

THE RAPIDLY CHANGING PATENT LAW LANDSCAPE:

What Entrepreneurs, Investors, Inventors, Lawyers and Judges Need To Know

AGENDA

WEDNESDAY, APRIL 15, 2015

Hilton Garden Inn, 235 Hoosick Street, Troy, NY 12180

First Segment*

BASIC PATENT ISSUES

8:30 AM - 8:55 AM [Registration](#) and beverage refreshment will be served

8:55 AM - 9:00 AM [Welcome Remarks](#)

Osborn Amphitheater

9:00 AM - 11:00 AM [Panel Discussion](#)

Panelists:

Mark Bloomberg, *Zuber Lawler & Del Duca LLP*

Michael Johnson, *Willkie Farr & Gallagher LLP*

Peter Thurlow, *Jones Day*

Matt Kinnier, *Hoffman Warnick LLC*

Moderator: Colman Ragan, Actavis, Inc.

11:00 AM - 11:30 AM [Presentation](#)

Mastering Patent Claim Construction From The Perspective Of A Patent Special Master

Speaker: Robert Rando, The Rando Law Firm P.C.

11:30 AM - 12:30 PM [Lunch](#)

Roebing Library

Second Segment

ENTREPRENEURSHIP AND TECHNOLOGY TRANSFER

12:30 PM - 2:00 PM [Panel Presentation](#)

Panelists:

Michael Hickey, *Executive in Residence and Executive Director, Center for Innovation and Entrepreneurship, Siena College*

James Spencer, Jr., *Executive Director, Rensselaer Technology Park; Acting Director, Office of Intellectual Property, Technology Transfer and New Ventures*

Continuation of the Panel Presentation:

Esther Vargas, Director, Emerging Ventures Ecosystem (EVE)

Martin Ricciardi, Whiteman Osterman & Hanna LLP

Dr. Daniele Gallardo, Cofounder and VP, Business Development, Actasys, Inc.

Moderators: **Neil Zipkin** and **Benjamin Charkow**, Amster, Rothstein & Ebenstein LLP

2:00 PM - 2:30 PM *Keynote Speaker*

Honorable Arthur Gajarsa, (ret.) Circuit Judge of the United District Court of Appeals for the Federal Circuit

2:30 PM - 2:45 PM Refreshment Break

Third Segment*
CURRENT ISSUES IN PATENT LAW

2:45 PM - 3:45 PM **Panel 1**

Update On Key Supreme Court And Federal Circuit Decisions

Panelists:

Anthony Lo Cicero, NYIPLA President, Amster, Rothstein & Ebenstein LLP

Annemarie Hassett, Engelberg Center for Innovation Law and Policy, NYU Law School

Nicholas Mesiti, Heslin Rothenberg Farley & Mesiti P.C.

Moderator: **Charles Hoffmann**, NYIPLA Immediate Past President

3:45 PM - 4:50 PM **Panel 2**

Discussion On Local Patent Rules, Discrete AIA Litigation Issues, Interplay Of Different Fora In Which To Litigate Patent Disputes

Panelists:

Robert Maier, Baker Botts L.L.P.

Alan Sack, SACK IP Law p.c.

Heather Schneider, Willkie Farr & Gallagher LLP

Moderator: **Robert Rando**, The Rando Law Firm P.C.

4:50 PM - 5:00 PM Closing Remarks

5:00 PM - 6:00 PM Networking & Cocktail Reception

Garden Foyer

**First And Third Segments Qualify For A Total Of 5.5 NY/NJ CLE Credits*

COURSE MATERIALS ARE AVAILABLE ON <http://www.nyipla.org/assnfe/ev.asp?ID=116>

Hosted by the New York Intellectual Property Law Association (NYIPLA),
Rensselaer Polytechnic Institute (RPI) and
Intellectual Property and Innovation American Inn of Court (IP Inn of Court)

First Segment: Basic Patent Issues

Mark Bloomberg, *Zuber Lawler & Del Duca LLP*

Michael Johnson, *Willkie Farr & Gallagher LLP*

Peter Thurlow, *Jones Day*

Matt Kinnier, *Hoffman Warnick LLC*

Moderator: **Colman Ragan**, *Actavis, Inc.*



Mark Bloomberg
Partner
Zuber Lawler & Del Duca LLP

Mark Bloomberg is an intellectual property litigator. With more than 30 years of experience, he has represented clients in infringement actions, and advised clients concerning patent infringement, validity, remedies and licensing. During this time, Mr. Bloomberg has participated in all aspects of patent litigation, including jury trials, bench trials, claim construction hearings, arbitrations and appeals.

Mr. Bloomberg's experience ranges from representing an American-based international consumer product company in a landmark damages trial that resulted in a \$925 million damages award, to representing a start-up satellite radio company that successfully launched its satellite radio service after designing around patents asserted by its competitor. He has represented clients in a number of technology areas, including computers, video games, telecommunication systems, electronic trading systems, business methods and medical devices, and has substantial experience representing clients in connection with patent damages and injunctive remedies.

Mr. Bloomberg also counsels clients in connection with various intellectual property issues and disputes. He has evaluated potential infringement and validity of patents, developed strategies to redesign products to avoid infringement, assessed the merits, potential damages and potential injunctive relief for ongoing litigation in connection with diligence, and negotiated and prepared patent licenses, settlement agreements and purchase agreements.



Michael Johnson

Partner

Willkie Farr & Gallagher LLP

Michael W. Johnson is a partner in the Intellectual Property Department. Michael's practice focuses on litigation concerning patents, copyrights, and trade secrets. His litigation experience encompasses an array of technologies, including pharmaceuticals and consumer products, with particular focus on pharmaceuticals and medical products.

Michael has represented a variety of major life sciences companies in litigation matters. In the pharmaceutical field, he has played a significant role in litigations involving drug products including: paricalcitol (Zemlar), diclofenac (Cambia), lansoprazole (Prevacid Solutabs), valganciclovir (Valcyte), cefdinir (Omnicef), minocycline (Solodyn), amlodipine besylate (Norvasc), and alendronate (Fosamax). In addition to his district court experience, Michael has prevailed in several appeals following trials and preliminary injunction decisions.

Michael's practice also includes client counseling on patent infringement, validity, and enforceability, as well as intellectual property issues associated with transactional work including licensing and mergers.



Peter Thurlow
Jones Day
Partner

Pete Thurlow is the coordinator of Jones Day's global patent prosecution group. He has experience in all aspects of domestic and international patent prosecution, including post-grant proceedings in the USPTO (e.g. ex parte reexamination, Patent Trial and Appeals Board (PTAB) proceedings). Pete also has significant experience providing patentability, freedom to operate, and invalidity opinions in the mechanical and electrical arts. He provides support for patent litigations in the federal courts especially those with parallel PTAB proceedings. He also advises clients on IP licensing matters.

Pete was appointed to serve a three-year term on the U.S. Patent and Trademark Office's Patent Public Advisory Committee ("PPAC") starting in November 2012. PPAC is a nine-member advisory committee that advises the USPTO on patent policies and procedures and submits an annual report to the President, Secretary of Commerce, and the Judiciary Committee. For PPAC, Pete is chair of the PTAB and Patent Quality Subcommittees. He helped the USPTO coordinate the recent PTAB Roundtables, and was a panelist at the first PTAB Roundtable held at the USPTO on April 15, 2014.

Pete has been an active member of the New York Intellectual Property Law Association (NYIPLA) for the past 15 years, having served as chair of several committees including the Patent Law Committee. Pete became a member of the NYIPLA Board of Directors in May 2014.



Matthew Kinnier
Associate
Hoffman Warnick LLC

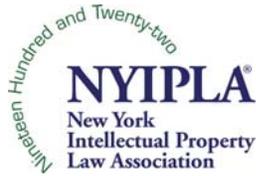
Matthew Kinnier is an associate at Hoffman Warnick and registered patent attorney. His primary areas of practice include both domestic and international patent preparation and prosecution, in addition to preparing trademark applications and representing clients before the Trademark Trial and Appeal Board (TTAB). Matt's work in patent law covers a wide variety of technologies such as power generation systems, semiconductor processing, software systems and applications, manufacturing and testing equipment, control systems, business methods, integrated rehabilitative systems, and consumer products.

In addition, Matt's practice includes drafting technology licensing agreements, advising clients of domestic and international intellectual property strategies, representation during administrative appeals, and preparing opinions on patentability or freedom of operation. Matt's background in both engineering and business provides an interdisciplinary knowledge base to clients pursuing a mix of patent and trademark protection, and he has prosecuted several trademark applications for clients in both non-technical and technology-intensive lines of business.



Colman Ragan
Intellectual Property Counsel
Actavis, Inc.

Colman Ragan is a co-chair of the NYIPLA Programs Committee and has been an active member of the NYIPLA since 2003. Currently, Mr. Ragan is Intellectual Property Counsel at Actavis, Inc. Mr. Ragan focuses on patent litigation arising under the Hatch-Waxman Act, with an emphasis on trials and preparing cases for trial. Before joining Actavis, Mr. Ragan was an associate at Willkie Farr & Gallagher and Kenyon & Kenyon where his practice focused on Hatch-Waxman litigation for branded, generic, and specialty pharmaceutical companies as well as transactional, opinion, and counseling work for clients in the pharmaceutical and biotechnology sectors. Mr. Ragan received his J.D. from Benjamin N. Cardozo School of Law, and bachelor's degrees in both chemistry and Physics from Miami University. Prior to attending law school, Mr. Ragan was a medicinal chemist in drug discovery at Pfizer, Inc. in Groton, CT.



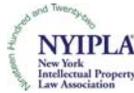
The Rapidly Changing Patent Law Landscape:

What Entrepreneurs, Investors, Inventors, Lawyers And Judges Need To Know

First Segment – Basic Intellectual Property Issues

Panelists: **Mark Bloomberg**, Zuber Lawler & Del Duca LLP
Michael Johnson, Wilkie Farr & Gallagher LLP
Peter Thurlow, Jones Day
Matt Kinnier, Hoffman Warnick LLC
Moderator: Colman Ragan, Actavis, Inc.

Hosted by the NYIPLA Programs Committee **April 15, 2015**
Co-Chairs: Mark Bloomberg, Colman Ragan, Robert Rando Board Liaison: Richard Parke



What Is Intellectual Property?

- Property that enjoys legal protection and stems from the exercise of the mind.



- Property from your head!



Why is IP so important?

- Creates assets and adds value to a company - from the minds of employees!
- Gives exclusivity in the marketplace
- Marketing tool / Notice of ownership
- Revenue
 - Licensing to others - IBM \$1B+; or
 - Enforcement
- Finance: venture capitalists and banks want to see IP ownership



Types of Intellectual Property

- Trademarks
- Copyrights
- Trade Secrets
- Patents

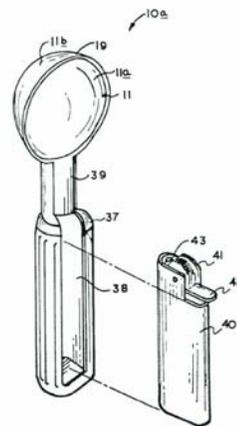


Types of Patents

- **Utility** (what people usually think of when you say “Patent”)
 - new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof
- **Design** – ornamental configuration, e.g., the shape of object
- **Plant** – asexually reproduced plants

Utility Patents

- **Examples (not exhaustive)**
 - Mechanical devices
 - Electrical circuits
 - Pharmaceutical products
 - Some types of software




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Utility Patents

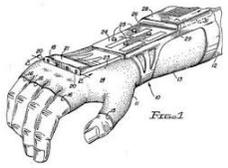


Fig. 1

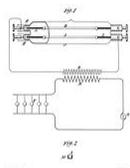
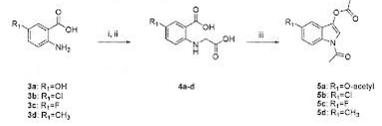


Fig. 2



3a: R₁=OH
 3b: R₁=Cl
 3c: R₁=H
 3d: R₁=CH₃

4a-d

5a: R₁=O-acetyl
 5b: R₁=C
 5c: R₁=F
 5d: R₁=CH₃

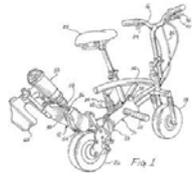


Fig. 1

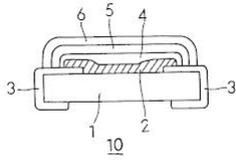


Fig. 1

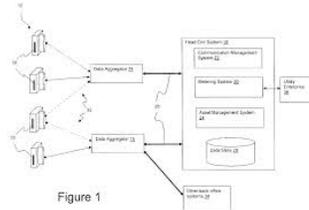


Figure 1


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 New York
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Utility Patents

- Term of 20 years from earliest filing date to...

... **exclude others** from making, using, offering for sale, or selling the invention throughout the United States or importing the invention into the United States, and, if the invention is a process, of the right to exclude others from using, offering for sale or selling throughout the United States, or importing into the United States, products made by that process, referring to the specification for the particulars thereof. 35 U.S.C. 154



Utility Patents

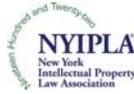
- **Obtained by filing with the USPTO and going through an examination process**
- **Each country has separate system, but int'l treaties help:**
 - Paris Convention
 - Patent Cooperation Treaty (PCT)
 - European Patent Office
 - European "Unitary Patent" proposed in 25 Member States, still pending
- **Relatively expensive and complicated process**



Utility Patents

- **PATENT SEARCH: (\$1500+)** Search existing "prior art" to determine if patentable (Optional) – invention must be novel and non-obvious
- **APPLICATION PREP AND FILING: (\$5000 ++)** (Patent Pending)
 - * File with the USPTO
 - * Foreign Patent Rights are a separate matter
- **EXAMINATION AND PROSECUTION: (~\$1800 ++ each response)**
 - * Most Applications are initially rejected
 - * Patent Attorney must respond/Amend applications
 - * Appeal process available
- **PUBLICATION** at 18 months from filing date (by DEFAULT)
- **ABANDON** or **ALLOWANCE / ISSUANCE: (\$1600-\$2300)**
- **MAINTENANCE** (Fees vary, payments due approximately every six years)





Utility Patent Examination

- **Whether an invention is patentable depends on the features recited in a patent’s “claims.”**
 - Claims describe the “metes and bounds” of an invention
 - Claims are long, convoluted sentences written by patent agents or attorneys in compliance with detailed rules and best practices
 - These same claims also determine whether someone else will infringe the patent, if it issues

- **The rest of the patent application, and drawings must provide:**
 - Full written description of the invention
 - Must enable a person having ordinary skill in the art (PHOSITA) to make and use the invention
 - Must disclose the “best mode” of practicing the invention



Utility Patent Examination

- **Does the claim recite “patentable subject matter”**
 - “Any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof.”
 - As of June 2014, software embodying no more than an abstract idea does not qualify without adding “something more.”

- **Is the claim “useful?”**
 - Cannot patent a perpetual motion machine, etc.

- **Is the claim novel?**
 - In other words, you can’t patent something that already exists.

- **Is the claim obvious?**
 - Your invention cannot combine two or more things in an obvious way.

Design Patents

DESIGN.
A. SAMUELSON.
BOTTLE OR SIMILAR ARTICLE.
APPLICATOR FILED AUG 14, 1915.
Patented Nov. 16, 1915.

48,160.

FIG. 1.



FIG. 2.



Attest
W. H. ...

A. Samuelson
By *J. P. ...*



FIG. 2

U.S. Patent
NOV 22 1915
NOV 1 1915
U.S. PATENT OFFICE

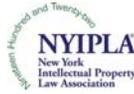
Plant Patents

Aug. 16, 1911. H. F. BOEHRINGER
CLAIMS IN THIS CASE
FILED AUG. 6, 1910 Plant Pat. 1



INVENTOR,
Henry F. Boehring
By *Charles H. ...*





Trademarks

- Identify source of goods and services.
- Does NOT protect functionality
- Examples:
 - Name – Apple, Microsoft
 - Design/logo – Nike’s swoosh
 - Color – “Hamindigo blue,” UPS’s brown
 - Sound – Harley Davidson Motorcycle
- Arbitrary marks are more likely to receive protection, but descriptive or generic marks will not be protected (example: “Apple” for selling fruit), surnames also not protected



Copyrights

- Protection for original expressions *fixed in a tangible medium*
- Limited to *expressions*, not ideas in the abstract!!!
- Exclusive right to distribute (copy), prepare derivative works, perform, and display.
- Registration not *required* to establish rights
 - Registration through US Copyright Office gives extra rights ... which can be important!
- Infringement standard: Infringer must have “access,” and you must show at least “substantial similarity.” Weak protection!
- Examples: Poem written on paper, music, source code, marketing material, website design, recorded performances, video, video games.



