

OSHALIANG

Intellectual Property Law

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IP Seminar Class 3 US Patent Law

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STAGES

- Obtaining IP Rights
- Registering IP Rights
- Licensing/Assigning IP Rights
- Enforcing IP Rights

OBTAINING IP

- How to get a patent in the U.S.

The Basics of the US System

- U.S. is a “first to invent” system
- Rest of the world is a “first to file” system
 - Race to patent office

U.S. System – Filing and Bar Dates

- “Priority” given as of date of invention
 - Patent application may be later filed so long as invention not abandoned
- Public disclosure, sale, or offer to sell starts one-year clock ticking
 - If patent application not filed within one year, rights are lost

Disclosures Include...

- Examples:
 - Publication or presentation of a technical paper or other description
 - Display at trade shows
 - Postings on the Internet
 - Outsourcing prototype manufacture without a non-disclosure agreement
 - Sale or offer to sell
 - Use of the invention in public (no trade secret protection enforced)

Practical Considerations of the U.S. System

- For the U.S., we **MUST** be able to prove date of invention
- Lab notebooks are **ESSENTIAL!!**

Lab Notebooks

- The goal is to maintain records in a provable form that may be admitted in a court of law
- Detailed and accurate
- Primary record of the achievements of an individual
- A source for preparation of invention disclosures

Lab Notebooks

- 2 Colleagues qualified to understand the data should witness each page with his/her signature and date
- No blank spaces or pages
- Blank area on any page should be filled in by a large “Z” or a series of “X’s”
- Pages should not be removed
- Loose-leaf books are not suitable

Provisional Applications

- “foot in the door” application
- Minimal disclosure required, cost-effective
- Gives you an early start
 - one-year time period within which subsequent applications (domestic and foreign) must be filed
 - BUT: watch out for 112 enablement issues

Assignment of IP Rights in the US

- Only individual inventors can file for a US Patent – corporations cannot directly file
- Invention is owned by the inventors – they are the presumed owners
- Inventors must sign an Assignment transferring rights to an employer/ corporation/university

Employment Agreements

- Employment Contract typically includes IP clause that states that any concept invented while employed by the employer belongs to the employer
 - Universities are especially strict about this
- In the case of joint ownership, make sure agreement is specific in terms of duties and rights to enforce / license

In addition...

- Joint-development agreements – specify IP ownership
- Non-Disclosure Agreements/
Confidentiality Agreements
- Licensing Agreements

Inventorship

- Beware of unnamed co-inventors
 - U.S. law treats co-owners of a patent as owners of undivided whole interests
 - Improper inventorship can invalidate patent
 - Inventorship evaluated on claim by claim basis

Duty of Disclosure

- Unique to United States
- Inventor and all involved with patent application process have duty to disclose material prior art of which they are aware during pendency of the patent application
- Failure to comply may result in otherwise valid patent being held unenforceable

Due Diligence

- Start early!
- Identify “crown jewels”
 - Employ two-level analysis for large portfolios
- Use technically qualified persons to evaluate scope and quality
 - Avoid negative written comments
- Check dates and Rule 56 compliance
- Investigate inventorship carefully
 - U.S. rules not the same as other countries
 - Make sure contracts signed with all inventors and potential inventors

What is patentable?

Patentability under 35 U.S.C. § 101

Patentable subject-matter

35 U.S.C. § 101

- “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.” § 101

In re Bilski

- Representative Claim 1 reads as follows:

A method for managing the consumption risk costs of a commodity sold by a commodity provider at a fixed price comprising the steps of:

(a) initiating a series of transactions between said commodity provider and consumers of said commodity wherein said consumers purchase said commodity at a fixed rate based upon historical averages, said fixed rate corresponding to a risk position of said consumer;

(b) identifying market participants for said commodity having a counter-risk position to said consumers; and

(c) initiating a series of transactions between said commodity provider and said market participants at a second fixed rate such that said series of market participant transactions balances the risk position of said series of consumer transactions.

In re Bilski

- The Current CAFC Decision in *Bilski* says:
- A process satisfies 35 USC 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.

This is the “**machine-or- transformation**” test

In re Bilski

- The Court did not explain what “tied to a particular machine or apparatus” means.
- *Ex parte Cornea-Hasegan* (Jan 13, 2009)
 - The recitation of “a processor” is not enough to meet the first prong
- *Research Corp. Techs., Inc. v. Microsoft Corp.*,
 - the claims in question were not tied to a particular machine or apparatus because the claims did not mandate the use of a machine to achieve their algorithmic and algebraic ends.
 - The fact that a digital apparatus such as a computer or calculator could perform the algorithm is insufficient.

