Patent Law Year in Review: 2008-2009

A Look Back at 2008 and a Look Ahead to 2009

January 15, 2009

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FENWICK & WEST LLP

PATENT LAW YEAR IN REVIEW

A Look Back at 2008 and a Look Ahead at 2009

Agenda

- Patent Exhaustion and the Implied License
- *In re Bilski:* Landmark Decision with Little Change?
- The Next Battlefront: 35 U.S.C. §112
- *KSR v. Teleflex*: What Do We Know Now About Obviousness?
- Hitching a Ride on a *Volkswagen*: A New Way Out of the E.D. Tex.
- Other Noteworthy Cases of 2008

--Break--

- The USPTO's New Look at Patentable Subject Matter
- Rulemaking and What's Ahead at the USPTO
- The Growing Interplay Between Reexamination and Litigation
- Ethical Issues from 2008

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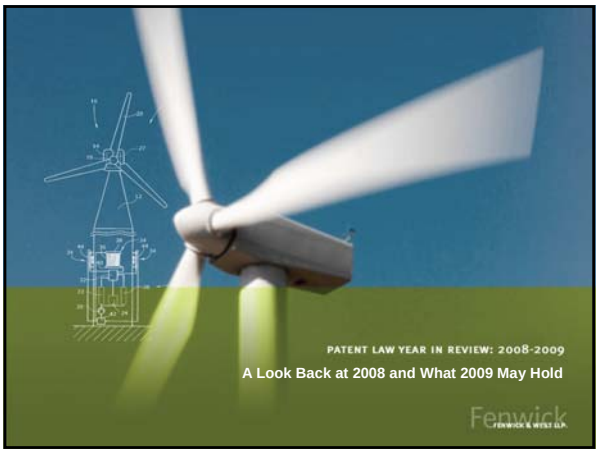

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Our Agenda Today

- Patent Exhaustion and the Implied License
- *In re Bilski*: Landmark Decision with Little Change?
- The Next Battlefront: 35 U.S.C. §112
- *KSR v. Teleflex*: What Do We Know Now About Obviousness?
- Hitching a Ride on a *Volkswagen*: A New Way Out of the E.D. Tex.
- Other Noteworthy Cases of 2008
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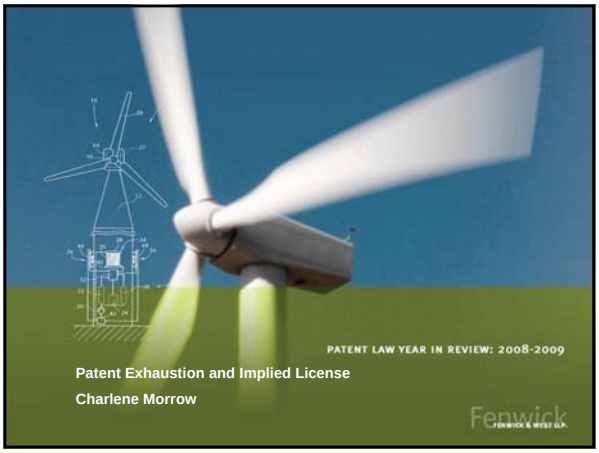

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Supreme Court's *Quanta* Decision on Patent Exhaustion

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Quanta Computer, Inc. v. LG Electronics, Inc., 553 U.S. ___ (June 9, 2008)

- Background on Patent Exhaustion:
  - Basic rule: An unrestricted sale in the United States of a patented article exhausts the patent holder's rights to control use or sale of the article
  - Public policy: The patentee's monopoly is the exclusive right to make, use or sell the invention, and once a sale has occurred, the monopoly is exhausted. The patent monopoly does not authorize further control of the use or disposition of the article

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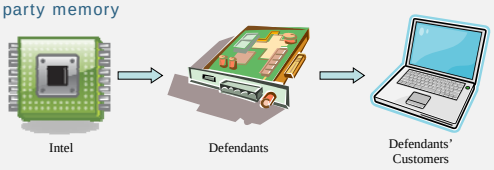
Quanta Computer, Inc. v. LG Electronics, Inc.

- ***Facts***: Defendants bought Intel chipsets. Intel had a cross-license with plaintiff LG Electronics that covered the chipsets. Intel told its customers that its license with LG did not cover combinations of the Intel chipsets with non-Intel products. LG asserted patents against the defendants, accusing the combination of the Intel chipsets with third-party memory



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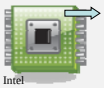
Patents

- ***Example***: Claim 1 of U.S. Patent No. 4,939,641 claims a "data processing system" with (paraphrased)
  - a CPU;
  - cache memory;
  - system bus; and
  - system memory, where
  - the CPU monitors bus transactions and when data is requested from system memory that is in cache memory, transmits that data instead


Intel


Defendants


Defendants' Customers

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Federal Circuit Holdings

- ***Holding 1***: The sale of a device does not exhaust the patent holders' rights in the method
- ***Holding 2:*** The patent exhaustion doctrine may apply to apparatus claims where the sale is of a component of a patented apparatus, if there are no other substantial uses of the component

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Federal Circuit Holdings (*cont'd*)

- ***Holding 3:*** There was no unconditional sale of the components such that LG's rights to control the use of the combination had been exhausted:
  - LG's grant of a license to Intel is a "sale" for exhaustion purposes, but it was a "conditional agreement" that "required Intel to notify its customers of the limited scope of the license…"
  - Intel's sale of chipsets to the defendants was likewise a sale, but also conditional because of the notice Intel provided.
- ***Holding 4:*** There was no implied license.

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Supreme Court Opinion

"The Court of Appeals for the Federal Circuit held that the doctrine does not apply to method patents at all and, in the alternative, that it does not apply here because the sales were not authorized by the license agreement. We disagree on both scores. Because the exhaustion doctrine applies to method patents, and because the license authorizes the sale of components that substantially embody the patents in suit, the sale exhausted the patents."

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Supreme Court Reasoning

- "Nothing in this Court's approach to patent exhaustion supports LGE's argument that method patents cannot be exhausted. … It is true that a patented method may not be sold in the same way as an article or device, but methods nonetheless may be 'embodied' in a product, the sale of which exhausts patent rights."

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Supreme Court Reasoning

- The License Agreement did not provide pre-sale restrictions that made the sales of Intel chipsets conditional:
  - "Nothing in the License Agreement restricts Intel's right to sell its microprocessors and chipsets to purchasers who intend to combine them with non-Intel parts."
  - "Intel's authority to sell its products embodying the LGE patents was not conditioned on the notice…"
  - "…exhaustion turns only on Intel's own license to sell products practicing the LGE patents."

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Supreme Court Reasoning

- If a device "embodies essential features of the patented invention" AND "their only reasonable and intended use was to practice the patent," there can be exhaustion.
  - "Here, LG has suggested no reasonable use of the Intel Products other then incorporating them into computer systems that practice the LGE patents." (Sales overseas don't count.)
  - "the Intel Products constitute a material part of the patented invention and all but completely practice the patent. Here, … the incomplete article all but substantially embodies the patent *because the only step necessary to practice the patent is the application of common processes or the addition of standard parts*. Everything inventive about each patent is embodied in the Intel Products. … Quanta was not required to make any creative or inventive decision when it added those parts."

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What About Pre-*Quanta* Licenses?

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Amicus Briefing by Licensing Entities

- "Papst Licensing GmbH… is in the business of licensing technology from its portfolio of over one hundred patents, including patents directed to innovative electric motor, fan, and hard drive technologies that are used in millions of computer related products around the world."
- "Papst has found that potential purchasers of its intellectual property are frequently unwilling or unable to purchase the full value of a patent."
- "Accordingly, to impose an exhaustion rule in these circumstances would turn the commercial law and commercial expectations on their head by creating an unintended class of third party beneficiaries who are effectively granted royalty-free licenses."

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Exelstor Technology v. Papst Licensing, No. 2008-1140 (Fed. Cir. Sept. 16, 2008)

- Federal Circuit affirmed district court dismissal of claim by Exelstor, a Papst licensee, for breach of contract and declaratory judgment that Papst had violated the first sale doctrine by collecting royalties from first Hitachi and then Exelstor. Held:
  - Patent exhaustion is a defense, not a cause of action, and thus the declaratory judgment claim did not create federal jurisdiction;
  - Patent law is not critical to resolution of the contract claim because:
    - Exelstor has a license, and in any event,
    - Patent exhaustion "does not forbid multiple licenses on a single product or even multiple royalties."
- Federal Circuit did not cite *LG.*
- Federal Circuit did not cite *MedImmune* (Supreme Court 2007 decision holding: "that petitioner was not required … to break or terminate its 1997 license agreement before seeking a declaratory judgment in federal court that the underlying patent is invalid, unenforceable, or not infringed.").

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Implied License

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Zenith v. PDI Communications, No. 2007-1288 (Fed. Cir. April 16, 2008)

- Zenith licensed companies under its patents so that they could make speakers for use with Zenith televisions; they used Zenith control codes
- PDI began making a new television with compatible control codes
- The license from Zenith did not expressly limit the licensees to using Zenith codes only with Zenith televisions, so the speakers for compatible products were licensed and PDI had an implied license

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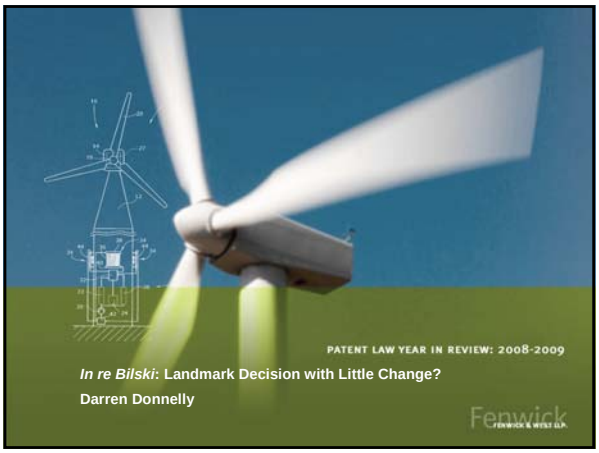

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In re Bilski—process claims examined under §101 using stringent test

- Federal Circuit *sua sponte* considers several §101 issues *en banc*
- Bilski's claim to managing commodity demand risk struck down
  - A method for managing the consumption risk costs of a commodity . . . comprising . . . :
    - (a) initiating a series of transactions between said commodity provider and consumers . . . at a fixed rate . . . corresponding to a risk position of said consumer;
    - (b) identifying market participants for said commodity having a counter-risk position . . . ; and
    - (c) initiating a series of transactions . . . at a second fixed rate [that] . . . balances the risk . . .
- Issue framed under Supreme Court precedents as whether Bilski was seeking to claim "a fundamental principle (such as an abstract idea) or a mental process"

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Exclusive "Machine-or-Transformation" test gleaned from Court precedents

- Patent-eligibility under § 101 of a process if:
  - *(1) it is tied to a particular machine or apparatus, OR*
  - *(2) it transforms a particular article into a different state or thing*
- Purports to determine if a process claim is limited narrowly enough application of a principle rather than to pre-empt the principle itself
- "Machine-or-Transformation" held *THE* test . . . until technical progress proves it unworkable

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Do's and Don'ts when applying "Machine-or-Transformation" test

- Novelty and obviousness not relevant, related, considerations
- Claim substantively examined as a whole
- No "business method" or other *per se* exception to patent-eligibility
- Tests from prior cases inadequate:
  - Useful, concrete, and tangible result (*State Street Bank, Alappat*)
  - "Algorithm" applied to physical elements or process steps (*Freeman*, *Walter*, *Abele*)
- No other shortcuts, e.g., "technological arts," "sufficiently physical"

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Considerations in applying "Machine-or-Transformation" test

- The machine or transformation "must impose meaningful limits on the claim's scope to impart patent-eligibility"
- Involvement of machine or transformation must not "merely be insignificant extra-solution activity"

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Applying the test—"transforms a particular article into a different state or thing"

- Not all transformations count
  - Bilski's transactions insufficient
    - Involve legal rights not physical object or substance or "an electronic signal" representing them
    - Practicing physical act of transaction not a transformation
  - "Virtually self-evident" that chemical processes count
  - Physical objects or substances or representations of them
- Prior cases finding sufficient transformations
  - Transform specific data, representing physical objects, into a visual depiction — *Abele*

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Applying the test—"transforms a particular article into a different state or thing"

- Transformation must be "central to the purpose" of the claimed invention
  - What is claim as a whole directed to?
  - How do purported transformations relate to it?
  - *Bilski*: process of identifying risk-hedging transactions; carrying them out does not alter that or "achieve eligible transformation"
- Characterization of non-transformative limitations—see older cases
  - "Extra-solution" activity
  - Data gathering
  - Field of use limitations

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Applying the test—"tied to a particular machine or apparatus"

- *Bilski* does not answer whether reciting a computer suffices to tie a process to a particular machine
- Subsequent B.P.A.I. decisions trending against
  - *Ex Parte Halligan* — "programmed computer"
  - *Ex Parte Noguchi* — "program for causing a computer connected to an external network . . . "
  - *Ex Parte Koo* — ". . . in a relational database management system . . . "
  - *Ex Parte Uceda-Soares* — generating software objects

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Bilski—District Court Practice

- Whether claim drawn to patent-eligible subject is question of law. Claim construction is "important first step"
  - Possible threshold issue in scheduling
  - Care warranted in jury cases
- Potentially impact framing of themes and technology
- Amendments to contentions in jurisdictions with Patent Local Rules
- Do not wait for appeal in pending matters

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Bilski—Conclusions

- Potentially-significant change to practice before PTO
- Imperfect remedy with collateral effects
- Law will continue to evolve in near term—monitor and follow prudent, substantive, practice
  - Treatment in district courts
  - Evolution of Supreme Court views or legislative change
  - Parallel developments abroad

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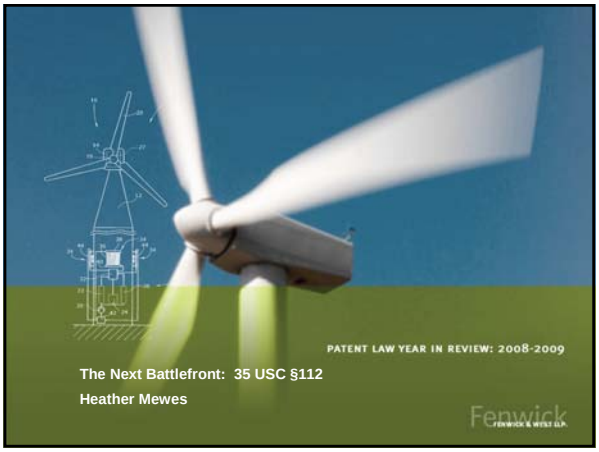

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Written Description and Enablement

- 35 U.S.C. § 112 ¶ 1:

  "The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same…."
- Separate and distinct requirements for written description and enablement

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Written Description

- "To satisfy the written description requirement, '… the description must clearly allow persons of ordinary skill in the art to recognize that he or she invented what is claimed.' In other words, the applicant must 'convey with reasonable clarity to those skilled in the art that, as of the filing date sought, he or she was in possession of the invention,' and demonstrate that by disclosure in the specification of the patent."

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Enablement

- "[The] enablement requirement is satisfied when one skilled in the art, after reading the specification, could practice the claimed invention without undue experimentation."

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Higher Standard for Biotech Cases

- *Regents of Univ. of California v. Eli Lily & Co.* (Fed. Cir. 1997) (Lourie):
  - An adequate written description of a DNA … requires a precise definition, such as by structure, formula, chemical name, or physical properties, not a mere wish or plan for obtaining the claimed chemical invention. Generic claims directed to recombinant prokaryotic microorganisms comprising any vertebrate and mammalian cDNA were not adequately supported by the specification that only disclosed rat insulin cDNA.

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Higher Standard for Biotech Cases

- *Carnegie Mellon Univ. v. Hoffman-La Roche* (Fed. Cir. 2008) (Lourie)
  - Summary judgment of invalidity under 112 affirmed (written description)
  - "[T]he narrow disclosure of the E. coli polA gene is not representative of and fails to adequately support the entire claimed genus under *Eli Lilly*. To satisfy the written description requirement in the case of a chemical or biotechnological genus, more than a statement of the genus is normally required. One must show that one has possession, as described in the application, of sufficient species to show that he or she invented and disclosed the totality of the genus."

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But, Maybe Not Limited to Biotech

- *LizardTech v. Earth Res. Mapping* (Fed. Cir. 2005) (Moore)
  - Full scope of the invention must be described and enabled
  - Claims covered a seamless discrete wavelet transform (DWT) generically, but specification only described one method of making a seamless DWT
  - Generic claims invalid (enablement *and* written description)
- *Liebel-Flarsheim v. Medrad* (Fed. Cir. 2007) (Lourie)
  - Claims covered high-pressure syringe generically, but specification only disclosed a syringe with a pressure jacket
  - Enabling one mode of practicing the invention was not sufficient – there "must be 'reasonable enablement of the scope of the range'…"
- *Auto. Techs. Int'l v. BMW of N. Amer.* (Fed. Cir. 2007) (Lourie)
  - Claims covered mechanical and electronic side-impact sensors, but specification only disclosed mechanical side-impact sensors – electronic side impact sensors are not just another known species of a genus consisting of sensors, but are a distinctly different sensor…"

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Higher Standard for All Cases

- *Sitrick v. Dreamworks* (Fed. Cir. 2008) (Moore)
  - Summary judgment of invalidity under 112 affirmed (enablement)
  - Claims covered substitution and integration of user images in both video games and movies, but specification only enabled video games
  - Some evidence that substituting and integrating user images in movies was more difficult than in video gives and same techniques could not be used
  - Patentee had argued for broad claim construction encompassing movies – consequence was an invalid claim

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§ 112 as a Check on Broad Claim Constructions

- *PowerOasis v. T-Mobile USA* (Fed. Cir. 2008)
  - Summary judgment of invalidity under 102, based on lack of entitlement to original application date
  - Patentee had argued for broad construction of "customer interface," as encompassing any portable computer, even though only "customer interface" described in the original application was a display on a vending machine
  - "The invention is, for purposes of the written description inquiry, whatever is now claimed."

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Means-Plus-Function Claiming

- 35 U.S.C. § 112 ¶ 6:

  "An element in a claim for a combination may be expressed as a means or step for performing a specified function without the recital of structure, material, or acts in support thereof, and such claim shall be construed to cover the corresponding structure, material, or acts described in the specification and equivalents thereof."

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Software and § 112 ¶ 6

- For computer-implemented means-plus function claims, the corresponding structure is not a general purpose computer, but rather the special purpose computer programmed to perform the disclosed algorithm (*WMS Gaming*)
- In two cases in the last year, the Federal Circuit held that simply reciting software without providing some detail about the means to accomplish the function is not enough:
  - *Aristocrat Techs. Austl. Pty v. Int'l Game Tech.*
  - *Finisar Corp. v. The DirecTV Group*

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Corresponding Structure is "Simply Software"

- *Aristocrat Techs.*
  - Claims: game control means for controlling images displayed, paying prizes and defining pay lines
  - Specification: standard microprocessor with "appropriate programming"
- *Finisar*
  - Claims: database editing means for generating set of indices and embedding indices in information database
  - Specification: software 132 (executed by CPU 130) generates a set of indices referencing all the data in the information database 112 and embeds those indices in the information database

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"Simply Software" § 112 ¶ 6 Claims Indefinite

- "For a patentee to claim a means for performing a particular function and then to disclose only a general purpose computer as the structure designed to perform that function amounts to pure functional claiming. Because general purpose computers can be programmed to perform very different tasks in very different ways, simply disclosing a computer as the structure designed to perform a particular function does not limit the scope of the claim to 'the corresponding structure, materials, or acts' that perform the function, as required by section 112 paragraph 6." *Aristocrat Techs.*

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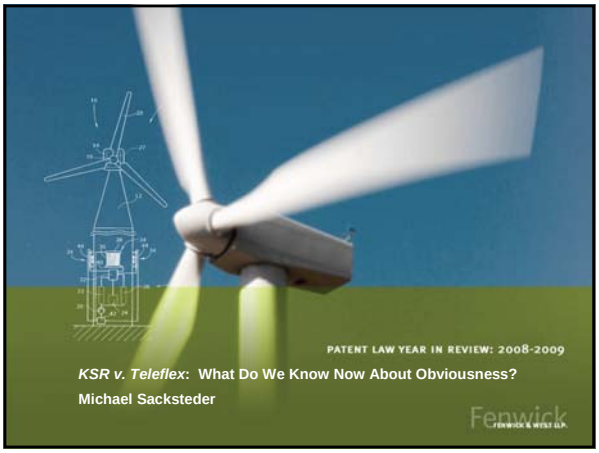

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KSR v. Teleflex – 2008 Developments

- Federal Circuit view of jury verdicts of non-obviousness
- Obvious to try
- We don't need no stinking secondary considerations
- How do we instruct the jury?
  - Pre-*KSR* instructions reviewed post-*KSR*
  - What should an obviousness instruction look like now?

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JMOL After *KSR*

- ***Asyst Technologies, Inc. v. Jenoptik AG, et al.*, 544 F.3d 1310 (Fed. Cir. 2008)**
  - Affirmed district court's grant of JMOL of obviousness
- ***Muniauction, Inc. v. Thomson Corp.*, 532 F.3d 1318 (Fed. Cir. 2008)**
  - Reversed district court's denial of defendant's motion for JMOL of obviousness
- Obviousness really is a question of law
- Underlying facts?

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Predictable Results

- "A central principle in this [obviousness] inquiry is that 'a court must ask whether the improvement is more than the predictable use of prior art elements according to their established functions.'" *Muniauction*, 532 F.3d at 1320 (quoting *KSR*, 127 S. Ct. at 1740).
- Law or fact?
- Unexpected results (secondary consideration)?