Trade Secrets

- Protection for any secret giving an advantage over competitors
- Rights: to use the secret
- *Only lasts for as long as you keep the subject matter a secret*
 - Is reverse engineering or independent creation possible?
 - Protection could last only a moment, or as long as forever
 - Bolstered with employment agreements; non-disclosure agreements need-to-know access; notices on documents; sign in sheets; limited access to certain employees
- Examples: customer lists, confidential technology, Coca Cola formula
- Economic Espionage Act criminalizes some trade secret theft.



IP: What students should know

- Patents:
- US is now a first to file country - it's a race to the Patent Office.
 - Do not wait before discussing your invention with a patent attorney.
 - Use provisional patent application process to get something filed:
 - No examination, 1 year to file non-provisional (utility) application, lower cost, "Patent Pending".
 - Keep good records of what you're developing.
 - Use procedures to provide dates on documents
 - Review projected time between demonstration and commercialization
 - Records should include who contributed to specific aspects/features.



IP: What students should know

- **Copyrights:**

- Works that can be shown to be "works made for hire" are owned by purchaser, not creator. Avoid a battle - make sure it is clear in a writing who owns rights that you create.

- **Trademarks:**

- Search before you choose a name, and consider registering.
 - Internet problem areas: metatags including other's trademarks, framing, using similar domain names to others' marks.
 - Anti-cybersquatting Act: cannot in bad faith register a domain name of another's trademark.
-



IP: What students should know

- **Rensselaer Polytechnic Institute**

**As RPI students, you are all subject to
RPI's Intellectual Property Policy.**

Read it!

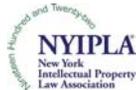
<https://www.rpi.edu/research/office/policy/TheRensselaerIntellectualPropertyPolicy.pdf>

http://www.rpитеchnology.com/files/Guidelines_for_Students.pdf



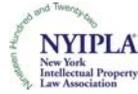
How To Obtain A Patent

- **"IT ALL STARTS WITH AN IDEA!"**
- **Prepare an Invention Disclosure Form - basic information on an Applicant's Invention**
- **Conduct a Patentability - optional but helpful**
- **Determine what type of patent application (e.g., utility and/or design)**



How To Obtain A Patent (Con't.)

- **Consider filing strategy, i.e., file a provisional, non-provisional patent, need for international IP protection.**
- **Review purpose of filing a patent application - offensive focus (e.g., to EXCLUDE others from making, using, selling or importing), defensive focus (e.g., cross license), and marketing purpose (e.g., become known as an innovator in the marketplace)**
- **Discuss timeliness with respect to patent filing and need for "Track I" expedited review (examination within 4 months of filing) or standard patent prosecution timeframe (examination within 18-24 months of filing).**



How To Obtain A Patent (Con't.)

- **Involve inventor in patent application drafting including scope of claims.**
- **Include different claim scope in patent application, at least three independent claims including a broad claim, middle of the road, and picture claim.**
- **File the patent application in the USPTO, include "Patent Pending" on any related**
- **Correspond with the USPTO Examiner before and during patent examination, offer assistance, conduct interviews with the USPTO Examiner.**



How To Obtain A Patent (Con't.)

- **Provide bi-weekly/monthly updates to inventor on status of the patent application.**
- **Obtain patents on the pending applications, file continuations and related applications**
- **Understand that your work does not end when a patent application issues as a patent as this work leads to related FTO/clearance work, international patent prosecution, and post-grant work.**



Ownership Of IP

- **Who owns a patent? A copyright? A trademark? Other forms of IP**
- **Can you buy or sell IP?**
- **What is an assignment, and why are assignments common?**
- **Does an assignment have to be in writing?**



Licensing Of IP

- **What is a license?**
- **Who can license a patent?**
- **Why would an owner of IP want to license its intellectual property?**



Enforcement Of IP

- ***What is patent infringement? Copyright? Trademark?***
- ***If I have trade secrets, how can I enforce my rights?***
- ***Who can sue for infringement of IP?***



Enforcement Of IP

- **Can a patent cover a competitor's product that is made or used before the patent issues? What about Copyright or Trademark?**
- **Where can a patent owner sue for infringement of a United States patent?**
- **Are there differences with enforcement of other forms of IP?**



Enforcement Of Patents

- **How long does it take to litigate a patent infringement case? Are there differences for different types of patent cases?**
- **Is there a difference for trademark, copyright and trade secret cases?**
- **What typically happens during an IP infringement case?**



Enforcement Of Patents

- **Who decides if there is infringement?**
- **Who decides the validity of IP?**
- **Who interprets the scope of protections for other forms of IP**



Enforcement Of Patents

- **What can you do if an infringing product is made outside the United States and imported into the United States?**

- **What can you do if an infringing product is sold to the United States?**



Remedies For Infringement

- ***If you win, can you collect money as damages?***
- ***What types of damages can you collect?***
- ***If you win, can you stop the infringer?***
- ***Can you stop an infringer before the end of a case?***



Remedies For Trade Secrets

- *If you win, can you collect money as damages?*
- *What types of damages can you collect?*
- *If you win, can you stop the competitor?*
- *Can you stop a competitor before the end of a case?*



Patents Owned By Others

- **What happens if you learn about someone else's patent:**
 - **How can it affect your patent?**
 - **How can it affect your patent application?**
 - **How can it affect your product?**



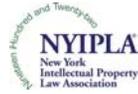
Patents Owned By Others

- What does “patent pending” mean, and does it matter?
- What can you do if you think you might infringe a patent?
 - Design around
 - License
 - Attack the patent



Defenses to an IP Assertion

- If someone sues you, what are your options?
 - Pay for a license
 - Cross-license
 - Defend a litigation
 - Attack the patent in the Patent Office
- What if you didn't know about the patent?



Typical Litigation Defenses

- Patent Defenses
 - Non-infringement, invalidity, unenforceability
- Trademark and Copyright Defenses
 - Non-infringement, “invalidity,” fraudulent procurement
- Other IP



Miscellaneous

- What is a “non-practicing entity” and what is a “patent troll”?
- What happens when competitors have patents that cover each others’ products?



Claim Construction Issues

- **Who decides what the claims of a patent mean?**
 - **What information is used to determine the meaning?**
 - **Does this process have any relationship to the English language?**



Claim Construction Issues

Commas Can Make A Big Difference

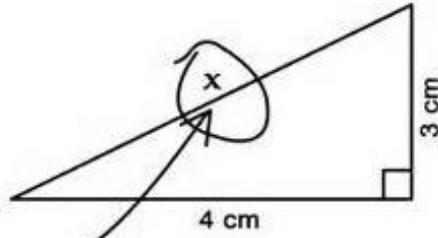
Let's Eat, Grandma.

Let's Eat Grandma.

Claim Construction Issues

Ambiguity Can Be A Problem

Find x



Here it is

Some Basic Patent Issues Decided By The Courts¹

Mark H. Bloomberg
Partner
Zuber, Lawler & Del Duca LLP
New York, New York

April 15, 2015

In 1982, Congress created the Court of Appeals for the Federal Circuit to decide all appeals from patent cases filed throughout the United States. The decision to create a new appeals court reflected the importance of patents to industry and to the United States economy, and differed markedly from other types of federal cases, which are appealed to the geographic appeals court for the state where the case is filed. For example, appeals from federal cases filed in Vermont, Connecticut and New York State are heard by the Court of Appeals located in New York City. Because all patent appeals are now decided by a single appeals court, there is no chance that different appeals courts will apply the patent law differently, in contrast to cases involving issues like health care, voting rights and reproductive rights, where appellate decisions in different parts of the country sometimes conflict. Because conflicts between decisions of different appeals courts are the principal reason why the Supreme Court reviews cases, it is not surprising that very few patent cases reached the Supreme Court in the years following the creation of the Federal Circuit. What may be surprising is that in the last several years the Supreme Court has heard patent cases with increasing frequency, attesting to the growing importance of patents to the United States economy.

The Federal Circuit and, to a lesser extent, the Supreme Court have decided many issues relating to patent law since 1982. Most of their decisions address narrow issues, but some grapple with fundamental issues, such as what inventions can be patented and what remedies are available to patent owners from an infringer. A few of these cases are described below.

I. What Types Of Inventions Can Be Patented?

Section 101 of the Patent Act broadly defines the types of subject matter that are eligible for patent protection:

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefore, subject to the conditions and requirements of this title.

35 U.S.C. § 101. The Supreme Court has long held that there are three exceptions to this broad statement of patentable subject matter – laws of nature, natural phenomena and abstract ideas.

¹ The information in this article should not be construed as legal advice or a legal opinion on any specific facts or circumstances. This information is not intended to create, and its receipt or review does not constitute, a lawyer-client relationship. The contents are intended for general informational purposes only, and you are urged to consult your own lawyer concerning your own situation and any specific legal questions you may have. © 2015 Zuber, Lawler & Del Duca LLP

These exceptions, however, must be narrowly construed because “[a]t some level, ‘all inventions ... embody, use, reflect, rest upon, or apply laws of nature, natural phenomena, or abstract ideas.’” *Alice Corp. v. CLS Bank*, 134 S.Ct. 2347, 2354 (2014). Thus, these exceptions could, theoretically, “swallow all of patent law.”

These exceptions, in fact, rarely come into play. There is no question that the classic inventions of yesteryear – inventions like the airplane, the telephone and dynamite – qualify as patentable subject matter. So do the vast majority of less noteworthy inventions of the past. This remains true for most inventions today. However, some new areas of technology present difficult questions concerning the applicability of these exceptions.

For example, the advent of modern computer and telecommunications technology has enabled the development of systems that vastly increase the speed and accuracy of methods formerly performed by humans. Some of those inventions have been found to be unpatentable because they fall within the “abstract idea” exception. In *Alice Corp. v. CLS Bank*, 134 S.Ct. 2347, 2354 (2014), the Supreme Court held that claims to a system that facilitated the exchange of financial obligations between two parties by using a computer system as a third-party intermediary were invalid because they cover the abstract idea of “intermediated settlement.” Likewise, in *Bilski v. Kappos*, 130 S.Ct. 3218, 3231 (2010), the Supreme Court held that claims to a method that allows buyers and sellers of commodities in the energy market to protect against the risk of price changes were invalid because they cover the abstract idea of “hedging.”

Another technological area where these exceptions have recently arisen involves inventions relating to genetic discoveries, which sometimes fall within the “laws of nature” exception. For example, in *Association for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S.Ct. 2107, 2111 (2013), the Supreme Court held that claims directed to isolation of a naturally occurring segment of DNA were invalid because they covered an unpatentable “product of nature.” In contrast, the Court held that claims directed to synthetically created DNA that omits some portions of naturally occurring DNA are patentable.

II. Inventions Must Be New And Non-Obvious

If the subject matter of an invention can be patented, two of the conditions of patentability that must still be met are that the invention be new and non-obvious.

The requirement that the invention be “new” is defined in 35 U.S.C. § 102. If all of the limitations of a claim are present in a single previous device or method, or described in a single previous printed publication or patent, that claim is not new, and cannot be patented. These various items are referred to as “prior art.” Although there are often factual disputes about what is disclosed in the prior art and about whether a particular item was known early enough to qualify as prior art, the analysis of whether an invention is new is relatively straightforward: Are all of the limitations of a claim included in a single piece of prior art, or not?

The analysis of whether a claim is “non-obvious” is substantially more complicated. The requirement that the invention be non-obvious is defined in 35 U.S.C. § 103, which forbids issuance of a patent when:

the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains.

In 1966, the Supreme Court set out the framework that provides an objective analysis of the requirements of this statute:

Under § 103, the scope and content of the prior art are to be determined; differences between the prior art and the claims at issue are to be ascertained; and the level of ordinary skill in the pertinent art resolved. Against this background, the obviousness or nonobviousness of the subject matter is determined. Such secondary considerations as commercial success, long felt but unsolved needs, failure of other, etc., might be utilize to give light to the circumstances surrounding the origin of the subject matter sought to be patented.

Graham v. John Deere Co., 86 S.Ct. 684, 694 (1966).

The Federal Circuit considered how to apply this framework in a number of decisions, and ultimately arrived at a “teaching, suggestion or motivation” test, under which a claim is obvious “if ‘some motivation or suggestion to combine the prior art teachings’ can be found in the prior art, the nature of the problem, or the knowledge of a person having ordinary skill in the art.” *See, KSR International Co. v. Teleflex Inc.*, 127 S.Ct. 1727, 1734 (2007).

The Supreme Court, however, rejected that test as too rigid, holding that the correct approach is “expansive and flexible.” *Id.* at 1739. The Supreme Court recognized that following its flexible approach could be complicated and difficult:

Often, it will be necessary for a court to look to interrelated teachings of multiple patents; the effect of demands known in the design community or present in the marketplace; and the background knowledge possessed by a person having ordinary skill in the art, all in order to determine whether there was an apparent reason to combine the known elements in the fashion claimed by the patent at issue.

Id. at 1740-41. Thus, the test for determining the non-obviousness of an invention, which may involve the determination of whether a person of ordinary skill in the art would be able to fit the pieces of multiple patents together “like a puzzle,” is far more complicated than the test for determining whether that invention is new based only on what is included in a single piece of prior art.

III. Courts Determine What Claim Terms Mean

Whether a claim of a patent is infringed, and whether that claim is valid, depends on the meaning of the terms of the claim. So-called “claim construction” is often the most hotly contested issue in patent litigation because the construction of a claim term can determine which party wins, and which party loses.

The Seventh Amendment to the Constitution preserves the right to trial by jury for “suits at common law” and there is no dispute that patent infringement cases must be tried to a jury when one of the parties requests a jury. What had been unclear was whether claim construction should be performed by the court, or whether the meaning of the claims should be determined by a jury. The Supreme Court held that courts, not juries, are responsible for determining what claims mean in *Markman v. Westview Instruments, Inc.*, 116 S.Ct. 370, 372 (1996). Thus, at some point prior to trial, courts typically conduct hearings to determine the meaning of claim terms that are in dispute. These hearings are often referred to as “*Markman* hearings.”

Claim construction hearings can be complicated because the meaning of claim terms is not determined just by reading the words of the claims alone, in a vacuum. When construing the claims of a patent, the court must look to the intrinsic evidence of record (*i.e.*, all of the claims and claim language, the specification of the patent, and the prosecution history of what was said to, and by, the Patent Office). *Philips v. AWN Corp.*, 415 F.3d 1303, 1321 (Fed. Cir. 2005).

IV. Damages For Patent Infringement

Damages for patent infringement can be substantial. Damage awards in excess of \$100 million may not be typical, but generally there are several such awards each year. Although substantial damage awards may be warranted, several decisions of the Federal Circuit provide guidance to ensure that damages awards, in any amount, are not excessive or unfounded.

Section 284 of the Patent Act provides that damages for infringement should be no less than a reasonable royalty:

Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interests and costs as fixed by the court.

The basic question is, had the infringer not infringed, what would the patent owner have made? In cases where the patent owner competes directly with an infringer, the patent owner may be entitled to collect the profits that it lost due to the infringing product. More typically, damages take the form of a “reasonable royalty.” The most common approach for determining a reasonable royalty is to imagine a “hypothetical negotiation” in which the parties agree to enter into a license agreement at the time infringement began, assuming that the patent is valid and infringed. A number of factors that the parties may have considered at the time of a hypothetical negotiation are outlined in *Georgia-Pacific Corp. v. U.S. Plywood Corp.*, 318 F.Supp. 1116, 1120 (S.D.N.Y. 1970), which is typically the starting point for analysis of what royalty the parties would have agree to in a hypothetical negotiation.

One area where the Federal Circuit has found excessive damages awards involves systems where only one component of a system is patented. For example, in *Lucent Technologies, Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1338 (Fed. Cir. 2009), the patent related to a method of entering information into fields on a computer screen without using a keyboard. Software for performing that method was included in Outlook’s calendar date-picker tool, which was part of various Microsoft Outlook products. Microsoft sold approximately \$8 billion of Outlook products, and the jury awarded over \$350 million in damages. The court found that it was improper to award damages on the entire Outlook product because the date-picker tool was not the reason why consumers purchased Outlook. In other words, Lucent did not prove that the patent-related feature was the basis for consumer demand.

The Federal Circuit has also rejected methodology that had been commonly used by patent owners to prove damages. For example, one way that royalties had historically been determined in hypothetical negotiations was to divide the anticipated profit that the infringer expected to earn at the time infringement began between the infringer and the patent owner. A 25% “rule of thumb” emerged over time, which apportioned 25% of the anticipated profit to the patent owner and 75% to the infringer. The Federal Circuit rejected that analysis, holding that “the 25 percent rule of thumb is a fundamentally flawed tool for determining a baseline royalty in a hypothetical negotiation.” *Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d 1292, 1315 (Fed. Cir. 2011). As a result, a new trial on damages was ordered, vacating the jury’s award of \$388 million in that case.

