

# **PATENT DEVELOPMENTS FOR IT PRACTITIONERS**

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**BRADLEY C. WRIGHT  
BANNER & WITCOFF, LTD  
1100 13<sup>TH</sup> STREET, N.W.  
WASHINGTON, D.C. 20005  
(202)-824-3160  
[bwright@bannerwitcoff.com](mailto:bwright@bannerwitcoff.com)  
[www.bannerwitcoff.com](http://www.bannerwitcoff.com)**



**BANNER & WITCOFF, LTD.  
INTELLECTUAL PROPERTY LAW**

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## I. PATENT REFORM LEGISLATION

The Leahy-Smith America Invents Act (H.R. 1249) passed the House of Representatives and, on September 8, 2011, was also passed by the Senate. President Obama signed the bill into law on September 16, 2011. The new legislation represents the most sweeping changes to U.S. patent law in more than 50 years. Although it has been heavily promoted as a job-creating bill, the major elements of the bill move the United States closer to the rest of the world in terms of patent laws. Possibly the most sweeping change involves elimination of the first-to-invent right of patentability and instead converts the U.S. into a first-to-file country. The following summarize the major elements of the law. While many of the changes are not effective until 18 months after enactment (March 16, 2013), some of the changes took effect immediately upon enactment.

**Section 3: First Inventor to File: (effective 18 months after enactment)**. Replaces the current “first-to-invent” scheme with a “first-inventor-to-file” scheme. These provisions, which apply to any application or patent having a claim with an effective filing date 18 months after enactment (March 16, 2013), or claiming priority to such an application or patent, do the following:

(a) Eliminates the Hilmer doctrine. Foreign patents and foreign published patent applications can now be relied on as prior art in the U.S. as of their foreign filing dates. One difference from foreign jurisdictions: foreign jurisdictions only allow this for novelty purposes, not obviousness purposes.

(b) Broadens the definition of prior art (in addition to patenting, publication, public use and on-sale activity) to include anything “otherwise available to the public” before the effective filing date of a claimed invention. The on-sale bar and public use bar would no longer be limited to activities occurring in the U.S. – i.e., a sale or public use occurring in a foreign country prior to filing would now bar a U.S. patent.

(c) Provides a limited grace period for disclosures made by an inventor 1 year or less before effective filing date, including disclosures that were derived from the inventor.

(d) It is unclear whether public use or on-sale activity also constitutes a “disclosure” for purposes of benefiting from one-year grace period. If they are not considered a “disclosure” under the law, then there is no grace period for on-sale and public use activities, which is a major change from existing law. This may require legislative change or else court decision to interpret this ambiguity.

(e) Eliminates old 102(c) (abandonment of invention), 102(d) (first patented in foreign country), 102(f) (derivation of invention from another), 102(g) (interferences). The requirement of current section 102(f) that the inventor actually invented the claimed subject matter is incorporated into a new definition of “inventor” in section 100 (definitions).

(f) Repeals statutory invention registration, 35 USC 157. Nobody uses this obscure procedure anyway, so it has no real impact.

(g) Repeals interference proceedings and replaces them with more limited “derivation proceedings.” Interference proceedings and the right to antedate prior art by establishing an earlier date of invention are abolished. Instead of interference proceedings, a new “derivation proceeding” is provided for at the newly-renamed Patent Trial and Appeal Board (previously the Board of Patent Appeals and Interferences). Under 35 USC § 135, an applicant may file a petition alleging that another inventor derived a claimed invention from the applicant. A patent owner may also file a lawsuit against another patent owner alleging derivation.

(h) Disqualifies as prior art subject matter disclosed in a previously-filed patent or patent application if the previously-disclosed subject matter and the later-claimed invention were owned by the same person or subject to an obligation of assignment to the same person. (Note: under existing law (35 U.S.C. § 103(c)), such prior art could be disqualified for obviousness purposes, but not for avoiding anticipation rejections). Also disqualifies as prior art a prior-filed but later-published patent application if the earlier-filed application was by a joint inventor.

**Section 4: Inventor’s Oath or Declaration (effective September 16, 2012).** This provision allows companies or other applicants to file patent applications on behalf of inventors if they can show facts providing entitlement to invention rights (e.g., an assignment or agreement to assign the invention). Patents would be issued to the non-inventors in such circumstances. This provision simplifies issues associated with non-cooperative inventors. The provision also harmonizes U.S. patent laws with those in other countries.

**Section 5: Expanded Prior User Right Defense to Infringement (effective for any patent that issues after the date of enactment).** This provision expands the current patent infringement defense found in 35 USC § 273 to cover commercial uses of any patented invention within the United States – it is no longer restricted to so-called “business method” patents. Such prior use must have started at least one year prior to the filing date of the patent or one year before the invention was disclosed to the public. There is a major loophole for patents owned by universities – they are not subject to this defense. The expanded defense may lead more companies to rely on trade secret protection for their technology, since they can now rely on this expanded patent infringement defense for secretly-used technology.

**Section 6: Post-Grant Review (effective September 16, 2012).** This provision replaces the existing inter partes reexamination proceeding with a modified “inter partes review” proceeding, and also institutes a new “post-grant review” procedure similar to opposition proceedings in foreign countries.

### **A. Ex parte reexamination**

There are no changes to the existing ex parte reexamination practice, except for a recent PTO fee increase (see below for details).

### **B. Replacement of Inter Partes Reexamination With Inter Partes Review (most provisions effective September 16, 2012).**

(1) The existing inter partes reexamination proceeding is renamed “inter partes review.” Such a proceeding must now be brought after 9 months from issue date of the patent (or after any post-grant review on the patent has been terminated), and may only raise novelty and obviousness questions on the basis of patents and printed publications. The proceeding may be brought against any issued or reissued patent, regardless of its issue date (unlike current inter partes reexamination). The proceeding will be conducted before the newly-named Patent Trial and Appeal Board. The PTO may limit the number of such proceedings during the first 4 years. The proceeding must be completed within 1 year of the PTO’s ordering the review (with 6-month extension if good cause shown).

(2) The petitioner must identify the real party in interest (same as existing inter partes reexamination).

(3) Instead of a “substantial new question of patentability,” the standard for granting the review is a higher burden of “reasonable likelihood that the petitioner would prevail.” **Note:** This change is effective for any inter partes reexamination request filed after the date of enactment, and for any inter partes review petitions filed after enactment.

(4) The PTO must determine whether to initiate a proceeding within 3 months after receiving the patent owner’s response to the petition (or after such response period expires).

(5) No inter partes review may be filed if the petitioner had filed a civil action challenging the validity of the patent. But merely raising a counterclaim of invalidity does not bar such an inter partes review. Also no inter partes review may be filed after more than 1 year after the petitioner has been served with a complaint for patent infringement.

(6) There is an estoppel provision – any ground of invalidity that was raised or could have been raised by a petitioner in the inter partes review may not be raised in a lawsuit or ITC proceeding by that petitioner.

(7) The PTO may permit certain types of discovery to be conducted, including depositions. Also the PTO must provide each party with the right to an oral hearing.

(8) Intervening rights are provided for any amended or new claim (continues existing practice).

(9) Unlike today’s ex parte and inter partes reexamination practice, which can be appealed to the Board of Patent Appeals and Interferences, the decision of the Patent Trial and Appeal

Board can only be appealed directly to the U.S. Court of Appeals for the Federal Circuit. This should substantially expedite final resolution of claims reviewed under the inter partes review process.

**C. New Post-Grant Review Procedure (effective 1 year after enactment).**

A new post-grant review procedure similar to opposition procedures in foreign countries is established, with the following provisions:

(1) A petition may be filed within 9 months after issuance of the patent. The validity may be challenged on any patentability ground with the exception of best mode challenges. The proceeding is handled by the new Patent Trial and Appeal Board.

(2) The remaining provisions are similar or identical to the new inter partes review provisions above, including the requirement that the Patent Trial and Appeal Board conclude proceedings within 1 year (with 6-month extension if good cause shown).

