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NEW YORK HOTEL

MARCH 27, 2015

THE
NEW YORK
INTELLECTUAL PROPERTY
LAW ASSOCIATION

In conjunction with
THE NYIPLA 93RD ANNUAL DINNER IN HONOR OF THE FEDERAL JUDICIARY
present

DAY OF THE DINNER CLE LUNCHEON

*The Changing Patent Landscape:
Issues Affecting Practice in the
District Courts and the Patent Office*



PANELISTS

HONORABLE LEONARD P. STARK
CHIEF JUDGE OF THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

HONORABLE BARBARA M.G. LYNN
DISTRICT JUDGE OF THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS

HONORABLE JAMES D. SMITH
CHIEF ADMINISTRATIVE PATENT JUDGE
OF THE UNITED STATES PATENT AND TRADEMARK OFFICE

PRESENTER

MICHELLE K. LEE
UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY
AND DIRECTOR OF THE UNITED STATES PATENT AND TRADEMARK OFFICE

MODERATOR

CHARLES R. HOFFMANN
NYIPLA IMMEDIATE PAST PRESIDENT

REGISTRATION &
RECEPTION

10:45 A.M. – 11:30 A.M.

LUNCH

11:30 A.M. – 12:20 P.M.

PRESENTATION

12:20 P.M. – 2:15 P.M.

2.0 NY/NJ CLE
PROFESSIONAL
CREDITS FOR BOTH
NEWLY ADMITTED
AND EXPERIENCED
ATTORNEYS



*Hosted by the
NYIPLA Programs Committee*



Michelle K. Lee

Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office

As Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office, Michelle K. Lee provides leadership and oversight to one of the largest intellectual property offices in the world.

Ms. Lee serves as a principal advisor to the President, through the Secretary of Commerce, on both domestic and international intellectual property matters, and provides leadership and oversight of the day-to-day management of the policy, budget, and operations for an agency of over 12,000 employees. She also promotes innovation domestically and drives international harmonization efforts, in support of the administration's top economic priorities to increase economic growth.

Prior to her role as Director, Ms. Lee was Deputy Director, and also served as the first Director of the Silicon Valley United States Patent and Trademark Office where she was responsible for establishing and leading the Silicon Valley office as well as advising the USPTO on a variety of policy matters.

Before becoming the Director of the Silicon Valley office, Ms. Lee served by appointment of the U.S. Secretary of Commerce on the USPTO's Patent Public Advisory Committee, which advises the USPTO on patent policies, goals, performance, and operations. The San Francisco Business Times and San Jose Business Journal recognized Ms. Lee as Best Bay Area IP Lawyer in 2012 and one of the top 100 most influential women in the Silicon Valley in 2013.

Ms. Lee has spent most of her professional career advising some of the country's most innovative companies on technical, legal, and business matters. Prior to joining the USPTO, Ms. Lee served as Deputy General Counsel for Google and was the company's first Head of Patents and Patent Strategy. She also served as a partner at the Silicon Valley-based law firm of Fenwick and West, where she specialized in advising a wide range of high-technology clients from start-ups to Fortune 100 companies on patent law, intellectual property, litigation, and corporate matters.

Prior to her career as a legal advisor to technology companies, Ms. Lee worked in the federal judiciary, serving as a law clerk for the Honorable Vaughn R. Walker on the U.S. District Court for the Northern District of California where she worked on the precedent-setting Apple v. Microsoft copyright infringement case. As a law clerk for the Honorable Paul R. Michel on the U.S. Court of Appeals for the Federal Circuit, Ms. Lee worked on many patent and trademark appeals. Before building her legal career, Ms. Lee worked as a computer scientist at Hewlett-Packard Research Laboratories, as well as at the Massachusetts Institute of Technology (M.I.T.) Artificial Intelligence Laboratory. She holds a B.S. and an M.S. in electrical engineering and computer science from M.I.T., as well as a J.D. from Stanford Law School.



Honorable Leonard P. Stark

Chief Judge of the United States District Court for the District of Delaware

Judge Stark is a graduate of the University of Delaware (Honors B.A. Political Science '91, B.S. with Distinction Economics '91, M.A. European History '91), University of Oxford (Magdalen College) (D. Phil. British Politics 1993), and Yale Law School (J.D. 1996). He clerked for the Honorable Walter K. Stapleton of the U.S. Court of Appeals for the Third Circuit during the 1996-97 term. From 1997 to 2001, Judge Stark was a litigation associate in the Wilmington, Delaware office of Skadden, Arps, Slate, Meagher & Flom. Between 2002 and 2007, he served as an Assistant United States Attorney for the District of Delaware. Judge Stark was appointed to a newly-created federal magistrate judge position for the United States District Court for the District of Delaware on August 6, 2007. On March 17, 2010, he was nominated by President Obama as a District Judge for the District of Delaware and, following Senate confirmation on August 5, 2010, he was appointed to this position on August 16, 2010. He became Chief Judge on July 1, 2014.