V. Stopping Infringers With Injunctions

Section 283 of the Patent Act provides that courts may grant injunctions to prevent infringement:

The several courts having jurisdiction of cases under this title may grant injunctions in accordance with the principles of equity to prevent the violation of any rights secured by patent, on such terms as the court deems reasonable.

As a practical matter, prior to 2006, a prevailing patent owner was almost certain to obtain an injunction against an infringer, except in rare cases where public health or safety would be adversely affected. Consistent with this practice, the Federal Circuit followed a general rule that courts will issue permanent injunctions against patent infringement “absent exceptional circumstance.”

The Supreme Court rejected the Federal Circuit’s general rule in *eBay v. MercExchange*, 126 S.Ct. 338 (2006). That general rule differed from the practice in other types of federal cases where awarding permanent injunctive relief required application of a four-part test:

A plaintiff must demonstrate: (1) that it has suffered an irreparable injury; (2) that remedies available in law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and the defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction.

The Supreme Court held that “[t]hese familiar principles apply with equal force to disputes arising under the Patent Act. *Id.* at 391. Thus, injunctions are not automatically awarded in patent cases. Nor are injunctions automatically denied for patent owners who do not practice their patents. As the Supreme Court advised:

Some patent holders, such as university researchers or self-made inventors, might reasonably prefer to license their patents, rather than undertake efforts to secure the financing necessary to bring their works to market themselves. Such patent holder may be able to satisfy the traditional four-factor test.

Id. at 393.

**Mastering
Patent Claim Construction
From The Perspective Of A
Patent Special Master**



Robert Rando
Founder & Lead Counsel
The Rando Law Firm, PC

Rob Rando began his legal career as an Associate with Skadden, Arps, Slate, Meagher & Flom, followed by the patent firms of Kenyon & Kenyon and Hopgood, Calimafde, Kalil & Judlowe. He is the Founding Member and Lead Counsel of The Rando Law Firm P.C.

His professional experience spans over twenty-five years as a federal civil litigator. Primarily his experience has been focused on the litigation of patent infringement and intellectual property disputes in the Southern District of New York (“SDNY”), the Eastern District of New York (“EDNY”) and several other United States District Courts across the country. He has also filed Circuit Court of Appeals briefs and argued before the Appeals Court for the Second Circuit. Additionally, he has had the pleasure of authoring and filing an Amicus brief with the United States Supreme Court in *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006).

He is experienced in a wide range of technologies, including computer hardware and software, silicon chip manufacturing, biotechnology products, medical devices, pharmaceuticals, chemical compounds, food additives, alternative energy products, consumer electronics, communications, security, Internet and e-commerce.

Since 2004, Rob has enjoyed the privilege and honor of judicial appointment as a Special Master in numerous cases involving complex patent law issues.

Since early in his career, Rob has also been involved in alternative dispute resolution. He has engaged in mediation on behalf of his clients and has served as a Mediator in several private mediations all with successful outcomes.

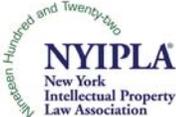
Rob is a Master of the Honorable William C. Conner Inn of Court and an active member of several bar associations. He is the current Co-Chair of the New York Intellectual Property Law Association CLE Committee (“NYIPLA”). He is also a member of the NYIPLA Amicus Committee, where he has enjoyed the privilege of contributing and participating in the filing of Amicus briefs on various issues before the Federal Circuit and United States Supreme Court.

Rob is also a Charter member and past President of the Federal Bar Association (“FBA”) EDNY Chapter. He remains an active EDNY Chapter Board member and was re-appointed to a second three-year term on the National FBA Government Relations Committee.

Recently, along with two other FBA members, Rob enjoyed the honor and privilege of conducting a series of lectures to update the SDNY and EDNY Patent Pilot Program Judges, Magistrates and Law Clerks on the America Invents Act.

Rob is also a member of the EDNY Civil Litigation Rules Committee and is a recurring guest lecturer at local law schools, bar associations, CLE programs and trade groups.



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Markman Claim Construction

A Special Master's Perspective

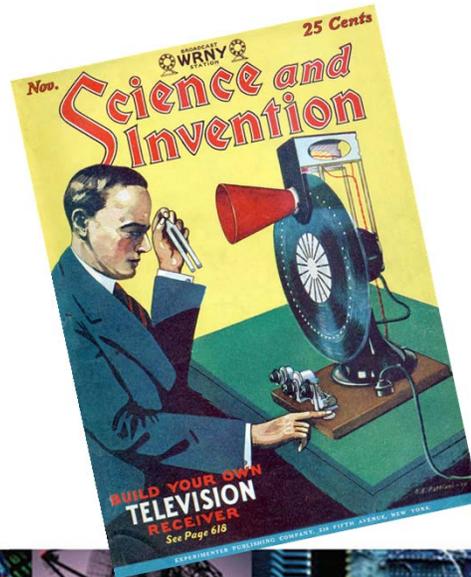
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I. THE PATENT SPECIAL MASTER



I. THE PATENT SPECIAL MASTER



3

THE PATENT SPECIAL MASTER

- **How and by what authority is the Patent Special Master (“SM”) appointed?**
 - Authority for Judge to appoint Special Master is found in Fed. R. Civ. P. 53.
 - SM’ s authority is also provided under Rule 53 and is similar to that of a U.S. Magistrate
 - Typically specific individual referred by Judge or by parties’ agreed upon selection



4

THE PATENT SPECIAL MASTER

- **What are the Patent Special Master's duties?**
 - Can be for Markman Claim Construction ("MCC"), Discovery Supervision (MCC or other), Motions (Summary Judgment, specific patent law issues, e.g., exhaustion)



5

THE PATENT SPECIAL MASTER

- **Why Appoint an SM?**
 - Any number of the following reasons:
 1. Highly technical subject matter
 2. Multiple parties and/or patents
 3. Voluminous intrinsic record
 4. Numerous and/or nuanced issues of patent law



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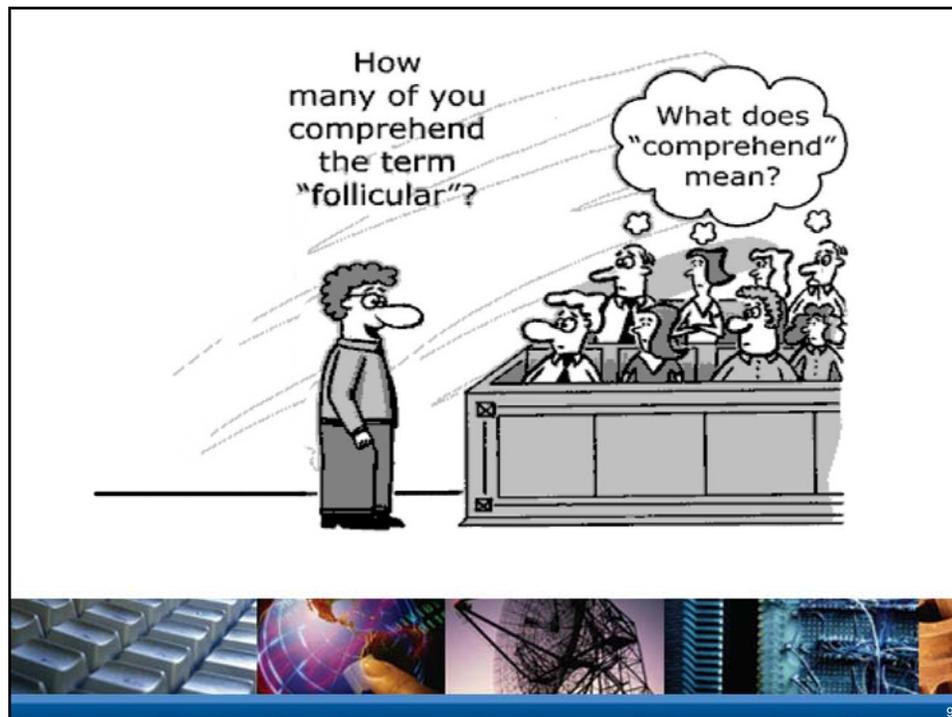
II. OVERVIEW OF MARKMAN CLAIM CONSTRUCTION



MCC OVERVIEW

- **General Considerations for the parties and the SM:**
 - Whether a hearing is necessary
 - Length and timing of briefing
 - What the meaning of **is** is?





MCC OVERVIEW

- **General Considerations for the parties and the SM (cont.):**
 - Number of claim terms in dispute?
 - Too long a phrase can complicate the interpretation and the meaning of a significant disputed claim term can be lost
 - Obfuscates the real term that may be the decisive term



MCC OVERVIEW

- **General Considerations for the parties and the SM (cont.):**
 - Whether, and to what extent, extrinsic evidence will be relied upon
 - Types of extrinsic evidence
 - Persuasive value of the extrinsic evidence
 - Expert opinions/testimony
 - **NOTE:** Recent Supreme Court decision on ***more deferential clear error standard of 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).



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MCC OVERVIEW

- **General Considerations for the parties and the SM (cont.):**
 - Reliance upon interpretation of disputed claim terms in other unrelated cases
 - Reliance upon claim construction of claim terms from other unrelated cases as a basis for construing the disputed claim term is frowned upon since an inventor can be his/her own lexicographer and each claim term is to be construed contextually within the four corners of the patent



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MCC OVERVIEW

- **General Considerations for the parties and the SM (cont.):**
 - Reliance upon interpretation of disputed claim terms in other unrelated cases (cont.)
 - However, in the absence of inventor lexicography reference to judicial interpretations of disputed claim terms in unrelated patent and non-patent (e.g., customs tariff) cases may be appropriate
 - As with other extrinsic evidence it can aid the Court in understanding the ordinary and customary or general meaning associated with the term.

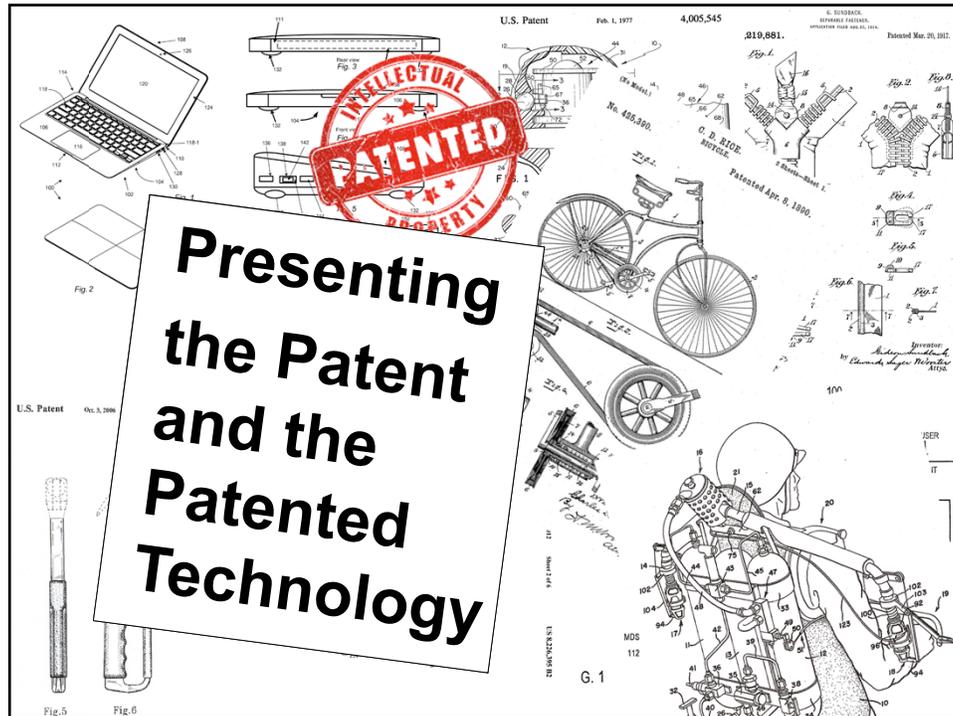


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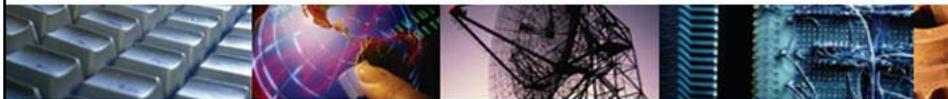
III. SETTING THE STAGE FOR THE PATENT AND THE PATENTED TECHNOLOGY





THE PATENT AND THE PATENTED TECHNOLOGY

- **Presenting the patent and the patented technology**
 - Distill the technology as if it is your opening to the jury
 - If possible provide the accused device or demonstrate/illustrate the process
 - The Federal Circuit warns that the disputed claim terms should not be construed as constrained by the accused device or process, however it may assist in understanding the context of the infringement dispute. See Every Penny Counts, Inc. v. Am. Express Co., 563 F.3d 1378, 1383-84 (Fed. Cir. 2009).



THE PATENT AND THE PATENTED TECHNOLOGY

- **Presenting the patent and the patented technology (cont.)**
 - Determine the SM' s technology background
 - Is her/his knowledge base and experience only steeped in a particular science or technology or more akin to that of a generalist or both?



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THE PATENT AND THE PATENTED TECHNOLOGY

- **Presenting the patent and the patented technology (cont.)**
 - Presenting the patent and patented technology and providing the accused device or demonstrating/illustrating the process serves several purposes:



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THE PATENT AND THE PATENTED TECHNOLOGY

- **Presenting the patent and the patented technology (cont.)**
 1. Consistent with the Federal Circuit's guidance in Phillips v. AWH Corp., 415 F.3d 1303, 1315-19 (Fed. Cir. 2005), there is one overarching theme that should inform your approach to MCC and can be summed up in three words - context, context, context.



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THE PATENT AND THE PATENTED TECHNOLOGY

- **Presenting the patent and the patented technology (cont.)**
 2. Your presentation in the brief and at the hearing will be harmonized within the setting of the technology
 3. By virtue of human nature, your presentation of the background will resonate with the SM throughout the claim interpretation process and during his/her preparation of the Report and Recommendation for the Court



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THE PATENT AND THE PATENTED TECHNOLOGY

- **Presenting the patent and the patented technology (cont.)**
 - Use of a Joint Tutorial
 - As part of the presentation of the patent or the patented technology, use of a joint tutorial serves several purposes:
 1. Instills the concepts in the SM
 2. Provides context
 3. Often may be the first time during the course of the litigation that the parties or their attorneys engage in a substantive cooperative endeavor



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THE PATENT AND THE PATENTED TECHNOLOGY

- **Presenting the patent and the patented technology (cont.)**
 - Joint Tutorial (cont.)
 - Benefits of cooperation cannot be overstated
 - Removal of the “adversarial hats”
 - Serves meaningful purpose for parties



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THE PATENT AND THE PATENTED TECHNOLOGY



IV. EFFECTIVE USE OF MCC BRIEFING



EFFECTIVE MCC BRIEFING

- **What should be self-evident with respect to effective MCC briefing is not necessarily always the case:**
 1. It is different than briefing in support of, or in opposition to, a motion for the Court to rule in your favor
 - More than convincing the Court to adopt your arguments
 - Disputed claim term must be defined
 - Not win just to win the point but you must use language that explains the language that is used in the patent



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EFFECTIVE MCC BRIEFING

- **What should be self-evident with respect to effective MCC briefing is not necessarily always the case (cont.):**
 2. As with all briefing, consistency, where not impossible, should be the goal
 3. Avoid outrageously unsupported arguments
 - No matter how critical the issue may be an excursion well beyond reality into another dimension will be obvious to the SM
 - One extreme argument may very well diminish the value and credibility of other more cogent and realistic arguments



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V. THE CLAIM INTERPRETATION PROCESS



THE CLAIM INTERPRETATION PROCESS

- 1. EXAMINE THE LANGUAGE OF THE CLAIM**
 - When determining the meaning of a disputed term, the first step is to examine the claim language itself.
 - Where the claim language is clear on its face and susceptible of a clear and unambiguous plain meaning and scope, and in the absence in the intrinsic record of any clear deviation or contradiction, or clear intent by the inventor to be his or her own lexicographer, the inquiry need go no further.



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THE CLAIM INTERPRETATION PROCESS

2. THE “FOUR CORNERS” OF THE PATENT

- Where the claim language is not clear on its face, one must turn to the remainder of the patent to investigate the context of its usage and scope:
- The language in all of the remaining patent claims (asserted and non-asserted).
- The patent specification and abstract.
- In other words, the remainder of the “four corners” of the patent document.



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THE CLAIM INTERPRETATION PROCESS

3. THE “FILE WRAPPER”

- The additional component of the intrinsic record is the patent prosecution history or the “file wrapper.”
- The interplay between the prosecution history and the four corners component of the intrinsic record is one of limitation or amplification of the claimed invention.
- As such, and because it can often contradict the language of description contained in the four corners component, the prosecution history component must be clear, unambiguous and unequivocal.