In re Nuijten

- Involves a method of embedding supplemental data in a signal.
- Issue:
 - Whether the Federal Circuit erred by adding new requirements to 35 U.S.C. § 101 that patentable manufactures must be tangible articles that are non-transitory and perceivable without special equipment.

In re Nuijten

- The Federal Circuit's restrictive holding (i.e., a coded signal cannot be patentable subject matter) has generated vehement objections from academia and practitioners.
 - “The decision . . . disregards [the] fundamental teachings on patent law and policy.” *Amicus* brief of Professor John Fitzgerald Duffy.
 - “The limitations proposed by the Federal Circuit . . . threaten to open a slippery slope of judicial exceptions having unforeseen consequences.” *Amicus* brief of AIPLA.

Practical Implications – Software and Business Methods

- There has been an increase in the number of rejections by the Examiner's under 35 U.S.C. 101
- Method claims need to be tied to the “real - world”
- Consider claiming invention as executing on a computer system or as instructions stored on a computer readable medium.
- Business methods GAU – 3600 at the USPTO, issues only about 10% of the applications that get examined.
 - This division is told to crack down on business methods.

Obviousness 35 U.S.C. § 103

KSR Int'l Co. v. Teleflex Inc.

127 S.Ct. 1727 (2007)

- Supreme Court redefined the obviousness prong of patentability.
- Made it more difficult to overcome obviousness considerations.
- Obviousness now presents a wider range of themes for challenging patentability.

Patent in Suit -- Engelgau

4. A vehicle control pedal apparatus (12) comprising:

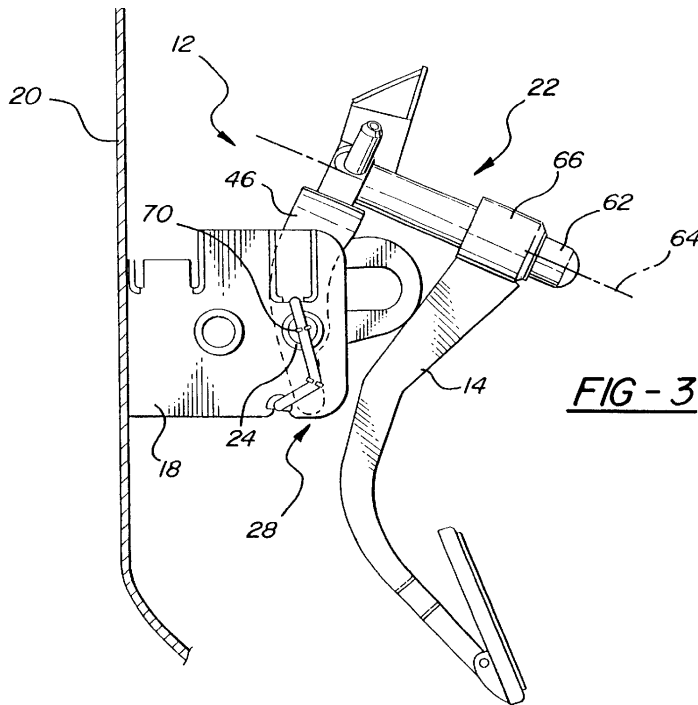
a support (18) adapted to be mounted to a vehicle structure (20);

an adjustable pedal assembly (22) having a pedal arm (14) moveable in fore and aft directions with respect to said support (18);

a pivot (24) for pivotally supporting said adjustable pedal assembly (22) with respect to said support (18) and defining a pivot axis (26); and

an electronic control (28) attached to said support (18) for controlling a vehicle system;

said apparatus (12) characterized by said electronic control (28) being responsive to said pivot (24) for providing a signal (32) that corresponds to pedal arm position as said pedal arm (14) pivots about said pivot axis (26) between rest and applied positions wherein *the position of said pivot (24) remains constant while said pedal arm (14) moves in fore and aft directions with respect to said pivot (24).*



Prior Art

- 3 Prior Art references combined
 - Asano - teaches adjustable Pedal with fixed pivot point
 - Rixon – teaches sensor with chafing problem
 - Smith – teaches solution to chafing problem by putting sensor on fixed portion of pedal assembly

Lower Courts

- District Court
 - Summary judgment invalidity
 - Combination teaches sensor in fixed pivot
 - Smith taught solution to chafing was to fix at pivot
- Federal Circuit
 - Reverses, Teaching-Suggestion-Motivation test (TSM test) not met
 - Chafing problem irrelevant to analysis