Honorable Barbara M.G. Lynn

District Judge of the United States District Court for the Northern District of Texas

Barbara M. G. Lynn took the oath of office as a United States District Judge for the Northern District of Texas on February 14, 2000.

A summa cum laude graduate of the University of Virginia, Judge Lynn graduated first in her class at Southern Methodist University School of Law in 1976. Upon her graduation from law school, she joined the Dallas law firm of Carrington, Coleman, Sloman & Blumenthal, LLP, and remained there until she took the bench. She was named a partner in the firm in 1983 and served on the firm's executive committee from 1983 to 1999.

Judge Lynn served as the 1998-99 Chair of the American Bar Association's 60,000 member Section of Litigation, and received SMU Law School's Distinguished Alumni Award for private practice in 1999. She was the first recipient of the Louise Raggio award given by the Dallas Women Lawyers Association for her contributions to the profession. She was listed in the *Best Lawyers in America* in Business Litigation from 1994-99 and was designated by the *National Law Journal* in 1998 as one of the 50 most influential women attorneys in the country. In 2004, Judge Lynn was recognized as Judge of the Year by the Dallas Chapter of the American Board of Trial Advocates. In 2006, she was recognized by the Women and the Law Section of the State Bar of Texas as the Sarah T. Hughes Woman Lawyer of Achievement.

Judge Lynn is the Past Chair of the Committee on the Administration of the Bankruptcy System of the Judicial Conference of the United States, Past Chair of the Federal Trial Judges Conference of the ABA Judicial Division and Past Chair of the ABA Judicial Division. She is Past President of the Dallas Chapter of the International Womens Forum. Judge Lynn has been the Chair of the Research Fellows of the Southwestern Legal Foundation, which is now the Center for American and International Law, a member of the ABA Standing Committee on Federal Judicial Improvements, and President of the Patrick E. Higginbotham Inn of Court. She is a member of the Executive Board and has been an Adjunct Professor at SMU's Dedman School of Law, is a Fellow and former Committee Chair of the American College of Trial Lawyers, and is a member of the American Law Institute. In 2010, she was recognized by the International Womens Forum with the Women Who Make A Difference Award. In 2011, a new American Inn of Court chapter in Dallas, dedicated to intellectual property, was chartered and was designated by its founding members as The Honorable Barbara M.G. Lynn American Inn of Court. Judge Lynn was the recipient of the 2012 Dallas Bar Foundation Fellows Award and the 2012 Athena Award from the Dallas Regional Chamber. She is a member of the Committee to Select the Recipient of the Morton Brody Distinguished Judicial Service Award at Colby College.

Judge Lynn is married to Michael P. Lynn, a Dallas trial lawyer. They have two daughters and one granddaughter.



Honorable James D. Smith

Chief Administrative Patent Judge of the United States Patent and Trademark Office

James Donald Smith was raised in the Washington, D.C. area; he is a graduate of the University of Maryland, College Park, Maryland, where he earned a Bachelor of Science degree in Electrical Engineering, and is a graduate of the Duke University School of Law in Durham, North Carolina. He received his Juris Doctor degree from Duke in 1986.

Chief Judge Smith was appointed as Chief Administrative Patent Judge of the Board of Patent Appeals and Interferences by then-Secretary of Commerce Gary Locke, and assumed the post on May 8, 2011.

Chief Judge Smith has had a long career in the law and in intellectual property. He clerked for now retired Chief

Judge Paul Michel at the United States Court of Appeals for the Federal Circuit and practiced with Arnold White & Durkee PC and, later, Dewey Ballantine LLP, eventually serving as the office managing partner of Dewey's Austin, Texas office. Chief Judge Smith, a former Assistant Dean of Emory University School of Law in Atlanta, has spent portions of his career deeply immersed in both patent prosecution and in patent litigation; he also has led in-house intellectual property teams for three multi-national corporations, serving as Lexmark's Chief Intellectual Property Counsel, Nokia's Global Director of Licensing and, most recently, as Associate General Counsel and Chief Intellectual Property Counsel of Baxter International immediately prior to his appointment to the Board.