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THE CLAIM INTERPRETATION PROCESS

3. THE “FILE WRAPPER” (cont.)

- Where the prosecution history presents a clear, unambiguous and unequivocal disavowal of claimed patented subject matter, to overcome a prior art rejection, the prosecution history will be granted preclusive, estoppel or limitation power over a contrary meaning.



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THE CLAIM INTERPRETATION PROCESS

3. THE “FILE WRAPPER” (cont.)

- While overcoming a prior art rejection in itself may satisfy the rigid requirement for prosecution history disclaimer or estoppel, it is by no means the exclusive application of the doctrine. See Ekchian v. Home Depot, Inc., 104 F.3d 1299, 1303-04 (Fed. Cir. 1997) (Information Disclosure Statement may be basis for estoppel).



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THE CLAIM INTERPRETATION PROCESS

3. THE "FILE WRAPPER" (cont.)

- Prosecution history disclaimer or estoppel can be applied where the record provides clear, unambiguous and unequivocal evidence of disclaimed or expanded subject matter (provided that where there is "expansion" it is supported by the four corners' patent specification component). See Intervet Am., Inc. v. Kee-Vet Labs., Inc., 887 F.2d 1050 (Fed. Cir. 1989).



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THE CLAIM INTERPRETATION PROCESS

CONTEXT, CONTEXT, CONTEXT

1. Ordinary And Customary Usage

- The words of a claim "are generally given their ordinary and customary meaning." Phillips v. AWH Corp., 415 F.3d 1303, 1312 (Fed. Cir. 2005).
- The ordinary and customary meaning of a claim term is the meaning that the term would have to a person of ordinary skill in the art in question at the time of the invention (i.e., as of the effective filing date of the patent application).



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THE CLAIM INTERPRETATION PROCESS

CONTEXT, CONTEXT, CONTEXT

1. Ordinary And Customary Usage (cont.)

- How a person of ordinary skill in the art understands a claim term provides an objective baseline from which to start the claim interpretation process.
- “That starting point is based on the well-settled understanding that inventors are typically persons skilled in the field of the invention and that patents are addressed to and intended to be read by others of skill in the pertinent art.” Phillips, 415 F.3d at 1313.



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THE CLAIM INTERPRETATION PROCESS

CONTEXT, CONTEXT, CONTEXT

2. Ordinary Meaning and the Specification

- The person of ordinary skill in the art is deemed to read the claim term not only in the context of the particular claim in which the disputed term appears, but also in the context of the entire patent, including the specification. Phillips, 415 F.3d at 1313.
- One cannot look at the ordinary meaning of the term in a vacuum.
- The ordinary meaning must be ascertained in the context of the written description and the prosecution history.



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THE CLAIM INTERPRETATION PROCESS

CONTEXT, CONTEXT, CONTEXT

3. The Prosecution History

- Invention is construed in the light of the claims and also with reference to the file wrapper or prosecution history.
- The prosecution history consists of the complete record of the proceedings before the PTO and includes the prior art cited during the examination of the patent.



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THE CLAIM INTERPRETATION PROCESS

CONTEXT, CONTEXT, CONTEXT

3. The Prosecution History (cont.)

- Like the specification, the prosecution history provides evidence of how the PTO and the inventor understood the patent.
- Like the specification, the prosecution history was created by the patentee in attempting to explain and obtain the patent



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THE CLAIM INTERPRETATION PROCESS

CONTEXT, CONTEXT, CONTEXT

3. The Prosecution History (cont.)

- Since the prosecution history represents an ongoing negotiation between the PTO and the applicant, rather than the final product of that negotiation, it often lacks the clarity of the specification and, thus, is less useful for claim construction purposes.



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THE CLAIM INTERPRETATION PROCESS

CONTEXT, CONTEXT, CONTEXT

3. The Prosecution History (cont.)

- Nonetheless, the prosecution history can often inform the meaning of the claim language by demonstrating how the inventor understood the invention and whether the inventor limited the invention in the course of prosecution, making the claim scope narrower than it would otherwise be construed.



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THE CLAIM INTERPRETATION PROCESS

CONTEXT, CONTEXT, CONTEXT

4. Dictionaries And Technical Treatises

- Within the class of extrinsic evidence, the Federal Circuit has observed that dictionaries and treatises can be useful in claim construction.
- Technical dictionaries may assist a court "to better understand the underlying technology" and the way in which one of skill in the art might use the claim terms.



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THE CLAIM INTERPRETATION PROCESS

CONTEXT, CONTEXT, CONTEXT

5. Other Extrinsic Evidence

- Extrinsic evidence in the form of expert testimony **takes on greater significance in light of Teva** and can be useful to a court's understanding of the particular technology involved in the claim construction in a variety of ways:
 1. to provide background on the technology at issue
 2. to explain how an invention works
 3. to ensure that the court's understanding of the technical aspects of the patent is consistent with that of a person of skill in the art
 4. to establish that a particular term in the patent or the prior art has a particular meaning in the pertinent field.



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THE CLAIM INTERPRETATION PROCESS

CONTEXT, CONTEXT, CONTEXT

5. Other Extrinsic Evidence (cont.)

- Conclusory, unsupported assertions by experts as to the definition of a claim term are not useful to a court.
- Similarly, a court will discount any expert testimony that is clearly at odds with the claim construction mandated by the claims themselves, the written description, and the prosecution history.



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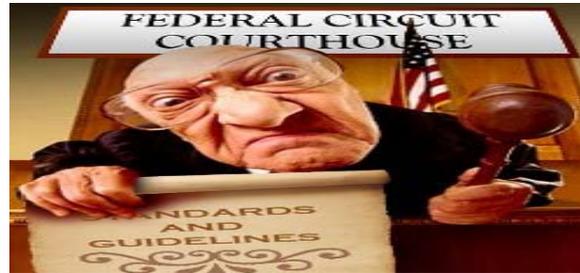


VI. CLAIM INTERPRETATION STANDARDS AND GUIDELINES



CLAIM INTERPRETATION STANDARDS AND GUIDELINES

- The following, non-exhaustive list, outlines the several canons of patent claim construction, or presumptions, the courts rely upon in construing disputed patent terms:



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CLAIM INTERPRETATION STANDARDS AND GUIDELINES



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CLAIM INTERPRETATION STANDARDS AND GUIDELINES

1

Unique Lexicography

- A patent applicant may be his or her own lexicographer.
- The patent applicant may:
 1. create a new word;
 2. assign any meaning to a word regardless of the ordinary or customary usage of the word;
 3. and/or modify the word's ordinary or customary meaning.



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CLAIM INTERPRETATION STANDARDS AND GUIDELINES

1

Unique Lexicography (cont.)

- Any special meaning must appear with reasonable clarity and precision in the patent or the prosecution history. See Golight, Inc. v. Wal-Mart Stores, Inc., 355 F.3d 1327, 1332 (Fed. Cir. 2004) (stating that a patentee may define a term as his own lexicographer if he does so “with reasonable clarity, deliberateness, and precision”).
- If the special meaning is reasonably clear and precise then the word should be construed as having acquired that meaning.



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CLAIM INTERPRETATION STANDARDS AND GUIDELINES

2

No Importation Of Limitations From The Specification Into The Claims

- One may not read a limitation into a claim from the written description. See Collegenet, Inc. v. Applyyourself, Inc., 418 F.3d 1225, 1231 (Fed. Cir. 2005) (court will not at any time import limitations from the specification into the claims)
- The claims should not be confined only to the specification's disclosed embodiments of the invention.



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CLAIM INTERPRETATION STANDARDS AND GUIDELINES

3

Prohibition Against Reading Out The Preferred Embodiment

- Absent highly persuasive evidence, a construction should not be read to exclude the preferred embodiment. See Sandisk Corp. v. Memorex Prods., Inc., 415 F.3d 1278, 1285 (Fed. Cir. 2005) (district court's claim construction precluding preferred embodiment is wrong).



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CLAIM INTERPRETATION STANDARDS AND GUIDELINES

4

Prohibition Against Limiting The Claims To The Preferred Embodiment

- Claims should not be limited to the preferred embodiment disclosed in the specification. See RF Delaware, Inc. v. Pacific Keystone Techs., Inc., 326 F.3d 1255, 1264 (Fed. Cir. 2003) (error for district court to read in “‘most preferred embodiment’” as claim limitation).



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CLAIM INTERPRETATION STANDARDS AND GUIDELINES

5

Interpret Disputed Terms To Achieve Purpose Of The Invention

- The meaning of a disputed claim term should ordinarily be construed to align with the purpose of the patented invention. See Markman v. Westview Instruments, Inc., 517 U.S. 370, 389 (1996) (“term can be defined only in a way that comports with the instrument as a whole”); Phillips v. AWH Corp., 415 F.3d 1303, 1316 (Fed. Cir. 2005) (correct construction “stays true” to claim language and “most naturally aligns” with patent’s description).



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CLAIM INTERPRETATION STANDARDS AND GUIDELINES

6

Subject Matter Disclosed But Not Claimed Is Dedicated To The Public

- Specific, non-generic, subject matter disclosed in the specification as an alternative to what is claimed, but not included in the claims, is considered to be dedicated to the public. See PSC Computer Prods., Inc. v. Foxconn Int'l, 355 F.3d 1353, 1360 (Fed. Cir. 2004) (specific disclosure of molded plastic parts used in prior art devices as alternative to metal parts was dedicated to public where claim was only for metal parts).



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CLAIM INTERPRETATION STANDARDS AND GUIDELINES

7

Interpret Disputed Terms Consistent With Other Claims

- Claim terms are presumed to be used consistently throughout the patent. See Phillips, 415 F.3d at 1314 (presumed consistent usage of claim terms throughout patent can illuminate meaning of the same term across different claims).



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CLAIM INTERPRETATION STANDARDS AND GUIDELINES

8

Claim Differentiation

- Each patent claim is presumed to have a different scope. See RF Delaware, Inc. v. Pacific Keystone Techs., Inc., 326 F.3d 1255, 1263 (Fed. Cir. 2003) (each patent claim “presumptively different in scope”).
- A dependent claim is differentiated from the claim from which it depends and is generally construed to have a narrower scope.
- Conversely, an independent claim is presumed to have a broader scope than its dependent claim.



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CLAIM INTERPRETATION STANDARDS AND GUIDELINES

9

A “Textual Hook” In The Claim Language Is Required To Impose Limitations From Statements In The Written Description

- A textual hook in the language of the claim is required for a limitation based upon statements made in the specification. See NTP, Inc. v. Research in Motion, Ltd., 418 F.3d 1282, 1310 (Fed. Cir. 2005) (“ ‘a party wishing to use statements in the written description to confine or otherwise affect a patent’s scope must ... point to a term or terms in the claim with which to draw in those statements’ ”) (citation omitted).



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CLAIM INTERPRETATION STANDARDS AND GUIDELINES

10 Steps Of A Method Claim Not Ordered Unless Recited In The Claim

- Absent a recitation of order, or an order mandated by grammar or logic, the steps of a method claim are not construed to require a particular order. See Altiris, Inc v. Symantec Corp., 318 F.3d 1363, 1369 (Fed. Cir. 2003) (absent clear or implied mandate in claim language or specification or resulting from the grammar and logic of method claim no order or sequence of steps is required).



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CLAIM INTERPRETATION STANDARDS AND GUIDELINES

11 Interpret Disputed Term To Preserve Validity Of The Patent

- If possible, where a claim is amenable to more than one construction, the claim should be construed to preserve its validity. Karsten Mfg. Corp. v. Cleveland Golf Co., 242 F.3d 1376, 1384 (Fed. Cir. 2001).



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CLAIM INTERPRETATION STANDARDS AND GUIDELINES

12 Indefiniteness Is Ripe for Resolution During Claim Construction

- The question of indefiniteness is ripe for resolution when it arises as part of a disputed claim term during the claim construction process. See Howmedica Osteonics Corp. v. Tranquil Prospects, Ltd., 401 F.3d 1367, 1371 (Fed. Cir. 2005) (“[d]etermination of claim indefiniteness is legal conclusion drawn from the court’s performance of its duty as construer of patent claims”)

- **NOTE:** New standard of *reasonable certainty to skilled artisan* for indefiniteness determination. Nautilus, Inc. v. Biosig Instruments, Inc., No. 13-369, 134 S. Ct. 2120 (June 2, 2014) (9-0).



2014

Mastering Patent Claim Construction: A Patent Special Master's Perspective

Robert J. Rando

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Mastering Patent Claim Construction: A Patent Special Master's Perspective

Cover Page Footnote

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MASTERING PATENT CLAIM CONSTRUCTION: A PATENT SPECIAL MASTER'S PERSPECTIVE

*Robert J. Rando, Esq.**

“Don't Be Afraid to See What You See” — Ronald Reagan¹

Ronald Reagan's famous quote, above, provides a great starting point for analysis of *Markman* Claim Construction. Often, as advocates, attorneys may intentionally or unintentionally apply a myopic approach to interpreting the claims of a patent in dispute.² It may

* © 2014 Robert J. Rando. Robert J. Rando is lead counsel for The Rando Law Firm P.C. His professional experience spans over twenty-five years as a federal civil litigator. Primarily, his experience has been focused on the litigation of patent infringement and other intellectual property disputes in the Eastern District of New York (“EDNY”), the Southern District of New York (“SDNY”) and several other United States District Courts across the country.

Since 2004, Mr. Rando has served as a Special Master in numerous cases involving complex patent law issues. As a part of his Special Master duties, he has presided over *Markman* Claim Construction briefings and hearings and all discovery and discovery-related disputes and issued Report and Recommendations. He has also filed Amicus briefs in patent cases before the United States Supreme Court.

Mr. Rando is experienced in a wide range of technologies, including computer hardware and software, silicon chip manufacturing, biotechnology products, medical devices, pharmaceuticals, chemical compounds, food additives, alternative energy products, consumer electronics, communications, Internet and e-commerce.

¹ Ronald Reagan, President, United States, Farewell Address to the Nation (Jan. 11, 1989), available at <http://www.presidency.ucsb.edu/ws/?pid=29650>.

² See Jeremy W. Bock, *Neutral Litigants in Patent Cases*, 15 N.C. J.L. & TECH. 233, 237-38 (2014) (“In patent litigation, the parties are often too willing to fight without regard to the relative importance of an issue or the strength of the other side's position . . . multiplying the number of issues requiring the court's attention and *presenting highly-polarized arguments that provide an incomplete, heavily-skewed analysis of the facts and the law . . .*”) (emphasis added) (citations omitted); see also William T. Gallagher, *IP Legal Ethics in the Everyday Practice of Law: An Empirical Perspective on Patent Litigators*, 10 J. MARSHALL REV. INTELL. PROP. L. 309, 364 (2011) (“This study shows that patent litigators, among the contemporary legal profession's most elite and privileged practitioners, are certainly not immune to many of the pressures and cultural and structural influences that shape and potentially undermine ethical decision-making in legal practice. Indeed, contemporary patent litigation may present a particularly challenging ethical landscape precisely because the cases can be complex, involve extraordinary numbers of documents, have multiple layers of attor-

be the result of good faith and conscious zealous advocacy, bad lawyering, or the worst of the bunch, bad faith abusive litigation tactics.³ Whatever the reason, the results are the same: clients suffer from unnecessary and costly legal fees (due to unrealistic expectations that influence their risk analysis); the exhaustion of limited judicial resources; cases languishing in the legal system without final resolution disadvantaging the parties and in some cases impacting investments and the business community at large; or, bad law of the case develops requiring unnecessary appeals and/or remands.⁴

In most patent infringement cases the claim construction is outcome determinative, thus, applying an *objective* approach to claim construction serves the best interest of all stakeholders. Of course, this does not mean that creative lawyering should be abandoned. It does mean that the creative lawyering should be sound and rooted in the fundamentals of the claim construction process as gleaned from the guidance provided by the case law on claim construction.⁵ This article will address those fundamentals from the *objective* perspective of my experience serving as a Patent Special Master in numerous patent cases.

In section I of this article, I provide the background of the current state of the United States Patent Laws and identify, where appropriate, its impact or potential impact on Markman Claim Construction. In section II of the article, I discuss the authority for appointing a Special Master and its pertinence in patent cases. Section

neys involved, and also because the stakes in this type of litigation are often very high for both clients and their lawyers.”).

³ See Gallagher, *supra* note 2, at 324 (“[T]he patent litigators in this study expressed a firm conviction that ethical lawyering is primarily concerned with zealously advancing the client’s interests, rather than a broader notion of a lawyer’s ethical duties to the legal system more broadly or even to the concern for a ‘just’ resolution in a case.”); see also Paul C. Saunders, *Whatever Happened To ‘Zealous Advocacy?’*, N.Y. L.J., Mar. 11, 2011, at 4 (“‘Zealous advocacy’ is the buzz-word which serves to legitimize the most outrageous conduct, conduct which regrettably debases the profession as well as the perpetrator.”) (citation omitted); see generally *Biax Corp. v. Nvidia Corp.*, No. 09-CV-01257, 2013 WL 1324935 (D. Colo. Mar. 30, 2013) (awarding attorneys’ fees for bad faith continuation of litigation after claim construction yielded non-infringement conclusion by its own expert).

