The Year in Patent Law at the CAFC and Supreme Court

Midwest IP Institute

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Overview

Litigation
--Damages
--Spoliation
--Marking
--Attorney Fees
--Inducement
--Contempt
--Burden of Proof

Mixed
--Section 101
--Inequitable Conduct
--Means-Plus-Function
--Ownership
--Joint infringement

Prosecution
--Standard for introducing new evidence in an action under 35 U.S.C. § 145
--Standard for Board affirmances

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Section 145: *Kappos v. Hyatt*

- Section 145 gives option of a "civil action" rather than appeal
- The Government argues that, pursuant to traditional admin law principles, Hyatt cannot introduce evidence he reasonably could have provided to the PTO
- District court agreed – Fed Cir panel agreed (Moore dissenting)
- En Banc majority disagreed (Moore authoring) – said limits for a "civil action" are found only in the Federal Rules of Evidence and Federal Rules of Civil Procedure

Hyatt v. Kappos, 625 F.3d 1320 (Fed. Cir. Nov. 8, 2010) (*en banc*)

PTO Board: *In re Leithem*

- Invention: a fluffy wood pulp diaper
- The Examiner found fluffed pulp in a secondary reference.
- The Board found that the pulp in the secondary reference could be fluffed.
- Federal Circuit says the applicant gets a shot at the Board's new reasoning:
  - "The thrust of the Board's rejection changes when, as here, it finds facts not found by the examiner regarding the differences between the prior art and the claimed invention, and these facts are the principal evidence upon which the Board's rejection was based."

In re Leithem, __ F.3d ___ (Fed. Cir. Sept. 16, 2011)

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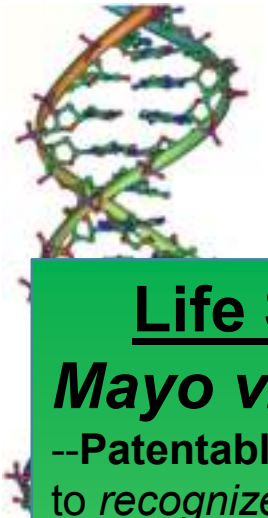
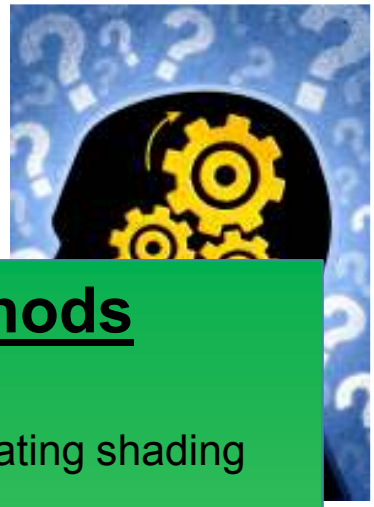


Section 101



Life Sciences Methods

Mayo v. Prometheus

--**Patentable**: method of looking at blood test to *recognize* a relationship
– **Rationale**: blood testing involves a transformation

Myriad

--**Patentable:** isolated genomic DNA
--**Not patentable**: method of comparing DNA sequences to recognize a relationship
– **Rationale:** DNA can be compared visually

Classen

--**Not patentable**: method of immunizing by determining and comparing effectiveness of immunization schedules is not patentable
--**Patentable**: method of lowering risk of immune disorder, including by immunizing

Software Methods

Research Corp.

--**Patentable**: method of calculating shading for pixels

Cybersource

--**Not patentable**: method of detecting credit card fraud, because can be performed in head or on paper, and mental steps = abstract idea
--**Rationale**: different from *Research Corp.*, because there, it would have been really hard to do it in your head

Ultramercial

--**Patentable**: method of monetizing and distributing copyrighted works over the internet
--**Rationale**: was a particular application of the abstract idea of using advertising as currency

Mayo Oral Arg: Dec. 7, 2011

Inequitable Conduct: *Therasense*

Materiality:

- But-for materiality - PTO would not have allowed the claim if it had known of the reference
- Apply preponderance of evidence standard and broadest reasonable interpretation of claims
- Exception for affirmative egregious misconduct
- Inconsistent with Rule 56 (not for long)

Deceptive Intent:

- Need proof of "specific intent to deceive the PTO"
- "Deliberate decision" to withhold a "known material reference"
  - Knew of the reference
  - Knew of its materiality (under but-for standard)
  - Made deliberate decision to withhold
- Separate requirement from materiality (no sliding scale)
- Can still infer it from circumstantial evidence
- Must be single most reasonable inference (or the only reasonable inference?)
- No need for a good faith explanation unless defendant first proves threshold level of intent to deceive

Therasense, Inc. v. Becton, Dickinson & Co., ___ F.3d ____(Fed. Cir. May 25, 2011) (*en banc*)

Inequitable Conduct Realities

Post-*Therasense*

- The "**atomic bomb**" of patent litigation
- When the stakes are high, litigants will devote attorneys, time and money to develop defense
- **Materiality** – how clear is "but for" – more battles of the experts? Bifurcated?
- **Intent to deceive** – let juries decide whether it is the "single most reasonable inference" from the evidence?
- **Affirmative egregious misconduct** – the exception that swallows the materiality rule?

Inequitable Conduct Realities

What will/may change

- Finally a single standard for materiality
- Finally no more sliding scale
- Tightened standards for materiality and intent to deceive **+** *Exergen* pleading requirements **=** fewer assertions of defense **and** more dispositive motions granted?
- Rule 56 soon to be harmonized with *Therasense*
- Comfort for prosecutors – in the end, it is highly unlikely you'll be found to have committed inequitable conduct

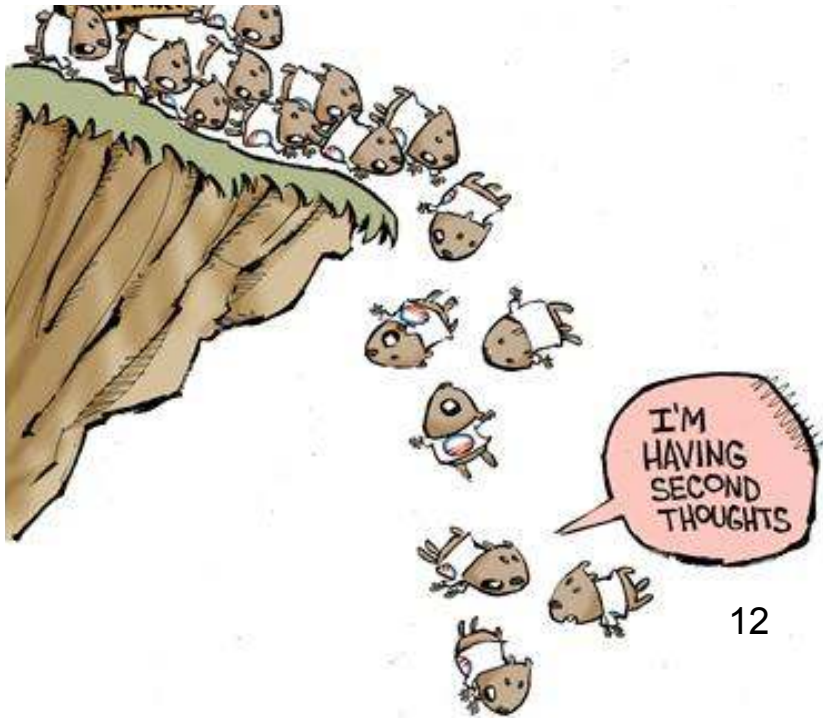
Prosecution Practice

Life after *Therasense*

Prosecution Practice
Life after *Therasense*

Think twice before changing practice:

- Rule 56 not amended (yet)
- Stronger, presumed valid patents
- Fewer litigation issues
- Strengthened hand in post-grant review, inter partes review and supplemental examination under AIA



Litigation Practice
Life after *Therasense*

- Proving "but for" materiality
  - Staged proceedings with invalidity first? (Will defendants want?)
  - Reexamination strategy (Timing, must a claim be amended?)
- Single most reasonable inference
  - How to prove?
  - Multiple nondisclosures?