In his current role, Chief Judge Smith has overseen the Board's transition from the Board of Patent Appeals and Interferences to the Patent Trial and Appeal Board including the creation, issuance, and application of new rules and procedures in accordance with the implementation of trial proceedings under the America Invents Act. He also directed the sweeping increase in the number of Administrative Patent Judges in coordination with the USPTO's opening of satellite offices in Denver, Dallas, Detroit, and Silicon Valley, more than doubling the number of judges on the Board, better enabling it to adjudicate the trial and appeal cases received.

In 2013, Judge Smith was the recipient of the Charles S. Rhyne Award, bestowed yearly on a graduate of Duke University School of Law for exemplary professionalism, personal integrity, and commitment to community service.

The New York Intellectual Property Law Association
Day Of The Dinner CLE Luncheon

***The Changing Patent Landscape:
Issues Affecting Practice in the
District Courts and the Patent Office***

March 27, 2015

Supreme Court activity in the Intellectual Property Law space has increased dramatically during the last five years, most notably in the area of patent law.

I. Why the Recent Increase in Certiorari Grants in Patent Cases?

- a. Since the establishment in 1982 of exclusive jurisdiction of appeals in patent cases in the Court of Appeals for the Federal Circuit, the Supreme Court had not taken many petitions for cert in patent cases.
 - i. Lack of Circuit splits.
- b. Issues have arisen, either in *en banc* cases at the Federal Circuit, or in panel splits within the Federal Circuit.
- c. Recent changes to the Patent Laws under the America Invents Act (the “AIA”).
- d. Issues related to Patent Assertion Entities (“PAEs”), or the pejorative reference – “Patent Trolls.”
- e. Recognition that IP/Patents is/are the fuel for the economy in the techno/info age.

II. Recent Patent Issues Before The Supreme Court

a. Issues Relating To Validity

- **Patentability of computer implemented inventions.** *Alice Corp. Pty. Ltd. v. CLS Bank Int’l*, No. 13-398, 134 S.Ct. 2347 (June 19, 2014) (9-0).

Question Presented:

“Whether claims to computer-implemented inventions – including claims to systems and machines, processes, and items of manufacture – are directed to patent-eligible subject matter within the meaning of 35 U.S.C. § 101 as interpreted by this Court?”

Holding:

“We hold that the claims at issue are drawn to the abstract idea of intermediated settlement, and that merely requiring generic computer implementation fails to transform that abstract idea into a

patent-eligible invention. We therefore affirm the judgment of the United States Court of Appeals for the Federal Circuit.”

- **Patentability of human genes (DNA).** *Association for Molecular Pathology v. Myriad Genetics, Inc.*, No 12–398, 133 S. Ct. 2107 (June 13, 2013) (9-0).

Question Presented:

Whether human genes (DNA) and synthetic DNA, or complimentary DNA (cDNA), are directed to patent-eligible subject matter within the meaning of 35 U.S.C. § 101?

Holding:

In a unanimous decision the Court determined that the “naturally occurring in nature” exclusion from patentability rendered the challenged patents invalid, reversing the Federal Circuit. The Court did however affirm the Federal Circuit’s judgment upholding Myriad’s patent on synthetic DNA, or complimentary DNA, (cDNA) finding that by removing certain genetic material from DNA what is created (cDNA) is not something found in nature. Thus, cDNA, unlike human DNA, is patent eligible.

b. Issues Relating To Infringement

- **Claim indefiniteness.** *Nautilus, Inc. v. Biosig Instruments, Inc.*, No. 13-369, 134 S. Ct. 2120 (June 2, 2014) (9-0).

Questions Presented:

Does the Federal Circuit's acceptance of ambiguous patent claims with multiple reasonable interpretations - so long as the ambiguity is not "insoluble" by a court - defeat the statutory requirement of particular and distinct patent claiming?

Does the presumption of validity dilute the requirement of particular and distinct patent claiming?

Holding:

Question 1:

- i. A unanimous Supreme Court reversed and remanded and rejected the Federal Circuit’s standard for indefiniteness.
- ii. The Supreme Court held that “a patent is invalid for indefiniteness if its claims, read in light of the patent’s specification and prosecution history, fail to inform, with *reasonable certainty*, those skilled in the art about the scope of the invention.”

Question 2:

The Supreme Court declined to address the issue of deference due the PTO that would warrant a more permissive indefiniteness standard consistent with the clear and convincing evidentiary standard for overcoming the presumption of validity.

- **Burden of proof when licensee seeks declaratory judgment of non-infringement.** *Medtronic, Inc. v. Mirowski Family Ventures, LLC*, No. 12-1128, 134 S. Ct. 843 (January 22, 2014) (9-0).

Question Presented:

In *Medlmmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 137 (2007), this Court ruled that a patent licensee that believes that its products do not infringe the patent and accordingly are not subject to royalty payments is “not required ... to break or terminate its ... license agreement before seeking a declaratory judgment in federal court that the underlying patent is ... not infringed.”

