 23, 2010).

[3] *Gannett Satellite Information Network Inc. v. Office Media Network*, No. 1:08-cv-00096-GMS (D. Del. filed Feb. 14, 2008).

[4] 35 U.S.C. § 271.

[5] 35 U.S.C. § 101.

[6] 130 S. Ct. 3218 (2010).

[7] See Sam Williams, A Haven for Patent Pirates: In One Federal Court in East Texas, Plaintiffs Have Such an Easy Time Winning Patent-Infringement Lawsuits Against Big-tech Companies that Defendants Often Chose to Settle Rather than Fight, *Technology Review*, Feb 3, 2006, available at http://www.technologyreview.com/read_article.aspx?id=16280&ch=infotech.

[8] American Intellectual Property Law Association, AIPLA Report of the Economic Survey 2009 at 29.

[9] The patents are US5544352, US5832494, and US6233571.

[10] *Software Rights Archive, LLC v. Google Inc. et al*, 5:2009mc80004 (Filed: January 20, 2009 N.D. Cal.); *Software Rights Archive, LLC v. Microsoft Corporation*, 2:11-cv-01187; (Filed on July 15, 2011 W.D. Wash.).

[11] *Software Rights Archive LLC v. LinkedIn Corporation*, 3:12-cv-03971 (Filed on July 27, 2012 N.D. Cal.)

[12] *Software Rights Archive LLC v. Facebook Inc.* 3:12-cv-03970 (Filed on July 27, 2012 N.D. Cal.)

[13] *Unified Messaging Solutions LLC v. Google Inc et al* 6:11-cv-00464 (E.D. Tex).

[14] *Unified Messaging Solutions LLC v. Etsy Inc* 1:2012cv03829 (S.D.N.Y.)

[15] <http://www.bizjournals.com/austin/print-edition/2012/07/06/successful-patent-troll-targets-homeaway.html?page=all>

[16] *Id.*

[17] 35 U.S.C. § 154(a)(2); but cf. 35 U.S.C. § 154(c)(1) (A patent that is in force on or that results from an application filed before June 8, 1995 expires 20 years from filing or 17 years from grant, whichever is longer).

[18] Until recently, it was unclear whether business methods were even eligible for patent protection. See, e.g., *In Re Bilski*, 545 F.3d 943, 961 (Fed. Cir. 2008), *aff'd sub. nom. Bilski v. Kappos*, 130 S. Ct. 3218 (2010).

[19] *Akamai Techs. Inc. v. Limelight Networks, Inc.*, 692 F.3d 1301 (Fed. Cir. 2012).

[20] See <http://www.articleonepartners.com/> (last accessed Feb. 2, 2011).

[21] Most patent cases are resolved by settlement rather than after trial or by motion for summary judgment. Shrestha, 110 Colum. L. Rev. at 156.