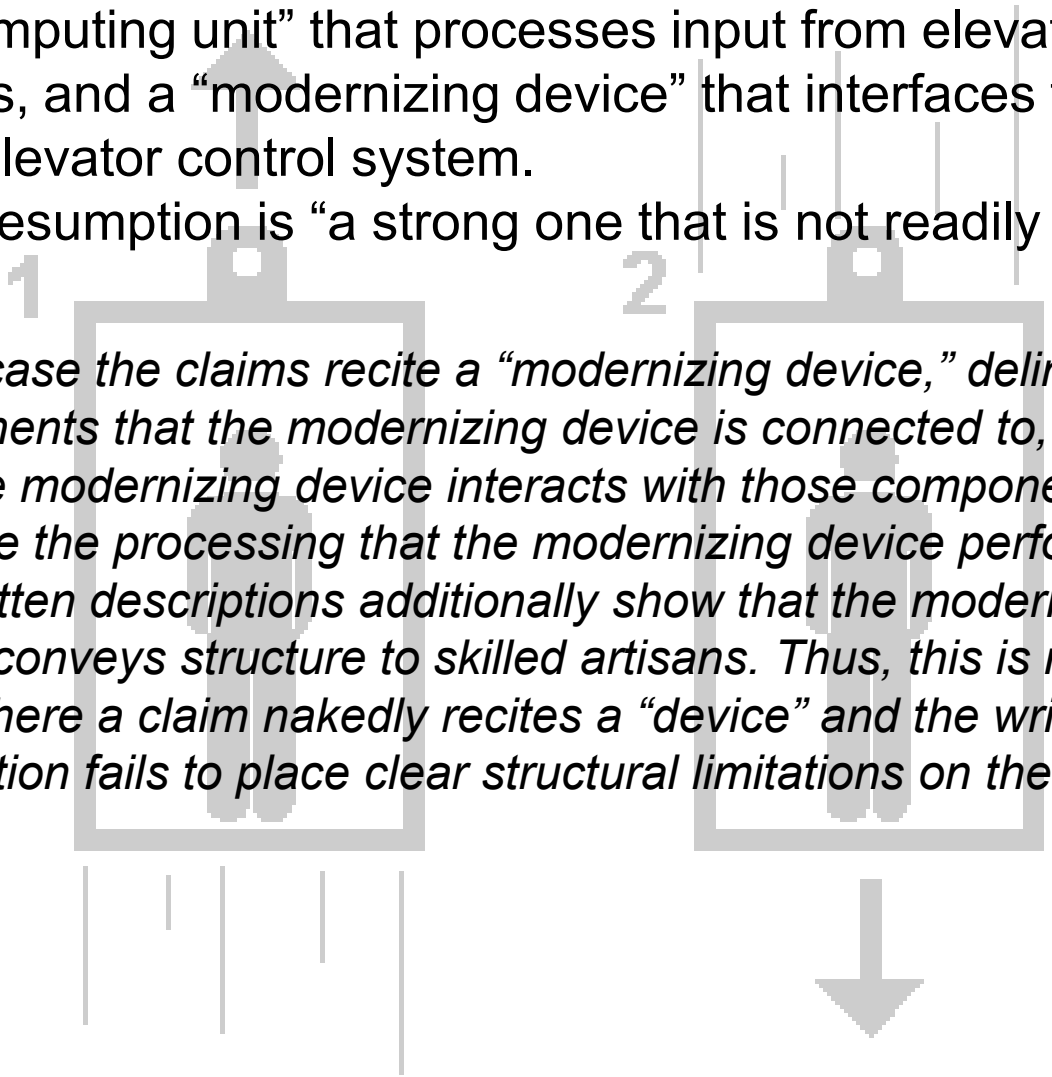
Litigation Practice
Life after *Therasense*

- Affirmative egregious misconduct
  - Unclean hands easier to prove?
  - Pattern of bad behavior?
  - Will district court judges let exception swallow the rule?
    ("If ever there were a case, Your Honor, this is **the** case.")
- Procedural difficulties re materiality overblown?
  - Invalid under Court's claim construction, certainly under PTO's broadest reasonable construction

    or
  - Prior art lacks element under Court's claim construction, still lacking under PTO's broadest reasonable construction

Means-Plus-Function: *Inventio*

- **Claim**: "computing unit" that processes input from elevator passengers, and a "modernizing device" that interfaces the computing unit to an elevator control system.
- "Means" presumption is "a strong one that is not readily overcome"