Note: Except as to so-called “business method” patents, post-grant review is only available against patents having an effective filing date 18 months after enactment (March 16, 2013), so most post-grant reviews will not begin for several years.

**Section 7: Patent Trial and Appeal Board (effective September 16, 2012).** Establishes this Board, which replaces the previous Board of Patent Appeals and Interferences, to handle the following proceedings:

- (a) Appeals from examiner rejections;
- (b) Derivation proceedings;
- (c) Post-Grant reviews; and
- (d) Inter partes reviews.

All proceedings are held before a three-member panel of the Board. Furthermore, the result of any derivation proceeding, post-grant review, or inter partes review may be appealed directly only to the U.S. Court of Appeals for the Federal Circuit, thus eliminating a separate internal appeal process for most proceedings.

**Section 8: Preissuance Submissions by Third Parties (effective September 16, 2012).** Allows third parties to submit any patent, published patent application, or other printed publication. Must be submitted before (a) a notice of allowance is mailed; (b) within 6 months after publication of the application; and (c) before the examiner issues an office action with a rejection. Must also include a concise description of the relevance of the submitted prior art.

**Section 9: Venue (effective upon enactment).** Suits against the U.S. PTO must now be

brought in the Eastern District of Virginia, instead of the District of Columbia.

**Section 10: Fee-Setting Authority (effective 60 days after enactment)**. Allows the PTO to set its own fees to cover estimated operating and administrative costs, in consultation with the Patent Public Advisory Committee and the Trademark Public Advisory Committee, subject to a 7-year sunset provision. Creates a new “micro entity” that is entitled to a 75% PTO fee reduction. “Micro entity” is defined as a small entity that has filed not more than 4 U.S. patent applications; had a gross income that did not exceed three times the median household income; and has not assigned or is under an obligation to assign the patent application to an entity that had a gross income exceeding three times the median household income. Specifically includes all “institutions of higher learning” (colleges and universities) without regard to other requirements. Imposes an additional \$400 fee for utility patent applications that are not filed electronically, with a 50% reduction for small entities.

**Section 11: Fees for Patent Services (effective 10 days after enactment)**. Creates a new “prioritized examination” fee of \$4,800 (in addition to the normal filing fees) for utility and plant patents, with a 50% reduction for small entities. Allows the PTO to limit the number of “prioritized examination” filings each year. Prioritized examination applications are limited to 4 independent claims and 30 total claims. Also imposes a 15% across-the board surcharge on all patent fees.

**Section 12: Supplemental Examination (effective September 16, 2012)**: Creates a new process for patent owners to request “supplemental examination” of an issued patent to consider or correct information that may be relevant to patentability. Requires a “substantial new question of patentability” before the PTO will conduct a reexamination of the patent. Prohibits defendants from challenging the enforceability of a patent on the basis of information that is submitted in a supplemental examination proceeding (i.e., it is intended to permit a “cleansing” of a patent that might have been subjected to inequitable conduct during its original examination). Does not apply to patents whose enforceability was already challenged before a request for supplemental examination was filed. If the PTO becomes aware of “material fraud” during the supplemental examination, the PTO must refer the case to the Attorney General for possible prosecution.

**Section 13: Funding Agreements (effective upon enactment)**: Increases the share of royalties that may be retained by universities under the Bayh-Dole Act for federally-funded inventions.

**Section 14: Tax Strategies Deemed Within the Prior Art (effective upon enactment)**: Declares that any strategy for reducing, avoiding or deferring any sort of tax liability shall be deemed insufficient to differentiate a claimed invention from the prior art. Does not apply to inventions relating solely to preparation of income tax returns. Also does not apply to products “used solely for financial management.”

**Section 15: Best Mode Requirement (effective upon enactment for actions brought after enactment)**: Eliminates attacks on best mode as an invalidity basis for patents, even though the best mode requirement itself has not been eliminated.

**Section 16: Marking (effective upon enactment, including cases pending as of enactment):** Allows for “virtual marking” of patent numbers by listing patent numbers on websites. Articles can be marked with websites at which the patent numbers are listed. Declares that only the U.S. government may sue for statutory damages for the false marking of patent numbers. Civil suits may still be brought by entities that have suffered a competitive injury, but damages are limited to “damages adequate to compensate for the injury.” Also declares that marking an expired patent shall not be considered to be “false marking” if the patent at one time actually covered the marked product. Note apparent intention that pending false marking cases be dismissed.

**Section 17: Advice of Counsel (effective upon enactment):** Failure of an infringer to obtain advice of counsel for any allegedly infringed patent may not be used to prove that any infringement was willful, or that the infringer intended to induce infringement of the patent.

**Section 18: Transitional Program for Covered Business Method Patents (effective 1 year after enactment; applies to patents issued before or after enactment):** Creates an 8-year program that permits post-grant challenges to the validity of “covered business method patents.” “Covered business method patents” include a method or apparatus for performing data processing operations used in the practice of a financial product or service, but excludes “technological inventions.” Only available to entities that have been sued or threatened with infringement over the patent. Allows immediate interlocutory appeals of a district court’s decision to stay or refuse a stay of litigation while the post-grant review process is conducted. Provides that an ATM is not a “regular and established place of business” for purposes of venue.

**Section 19: Jurisdiction and Procedural Matters (effective upon enactment):** Clarifies federal court jurisdiction over patent and copyright cases. Limits the joinder of multiple defendants in patent infringement cases – merely alleging that a group of defendants infringes a patent shall not be sufficient to join them in one action.

**Sections 20-37:** Mostly minor technical amendments to the patent statute, as well as requiring that various studies be undertaken by the PTO with reports to Congress. Sets up a “Patent and Trademark Fee Reserve Fund” in the Treasury Department; fees collected beyond the appropriated amount would be made available to the PTO only if appropriated by Congress. (Note: this leaves open the door for Congress to continue stealing PTO fees and diverting them to other areas of the government).

## **II. PTO DEVELOPMENTS**

The U.S. PTO issued final rules on August 14, 2012, implementing several provisions of the America Invents Act (AIA). The new rules are summarized below:

### **A. Changes to Oath/Declaration Requirements**

The AIA amends 35 U.S.C. § 118 to allow assignees (or those to whom the inventor is under an obligation to assign or who otherwise show a sufficient proprietary interest, such as an exclusive licensee or a corporation in a foreign country that provides for automatic assignment of invention rights) to file and prosecute patent applications on or after September 16, 2012. This changes the U.S. from a scheme in which the patent applicant is the inventor (or multiple inventors) to one in which someone other than the inventor (e.g., the company with whom the inventor is employed) may file the application directly. This is similar to how most other countries around the world handle patent filings. Note: this does not remove the need to show ownership of the patent when enforcing the patent in court.

Although each inventor will continue to be required to sign an oath or declaration, if the inventor cannot be reached or refuses to cooperate, the company (or other entity to whom the inventor had an obligation to assign) may file a “substitute statement” in lieu of the oath or declaration. These changes apply to all applications (including continuations, CIPs and divisionals) filed on or after September 16, 2012, and U.S. national stage applications having an international (PCT) filing date after September 16, 2012. For applications filed before then, the old rules (inventors must apply) remain in effect.

The AIA also amends 35 U.S.C. § 115 regarding the contents of the inventor’s oath or declaration. Under the new rules, if the applicant files an application data sheet that identifies all the named inventors and indicates their legal name, residence, and mailing address, then the oath or declaration need not identify all the named inventors. The oath or declaration also need not identify the citizenship of the inventors and need not make statements regarding the inventor’s having read and understood the application and the duty of disclosure.

Also under the new rules, the oath or declaration need not be filed until a notice of allowance has been issued, although the inventors must still be identified in an application data sheet. The PTO will also permit a combined declaration/assignment document to be filed, instead of requiring separate documents.

