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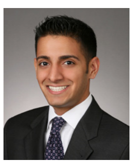
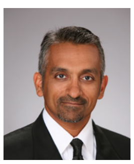
CERTAIN UNCERTAINTY: THE FUTURE OF COMPUTER SOFTWARE PATENTS


BY: RAJIT KAPUR, BINAL J. PATEL, AND WILLIAM E. WOOTEN

LIFE AFTER ALICE … THE STORY SO FAR

Since the *Alice* decision[1] came down last June, the world of computer software patents has been upended, both in litigation and in prosecution. In the realm of prosecution, patent applications dealing with e-commerce and business methods have been hit particularly hard at the U.S. Patent and Trademark Office (USPTO) with *Alice* rejections, but even those applications dealing with relatively more "technical" concepts have also been facing a harsh new reality in which eligibility rejections are lurking behind every corner and claim amendment.

Recently, the USPTO issued an update on its Subject Matter Eligibility Guidance in the wake of the many district court and Federal Circuit decisions that have followed *Alice* to provide more clarity as to how Examiners should apply *Alice* and other Supreme Court precedent to software patent applications. While it remains to be seen how helpful the updated Guidance will be to patent applicants during prosecution, the Guidance does clarify a few points, discussed in greater detail below, that at least provide some constraints on how Examiners can make *Alice* rejections under 35 U.S.C. 101, as well as a framework that applicants can use in responding to such *Alice* rejections.

For most software patent applicants, this is welcome news. Indeed, in the months which have passed since *Alice* was decided, software patent applicants have seen very different types of reactions in different cases dealing with seemingly similar subject matter. For example, in Office Actions and interviews alike, some Examiners and Group Art Units seem to be operating as if nothing has changed since *Alice*. At the same time, others seem to be issuing *Alice* rejections in all cases as a matter of standard operating procedure. Of course, the claims of every application are, for the most part, different, and whether a particular claim is eligible is, or should be, evaluated on a case-by-case basis.

MORE

1. *Alice Corp. v. CLS Bank Int'l*, 110 USPQ2d 1976 (U.S. 2014) (holding that patent claims directed to an abstract idea that do not amount to significantly more than the abstract idea are ineligible for patent protection under 35 U.S.C. 101).

[**CERTAIN UNCERTAINTY**, FROM PAGE 1]

Nevertheless, certain cases do seem to fare better than others in a manner that is as inexplicable as it is unpredictable, and oftentimes can at best be chalked up to the particular Examiner or Group Art Unit to which an application is lucky enough (or unlucky enough) to be assigned.

THE UPDATED GUIDANCE, AND HOW IT MIGHT HELP

To date, much of the unpredictability of *Alice* seems to stem from the subjectivity associated with identifying what is or isn't an abstract idea, as well as the lack of definition over what constitutes "significantly more" than an abstract idea. For example, in the experience of many software patent applicants, it has seemed as though Examiners have a lot of latitude in identifying a particular concept in a particular claim as being an abstract idea. And while it is true that an Examiner is typically looking for a "fundamental economic practice" or a "method of organizing human activity," among other things, when assessing whether an abstract idea is present in a particular claim, it can sometime be surprising to an unwary applicant what can be analogized to one of these prototypical abstract ideas. For instance, if a particular claim recites user-facing functionality of computer software, it might not be much of a stretch to consider such functionality a "method of organizing human activity," depending on how it is presented in the claim.

Moreover, determining, much less articulating, what constitutes "significantly more" than an abstract idea is as difficult for applicants as it seems to be for Examiners. While the post-*Alice* case law has shed some light on this second part of the eligibility analysis, it has proven difficult during prosecution to extend the holdings of those cases much further than their specific facts and claim language.

In any event, the updated Guidance may be helpful both in identifying abstract ideas in claims and in evaluating whether a particular claim recites "significantly more" than an abstract idea. In particular, the USPTO's updated Guidance includes two lessons that may be particularly helpful to software patent applicants during prosecution.

