



Patent Law Year in Review

A Look Back at 2010 and a Look Ahead at 2011

JANUARY 13, 2011

Agenda

- Introduction
- Patentable Subject Matter
- Section 112: Written Description, Definiteness
- Look Ahead
- Infringement and Validity

--Break--

- Damages and Venue
- Structural Change in the PTO and Courts
- PTO Practice

--Break--

- Ethics

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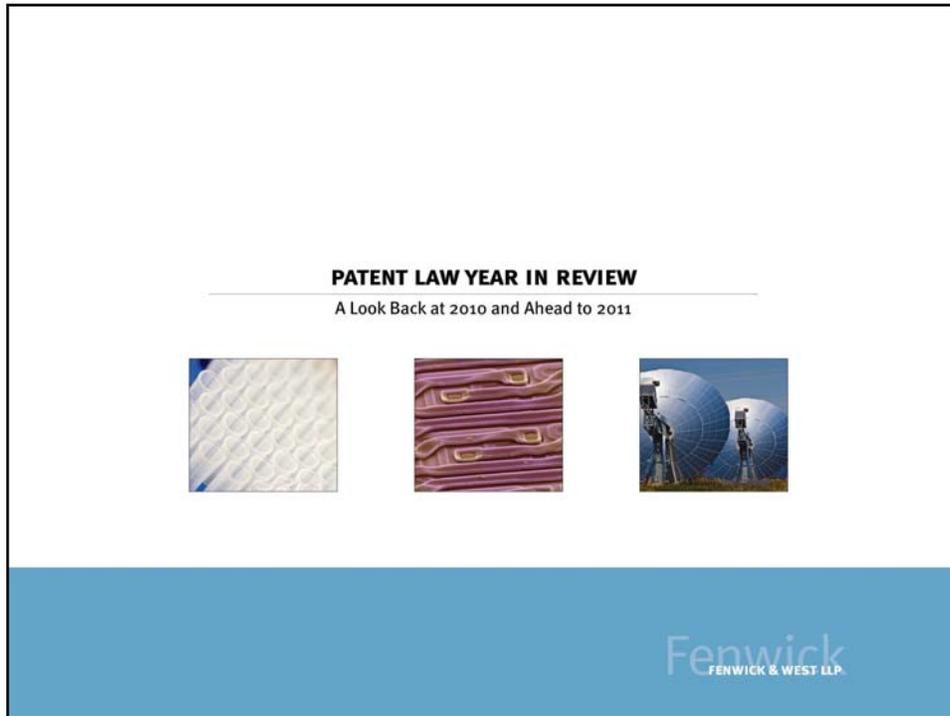
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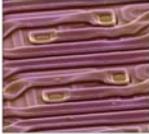
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PATENT LAW YEAR IN REVIEW	■ Patentable Subject Matter
	■ Section 112: Written Description, Definiteness
	■ Look Ahead
FENWICK & WEST LLP	■ Infringement and Validity
	■ Damages and Venue
	■ Structural Change in the PTO and Courts
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Patentable Subject Matter

Robert Sachs, Jennifer Bush, and Darren Donnelly

PATENT LAW YEAR IN REVIEW
A Look Back at 2010 and Ahead to 2011



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Quick Overview of *Bilski*

- Main issue: What methods are patentable?
- *Bilski's* patent application on method of hedging against price changes in certain types of commodities
- Federal Circuit *en banc*: Machine or Transformation (“MoT”) Test is the sole test
- Cert granted – Scope of Section 101
- Unanimous(?) decision: *Bilski's* claim is not patentable
- Not so unanimous: What are the boundaries of patentable subject matter

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Primary Takeaways from the Decision

- MoT test is not the sole test for patentable subject matter
 - But it is a “useful tool”
- Bilski’s application is not patentable subject matter
- No categorical exclusion for business methods

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Majority Suggests Status Quo

- Majority asserts that business method patents were “rarely issued” until “modern times.”
 - “It is true that patents for inventions that did not satisfy the machine-or-transformation test were rarely granted in earlier eras, especially in the Industrial Age”

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Status Quo – Really?

No. 704,168. **Patented July 8, 1902.**

F. E. ANDERSON.

MEANS FOR CASHING SALES ACCOUNTS.

(Application filed Nov. 29, 1901.)

(No Model.) 4 Sheets—Sheet 3.

APPLICATION FOR LOAN No. 1007 New York, *Nov. 1st* 1901.

C.D.BANK

GENTLEMEN: As per schedule below, please find herewith sales accounts, which it is proposed to assign and make payable to you, amounting to Gross \$*1768.11*, Net \$*1606.65*, upon which we ask for a loan of \$*1376.32*, to be placed to the credit of our account.

Respectfully,
E.F. COMMERCIAL Co.

Name of Debtor	Due Date of Bill	Gross Amount	Net Amount
<i>John J. ... Co.</i>	<i>Nov. 23</i>	<i>766.11</i>	<i>706.65</i>
<i>John H. ... Co.</i>	<i>Nov. 23</i>	<i>1000.00</i>	<i>999.00</i>
		<i>1766.11</i>	<i>1606.65</i>

1. The hereinbefore-described means adapted to be used in cashing sales accounts consisting of the combination of a bill for goods sold and delivered, a duplicate bill and an obligation of the seller of the goods on said duplicate bill consisting of an assignment of the debt, a guaranty of the *bona fides* of the sale, of the correctness of the account and that the seller will make good any claims or allowances or failure of payment and a statement on the original bill of sale that said bill is payable to a determined assignee.

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More Interesting Aspects of the Opinions

- **No consensus** on one of the most fundamental aspects of a 200 year old constitutionally mandated statute (*i.e.*, what can be patented)
- Issues not addressed
 - When might a test other than MoT be used?
 - What is a business method?
 - When *are* business methods patentable?
- Cursory treatment of “abstract” doctrine
- State Street doctrine rejected

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Recent/Upcoming Cases Applying *Bilski*

- *Research Corporation Technologies v. Microsoft*
- *Mayo Collaborative Servs. v. Prometheus Labs*
- *Classen Immunotherapies v. Biogen*
- *Ultramercial v. Hulu*
- *Cybersource Corp. v. Retail Decisions, Inc.*
- *Fort Properties v. Am. Master Lease*
- *DealerTrack v. Huber*
- *Fuzzysharp v. 3D Labs*

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RCT v. Microsoft: Passing the “coarse eligibility filter”

- CAFC reverses summary judgment of invalidity under §101
- Technology for halftoning an image with an improved “blue noise” mask
 - 1. A method for the halftoning of gray scale images by utilizing a pixel-by-pixel comparison of the image against a blue noise mask in which the blue noise mask is comprised of a random non-deterministic, non-white noise single valued function which is designed to produce visually pleasing dot profiles when thresholded at any level of said gray scale images.

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CAFC analytical approach

- As “process” qualifies under categorical language of statute
- Examine exclusions from Supreme Court cases
 - Not law of nature, natural phenomena . . .
 - Abstractness—will remain undefined
 - “Will not presume to define ‘abstract’ beyond the recognition that this disqualifying characteristic should exhibit itself so manifestly as to override the broad statutory categories of eligible subject matter and the statutory context that directs primary attention on the patentability criteria of the rest of the Patent Act.

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“Not even close to abstractness”

- “[I]nventions with specific applications or improvements to technologies in the marketplace are not likely to be so abstract that they override . . .”
- Use of algorithms “do not bring this invention even close to abstractness that would override”
 - Does not seek to preempt them
 - Process of halftoning in computer application

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Is section 112 the filter?

- “Thus, a patent that presents a process sufficient to pass the coarse eligibility filter may nonetheless be invalid as indefinite because the invention would ‘not provide sufficient particularity and clarity to inform skilled artisans of the bounds of the claim.’”

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Prometheus

- *Method of optimizing treatment efficiency by administering drug, determining drug metabolites, determining if above/below thresholds, adjust?*
- Remanded to CAFC by SCOTUS
- Previous CAFC decision: Patent eligible
 - Claims met MoT test
 - “asserted claims are in effect claims to **methods of treatment, which are always transformative** when a defined group of drugs is administered to the body to ameliorate the effects of an undesired condition.”
 - determining metabolite levels “necessarily involves transformation” because such metabolite levels “cannot be determined by mere inspection.”

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Prometheus claims (paraphrase)

- administering a drug that provides 6-TG to a subject;
- determining the levels of the drug's metabolites in the subject;
- comparing the measured metabolite levels to pre-determined levels;
- "wherein the measured metabolite levels 'indicate a need' to increase or decrease the level of drug to be administered so as to minimize toxicity and maximize treatment efficacy."

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Prometheus Briefs

<p><u>Appellant</u></p> <ul style="list-style-type: none">■ CAFC held met MoT■ Human body is transformed following administration of the drug■ <i>Bilski</i> doesn't change outcome: MoT still satisfies § 101, or at least provides strong presumption	<p><u>Appellee</u></p> <ul style="list-style-type: none">■ Pre-emption of eligible subject matter is the proper focus, MoT only "clue"<ul style="list-style-type: none">■ Claims preempt doctor's mental recognition of correlations that occur naturally in the human body■ Claims cover "all practical applications" of the recognition
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CAFC on remand

- Preemption analysis
 - Q: Claims natural phenomenon, the patenting of which would entirely preempt its use, OR only to a particular application of that phenomenon?
 - “We conclude they are drawn to the latter.”
- MoT test (still) met
 - “The transformation...is the result of the physical administration of a drug to a subject to transform—*i.e.*, treat—the subject, which is itself not a natural process.”
 - The applicant invented “a series of transformative steps that optimizes efficacy and reduces toxicity of a method of treatment for particular diseases using particular drugs.”

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Classen

- *Method for evaluating the safety of vaccine administration schedules by comparing or identifying the adverse events associated with various schedules*
- Remanded to CAFC from SCOTUS
- Previous CAFC decision: Not patent eligible
 - Invalid because claims failed the machine-or-transformation test
 - Three-sentence unpublished opinion

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PATENT LAW YEAR IN REVIEW FENWICK & WEST LLP	<i>Classen</i> briefs	
	<u>Appellant</u>	<u>Appellees</u>
	<ul style="list-style-type: none"> ▪ SCOTUS test is MoT or “not law of nature, physical phenomena or abstract idea” ▪ MoT: Vaccine is machine; immunization is transformation (citing original CAFC <i>Prometheus</i> decision) 	<ul style="list-style-type: none"> ▪ Abstract idea: comparing vaccine schedules to determine correlation with risk of disease (Glaxo) ▪ Mental process: Claims based on physician’s <i>consideration of risks</i>; action to execute is token post-solution activity (Biogen) ▪ <i>Bilski</i> affirmed earlier precedent regarding exceptions, CAFC already held invalid on same precedent (Merck) ▪ Claims are hedging against a type of medical risk by mentally inquiring about that risk and vaccinating accordingly (Merck)
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PATENT LAW YEAR IN REVIEW FENWICK & WEST LLP	<i>Classen</i> Predictions?	
	<ul style="list-style-type: none"> ▪ A method of determining whether an immunization schedule affects the incidence or severity of a chronic immune-mediated disorder in a treatment group of mammals, relative to a control group of mammals, which comprises <ul style="list-style-type: none"> ▪ immunizing mammals in the treatment group of mammals with one or more doses of one or more immunogens, according to said immunization schedule, and ▪ comparing the incidence, prevalence, frequency or severity of said chronic immune-mediated disorder or the level of a marker of such a disorder, in the treatment group, with that in the control group. ▪ Similar to technology in <i>Prometheus</i> (+) ▪ Prior decision not statutory (-) ▪ Prior decision unpublished, three sentences (+) ▪ <i>Prometheus</i> tests <ul style="list-style-type: none"> ▪ Preemption: arguably <u>particular application</u> of natural phenomenon rather than phenomenon itself ▪ MoT: arguably transformation also is result of the physical administration of a [vaccine] to a subject to transform subject 	
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Ultramercial

- *Method for allowing Internet users to view copyrighted material free of charge in exchange for watching certain advertisements*
- On appeal to CAFC
- C.D. Cal. (post-*Bilski*): Not patent eligible
 - MoT as “key indicator of patentability” (failed)
 - “That the disclosed invention is only used on computers or computer networks cannot alone satisfy the machine test without rendering the test completely toothless.”*
 - Internet user pays by sitting through sponsored message = **abstract idea**

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Other Cases

- Three business method-type cases (all stayed pending *Bilski*, all found not patent eligible under MoT by Dist. Ct.):
- *Cybersource Corp. v. Retail Decisions, Inc.*
 - **Detecting fraud** in a credit card transaction between a consumer and a merchant over the Internet
- *Fort Properties v. Am. Master Lease*
 - **Creating a “deedshare”** to represent both a tenant-in-common interest in real estate and a traditional security providing divisibility and liquidity
- *DealerTrack v. Huber*
 - **Automating credit applications**
- *Strong likelihood of each being held “abstract”*

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Other Cases

- *Fuzzysharp v. 3DLabs*
 - *Mathematical algorithms that can be used to reduce the number of calculations required to determine whether a 3D surface is visible or invisible on a display screen*
 - CAFC case stayed pending *Bilski*
 - *Dist. Ct.*: General purpose computer not enough to meet “particular machine.”
 - What about *RCT*?: “inventions with specific applications or improvements to technologies in the marketplace are not likely to be so abstract that they override the statutory language and framework of the Patent Act.”
 - “Reduce” sure *sounds like* an improvement.

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Practical Tips and Conclusions

Patent Considerations

- Review your portfolio to consider *Bilski* impact?
 - Change patent focus to less vulnerable aspects
 - Consider reissue
 - Ex parte reexamination on art as excuse to give PTO a chance to reject based on *Bilski*
- Build *Bilski* support into new applications; vary claim types
 - Specific machine or apparatus
 - Transformative aspects
 - Include product claims for software invention

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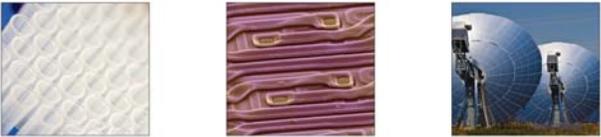
Practical Tips and Conclusions

- Federal Circuit decisions do not signal shift
 - *Bilski* permits discretion in applying MoT
 - Watch for evolution of analytical approach for suspect types
- Process at district court
 - When and on what record cases decided
 - CAFC review of close cases
- Search for analytical clarity at PTO
- Role of section 112 requirements

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Section 112
Michael Shuster and Pauline Farmer-Koppenol

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A Look Back at 2010 and Ahead to 2011



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35 U.S.C. § 112

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, and shall set forth the best mode contemplated by the inventor of carrying out his invention.

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Ariad En banc Issues

1. Whether 35 U.S.C. Section 112, paragraph 1, contains a written description requirement separate from an enablement requirement?
2. If a separate written description requirement is set forth in the statute, what is scope and purpose of that requirement?

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En banc Holding

- Section 112, first paragraph, contains two separate description requirements: a “written description [i] of the invention, and [ii] of the manner and process of making and using the [the invention]
- Requirement applies to all claims (original and amended)
- Purpose of WD requirement is to “ensure that the scope of the right to exclude, as set forth in the claims, does not overreach the scope of the inventor’s contribution to the field of art as described in the patent specification”

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Patent filed based on discovery of NF- κ B and role in disease

Claims USPN 6,410,516 :

- 95. [A method for reducing, in eukaryotic cells, the level of expression of genes which are activated by extracellular influences which induce NF- κ B-mediated intracellular signaling, the method comprising reducing NF- κ B activity in the cells such that expression of said genes is reduced], carried out on human cells.

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Specification

- 3 classes of NF-κB inhibitors hypothesized, none of which actually reduced to practice:
 - Specific inhibitors (I-κB – inactivates NF-κB)
 - Dominantly interfering molecules (truncated form of NF-κB)
 - Decoys – designed to mimic region of gene whose expression would be inhibited

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Discussion

- Sequences of possible decoy molecules in specification but no prophetic examples of how to use them to reduce NF-KB activity
 - 1990 publication reported use of decoy molecules to reduce NF-KB activity
 - Because priority date was 1989, disclosure in later publication cannot, as matter of law, establish that inventor “possessed using decoy molecules to reduce NF-KB when patent application filed in 1989.”

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Anascape v. Nintendo

- 3-D game controllers
- Description of a game controller with a single input member that operates in six degrees of freedom does not adequately describe a controller with multiple input members that together operate in six degrees of freedom.

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Research Corp. v. Microsoft

- Digital image halftoning
- Description of a blue noise mask does not adequately describe “a halftoning mask [that] is designed to produce substantially all visually pleasing dot profiles when thresholded at a number of levels.”

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Goeddel v. Sugano

- Recombinant DNA and a protein encoded thereby
- Description of recombinant DNA that encodes a precursor protein does not describe recombinant DNA that makes final protein or the final protein

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Discussion

- Constructive reduction to practice that in a definite way identifies the claimed invention can satisfy the written description requirement
- Actual “possession” or reduction to practice outside of the specification is not enough

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Laryngeal Mask Co v. Ambu

- Technology relates to laryngeal mask airway devices used to deliver anesthetic gases during surgery and to establish unobstructed airways in patients

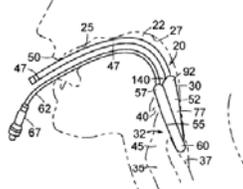


FIG. 2

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Laryngeal Mask Co v. Ambu

- 1. A laryngeal-mask airway device comprising:
 - a *backplate defining a passage*;
 - an inflatable cuff, the cuff defining a distal region and a central opening at least when inflated, the cuff being attached to the *backplate, the cuff being insertable through a mouth of a patient to an in-serted location within the patient, an air-way extending from a laryngeal inlet of the patient, through the central opening, to the passage when the cuff is inflated and at the inserted location, at least a portion of the posterior portion of a wall of the cuff in the distal region being thicker and stiffer than other portions of the cuff*

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Laryngeal Mask Co v. Ambu

- Ambu obtains summary judgment on *inter alia*, invalidity based on inadequate written description
- Court found specification failed to adequately describe a mask having “at least a portion of the posterior portion of a wall of the cuff in the distal region being thicker and stiffer than other portions of the cuff”
 - Construed using plain meaning – limitation does not require this portion of cuff to be connected to backplate
 - District court agreed that specification nowhere described thicker and stiffer cuff portion not connected to backplate and invalidated claims which covered a mask with “unconnected” cuff.

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Laryngeal Mask Co v. Ambu

- Federal Circuit reverses:
 - LMA argued spec adequately describes thicker and stiffer cuff portion
 - does not describe embodiment with reinforced cuff region disconnected from backplate
 - but spec is silent as to whether cuff reinforcement must be, or should be connected to backplate
 - LMA expert pointed to language in Summary of Invention and other portions of spec which created dispute as to whether “connected” embodiment was simply preferred embodiment
 - CAFC reverses SJ and remands

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Enzo Biochem, Inc. v. Applera Corp.

- “The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.”
 - 35 USC §112, ¶2 – Indefiniteness
- Three judge panel (Michel, Plager, Linn) reversed district court finding that claims invalid as indefinite.

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Enzo Biochem, Inc. v. Applera Corp.

- Patents-in-suit
 - 5,328,824 (“the ‘824 patent”)
 - 5,449,767 (“the ‘767 patent”)
 - 5,476,928 (“the ‘928 patent”)
- Indefiniteness opinion related to ‘824 and ‘767 patents
- Patents directed to techniques for labeling and detecting DNA and RNA

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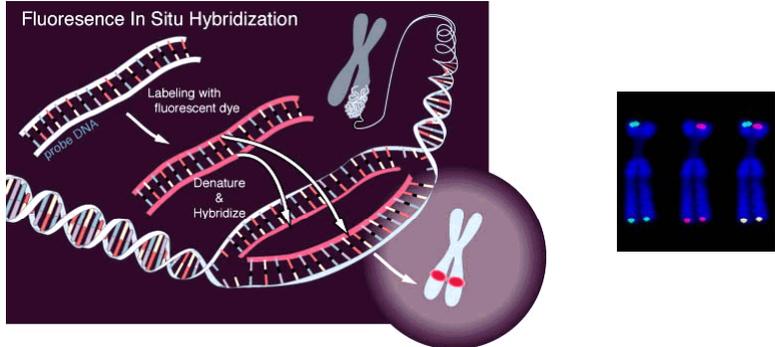
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Enzo Biochem, Inc. v. Applera Corp.

- Technology in a nutshell:

Fluorescence In Situ Hybridization



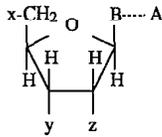
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Enzo Biochem, Inc. v. Applera Corp.

- Claims directed to “compound” (structure shown below), or method of using compound as detection probe. Base “B” attached directly or through “linkage group” (dotted line) to chemical moiety “A” (label)



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Enzo Biochem, Inc. v. Applera Corp

- “Linkage group” not recited in structural terms in independent claims
- Functional limitation “not interfering substantially” with hybridization and detection
- District court grants Applera’s MSJ finding “not interfering substantially” language is indefinite because “[t]he specifications neither set forth how one would gauge substantial interference, nor delimit the threshold at which interference with the procedure prevents [the claimed] method from being implemented”

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Enzo Biochem, Inc. v. Applera Corp

- Enzo’s arguments why “not interfering substantially language” is definite:
 - Specification provides
 - specific examples of linkage groups that do not substantially interfere with hybridization and detection
 - general criteria for selecting suitable linkage groups
 - test for measuring degree of interference

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Enzo Biochem, Inc. v. Applera Corp.

- Applera’s arguments why “not interfering substantially language” is indefinite:
 - Nothing in patents explains how to measure “interference” or how to determine whether it is “substantial”
 - Points to potentially profound effects that minor changes in probe composition may have on hybridization
 - Consequently identical linkage groups may cause interference in some strands but not others thus rendering claims hopelessly ambiguous

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Enzo Biochem, Inc. v. Applera Corp

- Court sides with Enzo
 - “Indefiniteness requires determination whether those skilled in the art would understand what is claimed.”
 - Word of degree – substantially
 - Does patent provide some standard for measuring that degree?
 - When limitation is defined in “purely functional terms” (*i.e.*, “linkage group”) definiteness is “highly dependent on context (*e.g.*, the disclosure in the specification and the knowledge of person of ordinary skill in the relevant art area”

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Enzo Biochem, Inc. v. Applera Corp

- Analysis “said linkage group not interfering substantially with the characteristic ability of said compound to hybridize with said nucleic acid or of A to be detected
 - Substantially denotes magnitude – how much interference can occur during hybridization
 - Claims provide guidance as to how much interference can be tolerated
 - Dependent claim specified structure of linkage group
 - “Not interfering substantially” allows for at least as much interference as produced by structure recited in dependent claim

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Enzo Biochem, Inc. v. Applera Corp.

- Specification provided examples of suitable linkage groups and criteria for their selection
- Specification provided tests useful for measuring degree to which linkage group interferes with hybridization
- Same analysis for “substantially interfer[ing] with detection
 - So long as moiety A can be detected with level achieved by applicants using exemplary linkage groups disclosed in intrinsic evidence, POSITA would understand different linkage group not disclosed would likewise not “substantially interfere” with detection.

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Enzo Biochem, Inc. v. Applera Corp.

- Prosecution history included §132 declaration listing eight specific linkage groups that did not substantially interfere with hybridization or detection
- Examiner withdrew indefiniteness rejection based on §132 declaration

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Enzo Biochem, Inc. v. Applera Corp.

- Practice tips
 - Back up “functional language” with structural support in specification and dependent claims
 - Provide specific examples that fall within scope of claims having “language of approximation”
 - If necessary consider submitting expert declaration

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Enzo Biochem, Inc. v. Applera Corp.

- Petition for panel rehearing and order denying petition for en banc rehearing May 26, 2010
 - Plager authors dissent on petition for panel rehearing: Federal Circuit has used “varying formulations” to define patent indefiniteness.
 - “The general conclusion from our law seems to be this: if a person of ordinary skill in the art can come up with a plausible meaning for a disputed claim term in a patent, that term, and therefore the claim, is not indefinite.”

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Enzo Biochem, Inc. v. Applera Corp.

- Petition for *cert.*
 - Applera argued that “Federal circuit has departed radically from the statute’s language” by finding “a patent is definite where it provides ‘at least some guidance’ about its boundaries”
 - Pointed out conflict between this standard and standard applied by USPTO (*see* September 2, 2008 memo from John Love to Technology Center Directors and Patent Examining Corps):
 - “If the language of a claim, considered as a whole in light of the specification and given its broadest reasonable interpretation, is such that a person of ordinary skill in the relevant art would read it with more than one reasonable interpretation then a rejection of the claim under 35 U.S.C. 112, second paragraph, is appropriate.”

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Enzo Biochem, Inc. v. Applera Corp.

- December 13, 2010 Court invited solicitor general to weigh in on Applera's challenge
- Could signal Court intends to take case to resolve interpretation of §112, ¶2

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Ajinomoto v. ITC

- Appeal from ITC decision finding asserted claims of USPNs 5,827,698 and 6,040,160 invalid under 35 U.S.C. §112, ¶ 1 for failure to comply with best mode requirement
- CAFC affirms

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Ajinomoto v. ITC

- Patents relate to improved methods of producing amino acid by cultivating genetically engineered bacteria that produce and accumulate the amino acid better than do the wild-type organisms

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Ajinomoto v. ITC

- '698 patent claim 15
- 15. A method for producing L-lysine, comprising:
 - (a) cultivating an isolated microorganism belonging to the genus *Escherichia*, wherein the microorganism contains a [mutant lysine decarboxylase] in a liquid medium, thereby producing the L-lysine and accumulating the L-lysine in the liquid medium, and
 - (b) collecting the L-lysine produced and accumulated in step (a),
- wherein the microorganism belongs to the species *Escherichia coli*.

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PATENT LAW YEAR IN REVIEW
FENWICK & WEST LLP

Ajinomoto v. ITC

- '160 patent claim 15
- 15. A method of producing L-lysine, comprising: cultivating a bacterium belonging [to] the genus *Escherichia* which is transformed with a DNA coding for a dihydrodipicolinate synthase originating from a bacterium belonging to the genus *Escherichia* and having mutation to desensitize feedback inhibition of L-lysine, wherein the mutation is selected from the group consisting of [a mutation to replace the alanine residue at the 81st position and/or a mutation to replace the histidine residue at the 118th position] in a suitable culture medium, producing and accumulating L-lysine in the culture thereof, and collecting L-lysine from the culture.