The question presented is whether, in such a declaratory judgment action brought by a licensee under *Medlmmune*, the licensee has the burden to prove that its products do not infringe the patent, or whether (as is the case in all other patent litigation, including other declaratory judgment actions), the patentee must prove infringement.

Holding:

A unanimous Supreme Court reversed and remanded and held that:

1. If a licensee seeks a declaratory judgment against a patentee to establish that there is no infringement, the burden of proving infringement remains with the patentee.
 - a. Patentee ordinarily bears the burden of proving infringement.
 - b. Declaratory Judgment Act is only procedural.
 - c. Burden of Proof is substantive.
2. As for jurisdiction:
 - a. Although the relationship between Mirowski and Medtronic was primarily one of Licensor and Licensee to a contract, original jurisdiction is proper as “arising under” any Act of Congress relating to patents (28 U.S.C. § 1338) and Federal Circuit jurisdiction is proper under 28 U.S.C. § 1295 (based in whole or part on 28 U.S.C. § 1338).

- **Induced/divided infringement.** *Limelight Networks, Inc. v. Akamai Technologies, Inc. et al.*, No. 12-768, 134 S. Ct. 2111 (June 2, 2014) (9-0).

Question Presented:

Whether the Federal Circuit erred in holding that a defendant may be held liable for inducing patent infringement under 35 U.S.C. § 271(b) even though no one has committed direct infringement under § 271(a)?

Holding:

A unanimous Supreme Court reversed and held that:

Defendant is not liable for inducing infringement under 271(b) when no one has directly infringed the patent under 271(a) or any other statutory provision.

Federal Circuit holding “fundamentally misunderstands what it means to infringe a method patent.”

Declined to review the merits of the Federal Circuit's *Muniauction* multiparty single actor rule for direct infringement under §271(a).

- **Good faith belief of patent's invalidity as a defense to induced infringement** *Commil USA, LLC v. Cisco Systems, Inc.*, No. 13-896, Cert. Granted 12/5/2014, Oral Argument Scheduled 03/31/15.

Question Presented:

Commil holds a patent teaching a method to implement short-range wireless networks. At trial, the jury returned a verdict that *Commil's* patent was valid, that Cisco directly infringed but did not induce infringement, and awarded damages. Because Cisco's counsel invoked stereotypes about *Commil's* Jewish owner and inventors during trial, the district court found the verdict “inconsistent with substantial justice” and ordered a new trial on inducement and damages only. At the second trial, the jury returned a verdict that Cisco induced infringement and awarded damages. The Federal Circuit reversed and remanded for a third trial on two grounds. First, although *Commil's* patent is valid, the Federal Circuit held that Cisco's “good faith belief” that the patent was invalid is a defense to induced infringement. Second, although Cisco had actual knowledge of *Commil's* patent, the Federal Circuit held that this Court's opinion in *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060 (2011) rendered erroneous and prejudicial the jury instruction based on *DSU Medical Corp. v. JMS Co.*, 471 F.3d 1293 (Fed. Cir. 2006).

1. “Whether the Federal Circuit erred in holding that a defendant’s belief that a patent is invalid is a defense to induced infringement under 35 U.S.C. § 271(b)?”
2. “Whether the Federal Circuit erred in holding that *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060 (2011) required retrial on the issue of intent under 35 U.S.C. § 271(b) where the jury (1) found the defendant had actual knowledge of the patent and (2) was instructed that “[i]nducing third-party infringement cannot occur unintentionally?”

Note: Limited To Question 1 Presented By The Petition.

- **Patent exhaustion doctrine applied to self-replicating invention.** *Bowman v. Monsanto*, No. 11-796, 133 S. Ct. 1761 (May 13, 2013) (9-0).

Question Presented:

Patent exhaustion delimits rights of patent holders by eliminating the right to control or prohibit use of the invention after an authorized sale. In this case, the Federal Circuit refused to find exhaustion where a farmer used seeds purchased in an authorized sale for their natural and foreseeable purpose—namely, for planting.

The question presented is:

Whether the Federal Circuit erred by (1) refusing to find patent exhaustion in patented seeds even after an authorized sale and by (2) creating an exception to the doctrine of patent exhaustion for self-replicating technologies?

Holding:

The Court addressed the question of whether the patent exhaustion doctrine applied to self-replicating genetically altered soybean seeds.

The doctrine of patent exhaustion authorizes the sale of a patented article giving the purchaser, or a subsequent owner, the right to use or resell that article.

Such a sale, however, does not allow the purchaser to make new copies of the patented invention.