One new requirement for applications filed on or after September 16, 2012 is the need for the inventor to state that that “the application was made or was authorized to be made by the affiant or declarant.” Because the existing oaths and declarations did not contain this statement, it will no longer be possible to re-file a previously-filed oath or declaration when filing a continuation, divisional, or CIP application. Instead, either a new declaration must be signed by the inventor, or else the applicant (e.g., the company that employed the inventor) may sign a substitute statement.

The new rules are at [www.uspto.gov/aia\\_implementation/fr\\_inventor\\_oath.pdf](http://www.uspto.gov/aia_implementation/fr_inventor_oath.pdf)

### **B. Post-Grant Review (PGR)**

Under the AIA, there is a new post-grant review (PGR) trial procedure to review issued patents. The procedure is conducted before the new Patent Trial and Appeal Board (PTAB), which replaces the old Board of Patent Appeals and Interferences (BPAI). A PGR allows third parties to challenge the validity of a patent on any ground identified in 35 U.S.C. § 282(b)(2) or (3), but not the best mode requirement, which is still intact but now rendered essentially toothless.

A post-grant review petition may challenge validity of a patent for failure to comply with written description, enablement, or patentable subject matter requirements. Unlike ex parte reexamination and Inter Partes Review (IPR), submissions in a PGR are not limited to patents and printed publications. Patent challengers may introduce evidence of public use, on-sale activities, or other public disclosures. The threshold standard is whether it is more likely than not that one or more claims are invalid (i.e., a preponderance of the evidence).

A PGR petition must be filed within nine months of the patent's grant or reissue, and is not available to a party that has previously filed a declaratory judgment action challenging the validity of the patent. The final rules set the fee for a PGR with up to 20 claims at \$35,800, an additional \$800 being required for each claim in excess of 20. The final rules also establish an 80 page limit for PGR petitions and include a consolidated set of rules governing practice before the PTAB. With the exception of covered business method patents (see below), PGR is available only for issued patents having a priority date on or after March 16, 2013, so it is not likely to be useful for several years.

The new rules are at [www.uspto.gov/aia\\_implementation/fr\\_specific\\_trial.pdf](http://www.uspto.gov/aia_implementation/fr_specific_trial.pdf)

### **C. Inter Partes Review (IPR)**

Under the AIA, inter partes reexamination has been replaced by inter partes review (IPR), which allows a third party to challenge a patent's validity under 35 U.S.C. §§ 102 or 103 based on prior art patents or printed publications. An IPR petition may be filed the later of nine months after the patent's grant or reissue (i.e., after the time for filing a PGR petition has expired), or after the termination of any initiated PGR proceeding. Like PGR, IPR is not available to a party that has previously filed a declaratory judgment action challenging the validity of the patent.

A party sued for infringement must file an IPR petition within one year of service of the complaint. The threshold standard is whether there is a reasonable likelihood that the challenge will prevail. The final rules set the fee for an IPR with up to 20 claims at \$27,200, plus \$600 for every claim in excess of 20. The final rules also establish a 60 page limit for IPR petitions. The IPR proceeding is available for any issued patent (i.e., there are no restrictions on the patents against which it may be instituted, unlike the previous inter partes reexamination proceeding).

The new rules are at [http://www.uspto.gov/aia\\_implementation/fr\\_specific\\_trial.pdf](http://www.uspto.gov/aia_implementation/fr_specific_trial.pdf)

### **D. Transitional Program for Covered Business Method Patents (TPCBMP)**

The AIA creates a new interim proceeding that allows challenges to so-called “business method” patents. Although the proceeding is similar to PGR, it differs from PGR in that it can be used beginning on September 16, 2012 (i.e., it is not limited to patents having a priority date after March 16, 2013). The proceeding is only available to a person or real party in interest or its privy that has been sued or charged with infringement of the subject patent. The fee and page limit for a petition under the transitional program are the same as those for a PGR (i.e., \$35,800 for up to 20 claims, an additional \$800 for each claim in excess of 20, and an 80 page limit). The program will expire on September 16, 2020.

The new rules are at [www.uspto.gov/aia\\_implementation/fr\\_specific\\_trial.pdf](http://www.uspto.gov/aia_implementation/fr_specific_trial.pdf)

#### **E. Fee Increases for Ex Parte Reexamination**

Although the ex parte reexamination procedures will remain intact from the pre-AIA law, the fees will be substantially increased. Beginning September 16, 2012, the fee for filing an ex parte reexamination request increases from \$2,520 to \$17,750.

#### **F. Supplemental Examination**

A new “supplemental examination” procedure allows a patent owner to request that the PTO consider the relevance of up to twelve items of information to patent claims. The new proceeding may help patent owners concerned about material that was not considered during original examination. The items submitted may include not only patents and printed publications, but also other information, such as whether the claims comply with the requirements of 35 U.S.C. § 112.

If the PTO determines that the information raises a substantial new question of patentability, it will order ex parte reexamination of the patent. Otherwise, the PTO will issue a supplemental examination certificate. Conduct relating to information submitted as part of a supplemental examination cannot be used to hold the patent unenforceable, as long as the conduct was not pled with particularity prior to the supplemental examination request. The fee for a supplemental examination request is \$5,140, plus \$16,120 if ex parte reexamination is ordered. The final rules provide that if the PTO becomes aware that “a material fraud on the Office may have been committed in connection with the patent that is the subject of the supplemental examination,” the PTO shall refer the matter to the Department of Justice.

The rules may be viewed at [www.uspto.gov/aia\\_implementation/fr\\_supp\\_exam.pdf](http://www.uspto.gov/aia_implementation/fr_supp_exam.pdf)

#### **G. Public Submissions**

The AIA allows third parties to submit patents, published patent applications, or printed publications of “potential relevance” to the PTO during an application’s pendency. Such submissions must include “a concise description of the relevance of each item listed” (e.g., a claim chart). Submissions may be made before the later of six months after the date of publication or the date of a first Office Action on the merits rejecting any claims, or, if earlier, before the date of a notice of allowance. For each submission of up to ten items, a \$180 fee is required. A submission

identifying three or fewer items, however, does not require a fee, provided it is accompanied by a statement indicating that it is the first submission by the party or a party in privity with the submitting party. While service on the applicant is not required, the final rules indicate that applicants participating in the e-Office Action program will receive electronic notification of the submission.

The rules may be viewed at [www.uspto.gov/aia\\_implementation/120707-preissuance\\_submission\\_fr.pdf](http://www.uspto.gov/aia_implementation/120707-preissuance_submission_fr.pdf)

### III. CASE LAW

#### A. Patentability, Validity, and Procurement of Patents

##### 1. Statutory Subject Matter

*Ultramercial, LLC v. Hulu, LLC*, 657 F.3d 1323 (Fed. Cir. 2011), *vacated sub nom., WildTangent, Inc. v. Ultramercial, LLC*, 132 S.Ct. 2431 (2012). A claim for a method of distributing copyrighted materials by allowing free access to the materials in exchange for watching an advertisement was held to constitute statutory subject matter under 35 U.S.C. § 101. The district court held that the claims were invalid because they did not recite statutory subject matter. The Federal Circuit reversed, concluding that many of the recited steps required computer programming, and one step even recited that the media products be provided “on an Internet website.” The court cautioned that it was not holding that use of an Internet website was either necessary or sufficient in every case to satisfy the requirements of 35 U.S.C. § 101. The Supreme Court has now vacated and remanded the case for further consideration by the Federal Circuit.

*Dealertrack, Inc. v. Huber*, 674 F.3d 1315 (Fed. Cir. 2012). The Federal Circuit affirmed a district court’s determination that patent claims directed to a computer-based method of operating a credit application and routing system were invalid because they merely recited an abstract idea. The Federal Circuit noted that, “Dealertrack’s claimed process in its simplest form includes three steps: receiving data from one source (step A), forwarding the data (step B, performed according to step D), and forwarding reply data to the first source (step C). . . . The steps that constitute the method here do not ‘impose meaningful limits on the claims’ scope.’ . . . Neither Dealertrack nor any other entity is entitled to wholly preempt the clearinghouse concept.” While noting that the claim preamble recited the term “computer aided” as a limitation, the court concluded that the patent did not specify how the computer hardware and database were specially programmed to perform the steps of the method. According to the Federal Circuit, “The term ‘computer aided’ is no less abstract than the idea of a clearinghouse itself.”