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PATENT LAW YEAR IN REVIEW
FENWICK & WEST LLP

Ajinomoto v. ITC

- '698 spec disclosed two-step process to produce engineered bacteria with mutant gene:
 - Mutate/select wild type bacteria to find strain that makes good amount of lysine (spec calls this strain WC196)
 - Drop mutant gene in to WC196 to create mutant strain (spec calls this WC196L)
- Undisputed that actual strain used by inventors had two additional genetic alterations (WC80-196S)

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PATENT LAW YEAR IN REVIEW

FENWICK & WEST LLP

Ajinomoto v. ITC

- '160 spec disclosed two host strains into which mutant gene introduced (B-399 and W3110(tyrA))
- Prior to filing JP priority application, inventors characterized different strain (AE-70) as best lysine producer

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PATENT LAW YEAR IN REVIEW

FENWICK & WEST LLP

Ajinomoto v. ITC

- ALJ found claims invalid for best mode violation
 - Inventions encompassed not just claimed mutations, but overall production of lysine
 - Cultivating genetically engineered bacteria
 - Producing and accumulating lysine in culture
 - Collecting lysine from culture

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PATENT LAW YEAR IN REVIEW

FENWICK & WEST LLP

Ajinomoto v. ITC

- '698 patent violations
 - Concealment of preferred and only host strain via misrepresentation of steps performed to create mutant host strain
 - Concealment of sucrose as preferred carbon source which materially affects achieving claimed invention
 - Submitting data associated with fictitious host strains in support of best mode

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PATENT LAW YEAR IN REVIEW

FENWICK & WEST LLP

Ajinomoto v. ITC

- '160 patent violations
 - Concealment preferred host strain AE-70
 - Submitting fictitious data in support of best mode

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PATENT LAW YEAR IN REVIEW
FENWICK & WEST LLP

Ajinomoto v. ITC

- On appeal Ajinomoto admits above but argued ITC made legal errors in defining scope of claimed invention and scope of best mode requirement
 - Commission applied best mode beyond patents' "innovative aspects" – claimed genetic mutations in ldc or dapA genes
- CAFC confirms Commission correctly applied best mode inquiry to claimed invention (process for making lysine in culture medium using altered bacteria), not just "inventive aspects"

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PATENT LAW YEAR IN REVIEW
FENWICK & WEST LLP

Ajinomoto v. ITC

- CAFC also confirmed that Commission was correct to include within best mode requirement scope obligation to disclose inventors' preferred host strains
 - Best mode requirement not satisfied by deposit of non-preferred strain

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PATENT LAW YEAR IN REVIEW

FENWICK & WEST LLP

Alza v. Andrx

- Enablement – Alza’s claims invalidated for lack of enablement
 - Full scope of claims must be enabled
 - Knowledge of PHOSITA no substitute for providing enabling disclosure in specification
 - In this case Wands factor analysis focused on
 - guidance provided by specification
 - absence of working example for “non-osmotic” embodiment of drug formulation
 - breadth of claims

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PATENT LAW YEAR IN REVIEW

FENWICK & WEST LLP

Transocean Offshore v. Maersk

- Claims related to improved apparatus for conducting offshore drilling
- District court grants MSJ finding asserted claims invalid for lack of enablement
 - Considered evidence of difficulty encountered in building commercial embodiment
 - Specification fails to inform as to how new arrangement works such that PHOSITA may take advantage of objective of invention – timesaving
 - No disclosure of “programming” of transport mechanism and required modifications to prior art transfer mechanisms

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PATENT LAW YEAR IN REVIEW
FENWICK & WEST LLP

Transocean Offshore v. Maersk

- CAFC reverses and remands
 - factual issues regarding undue experimentation preclude grant of summary judgment (battle of experts)
 - district court erred in requiring spec to enable invention to allow PHOSITA to take advantage of “timesaving” aspect of invention
 - Specification only must enable PHOSITA to practice claimed invention without undue experimentation
 - No requirement to enable most optimized configuration unless explicit part of claims

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A Look Ahead: Patent Cases Before the U.S. Supreme Court and the Federal Circuit in 2011

Virginia K. DeMarchi

PATENT LAW YEAR IN REVIEW
A Look Back at 2010 and Ahead to 2011



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PATENT LAW YEAR IN REVIEW

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Patent Cases Before the U.S. Supreme Court in 2011

- **Microsoft v. i4i**,
appeal from *i4i Ltd. v. Microsoft Corp.*, 598 F.3d 831 (Fed. Cir. 2010)
- **Global-Tech v. SEB**,
appeal from *SEB S.A. v. Montgomery Ward & Co.*, 594 F.3d 1360 (Fed. Cir. 2010)
- **Stanford v. Roche**,
appeal from *Board of Trustees of the Leland Stanford Junior University v. Roche Molecular Systems, Inc.*, 583 F.3d 832 (Fed. Cir. 2009)



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PATENT LAW YEAR IN REVIEW

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Microsoft v. i4i - Standard of Proof for Invalidity

- Question presented: Whether the Federal Circuit erred in holding that Microsoft was required to prove its defense of invalidity under 35 U.S.C. §102(b) by clear and convincing evidence, even though the prior art on which the invalidity defense rests was not considered by the Patent Office prior to issuance of the patent
- *Certiorari* granted in November 29 2010. Case is being briefed and is expected to be heard in the spring
- Microsoft has raised this issue in prior cases and numerous *amici* submitted briefs in support of the *certiorari* petition

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PATENT LAW YEAR IN REVIEW
FENWICK & WEST LLP

Microsoft v. i4i - Standard of Proof for Invalidity

- Almost since its inception, the Federal Circuit has required “clear and convincing” evidence (instead of a “preponderance” of the evidence) of a patent’s invalidity
 - Judicially-created standard
 - Statute states only:

A patent shall be presumed valid. . . . The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity. 35 U.S.C. § 282.
- Heightened pleading requirement was intended to reflect the statutory presumption of validity
- Federal Circuit declined to revisit the issue

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PATENT LAW YEAR IN REVIEW
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Microsoft v. i4i - Standard of Proof for Invalidity

- Why challenge now a standard that has been in effect for more than 25 years?
- U.S. Supreme Court in *KSR Int'l v. Teleflex*, 550 U.S. 398 (2007), commenting on prior art not considered by the Patent Office:

[T]he rationale underlying the presumption [of validity]—that the PTO, in its expertise, has approved the claim—seems much diminished here.
- Regional circuit courts had reached similar conclusions before the creation of the Federal Circuit

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PATENT LAW YEAR IN REVIEW
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Microsoft v. i4i - Standard of Proof for Invalidity

Microsoft	i4i
<ul style="list-style-type: none">■ No statutory basis■ Conflicts with regional circuits■ No rationale for heightened standard where Patent Office did not consider prior art at issue■ "Clear and convincing evidence standard now in conflict with <i>KSR</i>	<ul style="list-style-type: none">■ Congress has had the opportunity to alter standard, and has not■ Standard is now part of the settled expectations of the community■ Federal Circuit already acknowledges burden may be more easily carried when prior art was not before the Patent Office

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PATENT LAW YEAR IN REVIEW
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Microsoft v. i4i - Standard of Proof for Invalidity

- Practical implications of a change in the standard:
 - Do jury instructions matter?
 - Summary judgment more likely?
 - Defense less likely to settle?
 - Inventors more likely to search for and disclose more art?

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PATENT LAW YEAR IN REVIEW
FENWICK & WEST LLP

*Global-Tech Appliances Inc. v. SEB S.A. –
Inducement Standard*

- Question presented: Whether the legal standard for the state of mind element of a claim for actively inducing infringement is “deliberate indifference of a known risk” that an infringement may occur, or “purposeful culpable expression and conduct” to encourage an infringement
- *Certiorari* granted in October 2010. Argument scheduled for February 23, 2011
- *Amici* appear to have been influential in grant of *certiorari*

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PATENT LAW YEAR IN REVIEW
FENWICK & WEST LLP

*Global-Tech Appliances Inc. v. SEB S.A. –
Inducement Standard*

- Pentalpha copied a deep fat fryer made by SEB and supplied it to three customers in the U.S. who resold it under their brand names
- Pentalpha was not aware of SEB’s patent on the fryer. It asked a lawyer to do a patent search, but did not tell the lawyer that it had copied the fryer from SEB. Search did not find SEB patent. Pentalpha’s president was “well versed in the U.S. patent system”
- District court instructed jury that inducement could be found if Pentalpha “knew or should have known” that its actions would induce infringement
- Jury found Pentalpha willfully infringed and induced others to infringe SEB’s patent

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PATENT LAW YEAR IN REVIEW
FENWICK & WEST LLP

*Global-Tech Appliances Inc. v. SEB S.A. –
Inducement Standard*

- Context:
 - *DSU Medical v. JMS* – inducement requires that “alleged infringer knew or should have known his actions would induce actual infringement,” which “necessarily includes the requirement that he or she knew about the patent.” (Infringer had actual knowledge of patent.)
- Federal Circuit affirmed inducement verdict absent “actual knowledge”:

[T]he standard of deliberate indifference of a known risk is not different from actual knowledge, but is a form of actual knowledge. . . . The record contains adequate evidence to support a conclusion that Pentalpha deliberately disregarded a known risk that SEB had a protective patent.

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PATENT LAW YEAR IN REVIEW
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*Global-Tech Appliances Inc. v. SEB S.A. –
Inducement Standard*

- Global-Tech/Pentalpha argues that the same standard adopted in *Grokster* for induced copyright infringement – which the Supreme Court borrowed from patent law – should apply to induced patent infringement: specific intent + action
 - Maintain distinction between contributory infringement (which does not require specific intent to infringe, but does require knowledge of the patent and the resulting infringement) and induced infringement
 - Inducement should require both actual knowledge of the patent and “clear expression or other affirmative steps taken” to encourage infringement
 - Given inherent uncertainties of patent scope and validity, “deliberate indifference” standard puts too great a burden on innovation

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PATENT LAW YEAR IN REVIEW

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Global-Tech Appliances Inc. v. SEB S.A. – Inducement Standard

- SEB argues that inducement of infringement does not require specific intent or direct evidence of actual knowledge of the patent
 - “Actively induce” only requires action to encourage infringement – there is no express requirement of knowledge or intent
 - At a minimum, the standard for inducement should be less than for contributory infringement, which requires “knowledge,” and less than for willful infringement
 - Grokster* did not require actual knowledge of the patent (or copyright)
 - In any event, willful blindness to SEB’s patent constitutes constructive knowledge of the patent, which is good enough
 - Alternatively, deliberate copying should create an affirmative obligation to ascertain whether the copied product is protected by a patent

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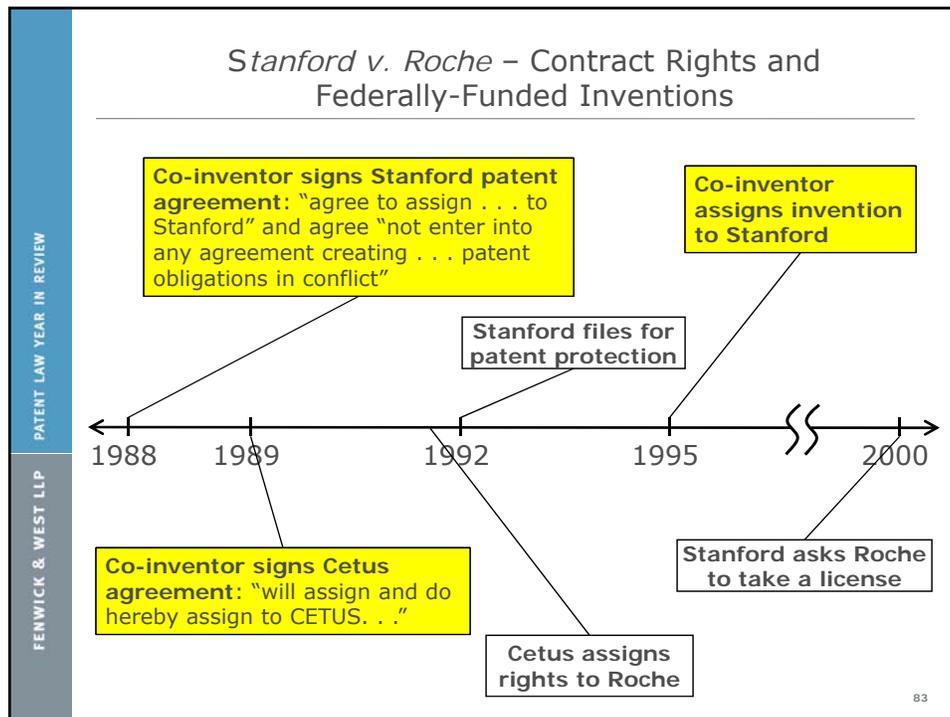
PATENT LAW YEAR IN REVIEW

FENWICK & WEST LLP

Stanford v. Roche – Contract Rights and Federally-Funded Inventions

- Question presented: Whether an inventor employed by a federal contractor may defeat the contractor’s right under the Bayh-Dole Act to retain title in inventions arising from federally-funded research by contractually assigning his rights to a third party
- Case is being briefed and is expected to be heard in the spring
- Government has filed amicus brief in support of Stanford

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- Stanford v. Roche* – Contract Rights and Federally-Funded Inventions
- Does Stanford have standing to sue?
 - Issue governed by Federal Circuit law
 - Co-inventor's 1988 agreement with Stanford
 - Promise to assign is not an immediate transfer of future interest
 - Stanford got only equitable rights against co-inventor
 - 1989 Cetus agreement
 - Actual assignment to Cetus of equitable title to future inventions (later assigned to Roche)
 - Legal title vested on or before 1992 patent application filing
 - By 1995, inventor had nothing to assign Stanford; Roche had legal title to co-inventor's invention
 - Stanford's election of title under Bayh-Dole Act does not void prior assignment to Cetus/Roche
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PATENT LAW YEAR IN REVIEW
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Stanford v. Roche – Contract Rights and Federally-Funded Inventions

- Stanford argues on appeal that, by operation of Bayh-Dole Act, Stanford’s receipt of federal-funding for research leading to the patented invention voids co-inventor assignment to Cetus/Roche
 - Bayh-Dole Act creates “uniform hierarchy of rights” for federally-funded inventions, and it is undisputed that Stanford met all of the Act’s requirements
 - Stanford’s right to retain title does not depend on securing an assignment from an inventor, but from the government’s right to claim title in the first instance. The inventor’s rights are subordinate
- Roche argues that while Bayh-Dole gives the government the right to claim title, contrary contractual rights are not automatically void, but only voidable

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PATENT LAW YEAR IN REVIEW
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Cases to Watch Before the Federal Circuit in 2011

- ***Therasense v. Becton Dickinson***, rehearing *en banc* from *Therasense, Inc. v. Becton Dickinson & Co.*, 593 F.3d 1289 (Fed. Cir. 2010)
- ***TiVo v. EchoStar***, rehearing *en banc* from *TiVo, Inc. v. EchoStar Corp.*, 2010 U.S. App. Lexis 9971 (Fed. Cir. 2010)
- ***Media Queue v. Netflix***, appeal from *Media Queue, LLC v. Netflix, Inc.*, 2010 U.S. Dist. Lexis 44485 (N.D. Cal. 2010)
- ***Myriad Genetics***, appeal from *Ass’n for Molecular Pathology v. United States Patent and Trademark Office*, 2010 U.S. Dist. LEXIS 35418 (S.D.N.Y. 2010)



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PATENT LAW YEAR IN REVIEW
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*Therasense v. Becton Dickinson –
Inequitable Conduct*

- Issue: What is required to prove inequitable conduct?
 - What is the proper standard for materiality?
 - What is the proper standard for intent?
- Original panel opinion affirmed finding of inequitable conduct, with dissent by Judge Linn. Oral argument before *en banc* court was held on November 9, 2010
- Significant reformulation of the law of inequitable conduct is expected

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PATENT LAW YEAR IN REVIEW
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*Therasense v. Becton Dickinson –
Inequitable Conduct*

- Current formulation:
 - Inequitable conduct may be based on (1) an affirmative misrepresentation of material fact, (2) a failure to disclose material information, or (3) submission of false information. Must also prove intent to deceive the Patent Office
 - "The party asserting inequitable conducts must prove a threshold level of materiality and intent by clear and convincing evidence. The court must then determine whether the questioned conduct amounts to inequitable conduct by balancing the levels of materiality and intent, with a greater showing of one factor allowing a lesser showing of the other." *Digital Control v. Charles Machine Works*, 437 F.3d 1309, 1313 (Fed. Cir. 2006)

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PATENT LAW YEAR IN REVIEW

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Therasense v. Becton Dickinson – Inequitable Conduct

- The district court found that Therasense made statements before the European Patent Office that contradicted statements it made to the U.S. Patent Office to obtain allowance of the patent
- Therasense did not disclose EPO statements to the Patent Office
- The district court found the undisclosed EPO statements “highly material”
- The district court also found intent based on five findings of fact, including that the statements made to the Patent Office about the prior art (which were contradicted in the EPO) were critical in overcoming an early rejection, that Therasense representatives knew of the contradictory EPO statements, and that they offered “incredible” explanations for the failure to disclose

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PATENT LAW YEAR IN REVIEW

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Therasense v. Becton Dickinson – Inequitable Conduct

- New standard?
 - Materiality:
 - Court likely to reject “reasonable examiner” standard -- information is material if it would be important to a reasonable examiner
 - “But for” standard -- information is material if a patent claim would be invalid but for the non-disclosure or misrepresentation
 - Patent Office “materiality” -- information is material if a patent claim would have been found *prima facie* unpatentable by an examiner, or if it is inconsistent with a position taken by an applicant in support of patentability
 - Intent:
 - High standard; certainly more than negligence
 - “Single most reasonable inference” from *Star Scientific*

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PATENT LAW YEAR IN REVIEW

FENWICK & WEST LLP

TiVo v. EchoStar –
Contempt Infringement Proceedings

- Issue: Following a finding of infringement of an accused device and entry of an injunction, when may a district court determine infringement by a newly accused device through contempt proceedings rather than through new infringement proceedings?
- Original panel opinion affirmed contempt finding of infringement, with dissent by Judge Rader. Oral argument before *en banc* court was held on November 9, 2010

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PATENT LAW YEAR IN REVIEW

FENWICK & WEST LLP

TiVo v. EchoStar –
Contempt Infringement Proceedings

- Jury found EchoStar had infringed TiVo's patent and district court entered an injunction
- EchoStar re-designed its product
- TiVo filed contempt proceedings against EchoStar for violation of the injunction
- District court found EchoStar in contempt, imposed sanctions of \$90 million, and modified the injunction to require prior court approval of subsequent re-designs

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PATENT LAW YEAR IN REVIEW

FENWICK & WEST LLP

TiVo v. EchoStar –
Contempt Infringement Proceedings

- Contempt proceeding is appropriate only when there is no more than a “colorable difference” between the original infringing product and the newly accused product, such that no “substantial open issues with respect to infringement exist.” Otherwise, a new trial is necessary
- Decision to proceed via contempt hearing is reviewed for abuse of discretion

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PATENT LAW YEAR IN REVIEW

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TiVo v. EchoStar –
Contempt Infringement Proceedings

- EchoStar argues that contempt should not be used to test a good-faith design around effort, particularly where the injunction against infringement is broad
- Questions:
 - What standard has to be met for seeking contempt instead of a new trial?
 - What test should be used to evaluate a new device against an device already judged to be infringing?
 - If a contempt proceeding is proper, what is the patent owner’s burden of proof?
 - What weight should be given to the infringer’s good faith efforts to design around the patent?
 - Is a contempt proceeding proper if there is a substantial question that the injunction is ambiguous?

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PATENT LAW YEAR IN REVIEW

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*Media Queue v. Netflix –
Attorneys Fees for Prevailing Defendant*

- Issue: Should prevailing defendants be permitted, in the district court’s discretion, to recover attorneys fees when a patentee filed or maintained a lawsuit with an objectively low likelihood of success, even if the patentee’s conduct does not rise to the level of bad faith or frivolousness?
- Netflix unsuccessfully sought initial hearing *en banc*
- Case has been briefed, but not argued

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PATENT LAW YEAR IN REVIEW

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*Media Queue v. Netflix –
Attorneys Fees for Prevailing Defendant*

- Netflix won on summary judgment and sought attorneys’ fees under 35 U.S.C. § 285, arguing that the case was “exceptional”
The court in exceptional cases may award attorneys fees to the prevailing party. 35 U.S.C. § 285
- District court found that Netflix failed to show that Media Queue’s claims were *both* objectively baseless *and* made in bad faith, citing Federal Circuit precedent requiring this showing
- Netflix argues that this standard imposes an unfairly high burden on prevailing defendants that is at odds with the U.S. Supreme Court’s treatment of analogous statutory provisions in the copyright context, in *Fogerty v. Fantasy, Inc.*, 510 U.S. 517 (1994)

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PATENT LAW YEAR IN REVIEW

FENWICK & WEST LLP

Media Queue v. Netflix –
Attorneys Fees for Prevailing Defendant

- For prevailing defendants, an award of attorneys fees has required a showing of inequitable conduct by the patentee or frivolous litigation amounting to a violation of Rule 11; Plaintiffs only need to show willfulness
- Netflix proposes an alternative standard: District court should have discretion to award fees to a prevailing defendant when, *either*
 - (1)The patentee was objectively reckless in filing or pursuing the lawsuit, *or*
 - (2)The defendant vindicated an important public interest that will have ramifications beyond the bounds of the particular case

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PATENT LAW YEAR IN REVIEW

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Myriad Genetics –
Patentable Subject Matter Under Section 101

- Issue: Whether patents claiming isolated DNA sequences and related methods are patent eligible under 35 U.S.C. §101
- Case is being briefed
- Challenge was brought by patient advocates, scientists and public interest groups concerned about the availability of cancer treatments
- Case has attracted many *amici* at the district court level and on appeal

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PATENT LAW YEAR IN REVIEW

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Myriad Genetics –
Patentable Subject Matter Under Section 101

- The Myriad patents claim the complete DNA sequence of certain genes that are significant in causing breast and ovarian cancer, and methods for comparing gene sequences to identify mutations that correlate with development of cancer
- Cannot patent naturally-occurring DNA sequences, which are products of nature
- District court held that DNA sequences isolated using well-known techniques should not be treated differently, and found the patents invalid

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PATENT LAW YEAR IN REVIEW

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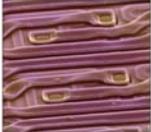
Myriad Genetics –
Patentable Subject Matter Under Section 101

- Myriad argues that purified, isolated DNA sequences are different – “transformed” in structure and function – from the naturally-occurring DNA
- Myriad also argues that the Patent Office has for many years awarded patents on such inventions
- Department of Justice has filed an *amicus* brief arguing that genetically-engineered molecules should be given patent protection, but “isolated but otherwise unmodified” molecules should not

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Infringement and Invalidity
Saina Shamilov

PATENT LAW YEAR IN REVIEW
A Look Back at 2010 and Ahead to 2011



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Developments in Patent Infringement and Invalidity
Theories

- Patent Infringement
 - Joint Infringement
 - *Golden Hour Data Systems, Inc. v. emsCharts, Inc. et al.* (August 9, 2010)
 - *Akamai Technologies, Inc. et al. v. Limelight Networks, Inc.* (December 20, 2010)
 - Standard Compliance as Proof of Infringement
 - *Fujitsu Ltd. v. LG Electronics, Inc. et al.* (September 20, 2010)
 - Overseas Sale/Offer for Sale as Infringement in U.S.
 - *Transocean Offshore Deepwater Drilling, Inc. v. Maersk Contractors USA, Inc.* (August 18, 2010)

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PATENT LAW YEAR IN REVIEW

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Developments in Patent Infringement and Validity Theories

- Patent Validity
 - On Sale Bar
 - *Trading Technologies International, Inc. v. eSpeed, Inc. et al.* (February 25, 2010)
 - Prior Inventor under 102 (g)
 - *Solvay S.A. v. Honeywell International, Inc.* (October 13, 2010)

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PATENT LAW YEAR IN REVIEW

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Joint Infringement – More Difficult To Establish: *Golden Hour v. emsCharts*

- The asserted patent relates to computerized systems and methods for information management services in connection with emergency medical transport
 - Dispatch module
 - Clinical module
 - Administration module
 - Billing module

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PATENT LAW YEAR IN REVIEW

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Joint Infringement – More Difficult To Establish:
Golden Hour v. emsCharts

- emsCharts produces a web-based medical charting program called emsCharts
- Softtech produces computer-aided flight dispatch software called Flight Vector
- emsCharts and Flight Vector are sold as a unit per the parties' strategic partnership and collaboration
- Jury found that emsCharts and Softtech jointly infringe the asserted patent
- District Court granted emsCharts' motion for JMOL
 - Insufficient evidence of "control" or "direction" to establish joint infringement
- Golden Hour appealed

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PATENT LAW YEAR IN REVIEW

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Joint Infringement – More Difficult To Establish:
Golden Hour v. emsCharts

- Federal Circuit affirmed the "mastermind" test
 - Federal Circuit acknowledged that emsCharts and Softtech in collaboration infringed the claims
 - But ruled that to establish joint infringement "the patent holder must prove that one party exercised 'control or direction' over the entire process such that all steps of the process can be attributed to the controlling party, i.e., the 'mastermind'"
- "We see no need for extended discussion of this issue and we affirm the district court's grant of JMOL"

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PATENT LAW YEAR IN REVIEW

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Joint Infringement – More Difficult To Establish:
Golden Hour v. emsCharts

- Judge Newman disagreed
 - “The panel majority acknowledges that the defendants in collaboration infringed the claims, but without discussion overturns the jury verdict”
 - “A collaborative effort as here, a ‘strategic partnership’ to sell the infringing system as a unit, is not immune from infringement simply because the participating entities have a separate corporate status”

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PATENT LAW YEAR IN REVIEW

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Joint Infringement – More Difficult To Establish:
Akamai Tech. v. Limelight Networks

- Akamai asserted three patents against Limelight
- Patents disclose a system that allows a web content provider to outsource the storage and delivery of discrete portions of its website content
- The asserted method claims require tagging of objects embedded in a web page to be rendered so that the objects can be retrieved from a domain name other than the content provider’s domain name

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PATENT LAW YEAR IN REVIEW

FENWICK & WEST LLP

Joint Infringement – More Difficult To Establish:
Akamai Tech. v. Limelight Networks

- Limelight delivers content providers' embedded objects
- Limelight's contracts with its content provider customers require the customers to perform several steps in order to use Limelight's service
 - Choose embedded objects to be served from Limelight's storage
 - Tag the URL of each chosen object as instructed by Limelight
- Limelight replicates the tagged objects on its servers

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PATENT LAW YEAR IN REVIEW

FENWICK & WEST LLP

Joint Infringement – More Difficult To Establish:
Akamai Tech. v. Limelight Networks

- The jury returned a verdict of infringement and awarded \$40.1 million in lost profits and 1.4 million in reasonably royalty damages
- District Court granted Limelight's JMOL overturning the jury verdict finding no sufficient evidence to establish joint infringement
- Akamai appealed

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PATENT LAW YEAR IN REVIEW

FENWICK & WEST LLP

Joint Infringement – More Difficult To Establish:
Akamai Tech. v. Limelight Networks

- Pre-2008: some relationship required between the accused infringer and a third party
- 2007: *BMC Resources* holds that joint liability may be found only when one party directs or controls the activities of another party
- 2008: *Muniauction* holds that control over customer’s access to an online system coupled with instructions on how to use that system is not enough to establish joint infringement

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PATENT LAW YEAR IN REVIEW

FENWICK & WEST LLP

Joint Infringement – More Difficult To Establish:
Akamai Tech. v. Limelight Networks

- Federal Circuit confirmed the “mastermind” test, but clarified that joint infringement requires an agency relationship
 - “There can only be joint infringement when there is an agency relationship between the parties who perform the method steps or when one party is contractually obligated to the other to perform the steps”
 - For an agency relationship to exist, “both parties must consent that the agent is acting on the principal’s behalf and subject to the principal’s control”
 - No agency relationship arises when one party simply provides direction, no matter how explicit, to another party

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PATENT LAW YEAR IN REVIEW

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Joint Infringement – Lessons Learned

- Joint partnership or collaboration is not enough to establish joint infringement
- There must be a manifestation of an agency relationship
- Pre-2008 filed patents may have a problem
- Post-2008, and even more so post-2010, filed patents may have better drafted claims

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PATENT LAW YEAR IN REVIEW

FENWICK & WEST LLP

Standard Compliance Can Be Proof of Infringement: *Fujitsu Ltd. v. Netgear*

- Plaintiffs Fujitsu, Phillips and LG, members of a licensing pool, asserted three patents against Netgear
- Infringement allegations were based on Netgear's practice of industry standards
 - IEEE 802.1 2007 Standard
 - Wi-Fi Alliance Wireless Multi-Media Spec., v. 1.1
- District Court granted Netgear's motion for summary judgment of non-infringement
- Fujitsu, Phillips and LG appealed

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PATENT LAW YEAR IN REVIEW
FENWICK & WEST LLP

Standard Compliance Can Be Proof of Infringement: *Fujitsu Ltd. v. Netgear*

- Federal Circuit holds that a patentee can establish infringement by relying on standard compliance
 - “[I]f an accused product operates in accordance with a standard, then comparing the claims to that standard is the same as comparing the claims to the accused product”
 - Accused infringer can show that the claims do not cover every implementation of the standard or that it does not practice the standard
 - “Only in the situation where a patent covers every possible implementation of a standard will it be enough to prove infringement by showing standard compliance”

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PATENT LAW YEAR IN REVIEW
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Overseas Offer for Sale or Sale Can Infringe a U.S. Patent: *Transocean v. Maersk USA*

- Transocean asserted three patents
 - Patents share a common specification and disclose an apparatus for conducting offshore drilling

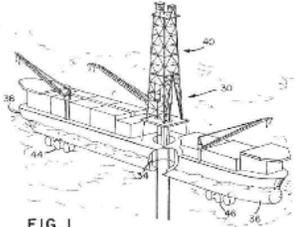


FIG. 1

- Transocean accused Maersk USA’s DSS-21 rig of infringement

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PATENT LAW YEAR IN REVIEW

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Overseas Offer for Sale or Sale Can Infringe a U.S. Patent: *Transocean v. Maersk USA*

- Maersk A/S (Maersk USA's Danish parent) contracts with Keppel FELS Ltd. (Singapore) to build the accused rig in Singapore
- Maersk A/S negotiates with Statoil ASA (Norway) for Statoil's use of the rig in the Gulf of Mexico
- Maersk USA and Statoil Gulf of Mexico LLC (Texas) sign the contract in Norway
 - Rig to operate in the U.S. Gulf of Mexico
- Maersk USA delivers the rig to U.S. waters

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PATENT LAW YEAR IN REVIEW

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Overseas Offer for Sale or Sale Can Infringe a U.S. Patent: *Transocean v. Maersk USA*

- District Court granted summary judgment of non-infringement
 - No sale or offer to sell under 35 U.S.C. §271(a)
 - Negotiation and signing of the contract took place outside the U.S.
- Federal Circuit disagreed

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PATENT LAW YEAR IN REVIEW

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Overseas Offer for Sale or Sale Can Infringe a U.S. Patent: *Transocean v. Maersk USA*

- Offer for sale
 - “whoever ... offers to sell ... within the United States any patented invention ... infringes”
 - The location of the sale, and not the location of the offer, controls whether there is an offer to sell within the United States
 - What was offered for sale must be a “patented invention”
- Sale
 - A contract between two U.S. companies for sale with delivery and performance in the U.S. constitutes sale under 271(a)
 - “A sale is not limited to the transfer of tangible property; a sale may also be the agreement by which such a transfer takes place”

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PATENT LAW YEAR IN REVIEW

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No On Sale Bar If Inventor Uses Others To Develop Sample Product: *Trading Tech. v. eSpeed*

- Trading Tech (TT) asserted two patents
 - Patents claim software for displaying the market for a commodity traded in an electronic exchange
 - Harris Brumfield, an inventor, conceived the idea in 1998
 - Brumfield hired TT to build trading software based on his idea
 - “TT will build a new trading window according to specifications provided to TT by Harris Brumfield”
- eSpeed provides an electronic exchange for trading commodities and designs and sells trading platforms for use with its electronic exchange

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PATENT LAW YEAR IN REVIEW

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No On Sale Bar If Inventor Uses Others To Develop Sample Product: *Trading Tech. v. eSpeed*

- District Court: no commercial sale
- Federal Circuit agrees
 - The contract was not a sales transaction for a product embodying the patented invention
 - No contract to give and to pass rights of property for consideration
 - “Inventors can request another entity’s services in developing products embodying the invention without triggering the on-sale bar”

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PATENT LAW YEAR IN REVIEW

FENWICK & WEST LLP

Outsourcing May Negate Status of Prior Inventor: *Solvay v. Honeywell*

- Solvay asserted a patent
 - methods for making a blowing and insulation agent (HFC-245fa) in the preparation of expanded polymeric materials used in refrigeration and heat storage systems
- Honeywell asserted that it is the prior inventor of the claimed invention
- District court granted Honeywell’s summary judgment

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PATENT LAW YEAR IN REVIEW

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Outsourcing May Negate Status of Prior Inventor:
Solvay v. Honeywell

- Honeywell contracted with the Russian Scientific Center for Applied Chemistry
 - RSCAC to perform process development studies for the commercial production of Honeywell's HFC-245fa
 - RSCAC provided Honeywell with a report documenting its process that corresponded to the claimed invention
 - Honeywell used RSCAC information to duplicate the experiments in the U.S. prior to Solvay's priority date

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PATENT LAW YEAR IN REVIEW

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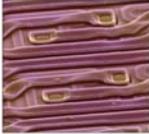
Outsourcing May Negate Status of Prior Inventor:
Solvay v. Honeywell

- Federal Circuit: Honeywell did not invent in the United States
 - Conception and reduction to practice must be in the United States
 - Conception must be an original idea of the inventor
 - "Originality is [] inherent to the notion of conception"
 - Honeywell did not independently and on its own conceive of the invention in the United States
 - "The issue before us is not whether Solvay was the first to invent ... rather, the issue is whether Honeywell established its defense"
 - "Whether this holding ignores the realities of globalization and outsourcing by modern-day research companies ... is not the question before us"

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Venue and Transfer
Michael Sacksteder

PATENT LAW YEAR IN REVIEW
A Look Back at 2010 and Ahead to 2011



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Before October 2008 – “None Shall Pass”

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PATENT LAW YEAR IN REVIEW

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Late 2008 – 'Tis but a Scratch?