First, the updated Guidance provides a discussion that "is meant to guide examiners and ensure that a claimed concept is not identified as an abstract idea unless it is similar to at least one concept that the courts have identified as an abstract idea."[2] This first point is helpful to software patent applicants because it provides some constraints on what can be identified as an abstract idea. As a result, applicants may be able to use the updated Guidance to push back in cases where a particularly creative abstract idea has been identified or in cases where an *Alice* rejection has been made more as a matter of default than based on the merits of a particular claim.

Second, the updated Guidance emphasizes that "examiners are to consider all additional elements both individually and in combination to determine whether the claim as a whole amounts to significantly more than an exception."[3] And, in making a point that is undoubtedly welcomed by many software patent applicants, the updated Guidance indicates that "[i]t is agreed that this

> "The USPTO's updated Guidance includes two lessons that may be particularly helpful to software patent applicants during prosecution."

2. U.S. Patent and Trademark Office, July 2015 Update: Subject Matter Eligibility. Available at http://www.uspto.gov/sites/default/files/documents/ieg-july-2015-update.pdf. Page 3.

3. U.S. Patent and Trademark Office, July 2015 Update: Subject Matter Eligibility. Available at http://www.uspto.gov/sites/default/files/documents/ieg-july-2015-update.pdf. Pages 1-2.

instruction is vital to ensuring the eligibility of many claims, because even if an element does not amount to significantly more on its own (e.g., because it is merely a generic computer component performing generic computer functions), it can still amount to significantly more when considered in combination with the other elements of the claim." Like the first point, this second point is also helpful to software patent applicants as many software claims often can be boiled down to "merely a generic computer component performing generic computer functions." Indeed, many software patent applicants have seen their claims reduced in such a manner while prosecuting their patent applications in the time that has passed since *Alice*. Yet, as applicants have undoubtedly argued, and as the USPTO has now reiterated, a claim that includes these computer functions might still amount to "significantly more" than an abstract idea when such computer functions are considered in combination with the other features that are present in a particular claim.

WHERE DO WE GO FROM HERE?

While the updated Guidance provides some constraints on how abstract ideas are identified, as well as some welcome clarity on how Examiners and applicants can assess what amounts to "significantly more" than an abstract idea, there is still a lot of subjectivity and unpredictability when dealing with *Alice* in practice. Indeed, oftentimes it seems as if it is a matter of luck as to whether or not a given software patent application encounters an *Alice* rejection. Nevertheless, the updated Guidance includes several points and useful examples that may help software patent applicants in addressing the issue of eligibility during prosecution.

In the long run, if the current unpredictability and seemingly uneven application of *Alice* continues, the situation may give rise to a new legislative effort to address the matter of patent eligible subject matter as it relates to software. For now, though, software patent applicants must face the current challenges of addressing *Alice* as they exist, but at least can do so with the lessons provided by the updated Guidance in hand. ■

RICHARD S. STOCKTON FEATURED IN THE 2015 "40 ILLINOIS ATTORNEYS UNDER FORTY TO WATCH"

Richard S. Stockton, a principal shareholder in the Chicago office, was chosen for the Law Bulletin Publishing Co.'s 2015 edition of "40 Illinois Attorneys Under 40 to Watch." His selection was based on recommendations from his peers and other members of the legal profession, and his commitment to the legal profession.

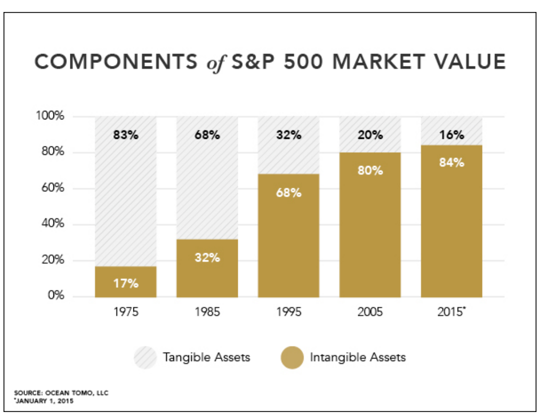
MAXIMIZING THE FINANCIAL VALUE OF IP ASSETS

BY AZUKA C. DIKE

INTELLECTUAL PROPERTY IN THE INFORMATION AGE

How vital can intellectual property (IP) be to a company's balance sheet? Just ask Limelight Networks. The company's shares fell 18 percent after it lost a patent infringement case to Akamai Technologies in August 2015. The announcement of this news alone erased more than $18 million from Limelight's market value in a matter of hours.[1]

As we transition from an industrial economy (based primarily on the exchange of physical assets) to an information-based economy, IP has increasingly been viewed as a fundamental economic resource for many businesses, universities, and institutional investors. As illustrated below, in 1975, intangible assets including IP comprised only 17 percent of the market capitalization of S&P 500 companies. Over the past four decades, this ratio has grown so that approximately 84 percent of the market capitalization of S&P 500 comprises intangible assets and IP.