*Fort Properties, Inc. v. American Master Lease LLC*, 671 F.3d 1317 (Fed. Cir. 2012). Patent claims directed to a method of creating a real estate investment instrument were held to be invalid because they recited an ineligible abstract idea. The patent claimed steps of aggregating property into a portfolio; encumbering the property with a master agreement; and creating deedshares by dividing title in the portfolio into tenant-in-common deeds. Among other things, the Federal Circuit noted that most of the claims did not even require the use of a computer, making them similar to the invalidated claims in the *Bilski v. Kappos* Supreme Court decision. As to the small number of claims that actually recited the use of a computer, the Federal Circuit concluded that “simply adding a ‘computer aided’ limitation to a claim covering an abstract concept, without more, is insufficient to render the claim patent eligible.”

*CLS Bank International v. Alice Corp. PTY. Ltd.*, 685 F.3d 1341 (Fed. Cir. 2012). Alice Corp. is the owner of four patents that cover a computerized trading platform for exchanging obligations in which a trusted third party settles obligations between a first and second party to eliminate settlement risk, which is the risk that only one party's obligation will be paid. The district court held that the claims were not patent-eligible under 35 U.S.C. § 101 because they fall within the "abstract ideas" exception. The Federal Circuit reversed, holding that the claims at issue are directed to practical applications of the invention falling within the categories of patent eligible subject matter. The court stated that it must be "manifestly evident that a claim is directed to a patent ineligible abstract idea" before it will be ruled invalid. A petition to the Supreme Court challenging the patent eligibility is expected.

*Bancorp Services, LLC v. Sun Life Assurance Co.*, 687 F.3d 1266 (Fed. Cir. 2012). Bancorp owns two patents relating to systems and methods for administering and tracking the value of life insurance policies. Bancorp sued Sun Life for patent infringement, asserting method claims, system claims, and computer-readable media claims. The district court ruled on summary judgment that the patents were invalid because they recited ineligible subject matter. Despite the fact that many of the claims were deemed to require a computer, the Federal Circuit concluded that all of the claims were invalid under 35 U.S.C. § 101 as being directed to an abstract idea. Relying in part on its earlier decisions in *CyberSource* and *CLS Bank International*, the court concluded that it should look at "the underlying invention for patent-eligibility purposes," and not merely the claim type. The court also stated that, "the use of a computer in an otherwise patent-ineligible process for no more than its most basic function – making calculations or computations – fails to circumvent the prohibition against patenting abstract ideas and mental processes."

*Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 132 S.Ct. 1289 (2012). Prometheus Laboratories was the sole licensee of patents for the use of thiopurine drugs in the treatment of autoimmune diseases. Mayo bought and used tests covered by the Prometheus patents. The district court granted summary judgment to Prometheus, finding that Mayo infringed claim 7 of '623 patent, but that the patent was invalid for claiming natural laws or natural phenomena. The Federal Circuit reversed, holding that the steps of "administering," and "determining" satisfied the machine or transformation test. The Supreme Court vacated the judgment and remanded for further consideration in light of *Bilski*. The Federal Circuit reaffirmed its earlier conclusion on remand. Appeal was again taken to the Supreme Court.

On the second appeal, the Supreme Court held that the claimed processes did not transform unpatentable natural laws into patent-eligible applications. The Supreme Court reasoned that a process reciting a law of nature is not patentable unless that process has additional features that do more than monopolize the law of nature itself. The patents' additional steps of "administering," "determining," and "wherein" are not sufficient to transform the nature of the claim. Simply appending conventional

steps, specified at a high level of generality, to laws of nature, natural phenomena, and abstract ideas cannot make those laws, phenomena, and ideas patentable. The Supreme Court noted that a novel and useful structure created with the aid of knowledge of scientific truth may be patentable. The USPTO has issued a memo to the examiners to outline how to apply *Mayo v. Prometheus*. The memo includes examples of claimed inventions that do not meet the standard. The memo also outlines questions that the examiners must consider, including whether the claimed invention includes additional steps that ensure that the claim amounts to significantly more than the natural phenomenon itself.

*Association for Molecular Pathology v. Myriad Genetics, Inc.*, \_\_\_ F.3d \_\_\_, 2012 WL 3518509 (Fed. Cir. August 16, 2012), *superseding* 653 F.3d 1329 (Fed. Cir. 2011). Following remand from the U.S. Supreme Court, the Federal Circuit largely upheld its earlier decision, concluding that claims directed to isolated DNA molecules were patent-eligible under 35 U.S.C. §101; that method claims directed to screening potential cancer therapeutics via changes in cell growth rates were patent-eligible; and that method claims directed to “comparing” or “analyzing” DNA sequences were not patent-eligible because they covered only abstract, mental steps. The patents are directed to breast cancer genes. The Southern District of New York found the patents invalid under §101. In its original decision, the Federal Circuit affirmed in part and reversed in part, holding that composition claims covering isolated DNA sequences were directed to patent-eligible subject matter; method claims for comparing or analyzing isolated DNA sequences were not patentable; and a method claim for screening potential cancer therapeutics via changes in cell growth rates was patentable. The Supreme Court had vacated and remanded to the Federal Circuit for further proceedings in light of *Mayo Collaborative Services v. Prometheus Laboratories*. Judge Lourie, in commenting on the Supreme Court’s *Mayo* decision, noted that “A composition of matter is not a law of nature.”

## 2. Written Description Requirement

*Typhoon Touch Technologies, Inc. v. Dell, Inc.*, 659 F.3d 1376 (Fed. Cir. 2011). The Federal Circuit held that a means-plus-function clause reciting “means for cross-referencing said responses with one of said libraries of said possible responses” was not indefinite, because the patent described (in prose) how to perform the recited function. The Federal Circuit rejected the district court’s conclusion that there was no explicitly disclosed algorithm for performing the recited function. According to the court, “A description of the function in words may disclose, at least to the satisfaction of one of ordinary skill in the art, enough of an algorithm to provide the necessary structure under § 112, ¶ 6.”

*Atlantic Research Marketing Systems, Inc. v. Troy*, 659 F.3d 1345 (Fed. Cir. 2011). The Federal Circuit affirmed the invalidity of claims directed to a handguard for guns, concluding that the claims were written more broadly than the specification described the invention. While the specification described a handguard with two support points, the invalidated claims more broadly covered a handguard with a

single support point.

### 3. Indefiniteness of Means-Plus-Function Claims

*Noah Systems, Inc. v. Intuit Inc.*, 675 F.3d 1302 (Fed. Cir. 2012). In another of a series of patent cases involving computer software that relies on means-plus-function claim language, the Federal Circuit affirmed the invalidity of patent claims due to indefiniteness. In this case, the claim recited “means for providing access to said file of said financial accounting computer.” The Federal Circuit concluded that the patent specification merely showed a box and described functions that would be performed by that box. According to the Federal Circuit, “This type of purely functional language, which simply restates the function associated with the means-plus-function limitation, is insufficient to provide the required corresponding structure.” Moreover, the court announced that “where, as here, a claim recites multiple identifiable functions and the specification discloses an algorithm for only one, or less than all, of those functions, we must analyze the disclosures as we do when no algorithm is disclosed.” Finally, the court affirmed the district court’s refusal to permit expert testimony in an attempt to explain how a person of ordinary skill in the art would understand the structures shown in the patent specification.