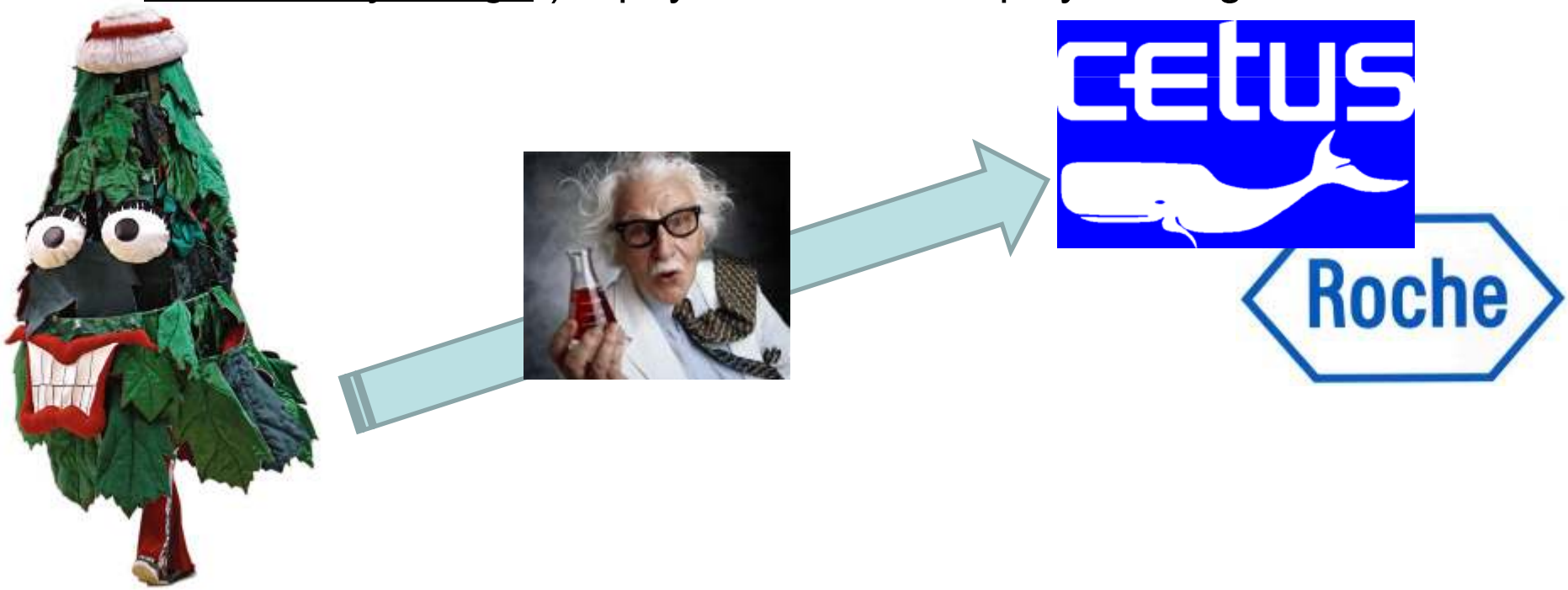


In this case the claims recite a "modernizing device," delineate the components that the modernizing device is connected to, describe how the modernizing device interacts with those components, and describe the processing that the modernizing device performs. The written descriptions additionally show that the modernizing device conveys structure to skilled artisans. Thus, this is not a case where a claim nakedly recites a "device" and the written description fails to place clear structural limitations on the "device."

Inventio AG v. ThyssenKrupp Elevator Ams. Corp., __ F.3d __ (Fed. Cir. June 15, 2011), reh'g en banc denied (Sept. 16, 2011)

Ownership: *Stanford v. Roche*

- **Question**: Does Bayh-Dole Act "displace[] the norm" that rights to an invention belong to the inventor?
- **Answer**: Yes, maybe. (Roberts 7-2 (Breyer, Ginsberg)
- Relevance: Very little – fix it by drafting (say "agrees to assign *and does hereby assign*") & pay attention to employment agreements



Bd. of Trustees of Leland Stanford Jr. Univ. v. Roche Molecular Sys., Inc., 131 S.Ct. 2188 (June 6, 2011)

Joint Infringement

- ***Akamai***: Joint direct infringement
- ***McKesson***:

  (1) Jointly inducing infringement or contributory infringement

  (2) Relationship between the relevant actors:

  - **Principal-agent** or **contractual obligation**, *see* *Akamai*; *McKesson*

  - **Control or direction**, "**mastermind**," *see* *Golden Hour Data Systems, Inc. v. emsCharts, Inc.*, 614 F. 3d 1367 (Fed. Cir. 2010); *Muniauction, Inc. v. Thomson Corp.*, 532 F.3d 1318 (Fed. Cir. 2008); *BMC Resources, Inc. v. Paymentech, LP*, 498 F.3d 1373 (Fed. Cir. 2007)

  - **Joint tortfeasors**, *see* *Golden Hour* (Newman dissent)(collaborative effort); *McKesson* (Newman dissent)("The common-law concept of joint tortfeasor has long been established in the patent arena and in its application the cases have turned on their particular facts, not on some indefeasible "single entity" bar created as a new rule of law. Questions of joint liability turned on participation, collaboration, or other relevant facts, as courts applied the experience of the common law in a variety of factual situations.")