(http://www.oceantomo.com/intellectual-capital-equity)

In spite of the wave of businesses adding IP to their balance sheets, all companies should make a thoughtful inquiry as to whether an IP portfolio should be considered a financial asset, and if so, how they can efficiently extract real value and drive economic performance from that portfolio.

IP PORTFOLIOS: THE NEW FINANCIAL ASSET

As global IP transactions rise, companies are adding IP assets to their balance sheet at an unprecedented rate. IP portfolios are intrinsically packaged with a company's other intangible and tangible assets to be traded on securities exchanges as a traditional financial asset (i.e., stocks). However, the expectation of future economic benefits derived from these IP assets, and in particular patents, may not be as apparent in comparison.

Substantial differences exist between transactions involving traditional financial assets and IP assets. Financial assets are governed by securities regulations and have been structured to reduce risk by enabling safe, dependable securities transactions. These safeguards, together with established financial exchanges, have led to an increase in financial asset transactions, which allow companies to more competently exchange market information and determine the value of available financial assets. IP markets typically do not share these same characteristics. The lack of transparency and information surrounding IP has made it increasingly difficult to conduct IP transactions at a frequency that generates economic value for most market participants.

1. "Akamai Wins Appeal in $45.5 Million Limelight Patent Case," *Bloomberg Business*, August 13, 2015.

In many instances, prospective IP transactions do not occur simply because it is too challenging for buyers and sellers to find each other.

Additionally, unlike most financial assets, it has become increasingly difficult for companies to value the worth of their IP portfolios, much less the individual components that comprise a portfolio. Determining a valuation for an IP portfolio is an evolving science that varies between businesses and evaluators. Moreover, the value of an IP portfolio can be significantly altered based on future litigation, estoppel, or changes in patent law — does *Alice* ring a bell? Likewise, with the rise of post-issuance proceedings, in particular *inter partes* reviews (IPRs), serving as a more amenable defense to patent litigation, patent owners must remain vigilant in assessing how such events may affect the estimated value of their IP portfolio.

For many businesses, IP is an undervalued and underexploited asset. Companies seeking to stay competitive in the marketplace invest in research and development that may lead to valuable IP assets. However, often times, companies are quickly swayed by the winds of time, expense, or change, and fail to tap the full potential of internally-generated IP. They ultimately allow unexploited technology to lay dormant, instead of utilizing various other means to generate value from these IP assets (e.g., securitizing IP assets, licensing, sale, acquiring debt funding, etc.).

Still, IP portfolios are increasingly recognized as a financial asset. As market transparency improves in relation to the frequency of IP transactions, companies may begin to invest more resources toward gathering and sharing market data. This may eventually lead to a level playing field for market participants and a progression toward treating IP more like financial assets.

> "Using these best practices as a foundation for targeting and developing underutilized IP assets can lead to increased cash flows and maximize the expected value of your portfolio."

PRACTITIONER'S TOOLKIT FOR MAXIMIZING IP PORTFOLIO VALUE

Generally, the goal of every business is to maximize profits and minimize expenses. This principle should apply equally to financial assets and IP assets alike.

Consequently, some tips for maximizing the value of an IP portfolio include:

(1) Treating your IP portfolio like a financial asset.

- Develop a basic fundamental understanding of the various types of IP in your portfolio, as well as the corresponding rights, protections, and subject matter of each IP asset.
- Gather intelligence concerning competitor IP strategies and portfolios.
    - Conduct periodic searches of the competitive IP landscape to gain detailed legal and business information relating to competitor products and IP assets. This information can be used to assess the expected value of your IP portfolio and to determine whether new technologies may impair that value.
- Make calculated and informed decisions to maximize the expected value of your portfolio.