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Obvious To Try – The Old Regime

- "[W]e have consistently held that 'obvious to try' is not to be equated with obviousness under 35 U.S.C. § 103." *Gillette Co. v. S.C. Johnson & Son*, 919 F.2d 720, 725 (Fed. Cir. 1990).
- Federal Circuit in *Teleflex v. KSR* rejected argument based on testimony that claimed combination "could have been" made.
  - "'Obvious to try' has long been held not to constitute obviousness."

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Obvious to Try – Brave New World

- "The same constricted analysis led the Court of Appeals to conclude, in error, that a patent claim cannot be proved obvious merely by showing that the combination of elements was 'obvious to try.'"
- "When there is a design need or market pressure to solve a problem and there are a finite number of identified, predictable solutions, a person of ordinary skill has good reason to pursue the known options within his or her technical grasp. If this leads to the anticipated success, it is likely the product not of innovation but of ordinary skill and common sense."
- "In that instance the fact that a combination was obvious to try might show that it was obvious under § 103."

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Rentrop v. Spectranetics Corp.

- Challenged jury instruction
  - "You must also keep in mind that the test for obviousness is not whether or not it would have been obvious to try to make the invention, but rather whether or not the [invention] would have been obvious to a person of ordinary skill in the inventor's field at the time the invention was made."
- "Read in context, the instruction states, correctly, that the test for obviousness is not whether it would be obvious to try to solve the problem that the invention solves. The instruction does not imply that a showing that the specific combination of elements was obvious to try is insufficient to find obviousness."

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Secondary Considerations

- Obviousness is a question of law
- Underlying factual determinations concerning *Graham* factors
- Secondary considerations presented a problem
  - Usually some evidence
  - Question of fact?
- Solution – allow court to find as a matter of law that evidence of secondary considerations was insufficient to rebut *prima facie* showing of obviousness

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Two-Pronged Approach

- Undermine evidence on factual bases
  - *e.g.*, no showing of a "nexus" between commercial success and patented invention
- Hold that evidence fails to overcome strong showing of obviousness anyway
  - "We have frequently stated that 'secondary consideration evidence' such as commercial success, copying and long-felt need does not necessarily overcome a strong showing of obviousness, as was made in the present case."
- Bottom line: Do not bet farm on secondary considerations

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Jury Instructions

- Focus on propriety of pre-*KSR* instructions in the post-*KSR* world
- "Must" find a motivation to combine vs. "may" find one
- "Must" is OK if instructions are flexible concerning where motivation is to be found

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Rentrop v. Spectranetics Corp.

- "Must"-laden instructions
  - "[T]here must have been some suggestion for a person skilled in the art to make the combination…."
  - "It must have been [sic] a motivation or a suggestion to combine the limits in a manner disclosed by the patent."
- Mitigated by "flexible" TSM definition
  - "The motivation may arise from common knowledge, or common sense of the person of ordinary skill in the art, without any specific hint or suggestion in a particular reference."
- "Thus, the court instructed the jury on the TSM principle, but described it in unrigid terms."
- Band-aid approach?

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Post-KSR Jury Instruction – Best-Case Scenario for Defendants

COMBINATION OF KNOWN ELEMENTS

Defendant contends that the inventions would have been obvious over a combination of prior art references. In determining whether or not each invention would have been obvious to one of ordinary skill in the art at the time each invention was made, you must consider whether or not the combination is just the predictable use of prior art methods according to their established functions. If a technique has been used to improve one method, and a person

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Post-KSR Jury Instruction – Best-Case Scenario for Defendants

To find that the inventions would have been obvious, you may identify a reason that would have prompted a person of ordinary skill in the art to combine the methods as the invention does. Advances that would have occurred anyway in the ordinary course of development of the art may have been obvious. You should consider the level of common sense and creativity of persons of ordinary skill in the art; that familiar items may have obvious uses beyond their primary purposes; and that a person of ordinary skill in the art may be able to fit the teachings of multiple patents and/or references together like the pieces of a puzzle.

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Post-KSR Jury Instruction – Best-Case Scenario for Defendants

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Post-KSR Jury Instruction – Best-Case Scenario for Defendants

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Post-KSR Jury Instruction – Best-Case Scenario for Defendants

In certain circumstances, the fact that a combination was obvious to try might show that it was obvious. Accordingly, when there is a design need or market pressure to solve a problem and there are a finite number of identified, predictable solutions, a person of ordinary skill has good reason to pursue the known options within his or her technical grasp. If this leads to the anticipated success, it is likely, but not necessarily, the product of ordinary skill and common sense and not innovation.

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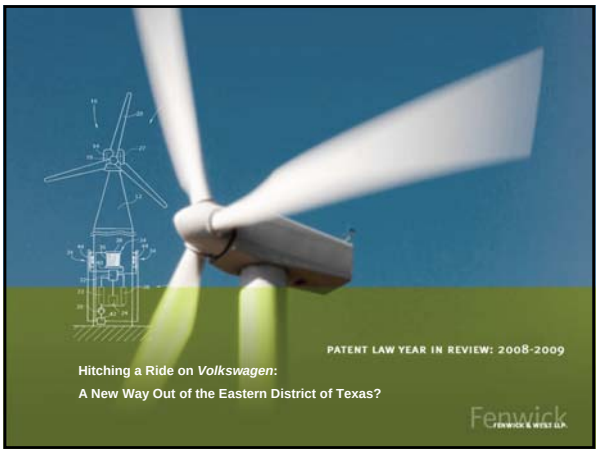

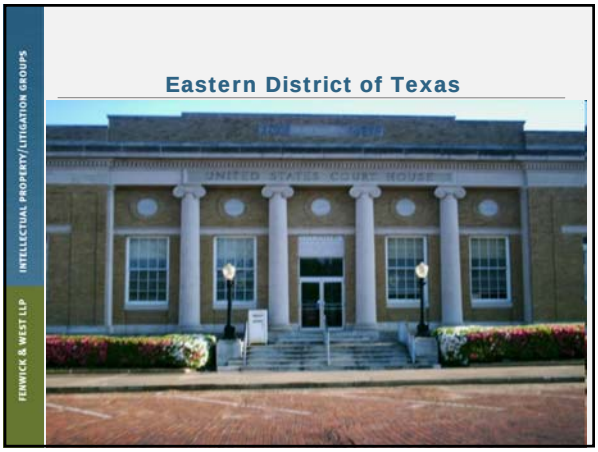

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Eastern District of Texas

28 U.S.C. § 1404(a)

- "For the convenience of parties and witnesses, in the interest of justice, a district court may transfer any civil action to any other district or division where it might have been brought."
- Remedy is transfer, not dismissal (unlike judge-made forum non conveniens doctrine)
- Snowball's chance in E.D. Texas patent cases
- Until....?

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In re Volkswagen of America, Inc.

- *5th Circuit En banc* decision
- Decided October 10, 2008
- Products liability case
  - Accident occurred in Dallas (N.D. Texas)
  - VW Golf purchased in Dallas
  - Dallas residents witnessed accident
  - Dallas police and paramedics responded
  - Dallas doctor performed autopsy
  - Third-party defendant lives in Dallas
- Filed in E.D. Texas, Marshall Division
- Volkswagen moved to transfer to N.D. Texas

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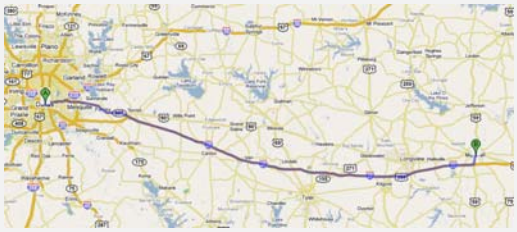
Dallas to Marshall – 151 Miles (2hrs. 22 min.)



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Procedural History

- District court (Judge Ward) denied motion to transfer
  - Gave dispositive deference to plaintiff's choice of E.D. Texas as venue
- Volkswagen filed petition for writ of mandamus with Fifth Circuit
  - Panel denied petition – no clear abuse of discretion by district court
  - Panel rehearing – granted petition
- Plaintiffs petitioned for rehearing *en banc*
- 10-7 decision granted petition for writ of mandamus

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"Principal Question" – Role of Choice of Venue

- "There is nothing that ties this case to the Marshall Division except plaintiffs' choice of venue."
- "The underlying premise of § 1404(a) is that courts should prevent plaintiffs from abusing their privilege under § 1391 by subjecting defendants to venues that are inconvenient under the terms of § 1404(a)."
- Moving party must satisfy "good cause" requirement
  - Transfer is "for the convenience of parties and witnesses, in the interest of justice."
  - If transferee venue not "clearly more convenient," then respect plaintiff's choice of venue

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Private Interest Factors

- Relative ease of access to sources of proof
  - Location of evidence still matters in electronic age
- Availability of compulsory process to secure attendance of witnesses
- Cost of attendance for willing witnesses
  - "100-mile rule"
  - Increases in direct relationship to the distance to be traveled
- "All other practical problems that make trial of a case easy, expeditious and inexpensive"

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Public Interest Factors

- Administrative difficulties from court congestion
- The local interest in having localized interests decided at home
  - District court: Citizens of Marshall Division "would be interested to know whether there are defective products offered for sale in close proximity to the Marshall Division"
  - *En banc* Fifth Circuit: District court's reasoning "stretches logic in a manner that eviscerates the public interest that this factor attempts to capture" – no "stake" in resolution of this controversy
- The familiarity of the forum with the law that will govern the case
- The avoidance of unnecessary problems from conflict of laws

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In re *TS Tech USA Corporation*

- Federal Circuit decision
- December 29, 2008
- Judges Michel, Rader, Prost
- Patent case
- Pivotally attached vehicle headrest assemblies
  - Made in Reynoldsburg, Ohio
  - Sold to Honda
- Plaintiff located in Southfield Michigan
- Other witnesses in Canada
- Case filed in Marshall, Texas

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In re *TS Tech USA Corporation*

- December 27, 2007 – TS Tech moved to transfer case to Southern District of Ohio
- September 10, 2008 – District court (Judge Ward) denied transfer motion
- TS Tech petitioned for writ of mandamus
- Unanimous panel granted petition
  - "Patently erroneous result"/"clear" abuse of discretion
  - Applied *en banc Volkswagen* decision

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Federal Circuit Analysis

- Plaintiff's choice of venue not a separate factor – merely "corresponds to the burden a moving party must meet"
- Location of physical evidence weighed in favor of transfer.
- District court erred in finding that localized interest weighed against transfer
  - Vehicles with accused headrests sold throughout country, "and thus the citizens of the Eastern District of Texas have no more or less of a meaningful connection to this case than any other venue."
- Convenience of witnesses was crucial factor
  - "The district court's disregard of the 100-mile rule constitutes clear error."

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Reynoldsburg, OH to Marshall, TX 949 Miles (14 hrs. 43 min.)

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Mountain View, CA to Marshall, TX
1,937 miles (1 day, 4 hours)

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Open Issues

- Plaintiff's witnesses in E.D. Texas
- Plaintiff incorporated in E.D. Texas, but no witnesses there
- Massively multi-defendant actions, with parties all over the map
- Add E.D. Texas defendants just to destroy transfer motion?

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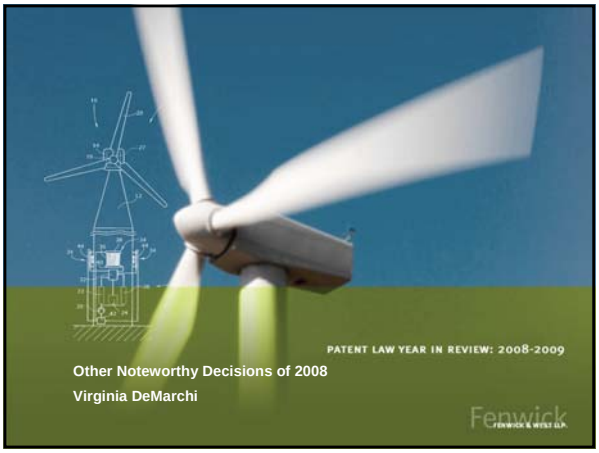

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Other Noteworthy Decisions

- Indirect infringement: *Broadcom v. Qualcomm, Ricoh v. Quanta*
- Patent term: *Wyeth v. Dudas*
- Antitrust: *In re Ciprofloxacin Hydrochloride Antitrust Litigation*
- Design patents: *Egyptian Goddess v. Swisa*

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Inducement of Infringement: *Broadcom v. Qualcomm*

- May the jury consider Qualcomm's failure to obtain advice of counsel re infringement for purposes of inducement claim?
- Inducement requires:
  - Direct infringement
  - Infringer intended to cause acts that constitute direct infringement
  - Infringer knew or should have known its actions would cause direct infringement
- District court: Jury may consider whether or not Qualcomm obtained competent advice among circumstances showing Qualcomm's state of mind

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Inducement of Infringement: *Broadcom v. Qualcomm*

- Federal Circuit held:

  "[T]he failure to procure [an infringement] opinion may be probative of intent in this context. It would be manifestly unfair to allow opinion-of-counsel evidence to serve an exculpatory function, as was the case in *DSU* itself . . . and yet not permit patentees to identify failures to procure such advice as circumstantial evidence of intent to infringe."
- *Seagate* (willfulness) did not alter state of mind requirement for inducement
- Obtaining opinion of counsel still important

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Contributory Infringement: *Ricoh v. Quanta*

- What is the scope of liability for contributory infringement when item being sold contains a component with no substantial non-infringing use?
- Quanta sells optical disk drives that read in a non-infringing manner, but write in a way that allegedly infringes Ricoh's method patent
- 35 U.S.C. § 271(c): Contributory infringement for sale of a "component" especially designed for use in a patented invention, provided component is not a staple article of commerce suitable for "substantial noninfringing use"

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Contributory Infringement: *Ricoh v. Quanta*

- Federal Circuit reversed summary judgment of no contributory infringement:

  "The statutory language . . . applies not only to the bare sale of an infringing component, but also to the sale of that component as part of a product or device. . . . If we were to hold otherwise, then so long as the resulting product as a whole has a substantial non-infringing use based solely on the additional feature, no contributory liability would exist despite the presence of a component that, if sold alone, plainly would incur liability."

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Contributory Infringement: *Ricoh v. Quanta*

- Dissent by Judge Gajarsa:
  - Quanta has not "sold" the separable, infringing component as statute requires
  - Statute strikes balance between public interest in access to unpatented devices and patent holder's interest in realizing reward for patented invention
  - Majority result would subject others in chain of distribution to expanded liability
- Case also discusses "sale" of a process under § 271(a), holding that sale of software containing instructions to perform a patented method is not a "sale" of the "method"

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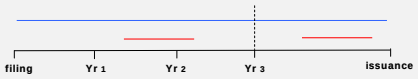
Patent Term Extension: *Wyeth v. Dudas*

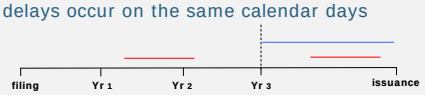
- How should patent term adjustments be calculated?
- Section 154(b)(1):
  - 1 day extension for every day of delay beyond statutory deadline for action (e.g. 14 mos. for first office action)
  - 1 day extension for every day of delay of issuance beyond 3 years from filing date
- Section 154(b)(2)(A): To the extent that these periods of delay overlap, "the period of any adjustment granted under this subsection shall not exceed the actual number of days the issuance of the patent was delayed."

Patent Term Extension: *Wyeth v. Dudas*

- PTO interpretation: Delays always "overlap"; applicant gets benefit of whichever extension is larger, but can never combine extensions



- Wyeth argued: Extensions are cumulative unless the delays occur on the same calendar days



Patent Term Extension: *Wyeth v. Dudas*

- District court agreed with Wyeth based on language of statute
  - Second type of delay does not occur until after 3-year mark, so can be no "overlap" before second type of delay actually happens
  - Acknowledged PTO position that first type of delay contributes to second type, but statute should be revised by Congress if intended different outcome
  - PTO not entitled to deference under *Chevron*, because PTO cannot issue substantive rules, only procedural ones; but even if deference warranted, same result
- PTO filed notice of appeal to D.C. Circuit
- Many other patent holders filing complaints

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Design Patents: *Egyptian Goddess v. Swisa*

- What is the appropriate legal standard for assessing claims of design patent infringement?
- "Ordinary observer" v. "point of novelty"

Patented Design

Buffer on three sides

Swisa Design

Buffer on four sides

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Design Patents: *Egyptian Goddess v. Swisa*

- *Gorham v. White* (S.Ct. 1871): "ordinary observer"

  "[I]f, in the eye of an ordinary observer, giving such attention as a purchaser usually gives, two designs are substantially the same, if the resemblance is such as to deceive such an observer, inducing him to purchase one supposing it to be the other, the first one patented is infringed by the other."

- *Litton Systems* (Fed. Cir. 1984): "point of novelty"

  "The accused device must appropriate the novelty in the patented device which distinguishes it from the prior art. . . . [E]ven though the court compares two items through the eyes of the ordinary observer, it must nevertheless, to find infringement, attribute their similarity to the novelty which distinguishes the patented device from the prior art."

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Design Patents: *Egyptian Goddess v. Swisa*

- Federal Circuit held that "ordinary observer" test was sole test for infringement of design patent; rejected "point of novelty" as a separate test
- Role of prior art?

  "Particularly in close cases, it can be difficult to answer the question whether one thing is like another without being given a frame of reference. The context in which the claimed and accused design are compared, i.e., the background prior art, provides such a frame of reference and is therefore often useful in the process of comparison. Where the frame of reference consists of numerous similar prior art designs, those designs can highlight the distinctions between the claimed design and the accused design as viewed by the ordinary observer."

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Design Patents: *Egyptian Goddess v. Swisa*

- Affirmed finding of non-infringement: Egyptian Goddess did not explain why an ordinary observer, taking into account the prior art, would not regard the Swisa design as more similar to the prior art than to its patented design
  - Egyptian Goddess relied solely on conclusory expert declaration that did not address differences
  - Need survey evidence as in trade dress cases?
- Other holdings:
  - Patent holder must prove infringement, but accused infringer has burden of producing comparative prior art
  - Formal claim construction permitted but not required; figures may be best representation of design

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Reverse Payments: *In re Ciprofloxacin Hydrochloride Antitrust Litigation*

- Whether reverse payment settlement between patent holder and generic manufacturer violated antitrust laws
- Facts:
  - Bayer held patent for compound in antibiotic drug Cipro; issued June 1987 and expired December 2003
  - Barr filed ANDA in October 1991 asserting patent was invalid and unenforceable for inequitable conduct (first ANDA filer gets 180-day period of market exclusivity after begins to market drug)
  - Bayer sued Barr in 1992; settled shortly before trial in 1996

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Reverse Payments: *In re Ciprofloxacin Hydrochloride Antitrust Litigation*

- Settlement terms:
  - Barr agreed to withdraw validity and enforceability challenges and expressly gave up 180-day exclusivity
  - Barr agreed to not sell generic drug until patent expired
  - Bayer (patentee) agreed to pay Barr (infringer) $398 million
- After settlement with Barr, Bayer sought re-examination of the patent to eliminate inequitable conduct issue
- In subsequent challenges by other manufacturers, validity of patent upheld

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Reverse Payments: *In re Ciprofloxacin Hydrochloride Antitrust Litigation*

- Cipro customers/others claimed agreement violated antitrust laws because Bayer paid Barr to stay out of the market and to not challenge patent, keeping drug price high
- Federal Circuit affirmed finding of no violation
  - No *per se* violation; rule of reason applies
  - No violation where settlement is within "zone of exclusion" of patent and creates no "bottlenecks" for other generic manufacturers
  - Absent fraud on PTO or sham litigation, reverse payments alone do not give rise to violation

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Reverse Payments: *In re Ciprofloxacin Hydrochloride Antitrust Litigation*

- All anticompetitive effects of settlement were within exclusionary power of the patent:

  "Pursuant to the Agreements, the generic defendants agreed not to market a generic version of Cipro until the '444 patent expired and not to challenge the validity of the '444 patent, and Bayer agreed to make payments and optionally supply Cipro for resale. Thus, the essence of the Agreements was to exclude the defendants from profiting from the patented invention. This is well within Bayer's rights as the patentee."

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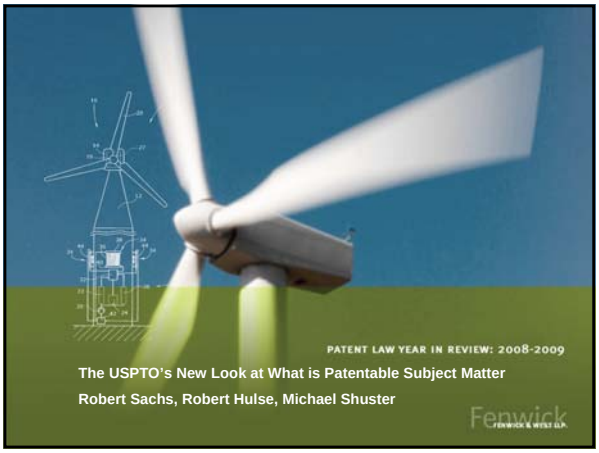

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Impact of *In re Bilski* on Prosecution

- "Machine-or-transformation" test incomplete and problematic:
  - As to "machines": "We leave to future cases the elaboration of the precise contours of machine implementation, as well as the answers to particular questions, such as whether or when recitation of a computer suffices to tie a process claim to a particular machine."

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Transformation Test

- Court's transformation test is another "I know it when I see it" test
  - "a transformation must be "central to the purpose of the claimed process" and that the "transformation must not constitute mere post-solution activity."
- Court's "transformation" examples are inconsistent
  - "Visual depiction" of data is acceptable transformation;
  - Storing results of calculation in memory is <u>not</u> acceptable.