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PATENT LAW YEAR IN REVIEW

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2008 – Fifth Circuit and Federal Circuit

- *In re Volkswagen* (5th Cir., Oct. 10, 2008) (en banc)
 - Transferred products liability case from Marshall (E.D. Tex.) to Dallas (N.D. Tex.), where accident occurred and witnesses lived
- *In Re TS Tech* (Fed. Cir., Dec. 27, 2008)
 - Applied Volkswagen rationales and analysis to patent case

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PATENT LAW YEAR IN REVIEW

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Mandamus

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PATENT LAW YEAR IN REVIEW

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2008 – Fifth Circuit and Federal Circuit

- Transfer to “clearly more convenient” venue
- Eight-factor test balances public and private interest factors
- Plaintiff’s choice of venue carries no weight – just establishes “clearly more convenient” standard
- No “local interest” based on ubiquitous product

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PATENT LAW YEAR IN REVIEW

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2009 –Just a Flesh Wound?

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PATENT LAW YEAR IN REVIEW

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2009

- District judges begin granting (some) motions to transfer
- Federal Circuit considers six mandamus petitions on transfer motions
- Failed plaintiff arguments
 - Centrally located forum
 - No required convenience for all or key witnesses
 - Defendants' documents are more significant
 - Shipping plaintiff documents to venue doesn't help

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PATENT LAW YEAR IN REVIEW

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2010

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PATENT LAW YEAR IN REVIEW

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In re *Apple*, et al. (5/12/10)

- Plaintiff was Texas LLC, formed 2 months before lawsuit was filed
 - District Court – presence in E.D. Tex. “not a fiction”
 - Transfer to Massachusetts denied
- Federal Circuit held “exacting” standard for mandamus not met
 - No parties in transferee forum
 - Intriguing dicta

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PATENT LAW YEAR IN REVIEW
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In re *Apple*, et al.

“To be sure, the status of Personal Audio, LLC, as a Texas corporation is not entitled to significant weight, inasmuch as the company’s presence in Texas appears to be both **recent and ephemeral** – its office is apparently the office of its Texas litigation counsel, and it appears not to have any employees in Texas.”

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PATENT LAW YEAR IN REVIEW
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In re *Zimmer Holdings* (6/24/10)

- Defendant in Warsaw, Indiana
- Plaintiff’s only two officers (named inventor and patent prosecutor) in Ann Arbor, Michigan
- Plaintiff’s “principal place of business” in Longview, Texas
 - Shared with another of litigation counsel’s clients
 - “[A] business opens its doors in a particular location for a number of reasons.”
- Other lawsuit by plaintiff in Texas (mostly different patents)

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PATENT LAW YEAR IN REVIEW

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In re Zimmer Holdings

- “Our assessment of the realities of this case makes it clear that the Eastern District of Texas is convenient only for MedIdea’s litigation counsel.”
- “This is a classic case where the plaintiff is attempting to game the system by artificially seeking to establish venue by sharing office space with another of the trial counsel’s clients.”

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PATENT LAW YEAR IN REVIEW

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In re *Microsoft* (11/8/10 and 1/5/11)

- Similar facts to Zimmer Holdings
- “The only added wrinkle is that Allvoice took the extra step of incorporating under the laws of Texas sixteen days before filing suit. But that effort is no more meaningful, and no less in anticipation, than the others we reject.”

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PATENT LAW YEAR IN REVIEW

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In re *Acer*, et al. (12/3/10)

- Plaintiff, inventor, prosecuting attorney in N.D. Cal.
- 5 of 12 defendants in N.D. Cal.
- One defendant (Dell) located in Texas, but not E.D. Texas
- District court relied on Dell's involvement
- Federal Circuit granted petition for mandamus

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PATENT LAW YEAR IN REVIEW

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In re *VistaPrint* (12/15/10)

- Mandamus petition denied
- Prior litigation before District Court involving same patent
 - Magistrate had previously construed claims
 - Judicial economy can (but doesn't have to) trump convenience factors
 - Can cut the other way if transferee forum is site of prior litigation

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PATENT LAW YEAR IN REVIEW

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This Year's Lessons

- Filing cabinet drawer “principal place of business” in Texas lawyer’s office isn’t going to help
 - Same for separate, recent and ephemeral offices with no employees
- Neither is that hasty incorporation in Texas
- Location of one defendant in Texas, but outside E.D., will not ensure venue in E.D.
- Prior litigation, inside or outside district, can be significant

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PATENT LAW YEAR IN REVIEW

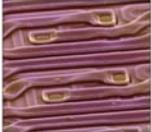
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The Future?

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Damages
Michael Sacksteder

PATENT LAW YEAR IN REVIEW
A Look Back at 2010 and Ahead to 2011



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Federal Circuit Damages Cases

- *Uniloc v. Microsoft*
 - 25% “rule of thumb”
 - Entire market value rule
- *ResQNet v. Lansa*
 - Licenses
- *Wordtech Systems v. Integrated Solutions*
 - More licenses

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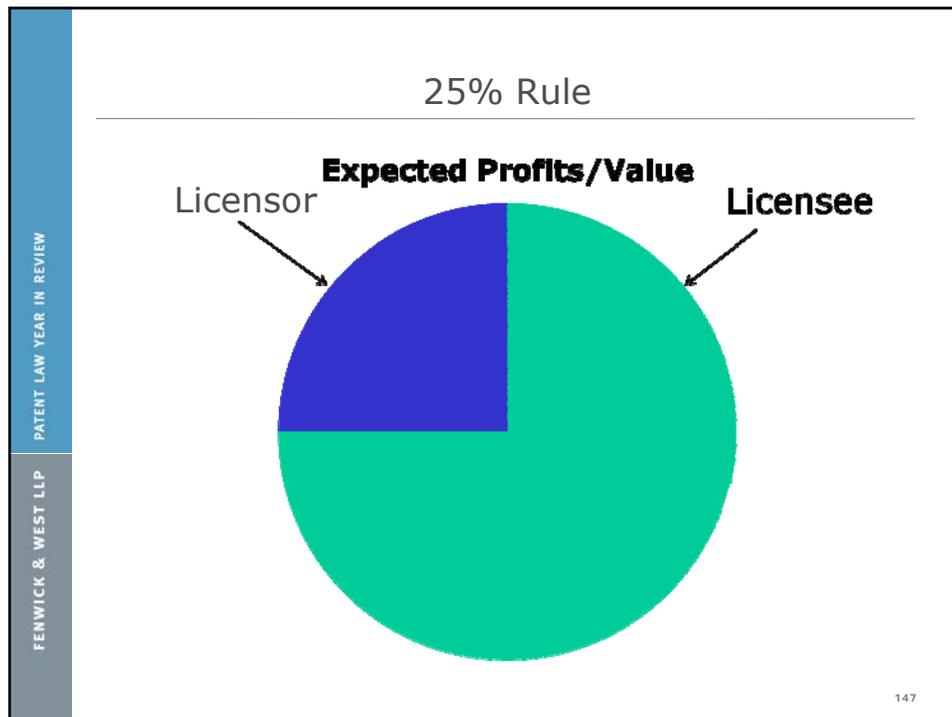
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Uniloc v. Microsoft

- Patent directed toward anti-copying software registration system
- Accused products: Office and Windows
- Jury found patents valid and infringed
- Awarded “reasonable royalty” of \$388 million
 - Uniloc sought \$565 million
 - Uniloc’s expert relied on 25% rule
 - Calculated requested royalty as percentage of revenues as a “check” on reasonable royalty calculation

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- 25% Rule
- Expected profits/expected net sales = profit rate
 - Profit rate x 25% = running royalty rate
 - Running royalty rate x actual net sales = damages
 - Adjust by *Georgia Pacific* factors
- PATENT LAW YEAR IN REVIEW
- FENWICK & WEST LLP
- 148

PATENT LAW YEAR IN REVIEW
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Issues with 25% Rule

- Basis in reality?
 - Fails to account for unique relationship between patent and accused product
 - Ignores relationship between parties
 - “Essentially arbitrary” – does not fit within hypothetical negotiation framework
- How determine value of/profit from feature?
- Multiple patent licenses for 1 product or feature?
- Products with no profits?

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PATENT LAW YEAR IN REVIEW
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Uniloc’s Application of 25% Rule

- Started with Microsoft document’s valuation of “product keys” as worth at least \$10 apiece
- $\$10 \times 25\%$ per copy = \$2.50 per copy
- Applied *Georgia Pacific* factors without changing conclusion
- $\$2.50 \times \sim 226$ million = \$565 million

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PATENT LAW YEAR IN REVIEW

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Entire Market Value Rule

- Revenues for/value of entire product X royalty rate = reasonable royalty
- Only available where patented feature creates “the basis for consumer demand” or “substantially creates the value of the component parts”

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PATENT LAW YEAR IN REVIEW

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Uniloc’s Use of Entire Market Value Rule

- “I wanted to check to be sure that it [\$565 million] was a reasonable number.”
- \$85 per license X 226 million product licenses = \$19.28 billion
- Pie chart with 2.9% “sliver” to show \$565 million proposed award was “reasonable”
- Uniloc’s counsel belittled Microsoft’s expert’s royalty figure as representing only .0003% of product revenues

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PATENT LAW YEAR IN REVIEW

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Uniloc v. Microsoft – Post-trial Motions

- District court granted JMOL and new trial on infringement (Federal Circuit reversed)
- District court had criticized 25% rule in limine but rejected Microsoft’s challenge because rule is widely accepted
 - “[T]he concept of a ‘rule of thumb’ is perplexing in an area of the law where reliability and precision are deemed paramount.”
- Granted new trial on damages based on entire market value “check”

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PATENT LAW YEAR IN REVIEW

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Entire Market Value Rule – District Court

“[T]he \$19 billion cat was never put back into the bag.”

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25% Rule – Federal Circuit

“This court now holds as a matter of Federal Circuit law that the 25 percent rule of thumb is a fundamentally flawed tool for determining a baseline royalty rate in a hypothetical negotiation. Evidence relying on the 25 percent rule of thumb is thus inadmissible under *Daubert* and the Federal Rules of Evidence, because it fails to tie a reasonable royalty base to the facts of the case.”

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25% Rule – Federal Circuit

- No connection between rule and facts of any specific case:
 - “The rule does not say anything about a particular hypothetical negotiation or reasonable royalty involving any particular technology, industry or party.”
- Subsequent application of Georgia Pacific factors doesn’t help:
 - “Beginning from a fundamentally flawed premise and adjusting it based on legitimate considerations specific to the facts of the case nevertheless results in a fundamentally flawed conclusion.”

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PATENT LAW YEAR IN REVIEW

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Entire Market Value Rule – Federal Circuit

- Can't rely on EMVR merely by asserting a low royalty rate
 - Explains language from last year's Lucent case
 - "The Supreme Court's and this court's precedents do not allow consideration of the entire market value of accused products for minor improvement simply by asserting a low enough royalty rate."
- Cannot circumvent prohibition by describing calculation as a "check" on other analysis
 - "This argument attempts to gloss over the purpose of the check as lending legitimacy to the reasonableness" of expert's calculation.

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PATENT LAW YEAR IN REVIEW

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Entire Market Value Rule – Federal Circuit

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PATENT LAW YEAR IN REVIEW

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ResQNet v. Lansa

- Which licenses are relevant to reasonable royalty analysis?
- Screen recognition and terminal recognition software
- \$506,000 damages award
- 12.5% royalty on revenues from infringing sales
- Plaintiff's expert relied on variety of prior licenses

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PATENT LAW YEAR IN REVIEW

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ResQNet Licensing Evidence

- Seven ResQNet licenses
 - Five "re-branding" or "re-bundling" licenses
 - Finished software products and source code
 - Training, maintenance, marketing and upgrades
 - No mention of patents-in-suit or "other discernable link to the claimed technology"
 - Top royalty rates between 25% and 40%
 - Two litigation-driven patent licenses
 - One lump-sum license
 - One running royalty "substantially less" than 12.5%

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PATENT LAW YEAR IN REVIEW
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Federal Circuit Opinion

- Damages award vacated and remanded
- Reliance on re-bundling agreements destroyed reliability of expert's opinion
 - "Extremely high rates" in re-bundling license compared to other royalty license in the record
 - Expert's "unconvincing reasons for considering these licenses at all"
 - Expert "misunderstood (or worse, misrepresented) the re-bundling licenses as somehow amounting to 'patent plus software' licenses when, in fact, the record shows no use in these licenses of ResQNet's claimed invention...."

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PATENT LAW YEAR IN REVIEW
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Litigation-Driven Licenses

- "[T]he most reliable license in this record arose out of litigation."
- "On other occasions, this court has acknowledged that the hypothetical reasonable royalty calculation occurs before litigation and that litigation itself can skew the results of the hypothetical negotiation."

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PATENT LAW YEAR IN REVIEW
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Litigation-Driven Licenses

- BUT “a reasonable royalty may permissibly reflect the fact that an infringer had to be ordered by a court to pay damages, rather than agreeing to a reasonable royalty.”
- Unintended consequences?
 - District courts change position re admissibility of licenses in settlement of litigations
 - E.g., Eastern District of Texas

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PATENT LAW YEAR IN REVIEW
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Wordtech Systems v. Integrated Solutions

- Automated compact disc duplication technology
- Plaintiff asked for \$114,000
- Jury awarded \$250,000 lump-sum royalty
 - Verdict form indicated award not based on a running royalty
- 13 licenses in evidence
 - 11 running royalty licenses
 - 2 lump-sum licenses
 - \$175,000 and \$350,000

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Lump-Sum Licenses

- “Averaging” theory rejected
- Licenses “provide no basis for comparison” with infringing sales
 - “Neither license describes how the parties calculated each lump sum, the licensees' intended products, or how many products each licensee expected to produce.”

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Running-Royalty Licenses

- No basis for comparison in record
- Per-unit fees
 - \$100-195 in one license
 - \$4400 in verdict
- Verdict’s effective hypothetically negotiated rate was 26.3% – much higher than rates in licenses

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Practical Impact of Wordtech and ResQNet

- Changing the way NPEs try to structure settlement agreements
- Assuming admissibility
- Reps/warranties regarding revenues underlying lump sum payment
- “Royalty schedules”

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Change at the PTO and in the Courts
Stuart Meyer

PATENT LAW YEAR IN REVIEW
A Look Back at 2010 and Ahead to 2011



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PATENT LAW YEAR IN REVIEW

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Changes in PTO Under Director Kappos

- Transparency (good and bad)
 - Reasons for problems
 - Requests for help in solutions
 - Blog/FB/Twitter
 - Data Visualization Center (Dashboard)
 - “Your window to the USPTO”
 - Email – direct and subscription service
 - Law firm visits
 - Inventors Eye independent inventor newsletter

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Changes in PTO Under Director Kappos

- Dashboard Example:

First Office Action Pendancy (months)

24.9
FIRST OFFICE ACTION PENDENCY (MONTHS)
November 2010

Month	Number of months
Jul	26.4
Aug	26.2
Sep	25.7
Oct	25.4

Previous four months

View fiscal year 2009 and 2010 data in a new browser window

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Changes in PTO Under Director Kappos

- New programs
 - Backlog
 - Green Technology pilot (nearing 2k apps, 200 grants) and its expansion
 - Sacrificial applications (“Project Exchange”) pilot
 - Proposed three-track processing
 - Missing parts pilot program
 - Expansion/extension of first action interview pilot program
 - Continued streamlining of appeals practice

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Changes in PTO Under Director Kappos

- Processing Improvements
 - Examination latencies
 - Entry of amendments:
 - FY 2009: 34.5 days
 - October 2010: 5.2 days
 - Post-examination processing (issue fee to grant):
 - Reduction from 50 to 43 days
 - Only modest overall improvement

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PATENT LAW YEAR IN REVIEW
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District Court Pilot Program

- In certain districts, those judges who request to hear patent cases are designated by the chief judge to hear them; cases still randomly assigned to all judges but judge may decline to accept the case in which instance the case is randomly reassigned to one of the “patent” judges
- Ten-year duration (reports to Congress after five years and ten years)

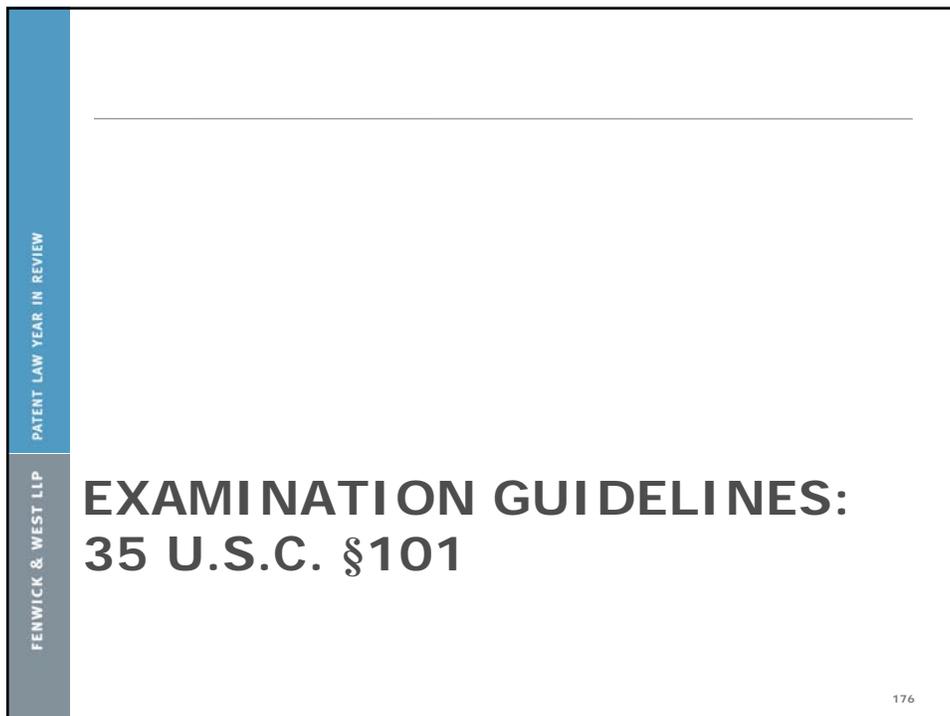
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District Court Pilot Program

- HR 628 (introduced January 2009)
- Passed by lame duck Congress 12/10
- Signed by President 1/4/11
- At least 6 districts in at least 3 circuits to be designated within 6 months based on (i) most patent cases or (ii) local patent rules (adopted or intend to adopt). 3 large (>10 judges) and 3 small

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PATENT LAW YEAR IN REVIEW

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Published Guidelines

- “Interim Guidance for Determining Subject Matter Eligibility for Process Claims in View of *Bilski v. Kappos*”
 - 75 Fed. Reg. 43,922 (July 27, 2010)
 - Supplements Interim Guidelines published August 24, 2009
 - Applies to all applications regardless of filing date



UNITED STATES PATENT AND TRADEMARK OFFICE

MEMORANDUM

DATE: July 27, 2010

TO: Patent Examining Corps

FROM: *Roderic W. Dale*
Acting Associate Commissioner
For Patent Examination Policy

SUBJECT: Interim Guidance for Determining Subject Matter Eligibility for Process Claims in View of *Bilski v. Kappos*

The attached Federal Register notice entitled Interim Guidance for Determining Subject Matter Eligibility for Process Claims in View of *Bilski v. Kappos* (Interim Bilski Guidance) is for use by USPTO personnel in determining subject matter eligibility under 35 U.S.C. § 101 in view of the recent decision by the United States Supreme Court (Supreme Court) in *Bilski v. Kappos*, 551 U.S. ____ (2007) (Bilski). The Interim Bilski Guidance is a supplement to the previously issued Interim Examination Instructions for Evaluating Subject Matter Eligibility Under 35 U.S.C. § 101 dated August 24, 2009 (August 2009 Interim Instructions) and the memorandum to the Patent Examining Corps on the Supreme Court Decision in *Bilski* dated June 24, 2010. The August 2009

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PATENT LAW YEAR IN REVIEW

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Machine or Transformation Test

- The USPTO will still use this test
- “[U]seful and important clue” and “investigative tool” but “not the sole test.”
- Possible that claims that do not meet the MoT test might nevertheless be patent-eligible

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“Abstract Idea” Test

- Before *Bilski*, the USPTO would use an “abstract idea” exception where a claimed method did not sufficiently recite a physical instantiation
- USPTO Guidelines state that this test is still proper
- Claim is abstract if not limited to an application of an idea to a known structure or process
- Not helped by:
 - Extra-solution activity, or
 - Field of use limitations

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Factors for “Abstract Idea” Test

- Test looks at a number of factors, largely based on inquires from the MoT test
- Existence or nonexistence of a particular factor may weight for or against patent-eligibility
- Examiner cannot apply some factors while ignoring others

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Factors for “Abstract Idea” Test

- Does method involve or is it executed by a particular machine or apparatus?
 - Particularity or generality of the elements of the machine
 - Whether machine implements steps or is an object operated on by the steps
 - Whether involvement of machine is extrasolution activity or a field-of-use

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PATENT LAW YEAR IN REVIEW
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Example Claim

- 1. A method for online advertising, comprising:
 - receiving a request for content from a device associated with a user;
 - selecting, by a computer, an advertisement for the user [based on some novel process]; and
 - providing to the device associated with the user a web page that includes the requested content and the selected advertisement.

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Factors for “Abstract Idea” Test

- Does performance of the method result in or otherwise involve a transformation of a particular article?
 - The particularity or generality of the transformation
 - The degree to which the recited article is particular
 - The nature of the transformation, in terms of the type or extent of change of state or thing
 - The nature of the article transformed, an object of substance or a conceptual
 - Whether involvement of transformation is extrasolution activity or a field-of-use

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Example Claim

- 1. A method for updating contact information, comprising:
 - storing a contact file on a non-transitory computer-readable medium;
 - receiving a phone call from a caller;
 - detecting a phone number associated with the caller;
 - determining an identity of the caller [based on some novel process]; and
 - updating contact information for the caller with the detected phone number by writing the contact information to the contact file.

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PATENT LAW YEAR IN REVIEW
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Factors for “Abstract Idea” Test

- Whether performance of the method involves an application of a law of nature, even in the absence of a particular machine or transformation?
 - The particularity or generality of the application
 - Whether the claimed method recites an application of a law of nature solely involving subjective determinations
 - Whether its involvement is extrasolution activity or a field-of-use

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PATENT LAW YEAR IN REVIEW
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Example Claim

- 1. A method for determining a location, comprising:
 - sending a sound pulse from a probe of a medical instrument inserted into a body;
 - receiving an echo of the sound pulse from at least three objects, the objects comprising organs of the body;
 - computing a distance from the three objects based on the echo; and
 - determining a location relative to the three organs based on the computed distances.

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Factors for “Abstract Idea” Test

- Is a general concept involved in executing the steps of the method?
 - The extent to which use of the concept, as claimed, would preempt its use in other fields
 - The extent to which the claim is so abstract and sweeping as to cover both known and unknown uses
 - The extent to which the claim would effectively cover all possible solutions to a particular problem
 - Whether the concept is implemented in some tangible way
 - Whether performance of the process is observable and verifiable rather than subjective or imperceptible

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Example Claim

- 1. A method for making money, comprising:
 - buying shares of a security at a purchase price by transmitting a buy order to an electronic trading system; and
 - selling shares of the security at sale price by transmitting a sell order to an electronic trading system,
 - wherein the sale price is higher than the purchase price,
 - and wherein the shares are sold responsive to determining an optimal sale price [based on a very specific process that depends on the type of security].

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PATENT LAW YEAR IN REVIEW
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Factors for “Abstract Idea” Test

- Examples of general concepts that are usually not patent-eligible:
 - Basic economic practices or theories (e.g., hedging, insurance, financial transactions, marketing)
 - Basic legal theories (e.g., contracts, dispute resolution, rules of law)
 - Mathematical concepts (e.g., algorithms, spatial relationships, geometry)
 - Mental activity (e.g., forming a judgment, observation, evaluation, or opinion)
 - Interpersonal interactions or relationships (e.g., conversing, dating)
 - Teaching concepts (e.g., memorization, repetition)
 - Human behavior (e.g., exercising, wearing clothing, following rules or instructions)
 - Instructing “how business should be conducted”

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EXAMINATION GUIDELINES UPDATE: 35 USC §103

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PATENT LAW YEAR IN REVIEW
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Published Guidelines

- “Examination Guidelines Update: Developments in Obviousness Inquiry After *KSR v. Teleflex*”
 - 75 Fed. Reg. 53,463 (Sept. 1, 2011)
 - Updates USPTO obviousness guidelines
 - Highlights case law developments on obviousness under 35 U.S.C. § 103 since 2007 Supreme Court decision in *KSR Intl. Co. v. Teleflex Inc.*, 550 U.S. 398 (2007)
 - Provides additional guidance to Examiners in view of obviousness based decisions since *KSR*

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Update

- 2007 *KSR* Guidelines are now in the MPEP. See MPEP § 2141 (8th Ed. 2001) (Rev 6, Sept. 2007) (current: Rev. 8, July 2010).
- 7 Rationales: (1) teaching-suggestion-motivation; (2) simple substitution of one known element for another to obtain predictable results; (3) combining prior art elements according to known methods to yield predictable results; (4) use of a known technique to improve similar devices, methods, or products in the same way; (5) applying a known technique to a known device, method or product ready for improvement to yield predictable results; (6) obvious to try – choosing from a finite number of identified, predictable solutions, which a reasonable expectation of success; and (7) known work in one field of endeavor prompting variations of it for use in either the same or different field based on design incentives or market forces if predictable to one skilled in the art

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Case examples

- Cases in update are in four groups:
 - First three groups correspond with (2) simple substitution of one known element for another to obtain predictable results; (3) combining prior art elements according to known methods to yield predictable results; and (6) obvious to try – choosing from a finite number of identified, predictable solutions, which a reasonable expectation of success
 - Fourth group focuses on issues concerning consideration of evidence during prosecution
 - Other rationales discussed in 2007 Guidelines are not focus of separate discussions in the 2010 update, but notes that obviousness concepts, such as (4) applying known techniques, (7) design choice, and market forces are addressed when they arise in a selected case

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Combining Prior Art Elements

<i>In re Omeprazole Patent Litigation</i> , 536 F.3d 1361 (Fed. Cir. 2008)	Even where a general method that could have been applied to make the claimed product was known and within the level of skill of the ordinary artisan, the claim may nevertheless be nonobvious if the problem which had suggested use of the method had been previously unknown.
<i>Crocs, Inc. v. U.S. Int'l Trade Comm'n.</i> , 598 F.3d 1294 (Fed. Cir. 2010)	A claimed combination of prior art elements may be nonobvious where the prior art teaches away from the claimed combination and the combination yields more than predictable results.
<i>Sundance, Inc. v. DeMonte Fabricating Ltd.</i> , 550 F.3d 1356 (Fed. Cir. 2008)	A claimed invention is likely to be obvious if it is a combination of known prior art elements that would reasonably have been expected to maintain their respective properties or functions after they have been combined.