MORE ▸

[IP ASSETS, FROM PAGE 5]

- Many companies evaluate and compare strategic IP decisions in terms of the estimated impact on reported earnings rather than focusing on the expected incremental value of future cash flows for each IP asset in their portfolio.
- To maximize portfolio value, companies should evaluate alternative IP strategies in view of their effect on expected value and susceptibility to shifts in competitive and legal landscapes.

(2) Do not prioritize portfolio quantity over quality.

- Many companies are focused on acquiring or creating large portfolios of IP assets, despite the fact that much of their current portfolio remains unexploited. Periodically monitor or audit your portfolio to determine the status of relevant value-creating IP activities/opportunities, and seek to pursue IP transactions that maximize the expected value of the overall portfolio.
- Track the quality of acquired or internally-generated IP assets using objective criteria, as well as their relationship with and contribution to the total value of the portfolio.
    - Generate detailed performance metrics for each IP asset to determine and monitor value over the life of the asset.
- IP rights cost money to create, and can generate negative cash flows to maintain or assert these rights (e.g., maintenance fees, litigation, etc.). Carry only IP assets that maximize portfolio value, and license/sell IP assets that fail to generate value or returns above your cost of capital.

(3) Adjust your business plan to ensure IP assets are applied profitably across most business activities.

- Adopt IP management procedures that promote the exchange of value-relevant information between business sectors so that you may quickly respond to changing market conditions and leverage potential IP transaction opportunities.
- Periodically conduct detailed portfolio assessments and develop/monitor objective economic performance indicators for your IP portfolio. This data can be utilized to increase the overall transparency of your portfolio's value, thus reducing risk and transaction costs for potential buyers.

(4) Seek out new strategies and opportunities to monetize your IP portfolio by considering estimated value creation during all phases of IP development/implementation.

- Consider new methods of generating revenue from your current IP portfolio by identifying underutilized or undervalued IP assets, determining whether and how best to monetize these assets (e.g., licensing, selling, etc.), and acquiring IP to further both offensive and defensive positions within the competitive marketplace.

Using these best practices as a foundation for targeting and developing underutilized IP assets can lead to increased cash flows and maximize the expected value of your portfolio. While IP may not exhibit all the characteristics of a financial asset, it will continue to be an important measure of a company's market value. Consequently, IP portfolios must be judiciously managed like any other financial asset in order to maximize future growth and economic value. ■

THE IMPORTANCE OF A TRADEMARK REGISTRATION IN A GLOBAL ECONOMY

BY: MAURINE L. KNUTSSON

A trademark registration is an important asset in a global and online economy. Owning a trademark registration can increase a company's value to potential investors or purchasers, allow a company to secure rights in a mark before it begins using the mark, and allow companies to take advantage of protections offered by customs and border patrol agencies. Further, owning a trademark registration allows businesses to take advantage of online takedown procedures provided by social media companies, search engines, and electronic marketplaces. Finally, ICANN (The Internet Corporation for Assigned Names and Numbers) offers several proceedings and tools for companies to stop third parties from using their registered trademark in domain names.

KEEP YOUR COMPANY MARKETABLE

The electronic and global economy allows for new companies to start and grow quickly. Often, the goal of new or existing companies is to be purchased by a larger company. Additionally, many companies rely on funding from third party investors. Having a trademark registration is an essential piece of being marketable to buyers and investors. The longer the registration has been in place, the stronger it becomes and the more valuable your company becomes to buyers and investors.

HOLDING YOUR PLACE FOR FUTURE GROWTH AND PREVENTING TRADEMARK SQUATTERS

In many countries, including the U.S., use of a trademark is not always a prerequisite for registration of a trademark. Many countries are parties to treaties or international agreements that allow foreign companies to obtain a trademark registration based solely on a registration in their home country. Further, unlike the U.S., many countries allow both foreign and local businesses to obtain trademark registrations for marks that they may not yet be using, but intend to use. When a company obtains a registration before it begins using a mark in these countries, the company holds its place and preserves its rights to the mark while giving itself time to expand its business. Some countries even have a non-use grace period. During the grace period, usually three to five years after registration, the registration is not subject to attack by third parties purely based on non-use.