The question in this case is whether a farmer who buys patented seeds may reproduce them through planting and harvesting without the patent holder’s permission.

We hold that he may not.

Justice Kagan, writing for a unanimous Court, found that the farmer’s use of the patented seed was simple copying, excluded from the patent exhaustion doctrine, which infringed Monsanto’s patent.

She restricted the holding, declaring: “[o]ur holding today is limited – addressing the situation before us, rather than every one involving a self-replicating product.”

c. Issues Relating To Claim Construction

- **Standard of appellate review for findings of fact in support of claim construction.** *Teva Pharmaceuticals USA, Inc. v. Sandoz, Inc.*, No. 13–854, 135 S.Ct. 831 (January 20, 2015) (7-2).

Question Presented:

Rule 52(a) of the Federal Rules of Civil Procedure provides that in matters tried to a district court, the court's “[f]indings of fact ... must not be set aside unless clearly erroneous.”

“Whether a district court's factual finding in support of its construction of a patent claim term may be reviewed *de novo*, as the Federal Circuit requires (and as the panel explicitly did in this case), or only for clear error, as Rule 52(a) requires?”

Holding:

“When reviewing a district court’s resolution of subsidiary factual matters made in the course of its construction of a patent claim, the Federal Circuit must apply a “clear error,” not a *de novo*, standard of review.”

d. Issues Relating To Fee Shifting

- **Attorneys’ fees.** *Octane Fitness v. ICON Health & Fitness*, No. 12-1184, 134 S.Ct. 1749 (Apr. 29, 2014) (9-0) and *Highmark Inc. v. Allcare Mgmt. Sys.*, No. 12-1163, 134 S. Ct. 1744 (Apr. 29, 2014) (9-0).

Question Presented:

“Whether the Federal Circuit’s promulgation of a rigid and exclusive two-part test for determining whether a case is “exceptional” under 35 U.S.C. §285 improperly appropriates a district court’s discretionary authority to award attorney fees to prevailing accused infringers in contravention of statutory intent and this Court’s precedent, thereby raising the standard for accused infringers (but not patentees) to recoup fees and encouraging patent plaintiffs to bring spurious patent cases to cause competitive harm or coerce unwarranted settlements from defendants?”

Holding:

In a unanimous decision the Court reversed the Federal Circuits *Brooks Furniture* standard for satisfying the exceptional case requirement under § 285 and providing for recovery of attorney's fees.

- **Standard of appellate review for District Court determination of exceptional case for awarding attorney's fees under 35 U.S.C. § 285.** *Highmark Inc. v. Allcare Mgmt. Sys.*, No. 12-1163, 134 S. Ct. 1744 (Apr. 29, 2014) (9-0).

Question Presented:

“Whether a district court's exceptional-case finding under 35 U.S.C. § 285, based on its judgment that a suit is objectively baseless, is entitled to deference?”

Holding:

In a unanimous decision the Court vacated the Federal Circuit's de novo review and remanded and held that all aspects of a district court's exceptional case determination under §285 should be reviewed for abuse of discretion.

e. Issues Relating To Settlements And License Agreements

- **Reverse payments.** *Federal Trade Commission v. Actavis, Inc.*, No. 12-416, 133 S. Ct. 2223 (June 17, 2013) (5-3).

Question Presented:

Federal competition law generally prohibits an incumbent firm from agreeing to pay a potential competitor to stay out of the market. See *Palmer v. BRG of Ga., Inc.*, 498 U.S. 46, 49-50 (1990). This case concerns agreements between (1) the manufacturer of a brand name drug on which the manufacturer assertedly holds a patent, and (2) potential generic competitors who, in response to patent-infringement litigation brought against them by the manufacturer, defended on the grounds that their products would not infringe the patent and that the patent was invalid. The patent litigation culminated in a settlement through which the seller of the brand-name drug agreed to pay its would-be generic competitors tens of millions of dollars annually, and those competitors agreed not to sell competing generic drugs for a number of years. Settlements containing that combination of terms are commonly known as “reverse payment” agreements.

“Whether reverse-payment agreements are per se lawful unless the underlying patent litigation was a sham or the patent was obtained by fraud (as the court below held), or instead are presumptively anticompetitive and unlawful (as the Third Circuit has held)?”

Holding:

The Supreme Court, by a 5-3 decision (Justice Alito took no part), in a case involving so called “reverse payment” settlements of Hatch-Waxman pharmaceutical patent litigation, whereby the Brand manufacturer makes a payment to the generic manufacturer for its agreement to stay out of the market for all or part of the remaining patent term, the Court rejected the FTC’s asserted “quick look” analysis and the Generic manufacturer’s “scope of the patent” test in favor of the “rule of reason” approach applicable to most antitrust claims.