*Ergo Licensing, LLC v. Carefusion 303, Inc.*, 673 F.3d 1361 (Fed. Cir. 2012). Patent claims that recited “control means” for performing various functions were declared invalid. The patent owner argued that the corresponding structure for this means-plus-function limitation was a “control device” mentioned in the patent specification, which one of ordinary skill in the art would understand to be a general-purpose computer. The district court held that the patent claims were invalid as indefinite, and the Federal Circuit affirmed. According to the panel majority, “The recitation of ‘control device’ provides no more structure than the term ‘control means’ itself, rather it merely replaces the word ‘means’ with the generic term ‘device.’” The panel distinguished an earlier Federal Circuit decision in which the disclosure of a “controller” was found to be sufficient structure for a claimed “control means.” Judge Newman dissented, arguing that the control device was adequately disclosed. Note: This case illustrates the risk of relying on means-plus-function claim language, which may be subject to attack on the grounds of insufficient disclosure of corresponding structure or a failure to adequately link the disclosed structure to the recited function.

### 4. Ability of Patent Owner to Submit New Evidence in § 145 Action

*Kappos v. Hyatt*, 132 S.Ct. 1690 (2012). The United States Patent and Trademark Office (USPTO) rejected claims of a patent application as not being supported by adequate written description. The Board of Patent Appeals and Interferences upheld examiner’s rejection. The district court sustained the decision of the Board. The Federal Circuit, with a divided panel, affirmed. The Federal Circuit, en banc, vacated and remanded. The issues were 1) whether there are any limitations on the applicant’s ability to introduce new evidence before the district court that he did not

present to the PTO; and 2) what standard of review the district court should apply when considering new evidence. The Supreme Court held that 1) there are no evidentiary restrictions beyond those already imposed by the Federal Rules of Evidence and the Federal Rules of Civil Procedure; and 2) the district court must make a de novo finding when new evidence is presented on a disputed question of fact. In deciding what weight to afford that evidence, the district court may consider whether the applicant had an opportunity to present the evidence to the USPTO and the district court is allowed to consider new evidence in a 35 U.S.C. §145 proceeding.

5. Reissue Applications – OK to File Chains of Reissues

*In re Staats*, 671 F.3d 1350 (Fed. Cir. 2012). The patent statute permits reissue patent applications with broadened claims, but such applications must be filed within two years of the issuance of the original patent. In this case, the applicant filed an original reissue application with broadened claims within two years of the original patent, and then (while the reissue application was pending), filed two other reissue applications that were continuations of the earlier-filed reissue application. The other reissue applications were filed more than two years after the patent originally issued. The PTO rejected the broadened claims filed more than two years after issuance of the original patent, but the Federal Circuit reversed, holding that applicants were entitled to continue filing continuations as reissue applications with broadened claims long after the original two-year period had expired.

6. Enablement

*MagSil Corp. v. Hitachi Global Storage Technologies, Inc.*, 687 F.3d 1377 (Fed. Cir. 2012). A patent claim that recited “a change in the resistance by at least 10%” was held to be invalid for lack of enablement. The patent specification claimed to have achieved “a ten percent change” and “as much as 11.8% change,” but the claim was asserted in litigation to cover an unlimited upper bound. According to the Federal Circuit, “the specification at the time of filing must teach one of ordinary skill in the art to fully perform this method across that entire scope.” In this case, the patent specification “only discloses enough information to achieve an 11.8% resistive change.” The court also stated that “MagSil’s difficulty in enabling the asserted claims is a problem of its own making.”

7. Obviousness

*Kinetic Concepts, Inc. v. Smith & Nephew, Inc.*, 688 F.3d 1342 (Fed. Cir. 2012). A district court overturned a jury’s verdict that a patent for treating a wound was not obvious. The Federal Circuit reversed, concluding that there was substantial evidence to support the jury’s findings that several claimed features were missing from the prior art. Moreover, “whether there is a reason to combine prior art references is a question of fact. . . . Here, not only did S&N offer no evidence establishing a reason to combine, but Wake Forest offered substantial evidence that a

person having ordinary skill in the art had no reason to combine the prior art references to arrive at the claimed invention.”

## 8. Recapture Rule for Reissue Applications

*In re Youman*, 679 F.3d 1335 (Fed. Cir. 2012). Under the “recapture rule,” a reissue patent applicant may not recapture claim scope that was intentionally surrendered during original prosecution of the patent. The invention in this case related to an electronic TV programming guide. During original prosecution, the claims were amended in response to the patent examiner’s rejection. During the later reissue proceedings, the claims were broadened in a manner that the PTO determined to “recapture” previously surrendered subject matter. The Federal Circuit reversed, concluding that whether a claim has been impermissibly broadened must be measured by comparing the reissue claims to the original claims in the patent application, not the patent claims as issued. “Thus, if the patentee modifies the added limitation such that it is broader than the patented claim yet still materially narrows relative to the original claim, the recapture rule does not bar reissue.” Judge Lourie dissented.

## B. Interpretation of Patents

### 1. Claim Construction

*01 Communique Laboratory, Inc. v. LogMeIn, Inc.*, 687 F.3d 1292 (Fed. Cir. 2012). The Federal Circuit overturned a district court’s interpretation of a “locator server computer,” which the district court had limited to being a single computer. The Federal Circuit reversed, concluding that “the fact that a locator server computer is represented by a single box in some of the figures does not ‘necessitate’ a departure from the general rule that ‘a’ locator server computer may mean ‘one or more’ locator server computers.”

*Typhoon Touch Techs, Inc. v. Dell, Inc.*, 659 F.3d 1376 (Fed. Cir. 2011). The Federal Circuit held that the claim limitation “memory for storing” required that the memory actually be programmed or configured to store the recited data structure, rather than merely being capable of storing the recited data structure. The court reached a similar conclusion regarding the claim limitation “processor for executing.”

*HTC Corp. v. ICom GmbH & Co.*, 667 F.3d 1270 (Fed. Cir. 2012). A claim that risked invalidity by seemingly improperly mixing apparatus features and method steps was saved by interpreting the claim to merely refer to a background environment in which a claimed mobile station operated. In a related issue, the claimed “arrangement for reactivating” was interpreted (upon agreement of the parties) to be a means-plus-function limitation requiring resort to the patent specification to find corresponding structure. Although the accused infringer argued that the specification disclosed no specific algorithm for performing the recited

function of the means-plus-function clause, the Federal Circuit held that the infringer had waived that argument by not raising it in the district court.

*Krippelz v. Ford Motor Co.*, 667 F.3d 1261 (Fed. Cir. 2012). The Federal Circuit reversed a \$57 million judgment awarded against Ford Motor Company for infringement of a patent relating to an automobile light. Although the claim recited merely a “conical beam of light,” the Federal Circuit held that the district court had properly instructed the jury that the claims were further narrowed by arguments made to the PTO during reexamination to require a particular reflector shape and positioning of the light source relative to it. “A patentee’s statements during reexamination can be considered during claim construction, in keeping with the doctrine of prosecution disclaimer.” Nevertheless, based on the narrower interpretation, the Federal Circuit concluded that the claim was anticipated by prior art.

*Inventio AG v. ThyssenKrupp Elevator Americas Corp.*, 649 F.3d 1350 (Fed. Cir. 2011). The Federal Circuit held that the claim terms “modernizing device” and “computing unit” connoted sufficiently definite structure to avoid interpretation as means-plus-function clauses. The court drew analogies to previous decisions reciting “circuits” along with a recitation of function. The court rejected the argument that the claims recited purely functional limitations without any structure.