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Impacts on Claim Drafting

- This leaves many "standard" practices in claim drafting at risk:
  - Is "A computer implemented method of…" sufficient?
  - Is it necessary to recite the presence of a processor, memory and other standard computer parts in a method claim?
    - …determining by the processor a status value;
    - storing in the memory the status value
- Different patent examiners apply different standards

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Unintended Consequences

- Court's dicta creates uncertainty and risk
  - "Purported transformations or manipulations simply of public or private legal obligations or relationships, business risks, or other such abstractions cannot meet the test because they are not physical objects or substances, and they are not representative of physical objects or substances."
- Public/private legal relationships: covers all forms of contract, including finance, insurance, banking…
- "Business risks": undermines protection of all forms of risk management
- "Other such abstractions": There goes computer science…

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Impact on Biotech

- Likely to adversely impact some claims directed to personalized medicine/diagnostics inventions
  - Transformation is key to patentability
    - Operation of mathematical function on expression levels, polymorphisms, etc., to generate new value
  - Claims directed to use of single biomarker for diagnosis, predicted outcome, drug response, etc. difficult to cast within "MOT" mold without narrowing scope to point of uselessness
  - Claims directed to use of multiple biomarkers less problematic
  - PTO Examination Guidelines expected post *Prometheus*

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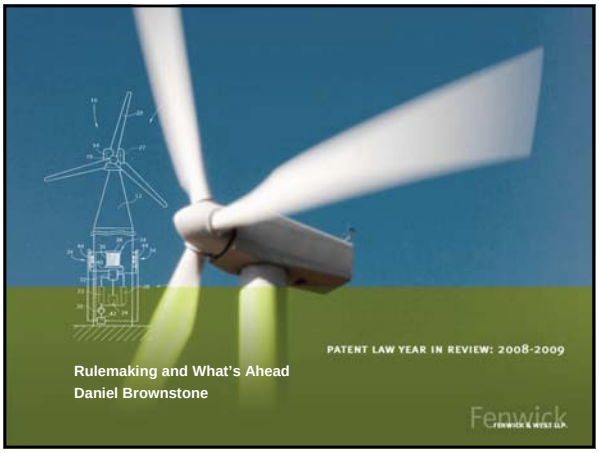

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Refresher: Proposed Rules

- Two continuations + 1 RCE
  - Anything more requires showing why the amendment, argument or evidence could not have been previously presented
- Maximum of 5 independent, 25 total claims per application family
  - Additional claims require an Examination Support Document, including search and detailed explanation for patentability of each claim

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Hitting the Brakes

- *Tafas v. Dudas*
  - District Court
    - Changes to rules are substantive, not procedural
    - Issues injunction (541 F.Supp. 2d 805 (E.D. Va. 2008))
  - USPTO Appeals
- Meanwhile…
  - IDS Rules on hold
  - Appeal Rules on hold

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What's Next?

- New Director
  - Opportunity to change course (yes they can!)
- Old Problems
  - Pendency
  - Examination Quality

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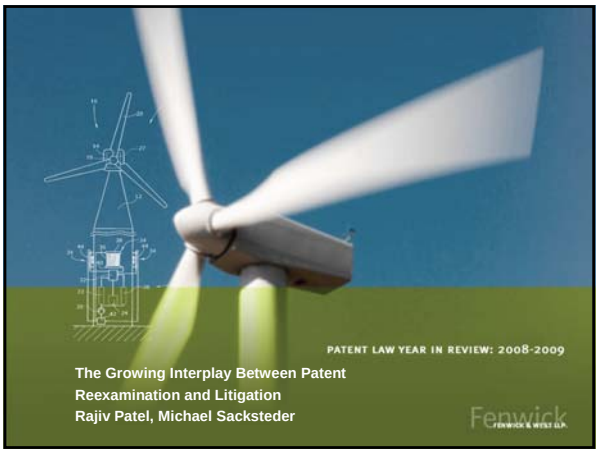

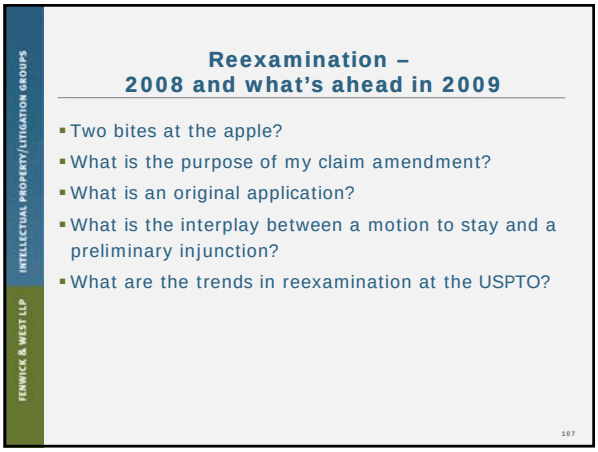

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In Re Swanson

- A patent judged to be not invalid in court in view of a prior art reference may be subsequently be evaluated for validity in view of the same reference in a reexamination proceeding

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In Re Swanson

- Abbott (exclusive licensee; assignee = Surmodics) sued Syntron Bioresearch, Inc. for infringement of U.S. Patent No. 5,073,484 (the '484 patent)
- Syntron counterclaim included invalidity in view of prior art reference ("Deutsch"), which was cited (secondary ref) in prosecution of the '484 patent
- Jury verdict -> Deutsch did not anticipate the claims
- The Federal Circuit affirmed jury's verdict as supported by substantial evidence

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In Re Swanson

- Syntron subsequently filed request for *ex parte* reexamination of the '484 patent, in part, asserting "a substantial new question of patentability" based on Deutsch.
- Request was granted by Patent Office and the claims were rejected in view of Deutsch
- Patentee appealed and Board of Patent Appeals and Interferences affirmed the rejection.
- Patentee appealed to the Federal Circuit
  - Argued that Deutsch cannot be the basis of a substantial new question of patentability because Deutsch had been considered by the patent examiner during examination, by a jury during a trial, and by the Federal Circuit itself during the appeal
- The Federal Circuit rejected these arguments

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In Re Swanson

- Request for reexamination did present a substantial new question of patentability based on Deutsch
  - No need for brightline rule that would preclude a reexamination based solely on references used in a rejection of claims during the original examination of a patent
  - Issue is whether the same question of patentability had been earlier considered, not whether the particular reference had been considered
- Court also rejected patentee's argument that the previous consideration of Deutsch by both the District Court and the Federal Circuit precluded a new question of patentability.
  - "As properly interpreted a 'substantial new question of patentability' refers to a question which has never been considered by the PTO; a substantial new question can exist even if a federal court previously considered the question."
  - Reexamination was not improper and affirmed rejection

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In re Swanson - Considerations

- Losing an invalidity battle at trial is not necessarily final -> Reexamination may offer a second chance to attack a patent's validity
- The "substantial new question of patentability" may be available as a result of *KSR International Co. v. Teleflex Inc.*, 550 U.S. 127 (2007) and its progeny

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Blackboard v. Desire2Learn

- January 2006 – Issuance of U.S. Patent No. 6,988,138 ('138 patent) to Blackboard)
- July 2006 - Blackboard sued Desire2Learn for patent infringement '138 patent in E.D. Tex.; Desire2Learn counterclaimed for invalidity
- November 2006 - Richard Fontana (Software Freedom Law Center) files *ex parte* reexam
- December 2006 – Desire2Learn filed *inter partes* reexam requesting reexamination of '138 patent
- December 2006 – Desire2Learn requested stay of litigation* (* Stay denied by E.D. Tex.)

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Blackboard v. Desire2Learn

- January 2007 – USPTO grants *ex parte* reexam request
- February 2007 – USPTO grants *inter partes* reexam request
- February 2008 – jury found asserted claims not invalid and infringed
- March 2008 – Court issued permanent injunction (stayed 60 days)
- March 2008 – USPTO merges *ex parte* reexam filed by Fontana with pending *inter partes* reexam
- May 2008 –Final judgment and award of costs

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Blackboard v. Desire2Learn

- June 2008 – Desire2Learn appeals to Federal Circuit
- September 2008 – Blackboard petitions Director of USPTO to terminate *inter partes* reexam proceedings
- November 2008 – Director of USPTO denies Blackboard petition
  - No "final decision" as set forth in 35 USC § 317(b), which is only "after all appeals are over"
- November 2008 – Blackboard sues Director of USPTO (Jon Dudas)
  - Final judgment by E.D. Tex constitutes "final decision" so that USPTO cannot maintain *inter partes* reexam

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Blackboard v. Desire2Learn – Observations

- 35 USC §317(b) - *Inter partes* reexamination prohibited
  - Once a final decision has been entered against a party in a civil action . . . that the party has not sustained its burden of proving the invalidity of any patent claim in suit or if a final decision in an *inter partes* reexamination proceeding instituted by a third-party requester is favorable to the patentability of any original or proposed amended or new claim of the patent, then neither that party nor its privies may thereafter request an inter partes reexamination of any such patent claim on the basis of issues which that party or its privies raised or could have raised in such civil action or inter partes reexamination proceeding, and an inter partes reexamination requested by that party or its privies on the basis of such issues may not thereafter be maintained by the Office . . . .
- Blackboard - judgment of district court; not exhaustion of appeals
- Blackboard - did not cite any case law in support of position

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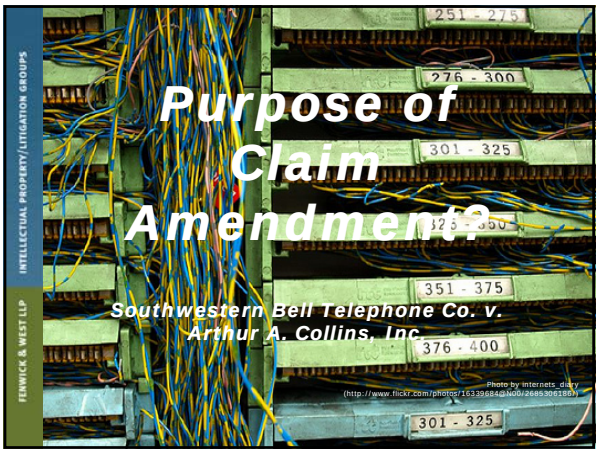

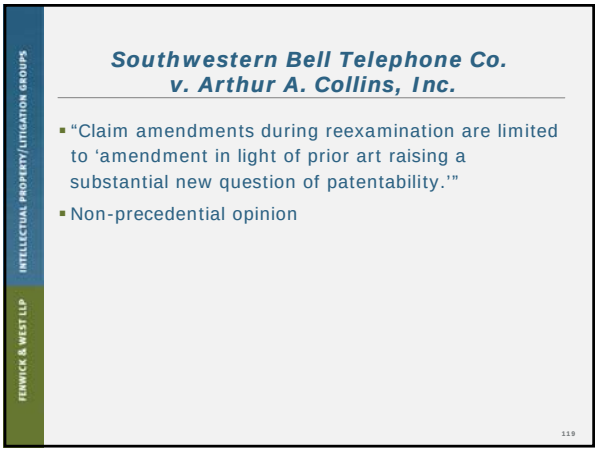

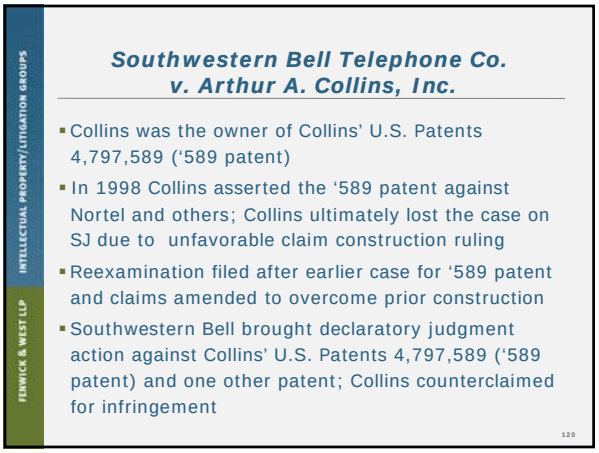

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Southwestern Bell Telephone Co. v. Arthur A. Collins, Inc.

- District court granted summary judgment for invalidity in view of 35 USC § 305
- 35 USC § 305 =
  - . . . In any reexamination proceeding under this chapter, the patent owner will be permitted to propose any amendment to his patent and a new claim or claims thereto, in order to distinguish the invention as claimed from the prior art cited under the provisions of **section 301** of this title, or in response to a decision adverse to the patentability of a claim of a patent. No proposed amended or new claim enlarging the scope of a claim of the patent will be permitted in a reexamination proceeding under this chapter. . . .

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Southwestern Bell Telephone Co. v. Arthur A. Collins, Inc.

- Federal Circuit agreed with District Court
  - "Claim amendments during reexamination are limited to 'amendment in light of prior art raising a substantial new question of patentability.'" (citing *In re Freeman*, 30 F.3d 1459, 1468 (Fed. Cir. 1994)).
- The present opinion is nonprecedential, but Freeman was not nonprecedential

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Southwestern Bell Telephone Co. v. Arthur A. Collins, Inc. - Considerations

- Consider insertion of reasons for amendment corresponding to basis of rejection only
- Evaluate reissue proceedings for other amendments

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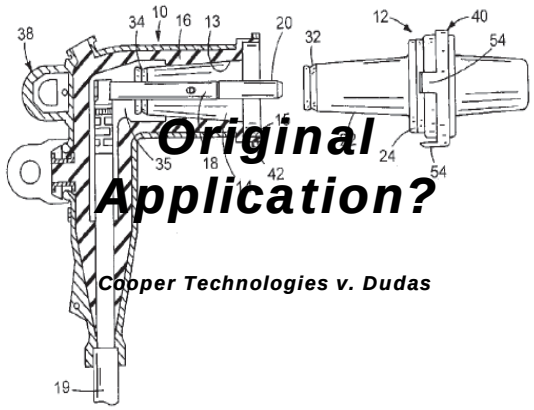

Original Application?

Cooper Technologies v. Dudas

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Cooper Technologies Co. v. Dudas

- The Patent Office's interpretation of "original application" with respect to how that term is used to determine which applications may be availed to inter partes reexamination is entitled to Chevron deference.

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Cooper Technologies Co. v. Dudas

- Thomas & Betts (T&B) Corporation requested inter partes reexamination of U.S. Patent No. 6,984,791 ('791 patent), which was owned by Cooper Technologies Company (Cooper)
- USPTO first action: all claims invalid
- Cooper response:
  - Petition to terminate *inter partes* reexamination proceeding because '791 patent did not issue from an original application filed after November 29, 1999. The earliest original application was filed back in 1993

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Cooper Technologies Co. v. Dudas

- USPTO response:
  - The '791 patent issued from the USSN 10/412,683, filed April 14, 2003, and this is the "original application" as interpreted

Related U.S. Application Data

(63) Continuation of application No. 10/198,963, filed on Jul. 22, 2002, now abandoned, which is a continuation of application No. 08/821,760, filed on Mar. 20, 1997, now Pat. No. 6,504,103, which is a continuation of application No. 08/262,460, filed on Jun. 20, 1994, now abandoned, which is a continuation-in-part of application No. 08/038,337, filed on Mar. 10, 1993, now abandoned.

- Cooper sued USPTO; District Court sided with USPTO noting interpretation by USPTO was consistent with established meaning in patent law

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Cooper Technologies Co. v. Dudas - Considerations

- For patents filed prior to November 29, 1999, consider what else is in family after November 29, 1999
- Will claim amendments and art found for use in subsequent reexamination help with patent filed prior to November 29, 1999

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Interplay between Motion to Stay and Preliminary Injunction?

Proctor & Gamble Co. v. Kraft Foods Global, Inc.

AromaSeal Canister

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Procter & Gamble Co. v. Kraft Foods Global, Inc.

- District court's decision to grant a stay pending conclusion of *inter partes* reexamination in effect denied patentee's preliminary injunction motion, without properly considering preliminary injunction motion on the merits

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Procter & Gamble Co. v. Kraft Foods Global, Inc.

- Procter & Gamble Company (P&G) appealed from the trial court's interlocutory order granting Kraft Foods Global, Inc.'s (Kraft) motion for a stay pending *inter partes* reexamination before the Patent Office of P&G's U.S. Patent No. 7,169,418 ("the '418 patent").
- Federal Circuit noted it had "exclusive jurisdiction over appeals from interlocutory orders "granting, continuing, modifying, refusing or dissolving injunctions," 28 U.S.C. § 1292(a)(1), in any case over which this court would have jurisdiction of an appeal under § 1295. 28 U.S.C. § 1292(c)(1)."

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Procter & Gamble Co. v. Kraft Foods Global, Inc.

- Court held "that the district court abused its discretion by effectively denying P&G's motion without proper consideration of the merits."
- Court vacated the stay and remanded for consideration of the merits of P&G's motion for a preliminary injunction.
- As for the stay, Federal Circuit noted that 35 USC § 318 (stay of litigation when *inter partes* reexam pending), the District Court has the power to grant a stay even when patentee does not request it.

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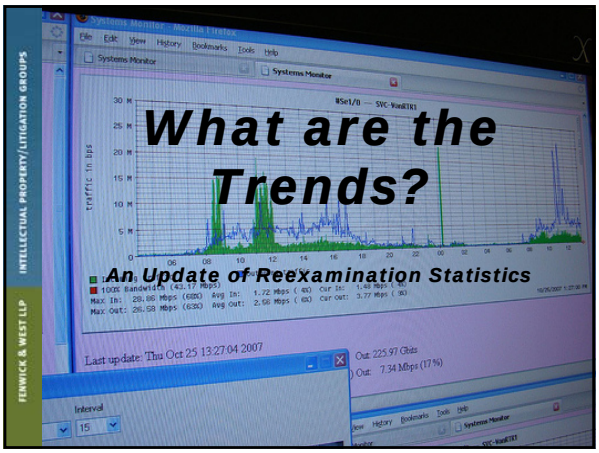

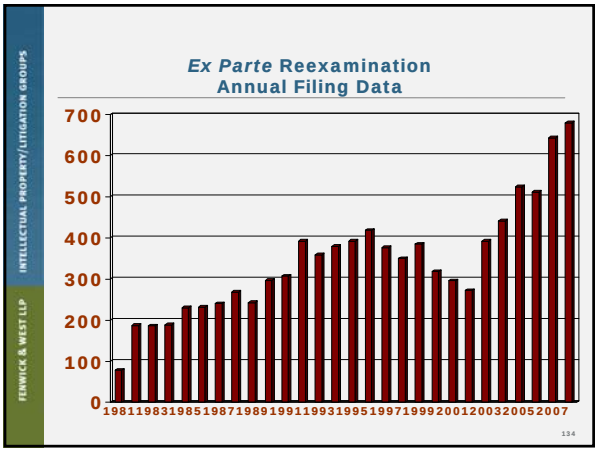

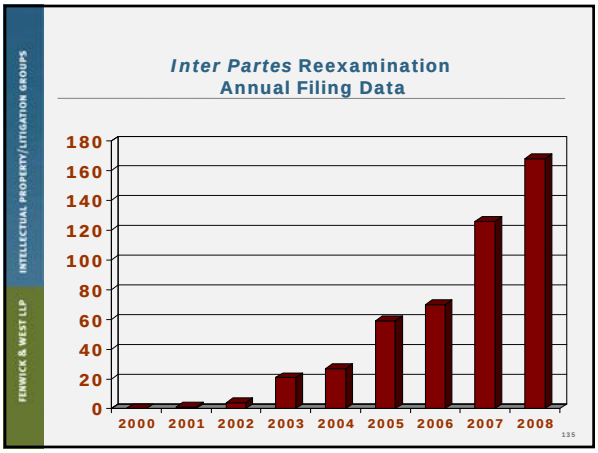

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USPTO Data on Reexaminations

Percentage of requests	*Inter Partes*	*Ex Parte**
granted	95%	92%
known to be in litigation	58%	30%

Proceedings in which…	*Inter Partes*	*Ex Parte*
all claims confirmed	12%	28%
all claims cancelled	67%	13%
claim changes	21%	59%

Source: U.S. PTO Filing Data as of September 30, 2008.
Data on *ex parte* reexaminations is for 1981-2008. data on *inter partes* reexaminations is for 2000-2008.
*Third-party initiated

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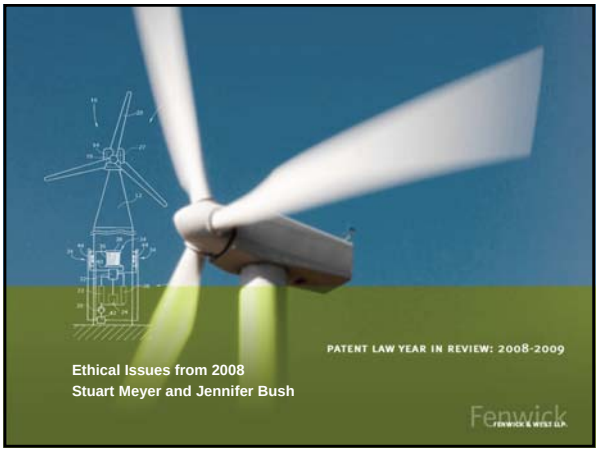

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Ethical Issues from 2008

- Inequitable conduct (Trio of cases)
- PTO's statement on ethical issues
- Whatever happened in *Qualcomm v. Broadcom*?
- Another Rambus decision this week

http://www.mediabistro.com/agencyspy/original/Ethics%20and%20High%20Road.gif

http://hawaii.gov/ethics/images/highroad_lg.jpg

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Last Things First (*Qualcomm/Broadcom* Update)

- Quick reminder of the issues
  - Qualcomm sued Broadcom for patent infringement; Broadcom sought information on whether Qualcomm was involved in standards-setting activity (requiring FRAND) and hid its patents from the standards body.
  - In discovery, Qualcomm argued it wasn't involved but thousands of emails showing it was involved were discovered during trial.
- Where things stood last year
  - District court sanctioned Qualcomm and its in-house and outside counsel and held patents unenforceable.
- 2008 developments:
  - Ruling: Qualcomm waived privilege by telling one side of the story. Lawyers need to be able to tell their side of the story too.
  - Referral to State Bar on ethical issues (believed pending).
  - Federal Circuit upholds unenforceability but only to standards-compliant products; also upholds sanctions.