KSR – Supreme Court

- Reversed Federal Circuit (04/07)
 - Found Obviousness
 - Rejected TSM test as rigid inquiry
 - “We begin by rejecting the rigid approach of the Court of Appeals.”
 - TSM was a “helpful insight” of the CCPA to identify a reason for combining prior art
 - “no necessary inconsistency” between the TSM idea and *Graham*, but TSM cannot become a rigid rule that limits the obviousness inquiry

KSR – Supreme Court

- Predictability is now a factor:
 - “If a person of ordinary skill can implement a predictable variation, § 103 likely bars its patentability.”
 - “The combination of familiar elements according to known methods is likely to be obvious when it does no more than yield predictable results ...”
 - “... a court must ask whether the improvement is more than the predictable use of prior art elements according to their established functions.”
- Revives “obvious to try” as a factor in obviousness inquiry

KSR – Supreme Court

- Ordinary innovation is not enough
 - “... the results of ordinary innovation are not the subject of exclusive rights under the patent laws.”
 - “Granting patent protection to advances that would occur in the ordinary course without real innovation retards progress and may, in the case of patents combining previously known elements, deprive prior inventions of their value or utility.”

KSR – Supreme Court

- Flexible instead of rigid approach
- Common sense
 - Mentioned 5 times
 - “Common sense teaches, however, that familiar items may have obvious uses beyond their primary purposes, and in many cases a person of skill will be able to fit the teachings of multiple patents together like pieces of a puzzle.”
 - Person of skill is person of ordinary creativity

Looking Forward

- Combination patents harder to obtain
- “Common sense” and “predictability” now central considerations
- Non-analogous art hard to show
- TSM test still available, but not sole test
- Examiners may be held to higher standard of explanation of support for rejection

ENFORCEMENT

- Litigation 101 in the US

US Court System

State courts

federal district courts - SMJ

appellate fed. Circuit court

Supreme Court

The US Court System

- The federal district courts "**shall** have original jurisdiction of any civil action *arising under* any Act of Congress relating to patents.... Such jurisdiction **shall** be exclusive of the courts of the states in patent ... cases." 28 U.S.C. § 1338(a)
- Claims *arising under* the patent law may only be heard by the U.S. District Courts
 - Ownership of patents and other ancillary issues may be considered by State courts

Federal Circuit

- U.S. Court of Appeals for the Federal Circuit
 - Nationwide jurisdiction for patent appeals
 - 28 U.S.C. § 1295
- “the Federal Circuit shall have exclusive jurisdiction ... of an appeal from a final decision of a district court of the United States ... if the jurisdiction of that court was based, in whole or in part, on section 1338 of this title ...”

Patent Litigation

- Exclusively federal jurisdiction
- Very expensive and complex
- All appeals to the Court of Appeals for the Federal Circuit
 - **Been accused of fact finding on appeal**
 - Greater than 50% reversal rate

Patent Litigation

- Patent owner goes into the fight with big burden of proof advantages
 - Patent is **presumed** valid – 35 U.S.C. § 281
 - Burden on accused infringer to prove invalid – “clear & convincing evidence”
 - Infringement
 - Burden to prove infringement – “preponderance of the evidence”

Patent Litigation

- Motion to transfer – 28 U.S.C. § 1404(a)
 - Difficult to obtain transfer when the suit is filed in the plaintiff's home forum
 - Plaintiff usually can add a local distributor/customer as a party to assure that the suit remains where filed
 - DJ suits
 - **“First to file” rule – whoever files the DJ action first, gets to choose the venue.**
 - **Sandisk vs. STMicroelectronics**

Discovery

- Litigation allows parties to “discover” information in possession of an adverse party
- Discovery rules in courts are broad
 - Parties may obtain discovery of anything relevant to the claim or defense of any party

Discovery

- Discovery includes:
 - Documents (letters, mail, lab notebooks)
 - Inspection of equipment
 - Deposition of witnesses
 - Responses to specific questions
- Discovery typically includes:
 - Written discovery
 - Oral discovery

Electronic Discovery

- Electronic discovery involves the potential production of Electronically Stored Information (ESI) for litigation purposes
 - Includes: metadata, e-mails, back-up tapes, archived data, etc.
- Prior to *Zubulake*
 - Most attorneys didn't know much about IT or default computer settings such as archiving, auto-delete, *etc.*
 - Hard-copy mentality – evidence was defined as hard documents

Zubulake Case (SNDY 2005)

- Held that any accessible electronic data relating to claims/defenses of the suit must be produced
- Accessible = stored in a readily useable format
- Duty to preserve evidence arises when the party has notice that the evidence is related to litigation
- Even before case is filed!
- E-Discovery Federal Rules in force 12/06