## 2. “Joint” or “Divided” Infringement of Method Claims

*Akamai Techs., Inc. v. Limelight Networks, Inc.*, \_\_\_ F.3d \_\_\_, 2012 WL 3764695 (Fed. Cir. Aug. 31, 2012) (en banc), *superseding* 629 F.3d 1311 (Fed. Cir. 2010). The Federal Circuit changed the law of “divided infringement.” In its original 2010 decision in this case, The Federal Circuit held that a method claim cannot be infringed “jointly” by a company and its customers unless there is an agency relationship between them. It was undisputed that Limelight did not perform every step of the claimed method, but Akamai argued that joint liability for infringement could be found when one party “controls or directs the activities of another party.” In this case, Akamai argued that Limelight’s customers acted under its direction and control. A jury found joint infringement, but the district court granted Limelight’s JMOL motion of non-infringement. The Federal Circuit originally affirmed, concluding that mere control or direction of its customers were not enough to establish joint liability. Instead, an agency relationship is required, and “both parties must consent that the agent is acting on the principal’s behalf and subject to the principal’s control.” The court also stated that joint infringement could be found “when a party is contractually obligated to the accused infringer to perform a method step.” “This court therefore holds as a matter of Federal Circuit law that 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. Neither is present here.”

After rehearing en banc, the Federal Circuit held that infringement can be found as

long as all steps are performed, although they need not necessarily be performed by a single “actor.” First, the court stated that a party who knowingly induces others to engage in acts that collectively practice the steps of the patented method can be held liable as an infringer, even if not all steps are performed by a single actor. Second, the court stated that a party that performs some of the steps of the patented method and induces another to perform the remaining steps of the method can also be held liable as an infringer. In this case, the Federal Circuit held that Limelight could be held liable for inducing infringement if the patent owner could show that (1) Limelight knew of Akamai’s patent, (2) it performed all but one of the steps of the claimed method, (3) it induced others to perform the final step, and (4) the others in fact performed the final step. It remanded the case to the district court to litigate that issue. It also expressly overruled its prior decision in *BMC Resources, Inc. v. Paymentech, L.P.*, 498 F.3d 1373 (Fed. Cir. 2007).

*McKesson Technologies Inc. v. Epic Systems Corp.*, \_\_\_ F.3d \_\_\_, 2012 WL 3764695 (Fed. Cir. Aug. 31, 2012) (en banc), *superseding* 2011 WL 1365548 (Fed. Cir. April 12, 2011). After rehearing en banc, the Federal Circuit changed the law of “divided infringement” (companion case with Akamai, discussed above). In its original decision, the Federal Circuit held that McKesson’s patent covering an electronic method of communication between healthcare providers and patients was not infringed, because not all steps of the method were performed by a single person, and there was no agency relationship among the alleged joint actors obligating the other party to carry out one of the method steps. The method claim included a first step of “initiating a communication by one of the plurality of users,” which admittedly was performed only by users of the system, whereas the remaining steps were performed by another entity. The Federal Circuit originally held that the mere existence of a doctor-patient relationship did not impose on the patients a contractual obligation to perform a step so that it could be attributed to the doctor. As explained by the court, “MyChart users choose whether or not to initiate communications with their providers and are under no obligation to do so.” Because there was no direct infringement, there could be no induced infringement.

After rehearing en banc, the Federal Circuit held that the defendant can be held liable for inducing infringement if it can be shown that (1) it know of McKesson’s patent; (2) it induced the performance of the claimed method steps; and (3) those steps were actually performed. It remanded the case to the district court to litigate that issue. It also expressly overruled its prior decision in *BMC Resources, Inc. v. Paymentech, L.P.*, 498 F.3d 1373 (Fed. Cir. 2007).

### 3. Proof of Infringement

*Meyer Intellectual Properties Ltd. v. Bodum*, \_\_\_ F.3d \_\_\_, 2012 WL 3329695 (Fed. Cir. Aug. 15, 2012). A district court granted summary judgment of patent infringement against Bodum for patents relating to methods of frothing milk. The

Federal Circuit reversed, concluding that the district court had improperly assumed that Bodum must have tested its products before selling them. The Federal Circuit first noted that because the asserted claims were directed to a method, the mere sale of a product could not constitute patent infringement. It then rejected the district court's conclusion that it would be unbelievable that "an established company such as Bodum would have placed [the products] on the market for public sale, and would have kept those products on the market for substantial periods of time, without having first confirmed for itself that each product would perform its allotted task." It also rejected the plaintiff's reliance on infringing use by the plaintiff's own expert.

4. Infringement – Testing and Hatch-Waxman Safe Harbor

*Momenta Pharmaceuticals, Inc. v. Amphastar Pharmaceuticals, Inc.*, 686 F.3d 1348 (Fed. Cir. 2012). A district court entered a preliminary injunction against Amphastar, which had filed an abbreviated new drug application for a generic version of a patented drug. The Hatch-Waxman Act includes a safe harbor provision stating that it is not an act of infringement to use a patented invention solely for uses reasonably related to the development and submission of information to obtain regulatory approval. The district court concluded that this safe harbor did not apply to Amphastar's testing of batches of the drug after FDA approval had been obtained.

The Federal Circuit reversed, concluding that such testing was required by the FDA and was thus "reasonably related" to the development of the information. The court distinguished its earlier decision in *Classen Immunotherapies v. Biogen IDEC*, 659 F.3d 1057 (Fed. Cir. 2011), where the court had concluded that the safe harbor provision did not apply to "information that may be routinely reported to the FDA, long after marketing approval has been obtained."

C. Enforcement of Patents

1. Venue

*In re Link\_A\_Media Devices Corp.*, 662 F.3d 1221 (Fed. Cir. 2011). The Federal Circuit granted a writ of mandamus to transfer venue from Delaware to the Northern District of California. According to the Federal Circuit, the fact that the defendant was incorporated in Delaware was an insufficient basis to sue the defendant in that forum.

*In re EMC Corp.*, 677 F.3d 1351 (Fed. Cir. 2012). Eighteen companies were sued for patent infringement in a single action in the Eastern District of Texas. Eight of the defendants moved to sever and transfer their cases to more appropriate venues. The district court denied the motion on the ground that even though common infringement by the defendants was not alleged, "claim validity, claim construction, and the scope of the four patents are questions common to all defendants in this case." The Federal Circuit granted a precedential writ of mandamus, directing the district court to reconsider whether to sever and transfer the defendants. According to the Federal Circuit, the mere existence of some similarity in the allegedly

infringing products or processes is insufficient to join the defendants. “In addition to finding that the same product or process is involved, to determine whether the joinder test is satisfied, pertinent factual considerations include whether the alleged acts of infringement occurred during the same time period, the existence of some relationship among the defendants, the use of identically sourced components, licensing or technology agreements between the defendants, overlap of the products’ or processes’ development and manufacture, and whether the case involves a claim for lost profits.” Note: the AIA also tightened joinder rules going forward, to situations where “the same accused product or process” is involved. See the new provisions of 35 U.S.C. § 299(a)(1). The Federal Circuit noted that its new test did not control future interpretation of 35 U.S.C. § 299(a)(1)

## 2. Damages

*Whitserve, LLC v. Computer Packages, Inc.*, \_\_\_ F.3d \_\_\_, 2012 WL 3573845 (Fed. Cir. Aug. 7, 2012). Whitserve sued Computer Packages Inc. (CPI) for infringement of patents relating to docketing of law firm due dates. A jury found that the patents were infringed and awarded \$8.3 million in damages. The Federal Circuit vacated and remanded the damages award because it was not sufficiently supported by the evidence. The Federal Circuit rejected Whitserve’s argument that two lump-sum licenses it had negotiated with others in the market supported a running-rate royalty: “the lump-sum agreements are not substantial evidence in support of the jury’s verdict . . . [and] even if the award is meant to be a lump sum . . . the jury’s verdict of \$8.3 million was over 3 times the average of the lump sum licenses presented.” The Federal Circuit also faulted Whitserve’s expert for “superficial recitation of the Georgia-Pacific factors, followed by conclusory remarks.”