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Combining Prior Art Elements	
<i>Ecolab, Inc. v. FMC Corp.</i> , 569 F.3d 1335 (Fed. Cir. 2009)	A combination of known elements would have been prima facie obvious if an ordinarily skilled artisan would have recognized an apparent reason to combine those elements and would have known how to do so.
<i>Wyers v. Master Lock Co.</i> , No. 2009-1412, — F.3d—, 2010 WL 2901839 (Fed. Cir. July 22, 2010)	The scope of analogous art is to be construed broadly and includes references that are reasonably pertinent to the problem that the inventor was trying to solve. Common sense may be used to support a legal conclusion of obviousness so long as it is explained with sufficient reasoning.
<i>DePuy Spine, Inc. v. Medtronic Sofamor Danek, Inc.</i> , 567 F.3d 1314 (Fed. Cir. 2009)	Predictability as discussed in KSR encompasses the expectation that prior art elements are capable of being combined, as well as the expectation that the combination would have worked for its intended purpose. An inference that a claimed combination would not have been obvious is especially strong where the prior art's teachings undermine the very reason being proffered as to why a person of ordinary skill would have combined the known elements.

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Substituting One Know Element for Another	
<i>In re ICON Health Fitness, Inc.</i> , 496 F.3d 1374 (Fed. Cir. 2007)	When determining whether a reference in a different field of endeavor may be used to support a case of obviousness (i.e., is analogous), it is necessary to consider the problem to be solved.
<i>Agrizap, Inc. v. Woodstream Corp.</i> , 520 F.3d 1337 (Fed. Cir. 2008)	Analogous art is not limited to references in the field of endeavor of the invention, but also includes references that would have been recognized by those of ordinary skill in the art as useful for applicant's purpose.
<i>Muniauction, Inc. v. Thomson Corp.</i> , 532 F.3d 1318 (Fed. Cir. 2008)	Because Internet and Web browser technologies had become commonplace for communicating and displaying information, it would have been obvious to adapt existing processes to incorporate them for those functions.
<i>Aventis Pharma Deutschland v. Lupin, Ltd.</i> , 499 F.3d 1293 (Fed. Cir. 2007)	A chemical compound would have been obvious over a mixture containing that compound as well as other compounds where it was known or the skilled artisan had reason to believe that some desirable property of the mixture was derived in whole or in part from the claimed compound, and separating the claimed compound from the mixture was routine in the art.

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Substituting One Know Element for Another	
<p><i>Eisai Co. Ltd. v. Dr. Reddy's Labs., Ltd.</i>, 533 F.3d 1353 (Fed. Cir. 2008)</p>	<p>A claimed compound would not have been obvious where there was no reason to modify the closest prior art lead compound to obtain the claimed compound and the prior art taught that modifying the lead compound would destroy its advantageous property. Any known compound may serve as a lead compound when there is some reason for starting with that lead compound and modifying it to obtain the claimed compound.</p>
<p><i>Procter Gamble Co. v. Teva Pharmaceuticals USA, Inc.</i>, 566 F.3d 989 (Fed. Cir. 2009)</p>	<p>It is not necessary to select a single compound as a "lead compound" in order to support an obviousness rejection. However, where there was reason to select and modify the lead compound to obtain the claimed compound, but no reasonable expectation of success, the claimed compound would not have been obvious.</p>
<p><i>Altana Pharma AG v. Teva Pharms. USA, Inc.</i>, 566 F.3d 999 (Fed. Cir. 2009)</p>	<p>Obviousness of a chemical compound in view of its structural similarity to a prior art compound may be shown by identifying some line of reasoning that would have led one of ordinary skill in the art to select and modify a prior art lead compound in a particular way to produce the claimed compound. It is not necessary for the reasoning to be explicitly found in the prior art of record, nor is it necessary for the prior art to point to only a single lead compound.</p>

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Obvious to Try	
<p><i>In re Kubin</i>, 561 F.3d 1351 (Fed. Cir. 2009)</p>	<p>A claimed polynucleotide would have been obvious over the known protein that it encodes where the skilled artisan would have had a reasonable expectation of success in deriving the claimed polynucleotide using standard biochemical techniques, and the skilled artisan would have had a reason to try to isolate the claimed polynucleotide. KSR applies to all technologies, rather than just the "predictable" arts.</p>
<p><i>Takeda Chem. Indus. v. Alphapharm Pty., Ltd.</i>, 492 F.3d 1350 (Fed. Cir. 2007)</p>	<p>A claimed compound would not have been obvious where it was not obvious to try to obtain it from a broad range of compounds, any one of which could have been selected as the lead compound for further investigation, and the prior art taught away from using a particular lead compound, and there was no predictability or reasonable expectation of success in making the particular modifications necessary to transform the lead compound into the claimed compound.</p>
<p><i>Ortho-McNeil Pharmaceutical, Inc. v. Mylan Labs, Inc.</i>, 520 F.3d 1358 (Fed. Cir. 2008)</p>	<p>Where the claimed anti-convulsant drug had been discovered somewhat serendipitously in the course of research aimed at finding a new anti-diabetic drug, it would not have been obvious to try to obtain a claimed compound where the prior art did not present a finite and easily traversed number of potential starting compounds, and there was no apparent reason for selecting a particular starting compound from among a number of unpredictable alternatives.</p>

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Obvious to Try	
<i>Bayer Schering Pharma A.G. v. Barr Labs., Inc.</i> , 575 F.3d 1341 (Fed. Cir. 2009)	A claimed compound would have been obvious where it was obvious to try to obtain it from a finite and easily traversed number of options that was narrowed down from a larger set of possibilities by the prior art, and the outcome of obtaining the claimed compound was reasonably predictable.
<i>Sanofi-Synthelabo v. Apotex, Inc.</i> , 550 F.3d 1075 (Fed. Cir. 2008)	A claimed isolated stereoisomer would not have been obvious where the claimed stereoisomer exhibits unexpectedly strong therapeutic advantages over the prior art racemic mixture without the correspondingly expected toxicity, and the resulting properties of the enantiomers separated from the racemic mixture were unpredictable.
<i>Rolls-Royce, PLC v. United Technologies Corp.</i> , 603 F.3d 1325 (Fed. Cir. 2010)	An obvious to try rationale may be proper when the possible options for solving a problem were known and finite. However, if the possible options were not either known or finite, then an obvious to try rationale cannot be used to support a conclusion of obviousness.
<i>Perfect Web Techs., Inc. v. InfoUSA, Inc.</i> , 587 F.3d 1324 (Fed. Cir. 2009)	Where there were a finite number of identified, predictable solutions and there is no evidence of unexpected results, an obvious to try inquiry may properly lead to a legal conclusion of obviousness. Common sense may be used to support a legal conclusion of obviousness so long as it is explained with sufficient reasoning.

Consideration of Evidence	
<i>PharmaStem Therapeutics, Inc. v. ViaCell, Inc.</i> , 491 F.3d 1342 (Fed. Cir. 2007)	Even though all evidence must be considered in an obviousness analysis, evidence of nonobviousness may be outweighed by contradictory evidence in the record or by what is in the specification. Although a reasonable expectation of success is needed to support a case of obviousness, absolute predictability is not required.
<i>In re Sullivan</i> , 498 F.3d 1345 (Fed. Cir. 2007)	All evidence, including evidence rebutting a prima facie case of obviousness, must be considered when properly presented.
<i>Hearing Components, Inc. v. Shure Inc.</i> , 600 F.3d 1357 (Fed. Cir. 2010)	Evidence that has been properly presented in a timely manner must be considered on the record. Evidence of commercial success is pertinent where a nexus between the success of the product and the claimed invention has been demonstrated.
<i>Asyst Techs., Inc. v. Emtrak, Inc.</i> , 544 F.3d 1310 (Fed. Cir. 2008)	Evidence of secondary considerations of obviousness such as commercial success and long-felt need may be insufficient to overcome a prima facie case of obviousness if the prima facie case is strong. An argument for nonobviousness based on commercial success or long-felt need is undermined when there is a failure to link the commercial success or long-felt need to a claimed feature that distinguishes over the prior art.

Practical Viewpoint

- Guidelines provide a practical viewpoint on countering obviousness assertions:
- “Many basic approaches that a practitioner may use to demonstrate nonobviousness also continue to apply in the post-KSR era. Since it is now clear that a strict TSM approach is not the only way to establish a *prima facie* case of obviousness, it is true that practitioners have been required to shift the emphasis of their nonobviousness arguments to a certain degree. However, familiar lines of argument still apply, including teaching away from the claimed invention by the prior art, lack of a reasonable expectation of success, and unexpected results. Indeed, they may have even taken on added importance in view of the recognition in KSR of a variety of possible rationales.”

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Hyatt v. Kappos (en banc)

- Background: 35 U.S.C. §145 creates a right to a civil action in Fed. Dist. Court against the USPTO Director whenever an applicant is “dissatisfied with the decision of the BPAI in an appeal”
- Decision: Applicant may introduce new evidence in a Section 145 civil action; New evidence gets de novo review
- Impact: Applicants can opt for a civil action after appeal instead of CON or RCE, and still provide new evidence

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Wyeth v. Kappos

- **Background:** 35 U.S.C. §154(b)(1)(A) and (B) create guarantees to protect patent term against USPTO delays
- **Decision:** USPTO erred in Patent Term Adjustment calculation with respect to “overlap.” Proper calculation is not the greater of (A) or (B) delays. (A) delays should be added to (B) delays if (A) delays occurred in first 3 years
- **Impact:** USPTO frequently miscalculates term extensions. A patent attorney can verify your entitlement

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Ethics

Darren Donnelly

PATENT LAW YEAR IN REVIEW
A Look Back at 2010 and Ahead to 2011

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Ethics

- Inequitable conduct
- Bounds of ethical advocacy
- Barring counsel from access to information in litigation
- Look ahead—jurisdiction for patent malpractice actions

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PATENT LAW YEAR IN REVIEW

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INEQUITABLE CONDUCT

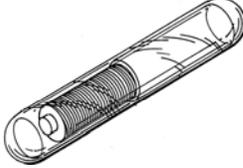
206

PATENT LAW YEAR IN REVIEW

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Expanding Who Is “Substantively Involved” With A Duty To Disclose — *Avid v. Datamars*

- Dr. Stoddard founder, president of Avid
 - Hires inventors to develop patented product
 - Not named as inventor on patent
 - Demonstrates precursor product at trade show before critical date
 - Not disclosed to PTO during prosecution
- Avid is small, closely-held company
- District court holds Stoddard had duty to disclose
 - Trade show disclosure was material information
 - Patent unenforceable



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Materiality: Trade Show Demonstration Not Invalidating But Material Information

- Precursor product demonstrated at trade show lacked claimed features
- Jury found patent not invalid—Avid argues it cannot have been material information
- Held: Materiality finding not clearly erroneous
 - Settled that information may be material without being invalidating
 - No analysis—deference

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Who Is “Substantively Involved” Under Rule 56 A Question Of First Impression

- Duty to disclose under PTO Rule 56
 - Information known to be material to patentability
 - Applies to individuals “associated with the filing or prosecution of a patent application”
 - Inventors
 - Attorney/agent that prepares or prosecutes
 - Every other person “who is substantively involved in the preparation or prosecution” and associated with inventor/assignee
- ISSUE: Was Stoddard “substantively involved?”

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Facts Supported Inference That Stoddard Was “Substantively Involved” In Preparing / Prosecuting

- HELD: “Substantively involved” means
 - “Involvement relates to the content of the application or decisions related thereto, and
 - “That the involvement is not wholly administrative or secretarial in nature.”
- Facts supporting inference
 - Involvement in “all aspects” including R&D “contributes to . . . [an] inference he was also involved with preparation of the patent . . . ”
 - Dr. Stoddard’s testimony found not credible
 - Inventor / prosecutor testified Stoddard not involved

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Facts Supporting Inference Of Involvement

- Email TO Stoddard regarding European (EP) app.
 - From inventor to Stoddard and EP attorney with content for EP counterpart app.
 - From inventor to Stoddard advising to check with European attorney before demonstrating Avid technology
- Inclusion on substantive EP communications support inference of substantive involvement in preparing U.S. application
- Stoddard signed Small Entity declaration
- Conducted trade show demonstrations

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CAFC Attempts To Limit Decision

- “Our holding does not automatically extend to...
 - all individuals who contact one of the inventors or sign the small entity affidavit . . . [or]
 - all individuals on the commercial side of product development. ”
- “We simply hold that the district court may properly consider a variety of factors . . .
 - Individual’s position within the company,
 - Role in developing or marketing the patented idea,
 - Contact with the inventors or prosecutors, and representations to the PTO”

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Judge Linn Dissents: General Interest Or Awareness Not Enough

- Rule should require
 - (1) engaged in the preparation or prosecution of an application and
 - (2) sufficiently apprised of the technical details or legal merits of the application as to be able to assess the materiality of any information they may know or discover as the application is prepared or prosecuted
- No evidence Stoddard aware of technical / legal merits
 - No documents related to patent application
 - Facts majority relies on do not connect to application or substantive aspects of it

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INEQUITABLE CONDUCT

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Failure To Disclose Claims “Copied” From Application With Different Inventors And Related Litigation — *Leviton v. Meihao*

- Appeal from award of attorneys fees and costs
 - Inequitable conduct
 - Vexatious litigation
 - Instructing prosecutor Narcisse and others to not answer questions during deposition about prosecution
- District court finds inequitable conduct on fees motion papers
 - Leviton had already dismissed case with prejudice
 - No trial testimony
- CAFC affirms materiality
 - Remands for evidentiary hearing on intent
 - Reverse vexatious litigation

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'766 Patent Has Claims “Copied” From Germain

1999

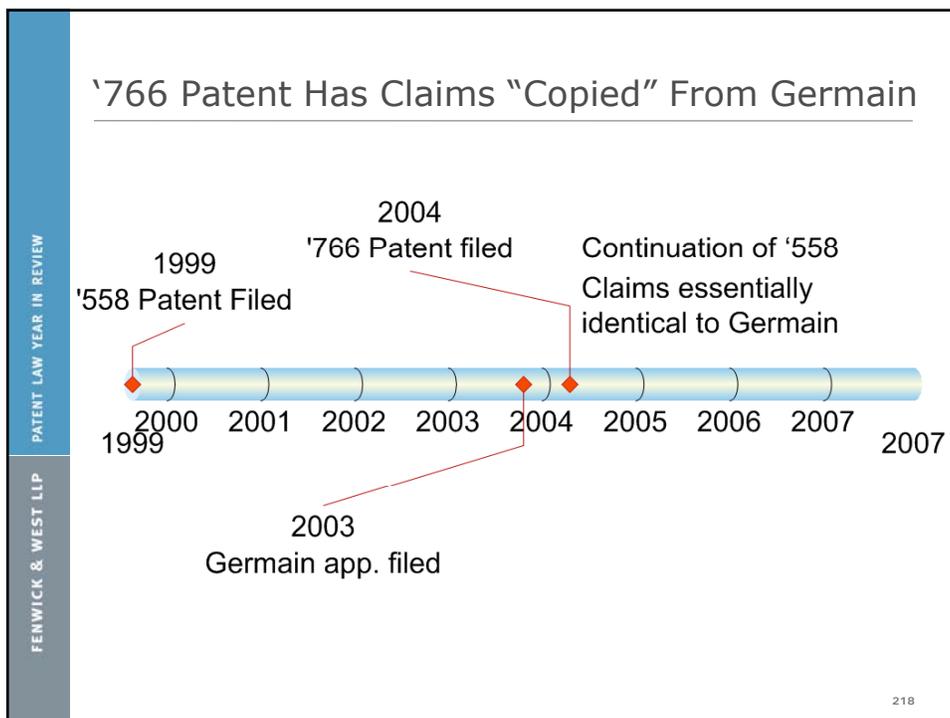
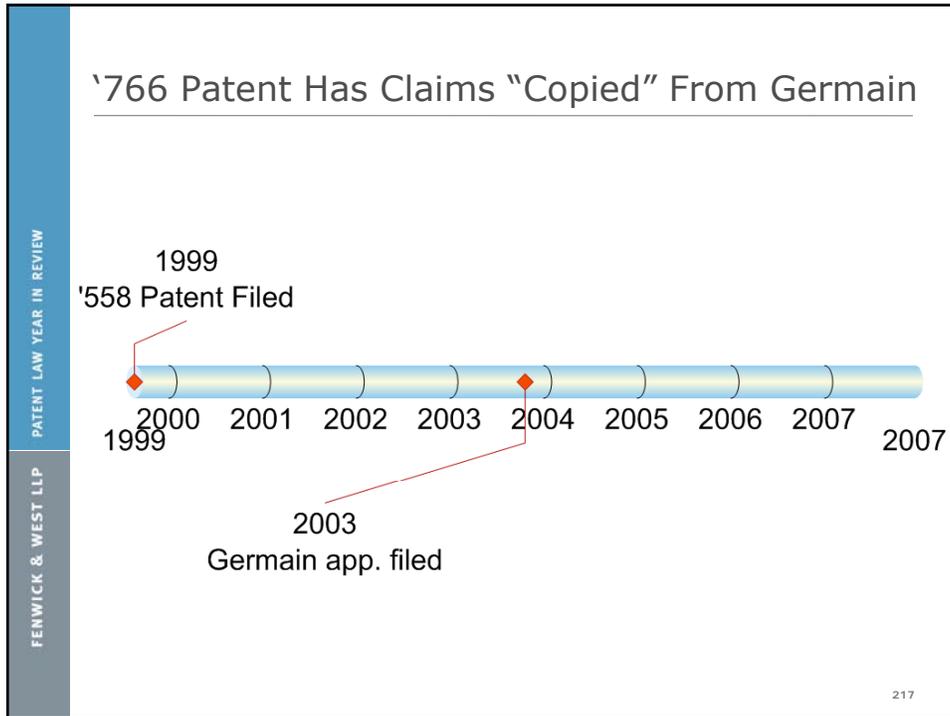
'558 Patent Filed

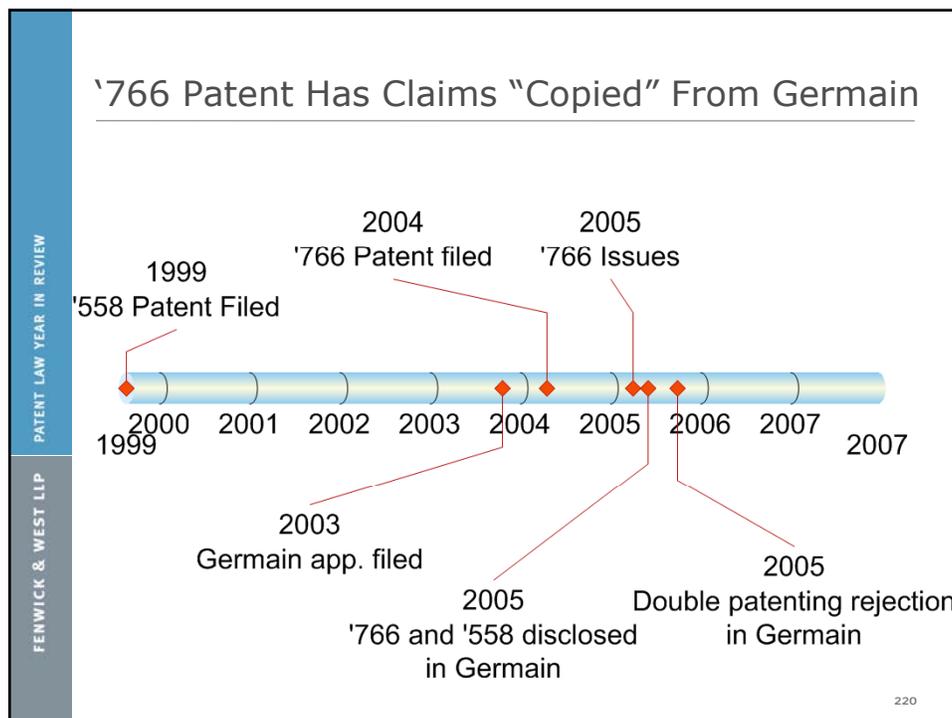
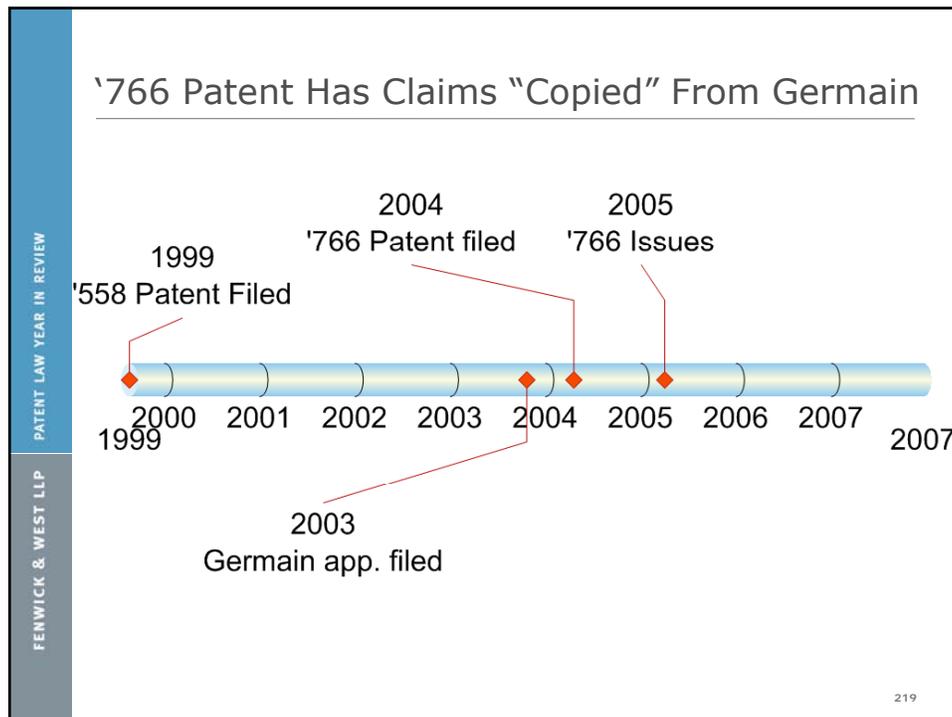
2000 2001 2002 2003 2004 2005 2006 2007

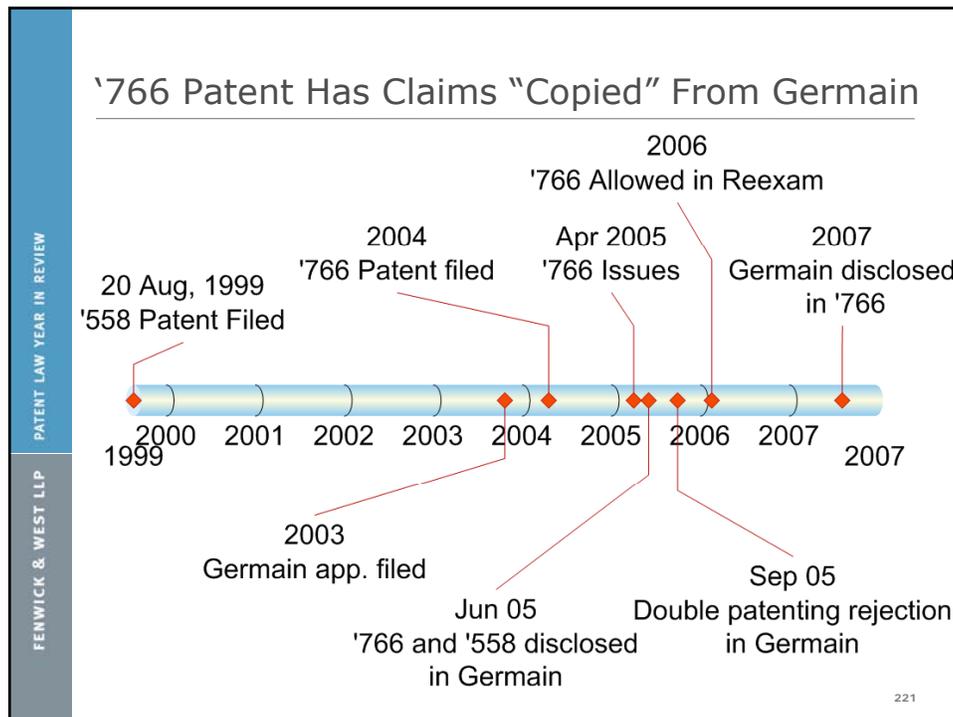
1999 2007

Inventors:
DiSalvo
Zeigler

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- ### Inequitable Conduct—materiality Of Germain
- HELD: Failure to cite Germain material
 - Agrees with district court on two grounds
 - Material to inventorship
 - Material to double patenting
 - Disagrees with district court on two grounds
 - Copying claims not *per se* material
 - PTO rule on copying claims primarily for interferences
 - Leviton did not (and could not) request interference
 - Not material to written description
 - Germain application does not affect whether '766 supports its claims
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Germain Material To Inventorship Of '766

- Parties differ on the importance of conception of what the '766 specification describes
 - Leviton: If claims described in '766 then Germain inventors could not have conceived because they are described in prior '588 specification
 - Meihao: Reasonable examiner would want to know if two applications with different inventors claimed same thing
 - Not discount Germain in determining inventorship based on priority
 - No person may patent an invention that "he did not himself invent" under §102(f)

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Germain material to inventorship of '766

- CAFC: Material because examiner would have to evaluate which set of inventors conceived
 - "It is not enough . . . that the earlier specification does in fact support the claims."
 - "Neither an inventor nor his counsel may graft claims onto an earlier specification if those claims do not reflect what the inventor actually invented at the time of the earlier application."
 - Citing cases on conception and §102(f)
 - Conception is what formed in inventors mind as invention
 - Unappreciated invention cannot be retroactively conceived
 - Copying of claims suggests named inventors may not have, in fact, invented the claims (reality "irrelevant")

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Copying Of Germain Claims Material To Double Patenting

- Parties disagree on whether '766 examiner would have rejected
 - Leviton: Double patenting to prevent two patents with same claims
 - Disclosed in Germain application
 - Examiner would allow priority application to issue and reject in later
 - Meihao: Examiner would provisionally reject both before withdrawing
- CAFC holds material even if rejection unlikely
 - PTO not required to withdraw provisional rejection of application with earlier priority

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Related Litigation Material To '766

- Twelve cases involving parent patents to '766 before issuance
 - Allegations of invalidity and unenforceability made in them
 - Prosecutors aware
 - Leviton argues challenges ultimately unsuccessful
- CAFC finds material
 - MPEP §2006(c) suggests doing it
 - Prior holding in *Nilssen*
 - "Leviton should have disclosed the existence of the cases themselves and material information from those cases, not just invalidating prior art."

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Fact Issues Prevent Summarily Finding Intent

- No prior case affirms summary finding of intent for omission vs. affirmative misrepresentation
- Prosecutor explanation in depo. plausible for Germain
 - Germain not prior art to '766
 - Cannot conclude unreasonable as matter of law
- Lack of explanation for litigation insufficient
 - Disclosure during reexam evidence of good faith
 - Evidentiary hearing required

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Vexatious Litigation Finding Vacated

- Intertwined with inequitable conduct
- Dicta expresses concern for finding vexatious litigation for instructing prosecutor not to answer after inequitable conduct alleged
 - "Leviton cannot be required to concede that Meihao satisfied the "substantial need" and "undue hardship" exceptions [to work product immunity] simply because a defense of inequitable conduct was raised."

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Prost In Dissent: Affirm Inequitable Conduct

- Rare case where facts support inferring intent
- Narcisse explanation that Germain not disclosed because it was not prior art:
 - “[I]ncredulous given the many reasons the Germain application should have been disclosed, including its obvious importance to inventorship and double-patenting issues.”
- Familiarity with litigation and MPEP provision
 - “[W]ithout providing any justification for withholding this information, Narcisse all but admitted that he withheld the related litigation with intent to deceive.”

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INEQUITABLE CONDUCT

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Misrepresenting Prior Art In Specification Material— *Ring Plus v. Cingular Wireless*

- Patent discloses software-based method for delivering messages over phone line during “ringing signal” period
- “Background” of spec. distinguishes references
 - Streitzel and Sleevi
 - “[I]n each of [these] there is no algorithm or software proposed for operating the telephone system . . . both propose hardware based systems, but no software to operate those systems.”