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Most Recent Things Second (January 9 *Rambus* Decision)

- Factual issues (common with other cases):
  - Rambus embarked on wide-ranging licensing/lit program.
  - Rambus chose a document retention/destruction policy with litigation already in mind.
  - In-house counsel instructed outside patent counsel to "clear out" patent prosecution files of drafts, notes, etc.
- Other courts split on whether such conduct sanctionable.
- January 9, 2009 decision (D. Delaware):
  - Spoliation = destruction of evidence "in pending or reasonably foreseeable litigation".
  - Knowledge of potential claim gives rise to duty to preserve.
  - Only appropriate sanction: 12 patents unenforceable against Micron.

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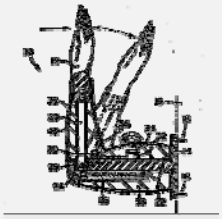
Inequitable Conduct (Trio of Cases)

- January/April – *Monsanto v. Bayer Bioscience*
- August – *Star Scientific v. R.J. Reynolds Tobacco Co.*
- September – *Praxair v. ATMI, Inc.*



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Inequitable Conduct

- Basic Issue – Responsibility of Patent Applicants
- Duty of Disclosure, Candor, Good Faith
- Extends to Everyone Associated with the Application
  - Inventors
  - Patent Attorneys/Law Firms/In-House Counsel
  - Managers
- False/Misleading Statements as well as Failure to Disclose

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Monsanto v. Bayer Bioscience

- Background
  - Four Bayer patents relating to chimeric genes – genetic engineering of plants to produce insect-destroying Bt toxin.
  - Monsanto brought DJ action in 2000 asserting that its transgenic corn did not infringe and challenging validity/enforceability
  - District court initially granted SJ to Monsanto on unenforceability (highly unusual), and Fed Cir reversed/vacated in 2004.
  - Trial and 99-page opinion in 2006 holding patents unenforceable due to inequitable conduct in prosecution.
  - Federal Circuit affirms.

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Monsanto v. Bayer Bioscience

- Federal Circuit opinion
  - Standard: clear and convincing evidence
    - material information
    - intent to deceive the PTO
  - Balancing of the equities
  - Bayer disclosed presentation abstract but not notes
  - Claims rejected on the abstract, Bayer responded without disclosure of notes
  - Credibility – note-taker v. prosecution employee

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Monsanto v. Bayer Bioscience

- Federal Circuit opinion (cont'd)
  - Bayer: We solved the problem stated in the abstract
  - Notes need not disclose same exact sequence
  - Counsel chastised for clever partial quotations
  - Reasonable examiner would have found information important
  - Circumstances will dictate whether internal notes material
  - Lack of memory is not a showing of good faith
  - Even withdrawn patents subject to unenforceability

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Star Scientific v. R.J. Reynolds Tobacco Co.

- Background
  - Technology: Tobacco curing processes to minimize carcinogens and other hazardous chemicals
  - Consultant's letter on Chinese curing techniques
  - Change of counsel; letter not noticed
  - Petition to Make Special
  - Related Application
  - District court held patents unenforceable

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Star Scientific v. R.J. Reynolds Tobacco Co.

- Federal Circuit Opinion
  - Two main issues again: materiality and intent
  - Different grounds for each patent, but same result
  - Burden of proof; equities
  - RJR conspiracy theory unsupported
  - Other patent: reference cumulative

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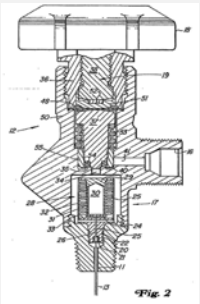
Praxair v. ATMI, Inc.

- Background
  - Praxair asserted three patents against ATMI related to pressurized storage containers for hazardous gasses.
  - ATMI argued that Praxair failed to disclose material information to the PTO during prosecution
  - District court found two of the three patents to be unenforceable due to inequitable conduct



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Praxair v. ATMI, Inc.

- Federal Circuit Opinion
  - Everyone has a duty of candor and good faith
  - Context determines materiality
  - Intent may be inferred
  - Evidence of intent for one application but not another
  - Dissent

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Conclusions (Inequitable Conduct)

- Everyone related to a patent application has a duty
- Courts vary significantly in how they interpret
  - Materiality
  - Intent
- Result can be fatal to other patents (or not!)
- When in doubt, disclose

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PTO Statement on Ethics

- December 1, 2008 "PTO Day" (IP Owners Association Event)
- USPTO used PTO Day as a platform for a major Statement on Ethics
- Strong relationship to other 2008 attempts to reduce workload of PTO
- Continues recent PTO trend of increasing burden on practitioners
- Curious juxtaposition with "customer service" focus

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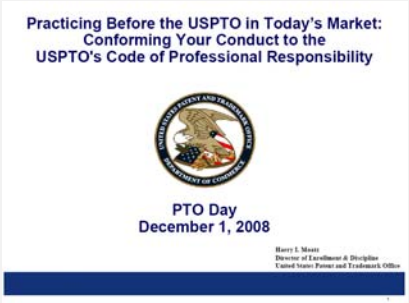
PTO Statement on Ethics



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Main areas of discussion

- Basis for PTO's authority
- Processes for handling complaints
- Recent changes
  - Disability/Suspension/Incapacitation of practitioners
  - Reciprocal discipline
- Types of misconduct leading to OED Investigations
  - Neglect, Lack of Candor, Failure to Make Reasonable Inquiry (Broad Interpretation!)
- Obligation to avoid improper purpose or delay

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Examples of PTO Position

Duty To Make Reasonable Inquiry

- Examples of conduct that may potentially be perceived as failure of the practitioner to make a reasonable inquiry:
  - Filing an application with claims that are anticipated by at least one publication authored by one of the inventors executing the 37 CFR § 1.63 declaration or oath.
  - Burying a reference material to patentability among a large number of cumulative references.
  - Filing an application with one or more claims unpatentable over a combination of prior art references cited by applicant in the specification.
    - Reasonable inquiry can be shown.

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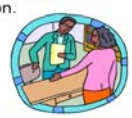
Examples of PTO Position

Obligation to Avoid Improper Purpose or Delay

- Ethical obligations to avoid improper purpose or delay arise under one or more Disciplinary Rules:
  - Causing unnecessary delay or needless increase in the cost of prosecution.
    - Wastes USPTO resources.



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Conclusions (PTO Statement on Ethics)

- Articulation of procedural/administrative processes
- Few new changes, mostly related to things that can subject you to discipline/suspension
- Suggestion that various actions, including "failure to make a reasonable inquiry," may lead to OED investigation
- *Statement on Ethics appears to be influenced by PTO workload reduction efforts*
  - Prior targeted at filings to reduce numbers
  - Now targeting practitioners themselves

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Litigation Alert: *Quanta v. LG Electronics* — The Supreme Court Revives the Patent Exhaustion Doctrine

JUNE 9, 2008

BY CHARLENE M. MORROW, HEATHER N. MEWES AND HECTOR RIBERA

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On June 9, the Supreme Court issued an important decision affecting the doctrine of exhaustion of patent rights through licensing of patented methods and components. In *Quanta. v. LG Electronics,* the Court reversed the Federal Circuit in a 9-0 decision. It held that the doctrine of patent exhaustion applies to method claims and further that this doctrine is triggered by the authorized sale of products that "substantially embody" the patent, that is, products that have no reasonable non-infringing use and include all the inventive aspects of the patent. Once these products have been sold, the patentee's rights are extinguished, and they cannot recover on further downstream sales.

Facts:

LG Electronics, Inc. ("LGE") brought suit against a number of computer manufacturers, including Quanta Computer (collectively "Quanta"), alleging infringement of several of its patents relating to information management within personal computers. Prior to launching suit, LGE had granted Intel a license that covered its entire portfolio of patents on computer systems and components. The license covered Intel's microprocessors and chipsets. The defendants purchased the microprocessors and chipsets from Intel or its authorized distributors and installed them in computers. The LGE-Intel license expressly disclaimed any implied license to Intel's customers who combined the microprocessor or chipsets with non-Intel products. The license also required Intel to notify its customers that they were not licensed to combine the Intel products with non-Intel products.

LGE asserted that the combination of Intel manufactured microprocessors or chipsets with other computer components infringed its patents. In response, the defendants argued that LGE's patent rights were exhausted by Intel's licensed sale, barring its infringement claims. Under this doctrine, an unconditional sale of a patented device exhausts the patentee's right to control a purchaser's use of the device. Applying this doctrine, the District Court concluded that defendants' purchase of the microprocessors and chipsets from Intel constituted an unconditional sale. The District Court found LGE's patent rights exhausted because defendants' purchases were in "no way conditioned" on their agreement not to combine the Intel products with other non-Intel parts. The court found that, although the Intel Products do not fully practice any of the patents at issue, they have no reasonable noninfringing use and therefore their authorized sale exhausted patent rights in the completed computers under *United States v. Univis Lens Co.,* 316 U. S. 241 (1942) (holding that that patent exhaustion applies to the sale of a patented item even if it does not completely practice the patent if "its only and intended use is to be finished under the terms of the patent"). However, in a subsequent order limiting its summary judgment ruling, the District Court held that patent exhaustion does not apply to process or method claims, which were included in each of the LGE patents.

On appeal, the Federal Circuit agreed with the District Court that patent exhaustion does not apply to method claims. In addition, the Federal Circuit stated that the LGE license itself constitutes a sale for exhaustion purposes. It created a conditional sale by disclaiming a license to combinations of Intel and non-Intel components and requiring Intel to notify its customers of the limited scope of the license. The Federal Circuit concluded that therefore, LGE's rights in asserting infringement of its system claims were not exhausted.

The Supreme Court disagreed holding that patent exhaustion applies to method claims substantially embodied by sold products. The Court noted that "it is true that a patented method may not be sold in the same way as an article or device, but methods nonetheless may be 'embodied' in a product, the sale of which exhausts patent rights." Otherwise, the patent exhaustion doctrine would be seriously undermined because patentees could simply draft their patent claims to describe a method rather than an apparatus.

The Court also considered the extent to which a product must embody a patent for exhaustion to apply. The Court found that, like in Univis, the patent rights were exhausted even though the product sold did not practice every element of the claim. It found exhaustion was triggered because the microprocessors and chipsets' only reasonable and intended use was to practice LGE's patents and they embodied the essential features of the patented inventions. The Intel Products had no reasonable use other than incorporating

them into systems such as those sold by defendants. Similarly, the additional parts defendants added to those sold by Intel were standard components required for the operation of the microprocessors and chipsets in accordance to the patents.

Finally, the Court agreed with LGE's argument that exhaustion does not apply across patents, that is, the sale of a device that practices patent A does not, by virtue of practicing patent A, exhaust patent B. However, irrespective to its relationship to other patents, the sale of a product that triggers exhaustion of a patent because it substantially embodies that patent is not altered by the fact that the product embodies other patents. The Court held that nothing in the License Agreement between LGE and Intel limited Intel's ability to sell its products practicing the patents. "Intel's authorized sale to Quanta thus took its products outside the scope of the patent monopoly, and as a result, LGE can no longer assert its patent rights against Quanta."

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Patent Alert

Federal Circuit *en banc* Clarifies the Test for Determining When Processes are Patentable

BY LIWEN MAH, RAJIV PATEL AND DARREN DONNELLY

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In a long-awaited decision, on October 30, 2008, the Federal Circuit *en banc* decided *In re Bilski*, clarifying the test for determining whether a process patent claim qualifies as patentable subject matter under Section 101 of the U.S. Patent Act. Although *Bilski* brought three separate, spirited dissents, the nine prevailing judges' opinion derives its test from Supreme Court decisions separating abstract ideas and principles from patentable subject matter. In particular, *Bilski* states the "definitive test" for determining whether a process is narrowly tailored enough not to pre-empt a principle itself in this context is if it (1) is tied to a particular machine or apparatus or (2) it transforms a particular article into a different state or thing. While some *amici* had asked the Federal Circuit to adopt broad exclusions over "business methods" or software, the court declined those invitations. In affirming the rejection of Bilski's patent claims, the Federal Circuit provides one example of an unpatentable process under this test, but leaves uncertainty about how existing patents and new patent applications will fare under case-by-case application of the *Bilski* court's test.

Background

Section 101 of the Patent Act lists "any new and useful process" among the categories of patentable subject matter. Over the years, both the Supreme Court and lower courts have struggled to articulate the line separating what "processes" are patentable from abstract ideas, principles of nature, and other unpatentable subject matter. Policy concerns balanced the need to protect and encourage innovation in new areas with the desire to not allow claims which preempted all uses or applications of an idea or principle. Most recently, in its in *State Street* decision, Federal Circuit stated a test that a process producing a "useful, concrete and tangible result" could be patentable in the context of a financial process invention. Many viewed the *State Street* decision as encouraging patent filings on financial and other arguably non-technological innovations. *Bilski* rejects this test, and rejects Bilski's patent application directed toward a risk-hedging process as not within patentable subject matter.

Bilski's Claim To A Method for Hedging Risk in Commodities Trading

The primary claim at issue in *Bilski* was for a "method for managing the consumption risk costs of a commodity sold by a commodity provider at a fixed price." Bilski conceded that his claim was not limited to being performed by a data processing system or other computer, or even to transactions involving actual commodities. However, the claim did involve actually initiating the transactions between market participants. The PTO had rejected Bilski's claims as not directed to patent-eligible subject matter which a Federal Circuit panel previously had affirmed.

Machine-or-Transformation Test Prevails over Useful, Concrete and Tangible Result Test

The *Bilski* court scrutinized prior Supreme Court decisions to arrive at what it articulates as the "machine-or-transformation" test. At issue in its analysis was whether the criteria to be gleaned from those decisions were possible clues indicating patentable subject matter or, more strictly, the sole test governing § 101 analyses. The *Bilski* court understood the Supreme Court decisions to mean the latter:

> We believe that the Supreme Court spoke of the machine-or-transformation test as the "clue" to patent-eligibility because the test is the tool used to determine whether a claim is drawn to a statutory "process"—the statute does not itself explicitly mention machine implementation or transformation. We do not consider the word "clue" to indicate that the machine-or-implementation test is optional or merely advisory. Rather, the Court described it as the clue, not merely "a" clue.

In settling on the machine-or-transformation test, the Federal Circuit expressly abandons its prior tests from *State Street* ("useful, concrete and tangible result") and other opinions. While abandoning these tests, the court took care to provide guidance to the PTO and lower courts, that it was preserving some of the jurisprudence developed in those cases. First, *Bilski* confirms that claims must be examined as a whole for patent eligibility and the fact that any individual step or limitation of a

process, by itself, would be unpatentable is irrelevant. Second, *Bilski* confirms the sometimes-controversial holding from *State Street* that there is no "business method exception" to patentable subject matter and that all process claims are to be analyzed under the same legal requirements. Third, the decision makes clear that the analysis for statutory subject matter under § 101 is separate from the novelty and non-obviousness requirements in §§ 102 and 103. Fourth, the *Bilski* decision indicates that the proper inquiry is not to focus on whether process steps are sufficiently "physical" and, in so doing, adds that "it is simply inapposite to the § 101 analysis whether process steps performed by software on a computer are sufficiently 'physical.'" Similarly, the *Bilski* decision rejects the suggestion that the machine-or-transformation test, is equivalent to simpler test offered by some *amici* — that a process claim must be in the "technological arts."

Applying the test to Bilski's claims, since there was no claim limitation to a particular machine or apparatus, the Federal Circuit focused on whether the process entailed a transformation of "a particular article into a different state or thing." The crux was how to define "article" to appropriately encompass the non-physical. As examples, the court noted that many "information-age processes" act on electronic data or "abstract constructs such as legal obligations, organizational relationships, and business risks." In defining "article" under the transformation prong of the test, *Bilski* holds that a transformation must act on physical objects or substances or on items that are "representative of physical objects or substances." Thus, transformation of raw data into a visual depiction would suffice under the test, but not Bilski's transformation of options to purchase a commodity at a fixed price. Gathering, manipulation, or reporting of abstract data inputs may constitute a "process" in lay usage, but this alone is not sufficient to constitute a process under the machine-or-transformation test. The *Bilski* court was concerned that the applicants' claim could wrongly pre-empt "any application of the fundamental concept" of hedging, were that sufficient. Regarding the steps in Bilski's claims that involved physical steps and consummating the claimed transactions, the court found that the claim would nonetheless effectively pre-empt all applications of hedging, even just within the area of consumable commodities, and thus was impermissible without some kind of transformation.

What *Bilski* Has Not Resolved

Most significantly, the *Bilski* decision does not articulate specific criteria for deciding whether claims recited as computer-implemented processes will meet the "machine" prong of the test: "We leave to future cases the elaboration of the precise contours of machine implementation, as well as the answers to particular questions, such as whether or when recitation of a computer suffices to tie a process claim to a particular machine." Similarly, it remains to be seen how the PTO and the lower courts will determine the extent of transformation of an article that is necessary for a claim to be eligible for patent. In any event, drafters will need to pay increased attention to reciting the transformation involved or the claim's relationship to a particular machine or apparatus when presenting claims to the PTO. This is especially true where the machine or apparatus could be seen to be so broad as to cover all uses of an algorithm or idea or where a transformation could be seen to be as a gratuitous add-on aimed solely at surviving the test. As the *Bilski* decision indicates, a transformation must be "central to the purpose of the claimed process."

Finally, the *Bilski* decision explicitly recognizes the possibility that the machine-or-transformation test may need to evolve because of "future developments in technology and the sciences . . . just as the widespread use of computers and the advent of the Internet has begun to challenge it in the past decade." The mention of future technologies thus suggests the possibility that the machine-or-transformation test may turn out to be too restrictive, and some processes considered unpatentable today could turn out to be patentable under a test informed by time and technical progress.

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On Shaky Ground: The (Near) Future of Patents After *Bilski*

BY ROBERT R. SACHS AND ROBERT A. HULSE

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Bernard Bilski did not intend to be a poster child for business method inventions. He filed his patent application more than a year before the Federal Circuit decided *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*, 149 F.3d 1368 (Fed. Cir. 1998), the decision that inspired a blizzard of business method patent applications. Bilski claimed a method of hedging commodity transactions by performing "transactions" between commodity providers, commodity consumers, and market participants who have counter-risk positions to the consumers. Bilski's patent claims are directed to one class of "business methods," those pertaining to trading methods. The United States Patent and Trademark Office (USPTO) rejected Bilski's claims, as part of a larger overall policy shift to limit the scope of patentable subject matter. It was therefore no surprise that Bilski appealed to the Federal Circuit.

In re Bilski, ___ F.3 ___ (Fed. Cir. 2008), offered the Federal Circuit an opportunity to answer important questions about the scope of patentable subject matter. Superficially, the court did just that, setting forth a so-called "machine-or-transformation" rule as the "definitive test" for deciding whether a "process" claim is patentable subject matter under 35 U.S.C. § 101. The court held that a process claim is patent-eligible if either: (1) it is tied to a particular machine or apparatus, or (2) it transforms a particular article into a different state or thing.

Applying this test, the court held that Bilski's claim was not patentable subject matter because it did not transform "any article to a different state or thing." The court found that the claim "encompasses the exchange of only options, which are simply legal rights to purchase some commodity," and that "transactions involving the exchange of these legal rights do not involve the transformation of any physical object or substance, or an electronic signal representative of any physical object or substance." Because Bilski conceded that the claims were not tied to any particular machine, they failed the court's "machine-or-transformation" test.

The court's decision leaves many significant questions unanswered, creates considerable uncertainty as to the validity of many existing patents, and may undermine the ability of inventors and businesses to protect advances in fields as diverse as database design, computer languages, cryptography, compression, financial engineering, and signal processing. In this article we will explain some of the key problems in *Bilski* and then discuss the potential impacts of the decision and strategies to deal with these impacts.

Unanswered Questions and Unintended Consequences

To arrive at its "machine-or-transformation" test, the court engaged in very selective hermeneutics of the Supreme Court's decisions in *Gottshalk v. Benson*, 409 U.S. 63 (1972), *Diamond v. Deihr*, 450 U.S. 175, (1981), and *Parker v. Flook*, 437 U.S. 584 (1978). In *Gottschalk*, the Court summarized several earlier holdings by stating that "[t]ransformation and reduction of an article "to a different state or thing" is the clue to the patentability of a process claim that does not include particular machines." The Court then expressly cautioned that "[w]e do not so hold" that a process claim "must operate to change articles or materials to a "different state or thing."" Nonetheless, the Federal Circuit latched onto the use of "the" and turned "the clue" to patent eligibility into a "definitive test" for it. But having sanctified "machine-or-transformation" test as the sole inquiry, the court then left unanswered under what conditions would computer-implemented processes meet the "machine" prong of that test: "We leave to future cases the elaboration of the precise contours of machine implementation, as well as the answers to particular questions, such as whether or when recitation of a computer suffices to tie a process claim to a particular machine." Specifically, the court touched on but did not resolve whether the recitation of a "general purpose computer" would meet the "machine" prong of the test.

The court similarly provided little guidance for the "transformation" branch of the test, on which its holding turned. The court stated that a transformation must be "central to the purpose of the claimed process" and that the "transformation must not constitute mere post-solution activity." But the court did not provide any test to determine whether a transformation was "central" or a "mere" post-solution activity, instead offering only inconsistent examples. On the one hand, the court suggested that "that the electronic transformation of the data itself into a visual depiction" was sufficient. On the other hand, the court stated that storing data in a computer memory is not sufficient: "relying on *Flook*, we held that this step [recording bids] constituted insignificant extra-solution activity." To computer scientists, this is a distinction without a difference. The vast majority of innovative computer processes produce a result that may be displayed or stored for later use. An arbitrary distinction between these two alternative "post-solution activities" is not a technologically sound basis to define patentable subject matter.

Impacts

The court's failure to address critical issues in the scope and application of the "machine-or-transformation" test, and its inconsistent treatment of equivalent situations, can only serve to disrupt settled expectations among patent holders, inventors, and the business community as a whole.

Ostensibly, the court declined to exclude business methods *per se* from patentability. But, in a sweeping statement pregnant with unintended consequences, the court potentially crippled any attempts to protect business innovations by stating: "Purported transformations or manipulations simply of public or private legal obligations or relationships, business risks, or other such abstractions cannot meet the test because they are not physical objects or substances, and they are not representative of physical objects or substances." The USPTO will likely treat this statement as a *per se* exclusion of business method claims.