⁴ See, e.g., Bock, *supra* note 2, at 238 n.17 (“In 2011, the median cost of patent litigation for cases having: (i) less than \$1 million at risk was \$650,000; (ii) \$1–\$25 million at risk was \$2.5 million; and (iii) more than \$25 million at risk was \$5 million.”) (citation omitted); *Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d 1448, 1479 (Fed. Cir. 1998) (“When the issues in litigation involve complex questions of science and technology, a special effort is required of the judicial process.”).

⁵ See generally *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005) (providing the guidelines for interpreting claims).

III of the article provides the legal framework that guides the decision-making process for interpreting patent claims.

I. WHERE ARE WE AND WHY ARE THE SCOTUS, THE UNITED STATES CONGRESS, AND THE POTUS SO INTERESTED IN WHAT WE DO?

In this section, I will provide a brief overview of the current state of the patent laws and various patent law issues that have garnered increased attention from all three branches of the United States Government during the past twenty years.⁶ This increased interest is attributable to several factors: (1) the recognition that the transition from an industrial-based economy to a techno-info based economy has created a whole new array of complex patent law and innovation issues that had not heretofore existed or been addressed; (2) the realization that the creation of the Federal Circuit in 1982, while eliminating circuit splits and achieving a relatively stable and coherent body of appellate law in the patent law arena, did not fully accomplish its goals and failed to anticipate the internal conflicts that arise between panels within the Circuit and/or vigorous dissents within the court en banc; (3) the desire to harmonize the United States Patent Laws with those of other countries.⁷

⁶ While much of the discussion in this section is beyond the scope and focus of this article, it provides a good foundation and setting in which we find ourselves as practitioners, members of the federal judiciary, the executive branch and congress, as relates to the United States Patent Laws and more specifically, for the purposes of this article, Markman Claim Construction.

⁷ See *Rohm & Haas Co. v. Brotech Corp.*, 127 F.3d 1089, 1092 (Fed. Cir. 1997) (“Patent litigation frequently is complex, long, and difficult.”); Hon. Kathleen M. O’Malley, Hon. Patti Saris & Hon. Ronald M. Whyte, *A Panel Discussion: Claim Construction from the Perspective of the District Judge*, 54 CASE W. RES. L. REV. 671 (2004). Judge Saris commented that “Patent litigation is like the neurosurgery of litigation: it is hard scientifically and it is hard legally.” *Id.* at 682. See also Kimberly A. Moore, *Forum Shopping in Patent Cases: Does Geographic Choice Affect Innovation?*, 79 N.C. L. REV. 889, 933 (2001) (“[a]lthough patent cases are not a large percentage of the docket for a district court, they are among the most time consuming”); Kimberly A. Moore, *Judges, Juries, and Patent Cases—An Empirical Peek Inside the Black Box*, 99 MICH. L. REV. 365, 365 (2000) (“[T]here is a popular perception that the increasing complexity of technology being patented . . . has made patent trials extremely difficult for lay juries to understand.”); David L. Schwartz, *Practice Makes Perfect? An Empirical Study of Claim Construction Reversal Rates in Patent Cases*, 107 MICH. L. REV. 223, 229-30 n.20 (2008) (discussing the divergent Federal Circuit panels’ treatment of use of dictionary meanings (extrinsic evidence) in claim construction pre-*Phillips*); *Fresenius USA, Inc. v. Baxter Int’l, Inc.*, 733 F.3d 1369, 1382 (Fed. Cir. 2013) (Newman, J., dissenting) (dissenting from a denial of en banc petition in a case concerning the binding effect of an invalidity finding); Leahy-Smith America Invents Act (“AIA”), Pub.

A. SCOTUS

Starting in 1996 with *Markman v. Westview Instruments, Inc.*,⁸ the Supreme Court assumed a much more active role in the evolution of the United States Patent Laws than in the prior thirty years.⁹ The SCOTUS activity in the patent area has accelerated as reflected by the Roberts Court's increased number of certiorari grants for patent cases while decreasing the overall number of cases the Supreme Court hears.¹⁰ The increase in the number of patent cases heard by the Supreme Court, when compared to the decrease in the overall number of cases heard by the Court, is quite stunning.¹¹ The trend continues. In the 2012 Term, the SCOTUS decided four patent cases out of a total of seventy-nine cases it decided.¹² In the current

L. No. 112-29, 125 STAT. 284, 293 (2011) (stating that Congress, in part, enacted the Act for the purpose of facilitating harmonization of the U.S. patent system with the patent systems of other countries by changing from a first to invent to a first inventor to file system).

⁸ 517 U.S. 370 (1996).

⁹ In the thirty-year period from 1966 through 1995, the Supreme Court decided approximately twenty-one patent cases. In the seventeen years since *Markman*, the Court decided approximately twenty-eight patent cases through the 2012 Term and granted certiorari in six more patent cases for the 2013 Term.

¹⁰ Since 2006 (the year Chief Justice Roberts became the Chief Justice), the Court has granted certiorari in twenty-three patent cases while decreasing its overall docket significantly. See Ryan J. Owens & David A. Simon, *Explaining the Supreme Court's Shrinking Docket*, 53 WM. & MARY L. REV. 1219, 1225 (2012) ("Since the 2005 Term, the Court has decided an average of 80 cases per Term, far fewer than the roughly 200 cases it heard earlier in the twentieth century.").

¹¹ The number of cases decided by the SCOTUS has decreased from an average of 200 per Term to approximately eighty per Term (a decrease of sixty percent). See *id.* at 1225 ("Since the 2005 Term, the Court has decided an average of 80 cases per Term, far fewer than the roughly 200 cases it heard earlier in the twentieth century."). The average number of patent cases decided by the SCOTUS per year from 1966 through 2005 is less than one (32 cases in 39 years or 0.8 per year out of an average total number of 200 cases decided by the SCOTUS per year). Since 2006, the number of patent cases decided has jumped almost threefold to approximately 2.20 per year out of an average total number of 80 cases decided by the SCOTUS per year.

¹² That represents five percent of the cases decided by SCOTUS in the Term. See *Ass'n for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107 (2013). In this case, the Court addressed the patentability of human genes (DNA). *Id.* at 2011. In a unanimous decision, the Court determined that the "naturally occurring in nature" exclusion from patentability rendered the challenged patents invalid. *Id.* The Court did, however, uphold 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. *Id.* at 2119. Thus, cDNA, unlike human DNA, is patent eligible. *Id.* See *Bowman v. Monsanto*, 133 S. Ct. 1761, 1764-69 (2013) (addressing 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. *Id.* at 1764. "Such a sale, however,

2013 Term, the Court has granted certiorari in nine intellectual property cases including six patent cases.¹³

B. United States Congress

With the exception of the Hatch-Waxman Act of 1984, Congress has not amended the United States Patent Laws in any significant way since the Patent Act of 1952.¹⁴ However, in 2011, the Unit-

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." *Id.* 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. *Id.* 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." *Id.* See *Fed. Trade Comm'n v. Actavis, Inc.*, 133 S. Ct. 2223, 2237 (2013) (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.). The case was briefed by many amici including the New York Intellectual Property Law Association. See *Gunn v. Minton*, 133 S. Ct. 1059, 1068-69 (2013) (discussing the breadth of federal patent jurisdiction). The 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. *Id.* at 1061, 1068. 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. *Id.* at 1068.

¹³ See, e.g., *Akamai Techs., Inc. v. Limelight Networks, Inc.*, 692 F.3d 1301 (Fed. Cir. 2012), *cert. granted*, 134 S. Ct. 895 (2014) (addressing the proper standard for inducing patent infringement); *Biosig Instruments, Inc. v. Nautilus, Inc.*, 715 F.3d 891 (Fed. Cir. 2013), *cert. granted*, 134 S. Ct. 896 (2014) (addressing the standard for finding a patent invalid due to indefiniteness); *CLS Bank Int'l, v. Alice Corp. Pty. Ltd.*, 717 F.3d 1269 (Fed. Cir. 2013), *cert. granted*, 134 S. Ct. 734 (2013) (concerning the patent eligibility of software-related patent claims); *Medtronic Inc. v. Bos. Scientific Corp.*, 695 F.3d 1266 (Fed. Cir. 2012), *cert. granted*, 134 S. Ct. 1022 (2014) (addressing the burden of proof in a declaratory judgment action brought by a patent licensee); *Highmark Inc. v. Allcare Health Mgmt. Sys., Inc.*, 687 F.3d 1300 (Fed. Cir. 2012), *cert. granted*, 134 S. Ct. 48 (2013) (addressing the award of attorneys' fees in exceptional patent cases); *ICON Health & Fitness v. Octane Fitness, LLC*, 496 F. App'x 57 (Fed. Cir. 2013), *cert. granted*, 134 S. Ct. 49 (2013) (addressing the award of attorneys' fees in exceptional patent cases); *WNET, Thirteen v. Aereo, Inc.*, 712 F.3d 676 (2d Cir. 2013), *cert. granted*, 134 S. Ct. 896 (2014) (addressing whether by streaming TV service Aereo "publicly performs" copyrighted works); *Pom Wonderful, LLC v. Coca-Cola Co.*, 679 F.3d 1170 (9th Cir. 2013), *cert. granted*, 134 S. Ct. 895 (2014) (concerning whether the Food, Drug, and Cosmetics Act precludes certain claims under the Lanham Act); *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 695 F.3d 946 (9th Cir. 2012), *cert. granted*, 134 S. Ct. 50 (2013) (concerning whether the defense of laches can apply to copyright claims brought within the statute of limitations proscribed by Congress).

¹⁴ Drug Price Competition and Patent Term Restoration Act (the "Hatch-Waxman

ed States Patent Laws received a major overhaul with the enactment of the Leahy–Smith America Invents Act (more commonly referred to as the “America Invents Act” or “AIA”) and the Patent Cases Pilot Program.¹⁵ The AIA fundamentally changed many provisions of the United States Patent Laws, with the most significant change being the basis upon which an inventor is granted a patent.¹⁶ Prior to the AIA, a patent was granted to the *first to invent* patentable subject matter irrespective of the application filing date with the United States Patent and Trademark Office (“USPTO” or “PTO”) (assuming all other patentability requirements and statutory bars were satisfied).¹⁷ Under the AIA it is the *first inventor to file* his/her patent application with the USPTO that is granted a patent for patentable subject matter (assuming all other patentability requirements and statutory bars are satisfied).¹⁸ Additional provisions of the AIA provide for increased patent validity challenge regimes at the USPTO.¹⁹ These patent validity challenge provisions include standards for claim construction and evidentiary burdens at variance with those applied in U.S. District Court proceedings.²⁰

Act”), Pub. L. No. 98-417, 98 STAT. 1585 (1984).

¹⁵ Leahy-Smith America Invents Act (“AIA”), Pub. L. No. 112-29, 125 Stat. 284-341 (2011); Patent Cases Pilot Program (“PCPP”), Pub. L. No. 111-349, 124 Stat. 3674-76 (2011); Jennifer Martinez, *Barack Obama Signs Patent Reform Law*, POLITICO (Sept. 16, 2011, 4:35 PM), <http://www.politico.com/news/stories/0911/63697.html> (“President Barack Obama signed into law on Friday a bill [the AIA] that overhauls the nation’s patent system for the first time in nearly six decades.”).

¹⁶ See Joe Matal, *A Guide to the Legislative History of the America Invents Act: Part I of II*, 21 FED. CIR. B.J. 435, 435 (2011-2012):

The AIA . . . adopted the first-to-file system of determining a patent’s priority date, redefined what constitutes prior art against a patent, created several new post-issuance proceedings for patents and revised existing proceedings, and made many other important changes to the patent code. The AIA is the first comprehensive patent bill to be enacted since the Patent Act of 1952 (‘1952 Act’), and it arguably makes the most substantial changes to the law since those imposed by the Patent Act of 1836 (‘1836 Act’), which created the system of patent examination.

Id. (citations omitted).

¹⁷ See Patent Act of 1952, Pub. L. No. 82-593, 66 Stat. 792 (1952). This is codified as amended in scattered sections of Title 35 of the U.S.C. *Id.*

¹⁸ America Invents Act (“AIA”), Pub. L. No. 112-29, 125 Stat. 284-341, § 3 (2011).

¹⁹ *Id.* at §§ 6, 18 (2011).

²⁰ Compare 37 C.F.R. § 42.100(b) (providing the standard for claim construction in *inter partes* review), with *SAP Am., Inc. v. Versata Dev. Grp., Inc.*, Case CBM2012-00001 (MPT), 2013 WL 3167735, at *5-6 (P.T.A.B. June 11, 2013) (applying PTO broadest reasonable construction standard), with *Phillips*, 415 F.3d 1303 (providing the standard for claim construction is an ordinary and customary meaning to person of ordinary skill in the

The Patent Cases Pilot Program (“PCPP”) is a ten-year program designed to study the potential benefits of having a subset of Judges within a particular district that have volunteered to accept patent cases filed within that district, preside over those cases.²¹ The legislative purpose for the PCPP program is to develop better expertise among Judges willing to take patent cases with an expectation that it will yield improved results in patent litigation in the federal courts.²²

More recently, there has been a flurry of activity in Congress aimed at abusive litigation tactics in patent infringement cases brought by Patent Assertion Entities (“PAEs”). These PAEs are alternatively referred to as Non-practicing Entities (“NPEs”) or by the pejorative term “Patent Trolls.”²³ The House recently passed a bill, and the Senate Judiciary Committee conducted a hearing on December 17, 2013 on several proposed Senate bills, directed towards measures intended to curb abusive litigation tactics.²⁴

Unfortunately, some of the provisions contained in the House

art within the context of the patent). In district court actions, a patent is presumed valid, and the patent or any of its claims must be proven invalid by clear and convincing evidence. 35 U.S.C. § 282(a) (2012); *Microsoft Corp. v. i4i Ltd.*, 131 S. Ct. 2238, 2243 (2011). The Patent Trial and Appeal Board (“PTAB”) does not presume a patent is valid and a patent or any of its patent claims is proven invalid by a preponderance of the evidence. 35 U.S.C. § 316(e). These differences create conflicting estoppel issues on appeals to the Federal Circuit.

²¹ The PCPP has been implemented in fourteen districts (The fourteen designated Patent Cases Pilot Program district courts are: C.D. Cal., N.D. Cal., S.D. Cal., S.D. Fla, N.D. Ill., D. Md., D. Nev., D. N.J., S.D.N.Y., E.D.N.Y., W.D. Pa., W.D. Tenn., E.D. Tex., and N.D. Tex.). The districts were chosen on the basis of meeting one of two criteria: (1) volume of patent cases filed within the district; or, (2) maintaining (or adopting) local patent rules of practice within the district. As cases are filed in each of the PCPP districts they are randomly assigned to any Judge in the district. If it happens to be a PCPP Judge then it remains assigned to that Judge. If it happens to be assigned to a non-PCPP Judge that Judge has a choice to retain the case or return it to the PCPP wheel to be randomly assigned among the subset of PCPP Judges (in which case the newly assigned Judge will exchange non-patent cases with the originally assigned Judge based upon case-based weighting point system). The program is designed to, *inter alia*, measure success rates on appeal for those cases presided over by PCPP Judges versus those cases presided over by the non-PCPP Judges within the fourteen districts.

²² Patent Cases Pilot Program, Pub. L. 111-349, 124 STAT. 3674-3676 (2011).

²³ Brian W. Hannon & Margaret M. Welsh, *Challenges of Defining a Patent Troll*, BLOOMBERG LAW (2013), <http://about.bloomberglaw.com/PRACTITIONER-CONTRIBUTIONS/CHALLENGES-OF-DEFINING-A-PATENT-TROLL/>.