- **Payment of licensing fees under a license agreement that extends payments beyond the expiration of the patent.** *Kimble v. Marvel Enterprises, Inc.*, No. 13-720, Cert. Granted 12/12/2014, Oral Argument Scheduled 03/31/15.

Question Presented:

Petitioners are individuals who assigned a patent and conveyed other intellectual property rights to Respondent. The court of appeals “reluctantly” held that Respondent, a large business concern, was absolved of its remaining financial obligations to Petitioners because of “a technical detail that both parties regarded as insignificant at the time of the agreement.” Specifically, because royalty payments under the parties’ contract extended undiminished beyond the expiration date of the assigned patent, Respondent’s obligation to pay was excused *under Brulotte v. Thys Co.*, 379 U.S. 29, 32 (1964), which had held that “a patentee’s use of a royalty agreement that projects beyond the expiration date of the patent is unlawful per se.” A product of a bygone era, *Brulotte* is the most widely criticized of this Court’s intellectual property and competition law decisions. Three panels of the courts of appeals (including the panel below), the Justice Department, the Federal Trade Commission, and virtually every treatise and article in the field have called on this Court to reconsider *Brulotte*, and to replace its rigid per se prohibition on post-expiration patent royalties with a contextualized rule of reason analysis.

“Whether this Court should overrule *Brulotte v. Thys Co.*, 379 U.S. 29 (1964)?”

f. Other Issues – Malpractice

- **Subject matter jurisdiction for legal malpractice in a patent case.** *Gunn v. Minton*, No. 11-1118, 133 S. Ct. 1059 (February 20, 2013) (9-0).

Questions Presented:

Did the Federal Circuit depart from the standard this Court articulated in *Grable & Sons Metal Products, Inc. v. Darue Eng'g & Mfg.*, 545 U.S. 308 (2005), for “arising under” jurisdiction of the federal courts under 28 U.S.C. § 1338, when it held that state law legal malpractice claims against trial lawyers for their handling of underlying patent matters come within the exclusive jurisdiction of the federal courts?

Because the Federal Circuit has exclusive jurisdiction over appeals involving patents, are state courts and federal courts strictly following the Federal Circuit’s mistaken standard, thereby magnifying its jurisdictional error and sweeping broad swaths of state law claims - which involve no actual patents and have no impact on actual patent rights - into the federal courts?

Holding:

In a unanimous decision the Supreme Court held that 28 U.S.C. § 1338(a), which provides for exclusive federal jurisdiction over a case “arising under any Act of Congress relating to patents,” does not deprive the state courts of subject matter jurisdiction over a state law claim alleging legal malpractice in a patent case. The Court found that the state law legal malpractice claim did not arise under patent law, and the Texas state courts erred in dismissing the claim for lack of jurisdiction.

III. Changes In Practice Before USPTO And PTAB Proceedings

THE LEAHY-SMITH AMERICA INVENTS ACT (Pub. L. No. 112-29, 125 Stat. 284-341) ("AIA"), Enacted September 16, 2011

<http://www.gpo.gov/fdsys/pkg/PLAW-112publ29/pdf/PLAW-112publ29.pdf>

IV. Legislative Proposals For Patent Law Reform

a. 2015 Patent Reform Innovation Act (H.R. 9)

February 5, 2015: House Judiciary Committee Chairman Robert Goodlatte reintroduced the Innovation Act (H.R. 9), a bill substantially identical to his Innovation Act of 2013.

<http://judiciary.house.gov/cache/files/a2c6b5ad-af48-483f-9e3e-d3420dda64e6/goodla-008.xml.pdf>

b. STRONG Patents Act (S. 632)

March 3, 2015: Senators Christopher Coons, Richard Durbin and Mazie Hirono, introduced the Support Technology and Research for Our Nation's Growth ("STRONG") Patents Act of 2015 (S. 632).

<http://coons.senate.gov/download/strong-patents-legislation>

V. Judicial Conference Recommended Changes To Pleadings Requirements

a. NYIPLA White Paper Submitted to Congress on Anticipated impact of Elimination of Form 18 Standard (reproduced below):



ANTICIPATED EFFECT OF FEDERAL JUDICIARY RECOMMENDED CHANGES TO PLEADING REQUIREMENTS IN PATENT CASES

This paper addresses the pleading requirements in patent infringement cases following enactment of the Federal Judicial Conference recommendation to abrogate Form 18 of Fed. R. Civ. P. 84, governing pleadings of direct infringement in patent infringement cases.