The Federal Circuit's statement that business risks cannot be meet the transformation test may wipe out thousands of patents and applications pertaining to accounting, banking, credit management, and securities trading. Risk management is at the core of a wide range of patents dealing with credit card and telecommunications fraud, bankruptcy risk, currency exchange risk, loan default, and so forth. Many innovations in business can be understood as ways of identifying, quantifying, and mitigating business risks. Eliminating protection for such innovations only further dampens efforts to better manage risk.

In addition, the court's "or other such abstractions" language is ambigious enough for the USPTO—or anyone seeking to invalidate a "software patent"—to characterize many software implemented invention as unpatentable. The court held that Bilski's claim did not "involve the transformation of any physical object or substance, or an **electronic signal representative of any physical object or substance**." Coupled together, these statements exclude entire fields of computer science that focus on the design of algorithms independent of their application to specific data, such as cryptography, computer languages, compression, database design, just to name a few.

Finally, the exclusion of "public and private legal obligations" was particularly short-sighted. All financial transactions and their constituent elements—price, asset value, bid, offer, exercise price, etc.—rest upon a framework that makes the transactions enforceable legal obligations. The court's statement here unnecessarily jeopardizes protection of legitimate innovation in fields such as ecommerce, financial engineering, and computational finance.

Existing Patents: Licensees and Litigants

Patent licensors will likely be among the first casualties of *Bilski*. Many software patents, particularly those issued after *Alappat* and *State Street*, were written without paying homage to the court's talismanic "machine-or-transformation" test. Presumably, the claims of these patents were crafted from the viewpoint of "one of ordinary skill in the art," who knows that software inventions are inherently executed by computers, that computer data is represented by electrical signals, and that the "transformation" of signals requires physical changes. Further, these inventors also know that any algorithm in software can be equivalently implemented in a "particular computer," and that when such form is used it is an engineering decision, not a philosophical one.

Licensees may now take advantage of *Bilski* to renegotiate their licenses. Such a strategy was made possible by the Supreme Court's decision in *MedImmune v. Genentech*, 549 U.S. 118 (2007), which allows a licensee to file a declaratory judgment action to challenge the validity of a licensed patent without breaching the license agreement. A less expensive option is reexamination. While invalidity under § 101 is not a grounds for requesting reexamination, a licensee can request a reexamination on prior art grounds and then, if the reexamination is granted, the issued claims will almost certainly be reevaluated under the machine-or-transformation test. Either way, a licensee now has new leverage to obtain better terms from a licensor.

Patent litigation defendants also benefit from *Bilski*. The majority of litigated software patents are not challenged under § 101 because historically the requirement was easily satisfied. Now that patents are subject to a rigid, formalistic test, invalidity under § 101 becomes a more powerful defense. With so little guidance from the court as to what constitutes a "particular computer," a district court judge could easily—and incorrectly—invalidate a patent claim for not reciting a "particular" type of computer by name, brand, or model number.

Pending Applications: Expect Rough Sailing

Patent applicants will undoubtedly experience difficulty as well. First, the USPTO is likely to use this test to reduce its backlog of pending applications. The USPTO currently rejects "computer program product" claims that do not include the magic words of "storage" or "tangible" to describe a computer readable medium. Likewise, recent statements by the USPTO indicate that it will reject any computer implemented process claim if the claim steps are not specifically recited as being performed by a computer.

The easy solution for patent practitioners is simply to draft computer implemented method claims with language limiting the operation of the method steps to a computer system. A more radical solution is to no longer use method claims for software inventions. A "Beauregard" claim for a "computer program product" completely avoids the "machine-or-transformation" test. Any activity that would infringe a software-implemented method claim would necessarily infringe a properly drafted computer program claim. In their first decision applying *Bilski*, the Board of Patent Appeals and Interferences (BPAI), stated in *Ex parte Bo Li*, (Appeal No. 2008-1213), that the Beauregard claims are "considered statutory at the USPTO". However, a downside to this strategy is the potential reduction in damages, which would be based on a reasonable royalty or lost profits from the sale of a computer program, rather than on the potentially more valuable methods implemented by the program.

For business methods or other less clearly computer-based inventions, other strategies come into play. New claims that characterize the invention as a computer-based process will be necessary. Bilski's claims could have easily been drafted in this manner. Although this approach promotes form over substance, it has become necessary under *Bilski*. The primary stumbling block will be whether the patent specification describes the invention in this form, or only in terms of the more general business operations. If the latter is the case, then the claims must recite steps that transform some specific physical object, rather than a mere "legal obligation" or "business risk." Alternatively, where possible the claims can be limited to operate on "signals" representative of "physical objects or substances." However, these strategies may still not be possible where the innovations concern financial transactions or affect legal obligations that do not have physical real world manifestations.

Future Patenting: Pay Now or Pay Later

In the near term, *Bilski* may discourage some innovators in business operations and software from filing for patent protection, if only because the increased uncertainty as to whether they will obtain any protection makes the investment less attractive. Others with longer term horizons and deeper pockets should continue to file for patent protection as they have been.

While *Bilski* raises serious concerns for software and business innovators, patentees and applicants should not overreact. The case law may develop to interpret the "machine-or-transformation test" quite narrowly as simply a bar against pure mental steps process claims. As long as a process claim is tied to a machine or transforms an article, it cannot be performed entirely in someone's head. This is a fair reading of *Bilski*, as the court itself stated that a process where all the claimed steps "may be performed entirely

in the human mind is obviously not tied to any machine and does not transform any article into a different state or thing." If that is all the court means, then *Bilski* is a lengthy, but trivial decision.

Moreover, the Supreme Court may ultimately overturn *Bilski*. Though the Court recently deemed it "improvident" to address the § 101 question in *LabCorp v. Metabolite Laboratories Inc.*, 548 U.S. 124 (2006), the issue is certainly ripe given the Federal Circuit's en banc opinion, with one concurring and three dissenting opinions. Indeed, the court itself seemed uncertain of its holding, suggesting that because of "future developments in technology and the sciences" the Supreme Court "may ultimately decide to alter or perhaps even set aside" the machine-or-transformation test. One can imagine the Supreme Court chastising the Federal Circuit for committing in *Bilski* the same sin with § 101 as it did with § 103 in *KSR International Co. v. Teleflex Inc.*, 550 U.S. ___ (2007). Just as the Federal Circuit improperly applied a rigid test to determine obviousness in *KSR*, it now seeks to impose an inflexible machine-or-transformation test to determine whether a claim preempts the use of a fundamental principle.

Nevertheless, in the short run patent applications for computer-based inventions may be more expensive. Patent counsel may spend more time describing and claiming the invention as a "particular computer," characterizing the underlying data entities as "physical objects and substances," and focusing on the "transformation" of "signals" representing those entities.

Patent applications for business innovations will also become more expensive. In addition to describing the invention using language familiar to those in the financial services industry, it will be necessary to provide a detailed description of a computer or other physical system with which the invention can be practiced. A proper description might require a description of appropriate algorithms, data structures and databases, programming interfaces, and other software engineering artifacts. A mere boilerplate recitation of a generic computer will likely not be sufficient.

Either *Bilski* has dramatically changed the contours of patentable subject matter or it is a trivial decision that can be easily bypassed by invoking token language. It is fair to assume the former, given the earnest attempt by the court to conform its precedent to the Supreme Court's. In that case, it may take years for the unintended consequences of *Bilski* to be fully identified, and longer to be corrected.

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Giving Another Look to Patent Reexaminations

BY JENNIFER R. BUSH AND RAJIV P. PATEL

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For many years, the U.S. Patent and Trademark Office (USPTO) has offered a procedure for reexamining issued patents. However, neither patent owners nor potential defendants used the reexamination procedures very often. Patent owners knew that they enjoyed a strong presumption of validity and a high evidentiary standard to overcome that presumption in court. Potential defendants were reluctant to use the procedure because they didn't get to argue about the meaning of a reference as in court. In recent years, a new *inter partes* procedure gave potential defendants a right to comment on the patentee's statements to the USPTO. As a result, there is some indication reexaminations are becoming more popular among those accused of patent infringement. Recent case law, as well as recently published statistics, suggests that patent reexaminations are poised to experience a further surge in popularity.

With the potential risk and costs of patent litigation, patent owners are increasingly turning to reexaminations as a means to strengthen patents. At the same time, defendants are turning to reexaminations as a less costly way to challenge patents. While reexamination is a tool available for either side, the risks and benefits of the tool must be carefully weighed by any party initiating a reexamination.

There are two types of reexamination: *ex parte* and *inter partes*. *Ex parte* patent reexamination, in which the reexamination proceedings are primarily between an examiner at the USPTO and a patent owner, was first introduced in 1981. Congress introduced *ex parte* reexamination to settle validity disputes more quickly and less expensively than litigation and to allow greater USPTO involvement in patent validity questions. See *Patlex Corp. v. Mossinghoff*, 758 F.2d 594 (Fed. Cir. 1985). *Inter partes* examinations came about in 1999 as part of the American Inventors Protection Act in an effort to expand public participation in this process.

As between the examiner and the patent owner, most of the *ex parte* reexamination process is very similar to the examination of a patent application, with the examiner issuing one or more office actions and the patent owner responding. Once the claims are acceptable to the examiner, the USPTO issues a reexamination certificate that shows which claims were reexamined and their present scope.

The number of *ex parte* reexaminations requested each year has been slowly but steadily increasing since the introduction of the process in 1981. While reexamination is not without risk, patent owners may look upon it favorably because they maintain some control over the process; they may amend their claims, present arguments to the examiner, and interview the examiner during the process. In addition, *ex parte* reexamination for patent owners may represent a less threatening environment than a judicial proceeding for determining the validity and scope of their patents.

In fact, considering the potential risk to their existing patents, patent owners initiate *ex parte* reexaminations at a relatively high rate. According to the USPTO, a full thirty-nine percent of *ex parte* reexaminations are initiated by patent owners. One attractive feature of the process is that, for the most part, the patent owner is the only party who is involved in making substantive arguments in *ex parte* reexamination, which means that the only potentially "adverse" party is the USPTO.

There are three possible outcomes for reexaminations: (1) all the claims of a patent may be affirmed, (2) the patent may be affirmed but with amended claims or (3) all of the claims may be cancelled. Affirmation of all claims is the ultimate goal of the patent owner. If all, or even most, claims are affirmed over new art, a patent is strengthened. The real world effect may be that competitors are deterred from later attempts to challenge the patent via litigation. If a patent owner instead receives an unfavorable outcome from the reexamination, he or she still may appeal the decision to the Board of Patent Appeals and Interferences (BPAI), and then through the federal court system.

In any reexamination, two significant risks loom for patent owners: (1) a substantial narrowing of patent claims such that potential infringers avoid infringement and (2) is invalidation of all patent claims. In *ex parte* reexamination cases as a whole, the numbers favor the patent owner. All claims are affirmed in twenty-six percent of *ex parte* cases, the claims are changed but affirmed in sixty-four percent of cases, and all claims are cancelled in just ten percent of cases. Thus, the patent owner's risk of having all claims cancelled in *ex parte* cases is just one in ten; nine out of ten times some or all claims are affirmed. For reexaminations initiated by patent owners, the numbers are slightly better; in only seven percent of cases are all claims cancelled, with twenty-three percent resulting in all claims being confirmed and seventy percent in which the claims are affirmed but the scope is changed. The statistics do not paint a complete picture, however, as there is a broad range of changes possible in the scope of such claims.

Two recent Federal Circuit cases provided additional comfort for patent owners pursuing reexaminations. In both *In re Trans Texas Holdings Corp.*, 498 F.3d 1290 (Fed. Cir. 2007) and *In re Translogic Technology, Inc.*, 504 F.3d 1249 (Fed. Cir. 2007), the Federal Circuit stated that the standard applied in USPTO proceedings, unlike in litigation, gives claims "their broadest reasonable interpretation consistent with the specification." These cases also held that the USPTO is not required to follow claim construction from prior proceeding. In fact, when the Federal Circuit in *Translogic* was faced with conflicting claim construction from a district court and the BPAI, the Federal Circuit followed the USPTO judgment and vacated the district court decision. Thus, even though a patent owner may have some of the numbers in its favor, the potential risks involved in reexamination dictate that a patent owner should carefully examine the pros and cons of the reexamination process and the strength of patents considered for reexamination.

Third parties also may initiate an *ex parte* or *inter partes* reexamination "at any time" (with a few limitations), as long as there is "a substantial new question of patentability" based on a prior art document. In contrast to patent owners, the ultimate goal for the third party is cancellation or substantial narrowing of patent claims, for example, in response to an infringement accusation.

While the patent owner has essentially the same level of participation in *ex parte* and *inter partes* reexaminations, the two processes are quite different for third party participants. In *ex parte* proceedings, third party participation is limited to initiating the request for reexamination. Once the request is submitted, the proceedings are exclusively between the examiner and the patent owner. Some believe this is why *ex parte* reexamination has not been used by third parties as frequently as anticipated. With *inter partes* reexaminations, however, a third party may actively participate in the reexamination process between the examiner and the patent owner, including presenting arguments or evidence and appealing adverse decisions.

Of course, *inter partes* reexaminations have limits and tradeoffs as well. For example, *inter partes* reexaminations are limited to patents filed on or after November 29, 1999, thus excluding a large number of patents as possible *inter partes* reexamination targets. *Inter partes* reexaminations also require more effort and cost on the part of the third party than *ex parte* reexaminations. Moreover, a party must consider the possible estoppel effects, which may preclude the third-party requester from challenging any patent claims finally determined to be valid on grounds that were raised (or could have been raised) in the *inter partes* reexamination. See 35 U.S.C. § 315 (c); 37 C.F.R. §§ 1.907, 1.915.

Despite these shortcomings, the benefits of reexamination may be significant for third parties. Because reexaminations are USPTO proceedings, they allow the third party to challenge a patent in a less costly forum than litigation, where patent defense costs can easily exceed $2 million. Other benefits include the greater likelihood of an informed analysis by a patent examiner (versus judge and/or jury), a quicker resolution than litigation, and a forum in which patents are not presumed valid.

Not surprisingly, third parties are responsible for the bulk of reexamination requests on the whole—more than sixty percent of all reexaminations initiated since 1981, according to the USPTO—but not every reexamination is successful. Only about twelve percent of *ex parte* reexaminations initiated by third parties result in all claims being cancelled, whereas twenty-nine percent result in all claims being confirmed. Again the numbers give only a partial picture, as there are intermediate cases in which the scope of claims are changed but affirmed.

With an eighteen year head start, and some of the factors cited above, there have been far more *ex parte* reexaminations (nearly 9,000) than *inter partes* reexaminations (a little over 300) to date and only eleven *inter partes* cases have had reexamination certificates issued. But it is worth noting that nine of those *inter partes* reexamination certificates resulted in the cancellation of all claims and all claims were affirmed in just one case. The small number of *inter partes* reexamination results make it difficult to reach broad conclusions about the effectiveness of the procedure, but if the proportion of cases in which all claims are cancelled remains high, *inter partes* reexamination could see a spike in use by third parties.

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In re Swanson: Ex Parte Reexamination in the Patent Office Provides Second Chance to Invalidate Patent

BY ROBERT HULSE

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It may not literally keep in-house attorneys up at night, but the chance that a relevant patent owned by another may unexpectedly show up on one's desk in the morning is certainly not a pleasant thought. In addition to being a distraction from the main business, none of the options in this scenario are very satisfying. One option is to do nothing — while possibly obtaining an opinion letter to shield from enhanced damages — and hope that the patent owner will not enforce the patent. But failing to address a potentially troublesome patent may put a cloud of risk over the business, possibly affecting the business's valuation and flagging a diligence issue for potential investors or acquirers in the future.

Other options include designing around the patent or obtaining a license or ownership interest in the patent; however, technical or financial factors often limit these solutions. In many circumstances, the only recourse of a business that is threatened by a patent is to bring a legal proceeding to resolve the uncertainty caused by the patent. But litigating patent validity or infringement issues in District Court is an expensive option. To provide a less expensive quality check on issued patents, Congress created the ex parte reexamination, a useful post-grant procedure for addressing the validity of a suspect patent in the U.S. Patent and Trademark Office instead of in court.

Reexamination and the "Substantial New Question of Patentability" Requirement

Any person can initiate an ex parte reexamination by filing a request for reexamination of a patent based on one or more prior art publications. The Patent and Trademark Office evaluates the request and grants the request only if it determines that "a substantial new question of patentability affecting any claim of the patent concerned is raised by the request." 35 U.S.C. § 303(a). This "substantial new question of patentability" requirement is designed to balance the need to protect patent owners from harassment by third parties while still enabling the public access to an important tool to remove bad patents from the intellectual property landscape.

The reexamination statute was initially construed in a way that applied the substantial new question of patentability requirement in a very strict bright-line manner. Specifically, in *In re Portola Packaging Inc.*, 110 F.3d 786 (Fed. Cir. 1997), the Court of Appeals for the Federal Circuit interpreted the requirement to preclude reexamination based on "prior art previously considered by the Patent and Trademark Office in relation to the same or broader claims." This effectively barred any reexamination based on a printed publication that was considered during the patent's initial examination, regardless of how the reference had been considered.

Congress disagreed with *Portola Packaging*'s bright-line rule and, in 2002, amended § 303(a) to conclude with the following sentence: "The existence of a substantial new question of patentability is not precluded by the fact that a patent or printed publication was previously cited by or to the Office or considered by the Office." In so doing, Congress specifically stated that the amendment "overturns the holding of *In re Portola Packaging Inc.*" Rather than a strict prohibition against reexamination of a patent based on a publication that had been considered during the initial examination of a patent, Congress explained that "the appropriate test . . . should not merely look at the number of references or whether they were previously considered or cited but their combination in the appropriate context of a new light as it bears on the question of the validity of the patent." Until recently, the Federal Circuit has not had the opportunity to evaluate the scope of the substantial new question of patentability requirement since Congress amended § 303(a) in 2002. This changed with *In re Swanson*, ___ F.3 ___ (Fed. Cir. 2008).

History of the Swanson Patent

Melvin Swanson and Patrick Guire filed an application for the patent at issue in 1983. Titled "Quantitative Analysis Apparatus and Method," the patent application generally covered a method of analyzing small amounts of biological solutions to detect the presence of a particular substance in the solution. The application included a claim to a method that comprised the steps of providing an immobilized reactant in a flow path, flowing a test solution over the reactant and detecting the presence of a substance in the test solution based on the interaction between the test solution and the reactant. The patent application also included dependent claims that refined this method claim, one of which covered a specific type of reaction, an immunoreaction, to detect the substance.

About a year after the application was filed, the patent examiner rejected the claims in the application under various combinations of prior art publications. One of the publications used in the rejection was U.S. Patent No. 4,094,647, issued to Deutsch et al., which disclosed

a method of detecting ligand-antiligand binding pairs to determine the presence of a ligand in a biological fluid sample. In the rejections, however, Deutsch was cited as a secondary reference, used only for its disclosure of the immunoreaction feature recited in the dependent claim. Importantly, the examiner never asserted that Deutsch disclosed the main steps in the claim. The applicants amended the claims in response to the rejection, and the patent issued on Dec. 17, 1991, as U.S. Patent No. 5,073,484. The inventors assigned the patent to Surmodics, Inc., which exclusively licensed the patent to Abbott Laboratories.

In December 1998, Abbott sued Syntron Bioresearch, Inc. for infringement of the '484 patent. Among the counterclaims brought by Syntron was a claim that the patent was invalid as anticipated by the Deutsch reference. The jury in that case returned a verdict that Deutsch did not anticipate the claims. In reaching this verdict, the jury reasoned that the claims of the '484 patent required that the test solution provide the claimed flow, a feature that was not disclosed in Deutsch. The Federal Circuit affirmed this part of the jury's verdict as supported by substantial evidence.

Syntron then filed a request for an ex parte reexamination of the '484 patent, in part, asserting a substantial new question of patentability based on Deutsch. The examiner granted the request and ultimately rejected the claims, and the Board of Patent Appeals and Interferences affirmed this rejection in *In re Swanson*, No. 05-0725, Reexamination No. 90/006,785 (B.P.A.I. 2007). Abbott argued that Deutsch could not be the basis of a substantial new question of patentability because Deutsch had been considered by the patent examiner during examination, by a jury during a trial, and by the Federal Circuit itself during the appeal.

The Federal Circuit rejected these arguments and found that Syntron's request for reexamination did present a substantial new question of patentability based on Deutsch. The court first rejected Abbott's request to adopt a bright-line rule that would preclude a reexamination based solely on references used in a rejection of claims during the original examination of a patent. Refusing to do so, the court reiterated that the issue is whether the same question of patentability had been earlier considered, not whether the particular reference had been.

The court also rejected Abbott's argument that the previous consideration of Deutsch by both the District Court and the Federal Circuit precluded a new question of patentability. In so doing, the court held: "As properly interpreted a 'substantial new question of patentability' refers to a question which has never been considered by the PTO; thus, a substantial new question can exist even if a federal court previously considered the question." Therefore, the court found that the reexamination was not improper and affirmed the final rejection of the patent claims.

Second Bite at the Invalidity Apple

It may at first appear to be an inherent conflict to find a substantial new question of patentability based on a reference that a district court has already reviewed. However, this can be resolved by noting the difference between these two forums. In a District Court, and unlike in the Patent and Trademark Office, a patent enjoys a presumption of validity, and a clear and convincing standard of proof is required to invalidate a patent, not a mere preponderance of the evidence. Also, claims may be construed more broadly in the Patent and Trademark Office, as they are given their "their broadest reasonable interpretation, consistent with the specification," during examination to avoid issuance of an overly broad patent. In fact, during reexamination the Patent and Trademark Office is not bound by a District Court's claim construction. *In re Trans Texas Holdings Corp.*, 498 F.3d 1290 (Fed. Cir. 2007).