²⁴ Innovation Act, H.R. Res. 3309, 113th Cong. (2013) (House Bill); Patent Transparency and Improvements Act of 2013, S. Res. 1720, 113th Cong. (2013) (proposed Senate Bill); Patent Abuse Reduction Act of 2013, S. Res. 1013, 113th Cong. (same); Patent Litigation Integrity Act of 2013, S. Res. 1612, 113th Cong. (same).

bill and the Senate's proposed bills (e.g., stays of discovery, attorneys' fee shifting requirements, heightened pleading standards and case scheduling mandates) significantly diminish the district courts' discretion in handling patent cases. Many practitioners, and some stakeholders, view these restrictions as an intrusion on the independence of the judiciary and its ability to address what is properly viewed as a case management issue.²⁵

While there are divergent views on how to address the problem in an even-handed manner that solves the problem without unintended consequences and maintains fidelity with protecting the rights of innovators, there is a strong belief that the solution should not come at the expense of the Federal Judiciary's discretion in adjudicating patent cases.²⁶

To be sure, there are some provisions in the current legislative proposals (including the bill passed by the House) that will have a positive impact on cases adjudicated in the federal courts in terms of efficiency and consistency. For example, early Markman Claim Construction could likely resolve most patent infringement cases early on in the litigation.²⁷ Also, conforming the invalidity claim construction standard in Post Grant Review proceedings before the PTO, with the standards applied in federal court claim construction, will eliminate the potential conflicts of differing outcomes from the two fora.²⁸

C. POTUS

President Obama has also assumed an active role in promoting patent law reforms.²⁹ He was a strong proponent for the AIA.³⁰

²⁵ See <http://democrats.judiciary.house.gov/sites/democrats.judiciary.house.gov/files/documents/DissViews131203.pdf>, at p. 1 (providing dissenting views on Innovation Act, H.R. 3309); <http://www.judiciary.senate.gov/pdf/12-17-13DickinsonTestimony.pdf>, at 24 (providing the testimony of Q. Todd Dickinson, Executive Director, American Intellectual Property Law Association, before the U. S. Senate Judiciary Committee hearing on "Protecting Small Businesses and Promoting Innovation by Limiting Patent Troll Abuse," December 17, 2013).

²⁶ *Id.*

²⁷ While there cannot be a "one size fits all" approach to patent infringement cases, in many instances the Markman Claim Construction is outcome determinative and worthy of early implementation.

²⁸ See Innovation Act, H.R. 3309, 113th Cong. § 9 (2013); Patent Transparency and Improvements Act of 2013, S. 1720, 113th Cong. § 7 (2013).

²⁹ See Edward Wyatt, *Obama Orders Regulators to Root Out 'Patent Trolls'*, N.Y. TIMES (June 4, 2013), http://www.nytimes.com/2013/06/05/business/president-moves-to-curb-patent-suits.html?pagewanted=1&_r=1.

He is also a vocal supporter of the current efforts to address the PAE/Patent Troll issues.³¹

II. APPOINTMENT OF A PATENT SPECIAL MASTER

Authority for appointment of a Special Master in patent cases is found in Rule 53 of the Federal Rules of Civil Procedure.³² The Special Master is a quasi-judicial officer with authority and functions similar to that of a United States Magistrate with respect to civil matters.³³

Patent Special Masters may be appointed in a case in one of several ways. The district court Judge may make a finding, based upon the complexity of the issues in the case, that efficiencies dictate the appointment of a Special Master to preside over particular matters that can include summary judgment on discrete issues in the case, discovery proceedings and disputes and most often patent claim interpretation.³⁴ The Judge may suggest to the parties that they find an individual that they agree upon to serve as the Special Master, or the Judge may suggest a specific individual, or a number of individuals from which to choose, for the parties consent. Alternatively, a party, or the parties jointly, may make a request to the Judge for appointment of a Special Master in the case.

Often the decision whether or not to appoint the Patent Special Master is connected with the complexity of the science or technology or the intricacies, breadth and depth of materials associated with large patent families, the number of patents and/or the number of patent claims at issue in the case.

The advantages of appointing a Patent Special Master, *for the parties*, include: the ability to flesh out the claim interpretation issues

³⁰ See The CNN Wire Staff, *Obama Signs Patent Reform Bill*, CNN.COM (Sept. 16, 2011, 12:02 PM), <http://www.cnn.com/2011/POLITICS/09/16/obama.patent.reform/> (“We have to do everything we can to encourage the entrepreneurial spirit wherever we find it,” Obama said at [the AIA] signing ceremony at a high school in Arlington, Virginia. This measure “cuts away the red tape that slows down our inventors and entrepreneurs.”).

³¹ See Kate Tummarello, *President Calls for Patent Reform in SOTU*, THE HILL (Jan. 28, 2014, 09:37 PM), <http://thehill.com/blogs/hillicon-valley/technology/196754-obama-calls-for-patent-reform> (“President Obama repeated his calls for reform patent law during his State of the Union address Tuesday . . . [and] called on Congress to ‘pass a patent reform bill that allows our businesses to stay focused on innovation, not costly and needless litigation.’”).

³² FED. R. CIV. P. 53 (2009).

³³ *Id.*

³⁴ *Id.*

through a process that is not constrained by a court's docketing pressures; the perspective on the claim construction issues from a knowledgeable and experienced non-party; a thorough analysis of the disputed claim terms (*assuming that is desired by all parties*) resulting from the Patent Special Master's focused patent litigation experience and understanding of the science or technology covered by the patent(s) at issue.

The advantages of appointing a Patent Special Master, *for the court*, include: more efficient case management of the patent case; greater efficiency in allocating limited judicial resources; the benefit of understanding the science or technology involved in the case and how it applies to the metes and bounds of the patent(s) at issue from the perspective of a disinterested and objective source (i.e., the Patent Special Master).

Of course, one consideration for the parties regarding the Patent Special Master services is the cost that is shared among the parties for his/her services. However, that cost may often be offset or mitigated by the savings that can be realized from a claim construction that enables the parties to avoid the much greater costs and expenses of protracted litigation.³⁵

III. *MARKMAN* CLAIM CONSTRUCTION: GUIDING LEGAL PRINCIPLES

In 1996, the Supreme Court, in *Markman v. Westview Instruments, Inc.*, issued its decision concerning patent claim construction.³⁶ The Supreme Court affirmed the en banc decision of the Federal Circuit,³⁷ declaring that patent claim construction is a pure question of law to be resolved by the court.³⁸ Patent claim construction is the interpretation of the words in a patent's claims, *i.e.*, the actual meaning of the words describing the boundaries of the patented invention or what the inventor intends as his or her exclusive domain for the life of the patent.³⁹ Proper claim construction is necessary to

³⁵ Each of the cases in which I have been appointed as a Patent Special Master has settled post-*Markman* proceedings or after the Court's adoption of my Report and Recommendation on Claim Construction.

³⁶ 517 U.S. 370 (1996).

³⁷ *Markman v. Westview Instruments, Inc.*, 52 F.3d 967 (Fed. Cir. 1995).

³⁸ *Markman*, 517 U.S. at 372.

³⁹ *Phillips v. AWH Corp.*, 415 F.3d 1303, 1312 (Fed. Cir. 2005) (citations omitted).

determine whether a claim is valid, enforceable, and infringed.⁴⁰

In *Markman*, the Supreme Court declared the legal standard for patent claim construction but did not provide specific guidelines for its procedure.⁴¹ However, the United States Court of Appeals for the Federal Circuit has articulated the appropriate methodology applicable to patent claim construction.⁴² Following the approved claim construction methodology, the district court determines the meaning and scope of the claims in order to ascertain the acquired meaning of the claim language.⁴³

A. The Intrinsic Record

In construing patent claims, the Court first looks to the intrinsic record which consists of: the claim language; the patent specification; and, the patent's prosecution history.⁴⁴ Such intrinsic evidence constitutes the public record of the patentee's claim.⁴⁵ Intrinsic evidence is the most important resource in determining the operative meaning of disputed claim language, and usually will resolve any ambiguity concerning that language.⁴⁶ Indeed, "[i]n those cases where the public record unambiguously describes the scope of the patented invention, reliance on any extrinsic evidence is improper."⁴⁷

1. The Claim Language

The claims of a patent define the boundaries of the patented invention, and the public is entitled to rely upon the claims to determine what does or does not constitute infringing activity.⁴⁸ The Court interprets patent claims as a matter of law to "determine how a

⁴⁰ Lemelson v. United States, 752 F.2d 1538, 1549 (Fed. Cir. 1985).

⁴¹ *Markman*, 517 U.S. at 372.

⁴² See *Phillips*, 415 F.3d at 1315-19 (providing the patent claim construction inquiry hierarchy for intrinsic evidence, including and among the patent claims, specification and file history; and for extrinsic evidence, including and among learned treatises, dictionaries, inventor testimony and expert testimony).

⁴³ See *id.* at 1317.

⁴⁴ *Id.* at 1312.

⁴⁵ *Id.* at 1319.

⁴⁶ *Vitronics Corp. v. Conceptronic, Inc.*, 90 F.3d 1576, 1582-83 (Fed. Cir. 1996).

⁴⁷ *Id.* at 1583.

⁴⁸ See, e.g., *London v. Carson Pirie Scott & Co.*, 946 F.2d 1534, 1538, 1539 (Fed. Cir. 1991) (finding "no infringement as a matter of law if a claim limitation is totally missing from the accused device.").

person of experience in the field of [the] invention would, upon reading the patent documents, understand the words used to define the invention.”⁴⁹

2. *The Specification*

The patent specification, *i.e.*, the written description and drawings, describes the manner and process of making and using the invention so that any person skilled in the patent’s art may utilize it.⁵⁰ The specification is regarded as the “single best guide to the meaning of a disputed term.”⁵¹ Claims are construed in light of the entire specification.⁵² The construction relies upon the specification’s characterization of the claimed invention.⁵³

3. *The Prosecution History*

The prosecution history of a patent comprises “the complete record of all the proceedings before the Patent and Trademark Office, including any express representations made by the applicant regarding the scope of the claims. As such, the record before the Patent and Trademark Office is often of critical significance in determining the meaning of the claims.”⁵⁴ In reviewing the prosecution history, the Court also examines the prior art considered by the United States Patent and Trademark Office (the “PTO” or “Patent Office”) to assess what the claims do not cover.⁵⁵ “[T]he prosecution history (or file wrapper) limits the interpretation of claims so as to exclude any interpretation that may have been disclaimed or disavowed during prosecution in order to obtain claim allowance.”⁵⁶

⁴⁹ *Toro Co. v. White Consol. Indus., Inc.*, 199 F.3d 1295, 1299 (Fed. Cir. 1999).

⁵⁰ *Vitronics*, 90 F.3d at 1582.

⁵¹ *Phillips*, 415 F.3d at 1315 (quoting *Vitronics*, 90 F.3d at 1582) (internal quotation marks omitted).

⁵² *Id.* at 1315-16 (citations omitted).

⁵³ *Id.* at 1316 (citations omitted).

⁵⁴ *Vitronics*, 90 F.3d at 1582 (Fed. Cir. 1996); *see also* *ZMI Corp. v. Cardiac Resuscitator Corp.*, 844 F.2d 1576, 1580 (Fed. Cir. 1988) (stating that prosecution history must be reviewed to interpret disputed claims).

⁵⁵ *See, e.g.,* *Watts v. XL Sys., Inc.*, 232 F.3d 877, 882 (Fed. Cir. 2000) (limiting claim interpretation based on arguments made to Patent Office with respect to prior art reference); *ZMI Corp.*, 844 F.2d at 1580-81.

⁵⁶ *See* *Standard Oil Co. v. Am. Cyanamid Co.*, 774 F.2d 448, 452 (Fed. Cir. 1985); *Wang Labs., Inc. v. Am. Online, Inc.*, 197 F.3d 1377, 1384 (Fed. Cir. 1999) (finding patent-ee limited claims by arguments made during the prosecution of the patent’s parent applica-

The “[a]rguments and amendments made during prosecution of a patent application . . . must be examined to determine the meaning of terms in the claims.”⁵⁷ “The prosecution history limits the interpretation of claim terms so as to exclude any interpretation that was disclaimed during prosecution.”⁵⁸ “[E]xplicit statements made by a patent applicant during prosecution to distinguish a claimed invention over prior art may serve to narrow the scope of the claim.”⁵⁹ Explicit arguments made during prosecution to overcome prior art can lead to narrow claim interpretations because “[t]he public has a right to rely on such definitive statements made during prosecution.”⁶⁰

B. Extrinsic Evidence

Extrinsic evidence, i.e., all evidence external to the patent and prosecution history, (e.g., inventor testimony, dictionaries, and learned treatises) “may be used by the court to help understand the disputed limitation.”⁶¹ Extrinsic evidence “may not be used to vary, contradict, expand, or limit the claim language from how it is defined, even by implication, in the specification or file history.”⁶² “Dictionaries or comparable sources are often useful . . . in understanding the commonly understood meanings of words,” and judges are free to consult the dictionary “so long as the dictionary definition does not contradict any definition found in . . . the patent documents.”⁶³ While a court may use extrinsic evidence, it is generally less reliable than the intrinsic record in determining the meaning of

tion).

⁵⁷ See *Southwall Techs., Inc. v. Cardinal IG Co.*, 54 F.3d 1570, 1575-76 (Fed. Cir. 1995) (affirming the district court’s limiting of claims to a one-step process rather than a two-step process specifically disclaimed in the patent’s prosecution history) (citations omitted).

⁵⁸ *Id.* at 1576 (citations omitted).

⁵⁹ See *Spectrum Int’l, Inc. v. Sterilite Corp.*, 164 F.3d 1372, 1378 (Fed. Cir. 1998) (narrowing claims during re-exam to sustain patentability of claims over prior art precludes patentee from later arguing the disclaimed matter is infringed) (citations omitted).

⁶⁰ See *Digital Biometrics, Inc. v. Identix, Inc.*, 149 F.3d 1335, 1347 (Fed. Cir. 1998) (highlighting the importance of the notice function of patent prosecution process as reflected by patent statute).

⁶¹ See *Novartis Pharms. Corp. v. Abbott Labs.*, 375 F.3d 1328, 1335 (Fed. Cir. 2004) (describing the proper role of extrinsic evidence).

⁶² *Id.* (citations omitted).

⁶³ See *Phillips v. AWH Corp.*, 415 F.3d 1303, 1322-23 (Fed. Cir. 2005) (internal quotation marks and citations omitted).

claim language, and, as such, “is unlikely to result in a reliable interpretation of patent claim scope unless considered in the context of the intrinsic evidence.”⁶⁴

1. *Dictionaries and Technical Treatises*

Technical treatises and dictionaries are categorized as extrinsic evidence because they do not form a part of the intrinsic record; however, they are distinct from other extrinsic evidence.⁶⁵ “Judges are free to consult such resources . . . to better understand the underlying technology and may also rely on dictionary definitions when construing claim terms, as long as the dictionary definition does not contradict” the intrinsic record.⁶⁶

2. *Prior Art*

Courts may also “rely on prior art . . . whether or not cited in the specification or” prosecution history.⁶⁷ Prior art may help demonstrate the understanding of the “disputed term . . . by those skilled in the art.”⁶⁸ “[H]owever, reliance on such evidence is . . . improper, when the disputed terms can be understood from” the intrinsic record.⁶⁹ Also, as with other types of extrinsic evidence, it may not be used “to vary or contradict” the disputed claim term construction adduced from the intrinsic record.⁷⁰

3. *Experts and Expert Testimony*

A district court may rely on expert testimony solely to help it understand the underlying technology.⁷¹ Such testimony may only be relied upon if the intrinsic evidence is insufficient to enable a court to

⁶⁴ *Id.* at 1319.

⁶⁵ *Vitronics*, 90 F.3d at 1584 n.6.

⁶⁶ *Id.*

⁶⁷ *Id.* at 1584.

⁶⁸ *Id.*

⁶⁹ *Id.* (citation omitted).

⁷⁰ *Apex Inc. v. Raritan Computer, Inc.*, 325 F.3d 1364, 1371 (Fed. Cir. 2003) (citations omitted).

⁷¹ *See Altiris, Inc. v. Symantec Corp.*, 318 F.3d 1363, 1369, 1371 (Fed. Cir. 2003) (recognizing that relying on expert testimony to understand the technology is appropriate in claim construction) (citation omitted).

construe disputed claim terms.⁷² However, even under those circumstances, resort to other forms of extrinsic evidence (e.g., dictionaries, treatises, prior art), is preferred.⁷³ These other forms of extrinsic evidence are considered to be more objective and reliable than expert testimony since they are available to the public prior to the litigation.⁷⁴

C. The Claim Interpretation Process

When determining the meaning of a disputed term, the first step is to examine the claim language itself.⁷⁵ Where the claim language is clear on its face and susceptible of a clear and unambiguous plain meaning and scope, and in the absence in the intrinsic record of any clear deviation or contradiction, or clear intent by the inventor to be his or her own lexicographer, the inquiry need go no further.⁷⁶ Otherwise, one must turn to the remainder of the patent (*i.e.*, the language in all of the remaining patent claims, both asserted and non-asserted, and the patent specification and abstract), to investigate the context of its usage and scope.⁷⁷ In other words, the remainder of what I like to refer to as the “four corners” of the patent document.⁷⁸

An additional component of the intrinsic record is the patent prosecution history or the “file wrapper.”⁷⁹ The interplay between the prosecution history and the four corners component of the intrinsic record is one of limitation or amplification of the claimed invention.⁸⁰ As such, and because it can often contradict the language of description contained in the four corners component, the prosecution history component must be clear, unambiguous and unequivocal.⁸¹

⁷² *Vitronics*, 90 F.3d at 1584.