In 2007 and 2009, the Supreme Court in *Bell Atl. Corp. v. Twombly*, 550 U.S. 544 (2007), and *Ashcroft v. Iqbal*, 556 U.S. 662 (2009), substantially raised the bar for the details that must be pled in civil actions. In particular, under *Twombly/Iqbal*, a complaint must contain sufficient factual matters, which, if accepted as true, state a claim for relief that is plausible on its face. Threadbare recitals of elements of a cause of action, supported by mere conclusory statements, do not suffice.

Although this heightened standard applies to all pleadings in federal civil litigation, including pleadings in patent cases, it does not apply to pleadings that are governed by Fed. R. Civ. P. 84, which provides a “limited number of official forms, which may serve as guides in pleading.” Included among the forms is Form 18, for complaints alleging direct patent infringement under 35 USC § 271(a). In practice, this means that pleadings of direct infringement under 35 USC § 271(a) require a lower threshold of pleading than other pleadings in patent infringement cases, such as pleadings of indirect infringement under 35 USC §§ 271(b) and (c). Those pleadings are subject to the heightened pleading standard of *Twombly/Iqbal*. See, e.g., *In re Bill of Ladings Transmission*, 681 F.3d 1323 (Fed. Cir. 2012).

In September 2014, the Federal Judicial Conference Committee on Rules of Practice and Procedure recommended abrogation of Rule 84, including Form 18. If approved by the United States Supreme Court, the Judicial Conference recommendation will be effective as of December 15, 2015. In the absence of Form 18, the *Twombly/Iqbal* pleadings standard will apply to all pleadings in patent cases, including pleadings for direct infringement under 35 U.S.C. § 271(a).

Under *Twombly/Iqbal*, a complaint must reflect “facial plausibility”, which means “factual content that allows the court to draw the reasonable inference that the defendant is liable for the misconduct alleged.” *Iqbal*, 556 U.S. at 678. This pleading standard is significantly higher than the mere notice required by Form 18. It will require more than merely averring the elements of the cause of action; it will also require pleadings of “factual content” to support a plausible cause of action.

To date, when Fed. R. Civ. P. 84 does not apply, courts have routinely construed *Twombly/Iqbal* to require detailed pleadings with specific factual assertions. For example, in pleadings alleging indirect infringement, courts have required under *Twombly/Iqbal* more than merely pleading in a conclusory fashion that a defendant “has infringed and continued to infringe . . . indirectly by way of inducing infringement or contributory infringement. . . .” Rather, additional allegations are necessary to show, *inter alia*, that the accused infringer (1) knew of the patents at the time of the alleged inducement, (2) knew that the induced acts constituted patent infringement, and (3) had a specific intent to encourage infringement by a third party. *See, e.g., mQube, Inc. v. Delta Airlines, Inc.*, 2-12-cv-08624, ECF 12 (C.D. Cal. Nov. 1, 2012); *see also, e.g., PTT, LLC v. Gimme Games*, 2014 WL 5798148, at *9 (D.N.J., Nov. 6, 2014).

Similarly, where the complaint “merely rehash[ed] cause-of-action elements” and failed to include specific facts to infer that defendants sold or offered for sale plaintiff’s patented method or product, or that the patented method or product had no substantial non-infringing uses (as required for contributory infringement), courts have dismissed claims for contributory infringement under *Twombly/Iqbal*. *See, e.g., Select Retrieval, LLC v. LL Beam*, No. 2:12-cv-00003-NT, Order, at 7 ECF 21 (D. Me. Oct. 31, 2012).

Courts have also used *Twombly/Iqbal* on their own initiative to demand more of plaintiffs whose pleadings they deem insufficient. *See, e.g., Eclipse IP LLC v. Flywheel Software*, CV 13-06371 SJO (JCx) (Master Case), ECF No. 11 (C.D. Cal. Oct. 8, 2013) (plaintiff required to provide greater specificity in pleading indirect infringement and willfulness). Courts in the Eastern District of Texas have also used *Twombly/Iqbal* to dismiss claims on similar grounds. *See, e.g., Babbage Holdings, LLC v. Activision Blizzard, Inc.*, 2:13-cv-00750-JRG, ECF 43 (E.D. Tex. May 15, 2014) (dismissing claims for indirect infringement, where plaintiff did not plead facts showing defendants knew of the patent before the complaint was filed).