Accordingly, the take-home message of *In re Swanson* is that losing an invalidity battle at trial is not necessarily final. In many cases, reexamination may offer a litigant a second chance to attack a patent's validity — once in court and another time in the Patent and Trademark Office. The reexamination strategy in view of previously considered prior art is particularly viable after the loosening of the obviousness test by *KSR International Co. v. Teleflex Inc.*, 550 U.S. 127 (2007). Moreover, the recent statistics on ex parte reexamination reported by the Patent and Trademark Office in June 2008 make the reexamination option even more attractive. The Patent and Trademark Office grants over 90 percent of requests for ex parte reexamination, and of those, 75 percent of the patents have all claims canceled or at least some of the claims narrowed.

Accordingly, anyone concerned by a potentially troublesome patent should be encouraged to look for new questions of patentability to request reexamination of the patent. Even if a prior art reference has already been considered, there may be a number of different, more persuasive ways to present the reference, and ultimately kill the patent.

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Litigation Alert: Ninth Circuit Adopts Good Faith Defense for Lanham Act Claims Premised on Allegedly False Patent Infringement Allegations Made to Third Parties

JULY 8, 2008

BY RODGER R. COLE AND MARYBETH MILIONIS

Fenwick
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In *Fisher Tool Co., Inc. v. Gillet Outillage*, __ F.3d __, 2008 U.S. App. LEXIS 13727 (June 30, 2008), the Ninth Circuit adopted the Federal Circuit's standard requiring a showing of bad faith in order to maintain Lanham Act and state law claims premised on allegedly false representations of patent infringement made by a patentee, its distributors, agents and/or attorneys to third parties. In so doing, it affirmed summary judgment for Gillet due to Fisher Tool's lack of evidence that Gillet, and those working in concert with it, made the representations in bad faith. Summary judgment on Fisher Tool's malicious prosecution claims was similarly affirmed in the absence of evidence that the underlying patent infringement suit was filed in bad faith.

Practical Impact

This decision provides a safe harbor for patentees, and those working in concert with them, for statements made to third parties regarding alleged patent infringement so long as they are made in good faith. For those accused but exonerated patent infringers seeking to file a collateral lawsuit for Lanham Act violations, malicious prosecution, or other state claims premised on a patentee's failed infringement suit or representations of infringement to others, they will be required to submit probative evidence of the patentee's bad faith to withstand summary judgment.

Factual Background & Claims

Gillet is a French company that manufactures hose clamp pliers and owns a number of U.S., French and other patents on those pliers. Upon learning that Fisher Tool, a U.S. company, was making similar pliers, Gillet consulted with its attorneys as to whether or not Fisher Tool infringed its patents. Three different infringement analyses were performed: two by Gillet's outside counsel and a third by another outside attorney. All three opined that Fisher Tool pliers infringed Gillet's patents. Gillet's attorneys then drafted letters expressing its "strong opinion" that Fisher Tool's pliers infringed. Those letters were subsequently sent to Gillet's customers via its U.S. distributor.

Gillet then filed an infringement action in the Northern District of California. Gillet then dismissed the suit after the district court judge issued its *Markman* hearing order narrowly construing Gillet's claims. After Gillet dismissed the infringement suit, Fisher Tool filed this lawsuit against Gillet, its U.S. distributor, and its attorneys for malicious prosecution, violations of Section 43(a) of the Lanham Act, and various California tort laws. Gillet successfully moved for summary judgment on all claims. Fisher Tool appealed the district court's order.

No Lanham Act Liability for Infringement Representations Made in Good Faith

Lacking any evidence of bad faith on the part of Gillet, its U.S. distributor, and its attorneys, the Ninth Circuit affirmed summary judgment on Fisher Tool's claim that the letter accusing it of infringing Gillet's pliers patents constituted false advertising under Section 43(a) of the Lanham and otherwise violated California tort law. In deciding this issue, the Court adopted the Federal Circuit's requirement that when Lanham Act and state tort claims rest on a defendant's representation of patent infringement by

the plaintiff, the plaintiff must demonstrate that the representations were made in bad faith. As noted in the discussion of malicious prosecution, Fisher Tool failed to offer any evidence that Gillet lacked a good faith belief that its pliers patent had been infringed. Accordingly, it had no liability for communicating that belief to its customers.

In adopting this standard, the Ninth Circuit also expanded its reach to cover entities, such as distributors and attorneys, who act in concert with a defendant to enforce its patent rights. In the absence of any evidence that Gillet's agents drafted or distributed the letter in bad faith, they faced no liability under Section 43(a) or California law. Even the inference that they did not intend to carry out the letter's threat to sue all those distributing Fisher Tool's pliers was not sufficiently probative evidence of bad faith to reverse summary judgment.

Malicious Prosecution & the Good Faith Standard

On appeal Fisher Tool sought reversal of summary judgment on its malicious prosecution claims arguing that Gillet acted in bad faith by withholding information from its attorneys it "knew or should have known would defeat" the underlying patent infringement suit. At issue was whether or not Gillet knew of a purported "mistranslation" in its patent. The Ninth Circuit rejected this claim on the basis that (a) the mistranslation was not clear on the face of the patent as French-to-English dictionaries appeared to support the translations advanced by Gillet and (b) that in any event Fisher Tool had no evidence that either Gillet or its attorneys knew or should have known about the mistranslation. More generalized allegations by Fisher Tool that Gillet otherwise knew of facts rendering its patent invalid or unenforceable were similarly rejected as, presuming Gillet knew of them, "the company could reasonably have concluded that they were neither 'pertinent' nor 'material' and therefore didn't have to be disclosed to its lawyers."

Summary judgment on the malicious prosecution claims brought against Gillet's law firm was also affirmed for lack of evidence showing an absence of probable cause to bring the suit. California law requires malicious prosecution plaintiffs demonstrate that the lawsuit at issue was so completely lacking in apparent merit that "no reasonable attorney would have thought the claim tenable." Here the Court pointed to the three infringement analyses as evidence of probable cause. As Fisher Tool failed to proffer evidence that the analyses did not meet professional standards or were otherwise performed in bad faith, summary judgment was proper. That the district court eventually construed the claims more narrowly than expected was irrelevant as to whether or not the lawsuit was filed in good faith on the basis of the infringement analyses. The Court further found that even if the pre-filing investigation as to the validity of the patent was negligent, that too was irrelevant as the infringement claims were at least "tenable."

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Model Patent Jury Instructions

prepared by

The National Jury Instruction Project

December 5, 2008

For Comment

Members of the Project

Kenneth C. Bass III
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Roderick R. McKelvie
Teresa Stanek Rea
Edward R. Reines, Chair
Judge Patti B. Saris
Judge T. John Ward
Judge Ronald M. Whyte

5.8 OBVIOUSNESS[25]

In this case, [the alleged infringer] contends claim [ ] of the [xxx] patent is invalid as obvious. A patent claim is invalid if the claimed invention would have been obvious to a person of ordinary skill in the field of the invention [at the time the application was filed] [as of [insert date]]. This means that even if all the requirements of the claim cannot be found in a single prior art reference that would anticipate the claim or constitute a statutory bar to that claim, a person of ordinary skill in the field of the invention who knew about all this prior art would have come up with the claimed invention.

But a patent claim composed of several requirements is not proved obvious merely by demonstrating that each of its requirements was independently known in the prior art. Although common sense directs one to look with care at a patent application that claims as innovation the combination of known requirements according to their established functions, it is important to identify a reason that would have prompted a person of ordinary skill in the relevant field to combine the requirements in the way the claimed new invention does. This is so because inventions in most, if not all, instances rely upon building blocks long since uncovered, and claimed discoveries almost of necessity will be combinations of what, in some sense, is already known. Accordingly, you may evaluate whether there was some teaching, suggestion, or motivation to arrive at the claimed invention before the time of the claimed invention. Teachings, suggestions, and motivations may be found in written references including the prior art itself. However, teachings, suggestions, and motivations may also be found within the knowledge of a person with ordinary skill in the art including inferences and creative steps that a

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[25] KSR Intern. Co. v. Teleflex, Inc., 127 S.Ct. 1727 (2007)

person of ordinary skill in the art would employ. Additionally, teachings, suggestions, and motivations may be found in the nature of the problem solved by the claimed invention.

Therefore, in evaluating whether such a claim would have been obvious, you should consider a variety of factors:

1. Whether [the alleged infringer] has identified a reason that would have prompted a person of ordinary skill in the field of the invention to combine the requirements or concepts from the prior art in the same way as in the claimed invention. There is no single way to define the line between true inventiveness on one hand (which is patentable) and the application of common sense and ordinary skill to solve a problem on the other hand (which is not patentable). For example, market forces or other design incentives may be what produced a change, rather than true inventiveness.

2. Whether the innovation applies a known technique that had been used to improve a similar device or method in a similar way.

3. Whether the claimed invention would have been obvious to try, meaning that the claimed innovation was one of a relatively small number of possible approaches to the problem with a reasonable expectation of success by those skilled in the art.

But you must be careful not to determine obviousness using hindsight; many true inventions might seem obvious after the fact. You should put yourself in the position of a person of ordinary skill in the field of the invention at the time the claimed invention was made, and you should not consider what is known today or what is learned from the teaching of the patent.

The ultimate conclusion of whether a claim is obvious should be based on your determination of several factual issues:

1. You must decide the level of ordinary skill in the field of the invention that someone would have had at the time the claimed invention was made.

2. You must decide the scope and content of the prior art. In determining the scope and content of the prior art, you must decide whether a reference is pertinent, or analogous, to the claimed invention. Pertinent, or analogous, prior art is defined by the nature of the problem solved by the claimed invention. It includes prior art in the same field of endeavor as the claimed invention, regardless of the problems addressed by the reference, and prior art from different fields reasonably pertinent to the particular

problem with which the claimed invention is concerned. Remember that prior art is not limited to patents and published materials, but includes the general knowledge that would have been available to one of ordinary skill in the field of the invention.

3. You must decide what difference, if any, existed between the claimed invention and the prior art.

Where these matters are in dispute, the party asserting invalidity of the patent has the burden to establish that it is highly probable that its version of these facts is correct. Finally, you should consider any of the following factors that you find have been shown by the evidence:

A. Factors tending to show nonobviousness:

[1. commercial success of a product due to the merits of the claimed invention];

[2. a long-felt, but unsolved, need for the solution provided by the claimed invention];

[3. unsuccessful attempts by others to find the solution provided by the claimed invention];

[4. copying of the claimed invention by others];

[5. unexpected and superior results from the claimed invention];

[6. acceptance by others of the claimed invention as shown by praise from others in the field of the invention or from the licensing of the claimed invention]; and

[7. disclosures in the prior art that criticize, discredit, or otherwise discourage the claimed invention and would therefore tend to show that the invention was not obvious.]

[8. other evidence tending to show nonobviousness].

B. Factors tending to show obviousness

[1. independent invention of the claimed invention by others before or at about the same time as the named inventor thought of it]; and

[2. other evidence tending to show obviousness].

[You may consider the presence of any of the [list factors 1-7 as appropriate] as an indication that the claimed invention would not have been obvious at the time the claimed invention was made. And you may consider the presence of the [list factors 8-9 as appropriate] as an indication that the claimed invention would have been obvious at such time. Although you should consider any evidence of these factors, the relevance and importance of any of them to your decision on whether the claimed invention would have been obvious is up to you.]

5.9 OBVIOUSNESS—(Alternative)

In this case, [the alleged infringer] contends claim [ ] of the [xxx] patent is invalid as obvious. A patent claim is invalid if the claimed invention would have been obvious to a person of ordinary skill in the field of the invention [at the time the application was filed] [as of [insert date]]. The court, however, has the responsibility of determining whether a patent claim was obvious based on your determination of several factual questions.[26] Where these matters are in dispute, the party asserting invalidity has the burden to establish that it is highly probable that its version of these facts is correct.

First, you must decide the level of ordinary skill in the field of the invention that someone would have had at the time the claimed invention was made.

Second, you must decide the scope and content of the prior art. In determining the scope and content of the prior art, you must decide whether a reference is pertinent, or analogous, to the claimed invention. Pertinent, or analogous, prior art is defined by the nature of the problem solved by the invention. It includes prior art in the same field of endeavor as the claimed invention, regardless of the problem addressed by the reference, and prior art from different fields reasonably pertinent to the particular problem with which the claimed invention is concerned. Remember that prior art is not limited to patents and published materials, but includes the general knowledge that would have been available to one of ordinary skill in the field of the invention.

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[26] This instruction provides the jury with an instruction on the underlying factual questions it must answer to enable the court to make the ultimate legal determination of the obviousness question. KSR Intern, Co. v. Teleflex, Inc., 127 S.Ct. 1727, 1745 (2007)("The ultimate judgment of obviousness is a legal determination."); *see* Dippin' Dots, Inc. v. Mosey, 476 F.3d 1337, 1343 (Fed. Cir. 2007).

Third, you must decide what difference, if any, existed between the claimed invention and the prior art.

Finally, you must determine which, if any, of the following factors have been established by the evidence:

A. Factors tending to show nonobviousness:

[1. commercial success of [ ] due to the merits of the claimed invention];

[2. a long-felt, but unsolved, need for the solution provided by the claimed invention];

[3. unsuccessful attempts by others to find the solution provided by the claimed invention];

[4. copying of the claimed invention by others];

[5. unexpected and superior results from the claimed invention];

[6. acceptance by others of the claimed invention as shown by praise from others in the field of the invention or from the licensing of the claimed invention]; and

[7. disclosures in the prior art that criticize, discredit, or otherwise discourage the claimed invention and would therefore tend to show that the invention was not obvious.]

[8. other evidence tending to show nonobviousness].

B. Factors tending to show obviousness

[1. independent invention of the claimed invention by others before or at about the same time as the named inventor thought of it]; and

[2. other evidence tending to show obviousness].[27]

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[27]35 U.S.C. § 103; Graham v. John Deere Co., 383 U.S. 1 (1966); KSR Int'l Co. v. Teleflex, Inc., 127 S.Ct. 1727 (2007); Ruiz v. A.B. Chance Co., 234 F.3d 654 (Fed. Cir. 2000); Arkie Lures, Inc. v. Gene Larew Tackle, Inc., 119 F.3d 953, 957 (Fed. Cir. 1997); Specialty Composites v. Cabot Corp., 845 F.2d 981, 991 (Fed. Cir. 1988); Windsurfing Int'l, Inc. v. AMF, Inc., 782 F.2d 995, 1000 (Fed. Cir. 1986); Pentec. Inc. v. Graphic Controls Corp., 776 F.2d 309, 313 (Fed. Cir. 1985).; Novo Nordisk A/S v. Becton Dickinson & Co., 304 F.3d 1216, 1219

(continued…)

Committee Note:

Alternate Instruction Reserving for the Court the Determination of Obviousness. The Committee has been unable to reach a consensus on an instruction and a verdict form for those cases where the court submits the underlying factual issues to the jury and reserves for itself the determination of obviousness. One complication the Committee has considered is that there is no existing case law that provides guidance on how to implement the burdens of proof a party has with regard to either the statutory factors or the secondary considerations. For example, in this alternative instruction, we tell the jury "you must decide what difference, if any, existed between the claimed invention and the prior art." We find it difficult to translate that instruction into a finding an alleged infringer must establish is "highly probable" and then into a question or questions a jury answers on a verdict form. Similarly, in this alternative instruction we identify "commercial success" as a secondary consideration. We have not been able to agree on the patent owner's burden of proof in establishing commercial success or agree on a form by which the jury reports its finding on commercial success.

We suggest that the best approach will be for parties and the courts to develop an instruction and form in the context of the fact patterns in particular cases. And we note that the Northern District of California has adopted a model instruction and form where the court submits these underlying issues of fact to the jury. Judges and lawyers should look to those forms for guidance.

(Fed. Cir. 2002); In re Fulton 391 F.3d 1195, 1201 (Fed. Cir. 2004); Ryco Mfg. Co. v. Nu-Star, Inc., 950 F.2d 714, 716 (Fed. Cir. 1991), In re Wood, 599 F.2d 1032, 1036 (CCPA 1979).

5.10 SCOPE AND CONTENT OF PRIOR ART

[The patent holder] and [the alleged infringer] disagree on whether [identify prior art reference(s)] should be included in the prior art you use to decide the validity of claims [ ] of the [ ] patent. To qualify as prior art relevant to the [ ] patent, these references must be reasonably related to the claimed invention of that patent. A reference is reasonably related if it is in the same field as the claimed invention or is from another field to which a person of ordinary skill in the field would look to solve a known problem.[28] Remember that prior art is not limited to patents and published materials, but includes the general knowledge that would have been available to one of ordinary skill in the field of the invention.

[28] Graham v. John Deere Co., 383 U.S. 1 (1966); KSR Int'l Co. v. Teleflex, Inc., 550 U.S. ___ (2007); Ruiz v. A.B. Chance Co., 234 F.3d 654, 664-65 (Fed. Cir. 2000); Wang Labs. v. Toshiba Corp., 993 F.2d 858, 864 (Fed. Cir. 1993).

5.11 DIFFERENCES OVER THE PRIOR ART

In reaching your conclusion about whether or not claim [ ] would have been obvious at the time the claimed invention was made, you should consider any difference or differences between the [identify prior art reference(s)] and the claimed requirements.[29]

[29] Graham v. John Deere Co., 383 U.S. 1 (1966); Yamanouchi Pharm. Co. v. Danbury Pharmacal, Inc., 231 F.3d 1339, 1343-45 (Fed. Cir. 2000); In re Kotzab, 217 F.3d 1365, 1369 (Fed. Cir. 2000); Northern Telecom, Inc. v. Datapoint Corp., 908 F.2d 931, 935 (Fed. Cir. 1990).

5.12 LEVEL OF ORDINARY SKILL

Several times in my instructions I have referred to a person of ordinary skill in the field of the invention. It is up to you to decide the level of ordinary skill in the field of the invention. You should consider all the evidence introduced at trial in making this decision, including:

1. the levels of education and experience of persons working in the field;
2. the types of problems encountered in the field; and
3. the sophistication of the technology.

[The patent holder] contends that the level of ordinary skill in the field of the invention was [ ]. [The alleged infringer] contends that the level of ordinary skill in the field was [ ].[30]

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[30] Graham v. John Deere Co., 383 U.S. 1 (1966); Brown & Williamson Tobacco Corp. v. Philip Morris Inc., 229 F.3d 1120, 1125 (Fed. Cir. 2000); SIBIA Neurosciences, Inc. v. Cadus Pharm. Corp., 225 F.3d 1349, 1355 (Fed. Cir. 2000); Ryko Mfg. Co. v. Nu-Star, Inc., 950 F.2d 714, 718-19 (Fed. Cir. 1991).

PATENT LAW YEAR IN REVIEW

A Look Back at 2008 and a Look Ahead at 2009

Program Co-Chairs:

Darren Donnelly
Heather Mewes
Rajiv Patel

Faculty:

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Emphasis:

Intellectual Property

Patent Litigation

Technology Litigation

Darren E. Donnelly is a partner in the Litigation and Intellectual Property Groups of Fenwick & West LLP, a law firm specializing in technology and life sciences matters. Mr. Donnelly practices out of the firm's Mountain View, California office. His practice focuses on patent and other intellectual property litigation and counseling with emphasis in technical computing, telecommunications, data management, and Internet technologies. The clients Mr. Donnelly has represented include:

- Amazon.com, Inc.
- Cognos, Inc.
- Cryptography Research, Inc.
- Electronic Arts
- Good Technology
- Informatica Corporation
- Intuit
- Netflix
- VIA Technologies, Inc.

Mr. Donnelly is admitted to practice before the United States Patent and Trademark Office. In addition to preparing and prosecuting patent applications in the U.S. and abroad, he has counseled companies on patent portfolio development and management, patent licensing strategies, and patent enforcement strategies.

Mr. Donnelly received undergraduate degrees from Stanford University in mathematical and computational science and economics. He received an M.S. from Stanford where his graduate work focused on the design of intelligent decision systems. He attended law school at Santa Clara University, graduating with a J.D. in 1997.

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Emphasis:

Patent Litigation

Appeals

Heather N. Mewes is a partner in the Litigation Group of Fenwick & West LLP, a law firm specializing in technology and life sciences matters. Ms. Mewes' practice focuses on patent litigation and appeals. She has experience in a variety of technological fields, principally relating to bioscience and software technologies. Recently, Ms. Mewes served as counsel for Google, and obtained summary judgment of noninfringement in a patent lawsuit brought by Skyline Software Systems involving Google's three-dimensional mapping software, Google Earth. Ms. Mewes also served as trial and appellate counsel for O2 Micro in a trade secret and patent case in which the jury awarded O2 Micro $12 million for the willful misappropriation of O2's trade secrets and found all asserted claims of its competitor's patents invalid and not infringed. The judgment in that case was affirmed on appeal. Among the clients Ms. Mewes has represented are:

- Abbott Laboratories
- Cepheid
- CooperVision, Inc.
- The Regents of the University of California
- Google
- Good Technology, Inc.
- O_2Micro International Ltd.

Ms. Mewes is active in the San Francisco Bay Area Intellectual Property American Inn of Court and the Federal Circuit Bar Association.

Ms. Mewes clerked for the Honorable William C. Bryson, United States Court of Appeals for the Federal Circuit and is admitted to practice in that court, as well as all federal courts in California and the Eastern District of Texas.

Ms. Mewes received her J.D. from the University of California at Berkeley, Boalt Hall, *Order of the Coif*. Ms. Mewes received her B.S. in foreign service from Georgetown University, Phi Beta Kappa.

Ms. Mewes is a member of the State Bar of California.

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Emphasis:

Patent Procurement

- Prosecution
- Counseling

Patent Disputes

- Reexamination
- Litigation

IP/Patent Transactions

- Due Diligence
- Audits

Rajiv P. Patel is a partner in the Intellectual Property Group of Fenwick & West LLP. With extensive experience in patent procurement, disputes, and transactions, Mr. Patel is frequently retained to develop and execute patent strategies for clients.