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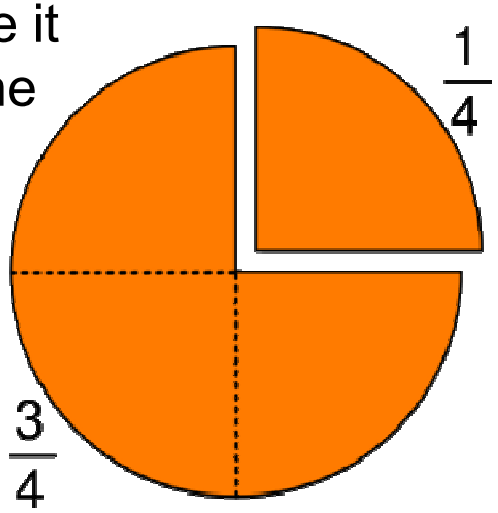
Damages: Uniloc v. MS

- **Invention**: particular software activation feature to discourage piracy
- The "25% royalty rule of thumb" is rejected as a "fundamentally flawed tool for determining a baseline royalty rate."
- Not just weak, but totally out: "Evidence relying on the 25 percent rule of thumb is thus inadmissible under Daubert and the Federal Rules of Evidence, because it fails to tie a reasonable royalty base to the facts of the case at issue."
- Must tie royalty evidence to relevant facts and circumstances of the case.
- Outgrowth of the "hard look" doctrine for damages in *Lucent v. Gateway*?
- How about a 50% rule?



Uniloc USA, Inc. v. Microsoft Corp., 632 F.3d 1292 (Fed. Cir. Jan. 4, 2011), reh'g en banc denied (May 16, 2011)

Spoliation: Rambus

- Rambus has “shred day”
- D. Del. (Robinson) holds patents unenforceable ($0)
- N.D. Cal. (Whyte) holds a trial -- $350 million + royalty
- Documents must be preserved when litigation is “reasonably foreseeable”
  - Does not require that all preconditions to a lawsuit be cleared
  - N.D. Cal. case remanded to reconsider
  - D. Del. case remanded to have court explain basis for its death penalty sanction

Micron Technology, Inc. v. Rambus Inc., 645 F.3d. 1311 (Fed. Cir. May 13, 2011).
Hynix Semiconductor Inc. v. Rambus Inc., 645 F.3d 1336 (Fed. Cir. May 13, 2011).

Marking

- *Forest Group, Inc. v. Bon Tool Co.*, 590 F.3d 1295 (Fed. Cir. 2009)
  - $500 ***per item*** maximum fine
- *Pequinot v. Solo Cup Co.*, 608 F.3d 1356 (Fed. Cir. 2010)
  - Marking of expired patent can be false marking
  - False marking creates "weak" rebuttable presumption of an intent to deceive that can be overcome with "credible evidence," including an opinion from counsel.
- *Stauffer v. Brooks Bros., Inc.*, 619 F.3d 1321 (Fed. Cir. Aug. 31, 2010)
  - "any person" (even patent lawyers) can bring a false marking claim
- *In re BP Lubricants USA, Inc.*, 637 F.3d 1307 (Fed. Cir. Mar. 15, 2011)
  - Plaintiff must plead false marking with particularity under Federal Rule of Civil Procedure 9(b)—particularly the scienter requirement.
- *Juniper Networks, Inc. v. Shipley*, 643 F.3d 1346 (Fed. Cir. Apr. 29, 2011)
  - Failed Rule 9 pleading requirement



Patent Marking

Leahy-Smith America Invents Act, Sec. 16

- **Virtual Marking**
  - Patentee can mark article with “Patent” or “Pat.” with link to free website that associates the article with patent number
- **False Marking**
  - Actions for Civil Penalty or Damages
    - Action for civil penalty brought by United States, or
    - Person who has suffered “competitive injury,” for damages adequate to compensate for injury
  - Expired Patents: Marking of patent that covered product but that has expired is not false marking
- **Effective Date:** All cases, without exception, pending or commenced on or after, date of enactment