As explained above, the ability to obtain trademark registrations before a business begins using a mark can be a great tool. However, this same ability can also cause headaches for trademark owners when used by infringers or trademark squatters instead of the rightful trademark owner. In most countries, including the U.S., trademark applications and registrations are publicly available. Further, some countries (e.g. China) base trademark rights on first to file. In first to file jurisdictions, it doesn't matter whom starts using the mark first in the country or aboard, but only who applies for protection first. Therefore, it is not uncommon for third parties to watch trademark registers and file trademark applications in jurisdictions where trademark rights are based on the first to file, and not first to use. When this happens, the trademark owner is then left with three unappealing options: (1) buy the existing registration or application from the squatter, (2) risk using its mark without a registration and infringing on the squatter's rights or (3) using a different mark. Therefore, it is often better for companies who know they will expand internationally to apply for trademark registrations as soon as they identify the countries of interest.

USING GOVERNMENT CUSTOMS TO PROTECT YOUR MARK

The U.S. Customs and Border Protection can be an excellent resource for companies to protect themselves from counterfeit goods that are imported into the U.S. Once a company has a federal trademark registration, the registration can be recorded with the U.S. Customs and Border Protection. Once recorded, the trademark registration is available to customs inspectors at all entry ports in the U.S., where they can search containers and potentially take action against incoming products that infringe your registered mark. Additionally, many other countries have customs reporting systems similar to that of the U.S., that aid companies in protecting themselves from counterfeit goods being imported into the country where they own a registered trademark.

PROTECTING YOUR MARK ON SOCIAL MEDIA

Social media is a great tool for business owners to advertise their brand and communicate with valued consumers. However, social media also allows infringers to set up a fake account or post unauthorized content that can harm your brand or allow infringers to profit off your goodwill.

Consumers expect a company's handle, Facebook URL, or Twitter account name to match the company's trademark. Therefore, as a trademark owner you will likely want to take action if you find out that a third party owns "www.facebook/com/yourmark" or "www.twitter.com/yourmark."

Additionally, trademark owners will also want to take action if they find that third parties are insinuating a false connection between their goods and services and the trademark owner on social media by using the mark in the content of posts. Usually the quickest and most cost-effective way to remove infringing content from social media is to follow each site's takedown procedures.

Almost all social media companies have platforms that allow companies to request the takedown of accounts or posts that infringe their trademarks. These platforms allow for cost-effective measures that can be taken by companies at the first sign of infringement. Several social media complaint platforms, including Twitter, generally require the company to provide its trademark registration number. (See https://support.twitter.com/articles/18367#, detailing information needed to report a trademark policy violation and request that infringing material be taken down on Twitter.) Therefore, in order to make use of the takedown platform, it is essential to have a registered trademark.

PROTECTING YOUR MARK IN PAID SEARCH ENGINE ADS

When a customer searches for your company in an online search engine, the customer is generally provided with two types of results: paid advertisements and non-paid organic results. If the paid advertisement result, which is usually at the top of the search results, uses your trademark in the ad text, it can cause confusion as to the source of the goods and services offered.

MORE

[TRADEMARK REGISTRATION, FROM PAGE 9]

To help ease this confusion, most search engines provide a complaint platform for companies to request removal of the infringing ads. If you own a registered trademark for goods or services similar to those offered by the ad, the complaint has a good chance of resulting in the takedown of the infringing content. Although some search engines also allow for complaints to be filed based on common law trademark rights, the complaints are less likely to be successful without a trademark registration because the company has to prove that it has rights in its mark.

Unlike the use of another party's trademark in the text of an advertisement, search engines generally do not provide platforms for stopping third parties from purchasing your trademark as a keyword trigger. Most search engines offer keyword ad services, e.g. Google AdWords, BingAds, and Yahoo! Search Marketing. These keyword ad services allow companies to pay to have their advertisements appear near the top of the search results when their purchased keyword is searched in a specific geographic area, even if the keyword is another's trademark. The law around purchasing others' trademarks as keywords is still unsettled in the U.S. Further, the law around this type of marketing varies between countries.