*LaserDynamics, Inc. v. Quanta Computer, Inc.*, \_\_\_ F.3d \_\_\_, 2012 WL 3758093 (Fed. Cir. 2012). The Federal Circuit reversed in part a district court’s award of patent infringement damages. Among other things, the Federal Circuit held that the district court erred in admitting a prior settlement agreement with another defendant, because that settlement agreement was made on the eve of a trial in which the defendant had been severely sanctioned by the district court. The Federal Circuit also stated that the royalty base on which a reasonable royalty is calculated should be the “smallest salable patent-practicing unit.”

## 3. Inequitable Conduct

*Powell v. The Home Depot U.S.A., Inc.*, 663 F.3d 1221 (Fed. Cir. 2011). The failure of an applicant to update a petition to make special to indicate that the circumstances on which the petition was filed had changed did not constitute inequitable conduct. Powell had filed a petition to make special on the grounds that he was obligated to manufacture and supply devices embodying the claims, but that situation changed after the petition was filed. The Federal Circuit concluded that “Powell’s conduct

obviously fails the but-for materiality standard and is not the type of unequivocal act . . . that would rise to the level of affirmative egregious misconduct.” Thus, due to the change in intervening law created by *Therasense*, the district court’s decision was affirmed.

*Aventis Pharma S.A. v. Hospira, Inc.*, 675 F.3d 1324 (Fed. Cir. 2012). In affirming a district court’s conclusion that two patents were unenforceable due to inequitable conduct, the Federal Circuit explained that (1) the inventor’s withholding of prior art met the “but-for materiality” test because the patents were held to be invalid based on the withheld prior art, and (2) the district court found the inventor’s testimony about the reasons for withholding the references to lack credibility in view of the documentary evidence.

#### 4. Ownership of Patents

*Preston v. Marathon Oil Co.*, 684 F.3d 1276 (Fed. Cir. 2012). Preston, a former employee of Marathon Oil, sued Marathon oil for patent infringement and for a determination that he was the owner of rights in certain patents. Preston had signed an employment agreement shortly *after* he began working as an at-will employee at Marathon Oil. The agreement specified that Marathon Oil owned any inventions developed by Preston. In response to Preston’s argument that the later-signed employment agreement lacked sufficient consideration, The Federal Circuit certified to the Wyoming Supreme Court the question whether continued employment by an existing at-will employee could constitute sufficient consideration to support the later-signed employment agreement. The Wyoming Supreme Court answered in the affirmative, and the Federal Circuit therefore upheld Marathon Oil’s ownership of the patents. Note: Although this case represents solely an interpretation of Wyoming law, it highlights the need to carefully draft employment agreements containing invention assignment clauses. Providing additional consideration at the time of signing an employment agreement after commencing employment might have avoided the need to litigate this issue.

#### 5. Discoverability of Settlement Negotiations

*In re MSTG, Inc.*, 675 F.3d 1337 (Fed. Cir. 2012). MSTG sued AT&T and other cell phone providers for infringement of several patents. All defendants other than AT&T settled with MSTG. AT&T sought discovery from MSTG of not only the settlement agreements, but also documents relating to the settlement negotiations, on the theory that the negotiations (including documents between MSTG and the settlement defendants) could be relevant to a reasonable royalty for infringement. The district court allowed the discovery requested by AT&T, and MSTG petitioned for a writ of mandamus to the Court of Appeals for the Federal Circuit. The Federal Circuit denied the petition, refusing to recognize a new “settlement negotiation” privilege for production of documents relating to prior settlement negotiations. The Federal Circuit distinguished the so-called “mediation privilege” that has been enacted by states, because there was no mediation in this case. The Federal Circuit

also distinguished Federal Rule of Evidence 408, which states that conduct during negotiations about a claim is *not admissible* to prove or disprove the validity or amount of a disputed claim, because the Rules permit use of such evidence for other purposes, including proving a witness's bias or prejudice or other stated reasons. But, the rule does not protect such evidence *from discovery*. The Federal Circuit noted that there were other ways to protect the confidentiality of settlement negotiations, such as through the use of protective orders. Finally, the court acknowledged that district courts could impose heightened showings of need for discovery of settlement negotiations. Because AT&T had shown that MSTG's expert relied on information beyond what was contained in the settlement agreements in formulating a proposed reasonable royalty, AT&T was entitled to documents that might bear on the expert's analysis.

## 6. Injunctions

*Robert Bosch LLC v. Pylon Mfg. Corp.*, 659 F.3d 1142 (Fed. Cir. 2011). The Federal Circuit reversed a district court's refusal to enter a permanent injunction for infringement of a patent relating to a windshield wiper blade. Applying the four-factor *eBay* test for a permanent injunction (irreparable injury; inadequate remedies at law; balance of hardships; and public interest), the district court concluded the Bosch did not suffer irreparable harm. First, the Federal Circuit held that there is no longer any presumption of irreparable harm after *eBay*; instead, patentees must make a showing of such harm. Second, the Federal Circuit rejected the district court's conclusion that because there were additional competitors in the market, Bosch could not establish irreparable harm. "While the existence of a two-player market may well serve as a substantial ground for granting an injunction . . . the converse is not automatically true, especially where, as here, it is undisputed that the patentee has sought to enforce its rights against other infringers in the market." Third, the Federal Circuit rejected the district court's conclusion that because the wiper blade business was not a "core" Bosch business, no irreparable harm was shown. Fourth, the Federal Circuit held that the district court failed to consider Pylon's potential inability to satisfy a money judgment, which likely would leave Bosch with inadequate remedies at law. Judge Bryson dissented in part, agreeing that the district court misapplied the *eBay* factors but arguing that the case should have been remanded for the district court to reevaluate the evidence in light of the correct application of the law.

*Celsis in Vitro, Inc. v. Cellzdirect, Inc.*, 664 F.3d 922 (Fed. Cir. 2012). The Federal Circuit affirmed the grant of a preliminary injunction, finding that the patent owner had established all four factors necessary to support an injunction. In a dissenting opinion, Judge Gajarsa highlighted a potential split of opinion among the court's members, suggesting that if a challenger is able to show "substantial merit" that the patent may be invalid, that alone would be sufficient to defeat a preliminary injunction. According to Judge Gajarsa, the party challenging the patent must merely show that "the patent is vulnerable" in order to defeat a preliminary injunction.

7. ITC Proceedings – Litigation Expenses Not “Domestic Industry”

*John Mezzalingua Associates, Inc. v. Int’l Trade Comm’n*, 660 F.3d 1322 (Fed. Cir. 2011). The Federal Circuit held that a patent owner’s prior litigation expenses in enforcing a patent did not meet the “domestic industry” requirement of 19 U.S.C. § 1337. The court agreed with the ITC’s determination that patent litigation expenses did not automatically qualify as a “substantial investment in . . . licensing.” According to the panel, “The fact that litigation adversaries eventually enter into a license agreement does not, as PPC suggests, mean that all of the prior litigation expenses must be attributed to the licensing effort.”

8. Arguments During Reexamination – Not “Intervening Rights”

*Marine Polymer Technologies, Inc. v. Hemcon, Inc.*, 672 F.3d 1350 (Fed. Cir. 2012) (en banc), *superseding* 659 F.3d 1084 (Fed. Cir. 2011). Although a patent claim was not amended during reexamination, a panel of the Federal Circuit nevertheless had initially held that an accused infringer was entitled to the protection of intervening rights based on arguments made during the reexamination process, because “a contrary rule would allow patentees to abuse the reexamination process by changing claims through argument rather than changing the language of the claims to preserve otherwise invalid claims and, at the same time, avoid creating intervening rights as to those claims.” Following a rehearing en banc, the Federal Circuit reversed itself, concluding that no intervening rights are available unless a patent claim has been amended.