In patent procurement matters, Mr. Patel creates patent strategies and counsels, prepares and prosecutes patents in a wide range of electrical, mechanical and software technologies. He advises companies on strategic uses of patent reissue proceedings and actively prosecutes such proceedings. He also partakes in appeals before the Board of Patent Appeals and Interferences. In addition, Mr. Patel develops and executes global patent strategies involving patent procurement in Europe, Canada, Australia, Japan, Korea, China, Taiwan, Brazil and India.

In patent dispute matters, Mr. Patel is active in reexamination and litigation proceedings in technology areas that include solid-state memories, electronic gaming, Internet technologies, and media and entertainment.

In patent transaction matters he is involved with negotiations of patent and intellectual property ("IP") licenses, and leads IP due diligence and audit matters for mergers & acquisitions, venture funding, initial public offerings, private equity financings, and securitizations.

Among the clients Mr. Patel has represented are:

- Adap.tv
- Canon Research Americas, Inc.
- Compuware Corporation
- Logitech, Inc.
- Palm, Inc.
- Magma Design Automation, Inc.
- Sipro Lab Telecom Inc.
- Vibrant Media

In addition to his law practice, Mr. Patel was an Adjunct Professor of Law at the University of California, Hastings College of the Law where he taught a patents course. Mr. Patel was a faculty member of Law Seminars International and The Continuing Education Bar of the State Bar of California. Presently, he is on the faculty of Practising Law Institute and chairs two patent programs (1) Advance Patent Prosecution and (2) Patent Reexamination and Litigation Crossover Proceedings. In addition, Mr. Patel has authored a number of articles in the field of patent law.

Mr. Patel received his Bachelor of Science (with high honors) in Electrical Engineering from Rutgers University (NJ). He received his Juris Doctor and Master of Intellectual Property from Franklin Pierce Law Center (NH). He is a member of the California Bar and is registered to practice before the U.S. Patent and Trademark Office.

Rajiv P. Patel

Highlighted Legal Experience:

Patent Strategy and Portfolio Development

- Created patent strategy and developing patent portfolio for $500 million plus product line for a peripherals company.
- Restructured existing portfolio of 100-plus patents for a devices company to align patent portfolio with re-directed business strategy.
- Created patent strategy and advised on patent portfolio for on-line auction company. Patent portfolio sold for over $750,000.
- Sample Patents (Electrical / Electronics):
  - U.S. Patent No. 7,058,907 Reduction of Cross-Talk Noise in VLSI Circuits
  - U.S. Patent No. 6,246,294 Supply Noise Immunity Low-Jitter Voltage-Controlled Oscillator Design
  - U.S. Patent No. 6,052,033 Radio Frequency Amplifier System and Method
  - U.S. Patent No. 5,991,296 Crossbar Switch with Reduced Voltage Swing and No Internal Blocking Path
  - U.S. Patent No. 5,948,083 System and Method for Self-Adjusting Data Strobe
- Sample Patents (Consumer / Mechanical Products):
  - U.S. Patent No. 6,813,372 Motion and Audio Detection Based Webcamming and Bandwidith Control
  - U.S. Patent No. 6,246,016 Optical Detection System, Device, and Method Utilizing Optical Matching
  - U.S. Patent No. 5,835,852 Integrated Electronic Communication Device and Clip
- Sample Patents (Computer Architecture/Software):
  - U.S. Patent No. 6,389,405 Processing System for Identifying Relationships Between Concepts
  - U.S. Patent No. 6,275,622 Image Rotation System
  - U.S. Patent No. 6,055,629 Predicting Branch Instructions in a Bunch Based on History Register Updated Once
  - U.S. Patent No. 5,995,955 System and Method for Expert System Analysis Using Quiescent and Parallel Reasoning and Set Structured Knowledge Representation

Rajiv P. Patel

Highlighted Legal Experience:

Patent IP Transactions (Representative Matters)

- Led intellectual property audit for Fortune 500 communication company's intellectual property in wireless technology and advised on intellectual property issues in context of tax framework.
- Led intellectual property audit for electronic gaming company and developed intellectual property management structure for company.
- Conducted numerous intellectual property due diligence for high-technology investments by venture capital companies.
- Conducted numerous intellectual property due diligence on behalf of target companies or acquirer companies in high-technology merger and acquisition matters.

Patent Litigation (Representative Cases)

- *Reunion.com and GoodContacts Ltd. v. Plaxo, Inc.* – patent litigation involving social media and contact management technology.
- *Akamai Technologies, Inc. v. Speedera Networks, Inc.* – patent litigation involving Internet content delivery services.
- *Planet Bingo, LLC v. GameTech International, Inc.* – patent litigation involving casino style games on electronic devices.
- *GameTech International, Inc. v. Bettina Corporation* – patent litigation involving electronic gaming.
- *SanDisk Corporation v. Lexar Media, Inc.* – patent litigation involving flash memory consumer products.
- *ICTV, Inc. v. Worldgate Communications, Inc.* – advised on patent litigation strategy in interactive television market.

Teaching Experience

- Program Chair; Practicing Law Institute course on "Advanced Patent Prosecution"
- Program Chair; Practising Law Institute course on "Reexamination and Patent Litigation Crossover Proceedings".
- Faculty Member; Practicing Law Institute courses on "Fundamentals of Patent Prosecution," and "Patent Law for the Non-Specialist".
- Speaker; ITechLaw India session on "Global Patent Prosecution Strategy".
- Adjunct Professor of Law at University of California, Hastings College of the Law (2001 to 2006).

Publications

- "*Developing a Patent Strategy - A Checklist for Getting Started*", 2003-2008.
- "*International Patent Strategy*", www.fenwick.com, 2006-2007.
- "*An Introduction to U.S. Patent Prosecution*," Fundamentals of Patent Prosecution, Practicing Law Institute, 2005-2008.
- "*Challenging (or Strengthening) Patents in the U.S. Using Patent Reexamination*", ITechLaw Association Asian Conference, Mumbai, India, 2008.
- "*Patent Reexamination and the Crossover with Litigation*", Practising Law Institute, 2007-2008.
- "*Software Escrows as Part of an Intellectual Property Strategy*," ITechLaw Association First Asian Conference, Bangalore, India, 2005.
- "*Underutilized Patent Reexaminations Can Improve Business Strategy,*" Daily Journal, Vol. 110, No. 75, April 19, 2004.
- "*Software Outsourcing Offshore – Business and Legal Issues Checklist,*" SHG Software 2004 Conference, 2004.
- "*A Strategic Look at the Final Rejection*," Advanced Patent Prosecution Workshop, Practising Law Institute, 2003 - 2006.
- "*Think Value, Not Cheap, For Long-Term Success*," Succeeding with New Realities, TiEcon 2003, Published by TiE Silicon Valley 2003.
- "*The Intellectual Property Audit*," Building and Enforcing Intellectual Property Value, An International Guide for the Boardroom 2003, Published by Globe White Page *2002*.
- "*Patent Portfolio Strategy for Start-Up Companies: A Primer*," Patent Strategy and Management, Vol. 3, No. 7, Nov. 2002.
- "*Potent Portfolio*," Daily Journal, Vol. 106, No. 244, Dec. 15, 2000.
- "*Own Idea*," Daily Journal, Vol. 105, No. 10, Jan. 15, 1999.
- "*Disclose Lite*," Daily Journal, Vol. 103, No. 55, Mar. 21, 1997.

Organization and Community Participation

- Board Member, ITechLaw Association
- Dean's Leadership Council for Franklin Pierce Law Center
- Dean's Committee for Rutgers University, School of Engineering
- American Intellectual Property Law Association
- TiE ("The Indus Entrepreneurs"/"Talent, Ideas, Enterprise")

Daniel R. Brownstone

Of Counsel

Intellectual Property Group

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Emphasis:

Strategic Counseling

Patent Prosecution

Intellectual Property Due Diligence

Patent Litigation

Daniel R. Brownstone is of counsel in the Intellectual Property Group of Fenwick & West LLP. Mr. Brownstone is resident in the firm's San Francisco, California office. With an emphasis on patent strategic counseling and prosecution, Mr. Brownstone's practice also includes intellectual property due diligence and patent litigation.

Among the companies he has represented are:

- Apple Inc.
- Cisco Systems, Inc.
- deCarta, Inc.
- Good Technology, Inc.
- Google, Inc.
- Harrah's Entertainment, Inc.
- Hewlett-Packard Company
- Intuit Inc.
- Isis Pharmaceuticals, Inc.
- Symantec Corporation

Mr. Brownstone received his undergraduate education at Duke University, graduating with an A.B. in computer science and economics. He received his J.D. from Washington University in St. Louis. Mr. Brownstone was a legal intern in the United States Senate, where he worked on the Judiciary Committee for Senator Russ Feingold.

Mr. Brownstone's combined backgrounds in computer science and economics give him a unique perspective on patent strategy. His practice emphasizes patent portfolio development based on identifying innovations that are economically strategic to the enterprise, and managing the creation of patent assets to maximize the value of those assets.

Mr. Brownstone is an Adjunct Professor of Law at The University of California, Hastings College of the Law, where he teaches patent prosecution.

Mr. Brownstone is a member of the California Bar, the Federal Circuit Bar and the U.S. Patent Bar.

Jennifer R. Bush

Associate

Intellectual Property Group

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Emphasis:

Patent Prosecution

Intellectual Property Counseling

Intellectual Property Due Diligence

Patent Litigation Support

Jennifer R. Bush is an associate in the Intellectual Property Group of Fenwick & West LLP, a law firm specializing in technology and life sciences matters.

Ms. Bush's practice focuses on prosecuting patent applications in a wide range of technical fields, including computer software, Internet technologies, RFID, and business methods. Ms. Bush also has patent prosecution experience with life sciences and medical devices. Her practice also involves intellectual property strategy and counseling. Ms. Bush has analyzed intellectual property issues for numerous due diligence and litigation matters.

The following are among the companies Ms. Bush has represented:

- Amazon.com, Inc.
- Apple Inc.
- Google Inc.
- Informatica Corporation
- Kleiner Perkins Caufield & Byers
- Reliant Technologies, Inc.
- Ricoh Innovations, Inc.
- Savi Technology (A Lockheed Martin Company)
- Symantec Corporation

Ms. Bush is on the faculty of Practising Law Institute and has authored a number of articles in the field of patent law.

Ms. Bush received her undergraduate education at the University of California, Santa Barbara, graduating with a B. A. in biological sciences and English (double major) in 1998. She attended law school at the Santa Clara University School of Law, graduating *cum laude*, *Order of the Coif,* with a J.D. and High-Technology Certificate in 2003. Ms. Bush was awarded the Mabie Award for Outstanding Graduate, Graduating Student of the Year, and she served as Editor-in-Chief of the *Santa Clara Law Review*.

She is a member of the State Bar of California and registered with the United States Patent and Trademark Office.

Publications:

- Jennifer R. Bush, *The Patent Prosecution Highway: A First Step for International Patent Harmonization?*, Fenwick & West IP Bulletin (Fall 2006), at 3.

- Jennifer R. Bush, *Closer View Sees Bumps in the Patent Prosecution Highway*, Los Angeles Daily J., Sept. 19, 2006, at 9.

- Jennifer R. Bush, *'Phillips' May Decide Conflict in Patent Claim Construction*, Los Angeles Daily J., December 20, 2004, at 7.

- Jennifer R. Johnson, *Out of Context: Texas Digital, the Uncertainty of Language, and the Search for Ordinary Meaning*, 44 IDEA 521 (2004).

- Jennifer R. Johnson, *It's a Small World After All: Proposed Solutions for Global Antitrust in a System of National Laws*, 1 Santa Clara J. of Int'l Law 118 (2003), available at http://www.scu.edu/scjil/archive/v1_JohnsonArticle.pdf

- Jennifer R. Johnson, *Employers Take Note*, State Bar of California Diversity Newsletter (Fall 2003).

- Jennifer R. Johnson & Ami Mudd DeCelle, Book Review: *The World Court in Action: Judging Among the Nations*, 43 Santa Clara L. Rev. 319 (2002), *reprinted in* UN 21 Newsletter (Oct. 2003).

Virginia K. DeMarchi

Partner

Litigation Group

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Emphasis:

Patent Litigation

Intellectual Property Litigation

Virginia K. DeMarchi is a partner in the Litigation Group in the law firm of Fenwick & West LLP, a law firm specializing in technology and life sciences matters. She practices out of the firm's Mountain View, California, office. Ms. DeMarchi represents technology clients in patent litigation and in litigation involving other forms of intellectual property, including trade secrets, trademarks and trade dress, copyrights, and unfair competition.

Ms. DeMarchi has acted as trial counsel in four federal district court trials, and has argued appeals to the Federal Circuit and the Ninth Circuit. Most recently, Ms. DeMarchi was trial counsel defending client, FriendFinder in a patent infringement action in the United States District Court for the Eastern District of Texas. The plaintiff in that case sought $62 million in damages from FriendFinder, but the jury instead awarded only $1.257 million.

Before joining Fenwick & West, Ms. DeMarchi worked as a trial attorney in the Civil Division of the U.S. Department of Justice in Washington, D.C. She served as a judicial law clerk to the Honorable Steven J. McAuliffe, U.S. District Court, District of New Hampshire following law school.

Ms. DeMarchi received her undergraduate degree, with distinction, from Stanford University in 1990, and graduated *cum laude* in 1993 from Harvard Law School. She is a member of the State Bar of California and is admitted to practice in federal and state courts in California, the Court of Federal Claims, and the Courts of Appeals for the Federal Circuit and the Ninth Circuit.

Ms. DeMarchi serves on the board of the Law Foundation of Silicon Valley.

Publications/Presentations

"Injunctions After *eBay v. MercExchange*," abridged version published in *Daily Journal* "Focus" column (July 27, 2007).

"Recent Developments in the Law of Business Damages," Bridgeport Continuing Legal Education (June 2006).

"Can Expert Witnesses Be Sued?" *California Litigation*, vol. 14, no. 3 (2001).

Note, "United States-Taiwan Relations: New York Chinese TV Programs v. U.E. Enterprises, Inc. (2d Cir. 1992)," 33 *Harv. Int'l L.J.*, 631 (1992), discussing availability of copyright protection under U.S. law for Taiwan citizens following U.S. withdrawal of recognition of Taiwan in 1979.

Robert A. Hulse

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Emphasis:

Patent Prosecution

Intellectual Property Counseling

Intellectual Property Due Diligence

Patent Litigation

Robert A. Hulse is a partner in the Intellectual Property Group of Fenwick & West LLP, a law firm specializing in technology and life sciences matters. Mr. Hulse is resident in the firm's San Francisco, California office. His practice focuses on prosecuting patent applications in a wide range of technical fields, including electronics, computer software, telecommunications, audio/video media, electromechanical and medical devices, and business methods. His practice also involves intellectual property counseling, such as evaluating risks from third-party patents and assisting in efforts to design around those patents. Serving as an independent expert evaluator for a major patent pool, he has significant experience determining the essentiality of patented technology to a number of standards bodies' specifications. Mr. Hulse has also analyzed intellectual property issues for numerous due diligence and litigation matters.

In addition to providing legal services for his clients, Mr. Hulse is an Adjunct Professor of Law at the University of California, Hastings College of the Law, where he teaches patent drafting and prosecution.

Mr. Hulse was awarded his Juris Doctor from the University of California, Davis School of Law, where he served as the Senior Articles Editor of the *U.C. Davis Law Review*. Before that, he received a Master of Engineering from Harvey Mudd College, which awarded him a Harvey Mudd College Fellowship. Mr. Hulse also received a Bachelor of Science from Harvey Mudd College, where he double-majored in engineering and in economics. The engineering major broadly encompassed the fields of mechanical, electrical, chemical, software, materials, and systems engineering, thus providing a background for patent practice in a broad range of technical fields. Mr. Hulse completed the economics major at Claremont-McKenna College, focusing primarily on financial markets, economic models, and business management.

Published Articles:

- *Robert Hulse & Robert Sachs, Making Sense of the Revived Machine-or-Transformation Test in In re Bilski, IP & Technology Law Journal, Feb. 2009*

- *Robert Hulse, In re Swanson: Ex Parte Reexamination in the Patent Office Provides Second Chance to Invalidate Patent, Francisco Daily Journal, Dec. 5, 2008*

- *Robert Hulse & Robert Sachs, On Shaky Ground: The (Near) Future of Patents After Bilski, The Intellectual Property Strategist, The Intellectual Property Strategist, Vol. 15, No. 3, Dec. 2008*

- *Preparing for the New Patent Rules, Utah State Bar, Salt Lake City, Utah, Dec. 10, 2007*

- *Robert Hulse, Building a Patent Portfolio in View of the New Patent Rules, The Intellectual Property Strategist, Vol. 14, No. 1, Oct. 2007*

- *Robert Hulse, New Patent Rules Looming: What Do They Mean for Your Portfolio?, San Francisco Daily Journal, Jul. 11, 2007*

- *Patel, Brownstone & Hulse, A Strategic Look at the Final Rejection, Advanced Patent Prosecution Workshop, Practicing Law Institute, No. G0-10A8, 2003-2005*

- *Patel, Brownstone & Hulse, Understanding After Final and After Allowance Patent Practice, Fundamentals of Patent Prosecution, Practicing Law Institute, No. G0-01EV, 2003-2005.*

- *Robert Hulse, Correct Inventorship Prevents Patent Application Headaches, San Francisco Daily Journal, Oct. 8, 2004*

- *Robert Hulse, Federal Circuit Applies On-Sale Bar in Case Involving Software, San Francisco Daily Journal, Sep. 15, 2003*

- *What Any Entrepreneur Should Know About IP, Contracts, and Other Legal Issues, Harvey Mudd College Entrepreneurial Network Bi-Annual Entrepreneur's Conference, Apr. 6, 2002*

- *Robert Hulse, Note, Patentability of Computer Software After State Street Bank & Trust Co. v. Signature Financial Group, Inc.: Evisceration of the Subject Matter Requirement, 33 U.C. Davis. L. Rev. 491 (2000)*

Stuart P. Meyer

Partner

Intellectual Property and Litigation Groups

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Emphasis:

Patent, Copyright, Trade Secret Protection

Strategic Intellectual Property Planning

Intellectual Property Litigation

Intellectual Property Audits

Counseling in Related Areas

Stuart P. Meyer is a partner in the Intellectual Property and Litigation Groups of Fenwick & West LLP, a law firm specializing in technology and life sciences matters. Mr. Meyer counsels clients on intellectual property matters, including technology-based litigation, performing strategic intellectual property planning and intellectual property audits for high technology companies, and securing patent, copyright, and other intellectual property rights. Mr. Meyer is a registered patent attorney and practices regularly before the U.S. Patent and Trademark Office.

Mr. Meyer's client portfolio includes a wide variety of high technology companies, from small start-ups to multinational public companies. Mr. Meyer has also represented other organizations prominent in high technology, such as the Massachusetts Institute of Technology, for which he served as counsel in litigation involving the so-called RSA encryption patent, considered to be fundamental to data privacy. Significant corporate clients he has represented include:

- A.C. Nielsen
- Apple Inc.
- Canon Research Americas, Inc.
- Cisco Systems, Inc.
- Compuware
- GE Healthcare
- Glaxo Wellcome
- Intuit Inc.
- Palm, Inc.
- Sun Microsystems, Inc.
- Symantec

Mr. Meyer has been a guest lecturer on copyright law at the University of California's Boalt Hall School of Law. He has contributed to books and authored numerous articles on intellectual property law. He is frequently invited to lecture on this topic throughout the United States and abroad.

Mr. Meyer was an electrical engineer with an engineering consulting firm in the telecommunications area before entering law school. He received his B.S. in Electrical Engineering from Carnegie Mellon University, his M.S. in Electrical Engineering and Computer Science from Princeton University, and his J.D. from Yale Law School.

His affiliations include the International Technology Law Association, formerly the Computer Law Association (of which he is a past president); the American Intellectual Property Law Association; the Intellectual Property Owners Association; the American Bar Association Section on Patent, Trademark & Copyright Law; the Association for Computing Machinery; and the Institute of Electrical & Electronics Engineers.

Charlene M. Morrow

Chair, Patent Litigation Group

Partner, Litigation and
Intellectual Property Groups

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Emphasis:

Patent Litigation

Intellectual Property Litigation

Charlene M. Morrow is Chair of the firm's Patent Litigation Group, which has over 35 litigation members and also leverages the expertise of the firm's over 35 member Patent Group.

She has an active nation-wide trial practice representing software, semiconductor and medical device companies in a range of disputes, both on the plaintiff and defense side, including recent jury trial victories in California and Delaware.

Ms. Morrow's clients have included:

- Hewlett-Packard Company
- Macromedia, Inc.
- Macrovision Corporation
- O2Micro International Ltd.
- The Regents of the University of California

Ms. Morrow received her A.B., summa cum laude from the University of Southern California, *Phi Beta Kappa*, *Sigma Xi* and her J.D. from the University of California at Berkeley, Boalt Hall School of Law, where she was the Senior Notes and Comments Editor for the High Technology Law Journal, received the Prosser Prize in Computer Law, and was elected to the Order of the Coif.

Ms. Morrow is a member of the State Bar of California, admitted to practice in the courts of the State of California, in the Northern, Central and Eastern Districts of California, in the District of Arizona and in the Eastern District of Texas. She is also admitted to practice in the Ninth and Federal Circuit Courts of Appeal.

Software Representations

Ms. Morrow has handled software patent cases involving a wide range of software techniques, including user interfaces, voice recognition interfaces, 2-D and 3-D graphics, digital rights management, Internet technologies, and other communications and networking technologies. She has also handled software copyright, trade secret, and contract disputes.

Ms. Morrow was lead trial counsel substituted in to defend Macromedia in a seven patent, two jurisdiction dispute between Adobe, Inc. and Macromedia. After back-to-back jury trials that resulted in a net

damage award in favor of Macromedia, and while Macromedia's request for an injunction against Adobe Illustrator was pending, a resolution was reached.

Ms. Morrow was appellate counsel substituted in to handle an appeal for Apple of an adverse summary judgment ruling; the resulting reversal is reported at *Apple Computer, Inc. v. Articulate Sys. Inc.,* 234 F.3d 14 (Fed. Cir. 2000).