Although filing a complaint with the search engine company will generally not prevent third parties from using your trademark as a keyword trigger, there are several other ways businesses can try and prevent use of their marks as a keyword, including:

(1) Purchase your trademark and misspellings thereof as a keyword trigger for your company's website,

(2) Include terms in any domain or trademark agreements with competitors preventing use of each other's trademarks in keyword triggers,

(3) Create terms and conditions for affiliates and resellers that prevent them from buying keyword triggers that include your trademarks, and/or

(4) Send cease and desist letters and/or file court actions against the purchasers of your trademark as a keyword trigger.

PROTECTING YOUR MARK IN E-COMMERCE MARKETPLACES

Online marketplaces and selling platforms allow even the smallest of operations to sell goods online all over the world. E-commerce has made it easy for infringing goods to make their way to U.S. consumers. Consumes are buying more and more products online from electronic marketplaces, such as Amazon, eBay, AliBaba, and AliExpress. Many sellers on these types of sites are falsely portraying themselves and their products to consumers as genuine. Consumers buy these goods thinking they are getting the quality they expect from your brand, and instead end up with a low-quality alternative or counterfeit product. This can result in a weakening of your brand reputation.

Many of the infringing sellers on these platforms are not located in the U.S. and are unidentifiable. Further, once a seller is removed from a site, there is nothing

> "A trademark registration can be an invaluable tool and something that is worth having in a company's arsenal long before a conflict arises."

stopping the seller from creating a new online identity and starting back up again. If a company tries to attack each infringing use via traditional methods, it can quickly get expensive. Like social media sites and search engines, these online marketplaces also provide cost-effective methods for companies to report infringing products and sellers, and get the content removed. For example, complaints about products sold on Alibaba or AliExpress are filed through AliProtect, found here http://legal.alibaba.com/index.htm?_localeChangeRedirectToken=1. However, again, such complaint forms require trademark registrations, not just common law rights, as the bases for claims.

PREVENTING DOMAIN NAME CONFUSION

Registering a domain name is inexpensive and can easily become profitable, if: (1) the domain name includes a trademark or common misspelling of a trademark that causes a significant number of customers to be diverted to the registrant's webpage and (2) the domain owner sets up a pay-per-click service on the site. The most common tool for companies to take down these infringing sites is to file a Uniform Domain Name Policy (UDRP) arbitration proceeding. The only remedies available in these proceedings are the transfer of the domain name to the company or the cancellation of the domain name registration. Although UDRP proceedings can be won based on common law rights of the mark being infringed, the chances of success in a UDRP proceeding are greatly increased if the company has a trademark registration for the infringed mark.

Recently, the domain name interface changed to allow for new top-level domains. This means that instead of the limited top level domains that were available before, e.g. .COM, .NET, .US, .EU, .MOBI, etc. there can now be .SHOP, .WEDDING, .BANK, .SUCKS, etc. domains. ICANN and its affiliates have been releasing these new top level domains slowly and in phases. ICANN offers trademark owners the option of recording their registered trademarks with the Trademark Clearinghouse. Recordation with the Trademark Clearinghouse provides three primary benefits: (1) it allows trademark registration owners to have priority in registering their trademark as the second level domain for new top-level domains, e.g. YOURTRADEMARK.SHOP, (2) ICANN alerts third parties of recorded marks when they apply for domain names including the mark, and (3) if a domain name is registered including the recorded mark, the mark owner is notified by ICANN of the possible infringement.

Building and protecting a brand in an economy that can change with the click of a mouse can be challenging for businesses both small and large. As explained above, owning a trademark registration can ease this burden and provide mark owners with unique tools for protecting their brand. Trademark registrations add value and certainty in a company's rights for investors and buyers. A trademark registration can allow a company to protect its mark from third parties before it begins using the mark in foreign jurisdictions. Trademark registrations allow owners to file cost-effective takedown complaints through Internet websites. Further, in order to take advantage of the Trademark Clearinghouse protections, your company must own a registered trademark.

The above only briefly touches on some of the many benefits a trademark registration can offer in a global economy. A trademark registration can be an invaluable tool and something that is worth having in a company's arsenal long before a conflict arises. ■

WHICH IS BETTER – PATENT ARBITRATION OR PATENT POST-ISSUANCE PROCEEDINGS?