9. No Reexamination Estoppel Until “Final Determination” of Validity

*Bettcher Industries, Inc. v. Bunzl USA, Inc.*, 661 F.3d 629 (Fed. Cir. 2011). A district court held that Bunzl was estopped from asserting an invalidity ground on the basis that during inter partes reexamination, the validity of the claims was upheld. The Federal Circuit reversed, holding that a third party can only be estopped from raising an invalidity ground under 35 U.S.C. § 315 after the validity of the claims has been “finally determined.” That means all appeals must be exhausted including any possible appeals to the Board of Appeals, the Federal Circuit, and the U.S. Supreme Court. (Note: the America Invents Act changes this for the new Inter Partes Review proceedings that start in September 2012; estoppel in that case arises upon a written decision of the Patent Trial and Appeal Board).

10. Patent Malpractice – Is it a Federal Case?

*Byrne v. Wood Herron*, 450 Fed. Appx. 956 (Fed. Cir. 2011). This case involves a legal malpractice action in which a client alleged a law firm was negligent in failing to secure broader patent protection for his invention (a grass and weed trimmer). The client alleged that as a result of the firm’s negligence, he was unsuccessful in patent infringement lawsuit against Black & Decker Corp. The district court granted

summary judgment for the law firm. The Federal Circuit vacated and remanded, holding that the district court abused its discretion by not identifying the relevant level of skill in the art and that the district court should have considered that inventors normally possess at least ordinary skill in the field of the invention. A petition for certiorari is pending in this case, which raises the issue whether federal courts possess exclusive subject-matter jurisdiction over state-based legal malpractice claims that require the application of federal patent law. Note: a split Federal Circuit denied rehearing en banc in this case, 676 F.3d 1024 (Fed. Cir. 2012).

*Gunn v. Minton*, 355 S.W.3d 634 (Tex. 2011). In this case, the client brought a malpractice claim against a former attorney. The client alleged that the attorney had negligently failed to timely plead and brief the experimental use exception to the on-sale bar to patentability in the client's underlying patent infringement claim. The Texas state court granted the attorney's motion for summary judgment. The Court of Appeals held that it had subject matter jurisdiction and affirmed summary judgment. The Supreme Court of Texas held that federal jurisdiction exists because the applicability of experimental use exception was a substantial issue in legal malpractice claim, reversed the grant of summary judgment and dismissed the claim. The Supreme Court of Texas held that determination of the viability of the experimental use exception was question that federal courts may decide without upsetting the balance between federal and state judicial responsibilities and federal courts had exclusive jurisdiction over legal malpractice claim. Congress has provided federal courts jurisdiction over civil actions generally "arising under" federal law and also over actions "arising under" federal law relating to patents. The issue in this case is whether federal courts possess exclusive subject-matter jurisdiction over state-based legal malpractice claims that require the application of federal patent law.

*Minkin v. Gibbons*, 680 F.3d 1341 (Fed. Cir. 2012). An inventor brought a state court action against a law firm alleging legal malpractice in the firm's prosecution of his patent for a hand tool. The inventor claimed that the patent was so negligently drafted that it provided no meaningful protection against infringers. The case was removed to district court, which granted summary judgment for the law firm. The Federal Circuit held that a patent attorney was not liable for legal malpractice under a suit-within-a-suit framework where the inventor failed to introduce evidence sufficient to establish the patentability of a set of alternate claims proposed by the inventor's expert witness (another patent attorney). The issue in this case is whether federal courts possess exclusive subject-matter jurisdiction over state-based legal malpractice claims that require the application of federal patent law.

#### 11. Attorney-Client Privilege Risk for Patent Agents

*Buyer's Direct Inc. v. Belk, Inc.*, 2012 WL 1416639, 102 USPQ2d 1979 (C.D. Cal. April 24, 2012) (magistrate judge's decision). In an underlying lawsuit filed in the U.S. District Court for the Eastern District of North Carolina, Buyer's Direct sued Belk for patent infringement. Belk served subpoenas on third party Quick Patents,

Inc., which had acted as a non-attorney patent agent in procuring the patents. Quick Patents asserted attorney-client privilege on the grounds that registered patent agents, like patent attorneys, should be shielded by the attorney-client privilege. Belk then sought to enforce the subpoenas in California, and a magistrate judge ruled on the motion to compel. According to the magistrate judge, a majority of jurisdictions have extended the attorney-client privilege to registered patent agents based on the fact that like patent attorneys, they are licensed and are subject to the same standards of professional conduct as their attorney counterparts. Although recognizing that a split of authority on the issue exists, the magistrate judge extended the privilege to the registered patent agent in this case. However, the judge limited the privilege to communications related to presenting and prosecuting applications before the U.S. Patent and Trademark Office, meaning that communications after the issuance of the patent would not be protected.

12. Liability of the U.S. Government for Patent Infringement

*Zoltek Corp. v. United States*, 672 F.3d 1309 (Fed. Cir. 2012)(en banc), *superseding* 442 F.3d 1345 (Fed. Cir. 2006). Reversing its earlier decision, the Federal Circuit decided that the U.S. Government can be held liable for patent infringement under 35 U.S.C. § 271(g) [infringement based on importing products made using a U.S.-patented process]. In this case, Lockheed Martin had a contract with the U.S. Government to design and build fighter jets using material imported from Japan. The Federal Circuit determined that the U.S. Government could be held liable for alleged infringement under 35 U.S.C. § 271(g).

13. Ability to Challenge Pharmaceutical Use Codes for Patents

*Caraco Pharmaceutical Laboratories, Ltd. v. Novo Nordisk A/S*, 132 S.Ct. 1670 (2012). Novo held three patents on the use of a brand name diabetes drug, but two of the patents had expired. Caraco applied for FDA approval to market the generic drug. After Caraco's filing, Novo changed the Orange Book's use code to cover uses in all three patents. Novo sued Caraco for infringement and Caraco counterclaimed for Novo to correct the use code. The district court issued an order compelling Novo to correct its use code and the Federal Circuit reversed. The issue in the case was whether Congress has authorized a generic company to challenge a use code's accuracy by bringing a counterclaim against the brand manufacturer in a patent infringement suit. The Supreme Court held that a generic manufacturer may force correction of a use code that inaccurately describes the brand's patent as covering a particular method of using the drug in question. The Supreme Court reasoned that the statutory context supports Caraco's position and Congress's intent points towards allowing a counterclaim. Note: on July 30, 2012, on remand from the Supreme Court, the Federal Circuit held that the district court could not order specific corrections to the use code, but must instead permit the patent owner to propose specific language for the use code corrections. 2012 WL 3064737 (Fed. Cir. July 30, 2012).

14. Willful Infringement – Partly a Matter for the Judge, Not Jury

*Bard Peripheral Vascular, Inc. v. W.L. Gore & Associates, Inc.*, 682 F.3d 1003 (Fed. Cir. 2012). A finding of willful infringement allows an award of increased damages (up to triple the actual damages). But willfulness requires a showing of “objective recklessness” (i.e., evidence that the infringer acted despite an objectively high likelihood that its actions infringed a valid patent). Once this threshold is satisfied, the patent owner must also show that the risk was either known or so obvious that it should have been known. In this case, the Federal Circuit (on panel rehearing) held that “This court therefore holds that the objective determination of recklessness, even though predicated on underlying mixed questions of law and fact, is best decided by the judge as a question of law subject to de novo review.” Therefore, when a defense or noninfringement theory asserted by an infringer is purely legal (e.g., claim construction), the objective recklessness of such a theory is a purely legal question to be determined by the judge. When the objective prong turns on fact questions, such as anticipation, or on legal questions dependent on underlying facts, the judge remains the final arbiter of whether the defense was reasonable.

15. Pleading Requirements for Direct vs. Indirect Infringement

*In re Bill of Lading*, 681 F.3d 1323 (Fed. Cir. 2012). The Federal Circuit held that a patent infringement complaint that complies with the bare-bones Form 18 of the Federal Rules of Civil Procedure meets the pleading standards and is sufficient to survive a motion to dismiss under Rule 12(b). However, because Form 18 does not address indirect infringement, a pleading of indirect infringement following Form 18 will not necessarily survive a motion to dismiss and instead must comply with the more restrictive requirements of *Bell Atlantic Corp. v. Twombly*.