⁷³ *Id.*

⁷⁴ *Id.*

⁷⁵ *Id.* at 1582.

⁷⁶ *See Interactive Gift Express, Inc. v. Compuserve, Inc.*, 256 F.3d 1323, 1331 (Fed. Cir. 2001) (stating the intrinsic record will be analyzed for deviation from the plain meaning of claim language, which is clear on its face).

⁷⁷ *See id.*; *Telemac Cellular Corp. v. Topp Telecom, Inc.*, 247 F.3d 1316, 1326 (Fed. Cir. 2001) (relying on the written description to interpret disputed claim term which did not have a clear and ordinary meaning).

⁷⁸ *Interactive Gift*, 256 F.3d at 1331; *Telemac Cellular*, 247 F.3d at 1326.

⁷⁹ *Phillips*, 415 F.3d at 1317.

⁸⁰ *Id.*

⁸¹ *See Honeywell Int'l, Inc. v. Universal Avionics Sys.*, 493 F.3d 1358, 1365 (Fed. Cir. 2007) (concluding arguments made during prosecution of patent-in-suit were ambiguous,

Where the prosecution history presents a clear, unambiguous and unequivocal disavowal of claimed patented subject matter, to overcome a prior art rejection, the prosecution history will be granted preclusive, estoppel or limitation power over a contrary meaning.⁸² While overcoming a prior art rejection in itself may satisfy the rigid requirement for prosecution history disclaimer or estoppel, it is by no means the exclusive application of the doctrine.⁸³ Prosecution history disclaimer or estoppel can be applied where the record provides clear, unambiguous and unequivocal evidence of disclaimed or expanded subject matter (provided that where there is “expansion” it is supported by the four corners component’s patent specification).⁸⁴

1. *Ordinary and Customary Usage*

“[T]he words of a claim are generally given their ordinary and customary meaning.”⁸⁵ The ordinary and customary meaning of a claim term is the meaning that the term would have to a person of ordinary skill in the art in question at the time of the invention (i.e., as of the effective filing date of the patent application).⁸⁶

How a person of ordinary skill in the art understands a claim term “provides an objective baseline” from which to start the claim interpretation process.⁸⁷ “That starting point is based on the well-settled understanding that inventors are typically persons skilled in the field of the invention and that patents are addressed to and intend-

and therefore did not limit claim scope).

⁸² See *Omega Eng’g., Inc. v. Raytek Corp.*, 334 F.3d 1314, 1324, 1325-26 (Fed. Cir. 2003) (citing numerous cases refusing to apply prosecution history disclaimer where the asserted disclaimer is not clear and unmistakable).

⁸³ See *Ekchian v. Home Depot, Inc.*, 104 F.3d 1299, 1303, 1304 (Fed. Cir. 1977) (finding an Information Disclosure Statement may be basis for estoppel).

⁸⁴ See, e.g., *Intervet Am., Inc. v. Kee-Vet Labs., Inc.*, 887 F.2d 1050, 1054 (Fed. Cir. 1989) (holding claim language controls to afford patentee expanded claim coverage over an erroneous remark made by the prosecuting attorney during prosecution).

⁸⁵ *Phillips v. AWH Corp.*, 415 F.3d 1303, 1312 (Fed. Cir. 2005) (quoting *Vitronics*, 90 F.3d at 1582) (internal quotation marks omitted); see also *Toro Co. v. White Consol. Indus., Inc.*, 199 F.3d 1295, 1299 (Fed. Cir. 1999) (discussing ordinary and customary meaning); *Renishaw PLC v. Marposs Societa’ per Azioni*, 158 F.3d 1243, 1249 (Fed. Cir. 1998) (stating the same).

⁸⁶ *Innova/Pure Water, Inc. v. Safari Water Filtration Sys., Inc.*, 381 F.3d 1111, 1116 (Fed. Cir. 2004); *Home Diagnostics, Inc. v. LifeScan, Inc.*, 381 F.3d 1352, 1358 (Fed. Cir. 2004) (holding the phrase “customary meaning” refers to customary meaning in the art).

⁸⁷ *Phillips*, 415 F.3d at 1313; *Innova*, 381 F.3d at 1116.

ed to be read by others of skill in the pertinent art.”⁸⁸

2. *Examine the Specification*

“[T]he person of ordinary skill in the art is deemed to read the claim term not only in the context of the particular claim in which the disputed term appears, but in the context of the entire patent, including the specification.”⁸⁹ One cannot look at the ordinary meaning of the term in a vacuum.⁹⁰ Rather, the ordinary meaning must be ascertained in the context of the written description and the prosecution history.⁹¹

3. *Examine the Prosecution History*

In addition to consulting the specification, a court “should also consider the patent’s prosecution history, if it is in evidence.”⁹² As part of the “intrinsic evidence,” the prosecution history consists of the complete record of the proceedings before the Patent Office and includes the prior art cited during the examination of the patent.⁹³ Like the specification, the prosecution history provides evidence of how the PTO and the inventor understood the patent.⁹⁴ Furthermore, like the specification, the prosecution history was created by the patentee in his/her efforts to explain and obtain the patent. Yet, because the prosecution history represents an ongoing negotiation between the PTO and the applicant, rather than the final product of that negotiation, it often lacks the clarity of the specification and thus is less useful for claim construction purposes.⁹⁵

⁸⁸ *Phillips*, 415 F.3d at 1313; *see also* *Verve, LLC v. Crane Cams, Inc.*, 311 F.3d 1116, 1119 (Fed. Cir. 2002) (stating that patent documents are meant to be “a concise statement for persons in the field”); *In re Nelson*, 280 F.2d 172, 181 (C.C.P.A. 1960) (stating that descriptions in patents are not addressed to lawyers, judges or the public generally but to those skilled in the art).

⁸⁹ *Phillips*, 415 F.3d at 1313.

⁹⁰ *Medrad, Inc. v. MRI Devices Corp.*, 401 F.3d 1313, 1318-19 (Fed. Cir. 2005).

⁹¹ *Id.*

⁹² *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 980 (Fed. Cir. 1995); *see also* *Graham v. John Deere Co.*, 383 U.S. 1, 33 (1966) (invention is construed in the light of the claims and also with reference to the file wrapper or prosecution history).

⁹³ *Autogiro Co. v. United States*, 384 F.2d 391, 398 (Ct. Cl. 1967).

⁹⁴ *See Lemelson v. Gen. Mills, Inc.*, 968 F.2d 1202, 1206 (Fed. Cir. 1992) (prosecution history provides insight into what the applicant originally claimed).

⁹⁵ *See Inverness Med. Switz. GmbH v. Warner Lambert Co.*, 309 F.3d 1373, 1382 (Fed. Cir. 2002) (finding the ambiguity of the prosecution history made it less relevant to

Nonetheless, the prosecution history can often inform the meaning of the claim language by demonstrating how the inventor understood the invention and whether the inventor limited the invention in the course of prosecution, making the claim scope narrower than it would otherwise be construed.⁹⁶

4. *Reference to Dictionaries and Technical Treatises*

Within the class of extrinsic evidence, the Federal Circuit has observed that dictionaries and treatises can be useful in claim construction.⁹⁷ Technical dictionaries may assist a court “to better understand the underlying technology” and the way in which one of skill in the art might use the claim terms.⁹⁸ Because dictionaries, and especially technical dictionaries, endeavor to collect the accepted meanings of terms used in various fields of science and technology, those resources have been properly recognized among the many tools that can assist the court in determining the meaning of particular terminology to those of skill in the art of the invention.⁹⁹

5. *Reference to Other Extrinsic Evidence*

Extrinsic evidence in the form of expert testimony can be useful to a court for a variety of purposes, such as: to provide background on the technology at issue; to explain how an invention works; to ensure that the court’s understanding of the technical aspects of the patent is consistent with that of a person of skill in the art; or to establish that a particular term in the patent or the prior art

claim construction); *Athletic Alts., Inc. v. Prince Mfg., Inc.*, 73 F.3d 1573, 1580 (Fed. Cir. 1996) (finding the ambiguity of the prosecution history made it “unhelpful as an interpretive resource” for claim construction).

⁹⁶ See *Vitronics Corp. v. Conceptor, Inc.*, 90 F.3d 1576, 1582-83 (Fed. Cir. 1996); see also *Chimie v. PPG Indus., Inc.*, 402 F.3d 1371, 1384 (Fed. Cir. 2005) (“The purpose of consulting prosecution history in construing claim is to ‘exclude any interpretation that was disclaimed during prosecution.’”); *Southwall Techs., Inc. v. Cardinal IG Co.*, 54 F.3d 1570, 1576 (Fed. Cir. 1995) (prosecution history limits interpretation of claim terms to exclude any interpretation disclaimed during prosecution).

⁹⁷ See *Rexnord Corp. v. Laitram Corp.*, 274 F.3d 1336, 1344 (Fed. Cir. 2001) (relying on dictionary definition where specification was ambiguous).

⁹⁸ *Vitronics*, 90 F.3d at 1584 n.6.

⁹⁹ See *Teleflex, Inc. v. Ficosa N. Am. Corp.*, 299 F.3d 1313, 1325 (Fed. Cir. 2002) (recognizing that reliance on dictionaries and treatises to determine ordinary meaning may be appropriate).

has a particular meaning in the pertinent field.¹⁰⁰ However, conclusory, unsupported assertions by experts as to the definition of a claim term are not useful to a court. Similarly, a court should discount any expert testimony “that is clearly at odds with the claim construction mandated by the claims themselves, the written description, and the prosecution history, in other words, with the written record of the patent.”¹⁰¹

D. Claim Interpretation Standards and Guidelines

The following, non-exhaustive list, outlines the several canons of patent claim construction, or presumptions, the courts rely upon in construing disputed patent terms:

1. Unique Lexicography

A patent applicant may be his or her own lexicographer.¹⁰² The patent applicant may: create a new word; assign any meaning to a word regardless of the ordinary or customary usage of the word; and/or modify the word’s ordinary or customary meaning.¹⁰³ Any special meaning must appear with reasonable clarity and precision in the patent or the prosecution history.¹⁰⁴ If the special meaning is reasonably clear and precise, then the word should be construed as having acquired that meaning.¹⁰⁵

2. No Importation of Limitations from the Specification into the Claims

One may not read a limitation into a claim from the written

¹⁰⁰ See *Pitney Bowes, Inc. v. Hewlett-Packard Co.*, 182 F.3d 1298, 1308-09 (Fed. Cir. 1999); *Key Pharms. v. Hercon Lab. Corp.*, 161 F.3d 709, 716 (Fed. Cir. 1998).

¹⁰¹ *Key Pharms.*, 161 F.3d at 716.

¹⁰² See *Vitronics*, 90 F.3d at 1582 (noting that a patentee may choose to be his own lexicographer and use words at variance with their ordinary meaning).

¹⁰³ See *Bell Atl. Network Servs. v. Covad Commc’ns. Grp.*, 262 F.3d 1258, 1268 (Fed. Cir. 2001) (recognizing power of inventor as own lexicographer).

¹⁰⁴ See *Golight, Inc. v. Wal-Mart Stores, Inc.*, 355 F.3d 1327, 1332 (Fed. Cir. 2004) (stating that a patentee may define a term as his own lexicographer if he does so “with reasonable clarity, deliberateness, and precision”).

¹⁰⁵ See *Abbott Labs. v. Syntron Bioresearch, Inc.*, 334 F.3d 1343, 1354 (Fed. Cir. 2003) (finding that patentee’s lexicography must appear “with reasonable clarity, deliberateness, and precision” before it can affect the claim).

description.¹⁰⁶ The claims should not be confined only to the specification's disclosed embodiments of the invention.¹⁰⁷

3. Prohibition Against Reading out the Preferred Embodiment

Absent highly persuasive evidence, a construction should not be read to exclude the preferred embodiment.¹⁰⁸

4. Prohibition Against Limiting the Claims to the Preferred Embodiment

Claims should not be limited to the preferred embodiment disclosed in the specification.¹⁰⁹

5. Interpret Disputed Terms to Achieve Purpose of the Invention

The meaning of a disputed claim term should ordinarily be construed to align with the purpose of the patented invention.¹¹⁰

¹⁰⁶ See *Collegenet, Inc. v. Applyyourself, Inc.*, 418 F.3d 1225, 1231 (Fed. Cir. 2005) (“[T]his court will not at any time import limitations from the specification into the claims.”); *Phillips*, 415 F.3d at 1323 (stating the Federal Circuit has “repeatedly warned against confining the claims to specific embodiments.”); *Teleflex, Inc. v. Ficosa N. Am. Corp.*, 299 F.3d 1313, 1326 (Fed. Cir. 2002) (“[L]imitations from the specification are not to be read into all the claims.”).

¹⁰⁷ See *Ventana Med. Sys., Inc. v. Biogenex Labs., Inc.*, 473 F.3d 1173, 1181-82 (Fed. Cir. 2006) (noting inventors are not required to claim specific preferred embodiment written in patent specification).

¹⁰⁸ See *Sandisk Corp. v. Memorex Prods., Inc.*, 415 F.3d 1278, 1285 (Fed. Cir. 2005) (finding district court's claim construction precluding preferred embodiment is wrong); *C.R. Bard, Inc. v. United States Surgical Corp.*, 388 F.3d 858, 865 (Fed. Cir. 2004) (stating claim construction that reads out a preferred embodiment is rarely correct); *Vitronics*, 90 F.3d at 1583 (stating the same).

¹⁰⁹ See *Sandisk Corp.*, 415 F.3d at 1286 (explaining the court will not limit claim terms to preferred embodiment); *RF Delaware, Inc. v. Pac. Keystone Techs., Inc.*, 326 F.3d 1255, 1264 (Fed. Cir. 2003) (stating that it was an error for the district court to read in “most preferred embodiment” as claim limitation).

¹¹⁰ See *Markman*, 517 U.S. at 389 (“[T]erm can be defined only in a way that comports with the instrument as a whole.”); *Phillips*, 415 F.3d at 1316 (“The construction that stays true to claim language and most naturally aligns with the patent's description . . . will be, in the end the correct construction.”) (quoting *Renishaw PLC v. Marposs Societa' Per Azioni*, 158 F.3d 1243, 1250 (Fed. Cir. 1998)); *Merck & Co v. Teva Pharm. USA, Inc.*, 347 F.3d 1367, 1371 (Fed. Cir. 2003) (stating that claims must be construed consistent with specification); *Renishaw PLC*, 158 F.3d at 1250 (finding persuasive claim construction “defines terms in the context of the whole patent.”).

6. *Subject Matter Disclosed but Not Claimed Is Dedicated to the Public*

Specific, non-generic, subject matter disclosed in the specification as an alternative to what is claimed, but not included in the claims, is considered to be dedicated to the public.¹¹¹

7. *Interpret Disputed Terms Consistent with Other Claims*

Claim terms are presumed to be used consistently throughout the patent.¹¹²

8. *Claim Differentiation*

Each patent claim is presumed to have a different scope.¹¹³ A dependent claim is differentiated from the claim from which it depends and is generally construed to have a narrower scope.¹¹⁴ Conversely, an independent claim is presumed to have a broader scope than its dependent claim.¹¹⁵

9. *Steps of a Method Claim Not Ordered Unless Recited in the Claim*

Absent a recitation of order, or an order mandated by grammar or logic, the steps of a method claim are not construed to require

¹¹¹ See *Pfizer, Inc. v. Teva Pharm. USA, Inc.*, 429 F.3d 1364, 1378-79 (Fed. Cir. 2005) (stating unclaimed subject matter must be identified as alternative to a claim limitation to be deemed dedicated to public); *PSC Computer Prods., Inc. v. Foxconn Int'l, Inc.*, 355 F.3d 1353, 1360 (Fed. Cir. 2004) (stating specific disclosure of molded plastic parts used in prior art devices as alternative to metal parts was dedicated to the public where claim was only for metal parts).

¹¹² See *Research Plastics, Inc. v. Fed. Packaging Corp.*, 421 F.3d 1290, 1295 (Fed. Cir. 2005) (stating that presumed consistent usage of claim terms throughout a patent can illuminate the meaning of the same term across different claims); *Phillips*, 415 F.3d at 1314 (stating the same).

¹¹³ See *RF Delaware*, 326 F.3d at 1263 (stating that each patent claim is “presumptively different in scope”).

¹¹⁴ See *Glaxo Grp. Ltd. v. Ranbaxy Pharms., Inc.*, 262 F.3d 1333, 1336 (Fed. Cir. 2001) (“Dependent claims are generally narrower in scope than the claims from which they depend.”).