Litigation Hold – When to Implement

- Parties are required to implement a litigation hold – stop all auto-delete and/or any policies implemented in the company related to electronic clean-up
- Follow-up with preservation of electronic data – monitor efforts to comply and ensure preservation of relevant electronic data
- Identify and interview key custodians – communicate directly with key players and understand each person's data management procedures

Risks of Non-compliance

- Failure to comply results in:
 - Sanctions
 - With increasing severity and frequency
 - If willful spoliation of electronic data, lost information is presumed to be material/relevant
- *Micron Technology, Inc. v. Rambus Inc.* (D.Del. 2009)
 - Rambus' portfolio at issue found unenforceable due to pre-filing document spoliation

Privileged Information

- Work Product
 - Documents created in anticipation of litigation or for trial
- Attorney Client Privilege
 - Communications between an attorney and a client

Work Product

- Only covers documents prepared (by attorneys or at their direction) in anticipation of litigation or for trial
- Does not include documents prepared in the ordinary course of business or for non-litigation purposes
- Most documents produced during patent prosecution are not covered by work product
 - Examples:
 - Invention disclosures
 - Meeting notes
 - E-mail

Attorney-Client Privilege

- Communication for the purpose of securing primarily legal opinion, legal services, or in assistance in a legal proceeding
- Privilege exists to protect communication between attorneys and clients
 - Enables the party to refuse to disclose the communication to an adverse party
- Certain communications during patent prosecution may be attorney client privileged

Attorney-Client Privilege

- Communications that are not covered
 - Non-confidential information
 - Requests for technical advice
 - Requests for business advice
- Mixed communications?

Thoughts on Privileges

- Consider privilege as part of overall strategy for handling patent issues
- Advise staff how they should act and not act to maintain the privilege
- Clearly mark all privileged documents “Attorney-Client Privileged” or “Work Product”
- Limit non-legal personnel from making legal conclusions or judgments
- To discuss questions of infringement, discuss orally instead of reducing matters to writing (including email)

Patent Litigation

- *Markman* Hearing
 - **Construction of the claims of the patent a matter of law**
 - *i.e.*, for the judge & not the jury
 - **Can be dispositive – motion for summary judgment**
 - **No interlocutory appeal**

Patent Litigation

- *Festo* decision by the Supreme Court
 - **Severely** limits application of the doctrine of equivalents
 - **Applies to all issued patents**
 - **Summary judgment**
 - **Fewer cases will ever see the jury**

Patent Litigation

- Defenses frequently raised:
 - Patent is invalid
 - **Burden on accused infringer to prove invalid – “clear & convincing evidence”**
 - Patent is not infringed
 - **Patent is infringed if even one claim is infringed**
 - Patent is not enforceable
 - **Misuse**
 - **Inequitable conduct – not favored by Federal Circuit**

Patent Litigation

- Protective Order
 - Important to get early in the suit
 - Legitimate concerns for protecting confidential business and technical information from disclosure to a competitor v. need to have reasonable discovery

Patent Litigation

- Remedies
 - TRO/Preliminary Injunction
 - Patent is **presumed valid** – need only establish infringement
 - Irreparable harm **presumed**
 - Fast track – less time for defendant to discover weaknesses in the patents

Patent Litigation

- Remedies
 - Money Damages
 - **Trend is toward more creative damages theories - larger awards**
 - **Importance of expert witness**
 - **Patent marking requirements**
 - **Enhancement of damages – “willful infringement”**
 - **Opinion of counsel**
 - **Totality of the circumstances**

Patent Litigation

- Remedies
 - Injunctive relief
 - **eBay v. Merc. Exchange**
 - **Can be crippling to the accused infringer**
 - **Becomes a serious concern for customers**
 - Customers can be held to be infringers also
 - Attorneys' fees – “exceptional case”

What To Know

- First, retain local counsel – Judges have lectured about the need for this
- Second, engage in aggressive invalidity searches early
- The patent rules require a complete disclosure of all invalidity contentions
- Third, be prepared to move quickly (deadlines will be firm, and non-extendable)

What to Know

- Hire the right Experts:
 - Technical
 - Damages
 - Legal?