Statistics on district courts’ rulings on motions to dismiss pleadings in indirect infringement cases show that, in 75% of the cases decided since the Federal Circuit in 2012 confirmed that *Twombly/Iqbal* applies to claims for indirect infringement, courts have granted, either in whole or in part, motions to dismiss complaints that do not include detailed factual allegations of the bases for the indirect infringement claim. (*See Appendix A.*)

Prior to 2012, district courts that applied *Twombly/Iqbal* to claims for direct infringement required:

- (1) more than merely asserting “one or more claims” of the patent are infringed, but rather identification of infringed claims (*compare* H.R. 9, § 281A(a)(1) & (2)). *See, e.g., Ingeniador, LLC v. Interwoven*, 874 F.Supp.2d 56, 69 (D.P.R. 2012); *Bender v. LG Electronics U.S.A., Inc.*, 2010 WL 889541, at *23 (N.D.Cal. March 11, 2010);
- (2) more than a “general description of a product sold by each Defendant,” but rather identification of the accused infringing product, including name and/or number of such product (*compare* H.R. 9, § 281A(a)(3) & (4)). *See, e.g., Ingeniador*, 874 F.Supp.2d at

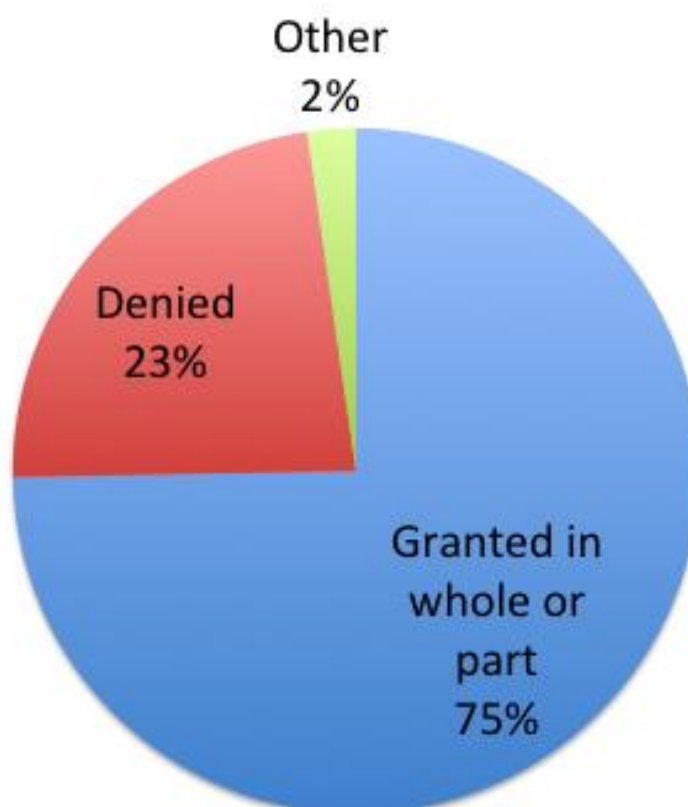
69; *Bender*, 2010 WL 889541, at *23; *California Institute of Computer Assisted Surgery, Inc. v. Med-Surgical Services, Inc.*, 2010 WL 3063132, at *2 (N.D.Cal., Aug. 3, 2010);

- (3) not only naming the allegedly infringing product, but describing how it infringes the asserted claims (*compare* H.R. 9, § 281A(5)). *See, e.g., California Institute of Computer Assisted Surgery, Inc. v. Med-Surgical Services, Inc.*, 2010 WL 3063132, at *2 (N.D.Cal., Aug. 3, 2010) (failed to identify which product allegedly infringed and how it allegedly infringed); *Medsquire LLC v. Spring Medical Systems Inc.*, 2011 WL 4101093, at *3 (C.D.Cal., Aug. 31, 2011) (failed to identify what aspect of accused product infringed); *Li Ming Tseng v. Marukai Corp. U.S.A.*, 2009 WL 3841933, at *1 (C.D.Cal., Nov. 13, 2009) (merely showed sales receipt of accused product, without explaining how transaction relates to assertion of patent infringement).

We expect that if Form 18 is abrogated and the *Twombly/Iqbal* plausibility standard is applied to complaints alleging direct infringement, courts will require similar heightened pleadings for direct infringement as they have for indirect infringement.

APPENDIX A

Results of Motion to Dismiss under *Twombly/Iqbal* for Indirect infringement from 2012-2014



| Disposition | Total | 2012 | 2013 | 2014 |
|--------------------------|-------|------|------|------|
| Granted in whole or part | 65 | 26 | 23 | 16 |
| Denied | 20 | 9 | 4 | 7 |
| Other | 2 | 0 | 1 | 1 |
| Total | 87 | 35 | 28 | 24 |

Source: DocketNavigator.com, search of results of Sufficiency of Pleadings (Indirect infringement subcategory) for all Patent Cases from 2012-2014 as categorized by Docket Navigator