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Statements Are Misrepresentations Because Of Implicit Disclosure Of Software

- Streitzel
 - “computer-related components”
 - Message database, processing means, a router, Internet
 - Process flow diagrams illustrating algorithms
- Sleevi
 - Can be programmed to perform certain functions
- Witness testimony
 - Invalidity expert at trial
 - Prosecutor: Systems operated in part by software

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Misrepresentations Material

- Prosecutor statements
 - Depo: Were among most relevant prior art references
 - Opinion: No prior art more pertinent “fairly well precludes broad patent protection”
- Patentee: Attorney argument that cannot be material given references before examiner
 - IDS prepared but not submitted
 - Vigorous arguments OK
 - CAFC: Misrepresentations not OK
- CAFC reverses on intent

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Ex Parte Party Communications Do Not Warrant Disqualification Of Defense Counsel

- Email to defense counsel
 - “[B]een involved with the Ring Plus/['608] patent since the beginning” and that he “possess[ed] a great deal of information that I would like to share...patent strengths, weaknesses, Ring Plus legal strategy, claim defense strategy, etc.”
 - From personal email address
- Defense counsel contacts plaintiff counsel
 - Confirms not now or ever affiliated with Ring Plus
 - Officer and director of Ring Plus when email sent

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Ex Parte Party Communications Do Not Warrant Disqualification Of Defense Counsel

- Parties agree to schedule deposition
- Plaintiff tells witness not to disclose legal strategy
- Plaintiff counsel will not accept subpoena—do not represent him

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Ex Parte Party Communications Do Not Warrant Disqualification Of Defense Counsel

- ABA Model Rule 4.2: Prohibits communication with any person the lawyer knows to be represented by another lawyer regarding that subject
- Not error to find no knowledge of affiliation
 - Nothing in email indicates current affiliation
 - Sought confirmation and put Ring Plus on notice—no response
- Appearance of witness on privilege log too late
- Ultimately no harm, either

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ETHICAL ADVOCACY

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Pursuit Of Losing Theory Through Trial Not Grounds For Award Of Fees And Sanctions—*Medtronic v. Brainlab*

- CAFC reverses award of fees (jointly against plaintiff and counsel) for trying case doomed by claim construction ruling
- History of rulings
 - Summary Judgment denied by district court
 - JMOL denied after plaintiff's case in chief
 - JMOL denied at close of evidence
 - Jury verdict of infringement
 - JMOL granted after trial
 - CAFC affirms JMOL and claim construction
 - Exceptional case awarding fees

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Two Bases For District Court Award

- Plaintiff should have accepted claim construction doomed its case
 - Should appeal or abandon case
 - Critical of arguing position it lost to jury
- Counsel engaged in litigation misconduct in trial
 - Misleading jury about claim construction
 - Focusing comparison between parties' products rather than claims and product
 - Wrongfully arguing a statement in FDA submission was an admission of infringement

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PATENT LAW YEAR IN REVIEW

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Should Plaintiff Have Accepted Claim Construction Doomed Case?

- Image-guided surgical navigation
- Accused product
 - Optical sensing
 - "Passive" IR source with reflectors
 - Cameras detect reflection
 - Camera calibration
 - Pre-calibrated relative to each other
 - Does not require using reference markers to establish the three-dimensional coordinate system

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PATENT LAW YEAR IN REVIEW

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Plaintiff's Theories Do Not Succeed At Claim Construction—Bucholz

- Tracks instrument in patient's head during surgery
- Key "reference means" limitation
 - Detects location of instrument and head
 - Determines relative position
- Construed as acoustic only
 - Means is "an array of microphones"
 - Requires acoustic emitters on patient's head
 - Argued for and lost "array of sensors"

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Plaintiff's Theories Do Not Succeed At Claim Construction—Roberts

- Map CT or other imaging scan of head to microscope to produce overlay
- Establishes spatial relationship between microscope and reference markers ("fiducials")
- Construed as acoustic and electromagnetic only

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Plaintiff's Theories Do Not Succeed At Claim Construction—Heilbrun

- Optical system for locating medical instrument relative to body
- Begin by establishing 3D coordinate framework
 - Multiple cameras make pairs of images
 - Intersecting site lines of reference markers
- Required re-calibration of cameras if moved

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Should Plaintiff Have Accepted Claim Construction Doomed Case?

- Image-guided surgical navigation
- Accused product
 - Optical sensing
 - "Passive" IR source with reflectors
 - Cameras detect reflection
 - Camera calibration
 - Pre-calibrated relative to each other
 - Does not require using reference markers to establish the three-dimensional coordinate system

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Should Plaintiff Have Accepted Claim Construction Doomed Case—Legal Standards

- Allowed to pursue claims that are “not frivolous or objectively unreasonable”
 - Presumption that assertion of infringement made in good faith—Clear and Convincing evidence to rebut
 - Rulings indicate objective reasonableness
 - Denial of summary judgment and JMOL;
 - Jury’s favorable verdict;
 - . . . absent misrepresentation

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Should Plaintiff Have Accepted Claim Construction Doomed Case—summary Judgment Analysis

- Buchholz and Roberts patents
 - Plaintiff fell back to DOE
 - Argued “array of sensors” theory
 - Inventor submissions—optical and acoustic perform same function
 - Both used form of radiation and sensors . . .
 - Inventive breakthrough was different aspect
 - Experts in opposing summary judgment—substantial equivalent
 - Provided opinions that passive optical system was equivalent to acoustic system
 - Same function
 - Said he applied courts construction and determined equivalence
- “Medtronic’s expert witnesses set forth their views that use of an optical rather than acoustic system was not a sufficiently important distinction” to preclude DOE
- Prosecution history estoppel—not clear cut

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Should Plaintiff Have Accepted Claim Construction Doomed Case—summary Judgment Analysis

- Heilbrun patents
 - Plaintiff advanced 4 theories for “fiducial means” that performed calibration
 - Expert articulated theory
 - Ambiguous document from defendant
 - “Establishes the 3D coordinate system for VectorVision . . . ”

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PATENT LAW YEAR IN REVIEW
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Litigation Misconduct—“Innocuous” Statements

- CAFC undertakes detailed analysis of trial record
- Most conduct complained of by district court has an non-objectionable interpretation
- “Tracking is tracking”
 - D.Ct: Misguided the jury about requirements of infringement analysis
 - CAFC: Shorthand way of summarizing theory of case that was not unfair or confusing
- Not improper explanations
 - Challenging opponent’s arguments
 - Experts testified they understood and were using court’s construction
 - Limiting cautionary instructions from court on product-to-product comparisons

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PATENT LAW YEAR IN REVIEW

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Litigation Misconduct—Objectionable Statement Does Not Justify Award Of Fees

- Doctrine of equivalents key infringement issue
 - Defendant FDA submission: “substantial equivalence” to plaintiff’s product already on sale in U.S.
- Opening statement:
 - “told the FDA [VectorVision is] equivalent [to StealthStation]—doctrine of equivalent; told the FDA, equivalent.”
- Closing arguments—who invented it first
 - “They went to the FDA, and they told the FDA that our products are—the substantial equivalence here is between this product—that is, the VectorVision—is similar in design, composition, and function to the StealthStation. Bears directly on what we are doing here today.”
 - <objection and cautionary instruction>
 - “Right, Your Honor, this is an admission.”

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PATENT LAW YEAR IN REVIEW

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Litigation Misconduct—Objectionable Statement Does Not Justify Award Of Fees

- Defer to district court interpretation of it—CAFC believes others are possible
- Not enough to justify award of fees for proceedings post summary judgment

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PATENT LAW YEAR IN REVIEW

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ETHICAL ADVOCACY

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PATENT LAW YEAR IN REVIEW

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Objectively Baseless Standard Identical To Objectively Reckless For Willful Infringement—*iLOR v. Google*

- Single claim term at issue: “toolbar being displayable based on a location of a cursor in relation to a hyperlink”
- Automatically display when hover vs. right-click
 - Right-click links in accused Google Notebook to display toolbar (select “Note this item”)
 - Patent specification distinguished “right clicking on [a] link” and selecting “open in new window”
 - File history statements
 - “[Prior art] teaches that a user must click on or select a hyperlink In contrast, the present invention detects a cursor in proximity to the hyperlink”

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PATENT LAW YEAR IN REVIEW

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District Court And CAFC Agree: No Infringement

- District court grants summary judgment of non-infringement and dismisses
- CAFC affirms on appeal
 - Spec. teaches hovering may cause toolbar display
 - Nothing indicated further action required
- District court granted motion for attorneys fees
 - Case “not close” on the merits
 - iLOR acted with subjective bad faith because it knew of operation of Google Notebook

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PATENT LAW YEAR IN REVIEW

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Award Of Fees To Prevailing Defendant Under §285

- Interpreted against backdrop of *Professional Real Estate Investors v. Columbia Pictures*
 - Implicates First Amendment rights
 - Allegedly-frivolous litigation only sanctioned if “objectively baseless”
- Absent misconduct, award of fees against plaintiff requires
 - (1) Litigation brought in bad faith
 - (2) Litigation is objectively baseless
 - (3) Established by clear and convincing evidence

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PATENT LAW YEAR IN REVIEW
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Objective Baselessness Standard

- “Is identical to the objective recklessness standard for enhanced damages and attorney’s fees against an accused infringer”
 - Quoting In re *Seagate*
 - Does not depend on plaintiff’s state of mind at the time the action was commenced
 - “Is to be determined based on the record ultimately made in the infringement proceedings”

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PATENT LAW YEAR IN REVIEW
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iLOR’s Claim Not Objectively Baseless

- Literal claim language does not require automatic display
- Specification does not include express exclusion of it
- Prosecution history could be argued to apply to different claims
- “[T]his suit presents a routine question of claim construction in which the issues are often complex and the resolutions not always predictable”
- Pre-suit statements by plaintiff’s CEO “irrelevant”
 - Differentiated iLOR product from Google product
 - Finding “is to be determined by the record made in the infringement proceedings”

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PATENT LAW YEAR IN REVIEW

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PATENT LAW YEAR IN REVIEW

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Prosecution Bar In Protective Order Analyzed Under CAFC Standard—In Re *Deutsche Bank*

- Patents-in-suit part of ongoing family of apps.
 - Nineteen pending
 - Fifteen still unpublished
- District court exempts lead trial counsel from prosecution bar in protective order
- CAFC takes on writ of mandamus
- Vacates and remands for taking evidence on application of rule it creates

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PATENT LAW YEAR IN REVIEW

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Prosecution Bar In Protective Order Analyzed Under
CAFC Standard—In Re *Deutsche Bank*

- CAFC will apply Federal Circuit law to issue
 - Implicates issues of substantive patent law
 - Not uniformity among circuits now
- Party seeking bar must show that the:
 - Information designated to trigger the bar,
 - Scope of activities prohibited by the bar,
 - Duration of the bar, and
 - Subject matter covered by the bar
 - Reasonably reflect the risk presented by the disclosure of proprietary competitive information

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PATENT LAW YEAR IN REVIEW

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Prosecution Bar In Protective Order Analyzed Under
CAFC Standard—In Re *Deutsche Bank*

- Party seeking an exemption from a bar must show two things on a counsel-by-counsel basis:
- (1) that counsel’s representation of the client in matters before the PTO
 - does not and is not likely to implicate competitive decisionmaking related to the subject matter of the litigation
 - so as to give rise to a risk of inadvertent use of confidential information learned in litigation

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PATENT LAW YEAR IN REVIEW
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Prosecution Bar In Protective Order Analyzed Under
CAFC Standard—In Re *Deutsche Bank*

- Party seeking an exemption from a bar must show two things on a counsel-by-counsel basis:

(2) that the potential injury to the moving party from restrictions imposed on its choice of litigation and prosecution counsel outweighs the potential injury to the opposing party caused by such inadvertent use

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PATENT LAW YEAR IN REVIEW
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Factors To Consider—Competitive Decision Making

- Prosecution activities likely to NOT be “competitive”
 - “High-altitude oversight” with no significant role in crafting applications or advising on direction
 - “Little more than reporting office actions or filing ancillary paperwork.”
- Prosecution activities likely TO be “competitive”
 - Taking disclosures / investigating prior art
 - strategic decisions on the type and scope of patent protection
 - writing, reviewing, or approving new applications or continuations-in-part of applications to cover those inventions;
 - strategically amending or surrendering claim scope during prosecution

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PATENT LAW YEAR IN REVIEW

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Balancing Risk Of Disclosure With Harm Of Denying Client Choice Of Counsel—Considerations

- Extent and duration of counsel’s past history in representing the client before the PTO
- Degree of the client’s reliance and dependence on that past history
- The potential difficulty the client might face if forced to rely on other counsel for the pending litigation or engage other counsel to represent it before the PTO

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PATENT LAW YEAR IN REVIEW

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Guidance On Other Factors

- Type of information
 - “Not normally be relevant to a patent application”
 - Financial data and other sensitive business information, even if deemed confidential
 - “May pose a heightened risk”
 - Information related to new inventions and technology under development,
 - Especially those that are not already the subject of pending patent applications

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PATENT LAW YEAR IN REVIEW

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PATENT MALPRACTICE JURISDICTION

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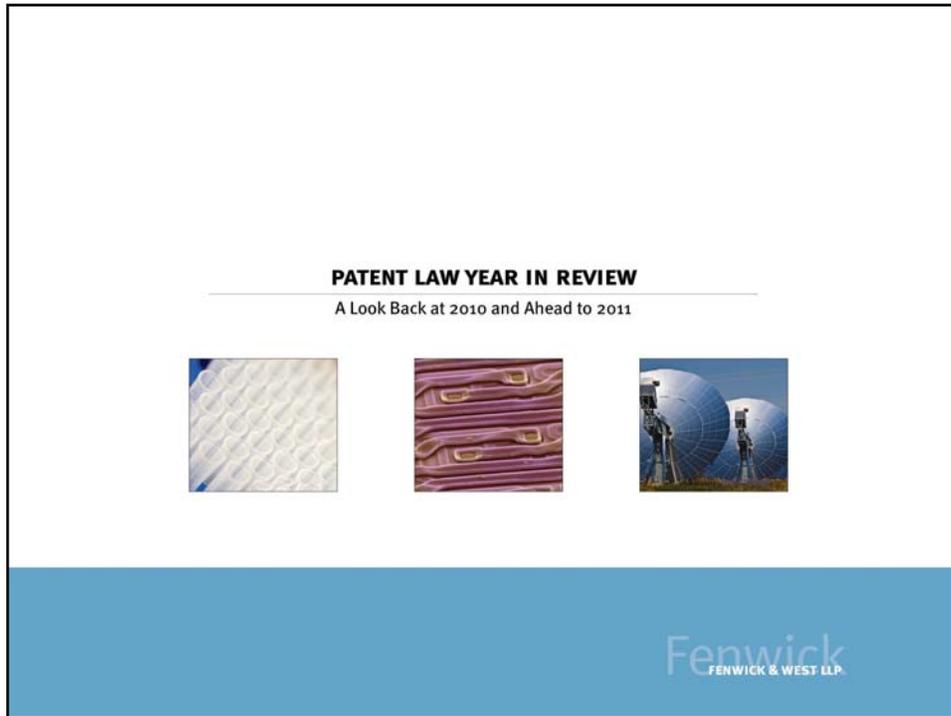
PATENT LAW YEAR IN REVIEW

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Jurisdiction To Hear Patent Legal Malpractice

- Exclusive federal jurisdiction if claims involve determining substantial question of patent law
- California courts reject exclusive federal jurisdiction for claimed malpractice in bringing unmeritorious claim
 - Pled as losses from counsel not investigating to determine no facts to support claim
 - No need to determine outcome of litigation
 - *E-Pass Technologies v. Moses & Singer* (Cal. App.)
- CAFC holds it has exclusive jurisdiction
 - Pled as losses from having to settle on account of counsel's negligence (inequitable conduct, maintenance fee)
 - Will require showing plaintiff will have prevailed
 - *Warrior Sports v. Dickson Wright*
- Watch how federal courts treat *E-Pass* pleading

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PATENT LAW YEAR IN REVIEW

Cases

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Look Ahead

(*Virginia Demarchi*)

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583 F.3d 832 (Fed. Cir. 2009), cert. granted 131 S. Ct. 502, 178 L. Ed. 2d 368, 2010 U.S. LEXIS 8553, 79 U.S.L.W. 3268 (U.S. 2010)

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593 F.3d 1325 (Fed. Cir. 2010)

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(Mike Sacksteder)

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(Michael Sacksteder)

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Ilor, LLC v. Google, Inc.
2011 U.S. App. LEXIS 516 (Fed. Cir. Jan. 11, 2011)

Litigation Alert

The Federal Circuit Issues Writ of Mandamus to Transfer Patent Suit from the Eastern District of Texas

November 11, 2010

MICHAEL J. SACKSTEDER, RYAN J. MARTON AND GUINEVERE JOBSON

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The Federal Circuit has taken away another tool used by patent plaintiffs to keep lawsuits in the Eastern District of Texas in spite of motions to transfer by defendants. “Non-practicing entities” (known as NPEs or sometimes by a more disparaging term) often attempt to make their lawsuits “stick” in the Eastern District by incorporating in Texas and/or by establishing a “headquarters” in that district. (One of the authors has considered performing an empirical study of how many NPEs list their address as 104 E. Houston Street in Marshall, Texas. 104 E. Houston Street is located next door to the Federal courthouse in Marshall). When considering venue transfer motions, Eastern District judges had previously declined to examine whether such tactics were motivated by litigation strategy or by other considerations. A recent Federal Circuit ruling changes that.

On November 8, 2010, the Federal Circuit in *In re Microsoft Corp., No. 944* (Fed. Cir. Nov. 8, 2010) granted Microsoft’s petition for a writ of mandamus finding the District Court’s denial of Microsoft’s motion to transfer pursuant to 28 U.S.C. §1404(a). The Federal Circuit determined that the denial was a clear abuse of discretion and ordered the case to be transferred to the Western District of Washington as the more convenient forum. This decision is the most recent in a line of Federal Circuit decisions ordering transfer out of the Eastern District of Texas. *See e.g., In re Nintendo Co.*, 589 F.3d 1194 (Fed. Cir. 2009) (transfer ordered where plaintiff had no contact with the district); *In re Hoffmann-La Roche, Inc.*, 587 F.3d 1333 (Fed. Cir. 2009) (rejecting a plaintiff’s litigation-inspired attempts to create contacts in the jurisdiction for purposes

of manipulating venue); *In re Genentech, Inc.*, 566 F.3d 1338 (Fed. Cir. 2009) (the trial court failed to perform a meaningful analysis of the factors relating to the convenience of the parties and witnesses); *In re TS Tech USA Corp.*, 551 F.3d 1315 (Fed. Cir. 2008) (all key witnesses and sources of proof were in transferee forum). In this decision, the Federal Circuit confirmed that tactics designed to establish a presence in a district for the sole (or primary) purpose of maintaining venue there should be rejected.

In August 2009, Allvoice Developments U.S. (“Allvoice”) filed suit against Microsoft for patent infringement in the Eastern District of Texas, alleging that Microsoft’s XP and Vista systems infringe its patent relating to software that allows voice recognition in word-processing applications. Allvoice, which is apparently based in the United Kingdom, was incorporated in Texas sixteen days before filing the suit. Around that same time, it opened an office in Tyler, Texas. That office employed no one. Customer calls, though directed to the Texas office, were forwarded to London, where all requests and inquiries were handled. Allvoice had also shipped documents related to the litigation to its Texas office just prior to filing suit and claimed that its documents are maintained there. Microsoft moved to transfer the case to the Western District of Washington. The District Court denied the motion, explaining that because Allvoice is incorporated in Texas and has an office in Texas, the district has an interest adjudicating the matter. The Court also gave weight to the fact that Allvoice’s documents were located in Texas and several purported third-party witnesses were located closer to Texas than to Washington State.

The Federal Circuit rejected the district court’s reasoning, holding that the courts need not “honor connections to a preferred forum made in anticipation of litigation and for the likely purpose to make that forum appear convenient.”

In its ruling, the Federal Circuit recognized that Allvoice’s asserted ties to Texas were clearly undertaken in anticipation of litigation and should therefore be rejected. It also criticized the District Court for accepting Allvoice’s argument that its principal place of business was in the Eastern District “without scrutiny,” and instead emphasized the importance that courts “ensure that the purposes of jurisdictional and venue laws are not frustrated by a party’s attempt at manipulation.” The court likened Allvoice’s offices in Tyler, Texas, to those in *In re Zimmer Holdings, Inc.*, 609 F.3d 1378 (Fed. Cir. 2010), reaffirming that offices which “staffed no employees, were recent, ephemeral, and an artifact of litigation and appeared to exist for no other purpose than to manipulate venue” do not establish convenience in the venue analysis. The additional fact that Allvoice also took the step of incorporating in Texas (sixteen days before filing suit) also failed to make venue appropriate.

In reaching its conclusion, the Federal Circuit found that the convenience and fairness to the identified witnesses tipped in favor of Microsoft – all of Microsoft’s identified witnesses resided within 100 miles of the transferee venue. In contrast, while Allvoice had identified two witnesses within Texas, the twelve remaining identified witnesses resided outside Texas and would be required to travel in any event.

Over the past two years, the Federal Circuit has steadily removed bases upon which patent plaintiffs have relied to avoid transfer out of the Eastern District of Texas. *Microsoft* appears to be another step in this process.

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Will the Supreme Court Heed Calls to Lower the Standard of Proof for Patent Validity Challenges?

November 18, 2010

BY ILANA S. RUBEL

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In the technology world, being a big player has increasingly meant being a big target for patent suits. At any given time, a company such as Microsoft, Intel or Dell may face dozens of patent suits around the nation, with potential exposure in the many millions.

Nor is this just an issue facing large companies. With the skyrocketing increase in patent litigation in recent years, and the absence of tangible developments in patent reform legislation to contain the explosion, the issue is taking on central importance for low- and high-technology companies of all sizes. While there has long been discussion of legislative reform to stem the tide of patent suits, to date such reform has not materialized. Some of the largest players across many industries recently sent a message to the Supreme Court seeking judicial action to ease the burden on patent defendants.

For many defendants that find themselves on the receiving end of a patent suit, a key defense is the argument that the patent being asserted is invalid – perhaps because the invention was obvious in light of prior art, it had been offered for sale more than a year before patent protection was sought, or on other grounds. However, regardless of the invalidity basis asserted, defendants have long faced a steep uphill battle, as the Federal Circuit has placed a heavy burden on defendants seeking to mount an invalidity defense. This could all change in the near future; the Supreme Court may provide the relief to patent defendants that they have thus far been unable to obtain through legislative reform.

In the potentially pivotal case of *Microsoft Corp. v. i4i*, Microsoft (with the assistance of some of the heaviest hitters in the technology and academic arenas), is asking the Supreme Court to change the standard for determination of patent validity. Petition for writ of certiorari, appealing from *i4i Limited Partnership v. Microsoft Corp.*, 598 F.3d 831 (Fed. Cir. 2010). If the appeal is successful, the effects could be profound and far reaching with respect to patent litigation across every industry.

Section 282 of the Patent Act, 35 U.S.C. Section 282, states, in relevant part: “A patent shall be presumed valid...the burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity.”

While the statute itself specifies no particular standard of proof for the establishment of invalidity, for more than 25 years, the Federal Circuit has interpreted the presumption of validity codified in the provision to require that invalidity of a patent must be proven by clear and convincing evidence rather than by a preponderance of the evidence. The Federal Circuit instituted this rule in order to accord deference to the work done by the patent examiner at the Patent and Trademark Office (the “PTO”), who holds expertise in the area of the claimed invention, examined pertinent prior art and found the patent at issue to be valid. However, the Federal Circuit has applied the heightened “clear and convincing evidence” standard to all invalidity defenses, regardless of whether the prior art evidence at issue was ever presented to or considered by the patent examiner during prosecution of the patent being asserted.

The underlying rationale for this invalidity standard is coming under fire in *Microsoft v. i4i*, a case that reflects the largest patent infringement verdict ever to be affirmed on appeal. *i4i* brought suit against Microsoft alleging that the latter’s Word software infringed *i4i*’s patent related to customizing extensible markup language, or XML. Microsoft contended at trial that the disclosed invention had been embodied in an earlier version of *i4i*’s software that had been sold years before the patent application was filed. If true, this would render the purported invention unpatentable under the “on-sale bar” of 35 U.S.C. Section 102(b). There was no dispute that this earlier, potentially invalidating version of *i4i*’s software had never been provided to the patent examiner during the course of the patent’s prosecution (although *i4i* did dispute that the earlier software practiced the invention). However, because the source code for the earlier product had been destroyed prior to the

filing of the lawsuit, the Eastern District of Texas jury concluded that Microsoft could not show invalidity by clear and convincing evidence. Microsoft was ordered to pay \$290 million for its alleged infringement, an award that was upheld by the Federal Circuit on appeal.

Microsoft has petitioned the Supreme Court for certiorari, arguing that the rationale for application of a “clear and convincing” standard is not present when the invalidity defense rests on prior art evidence that was not presented to or considered by the PTO. That is, why accord deference to the examiner’s conclusion as to materials the examiner did not even consider?

Of perhaps greater note than Microsoft’s petition, however, is the cavalry riding to Microsoft’s defense. Eleven amici briefs have been filed in support of Microsoft’s position - the most amici filings in support of a certiorari petition in eight years. The filers comprise a remarkable array of academic and industry players, including Google, Verizon, Dell, Hewlett-Packard, Wal-Mart, Apple, Facebook, Yahoo!, Intel, Intuit, Netflix, Toyota, Cisco Systems, General Motors, the Electronic Frontier Foundation, the Securities Industry and Financial Markets Association, and a group of 36 law, business and economics professors.

Some of these amici focus on the problems the current elevated standard creates for their particular industries, but all agree that the current system wrongly stacks the deck in favor of patent holders to the detriment of the public interest. A few go further even than Microsoft; the professors, for example, argue that in light of the inadequate resources of the PTO, validity should always be determined under a preponderance rather than a clear and convincing standard in all cases, not merely those instances in which previously unconsidered art is at issue. They note that on average, an examiner spends between 16 and 17 hours spread over a period of three to five years on any given patent application - a minimal time investment that should not entitle that examiner’s conclusion to any special deference. The brief signed by Google, Verizon, Dell, and other industry players makes a similar recommendation, noting that neither the Patent Act nor public policy considerations require the validity standard ever to differ from the

preponderance standard in effect for all other civil litigation. Invalid patents, they argue, “stifle, rather than promote, the progress of useful arts.” Citing *KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398, 427 (2007).

Undaunted by the crowd in Microsoft’s court, i4i argued forcefully against a judicial change to the current standard in its Nov. 5, 2010 opposition to Microsoft’s certiorari petition. Therein, i4i principally pressed the Supreme Court to exercise judicial restraint and refrain from making changes to the law that Congress has to date declined to undertake. i4i pointed out that Congress has been well aware of the Federal Circuit’s heightened standard for invalidity challenges for decades. During that time, Congress has made other changes to the Patent Act while electing not to alter this standard, thus it should be inferred that Congress intended to retain the current clear and convincing standard for all invalidity challenges. i4i further emphasized that Congress has made it easier to challenge patents through the reexamination process, evidencing a legislative intent that validity be challenged primarily through PTO proceedings rather than through the courts.

This case clearly has caught the attention of the technology world, which views the standard to be applied to validity challenges in patent suits to be enormously important and often outcome-determinative. In the absence of legislative action to meaningfully curb patent suits, a judicial change to this standard could be the fastest and most practicable means for defendants to obtain relief from proliferating patent suits. Many will be watching closely to see if the Supreme Court accepts the case, and if it does, whether it will simply reaffirm the Federal Circuit’s existing practice, alter the standard of proof with respect to newly found prior art, or go further still to alter the burden in all validity challenges.

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Patent/Antitrust Litigation Alert

Federal Circuit Limits Patent Misuse in *Princo*

September 2, 2010

BY TYLER A. BAKER AND ERIN SIMON

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A sharply divided *en banc* U.S. Court of Appeals for the Federal Circuit significantly narrowed the scope of the patent misuse defense this week. In *Princo Corp. v. International Trade Commission*, a five judge majority drew a sharp line between general antitrust violations in which patents might be involved and a few well-delineated practices which can now constitute patent misuse rendering a patent unenforceable. Two judges concurred on a limited basis, and two judges strongly dissented.

The majority decision emphasized the “narrow scope of the doctrine,” stating that a presumptive infringer cannot escape liability “simply because a patentee engages in some kind of wrongful commercial conduct, even conduct that may have anticompetitive effects.” Slip Op. at 19. Rather, patent misuse must consist of improper “leveraging” of the particular patent asserted against the defendant to broaden the scope of the patent monopoly, typically by tying or requiring payment outside the term of the patent. Anticompetitive practices with only loose connection to the asserted patent—such as suppressing a potentially competitive technology—must find a remedy in antitrust, not patent, law.

Facts and Background

The dispute in *Princo* centered on industry standards for recordable CD-R and CD-RW technology, codified in a publication known as the “Orange Book.” The standards in question included a method of encoding location information in the CDs, enabling CD drives to maintain proper positioning while reading and writing to the discs. In developing the technology, Philips and Sony each arrived at a separate solution to the positioning problem. Philips’ method was patented in the Raaymakers patents, while Sony’s was in the Lagadec patent. The companies agreed that the Raaymakers approach was superior and

incorporated it in the Orange Book standards. Philips and Sony, along with several other patent holders, created a pool of patents related to the Orange Book. The Lagadec patent was included in the pool on the ground that it arguably read on part of the Raaymakers patent. Philips offered package licenses to the pool, all of which included field-of-use limitations limiting the use of the patents (including the Lagadec patent) to Orange Book-compliant disc production.

Princo Corporation initially licensed the Orange Book patents, but ceased paying royalties, prompting Philips to initiate an investigation in the International Trade Commission to block importation of *Princo*’s allegedly infringing CDs. *Princo* raised patent misuse as a defense, arguing that the pool licenses improperly tied patents necessary to the Orange Book standards to licenses of other, unnecessary patents; that the pooling constituted price fixing and price discrimination; and that inclusion of the Lagadec patent in the pool along with Sony’s agreement not to license it outside the pool foreclosed competition between it and the Raaymakers technology. In an earlier appeal, the Federal Circuit disposed of the tying argument, finding that Philips’ licenses simply charged a flat fee regardless of the licensee’s use, and that the package licenses minimized transaction costs and reduced the risk of post-agreement disputes as to which patents were actually necessary to the standard. Additionally, grouping patents together in package licenses “has potential to create substantial precompetitive efficiencies such as clearing possible blocking patents, integrating complementary technology, and avoiding litigation.” Slip Op. at 11 (quotation omitted).