BY CHARLES W. SHIFLEY

Tom Brady, New England Patriots quarterback, has seemingly won his dust-up with the National Football League over the air pressure in footballs. Brady received a four-game suspension after an NFL investigation of "Deflategate," where Brady was accused of using footballs with lower air pressure than allowed by NFL rules in order to gain an unfair advantage.

But Brady did not accept the sacking and, instead, filed for arbitration. He lost, but was still not out. He headed to court, where a judge acknowledged that the arbitration was due the court's respect and deference. However, the court still freed Brady because the quarterback was not informed that he could be disciplined for misconduct, and because his lawyers were only allowed to cross-examine one of the two lead NFL investigators and could not dig into the NFL's investigative files.

However, even as *Sports Illustrated* trades in "Deflategate" for "Elategate," Yogi Berra, a sports figure from baseball, taught us that, "It ain't over 'til it's over." The NFL has appealed, and the case goes on.

What does any of this have to do with intellectual property, and more specifically, patents? The simple answer is: a lot. In the Fall 2014 *Corporate Counsel* article, "Goodbye Patent Arbitration?" this author advanced the opinion that in the near future, the arbitration of patent disputes may wither away and die because the U.S. Patent and Trademark Office Patent Trial and Appeal Board's (PTAB) *inter partes* review, post-grant review and covered business method proceedings may take over the role of arbitration for those who want non-litigation resolutions of patent disputes.

This "wither and die" conclusion was controversial enough that it was taken to task in the American Bar Association July/August 2015 *Landslide* article, "Patent Arbitration: It Still Makes Good Sense." The author, patent arbitrator Peter Michaelson, took a position that the business he is in, arbitrating patent disputes, makes good sense.

So, which is better — patent arbitration or PTAB proceedings — for deciding patent disputes? You be the referee. Compare Mr. Michaelson's concessions and the NFL-Brady arbitration experience, with the facts of post-grant proceedings in the PTAB, to decide where patent disputes should be taken.

To start, Mr. Michaelson's "Good Sense" article admits that "[p]ost-grant proceedings [are] certainly expeditious and cost effective." Compare, then, the admittedly "expeditious and cost effective" PTAB proceedings with the NFL-Brady arbitration experience, and score one for PTAB proceedings. Two of the three reasons Brady's judge cited for reversing the arbitration decision involve matters that always complicate, in time and money, the currently existing arbitration proceedings that practically duplicate litigation.

> "Compare Mr. Michaelson's concessions and the NFL-Brady arbitration experience, with the facts of post-grant proceedings in the PTAB, to decide where patent disputes should be taken."

The two matters are exploratory witness examinations and document discovery. As in the "Goodbye Patent Arbitration?" article, current arbitration includes both of these as typical American Arbitration Association procedures, which are time-consuming and expensive. The procedures and arbitrator predilections lead to extended facts and expert witness depositions and forced exchanges of volumes of documents.

The Michaelson article continues that "[a]necdotally, initiating a [PTAB] proceeding, and often just a credible threat of doing so, present[s] … an effective 'club' to reach early settlements of infringement disputes at markedly less cost …" Score two, and maybe three, for the PTAB. The NFL apparently cannot do anything to get Brady into settlement, just as many parties in patent arbitration go the distance in trying their cases.

"Good Sense" goes on: "Where patent validity is the dispositive issue in dispute, the relative low cost and quick pendency of a post-grant proceeding make it a rather attractive litigation substitute. … Where … factors [of concerns beyond validity] do not exist, such a proceeding may be ideal." Scores are piling up for the PTAB! Admittedly, a loser in PTAB proceedings can take an appeal to the U.S. Court of Appeals for the Federal Circuit, but that court, unlike Brady's judge, will not mouth deference and yet undercut the PTAB. Except for patent claim interpretation, which has been reversed for being overbroad at least once, and unless the case involves interpretation of law, which is considered anew, the Federal Circuit will apply a highly deferential standard of review to PTAB decisions.

Michaelson also states that advantages of litigation, as opposed to arbitration, "are grossly outweighed by the deficiencies" of litigation, but acknowledges that "in its default mode, patent arbitration closely mirrors litigation with all its principal deficiencies." Runaway scoring for the PTAB! Would that it were true that patent arbitration did not turn out like litigation, as the article asserts it need not.