Attorney Fees

- *iLOR, LLC v. Google, Inc.*, 631 F.3d 1372 (Fed. Cir. Jan. 11, 2011)
  - Absent attorney misconduct, a fee award is appropriate only when the case is "objectively baseless"—see standard for willful infringement.
    - "Thus, just as willfulness requires an assessment of both objective and 'subjective' (i.e.: known or so obvious that it should have been known) prongs, so too does the exceptional case determination. And just as for willfulness, the objective assessment 'is to be determined based on the record ultimately made in the infringement proceedings.'"
- *Old Reliable v. Cornell Corp.*, 635 F.3d 539 (Fed. Cir. Mar. 16, 2011)
  - "Unless an argument or claim asserted in the course of litigation is "so unreasonable that no reasonable litigant could believe it would succeed," it cannot be deemed objectively baseless for purposes of awarding attorney fees under section 285."
- *Eon-Net LP v. Flagstar Bancorp*., __ F.3d __ (Fed. Cir. July 29, 2011)
  - Fee award affirmed – no pre-suit investigation, and history of quickie nuisance settlements

Inducement: *Global-Tech*

- Alito (8-1 (Kennedy))
- Petitioner copied patentee's product but did not tell patent attorney who wrote noninfringement opinion.
  - "[W]e now hold that induced infringement under §271(b) requires knowledge that the induced acts constitute patent infringement.. . . [W]e agree that deliberate indifference to a known risk that a patent exists is not the appropriate standard under §271(b). We nevertheless affirm the judgment of the Court of Appeals because the evidence in this case was plainly sufficient to support a finding of Pentalpha's knowledge under the doctrine of willful blindness."
- Elements of willful blindness:
  - (a) defendant subjectively believes there is high probability that a fact exists
  - (b) defendant takes deliberate action to avoid learning about the fact
- Higher standard than deliberate indifference to known risk
- Must there be actual knowledge of the patent? Nope.
- Benefit to keep head in sand?

Global-Tech Appliances, Inc. v. SEB S.A., 131 S.Ct. 2060 (May 31, 2011)

Inducement

- ***Global-Tech* (con't)**

Impact:

- On its face, higher standard than deliberate indifference of known risk – but will juries reach different results on same facts?
- Almost all inducement cases will require actual knowledge
- But egregious bad facts where defendant almost certainly knew of infringement may satisfy willful blindness without proof of actual knowledge
- Several years to assess full impact – will it be industry-specific depending on patenting practices?
- Impact may be wider outside patent law

  "Given the long history of willful blindness and its wide acceptance in the Federal Judiciary, we can see no reason why the doctrine should not apply in civil lawsuits for induced patent infringement."

Contempt: *Tivo v. Echostar*

- **Invention**: Tivo "time warp" (catch up with the football game)
- Found infringed, and permanent injunction issued
- Echostar launched design-around – Tivo moved for contempt
- *En banc* court:
  - 2-step standard from *KSM* is "unworkable"
  - "More than colorable differences" standard
    - Is new product so different it raises "a fair ground of doubt as to the wrongfulness of defendant's conduct"?
    - If the differences are significant, then new product "as a whole shall be deemed more than colorably different" – no contempt
    - Question of fact
    - If no colorable differences, then must determine if new device infringes for there to be contempt. Patentee must prove with clear & convincing evidence. The original claim construction is binding.
  - Contempt proceeding can occur when patentee makes a "detailed accusation … setting forth the alleged facts constituting the contempt."

Tivo Inc. v. Echostar Corp., 646 F.3d 869 (Fed. Cir. Apr. 20, 2011) *(en banc)*

Burden of Proof: *i4i v. MS*

- **Held**: Invalidity must always be proven by clear & convincing evidence.
- Sotomayor (7 in maj), with concur by Breyer (Scalia & Alito) and Thomas
- However, new evidence that the PTO did not consider can carry more weight than old evidence
- "Simply put, if the PTO did not have all the material facts before it, its considered judgment may lose significant force."

Do these look like a couple guys who just won a few hundred million dollars?

I4i Ltd. P'ship v. Microsoft Corp., 131 S.Ct. 2238 (U.S. June 9, 2011)