The Decision

The en banc *Princo* decision addressed Princo's remaining argument that Philips and Sony colluded to suppress the Lagadec technology by licensing it only in the Orange Book pool with the Raaymakers technology, foreclosing the possibility of the Lagadec patent providing the basis for the creation of a competing standard for CDs. On remand, the ITC had ruled that there was no misuse, and Princo appealed. The Federal Circuit rejected its argument on two grounds, one legal and one factual.

Patent Misuse is Limited and Distinct from General Antitrust Violations

As a legal matter, the majority laid down the clear rule that patent misuse must constitute "leveraging" the specific asserted patent to improperly enlarge the patent monopoly. The Court relied primarily on early Supreme Court cases in which patent holders conditioned licenses for patented equipment to the purchase of unpatented commodities:

What patent misuse is about, in short, is "patent leverage," i.e., the use of the patent power to impose over-broad conditions on the use of the patent in suit that are not within the reach of the monopoly granted by the Government. What that requires, at minimum, is that the patent in suit must itself significantly contribute to the practice under attack. Patent misuse will not be found when there is no connection between the patent right and the misconduct in question, or no "use" of the patent.

Slip Op. at 24 (internal quotations and citations omitted). The "claimed horizontal agreement between Philips and Sony to restrict the availability of the Lagadec patent—an entirely different patent that was never asserted in the infringement action against Princo" lacked the required "link" between

the patent in suit and the alleged misconduct. "At bottom," the Court held, "Princo's complaint is not that its license to the Raaymakers patents is unreasonably conditioned, but that the Lagadec patent has not been made available for non-Orange-Book uses. And that is not patent misuse under any court's definition of the term." Slip Op. at 27.

Standards-setting and Ancillary Restraints Analyzed through the Rule of Reason

Although the Court could have stopped there, it also addressed the factual deficiencies in Princo's defense. While this portion of the opinion is technically *dicta*, it is likely to have continuing importance. The Court held that patent misuse requires a showing that the patentee's conduct had anticompetitive effects: "What Princo had to demonstrate was that there was a 'reasonable probability' that the Lagadec technology, if available for licensing, would have matured into a competitive force in the storage technology market." Slip Op. at 38. The Court agreed with the ITC's determination that Princo failed to show that the Lagadec technology could have been a viable competitor to Raaymakers apart from the challenged agreements. The ITC found the Lagadec method lacking in both technical feasibility and commercial potential.

In addition to its deference to the ITC's factual findings, the Court apparently was influenced by a desire not to discourage research joint ventures and standards-setting:

Collaboration for the purpose of developing and commercializing new technology can result in economies of scale and integrations of complementary capacities that reduce costs, facilitate innovation, eliminate duplication of effort and assets, and share risks that no individual member would be willing to undertake alone, thereby "promot[ing] rather than hinder[ing] competition."

Slip Op. at 31 (quoting Dep't of Justice & FTC, *Antitrust Guidelines for the Licensing of Intellectual Property* §§ 5.1, at 24; 5.5, at 28 (Apr. 6, 1995)). Following the path chartered in the earlier *Princo* appeal, the Court stressed the procompetitive benefits of industry standardization, which increases competition among interoperable products and spurs innovation. Accordingly, courts must use the rule of reason to assess not only joint ventures and standard setting activities, but also the 'ancillary restraints' that enable them, such as agreements between collaborators not to compete against their joint venture. Such agreements are not naked restraints meriting "quick look" analysis, because they legitimately ensure that the resources invested by one joint venturer will not be undermined or exploited by the other.

The Dissent

In a sharply-written dissent, the two judges who constituted the majority in the panel opinion issued a passionate warning of the dangers of collusion and the difficulty of policing this type of conduct without a vigorous patent misuse defense:

The majority's strict standard fails to provide adequate protection against the suppression of nascent technology, and allows patent holders free rein to prevent the development of potentially competitive technologies except in the most extreme and unlikely circumstances.

Dissent at 32. Framing the antitrust issue as Philips' agreement to protect Raaymakers from competition by suppressing Lagadec, the dissent reads the Supreme Court precedent to mean that "license agreements that suppress alternative technologies can constitute misuse of the patents for the protected technology." Because Philips would never need to assert the patent it allegedly suppressed, it would never be vulnerable to a misuse defense grounded solely in the Lagadec patent, and barriers to private antitrust suits are high, insulating this sort of collusive agreement

from judicial scrutiny. The dissent also criticizes the majority's holding that the accused infringer must show that the technology was, or would have become, commercially successful, given that agreements between competitors not to compete are "classic antitrust violations" subject to the so-called "quick look" analysis. Dissent at 23.

Because of the sharp division between the majority and the dissenters on the legal question of what conduct can constitute patent misuse, *Princo* is likely to seek review by the Supreme Court. The strong findings of fact by the ITC are likely to make the secondary ruling on competitive effect less attractive for further review. In any event, *Princo* is a major decision on an important issue in many patent infringement cases.

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Patent Litigation Alert

What Kind of Bag Holds a \$19B Cat? *Uniloc v. Microsoft*: Federal Circuit Rules on Reasonable Royalty Damages Issues

JANUARY 6, 2011

BY HEATHER MEWES, RYAN MARTON, AND TODD GREGORIAN

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On January 4, 2011 the Federal Circuit in *Uniloc USA, Inc. v. Microsoft Corp.* made two significant rulings on recurring issues in the area of patent damages:

- It eliminated the criticized 25% “rule of thumb” frequently used as a baseline for determining reasonable royalty damages, and
- It clarified that evidence of entire market value calculations—where the plaintiff attempts to tie the reasonable royalty to the full value of a product containing the patented invention—will not be permitted in absence of clear economic justifications.

Uniloc is another installment in the trend marked by the recent *ResQNet.com v. Lansa* decision where the Federal Circuit pronounced that plaintiffs in patent cases “must carefully tie proof of damages to the claimed invention’s footprint in the market place.”

BACKGROUND OF THE CASE

In *Uniloc*, the plaintiff asserted U.S. Patent No. 5,490,216 (“the ‘216 patent”), relating to anti-piracy software registration. Uniloc accused Microsoft’s Product Activation feature for Windows XP and Word 2003 of infringement of the ‘216 patent. At trial the jury found claim 19 of the ‘216 patent valid and infringed and awarded Uniloc \$388 million.

Uniloc’s damages theory was based on an internal Microsoft document ascribing a \$10 to \$10,000 value to “Product Keys.” From that document, the expert took the lowest “isolated” value of Microsoft’s Product Activation feature, \$10, and then applied the “25% rule of thumb,” to determine a baseline royalty rate. This rule, which the expert invoked based on its past

“accept[ance] by Courts as an appropriate methodology in determining damages” allocates 25% of product value to the inventor and 75% to the licensee.

The expert then considered the factors outlined in *Georgia-Pacific Corp. v. U.S. Plywood Corp.*, 318 F. Supp. 1116 (S.D.N.Y. 1970) to determine whether they necessitated any adjustments to the presumptive rate and concluded they did not. Multiplying \$2.50 (25% of the \$10 ‘isolated’ Product Activation value) by 225,978,721, the total number of licenses for the accused products, the expert arrived at a total damages figure of over \$564 million. Finally, the expert performed what he termed a “reasonableness check” on the ultimate damages figure—because it was “a significant amount of money”—by multiplying the total number of accused product licenses by their average sales price. The jury was presented with a demonstrative comparing the proposed damages award with this total revenue figure, \$19.28 billion.

Following the jury verdict, the district court granted a new trial on damages on the basis that the jury had been improperly presented with entire market value calculations (the district court noted the “\$19 billion cat was never put back into the bag”), but rejected Microsoft’s contention that the expert’s use of the 25% rule of thumb also warranted a new trial.

THE FEDERAL CIRCUIT’S DAMAGES RULINGS

The 25 Percent Rule

After tracing the history of the 25% rule, the Court observed that it had not previously squarely addressed its admissibility, but rather had “passively tolerated its use where its acceptability has not been the focus of the case.” Relying on other recent Federal

Circuit decisions, *ResQNet* and *Lucent*, which require evidence of a reasonable royalty to be closely tied to the technological area under discussion, the Court noted more generally that there must be a basis in fact to associate royalty rates used in prior licenses to the particular hypothetical negotiation at issue. The “25 percent rule of thumb as an abstract and largely theoretical construct fails to satisfy this fundamental requirement,” because it does not provide evidence of what would happen in a particular hypothetical negotiation or a particular technological area. In the illustrative example provided by the Court, the 25% rule makes the same royalty rate prediction for a negotiation involving a portfolio of foundational patents over hard drives as it would for a single patent to a small improvement in film emulsion. Accordingly, the court concluded:

This court now holds as a matter of Federal Circuit law that the 25 percent rule of thumb is a fundamentally flawed tool for determining a baseline royalty rate in a hypothetical negotiation. Evidence relying on the 25 percent rule of thumb is thus inadmissible under *Daubert* and the Federal Rules of Evidence, because it fails to tie a reasonable royalty base to the facts of the case at issue.

(Slip. Op. at 41.) The court went on to hold that the use of the *Georgia-Pacific* factors to adjust the rate could not remediate the underlying error of using the 25% rule.

The Entire Market Value Rule

The Circuit goes on to make clear that patentees cannot get entire market value calculations in through the back-door when the entire market value rule is not applicable. The entire market value rule provides that, where a patented component is the basis for consumer demand of a larger product, the revenues for that larger product may properly be used as the royalty base when determining a reasonable royalty. Here, the entire market value rule was unavailable: the

Microsoft Product Activation feature is clearly not what drives demand for Microsoft’s word processing software or operating systems. Nonetheless, Uniloc had presented the jury with Microsoft’s \$19B revenue figure as a “check” on its damages calculation. The Federal Circuit agreed with the district court that this was inappropriate. In particular, it criticized cross-examination of defendants’ damages expert using the \$19B figure and effective royalty rate of 0.000035%. It noted that these numbers “cannot help but skew the damages horizon for the jury, regardless of the contribution of the patented component to this revenue.”

IMPLICATIONS

Uniloc marks another important step towards requiring patent plaintiff’s to rigorously prove damages with facts logically connected to the value of the patented invention. Going forward, because of the clear pronouncements from the Federal Circuit in *ResQNet*, *Lucent* and now *Uniloc*, it is expected that district courts will more strictly scrutinize patent damages evidence and will be more likely to exclude material not directly tied to a sound damages theory.

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Dealing With the Uptick In False Marking Suits

BY ERIN JONES

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Recent months have witnessed a surge in the filing of “false marking” litigation – suits brought under 35 U.S.C. Section 292. The section provides penalties against any person that marks an “unpatented article” with any word or number indicating that the article is patented with the intent to deceive the public. This provision also permits enforcement via *qui tam* actions, whereby a person may sue on the behalf of the government and share in the award.

False marking suits became more attractive after the Federal Circuit’s December 2009 decision in *Forest Group Inc. v. Bon Tool Co.*, 590 F.3d 1295 (Fed. Cir. 2009), which held that penalties in false marking actions must be imposed on a per article basis. The statute provides that such penalties amount to “not more than \$500 for every such offense,” so the new rule has the potential to lead to hefty fines for mass-produced articles. For example, on remand, the Southern District of Texas assessed a per-article fine against Forest Tool equal to the highest price at which the articles had been sold. *Forest Group Inc. v. Bon Tool Co.*, No. H-05-4127, 2010 U.S. Dist. LEXIS 41291 (S.D. Tex., April 27, 2010). Before the Federal Circuit decision, fines were often assessed by product line, or decision to mark, rather than per article, such that only a single fine would be assessed for a product, no matter how many units of that product were manufactured and marked.

As the court predicted, the potential for larger awards has led to an uptick in false marking suits. The ease in bringing a false marking suit is due to its liberal standing requirement – 35 U.S.C. Section 292(b) allows these suits to be brought by any person, not merely one that has been harmed, so long as the recovery is split with the government. Patent blogs and other watchers report that well over a hundred false marking suits have been filed since the *Forest Tool* decision issued.

These changes create a new tension for manufacturers of products. On one hand, manufacturers are motivated to mark products with comprehensive listings of all the patent numbers that apply. The

motivation may stem from multiple sources. Products that practice a patent are expected to be properly marked with applicable patent numbers under 35 U.S.C. Section 287. A failure to mark even a small percentage of applicable products can lead to an inability to collect pre-suit damages for infringement of the patent. Also, third party patent license agreements may request or require that products be marked with patent numbers.

On the other hand, the false marking statute and resultant case law provide little guidance on the boundaries of liability under 35 U.S.C. Section 292. For example, it is unclear what level of investigation is necessary for a good faith belief that a product is covered by a given patent, or when or even whether patent markings need to be removed when a patent expires. The current patent reform bills propose changes only regarding the false marking standing requirements and damages. Proposed amendments to 35 U.S.C. Section 292 would restrict the ability to bring suit to persons who had suffered competitive injury from the false marking, and would clarify that damages should be “adequate to compensate for the injury.” Amendment to S. 515, 111th Cong. (2010), H. R. 4954, 111th Cong. (2010). No changes to the standard of liability have been proposed. The potential for significant monetary liability due to high per article fines makes the need for guidance regarding standards of avoiding liability under the statute urgent.

Such guidance may be on the horizon, as the Federal Circuit held oral arguments in *Pequignot v. Solo Cup Co.* on April 6, 2010. The case deals with allegations by patent attorney Matthew Pequignot that the Solo Cup Co. improperly failed to remove patent markings from its products after the patents expired and improperly marked other products with conditional marks that read “This product may be covered by one or more U.S. or foreign pending or issued patents,” when the products were not covered by any pending or issued patents.

The first issue to be addressed by *Pequignot* relates to the proper standards for determining whether articles were marked with the intent necessary to constitute a violation of 35 U.S.C. Section 292. The statute only provides for fines when an article was marked intentionally, to “deceive the public.” *Pequignot* argued that the proper standard for establishing intent under the false marking statute is an “objective standard” developed by the Federal Circuit in *Clontech Laboratories Inc. v. Invitrogen Corp.*, 406 F.3d 1347 (Fed. Cir. 2005). According to *Pequignot*’s analysis of *Clontech*, intent may be established by showing two things: that the mark is incorrect and the party that made the mark knew that it was false or lacked a reasonable belief that it was true when the mark was applied. Under *Pequignot*’s analysis, knowledge of falsity would be enough to infer fraudulent intent, because it assumes that the public would necessarily be misled by false marks.

Solo Cup and the district court instead viewed *Clontech* as stating a standard of proof. Thus, the district court found that an inference of intent drawn according to *Clontech* may be rebutted by presenting evidence beyond the mere assertion of a party. In oral argument on April 6, the judges focused closely on these issues, questioning the propriety of equating intent and knowledge, and challenging appellant to identify real evidence of Solo Cup’s intent to deceive. It is to be expected that the *Pequignot* decision will clarify the proper standard.

The Federal Circuit may also weigh in on whether Solo Cup’s evidence effectively rebutted the presumption of intent. The district court found that it had, based on evidence that Solo Cup had acted on the advice of counsel, and had developed a gradual plan for phasing out marked products, in order to reduce costs and business disruption. While the appellate panel appeared sympathetic to the idea that the obligation to mark products under 35 U.S.C. Section 287 should not convert to a criminal violation the day a patent expires, Solo Cup was challenged over the length of time it proposed to take to cease marking products, which *Pequignot* had estimated as 15-20 years. It was suggested that an overlong delay might begin to be viewed as deceptive.

Solo Cup responded by differentiating between the case where a product is marked with the number of a patent that does accurately describe the features of the marked article, and the case where a product is marked with a patent that does not apply to the article, and never has. Solo Cup argued that if the claims of a patent are contained in the marked article, marking the article with the patent number is always truthful, even long after the patent expires. Such marks can never be deceptive, according to this argument. Were this position adopted, a major portion of recent false marking cases, those based on marking with expired patent numbers, would be undercut. What would remain are the smaller proportion of cases based on false marking with patents that never applied to a product, invalid or unenforceable patents, or nonexistent patents or applications.

One last issue the Federal Circuit may give guidance on is whether it is acceptable to mark packaging with conditional language, stating that the products therein “may be covered” by one or more patents. Solo Cup put such markings on all its packaging to give warning that they might contain patented articles, though the packaging was used for both patented and unpatented articles. The marking then referred the customer to a website for further information.

Accordingly, manufacturers of patented products, and the people that advise them, will need to stay tuned for the upcoming *Pequignot* decision, which has the potential to shift the law significantly. In the interim, manufacturers may prudently pursue a policy of procedures to audit patent markings for expired, invalidated, and unenforceable patents, or patents that no longer apply to the product, and remove them when feasible.

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Litigation Alert

Decision in Pequignot v. Solo Cup Company

JUNE 11, 2010

BY HEATHER MEWES, RYAN MARTON, ERIN JONES

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Yesterday the Federal Circuit issued a decision in *Pequignot v. Solo Cup Company*, No. 2009-1547 (Fed. Cir. Jun. 10, 2010), providing some much needed guidance on avoiding liability under the “false marking” statute, 35 U.S.C. § 292. Although it did find that marking of products with expired patent numbers could give rise to a violation of the false marking statute, the Federal Circuit found Solo Cup was not liable for its marking of products with expired patent numbers or conditional patent coverage notices because such false marking was not made with the requisite intent to deceive the public.

Yesterday’s *Pequignot* decision is of particular importance given the recent surge in “false marking” suits brought under 35 U.S.C. § 292. Section 292 provides monetary penalties against any person that marks an “unpatented article” with any word or number indicating that the article is patented, if the marks are made with the intent to deceive the public. Following the Federal Circuit’s ruling last December that penalties in false marking actions should be imposed on a per article basis, case filings exploded. *Forest Group, Incorporated v. Bon Tool Company*, 590 F.3d 1295 (Fed. Cir. 2009). The Forest Group ruling caused significant concern for manufacturers who are now potentially exposed to large fines for inaccurately marked goods produced in large volumes.

The *Pequignot* decision, however, provides a few guiding principles that will be useful for managing the risk of liability for false marking by developing appropriate product marking policies. In particular, the Court made clear that, while a presumption of intent to deceive the public does arise when a manufacturer marks its products with knowledge that the marks are inaccurate, that presumption can be rebutted with evidence of good faith efforts to evaluate and avoid false marking – thus emphasizing the importance of development and adherence to policies and procedures for auditing patent markings and for removing inaccurate markings when feasible.

The *Pequignot* case dealt with allegations that the Solo Cup Company improperly failed to remove patent markings from its products after the patents expired and

improperly marked other products with conditional marks that read “This product may be covered by one or more U.S. or foreign pending or issued patents,” when the products were not covered by any pending or issued patents.

In its decision, the Court first clarified that it is indeed improper to mark an article with the number of an expired patent. Such a marking is improper even if the article was covered or described by the patent before the patent expired. Once the patent is expired, the technology is in the public domain, and marking with the patent number is inappropriate. The Court did not specifically weigh in on when or if conditional patent markings, along the lines of “[t]his product may be covered by one or more U.S. or foreign pending or issued patents,” could ever be proper, but instead dealt with this category of marking in its discussion of intent.

Next, the Court dealt with the requirement that the marker act “for the purpose of deceiving the public.” 35 U.S.C. § 292(a). *Pequignot*, the patent attorney who brought the qui tam action, had argued that an improper mark, coupled with knowledge that the mark is false, conclusively established intent. The Court disagreed. The Court instead ruled that the combination of a false mark and knowledge of falsity only establishes an inference of intent, which can be rebutted by credible evidence that the marker did not intend the mark to deceive.

Noting that the “bar for proving deceptive intent here is particularly high,” the Court found that though Solo Cup’s markings were in fact knowingly inaccurate, Solo Cup was not liable because it rebutted the presumption of intent with evidence that its continued inaccurate markings were not made with the requisite purpose to deceive.

Regarding marking with expired patent numbers, the Court found that Solo Cup had shown that it acted “not for the purpose of deceiving the public, but in good faith reliance on the advice of counsel and out of a desire to reduce costs and business disruption.” Solo Cup

had been advised by counsel that the best case scenario was to remove the expired patent numbers, but it established through deposition testimony that wholesale replacement of the molds that made the marked lids would have been costly and burdensome. Instead, under advice of outside counsel, Solo Cup developed, implemented and followed a policy under which worn or damaged marked mold cavities would be replaced with unmarked ones. The Court agreed that this evidence established that Solo Cup's true intent was to reduce costs and business disruption. It pointed out that Pequignot had no evidence to suggest that Solo Cup ever ignored advice of counsel or manifested any actual deceptive intent.

With regard to the conditional "may be covered" language, the Court found that the language of the marking was truthful: the contents of some of the marked packages were patented, and others were not. The Court again found no intent to deceive, though it noted that the marking would not have been effective under 35 U.S.C. § 287 because relevant patent numbers were not listed. The Court found that Solo Cup had rebutted the presumption of intent, in that the marking had been added at the suggestion of outside counsel, that the marking was meant to give notice of actual, valid patents that covered some of the contents, and that it would have been "inconvenient from a logistical and financial perspective" to have separate packaging for different articles. The Court also went further, stating that "it is highly questionable whether such a [conditional] statement could be made 'for the purpose of deceiving the public,' when the public would not reasonably be deceived into believing the products were definitely covered by a patent."

Finally, the Court noted approvingly that Solo Cup's marking provided a website that gave the consumer "an easy way to verify whether a specific product was covered." Easy access to such information on patent coverage helps fulfill a policy inherent in the false marking rule, which is that a patent mark should not impose on the public the cost of determining whether the patent involved is valid and enforceable.

In sum, *Pequignot* indicates that manufacturers may prudently work with counsel to develop appropriate marking language to reflect the patent coverage status of products, and to develop policies and procedures for auditing patent markings for expired, invalidated, and unenforceable patents, or patents that no longer apply

to the product, and for removing such markings when feasible. Careful development and adherence to such policies may be useful evidence of lack of deceptive intent that a manufacturer may need if faced with a false marking claim. Providing further information, such as a website or by other means, that can provide the public with easy access to additional, specific, and/or up-to-date information on actual patent coverage of products may also be useful evidence that a manufacturer's intent was not to deceive the public regarding the patent status of a product.

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Patent Litigation Alert

The Federal Circuit Rejects Attempt to Narrow Standing Requirements For False Patent Marking Claims under 35 U.S. C. § 292

SEPTEMBER 1, 2010

BY MICHAEL J. SACKSTEDER, RYAN MARTON, GUINEVERE JOBSON

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Yesterday, the Federal Circuit rejected a procedural attempt to stem the recent flood of “false patent marking” lawsuits. In *Stauffer v. Brooks Brothers, Inc.*, Nos. 09-1428, -1430, -1453 (Fed. Cir. Aug. 31, 2010), the Federal Circuit provided guidance on the standing requirements for pursuing false marking claims under 35 U.S. C. § 292. The Federal Circuit found that the statutory assignment of the United States’ rights in section 292(b) operates to confer standing on an individual as long as the individual alleges that the United States suffered an injury in fact, causally connected to the defendant’s conduct that is likely to be redressed by the court. Additionally, though the Court did not rule on the issue, amicus *Ciba* presented an interesting attack on the constitutionality of section 292 which may prove to be a useful defense in future false marking actions.

Yesterday’s *Stauffer* decision is part of the recent surge of false marking suits filed since Federal Circuit ruled last December that penalties in false marking actions should be imposed on a per article basis, as opposed to a single \$500 penalty for all individual examples of a falsely marked product. *Forest Group, Inc. v. Bon Tool Co.*, 590 F.3d 1295 (Fed. Cir. 2009). The *Forest Group* ruling caused concern for manufacturers who are now potentially exposed to large fines for inaccurately marked goods produced in large volumes. Section 292 prohibits affixing the word “patent” to an unpatented article with the purpose of deceiving the public and specifically allows individual plaintiffs to pursue claims in the government’s stead: “any person may sue for the penalty, in which event one-half shall go to the person suing and the other to the use of the United States.” 35 U.S. C. § 292.

The *Stauffer* case dealt with allegations that a mechanism contained within Brooks Brothers’ bow ties were falsely marked with patent numbers that had expired in the 1950s. In its decision, the Federal Circuit first clarified that section 292’s *qui tam* provision operates to confer standing on an

individual based on the United States’ partial assignment of its damages claim to “any person”. As such, “Stauffer’s standing arises from his status as ‘any person’ and he need not allege more for jurisdictional purposes”. Therefore, an individual need only allege that the United States suffered an injury in fact causally connected to the defendant’s conduct that is likely to be redressed by the court. The individual is not required to allege injuries to himself or to the public in order to satisfy standing requirements.

The Federal Circuit also addressed the question of what constitutes sufficient injury in fact to the United States under Article III. Brooks Brothers had argued that abstract harm, such as injury to the interest in seeing that the law is obeyed, is not sufficiently concrete to meet standing. The court disagreed, accepting the government’s argument that in enacting the false marking statute, Congress determined that violation of that act is sufficient injury in fact to confer standing on the government and thus on Stauffer as the governments’ assignee.

The Court also declined to address whether Stauffer’s alleged injuries to himself or alleged injuries to competition were sufficient to give him standing, noting that “Stauffer’s standing arises from his status as ‘any person,’ and he need not allege more for jurisdictional purposes.”

Additionally, although the court did not rule on the issue, amicus *Ciba* had argued that section 292 is unconstitutional on the basis that the government cannot assign a claim to an individual without retaining control over that individual’s actions because such an assignment would constitute a violation of the “take Care” clause of Article II section 3 of the Constitution. While the Federal Circuit declined to address the question of the constitutionality of section 292 as the issue was not on appeal, the argument that the delegation of the enforcement of patent laws was

an impermissible encroachment on the executive branch by Congress may prove to be a viable defense for a business facing a challenge to its marking practices in the future.

In sum, *Stauffer* clarifies that an alleged violation of 35 U.S. C. § 292 is sufficient Article III injury to the United States to confer standing on the United States, and that section 292's assignment of the ability to sue to "any person" is sufficient to confer standing on an individual. There is no need to separately allege injury to the individual or to the public. However, as the Federal Circuit refused to address the constitutionality of section 292 as a violation of the "take Care clause," this defense remains potentially available to future patent marking defendants.

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Patent Alert:

Supreme Court Unanimously Rejects Bilski Patent Application but Narrowly Upholds Business Method Patents

BY STUART P. MEYER, ROBERT SACHS, ROBERT HULSE AND DANIEL R. BROWNSTONE

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The *Bilski* case presented the Supreme Court with an opportunity to eliminate business methods from the scope of patentable subject matter. Today, by a single vote, the Court declined to take that step. Even though the specific patent application before the Court was unanimously rejected, the boundaries of patent-eligible inventions remain uncertain.

Bilski and a co-inventor filed a patent application on a method for hedging against price changes in the energy market. After their application was rejected by the Patent and Trademark Office, the inventors appealed to the Court of Appeals for the Federal Circuit. The Federal Circuit announced *en banc* that the so-called “machine-or-transformation” test would henceforth be the sole test to determine whether a claimed process describes patentable subject matter. According to that test, a claim to a process can only be patentable if it recites a transformation of matter or is tied to a particular machine. While the test itself was not new—having been created many years earlier by the Supreme Court—it had never before been deemed the sole test that could be used. Bilski’s claims failed the test, and were thus held unpatentable.

In today’s decision, the Supreme Court unanimously agreed that the machine-or-transformation test is not the *sole* test for establishing whether a process describes patentable subject matter. The Court went out of its way to explain that this test does, in many instances, provide “an investigative tool” for determining patentability of certain processes. In sum, the machine or transformation test is a sufficient but not necessary condition for patentability.

Although all members of the Court ultimately agreed that Bilski’s claims were unpatentable, the three separate opinions illustrate a court deeply divided over the issue of whether business method inventions as a whole should remain patentable.

The Court’s opinion, authored by Justice Kennedy, rejected the notion that methods of doing business are categorically excluded from the meaning of “process” under 35 U.S.C. § 101. Instead, the Court held that Bilski’s claims were unpatentable because they were directed to an abstract idea—a long-recognized exclusion from what is patentable subject matter. Unfortunately, the Court provided no clear guidance as to how to determine whether a claim is merely an abstract idea. The Court expressly stated that it was not attempting to make any holding about whether certain “technologies from the Information Age should or should not receive patent protection.” The Court observed that the modern age allows more and more people to innovate, thus posing a challenge for patent law to strike the balance between protecting inventors and avoiding inappropriate monopolies. “Nothing in this opinion should be read to take a position on where that balance ought to be struck.”

On the other hand, Justice Stevens’ concurring opinion attempted to do just that. Although concurring in the judgment, Justice Stevens, joined by Justices Ginsburg, Breyer and Sotomayor, took great issue with the Court’s rationale, arguing instead that business methods should be unpatentable based on the intent of the Framers, and the history of British and American patent law.

Justice Breyer, joined in part by Justice Scalia, also wrote separately to underscore those topics upon which all the members of the Court could agree. Justice Breyer again took the opportunity, as he had previously in his *LabCorp* opinion, to refute the notion that patentability extends to “anything which produces a useful, concrete, and tangible result.”