Semiconductor Representations

Ms. Morrow has handled patent, trade secret and breach of contract cases involving semiconductor equipment, semiconductor process technologies, device design, integrated circuit design, and packaging.

Ms. Morrow substituted in to defend O2Micro, Inc. in a patent and trade secret dispute with Monolithic Power Systems, and was instrumental in obtaining a defense jury verdict that the patents asserted against 02Micro were both invalid and non-infringed. O2Micro also obtained a jury verdict of $ 12 million on its trade secrets counterclaim. Both jury verdicts were affirmed on appeal in 2007.

Ms. Morrow was asked to defend start-up Scenix Semiconductor in a six patent case brought against it by Microchip Technologies. She obtained the withdrawal of four of the six patents, and defeated a preliminary injunction motion on the remaining two. The district court's claim construction and preliminary injunction decisions were affirmed on appeal, and the matter settled thereafter. *MicrochipTechnology, Inc. v. Scenix Semiconductor, Inc.*, 2000 U.S. App. LEXIS 14131 (2002).

In connection with her defense of client Information Storage Devices, who was sued by Atmel Corporation shortly before it went public, Ms. Morrow conducted the first *Markman* (claim construction) hearing held in the Northern District of California. She went on to obtain summary judgment of noninfringement of two of three patents, sanctions, and summary judgment of invalidity of the third patent on an issue of first impression. The latter ruling was reversed in part on appeal in *Atmel Corp. v. Information Storage Devices, Inc.*, 1998 U.S. Dist. LEXIS 17564 (Fed. Cir. 1999). The matter settled favorably following remand and renewal of ISD's motions.

Medical Device Representations

Ms. Morrow has handled patent, trade secret and breach of warranty cases involving a variety of endoscopic and implantable technologies.

In 2007, Ms. Morrow was lead trial counsel for The Regents of the University of California in a bench trial on the original patent portfolio covering the Guglielmi detachable coils, used primarily in treating brain aneurysms. The matter settled on the first day of trial, in a manner very favorable to The Regents, after a series of favorable rulings on the defenses raised by defendant ev3.

Additional Information

Following law school, Ms. Morrow clerked for the Honorable William W Schwarzer, United States District Court for the Northern District of California.

Ms. Morrow is AV-rated by Martindale-Hubbell. Ms. Morrow is one of four intellectual property litigators mentioned in "Crisis Management: 28 Experts to Call When All Hell Breaks Loose," *Corporate Legal Times* (Jan. 2003), was ranked in 2008 as a "Northern California Super Lawyer" by *San Francisco Magazine*, has been named as one of the "Best Lawyers in the Bay Area" by *Bay Area Lawyer* magazine and was recently recognized by *The Daily Journal* as one of California's top 75 women litigators and as one of the state's top 35 patent professionals (covering patent litigators, prosecutors and portfolio managers).

Ms. Morrow is a President Emeritus of the San Francisco Bay Area Intellectual Property Inn of Court. Ms. Morrow has given presentations on patent litigation and trial skills to the American Bar Association, Intellectual Property and Litigation sections, and to the Practicing Law Institute. Recent publications by Ms. Morrow include: "*LG Electronics, Inc. v. Bizcom Electronics, Inc*.: Guidance on Extending Patent Rights to Reach Downstream Parties," *The Intellectual Property Strategist* (March 2007).

Robert R. Sachs

Partner

Intellectual Property Group

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Emphasis:

Strategic Patent Portfolio Development

Patent Evaluations

Software Patents

Robert R. Sachs is a partner in the Intellectual Property Group of Fenwick & West LLP, a law firm specializing in high technology matters, headquartered in Mountain View, California.

Mr. Sachs is resident in the San Francisco office and his practice concentrates on strategic patent counseling and prosecution for software technologies.

He is also the primary patent evaluator for a various patent pools on today's most important audio, video, and communications technologies, including IEEE 802.11, IEEE 802.16, MPEG-4 AAC, DVB-MHP, OCAP, Digital Radio Mondiale, and NFC-IP.

Particular areas of expertise include Internet technologies, multimedia applications, user interfaces, audio/video technologies. Clients he has represented include:

- Google Inc.
- Intuit Inc.
- Harrah's Entertainment
- Via Licensing
- Apple Inc.
- Barclay's Global Investors
- Excite@Home
- Dreamworks Inc.

Mr. Sachs received his J.D. from Yale Law School in 1990, and has a Masters Degree in software engineering. He received his B.A. in philosophy and his B.A. in psychology from the University of California, San Diego in 1987, where he graduated *summa cum laude*. He received his Masters of software engineering from National University in 1996.

Selected Speaking Engagements

Mr. Sachs has been a speaker and panelist at many conferences, including:

Strategic Legal Considerations for MoTV Businesses, at Mobile TV & Video Summit at NAB2007, Las Vegas, Nevada, April 17, 2007.

Strategies for Claim Drafting for Business Method and Financial Patents, at Software IP Strategy Summit, Palo Alto, California, February 20, 2007.

Business Method Patents in the United States, at Patent Law Year in Review:2006, Palo Alto, California, January 19, 2007

Selected Publications

Mr. Sachs is the author of several articles on patent strategy, including:

Lessons in Patent Prosecution Quality Control from the Federal Circuit, on the implications of the Federal Circuit's decision in Microsoft Corp. v. Multi-Tech Systems on how patents are prosecuted. Fenwick & West IP Bulletin, July, 2004.

Strategic Use of Continuation Applications, on using continuation applications to expand a patent portfolio for licensing, litigation, and competitive advantage.

Strategic Patent Due Diligence, on how to assess patent portfolios during mergers and acquisitions.

A Framework for Identifying Inventions Worth Patenting, on using competitive advantage based analysis to select inventions for patenting. "*Method Madness*" on patenting financial inventions in light of the Federal Circuit decision in *State Street Bank*.

"Global Warning: The Internet's International Nature Presents Complex Patent Problems," on problems in patenting inventions relating to the Internet and E-commerce; and

"Software Support & Analyzing the PTO's Guidelines for Computer Implemented Inventions," analyzing the PTO's 1996 guidelines for examining software patents.

Key Experiences

- Created patent strategy for one of the early Internet music download websites, for which primary patent on system architecture sold for $7 million.
- Patented fundamental mutual fund model of age-based lifecycle mutual funds for a leading financial service company, now a $110 billion market.
- Patented demand forecasting models for private software firm, used by several multinational retailers and fast food chains.
- Negotiated patent license with world's largest software and computer company, resulting in savings to client in excess of $5 million in royalties.
- Created patent strategy for leading casino and hotel management company, including prosecution of strategic patents on player tracking systems.

Sample Patents

Internet Technologies

- Internet profiling (6839680)
- Method and apparatus for mapping a community through user interactions on a computer network (6745196)
- Scalable database management system (7065526)
- System and method for extension of group buying throughout the internet (6934690)

Graphics

- 3D stroke-based character modeling suitable for efficiently rendering large crowds (6326972)
- Method and system for detecting scenes and summarizing video sequences (5805733)
- Method, apparatus, and software product for generating outlines for raster-based rendered images (5767857)
- Method, apparatus, and software product for generating weighted deformations for geometric models (5892691)
- Shape interpolation for computer-generated geometric models using independent shape parameters for parametric shape interpolation curves (6108011)

Computers and Communications

- Compressed file patcher (7162717)
- Fairly partitioning resources while limiting the maximum fair share (6909691)
- Granting access rights to unattended software (7024689)
- Identification and authentication management (7117529)
- Method and system for dynamically synthesizing a computer program by differentially resolving atoms based on user context data (5966533)
- Method and system for synchronous operation of linked command objects (6757905)
- Providing quality of service guarantees to virtual hosts (6976258)
- Reducing stack memory resources in a threaded computer system (6968557)
- Regulating file access rates according to file type (6907421)
- System and method for providing cooperative interrupts in a preemptive task scheduling environment (5911065)
- Teleservices computer system, method, and manager application for integrated presentation of concurrent interactions with multiple terminal emulation sessions (5974135)

Financial Inventions

- Business Demand Projection System And Method (5,459,656)
- Cash flow optimization using a genetic algorithm (7124105)
- Client-Server Online Payroll Processing (6,411,938)
- Customer valuation in a resource price manager (7212978)
- Dynamic market equilibrium management system, process and article of manufacture (7107230)
- Integrated system and method for analyzing derivative securities (5692233)
- Investment Fund Management Method And System With Dynamic Risk Adjusted Allocation Of Assets (5,812,987)
- Investment Fund Management Method and System (6,336,102)
- On-line group-buying sale with increased value system and method (7194427)
- Personal online banking with integrated online statement and checkbook user interface (5903881)
- Product Demand System And Method (5,299,115)
- Report generation system and method (5423033)
- System and method for determination of incremental value at risk for securities trading (5819237)
- Watershed method for controlling cashflow mapping in value at risk determination (6122623)

User Interface

- Data refinery: a direct manipulation user interface for data querying with integrated qualitative and quantitative graphical representations of query construction and query result presentation (6208985)
- Immersive movement-based interaction with large complex information structures (6154213)
- Method and system for automatic classification of video images (5872865)
- System And Method Enabling Awareness Of Others Working On Similar Tasks In A Computer Work Environment (5,960,173)
- User Interface And Method For Controlling And Displaying Motion, Visual, And Sound Effects Of An Object On A Display (5,592,602)
- Visualization of information using graphical representations of context vector based relationships and attributes (5794178)
- Wireless Communication Device With Markup Language Based Man-Machine Interface (6,317,781)

Predictive Modeling and Solutions

- Fast Explanations Of Scored Observations (5,745,654)
- Fraud detection using predictive modeling (5819226)
- Predictive modeling of consumer financial behavior (6430539)
- Risk determination and management using predictive modeling and transaction profiles for individual transacting entities (6330546)
- Unsupervised Identification Of Nonlinear Data Cluster In Multidimensional Data (6,226,408)
- Cortronic neural networks with distributed processing (6366897)

Information Retrieval

- Dynamic content organization in information retrieval systems (6236987)
- Dynamic Generation Of Contextual Links In Hypertext Documents (6,122,647)
- Information retrieval system and method with implementation extensible query architecture (5577241)
- Representation And Retrieval Of Images Using Context Vectors Derived From Image Information Elements (6,173,275)
- System and method for accelerated query evaluation of very large full-text databases (5915249)
- System And Method For Portable Document Indexing Using N-Gram Word Decomposition (5,706,365)
- System and method for searching and recommending objects from a categorically organized information repository (7031961)

Interactive Television

- Reminder system for broadcast and non-broadcast events based on broadcast interactive applications (6725461)
- Personal convenience unit for enhancing patron use of gaming machines (6116597)

Gaming

- National customer recognition system and method (6183362)
- Bet guarantee system (5766075)
- Customer worth differentiation by selective activation of physical instrumentalities within the casino (6003013)

Miscellaneous

- Assigning and managing patron reservations for distributed services using wireless personal communication devices (6748364)
- Integrated disease information system (6108635)
- Transformation of real time data into times series and filtered real time data within a spreadsheet application (5926822)
- Hierarchical biological modeling system and method (5808918)

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Emphasis:

Patent Litigation

Intellectual Property Litigation

Michael J. Sacksteder is a partner in the Litigation Group of Fenwick & West LLP, a law firm specializing in high technology and life sciences matters. Mr. Sacksteder practices out of the firm's San Francisco office. Mr. Sacksteder's practice focuses primarily on patent litigation and litigation involving other substantive areas of intellectual property law, including copyright, trade secret, trademark, and unfair competition.

Mr. Sacksteder has served as trial counsel in a number of patent and other intellectual property trials in United States District Court and has engaged in successful appellate practice before the United States Court of Appeals for the Federal Circuit. He has substantial experience in all aspects of pretrial litigation, including claim construction in patent cases.

Mr. Sacksteder's experience encompasses a variety of technological fields, including computer graphics, mainframe software tools, wireless messaging systems, semiconductors, optical networks and nucleic acid microarrays. Representative clients include:

- Apple Inc.
- Asyst Technologies, Inc.
- Cisco Systems, Inc.
- Compuware Corporation
- FriendFinder Network, Inc.
- Good Technology, Inc.
- Google Inc.
- Information Storage Devices, Inc.
- KANA Software, Inc.
- Lexar Media, Inc.
- Macromedia, Inc.
- O_2Micro International Ltd.
- Omniture, Inc.
- ONI Systems, Inc.
- Plaxo, Inc.
- Progress Software Corp.
- SAP AG

Most recently, Mr. Sacksteder served as trial counsel for two defendants in a patent trial in the United States District Court for the Eastern District of Texas. Although the plaintiff – a "non-practicing entity" – had sought $62 million in damages, the jury instead adopted the defendants' damages figure of $1.257 million. In 2007, Mr. Sacksteder represented Asyst Technologies in trial in the patent lawsuit *Asyst Technologies v. Empak, et al.* in the United States District Court for the Northern District of California. The jury found Asyst's patent valid and infringed, and awarded Asyst $74.7 million in lost profits damages for lost sales and price erosion.

In 2005, Mr. Sacksteder served as trial counsel for O_2Micro in the trade secret and patent case *O_2Micro* v. *Monolithic Power Systems*. The jury awarded O_2Micro $12 million for the willful misappropriation of O_2Micro's trade secrets and found that all asserted claims of Monolithic Power Systems' patents-in-suit were invalid and not infringed. Shortly before the O_2Micro trial, Mr. Sacksteder served as trial counsel for plaintiff Compuware Corporation in the trade secret, copyright and antitrust case *Compuware* v. *IBM*. That case was settled in Compuware's favor for $400 million after being tried to a jury for five weeks.

Mr. Sacksteder received his J.D. *magna cum laude* from Northwestern University, where he was a member of the Order of the Coif. While in law school, Mr. Sacksteder was editor-in-chief of the Northwestern University Law Review and represented Northwestern in national moot court competitions. Mr. Sacksteder received his undergraduate degree, with honors, from Indiana University. Prior to attending law school, Mr. Sacksteder worked as a television journalist.

Mr. Sacksteder is a member of the State Bar of California, and is active in the San Francisco Bay Area Intellectual Property American Inn of Court and the American Intellectual Property Law Association. He is admitted to practice in all state and federal courts in California, the United States District Courts for the Eastern District of Texas and the Eastern District of Michigan, and the United States Courts of Appeals for the Ninth Circuit and the Federal Circuit.

Michael Shuster, Ph.D.

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Emphasis:

Biotechnology Patent Prosecution

Patent Litigation

Strategic IP Counseling

Portfolio Analysis and Due Diligence

Michael Shuster is a partner in the Intellectual Property, and is co-chair of the Life Sciences Group of Fenwick & West LLP, a law firm specializing in technology and life sciences matters. Dr. Shuster is resident in the firm's San Francisco, California office.

Dr. Shuster provides strategic intellectual property legal services to biotechnology and chemical/pharmaceutical companies. His practice includes patent prosecution, portfolio analysis, due diligence, litigation and opinion work. His clients include start-up and established biotechnology companies, venture capital firms and research universities and hospitals.

Dr. Shuster has legal and technical experience in protein and nucleic acid chemistry, clean tech, high resolution protein structures, proteomics, genomics, combinatorial peptide libraries, vaccine development for viral and autoimmune disorders, transdermal drug delivery systems, liposomal drug formulations and microfluidics devices.

The following are among the clients Dr. Shuster has represented:

- Abbott Laboratories
- Isis Pharmaceuticals, Inc.
- LS9
- Climos
- The Regents of the University of California
- University of Southern California (USC)
- Monogram Biosciences, Inc.
- BioCryst Pharmaceuticals, Inc.
- Kleiner Perkins Caufield & Byers
- Joule Biotechnologies, Inc.

Before becoming an attorney, Dr. Shuster's career experience included graduate research in the laboratory of Professor Eric Kandel at Columbia University as part of a team focused on discovery of mechanisms by which short-term memories are stored, research for which Professor Kandel was awarded the 2000 Nobel Prize in Medicine. Dr. Shuster then moved to the Department of Biochemistry and Biophysics at the University of California, San Francisco, where he pursued his interests in ion channel biophysics and protein structure.

Dr. Shuster is a co-instructor of "A Life Scientist's Guide to Intellectual Property" at UCSF, and regularly lectures about intellectual property law subjects. He is past chair of the Intellectual Property section of the Barrister's Club of San Francisco.

Dr. Shuster received his B.A. from Brandeis University in 1981, *magna cum laude* as well as a Ph.D. from Columbia University in 1986. He received his J.D. *cum laude* from the University of San Francisco School of Law in 1997. Dr. Shuster is registered to practice before the United States Patent and Trademark Office and is a member of the State Bar of California.

Fenwick

FENWICK & WEST LLP

Firm Overview

FENWICK & WEST LLP PROVIDES COMPREHENSIVE LEGAL SERVICES TO TECHNOLOGY AND LIFE SCIENCES COMPANIES OF NATIONAL AND INTERNATIONAL PROMINENCE. APPROXIMATELY 300 ATTORNEYS OFFER CORPORATE, INTELLECTUAL PROPERTY, LITIGATION AND TAX SERVICES.

Corporate Group

We service innovative companies, from early start-ups to mature public companies.

Start-Up Companies. We have represented hundreds of growth-oriented companies from inception through maturity. Our attorneys understand what it takes to start with only an idea, build a team, found a company, raise venture capital funding and grow a business. We have represented many of the nation's leading venture capital firms and do multiple deals each year with companies financed by these market leaders.

Mergers and Acquisitions. We are ranked by *MergerMarket* as one of the top five most active legal advisors in the U.S. for technology sector M&A. We understand the problems that arise in technology company acquisitions and focus our efforts on issues that are of the most value to the client. Our expertise spans the entire spectrum of high technology, from life sciences to semiconductors, and our lawyers are equally adept at small private company transactions and multi-billion dollar public transactions. Of particular importance to our high technology client base is the extraordinary acumen of our due diligence mergers and acquisitions teams in locating and documenting intellectual property holdings of buyers and sellers. For clients involved in larger deals, our antitrust lawyers are experienced in working with the Department of Justice and Federal Trade Commission in the pre-merger clearance process. We understand the many issues that can mean the difference between a successful transaction and a broken promise.

Public Offerings and Securities Law Compliance. Our extensive representation of emerging companies has given us substantial depth of experience in public offerings. In recent years, we have represented companies or investment banks in more than 100 initial public offerings, which, combined, have raised over $7.5 billion dollars. We have helped our clients raise billions more in follow-on debt and equity offerings. Our counseling practice for technology companies regarding ongoing public securities law issues includes extensive Sarbanes-Oxley compliance and board or audit committee counseling.

Strategic Alliances. For many technology and life sciences companies, the path to financing and commercialization begins with their first collaboration or joint venture with an industry partner. These agreements can often make or break a young technology company. We help clients think through the business, intellectual property, tax and other legal issues that arise in their corporate partnering transactions and joint ventures.

Executive Compensation. As an integral part of the corporate practice, we counsel clients on a wide range of employee benefits and compensation matters. We assist companies in establishing and administering employee benefit arrangements. Our lawyers help define and structure stock or other equity plans and arrangements, as well as tax qualified and fringe benefit plans, that meet the companies' needs and comply with ever-changing regulatory requirements. In the context of public offerings and acquisitions, our attorneys handle the issues that regularly arise with equity plans or other employment benefit arrangements.

Intellectual Property Group

We deliver comprehensive, integrated advice regarding all aspects of intellectual property protection and exploitation. Fenwick & West has been consistently ranked as one of the top five West Coast firms in intellectual property litigation and protection for the past 10 years by Euromoney's *Managing Intellectual Property* publication. From providing sophisticated legal defense in precedent-setting lawsuits, to crafting unique license arrangements and implementing penetrating intellectual property audits, our intellectual property attorneys have pioneered and remain at the forefront of legal innovation. We are continually in sync with our clients' technological advances in order to protect their positions in this fiercely competitive marketplace.

The Intellectual Property Group is comprised of approximately 80 lawyers and other professionals. A significant number of the lawyers in the group and other practice groups in the Firm have technical degrees, including advanced degrees, and substantial industry work experience. More than 35 attorneys are licensed to practice before the U.S. Patent and Trademark Office. Our lawyers' technical skills and industry experience help us render sophisticated advice with respect to novel technologies and related intellectual property rights issues. Attorneys in the group have lectured and published widely on emerging issues raised by the development, application and commercialization of technology.

Litigation Group

Litigation is an unfortunate fact of life in business today. Our Litigation Group has the range of experience and critical mass to protect our clients' interests in virtually any type of dispute, large or small. We are experienced in all methods of alternative dispute resolution and find creative ways to resolve cases short of trial. However, we are trial lawyers first and foremost; and the presence of our lawyers in a case signals to the other side that we are ready and willing to try the case aggressively and well, a message that itself often leads to a satisfactory settlement. While we have extensive litigation experience in a wide range of industries, we have exceptional depth and breadth in the areas of the law critical to our high technology clients. Those clients are leaders in such sectors as software and programming; Internet and entertainment; computer hardware; semiconductors and life sciences. We are regularly involved in significant cases involving intellectual property (patents, copyright, trademarks and trade secrets), employment disputes, corporate governance, securities, antitrust and general commercial litigation. In addition to civil litigation, our attorneys are experienced in representing clients in civil and criminal government investigations. Using a network of experienced local counsel, we routinely represent clients in cases throughout the United States. To support our lawyers, we have created a first-class litigation infrastructure of experienced legal assistants and computerized litigation support systems capable of handling everything from relatively small and simple cases to the largest and most complex "bet-the-company" mega-cases.

Tax Group

Fenwick & West has one of the nation's leading domestic and international tax practices. The Tax Group's unusually exciting and sophisticated practice stems from a client base that is represented in every geographic region of the United States, as well as a number of foreign countries, and has included approximately 100 Fortune 500 companies, 38 of which are in the Fortune 100. In recent surveys of 1,500 companies published in *International Tax Review*, Fenwick & West was selected as one of only seven First Tier tax advisors in the United States.

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