It is true that it need not. But too often patent arbitration is directed by one side to be just like litigation, because that side has resolved to drive up costs to provoke settlement. That happens even when the patent owner is in a supplier-customer relationship, even when the patent owner is a substantial supplier of other products to the alleged infringer. In many cases, the supplier-customer relationship is not respected and the potential win of a split-the-baby, or better, arbitration award, is too much to allow for good sense to rule.

Sometimes even arbitrators themselves make arbitration more like litigation, as they exert themselves to organize their decision-making through requirements of early initial disclosures; discovery, including document disclosure requirements, depositions, claim construction proceedings, summary judgment motions; and pretrial, all before a trial in a distant future. They seem to think that is the way it is done since that is the way arbitration rules suggest, and that was the way of litigation when they were advocates.

Experience over many years teaches us that more likely than not, the dispositive issue of a patent dispute is patent validity — the issue of whether the asserted patent claims are valid at the extremity of scope that the patent owner is typically asserting. The patent's embodiments of invention have often been left behind and the claim terms broadened almost as to be unrecognizable.

MORE ▸

[WHICH IS BETTER, FROM PAGE 13]

The PTAB with its broadest reasonable interpretation approach to patent scope is ideal for decisions in such situations. Once broad claims are canceled or confirmed, the dispute is over. The alleged infringer moves on either way. Sales can continue with the relevant patent claims canceled, or if the validity of the challenged claims is upheld, a new product can be introduced and the case of past damages boxed in and settled.

As with all conclusions based on opinions, there will be instances where the conclusion of this article is wrong. For example, the occasional obstinate infringer of valid patents is admitted. And in some situations, post-issuance proceedings may not be available, or the prior art may not be killer prior art. But if the patents at issue are eligible for post-issuance proceeding, the PTAB is worthy of consideration as a forum to resolve many, if not most, non-litigation patent disputes. ■

DARRELL G. MOTTLEY NAMED NEW EDITOR-IN-CHIEF OF *LANDSLIDE* MAGAZINE

The American Bar Association's Section of Intellectual Property Law (ABA-IPL) named Darrell G. Mottley editor-in-chief of its *Landslide* magazine in August.

Mr. Mottley previously served as deputy editor-in-chief and moved into his new role at the ABA Annual Meeting in Chicago, July 30-Aug. 4, 2015. He will serve a two-year term.

The ABA-IPL publishes *Landslide* magazine six times a year, offering analysis, news and commentary on patents, trademarks, copyright, trade secrets, and related areas of the law. It also notifies readers of ABA-IPL news and events.

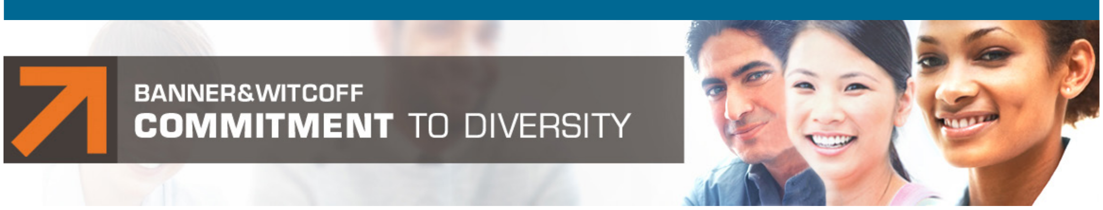
DONALD W. BANNER DIVERSITY SCHOLARSHIP FOR LAW STUDENTS

Banner & Witcoff is proud to offer the 2016 Donald W. Banner Diversity Scholarship for law students. This scholarship is part of the firm's commitment to fostering the development of intellectual property lawyers from diverse backgrounds.

The scholarship is open to all law students who are members of a group traditionally under-represented in the field of intellectual property law and who meet the following criteria:

- Current enrollment in an ABA-accredited law school;
- Commitment to the pursuit of a career in intellectual property law;
- Strong communication and writing skills; and
- Demonstrated leadership qualities and community involvement.

Please visit www.bannerwitcoff.com/diversity for application materials and more information.



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