With the retirement of Justice Stevens, there are three justices—Ginsburg, Breyer and Sotomayor—on record as categorically opposing business method patents. The Court will inevitably agree to hear another

challenge to business method patents at some future date. For the time being, however, a claim to a process—business or otherwise—that does not claim only an abstract idea, law of nature, or natural phenomenon remains within the scope of patentable subject matter.

Practical Implications

Businesses should continue to seek to protect innovations that are core to operations. In particular, business method patents should be described in a way that focuses on particular improvements and efficiencies in the performance of a business field, with specific connection to the “means” for implementing the business method, such as particular systems (e.g. computer systems, organizational structures, or the like). Companies with existing portfolios should audit their patents and identify those that are appropriate for reissue, and where necessary add limitations that identify particular means. For those business methods that are inherently practiced by a computer system, claim limitations reciting that the process is executed by a computer currently suffice before the USPTO, though the Office may issue new guidelines in view of today’s decision. We expect to learn more about the USPTO’s position in September, when the USPTO hosts its annual Business Methods Roundtable, at which Fenwick attorneys will be speaking on the *Bilski* decision.

The Court’s reliance on the rule that abstract ideas are unpatentable subject matter is likely to not be at issue for life science patents. Rather, the issue faced by these patents is the law of nature exception that was at issue in *LabCorp v. Metabolite*, 548 U.S. 124 (2006), an issue not squarely addressed in *Bilski*. Rather, the question of preemption is most likely to govern which life science process inventions are within the ambit of Section 101. So long as a claim does not “wholly pre-empt” a basic law of nature, it

should pass muster under Section 101. Of course, whether the assay-and-correlate-style *LabCorp*. claims (based on relationships between levels of physiologic substances) can be considered to preempt a law of basic law of nature remains unanswered. More clear, however, is the patentability of complex personalized medicine diagnostics that prognose risk or outcome based on a number of genetic or biological markers. Such methods do not preempt any basic law of nature because alternative predictive models can be developed using different sets of markers. Consequently, they should not be subject to Section 101 rejections under current law.

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Business Methods Dodge a Bullet—Method Patents Survive for Now

BY STUART P. MEYER

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A unanimous decision is not always what it seems. On June 28, the U.S. Supreme Court upheld without dissent the U.S. Court of Appeals for the Federal Circuit's ruling that a patent application for hedging against price changes was not patentable. *Bilski v. Kappos*, No. 08-964, 2010 U.S. LEXIS 5521 (2010). This high-level description of the *Bilski* decision is accurate, but belies the true import of the case and the impact it will have for years to come.

Just under the surface, the more important ramifications of the decision are wide-ranging. As has become typical for recent Supreme Court patent cases, the Court chided the Federal Circuit for attempting to apply a single, mandatory test to determine a complex and nuanced issue – here, the types of methods that are eligible for patenting. The Federal Circuit was erroneous, the Court held, in thinking that the so-called machine-or-transformation test was the only way to determine whether a method is the type of invention that fits within our statutory scheme for patenting. It is helpful to a patentability analysis to consider whether a method is used in connection with a particular machine or if it transforms something from one state to another; a checkmark in either of those boxes almost ensures that the invention qualifies for patent protection. But the Federal Circuit was being too rigid in the Court's estimation in holding that no other type of analysis ever could be used, particularly where Information Age inventions rather than Industrial Age inventions are at issue.

While this wrist-slapping of the Federal Circuit may be amusing to patent lawyers, it provides only a limited practical take-away to their clients: Do not assume that an issue is settled just because the Federal Circuit rules on it. We will soon see the Federal Circuit's take on all of this. The day after announcing the *Bilski* decision, the Supreme Court vacated and remanded to the Federal Circuit two other decisions for further consideration in light of *Bilski*: *Classen Immunotherapies, Inc. v. Biogen Idec*, 08-1509, 2010 U.S. LEXIS 5533 (June 29, 2010) and *Mayo Collaborative Servs. v. Prometheus Labs.*, 09-490, 2010 U.S. LEXIS 5537 (June 29, 2010). One or both of those cases may well percolate back up to the Supreme Court after the Federal Circuit's decisions on remand.

So if the Federal Circuit is not capable of providing us with lasting guidance, what is it that the Supreme Court now teaches us about patentability? Ultimately, the primary teaching of the *Bilski* case is that uncertainty remains about one of the most fundamental issues of patent law: what types of inventions are patentable. A concurring opinion, the swan song of Justice Stevens, was a concurrence in name only and read much more like a strong dissent. Justice Stevens, joined by Justices Ginsburg, Breyer, and Sotomayor, stated bluntly that, "business methods are not patentable." They would have decided the case on this basis alone.

The majority opinion was much narrower and held the *Bilski* patent application to be unpatentable because it attempted to claim abstract ideas (*i.e.*, the concept of hedging risk and its application to energy markets). The Court rejected a categorical prohibition on business method patents at the same time it rejected a singular test for patentability, saying that "a business method is simply one kind of 'method' that is, at least in some circumstances, eligible for patenting." However, it would be wrong to think that the majority opinion provided any sort of broad endorsement of patents for such methods. The modern rush to patent business methods was ushered in by the Federal Circuit's 1998 *State Street* decision. The majority opinion took issue with that ruling, which was based on whether an invention produces a "useful, concrete and tangible result." The language used by the Court to ensure its holding would remain limited was telling: "Nothing in today's opinion should be read as endorsing the Federal Circuit's past interpretations of § 101." (citing *State Street*)

The majority opinion warned that "business method patents raise special problems" and cautioned that, "if a high enough bar is not set when considering patent applications of this sort, patent examiners and courts could be flooded with claims that would put a chill on creative endeavor and dynamic change." At most, the tepid acceptance of business method patents in the majority opinion left tremendous room for argument that specific non-physical inventions in future cases might not qualify for patenting.

Nonetheless, Justices Stevens, Ginsburg, Breyer, and Sotomayor did not think the majority went far enough. The Stevens concurrence was an extremely detailed discussion that ranged from English legal history to modern social policy. The concurrence dismissed the 17th and 18th century English patents directed to banking and life insurance as perhaps representing “little more than the whim—or error—of a single patent clerk,” who, as one scholar of a bygone age put it, “perhaps ... was in a very good humour that day, or perhaps he had forgotten the wording of the statute,” or even was concerned more with the increase in public revenue that came by granting the patent.

Justice Stevens took serious issue with the Court’s analytical framework, stating that the opinion was “less than pellucid in more than one respect” and saying as to one part, “if this portion of the Court’s opinion were taken literally, the results would be absurd.” Justice Stevens further opined that the Court provided insufficient explanation of its analysis regarding how the claims of the *Bilski* application were directed to “abstract ideas.” Justice Stevens concluded his writings on this point by saying, “This mode of analysis (or lack thereof) may have led to the correct outcome in this case, but it also means that the Court’s musings on this issue stand for very little.”

What is so important about this concurrence is that it illustrates that the Supreme Court does not have a ready, uniform answer to a fundamental issue about what a constitutionally mandated statute covers, even though the language of the statute in this area has changed little in over 200 years. A cynic might dismiss this basic uncertainty as showing a foundational weakness in our system of government, but another more reasonable interpretation is that intellectual property simply presents some very difficult issues. At its core, the patent system was intended to provide a delicate balance of public and private rights. Anytime that there is a change in technology, in the players who can apply for patents, or in the prevalence of a market for patent rights, there is a risk that this balance can be upset.

Where the Court might find the tipping point to be in future cases is very difficult to predict. Justice Stevens led the charge against business method patentability, but is leaving the Court. Even though his presumptive replacement is Solicitor General Kagan, it is unclear

the extent to which the government’s arguments in *Bilski* were influenced by her personal views. Justice Breyer also wrote a separate concurrence, primarily to “highlight the substantial *agreement* among many Members of the Court on many of the fundamental issues of patent law raised by this case.” Justice Scalia did not write a separate opinion, but joined only a portion of the majority opinion and a portion of Justice Breyer’s concurrence.

The discussion concerning *Bilski* has centered largely on the primary focus of the opinions – business methods. However, other methods that do not readily pass the machine-or-transformation test are just as likely to be touched by interpretation of this ruling as well. The majority opinion specifically acknowledges the impact of the case on “the patentability of software, advanced diagnostic medicine techniques and inventions based on linear programming, data compression, and the manipulation of digital signals.” We will collect the reactions of the Federal Circuit, the USPTO, and the district courts as they come in and suggest how businesses in various areas may develop appropriate strategies in light of the ruling.

The Tortoise, the Hare, and the Status Quo

BY JENNIFER R. BUSH AND STUART P. MEYER

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In recognition that one-size-fits-all examination timing may not be ideal for every applicant, earlier this year the U.S. Patent and Trademark Office proposed a three-track system to allow applicants greater control over patent application processing. The three-track initiative would provide an option for fee-based prioritized examination (Track I), and an applicant-controlled examination delay of up to 30 months option (Track III), in addition to traditional examination (Track II).

Since David Kappos became the new PTO director a year ago, he has tried to focus on a perennial complaint about PTO backlogs being unacceptably long. Patent applicants long have complained that the typical experience of waiting several years for a first substantive response from a patent examiner, and then several more years to get the application allowed, eliminated much of the benefit of patenting their inventions. Thus, it is not surprising that initially most of the attention for the three-track proposal was focused on Track I, which would provide a fast track for prosecution aimed at reducing time to first office action to four months (currently at 26 months) and overall application pendencies to 12 months (currently at 36-45 months).

U.S. patent applicants traditionally have had just a few less-than-attractive options for speeding up examination. Applicants have been able to petition to make a case “special” in order to qualify for expedited processing, but there are a number of strings attached that make this approach unattractive even for the limited number of applicants who qualify. More recently, Kappos successfully implemented two additional alternatives. “Project Exchange” allows applicants to sacrifice one application (i.e., expressly abandon it) in order to win the right for another to get fast track processing. This exchange can be made between co-owned applications, or

those with at least one inventor in common. The theory is that this process would remove a less-wanted application from the processing queue while advancing another through the queue more quickly. In addition, last year a fast track procedure for select “green” patent applications was implemented, to advance those applications out of turn to help encourage U.S. cleantech development. Track I of the three-track proposal can be seen as a larger effort in the same direction.

Implementing such fast track changes is not easy. With static or reduced operating funding, speeding up the processing of some applications is bound to slow down the processing of others unless significant new efficiencies can be realized. Aware of that issue, Director Kappos took note of the old adage, “If you can’t fix it, feature it,” and proposed that certain applications could be intentionally delayed. Under Track III, applicants could opt to delay regular processing of the application for an additional two and a half years. As an additional benefit, the trigger for putting the application in the normal queue is payment of the PTO’s examination fee, so the applicant gets to delay that payment as well. This aspect of the proposal is notable in that it is entirely in the applicants’ discretion when, during the 30-month period, they wish to pay the examination fee to move their applications into either the normal processing queue or the fast track. Thus, a company can move from a low-cost holding pattern during its self-funded startup phase to a fast track after it completes its first round of outside financing.

The proposal didn’t get much response initially—the PTO’s solicitation for written comments prior to the July 20, 2010 public hearing on the topic drew less than a dozen responses. But even those few comments provided a wide range of views. Andrea Doering wrote that rewarding those who could afford the opportunity to jump ahead of

others “seems to come very close to bribery, if you ask me.” Others applauded the fast track. One comment suggested that any third party, by paying the appropriate fee to move out of the slow track (to either the normal track or the fast track) would allow third parties with sufficient interest to resolve that uncertainty more quickly. S. Cangialosi argued that deferred examination should be a preferred track, and that “the 30 month delay period should be renewable subject to an appropriate fee up to the time limit of the patent term.”

Public response sharply increased after the hearing, with a total of 52 written comments provided on the PTO website within a month’s time, primarily by businesses and intellectual property associations. Most commentators praised Track I, raising only implementation questions such as whether it would be available to all applications or only new filings, whether a small entity discount and/or sliding scale fee structure would apply, and whether refunds would be issued if pendency targets were not achieved (in view of PTO targets not being reliable for other fast track options). In contrast, Track III was the subject of much concern. Most controversial was the exclusion of applications first-filed internationally, and an accompanying fear of retaliation by foreign patent offices or undermining of the Patent Cooperation Treaty (PCT), followed by a concern over the lack of public notice for such a prolonged period without the safeguard of a search report like that issued during the similar PCT delay. A few concerns were raised about the proposal generally, such as what effect it would have on regular examination (Track II) pendency, and whether the increased fees received would actually be used within the PTO (i.e., because Congress maintains a longstanding practice of diverting PTO-generated fees for other purposes).

The PTO was fairly clear in its original notice that its proposal was just a starting point, and therefore solicited comments and held hearings to flesh out implementation parameters such as those as raised in the written comments. Recently, during his “First Anniversary Review” with media representatives and on his public blog, Director Kappos noted that

many public comments about the proposal had been received, and that the PTO is taking them into consideration as it refines the proposal for implementation, which is expected to proceed in the coming year. While there are many details to be worked out, the PTO is to be commended for considering novel solutions to the backlog issues that have hounded it for so long.

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Patent Strategy for Personalized Medicine in Light of *Bilski*

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Protecting inventions in personalized medicine with patents is essential to making the investment in research and development of those inventions worthwhile.

Absent meaningful patent protection, however, companies will be less likely to pursue such innovation since there is nothing to prevent competitors from free-riding on the back of the many hours and millions of dollars expended by the innovator company.

Personalized medicine diagnostics can produce meaningful improvements in patient outcome and medical economics. Diagnostic innovations developed by University of California Professors Dan Pinkel and Joe Gray allowed for the first time sensitive and accurate measures of gene amplifications in breast cancer patient biopsies. This allows physicians to determine whether Herceptin® (trastuzumab) treatment is likely to improve the patient's outcome because only tumors with the amplification respond to Herceptin®. Pinkel and Gray's remarkable invention was exclusively licensed to a startup (later acquired by Abbott Laboratories), which devoted years of effort and millions of dollars to bring this innovation to market. Considering the cost of a full course of treatment with Herceptin®, approximately \$70,000, the development of the HER2/neu amplification diagnostic test is valuable not only in minimizing use of an expensive treatment for patients for whom it is unlikely to provide benefit, but it also helps patients by not wasting valuable time pursuing a treatment that is unlikely to be beneficial.

Additionally, personalized medicine inventions are useful in predicting who is at increased risk for disease in the future. This knowledge is useful when there are preventive steps that can be taken to mitigate that risk. As research advances, preventive steps to reduce the risk of more conditions will become known. Even if effective measures are not yet known, a patient and her doctor can plan for increased screening and obtain the outcome benefits associated with early detection. Myriad's tests for BRCA-1 and BRCA-2 mutations are a powerful example. By some estimates, a woman with just one copy of certain mutations has a 70 percent chance of developing breast cancer before the age of 60. Here again the basic innovation was made by academic scientists supported by federal funds and then exclusively licensed to a private company that invested heavily to bring it to market. A recent district court decision invalidated Myriad's patent claims for allegedly claiming a law of nature.

Patent protection for an invention like the HER2/neu amplification or BRCA-1/2 diagnostic test is relatively uncomplicated to obtain, as it involves simple detection of a single or small number of biomarkers. For inventions that involve multiple biomarkers, obtaining patent protection can be more complicated. A powerful advanced diagnostic, the *in vitro* diagnostic multianalyte index assay (IVDMIA), requires analysis of multiple biomarkers using an algorithm that combines information from the biomarkers to generate a score. The score is predictive of a particular condition or outcome. For example, using such an approach, CardioDx, a venture-backed startup, developed and marketed a simple blood test that accurately predicts coronary artery disease. In practice, the test identifies patients who are likely to have coronary artery blockages (and who need further diagnostic workup) from those who have chest pain not associated with coronary artery disease.

The personalized medicine industry was able to breathe a collective sigh of relief following the recent unanimous Supreme Court decision in *Bilski, et al. v. Kappos*, 10 C.D.O.S. 7966. *Bilski* considered the limits of what constitutes patentable subject matter under 35 U.S.C. § 101. While the court upheld the Federal Circuit's decision invalidating Bernard Bilski's patent, it struck down as too restrictive the test used by the Federal Circuit to determine which process claims constitute patent-eligible subject matter under 35 U.S.C. § 101.

Section 101 defines the subject matter that may be patented under the Patent Act: "Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title." Well-established Supreme Court precedent calls out three specific exceptions to § 101's broad patent-eligibility principles: laws of nature, physical phenomena, and abstract ideas.

Bilski filed a patent application directed to methods for hedging against price changes in commodities such as energy. The patent examiner rejected the application under § 101 because it was "not implemented on a specific apparatus and merely manipulates [an] abstract idea and solves a purely mathematical problem without any limitations to a practical application, therefore, the invention is not directed to the technological arts." The Board of Patent Appeals and Interferences (the Patent and Trademark Office's (PTO's) appellate board) affirmed,

adding that the application involved only mental steps that do not transform physical matter, and thus was directed to an abstract idea.

The case next went up to the Federal Circuit. In an *en banc* decision, the court held that “[a] claimed process is surely patent-eligible under § 101 if: (1) it is tied to a particular machine or apparatus, or (2) it transforms a particular article into a different state or thing.” *In re Bilski*, 545 F.3d 943, 954 (Fed. Cir. 2008). It also concluded that this “machine-or-transformation” test is the sole test to determine whether a claimed process describes patentable subject matter.

The Supreme Court unanimously affirmed the Federal Circuit’s judgment, but disapproved of the “machine or transformation test” as the exclusive test for determining the patent eligibility of process claims. The court explained that this test does, in many instances, provide “an investigative tool” for determining patentability of certain processes. In sum, the machine or transformation test is a sufficient, but not necessary condition for patentability.

The court’s reliance on the abstract ideas exception to patentable subject matter is likely to not be at issue for patents directed to personalized medicine innovations. Rather, the issue faced by these patents is the law of nature exception considered in *LabCorp v. Metabolite*, 548 U.S. 124 (2006), and more recently in the *Myriad* decision, an issue not squarely addressed in *Bilski*. Nevertheless, the opinion includes language suggesting that many personalized medicine process claims should easily fall within the ambit of § 101. The *Bilski* Court noted that an exclusive “machine or transformation” test would create uncertainty as to the patentability of advanced diagnostic medicine techniques. It also pointed out that “[s]ection 101 is a ‘dynamic provision designed to encompass new and unforeseen inventions.’”

A concurring opinion by Justice Stevens (joined by Justices Ginsburg, Breyer and Sotomayor) also helpfully pointed to the need for the patent law to remain stable and clear and highlighted the balance struck by the patent system between encouraging innovation and avoiding monopolies which stifle competition without any concomitant technological advance. Stevens’ concurrence considered this balance by asking “whether a patent monopoly is necessary to ‘motivate the invention.’” He further wrote, “[S]cholars generally agree that when innovation is expensive, risky, and easily copied, inventors are less likely to undertake the guaranteed costs of innovation in order to obtain the mere possibility of an invention that others can copy.”

A separate concurrence by Justice Breyer (in which Justice Scalia joined) framed the outer bounds of § 101 in terms of pre-emption. According to this analysis, a claim that broadly covers fundamental principles falls outside the scope of § 101 because it would improperly block public access to basic scientific tools: “In particular, the Court has long held that ‘[p]henomena of nature, though just discovered, mental processes, and abstract intellectual concepts are not patentable’ under § 101, since allowing individuals to patent these fundamental principles would ‘wholly pre-empt’ the public’s access to the ‘basic tools of scientific and technological work.’”

Advanced medical diagnostics, such as those that use information derived from multiple genetic variations or biomarker expression levels, certainly fall within the scope of patentable subject matter, according to the guidance provided by the *Bilski* decision. Significant investment is required to develop and market complex personalized medicine diagnostics that prognose risk or outcome based on a number of genetic or biological markers. Such methods do not preempt any basic law of nature because alternative predictive models can be developed using different sets of markers. Consequently, they should not be subject to § 101 rejections under current law.

Of course, whether the assay-and-correlate-style *LabCorp* claims (based on simple relationships between levels of physiologic substances) or those at issue in *Myriad* (that assess cancer risk by determining the presence of certain genetic mutations) can be considered to pre-empt all uses of a law of nature remains unanswered. While pre-emption arguments can easily be articulated, policy consideration as to the public benefit conferred by such tests and significant questions as to whether such tests could successfully be developed and marketed, absent strong patent protection, need to be carefully considered in determining where § 101’s line should be drawn.

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IP Guide to the Patent Prosecution Highway

BY JENNIFER R. BUSH

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Agreements between some of the world's patent offices provide applicants with greater choice and certainty in their applications.

From humble beginnings in July 2006 as a one-year pilot agreement between the US Patent and Trademark Office (USPTO) and the Japan Patent Office (JPO), the Patent Prosecution Highway (PPH) has expanded into a full-fledged system of patent examination between more than 10 different patent offices.

Developed as a means to decrease repetition and redundancy in patent examination and lessen existing backlogs, the original programme between the USPTO and JPO was the first step toward the long-term goal of the Trilateral Offices – the USPTO, JPO and the European Patent Office (EPO) – of collaborating on and sharing patent search results. The basis for this theory was founded on an estimate that the Trilateral Offices account for about 80% of global patent applications annually, of which more than 200,000 are duplicated between the offices.

A Quicker Way to File

The PPH is now in effect via bilateral agreements between the USPTO and the JPO, the EPO, the patent offices of the UK, Korea, Canada, Australia, Germany, Denmark, Singapore and Finland; between the JPO and the EPO, the patent offices of Korea, the UK, Germany, Denmark, Finland, Russia, Hungary, Austria, Canada and Singapore; between Korea and the patent offices of Russia, Denmark, Finland and the UK; and between Finland and Hungary. In addition, a PCT-based programme is now available among the Trilateral Offices utilizing PCT work product. All the programmes operate on the same general model: an applicant with at least one allowed claim in the office of first filing (OFF) can use a simplified procedure to expedite examination of its patent application in the office of second filing (OSF). In addition, prosecution documents from the OFF (e.g., office actions, references and allowable claims) are substituted for the pre-examination search and other documents required for requests for accelerating examination in some other patent offices, including the USPTO. However, examination must not have begun in the OSF at the time expedited examination is requested and the applicant must conform the claims in the OSF to those allowed in the OFF.

The PPH has the potential to provide faster examination and a higher allowance rate for applicants who file applications in more than one PPH-participating country. For example, data for the USPTO-JPO PPH shows a dramatic decrease in the time to first action in the USPTO as the OSF from an average of 26 months to about three months, and a 40% decrease in the number of office actions, from an average of 2.9 actions to an average of 1.7 actions. In addition, higher allowance rates have resulted in both offices, with a staggering 94% allowance rate when the USPTO is the OSF (regular cases average 44.2%) and 65% when the JPO is the OSF (regular cases average 49%).

The current PPH programmes, however, provide much greater benefit to applicants using the USPTO as the OSF than as the OFF. The primary reason for this disparity is the long backlog at the USPTO. Historical data for the JPO-USPTO program are evidence of this problem: from July 2006 to March 2008, only 227 applicants used the USPTO as the OFF and the JPO as the OSF.

On the flip side, the addition of PPH programmes between the US and countries with accelerated examination procedures provides an interesting opportunity for US-based applicants who want to expedite examination in the US, as a possible alternative to the Accelerated Examination (AE) procedures put in place by the USPTO. As of August 2006, AE allows a patent application in the USPTO to be examined earlier, so long as the applicant pays an additional fee, conducts a qualifying pre-exam search and provides an examination support document (ESD) that includes a direct comparison of the claims to references identified in the search.

Alternatives for US-based Applicants

In the US, AE has been used infrequently due to admissions required about references disclosed in the search, the potential for inequitable conduct and the costs associated with the ESD and associated search. As an alternative, an applicant who desires expedited examination in the USPTO could first file a patent application in one of the PPH-participating countries (as the OFF) and then commence examination in the USPTO as the OSF.

Depending on the jurisdiction chosen as the OFF, the procedure may incur a similar cost and timeline as the AE, with the addition of a higher allowance rate, a second patent grant in the OFF and without the risk of inequitable conduct or damaging admissions typically associated with the ESD. However, to use the USPTO as the OSF via the PPH, the US claims must have comparable scope to those allowed in the OFF, and the procedure would need to be considered prior to filing the application. In addition, the cost involved is significant if the applicant has no intention of filing internationally or using the USPTO's AE procedure.

Another option for US-based applicants would be to first file an application via the Patent Cooperation Treaty (PCT), enter into the national phase as soon as possible and declare as the OFF the first PPH participating country to allow a claim, with all other national phase (participating) countries as OSFs. And under the newly introduced PCT-based PPH, the PCT itself could act as the OFF, with the OSF relying on claims indicated allowable in the Written Opinion or Initial Preliminary Examination Report.

Although most of the current PPH programmes are pilot agreements, they are likely to become permanent as per the programme between the USPTO and the patent offices of Japan and Korea. Similarly, while all of the current PPH programmes are bilateral only, work-sharing between international patent offices is on the rise. Indeed, discussions are underway among at least five PPH-participating countries to develop a multilateral treaty that would extend far beyond the current programmes. These discussions hearken back to the original goals of the Trilateral Offices, are reflective of the international nature of business and technology today and represent concrete steps toward international patent harmonisation and cooperation.

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Green Technologies Get a Fast Track at the U.S. Patent and Trademark Office— But Is Anyone Getting on Board?

BY STUART P. MEYER

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As part of the fanfare leading up to the Copenhagen climate talks this past December, the U.S. Government announced a pilot program to accelerate processing of certain patent applications directed to green inventions. Initially, the concern was that the program would be quickly oversubscribed, but as it turns out there have been relatively few takers so far. Does this indicate that the clean technology industries do not want prompt action on their patent applications?

The U.S. Patent and Trademark Office (PTO) is perpetually understaffed, and as a result horrific backlogs have developed. In some areas of technology, it can take three years to even hear back from a patent examiner, and often another year or two goes by before an application is issued as a patent. The PTO is supposed to be self-funding, but Congress traditionally has siphoned off the PTO's fee revenues for other projects, leaving the agency unable to recruit and retain a sufficient staff of top-level examiners. The situation is so bad that the ABA Journal, in a March 2010 article about the PTO, characterized it as "an appropriations cookie jar."¹

In order to provide an incentive to American clean technology industries, the PTO launched the Green Technology Pilot Program² on December 8, 2009 to allow qualifying applications to be taken out of turn by patent examiners and put on a special fast-track docket. Even before this program, patent applicants could file petitions to make their case "special" and have it accelerated, but such petitions could only be granted in limited circumstances and had many strings attached, including an extra fee. As a result, few patent applicants end up making these requests.

Under the new program, the process is streamlined quite a bit, although a number of limitations still remain. First, the initial version of the program is set up only for applications that were already filed with the PTO before the December 8 kickoff. Next, the PTO will only accept for this program applications that have a small number of claims. It is quite common for patent applicants to include dozens of claims in their applications, but to qualify here they'll need to

amend their applications to put all but a few claims on hold. In addition, applicants will have to forego their right to keep the application secret until it issues, and instead agree to early publication of the application. Many applicants choose to enjoy ongoing trade secret protection for their inventions until they find out whether the PTO will grant them a patent, but participants in this program lose that option.

Perhaps most importantly, though, the PTO is only making this program available to applications that have been classified by the PTO as falling within certain categories of inventions. The PTO has a classification system, and each incoming application is classified so that it can be sent to the appropriate group within the PTO for examination. For the current program, the eligible classifications are in four main areas: alternative energy production; energy conservation; environmentally friendly farming; and environmental purification, protection or remediation. Each of these main areas has a list of actual classifications that qualify. For instance, there are 29 classification categories for alternative energy production, ranging from the "agricultural waste" classification to various classifications having to do with solar cells. For energy conservation, 23 categories ranging from "cathode ray tube circuits" to "wave-powered boat motors" qualify. The farming area is likewise broken down into 6 categories, and the environmental area has 21 categories listed.

At first glance, this appears to be a broad swath that should cover most green innovations. However, as a practical matter this is not the case. Many of the classifications are in examining groups that do not have the worst backlogs, because they are not currently seeing large spikes in applications. For instance, the classification for human powered vehicles qualifies for this program, but anecdotal evidence suggests that this is not an area in which examiners are overburdened by a flood of applications. On the other hand, a great number of innovative software-based systems have been proposed for uses relating to energy conservation, but they are often in areas not captured by the current list of categories. For example,

software-based analytics systems that can be applied to traffic and vehicle routing to minimize congestion may have huge impacts on carbon emissions but may be classified as communications systems rather than one of the “transportation” classifications that would qualify. Unfortunately, the Communications group at the PTO (Tech Center 2600 to those in the know) has the longest pendency in the PTO – 33 months until the PTO first responds substantively to an application.³ Tech Center 3600, which includes two of the main areas of attention for this program, Transportation and Agriculture, typically responds to an application within 24 months. As a result some of the most important clean innovations are in areas subject to the worst backlogs and will not be helped by the current program.

There is a procedure in place for applicants to suggest a classification for their inventions, and even to make a preliminary amendment to their applications to place it more squarely within a qualifying classification. However, an applicant may not even petition to be involved in the pilot program until the change in classification is successfully completed, and there is no indication of whether or how the PTO will accelerate its determination of classification in order to help deserving applicants ensure that their inventions receive the proper classification.