Alternate Approaches to Patent Disputes in the US

- ITC proceeding
- Reexamination
 - *Ex parte*
 - *Inter partes*

ITC Proceedings

- Known as “Section 337 Investigations”
- Imported products only
- Injunction/Exclusion order are the only remedies
- Fast-track action (15-18 months)
- Plaintiff must show domestic industry and use of technology

Reexamination

- Conducted by U.S. Patent Office
 - New central group handles requests
- *Ex Parte*
 - May be requested by third party
 - Third party has no further involvement
- *Inter Partes*
 - Mini-litigation
 - Requester remains involved
- The USPTO will grant a reexamination request only if “a substantial new question of patentability affecting any claim of the patent concerned is raised by the request.”
 - During reexamination, USPTO is not bound by a court’s claim construction (*Swanson*)
 - A reference may present a SNQ *even if* the examiner considered or cited a reference for one purpose in earlier proceedings. (*Swanson*)

Patent Trolls

- According to Peter Detkin, who coined the term, a patent troll is:
 - “[S]omebody who tries to make a lot of money off a patent that they are not practicing and have no intention of practicing and in most cases never practiced.”
 - Brenda Sandburg, *Trolling for Dollars*, Recorder, July 30, 2001, at 1 (quoting Peter Detkin, co-founder and managing director of Intellectual Ventures, L.L.C.).

Patent Trolls

- Examples:
 - Company that exists for sole purpose of acquiring/inventing patents for licensing
 - Patentee who knows of a corporation infringing its patent but intentionally waits to send a cease-and-desist letter until that corporation has expended significant resources, so as to extract exorbitant settlement fees
 - Patentee who files multiple continuations with claims directed to current market
 - Anyone who accuses “me” of patent infringement

Effects of Patent Trolls

- Negative Effects
 - Unreasonable licensing fees
 - Threat of injunction outweighs value of patent
 - Lack of proper apportionment of damages
 - Litigation expenses
 - Plaintiff's attorneys on contingent fee
 - Inconvenient forum (ED TX)
 - Hinder technological and industrial growth
 - Negative public perception of patents
- Positive Effects
 - Create a secondary market for patents
 - Opportunity for small inventors to obtain return on investment in their inventions

Efforts Directed (in part) at Patent Trolls

- Judicial Action
 - *eBay v. MercExchange* (2005)
 - Injunction requires application of a reasonableness test
 - *KSR v. Teleflex*
 - Obviousness standard raised
 - *Medimmune*
 - Licensee can sue for invalidity without breaching license
 - *Seagate*
 - Willful infringement standard raised

Strategies for Dealing with Trolls

- Prophylactic procedures
 - “triage” process for evaluating problem patents and obtaining opinions
 - “hurricane plan” for patent litigation
 - E-Discovery SOP in place
- When confronted
 - Review the troll’s litigation history and weigh the risks
 - Expect aggressive behavior
 - Look into quality of patents being asserted, and attempt to invalidate patents through reexamination or DJ action
 - Negotiate running royalty and consider *Medimmune* attack post-license

IP in other countries

- China
- India
- Japan

China

- Third and most recent amendment to PRC patent law just came into force on 1.10.09
- China follows closely the EP practice. Therefore, the difference between EP and US practices usually applies to the China practice.
- China has 3 types of patents: Invention patent (US utility), Utility Model Patent (no such patents in US or EP – shorter term and not as thorough examination), and Design Patent.
- Inventor compensation – This is similar to Japan and Germany. Employers must pay “reasonable remuneration” to the inventors and the statutes set minimum percentages depending on self use or license out. Local governments often require something on top of the national standard.

China

- Claim amendments are very strict in China – support must be **explicitly** disclosed in the spec (or **undoubtedly derivable** from the **explicit** teaching of the spec). Something that one skilled in the art would understand is within the scope of the invention is not sufficient.
- Absolutely no supplemental data allowed after filing to show that a skilled person would be able to derive the claimed invention from the spec.
- Written description support requirement is much higher in China.
 - For example, for pharmaceuticals, one must show chemical/physical characterization data, in addition to biological data, for majority of the compounds.

Enforcement in China

- The system generally works. In large cities (Beijing, Shanghai), there is little or no bias against foreign corporations.
- No “discovery” in litigations in China.
 - Difficult (or impossible) for patentee to prove damages (defendant’s profits). Court awards statutory damages – about \$70,000, which is not even enough to pay patentee’s attorney fees. The statutory damages have been doubled in the new law.

India

- The Patents Acts (1970) – amended in 2005
- Types of Applications – Utility, patent of addition (improvement), divisionals
- Novelty, inventive step, industrially applicable (must be useful)
- Indian inventor must first file in India
- Post 2005 – product and process patents
- Pre-grant and post-grant opposition
- 20 year term for patents
- Fast –track for appeals
- Provisional Applications can be filed

Provisions in the Indian Patents Act

- Prevent frivolous patents
- Compulsory licenses
- Revocation of patent for public interest and security
- Custom screens only import bound goods for IPR violations