The large number of hoops applicants need to jump through to qualify for this program has undoubtedly dissuaded many from even applying, and has resulted in only a small number of applications being approved for the program. The PTO’s most recent statistics are as of March 8, 2010: There have been a total of 831 applications petitioning to be part of this program.⁴ Of that group, only 242 have been granted, with 133 still awaiting decision. The change from the prior report is also quite telling: as of mid-February, 745 of the 831 current requests had already been made. Since this program is intended to accelerate processing of patent applications, one would think that applicants looking to qualify would file their petitions shortly after the commencement of the program rather than waiting until later this year.

Based on these early statistics it seems doubtful that the program will come close to being fully subscribed at 3000 total applications. Currently, the PTO is dealing with well over a million pending applications, over 700,000 of which are still awaiting their first substantive look by a patent examiner.⁵ The 242 cases brought into the green pilot program to date represent a mere three one-hundredths of one percent of the total applications that are awaiting a first action by the PTO.

Do all of these numbers mean that the program is a failure? Was it just political theater to announce the program before the Copenhagen conference with little concern about its practical impact? There has certainly been some commentary along those lines. Even the PTO’s Director, David Kappos, has reportedly characterized the intent of the program as sending a message about the importance of energy-related inventions.⁶ But even if this pilot program does not itself meaningfully address the PTO’s backlog it can still serve a number of useful purposes.

First, a project such as this helps us to identify the hurdles that need to be cleared before the overall backlog at the PTO can be dealt with. For instance, one of the issues Director Kappos needs to deal with is what the examiners’ union thinks about expedited processing of patent applications. This was apparently one of the issues leading to the 3000-application limit in the pilot program. Even though the initial program was designed to secure the prominence of the U.S. in innovations for dealing with global climate change, union concerns could not be ignored. Imagine how a more general request for examiners to step up the pace of processing would be received. Clearly, this pilot program underscores the need for Congress to stop diversion of funds from the PTO so that the examining corps can be expanded.

Another lesson from this program is that not everyone wants expedited handling of their patent applications. Startup companies, in particular, often find it difficult to pay for the filing of a patent application, and are happy to have a couple of years to absorb that cost as they await a first action from the PTO. For many companies, claiming “patent pending” is almost more valuable than having the prosecution run its course. As of a couple of years ago, the PTO reported that less than half of the patent applications that are filed resulted in issued patents; many are rejected as being the same as, or obvious in view of, so-called “prior art.” Furthermore, before a patent issues, claims can be amended to better match likely infringers. This becomes significantly more difficult after issuance.

Such considerations, coupled with all of the hurdles that need to be cleared for qualification, have led relatively few applicants to participate in this experiment. Still, the administrative burdens of such a program are not monumental, and there are real benefits to demonstrating that the PTO can help underscore our national priorities. Just as companies emphasize the importance of patents by putting an “inventors’ hall of fame” in their lobbies, the PTO can emphasize the importance of certain areas of technology by undertaking programs such as these.

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(Endnotes)

- 1 Terry Carter, *A Patent on Problems*, A.B.A. J. (March 2010) at 45,
- 2 74 Fed. Reg. 64,666 (Dec. 8, 2009) (Docket No. PTO-P-2009-0038).
- 3 PTO pendency statistics are available at <http://uspto.gov/patents/stats/patentpendency.jsp>.
- 4 The PTO periodically summarizes activity in the program in reports available at http://uspto.gov/patents/init_events/green_report_summary.pdf.
- 5 Backlog statistics are available at <http://uspto.gov/patents/stats/appbacklog.jsp>.
- 6 Erin Coe, *Tight Budget May Delay Kappos’ Plans for USPTO*, Law360 (March 10, 2010) available at <http://ip.law360.com/articles/150390>.

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Taking Advantage of the First Action Interview Pilot Program

BY ROBERT A. HULSE

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The U.S. Patent and Trademark Office (USPTO) introduced its “First Action Interview Pilot Program” about two years ago. This program enables patent applicants to conduct an interview with the assigned patent examiner, by phone or in person, before the examiner issues a first office action. In the first office action, the patent examiner either allows the application or identifies grounds to reject the application based on the results of the examiner’s search of the prior art and review of the patent application.

Historically, patent applicants could conduct an interview with the patent examiner after the first office action was issued, but not before this time. With this program, the USPTO has attempted to bring the benefits of the interview earlier in the process by focusing the examiner on relevant aspects of the invention at the beginning of examination and helping the applicant understand the examiner’s interpretation of the patent claims that define the invention.

In many cases, this additional interview before a first office action is issued will help the examiner understand the applicant’s invention. Therefore, the first action interview will tend to reduce the length of time necessary to examine the patent application and tend to increase the overall quality of the examination. But the increased pace of examination will also accelerate costs associated with prosecution, including attorney fees and official fees, and the program will not reduce the amount of time until the examiner first reviews the application. Another drawback is that participation in the program requires applicants to comply with additional requirements.

On the balance, the program was considered successful by the USPTO, which last year enhanced it based on feedback from patent applicants and others. The changes to the program expanded the technologies categories of applications that qualify for the program and generally made the program more user friendly. For example, it is now easier to

opt out of the program after requesting the first action interview, and failure to respond to a notice under the program merely withdraws the patent application from the program instead of abandoning the application.

Qualifying patent applicants should have received notices from the USPTO regarding eligibility of their patent applications for the program. However, since these notices did not set any substantive deadlines in the patent applications, they could easily be lost among the plethora of other communications from the USPTO related to a typical patent application. But a possible deadline related to this program may be looming. Earlier this year, the Director of the USPTO extended the pilot program to Oct. 1, 2010, and despite the success of the program there is no guarantee of another extension. Therefore, patent applicants should take a moment to consider whether their applications could benefit from this program, and if so, they should file a request for a first action interview before the October 1 deadline.

To initiate a first action interview for a particular patent application, the applicant must file a request before Oct. 1, 2010, and comply with the requirements. Notably, most pending applications are not eligible for the pilot program, as eligibility is narrowed to applications that have been assigned to a particular “art unit” within the USPTO (a technology classification) and filed before a stated date for each art unit. A listing of the eligible art units and filing dates is provided on the USPTO Web site. (If the pilot program is made permanent, however, it will likely be opened up to all pending applications.) Also, requests previously issued a first office action are barred.

Assuming that these prerequisites are met, a patent applicant may file a request to participate in the program. The applicant must ensure that the patent application contains no more than 20 total claims and three independent claims. This may be unduly limiting for many applications, where more claims are needed to cover the invention adequately. In addition, the applicant must agree to accept any restrictions

requirement issued by the patent examiner. In a restriction requirement, an examiner finds that the claims cover multiple inventions and requires the applicant to choose one of the inventions to pursue in that application. Accordingly, this may expose the applicant to the risk of having to file for multiple applications to obtain solid patent coverage for the invention.

Once an applicant files a proper first action interview request, the application is placed in the examiner's queue until it would normally be examined. As noted, the pilot program does not accelerate the wait time for a first office action. When the application is ready to be examined, the examiner conducts a search of the prior art. If the examiner believes that the application is allowable, the examiner may issue a notice of allowance. More likely, the examiner will issue a "Pre-Interview Communication," which identifies one or more grounds of rejection based on the examiner's prior art search and review of the claims. However, unlike an office action, this does not contain a detailed description of how the references apply to the claims.

The applicant has one month to schedule an interview, which must be conducted within 60 days of the applicant's interview request. Although this one-month deadline is extendable for one additional month, it is still much less time than the three months (extendable to six months) that applicants normally have to respond to an office action. Therefore, if they choose to participate in this pilot program, applicants should be ready to respond quickly when the examiner begins the examination process. Alternatively, the applicant can opt out of the program at this stage by filing a request waiving the first action interview or by treating the pre-interview communication as a first office action and then filing a substantive response to it.

After the applicant and the patent examiner conduct the first action interview, there are generally three possible outcomes. If an agreement is reached for allowance of the claims, the examiner issues an interview summary and a notice of allowance. If no agreement is reached, the examiner will normally issue an office action, which is treated as the first office action. If the applicant chose to treat the pre-

interview communication as the first office action, the applicant may file a response and any following office action by the examiner would be treated as a second office action. This may have significant consequences, since a second office action may be final, forcing the applicant to appeal the rejections or reopen prosecution.

Whether before or after a first office action, interviews are a valuable tool for obtaining patent claims that have a useful scope of the applicant while addressing the examiner's patentability concerns. With written communications, the examiner and the prosecuting attorney are often like two ships passing in the night—each one not quite understanding the other's point of view. Examiners have too little time to review patent applications and search for relevant prior art, and the interview gives the patent applicant an opportunity to teach the invention to the examiner. The interview also gives the patent applicant an opportunity to hear the examiner's concerns about particular claim language. By moving the interview up to before the first substantive office action, these benefits can be realized earlier in the process to improve the quality and efficiency of the examination.

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Seven Sins—Intellectual Property Mistakes Start-Up Technology Companies Should Avoid

BY RAJIV P. PATEL

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The start-up company often is an exciting and fast moving entity. However, without attention to detail involving intellectual property encompassed within the company product and/or service, the time, effort and sweat equity invested in getting that product and/or service to market can slow down, or even halt, company growth. This article looks at seven intellectual property mistakes start-up companies make and tips to navigate and address the issues to help ensure a solid foundation for long term growth.

1. Contaminating intellectual property at origination

This mistake, although unintended, can be very costly for the company just starting up. The mistake often takes the form of incorrectly presuming that originating the idea means owning it. However, if the idea was originated or worked on in the course of working at a prior employer, the prior employer could potentially assert rights to the intellectual property. Such claim could originate from deceptively harmless activities such as use of an employer fax or photocopier; it may also occur from using the employer computer to access a personal email account.

TIP: Do not use your employer resources when working on your new idea. It is best to work on such ideas off hours, at your own location, and on your own resources, *e.g.*, computer, phone, fax, photocopier, etc. Also, if the new endeavor does not relate to the scope of your responsibilities at your current employer, such risks are further reduced.

2. Not securing rights from contracted entities

Technology development today often is not undertaken by a single entity. A technology developer may rely upon entities such as contractors or outsourced providers for their development activities. However, many start ups proceed with development by a contractor or outsourced provider without having an agreement to address the ownership of intellectual property rights. Without such agreement in place technology developed by the contractor or outsourced provider may result in disputes over ownership and subsequent uses of the developed technology and corresponding intellectual property.

TIP: Prior to beginning work with contracted or outsourced entities make sure to have a written agreement that clearly articulates ownership and use of created intellectual property. The agreement may include either a license to or an assignment of intellectual property rights arising from

any development work undertaken by the contracted or outsource entities. Where work has already begun without an agreement, strong consideration should be given to curtail further work until current intellectual property rights issues are resolved and a written agreement is in place that clearly sets forth licensing and/or assignment of subsequently created intellectual property rights.

3. Agreeing to joint ownership of intellectual property rights without an agreement

When acquiring or developing technology an issue may arise as to whether intellectual property was jointly developed. In such situations a company may decide that it would be least costly to simply allow joint ownership of the intellectual property between itself and the other developing entity. However, such approach potentially may compromise value of the intellectual property and possibly the company itself. With the intellectual property jointly owned, problems that may arise include, for example, proving competitors potential access to that intellectual property through the other joint owner or may potentially include having to provide an accounting of certain intellectual property rights to the other joint owner. In some instances, joint ownership of intellectual property ultimately may be the equitable outcome. Nevertheless, even in those instances true joint ownership may result in problems, for example, responsibilities to maintain intellectual property rights or appropriately set boundaries on what each party may do with their portion of the intellectual property rights.

TIP: When technology is begin acquired or developed in which your company may jointly own intellectual property rights with one or more other entities, have an agreement in place regarding ownership and responsibilities of the joint owners. The written agreement should clearly articulate licensing and/or ownership rights and, accordingly, obligations to ensure appropriate transfer of the agreed upon intellectual property rights. Where joint ownership is determined to be the equitable outcome, the entities should have a written agreement that describes the responsibilities of each entity to maintain the intellectual property rights and what each party is permitted to do or not do with their portion of the intellectual property rights. For example, the parties may agree to have one party be the owner of the intellectual property rights, articulate responsibilities to maintain those rights, and obligations of each party with respect to further downstream licenses of the intellectual property rights.

4. Publicly disclosing intellectual property before deciding and executing on a strategy

New companies are understandably eager to publicly announce their new idea to others. Without proper advanced planning, the public announcement may adversely affect the ability to appropriately secure certain intellectual property rights. For example, public disclosure of confidential information may result in a loss of trade secret rights. In addition, public disclosure of inventions may result in a loss of patent rights outside the U.S. and potentially could compromise patent rights in the U.S.

TIP: Inventory your technology and particular form of intellectual property available for the technology before making public disclosures. Thereafter determine the impact of public disclosure on the intellectual property right and follow through on securing rights in advance of the public disclosure.

5. Relying only on one type of intellectual property for protection

Intellectual property protection can take different forms, the most common being patent, trade secret, copyright, and trademark. Protection of technology is not limited to any one of these forms of intellectual property protection. In fact relying on only one form of intellectual property protection could be insufficient in completely protecting a developed technology. For example, software can be protected not only by copyright, but also by patent, trade secret and know-how.

TIP: Have a holistic approach to your intellectual property strategy. Evaluate your technology to determine all the types of intellectual property protection that may be available to protect it. Thereafter, critically consider each form to determine greatest value in terms of length of protection and strength of protection available from the type of intellectual property form. Thereafter, proceed with developing and executing a plan to secure protection using each of the identified intellectual property protection mechanisms under which protection was deemed to add value.

6. Improperly emphasizing cost of securing intellectual property protection

Cost is, and should be, a concern to ensure long term financial health of a company. However, cost often does not get untangled from what should perhaps be a value analysis. Attempting to secure intellectual property at a lowest possible cost may actually provide the least value. Low cost approaches may mask the harsh reality that the intellectual property for which protection is sought ultimately may not come to fruition due to deficiencies in

the original work product created to secure the intellectual property right. Hence, the end result is ultimately having no protection of intellectual property in exchange for what appeared to be an inexpensive route to try to secure that protection.

TIP: Shift the focus away from pure cost and instead focus on value. One suggestion is to consider a realistic overall budget to invest in an intellectual property portfolio. Using the budget as a guidepost conduct a critical review with an experienced intellectual property attorney to strategically evaluate what intellectual property protection investment may provide the greatest returns.

7. Not investing sufficient resources to secure intellectual property protection

Many companies find that they are invigorated for the initial exercise of pursuing an intellectual property strategy. However, as time continues on the excitement wears off. Responding to inquiries or conducting follow up on intellectual property issues takes a back seat to other matters and may also be completely ignored. Over time this causes numerous problems that include blown budgets, potential loss of securing intellectual property rights, and missed opportunities to further develop an intellectual property portfolio.

TIP: Have someone within the company take the lead as being the intellectual property interface with intellectual property counsel. Ideally, the person should have an interest in intellectual property (although need not be a specialist), a solid understanding of the business and industry that the company is in and/or planning to be in, and the authority from management to make decisions. A person having this diverse background and empowerment will help ensure that intellectual property decisions are made in a proper business context and in an efficient manner, thereby providing the company with potentially greatest value.

Rajiv Patel is a partner in the Intellectual Property Group and Patent Practice of Fenwick & West LLP. Fenwick & West LLP is a technology and life sciences focused law firm with offices in Mountain View (Silicon Valley), San Francisco, Seattle, and Boise. Additional information about Rajiv and Fenwick & West LLP can be found on the web at www.fenwick.com.

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THIS UPDATE IS INTENDED BY FENWICK & WEST LLP TO SUMMARIZE RECENT DEVELOPMENTS IN THE LAW. IT IS NOT INTENDED, AND SHOULD NOT BE REGARDED, AS LEGAL ADVICE. READERS WHO HAVE PARTICULAR QUESTIONS ABOUT THESE ISSUES SHOULD SEEK ADVICE OF COUNSEL.



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, as well as patent appeals and reexaminations. Ms. Bush has analyzed intellectual property issues for numerous due diligence and litigation matters.

The following is a list of Ms. Bush's representative clients:

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

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 served as Editor-in-Chief of the *Santa Clara Law Review*.

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

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Publications:

- Jennifer R. Bush, *Traveling Together Along the Patent Prosecution Highway*, IP Review Online, March 19, 2010.
- Jennifer R. Bush, *The Patent Prosecution Highway: An Expanding Option for Multinational Patent Filings*, Fenwick & West IP Bulletin (Summer 2009), at 1.
- Jennifer R. Bush and Rajiv P. Patel, *Giving Another Look to Patent Reexaminations*, Fenwick & West IP Bulletin (Spring 2008), at 2.
- Jennifer R. Bush and Rajiv P. Patel, *Patent Possibilities*, Los Angeles Daily J., March 6, 2008, at 7.
- 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., September 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 (October 2003).



Virginia K. DeMarchi

Partner

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Emphasis:

Patent Litigation

Intellectual Property Litigation

Virginia K. DeMarchi is a partner in the Litigation Group 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.

Ms. DeMarchi has acted as trial counsel in five federal district court trials and has argued appeals to the Federal Circuit and the Ninth Circuit. 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 for the 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 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.

Her clients include:

- FriendFinder Networks, Inc.
- Goodmail Systems, Inc.
- Hewlett-Packard Company
- Joby Photo, Inc.
- Magna Entertainment Corporation
- National Products, Inc.
- Netflix, Inc.
- Novozymes North America, Inc.
- Savi Technology, Inc.
- XAP Corporation

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

Publications/Presentations

Navigating Contractual Indemnity Obligations for Claims of Patent Infringement, ABA IP Litigation Newsletter (January 2010).

Selected Legal Issues for Cloud Computing, CTUAA Annual Conference (December 2009).

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).

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Significant Litigation Matters

Patent Cases

Parallel Networks, Inc. v. FriendFinder Networks, Inc. Ms. DeMarchi defended a client in a patent infringement trial in the United States District Court for the Eastern District of Texas, where she helped the client obtain a defense damages verdict of less than \$1.3 million in the face of the plaintiff's demand of \$62 million. The patents-in-suit concerned web page delivery.

Adobe Systems, Inc. v. Macromedia, Inc. Ms. DeMarchi was part of a team representing Macromedia in two patent infringement actions adverse to Adobe, involving patents for sound and graphics editing software. Ms. DeMarchi was responsible for developing and preparing Macromedia's affirmative and defensive damages positions. Macromedia obtained a net recovery from Adobe as a result of back-to-back jury trials in Delaware.

O2 Micro International v. Monolithic Power Systems. Ms. DeMarchi represented O2 Micro in the company's efforts to obtain discovery in the U.S. for use in foreign patent proceedings pursuant to 28 U.S.C. §1782, including the successful defeat of an appellate challenge in the Ninth Circuit. The case concerns issues addressed in the Supreme Court's recent decision in *Intel v. AMD*.

Other Intellectual Property Cases

Joby, Inc. v. Tocad America, Inc. Ms. DeMarchi represented Joby in a trade dress infringement action to protect its unique product design. Joby's motion for a preliminary injunction was resolved by stipulation and the matter settled thereafter.

CollegeNET, Inc. v. XAP Corporation. Ms. DeMarchi represented XAP in its defense against claims of patent infringement and false advertising, and second-chaired two trials on the false advertising claim. The case remains pending.

Atmel Corporation v. Information Storage Devices, Inc. Ms. DeMarchi represented ISD in this action by Atmel for patent infringement, trade secret misappropriation and breach of contract relating to semiconductor technology. Ms. DeMarchi was responsible for ISD's defense to the trade secret misappropriation and breach of contract claims, including all phases of fact and expert discovery and motion practice. She also obtained a ruling disqualifying one of Atmel's experts for failing to satisfy the *Daubert/Kumho Tire* standard. The decision is published at *Atmel Corp. v. Information Storage Devices*, 189 F.R.D. 410 (N.D.Cal. 1999).



Darren E. Donnelly

Partner

Litigation and
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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.



Pauline Farmer-Koppenol

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Emphasis:

Patent Prosecution

Intellectual Property Strategy and
Counseling

Life Sciences Licensing

Pauline Farmer-Koppenol is an associate in the Intellectual Property Group of Fenwick & West LLP. Ms. Farmer's practice focuses on serving technology and life sciences clients in prosecuting patent applications, providing intellectual property strategy and counseling, and negotiating joint research agreements and patent licenses. Additionally, Ms. Farmer has analyzed patent portfolios for life science clients and investors. Among the clients she has represented are:

- CardioDx, Inc.
- Google Inc.
- Presidio Pharmaceuticals, Inc.

Ms. Farmer received her J.D. in 2006 from the University of Michigan and her M.S. in chemistry in 1999, where her research focused on capillary electrophoresis and mass spectrometry as applied to proteins. She earned her B.S. in chemistry, *cum laude*, from the University of Florida in 1996.

Ms. Farmer is a member of the State Bar of California and is admitted to practice before the United States Patent and Trademark Office.

Selected Publications:

- Michael Shuster and Pauline Farmer-Koppenol, *Biotech in the Wake of 'Bilski'*, The Recorder, July 2010.
- Pauline Farmer-Koppenol, *Best Mode Helps Chinese Companies Win 337 Investigation Case*, China Intellectual Property Magazine, February 2009.
- Michael Shuster and Pauline Farmer-Koppenol, *Protecting Patents for Personalized Medicine*, BioPharm International, September 2008.
- Pauline Farmer-Koppenol, *Effect of KSR on Obviousness Analysis of Chemical Compounds*, Fenwick & West IP Bulletin, Summer 2008.
- Pauline Farmer-Koppenol, *A Compound Problem*, San Francisco Daily Journal, page 7, May 14, 2008.
- Michael J. Shuster, Pauline Farmer-Koppenol and H. Thomas Anderson Jr., *Observations on Recent Developments in Patent Law: Is the Generic Claim Turning Into an Endangered Species?*, Burrill Report Personalized Medicine, November, 2007.
- Jarstfer A.G., P. Farmer-Koppenol, and D.M. Sylvia, *Tissue magnesium and calcium affect development and reproduction of an arbuscular mycorrhiza*, Mycorrhiza.7:237-242, 1998.

Organization and Community Participation:

- American Chemical Society
- American Intellectual Property Law Association
- American Bar Association
- Queen's Bench Bar Association of San Francisco, Director

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Stuart P. Meyer

Partner

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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'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:

- ACNielsen
- Apple Inc.
- Canon Research Americas, Inc.
- Cisco Systems, Inc.
- Compuware Corporation
- GE Healthcare
- Glaxo Wellcome
- Google Inc.
- Hewlett-Packard Company
- Intuit Inc.
- Palm, Inc.
- Sun Microsystems, Inc.
- Symantec Corporation

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 recently named one of *The Best Lawyers in America 2011* in Information Technology Law. He was also named to *The International Who's Who of Internet & e-Commerce Lawyers, 2009* and *The International Who's Who of Business Lawyers, 2010* published by *Who's Who Legal*. *Intellectual Asset Management* magazine includes Mr. Meyer in their *IAM 250-The World's Leading IP Strategists* guide for 2009 and 2010.

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.

Mr. Meyer is a member of the state bars of California and Vermont. He is also a member of the bar for the District of Columbia. He is a registered patent attorney and practices regularly before the U.S. Patent and Trademark Office.

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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:

- Canon Research Americas, Inc.
- Hewlett-Packard Company/Palm, Inc.
- Logitech, Inc.
- Sipro Lab Telecom, Inc.
- Synopsys, Inc.
- Twitter, Inc.
- Ustream, Inc.
- VoiceAge Corporation

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.

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 Bandwidth 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

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; Practising Law Institute course on “Advanced Patent Prosecution”
- Program Chair; Practising Law Institute course on “Reexamination and Patent Litigation Crossover Proceedings”.
- Faculty Member; Practising 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, Practising 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”)



Robin W. Reasoner

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Emphasis:

Patents

Robin W. Reasoner is an associate in the Intellectual Property Group of Fenwick & West LLP, a law firm specializing in technology and life sciences matters. Ms. Reasoner's practice includes strategic patent counseling and obtaining domestic and foreign patent rights in a number of technical fields, including optics, computer software, and business methods. She has prepared and prosecuted numerous provisional and utility applications.

In addition to securing patent protection for her clients, she has attacked issued patents on behalf of clients in litigation proceedings in U.S. Federal Courts and in *inter partes* reexamination proceedings before the U.S. Patent and Trademark Office. She also provides IP due diligence and litigation support.

The following are among the clients Ms. Reasoner has represented on patent matters:

- AOptix Technologies, Inc.
- Cisco Systems, Inc.
- Google Inc.
- Honda R&D Americas, Inc.
- Informatica Corporation
- Intuit Inc.
- Logitech, Inc.

Ms. Reasoner received her J.D., with distinction, from Stanford University in 2004. She received her B.A., with honors and *Phi Beta Kappa*, in physics and economics from Grinnell College in 1999.

Ms. Reasoner is a member of the State Bar of California and is registered in the U.S. Patent and Trademark Office as a patent attorney.



Robert R. Sachs

Partner

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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, 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.
- Facebook, 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 his M.S. in software engineering from National University in 1996. He earned a B.A. in philosophy and a B.A. in psychology from the University of California, San Diego, in 1987, where he graduated *summa cum laude*.

Selected Speaking Engagements

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

- *Business Methods Partnership Meeting*, United States Patent & Trademark Office, September 19, 2010
- *Seventh Annual Ecommerce Best Practices Conference*, Stanford Law School, June 25, 2010
- *Bilski Amicus Roundtable*, Fenwick & West LLP, Mountain View, CA, July 10, 2009.
- *Sixth Annual Ecommerce Best Practices Conference*, Stanford Law School, June 12, 2009.
- *Patent Pools: Still Relevant After All These Years* at Licensing Executive Society USA & Canada, 2009 Winter Meeting, San Antonio Texas, February 26, 2009
- *Shifting Strategies in Patent Law* at 2009 Santa Clara Computer & High Technology Law Journal Symposium, January 30, 2009
- *Strategic Legal Considerations for MoTV Businesses*, at Mobile TV & Video Summit at NAB2007, Las Vegas, Nevada, April 17, 2007.

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- *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:

- *Making Sense of the Revived Machine-or-Transformation Test in In re Bilski*, by Robert Sachs & Robert Hulse. IP & Technology Law Journal, Jan. 2009.
- *On Shaky Ground: The (Near) Future of Patents After Bilski*, by Robert Sachs & Robert Hulse. The Intellectual Property Strategist, Vol. 15, No. 3, Dec. 2008.
- *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.
- *Software Support & Analyzing the PTO's Guidelines for Computer Implemented Inventions*, analyzing the PTO's 1996 guidelines for examining software patents

Key Experience

- 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 Networks, Inc.
- Good Technology, Inc.
- Intuit Inc.
- KANA Software, Inc.
- Lexar Media, Inc.
- Macromedia, Inc.
- O₂Micro International Ltd.
- Omniture, Inc.
- ONI Systems, Inc.
- Plaxo, Inc.
- SAP AG
- Silver Spring Networks

Recently, Mr. Sacksteder successfully argued for a multi-defendant patent lawsuit to be transferred from the Eastern District of Texas to the Northern District of California. In 2008, 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 O₂Micro in the trade secret and patent case *O₂Micro v. Monolithic Power Systems*. The jury awarded O₂Micro \$12 million for the willful misappropriation of O₂Micro's trade secrets and found that all asserted claims of Monolithic Power Systems' patents-in-suit were invalid and not infringed. Shortly before the O₂Micro 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.

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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.



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Emphasis:

Patent Litigation

Saina S. Shamilov is a senior associate in the Litigation Group of Fenwick & West LLP, a law firm specializing in technology and life sciences matters. Ms. Shamilov's practice focuses on intellectual property law with emphasis on patent litigation.

Ms. Shamilov has represented clients in various technological fields including networking and telecommunications, e-commerce and Internet-related technologies, software engineering, computer architecture, CRM systems and database management.

The following are among the clients Ms. Shamilov has represented:

- Amazon.com, Inc.
- Ciena Corporation
- Foundry Networks, Inc.
- SAP AG
- Silicon Image, Inc.
- Sun Microsystems, Inc.

Prior to attending law school, Ms. Shamilov was a software engineer, and designed and implemented GPS systems.

Ms. Shamilov is a member of the State Bar of California and is registered to practice before the U.S. Patent and Trademark Office. She is also an Adjunct Professor at Santa Clara University School of Law and the author of "*Opinion Letters in the Wake of In re Seagate Technology*", an article published in the July 18, 2008 Daily Journal. Ms. Shamilov was recently recognized as a 2009 Rising Star by Northern California Super Lawyers.

Ms. Shamilov received her J.D. from Santa Clara University School of Law in 2001, where she received a High Tech Law Certificate. She received her B.S. in Computer Science from the University of California, Davis in 1997. She is fluent in Russian.

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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
- Alnylam Pharmaceuticals, Inc.
- BioCryst Pharmaceuticals, Inc.
- Climos, Inc.
- Crescendo Bioscience, Inc.
- Isis Pharmaceuticals, Inc.
- Joule Unlimited, Inc.
- Kleiner Perkins Caufield & Byers
- Mohr Davidow Ventures
- Monogram Biosciences, Inc.
- The Regents of the University of California
- The University of Southern California

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. In 2009, Dr. Shuster was listed as one of the *Daily Journals* Top 25 Intellectual Property Portfolio Managers.

Dr. Shuster received his B.A. from Brandeis University in 1981, *magna cum laude* and his 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.

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