¹¹⁵ See *ClearstreamWastewater Sys. v. Hydro-Action, Inc.*, 206 F.3d 1440, 1446 (Fed. Cir. 2000) (stating that claim differentiation prevents reading of limitations from narrower dependent claims into broader independent claims).

a particular order.¹¹⁶

10. A “Textual Hook” in the Claim Language Is Required to Impose Limitations from Statements in the Written Description

A textual hook in the language of the claim is required for a limitation based upon statements made in the specification.¹¹⁷

11. Indefiniteness Is Ripe for Resolution During Claim Construction

The question of indefiniteness is ripe for resolution when it arises as part of a disputed claim term during the claim construction process.¹¹⁸

12. Interpret Disputed Term to Preserve Validity of the Patent

If possible, where a claim is amenable to more than one construction, the claim should be construed to preserve its validity.¹¹⁹

IV. CONCLUSION

As more attention is directed to the United States Patent Laws and patent system, by the various components of our tripartite system of government, as well as the business community and the public in general, the issues surrounding patent claim construction or claim in-

¹¹⁶ See *Altiris, Inc. v. Symantec Corp.*, 318 F.3d 1363, 1369 (Fed. Cir. 2003); *Interactive Gift Express, Inc. v. Compuserve, Inc.*, 256 F.3d 1323, 1342-44 (Fed. Cir. 2001) (stating that absent a clear or implied mandate in claim language or specification, or resulting from the grammar and logic of method claim, no order or sequence of steps is required).

¹¹⁷ See *NTP, Inc. v. Research in Motion, Ltd.*, 418 F.3d 1282, 1310 (Fed. Cir. 2005) (“[A] party wishing to use statements in the written description to confine or otherwise affect a patent’s scope must . . . point to a term or terms in the claim with which to draw in those statements.”) (internal quotation marks and citation omitted).

¹¹⁸ See *Howmedica Osteonics Corp. v. Tranquil Prospects, Ltd.*, 401 F.3d 1367, 1371 (Fed. Cir. 2005) (“A determination of claim of indefiniteness is a legal conclusion that is drawn from the court’s performance of its duty as the construer of patent claims.”) (quoting *Personalized Media Commc’ns, LLC v. Int’l Trade Comm’n*, 161 F.3d 696, 705 (Fed. Cir. 1998)); *All Dental Prodx, LLC v. Advantage Dental Prods., Inc.*, 309 F.3d 774, 780 (Fed. Cir. 2002) (concluding that a claim is invalid for indefiniteness after a thorough attempt to understand the meaning of the claim has failed).

¹¹⁹ *Karsten Mfg. Corp. v. Cleveland Golf Co.*, 242 F.3d 1376, 1384 (Fed. Cir. 2001).

terpretation take on increasingly greater significance. The extent to which the claim interpretation process is implemented in a more consistent, predictable and reliable manner, will dictate the level of confidence attributable to the integrity of our patent system. Utilization of a special master in complex patent disputes can go a long way towards achieving that goal.

Moreover, as has been discussed earlier in this article, the growing complexities of science and technology, along with the intricacies of numerous aspects of the patent laws, creates a greater need for the assistance of a special master in resolving complex patent disputes. Furthermore, the federal judiciary, the only branch of our government that functions to achieve balanced resolution to the issues it confronts, without the politicization of those issues, is in the best position to properly address and prevent the negative outcomes of the “bad actor” PAEs. Enlisting the assistance of a special master when appropriate can only enhance that solution.¹²⁰

¹²⁰ Or, as pointed out to me on numerous occasions by several federal judges in which these topics have been discussed, perhaps the pool of potential appointees to the federal bench should be expanded to include members of the bar that have served as special masters in patent cases.

Second Segment: Entrepreneurship and Technology Transfer

Michael Hickey, *Executive in Residence and Executive Director, Center for Innovation and Entrepreneurship, Siena College*

James Spencer, Jr., *Executive Director, Rensselaer Technology Park; Acting Director, Office of Intellectual Property, Technology Transfer and New Ventures*

Esther Vargas, *Director, Emerging Ventures Ecosystem (EVE)*

Martin Ricciardi, *Whiteman Osterman & Hanna LLP*

Dr. Daniele Gallardo, *Cofounder and VP, Business Development, Actasys, Inc.*

Moderators: **Neil Zipkin** and **Benjamin Charkow**, *Amster, Rothstein & Ebenstein LLP*



Michael Hickey
Executive in Residence and Executive Director
Stack Center for Innovation & Entrepreneurship, Siena College

Mike came to Siena with over 25 years experience in technology businesses, with the last 15 as a software executive. He has served as an officer for two public companies. He was a key leader in the business that bought over 12 companies. In his previous role as President of Pitney Bowes Software, Hickey managed a global software business to record revenue of \$400 million with over 1900 employees. As President of Pitney Bowes Software from 2007 until 2010, Mike merged two like sized former public software companies (MapInfo and Group1 Software) into one integrated global business that became one of the 70 largest software companies in the world. His efforts led to 66% increase in operating profit. He and the business received a leadership award from Vantana Research highlighting these accomplishments. In 2008 Mike was named to Tech Valley's Hot 10 list of executives and government officials who make things happen in Tech Valley. In 2012, Hickey was invited and participated in the Clinton Global Initiative to help work on solutions for entrepreneurship in America.

Hickey was with MapInfo since 1995 and served as Chief Operating Officer from 2002 through the acquisition by Pitney Bowes in 2007. He became President of Pitney Bowes MapInfo in 2007. During his tenure at the company, Hickey held a number of executive management positions. In addition to Chief Operating Officer, he previously served in the roles of Executive Vice President, Sales and Marketing, Group Vice President of Operations, and Vice President and General Manager of MapInfo's Information Business. The creation of this strong information business enabled MapInfo to excel in the growth of its solution offerings and had given MapInfo a competitive advantage in the market. Hickey also spearheaded MapInfo's drive into Predictive Analytics through the development and acquisition of new core competencies, as well as the creation of the Location Intelligence category. In addition, Hickey has led MapInfo's Operational Excellence initiative, introducing business management disciplines into the business and driving continuous improvement throughout its operations. During his tenure at the company he was a key executive that helped drive revenue from \$35 million to \$186 million annually and eventually sold the company for \$480 million to Pitney Bowes.

Prior to joining MapInfo, Hickey worked at AlliedSignal (now Honeywell), for nine years, in various management positions. He developed functional experience in sales, industry marketing, product management and business planning. As part of AlliedSignal's Total Quality Initiative (TQM), Hickey was selected for a leadership role and was certified as a Total Quality Master. Hickey became proficient at re-engineering business processes to be market and customer driven and building successful team environments. These skills helped him turn around three struggling product lines in two separate AlliedSignal divisions.

Additionally, Hickey is President of The Hickey Group; an executive consulting firm that helps CEO's maximize their growth potential through strategy, execution, teamwork and leadership. He is also an investor and one of the initial members of the Eastern New York Angels, an investment fund for business start-ups. Hickey is chairman of the Board of Center for Economic Growth (CEG). He was also on the Board of Inmedius, a government software solutions provider sold to Boeing in 2012. Additionally, he previously served as Chairman of Albany-Colonie Chamber of Commerce, Chairman for AeA's (TechAmerica) New York Council Executive Committee and was a member of National Board of Directors, Chair of the TechValley Portal Committee, Board of the American Marketing Association, Board of Associate Trustees of Siena College as Chair-elect, Editorial Board of Business Geographic's, Board of IA Systems, and the board for Apprenda, a middleware PAAS player.



James Spencer, Jr.

Executive Director and Acting Director

Rensselaer Technology Park, Office of Intellectual Property, Technology Transfer and New Ventures, Rensselaer Polytechnic Institute

James E. Spencer, Jr. currently serves as the Executive Director of Rensselaer Technology Park, Real Estate and New Venture Development at Rensselaer Polytechnic Institute, which includes the Rensselaer Office of Technology Commercialization, Rensselaer's intellectual property and technology transfer organization. In this role, Mr. Spencer directs the activities of the Institute's Innovation Ecosystem through intellectual property asset development, new venture creation and commercial real estate. Spencer is leveraging 27+ years of experience as a serial entrepreneur, inventor, business consultant, change agent, real estate investor and corporate executive to foster the next generation of technology-driven economic development and commercialization initiatives at Rensselaer. He holds a bachelor of science in electrical engineering from Brown University and serves as the Chairman of Rensselaer's Entrepreneurship and Innovation Council, and as a Board Member of the Rensselaer County Regional Chamber of Commerce and at the Berkshire Innovation Center.



Esther Vargas

Director

Emerging Ventures Ecosystem (EVE), Rensselaer Polytechnic Institute

Esther Vargas currently serves as the Director of the Emerging Ventures Ecosystem (EVE) at Rensselaer Polytechnic Institute, where she leads and directs the creation and growth of high- technology ventures and economic development. Prior to joining RPI, she was Assistant Director of Research and Commercialization and managed an award-winning business incubator at the University of Central Florida for eight years. Esther's diverse background includes 12 years in the pharmaceutical and hospitality industries, and 12 years in the entrepreneurial domain as a founder and/or co-founder of four startup ventures in the education industry. Her areas of expertise include strategy, commercialization, business and resource development, systems and processes, and project management.

Esther holds an MBA with a dual major in New Venture Development and Marketing from the Kelley School of Business at Indiana University-Bloomington, and a BBA in Managerial Economics from the Interamerican University of Puerto Rico. She is passionate about helping entrepreneurs realize their dreams, and facilitating emerging high-impact technology and service businesses to become profitable and scalable enterprises.



Martin Ricciardi

Partner

Whiteman Osterman & Hanna LLP

Martin Ricciardi, a partner in Whiteman Osterman & Hanna LLP's Business, Corporate and Financial Services practice group, Chairs the Firm's Intellectual Property Practice Group, and Co-Chairs the Firm's Technology Company Law Group. He counsels university and commercial clients in patent, software and technology licensing, the registration, licensing, management and enforcement of trademarks and copyrights, Internet law and in distributorship, agency, franchising and other business relationships.

Mr. Ricciardi is a member of the New York State Bar Association (member of the Intellectual Property Law and the Entertainment, Arts and Sports Law sections), a member of the bar of the State of New York and an inactive member of the District of Columbia Bar. Mr. Ricciardi is a Founder and Master member of the Intellectual Property and Innovation American Inn of Court and a member of the Licensing Executives Society.

Dr. Daniele Gallardo
Cofounder and Vice President for Business Development
Actasys, Inc.

Dr. Gallardo received in B.Sc, and M.Sc, in Mechanical Engineering from the Polytechnic of Turin, Italy and he developed his master thesis on power management systems for fuel cells networks at the Field and Space Robotics Laboratory, MIT. In 2014 Dr. Gallardo received his Ph.D. in aeronautical engineering from the Rensselaer Polytechnic Institute (RPI). During his Ph.D, Dr. Gallardo focused on aerodynamics, computational fluid dynamics, and reduced-order modeling applied to fluid-structure interactions. In 2013 Dr. Gallardo cofounded Actasys and is currently responsible for running day to day operations, finance, marketing, and business development.



Neil Zipkin
Partner
Amster, Rothstein & Ebenstein LLP

Neil M. Zipkin, a mechanical engineer by training, assists clients in obtaining and enforcing mechanical and design patents, trademarks and copyrights; negotiating complex licenses, non-disclosure agreements and employment agreements; and monetizing their intellectual property rights.

He has litigated patent, trademark and copyright cases in federal courts throughout the United States and in state courts in New York and New Jersey. Recognizing that most cases in the intellectual property area are resolved by settlement, Mr. Zipkin is also certified as a mediator.

In the fashion and apparel industry, he represents clients on IP issues involving e-commerce and information systems as well as the design and distribution of merchandise. He won the landmark case establishing that designs incorporated into apparel could be protected by copyright, a case that went to the Second Circuit and set the standard for copyright infringement of designs in the clothing industry. In a recent reported case involving copyright and trade secrets, he represented a retailer in a dispute over the pricing algorithm used on an Internet site to undercut in real time the prices charged by a competitor.

Toys—especially the ones that interact, spin, light up, make noise, calculate and emit sound—are as interesting to a mechanical engineer/IP lawyer as they are to their intended audience. Patent, trademark and copyright issues abound. He represented the largest publisher of children’s books, including musical and sound books, in numerous cases where competitors attempted to infringe copyright, mechanical and design patents, and trademarks.

His experience encompasses products ranging from heavy manufacturing, consumer electronics, printing, food processing, decorative lighting, clothing, dental products and processes, chinaware and flatware, technical fabrics, air conditioner compressors installed in automobiles, boat hull designs, parachutes, home décor items to pickles—he was a key player in the pickle wars in lower Manhattan when a company bought the lease, but not the trademark GUSS’, for a store selling pickles, and proceeded to do business under that iconic brand name.

His advocacy enabled a china manufacturer to compete with an established manufacturer and distributor of china used in hotels following a dispute over whether a basket-motif design is protectable, a case that went to the U.S. Court of Appeals. He prevailed on summary judgment in a case in which he represented a manufacturer asserting its patent for “twinkling” holiday lights.

He was a key player in a complex dispute between the Communications Workers of America and Verizon and Verizon Wireless regarding the “can you hear me now” trademark; a dispute over which dressage horses may be called a “Holstein” horse; design patents over cell phone chargers; and method and business patents involved in the distribution of highly precise copiers relying on heat-transfer printing imported to the United States from Japan. Mr. Zipkin also represents clients before governmental agencies to prevent the importation of goods bearing counterfeit trademarks or copyrights.



Benjamin Charkow
Associate
Amster, Rothstein & Ebenstein LLP

An engineer by training, Benjamin Charkow's diverse intellectual property practice runs the gamut from applying for copyrights and trademarks, conducting patentability searches to enforcing patent and other intellectual property rights through litigation. He communicates technical details and issues clearly to non-specialists and understands the business dynamics behind clients' intellectual property.

Mr. Charkow's patent practice spans numerous technologies including software and business method patents, electromechanical devices, consumer electronics and the chemical and pharmaceutical arts. He serves as general IP counsel to a company in the home apparel business and advises on matters ranging from the prosecution and enforcement of trademarks and copyrights to the negotiation of product licenses.

Mr. Charkow is a charter member of the Rensselaer Polytechnic Institute Innovation Hub (RPIHUB). In that role, he provides legal support to budding entrepreneurs working with the Emerging Ventures Ecosystem (EVE) - RPI's distributed business incubation program.

As a member of numerous ARE litigation teams, Mr. Charkow has extensive experience with the preparation of expert reports, taking and defending depositions and motion practice. Recently, he took the lead in preparing the summary judgment motion for a client involved in the largest patent multi-district litigation ever, a dispute over interactive call center technology, which resulted in a finding of non-infringement for the firm's client. He is currently part of the trial team for a significant patent litigation in the diaper industry and is responsible for patents relating to superabsorbent polymer technology.

KEYNOTE SPEAKER



Honorable Arthur Gajarsa (ret.)
Circuit Judge
United District Court of Appeals for the Federal Circuit

Arthur Gajarsa is a senior counsel in the Litigation/Controversy Department of Wilmer Cutler Pickering Hale and Dorr LLP and a member of the Intellectual Property Litigation Practice. He joined the firm in 2012.

Prior to joining WilmerHale, Judge Gajarsa had a long and distinguished career in the judiciary. He was nominated to the Federal Circuit in 1996 by President Clinton, confirmed by the US Senate in 1997 and served for 15 years, retiring in June 2012. Prior to his appointment, Judge Gajarsa was a well-recognized litigator who also practiced corporate law, intellectual property, securities law and general litigation with various law firms as a partner or principal officer. His career includes service at the Department of Commerce, Department of the Interior and Department of Defense.

Judge Gajarsa has represented Native American tribal interests for whom he made several appearances before the US Supreme Court. In 1987, he joined the firm of Joseph, Gajarsa, McDermott & Reiner, P.C., where he continued his international and corporate law interests, including an expansive representation of Native American tribal interests.

Third Segment: Current Issues in Patent Law

Panel 1

Update On Key Supreme Court And Federal Circuit Decisions

Anthony Lo Cicero, *Amster, Rothstein & Ebenstein LLP*

Annemarie Hassett, *Engelberg Center for Innovation Law and Policy, NYU School of Law*

Nicholas Mesiti, *Heslin Rothenberg Farley & Mesiti P.C.*

Moderator: **Charles Hoffmann**, *NYIPLA Immediate Past President*



Anthony Lo Cicero
Partner
Amster, Rothstein & Ebenstein LLP

An engineer by training, Anthony Lo Cicero has represented companies in patent and trademark litigation involving product areas as diverse as e-commerce platforms, angular rate sensors, camcorders and textiles. He conducts due diligence of IP portfolios and provides strategic patent counseling to companies in a wide range of industries from recorded and published music to consumer electronics.

Very sophisticated technology competes with style and price as key aspects of the customer experience in the fashion industry. Mr. Lo Cicero represents some of the most prominent brick-and-mortar and on-line retailers in the country in patent disputes relating to the enterprise's e-commerce, mobile and point of sale systems. The retail industry regularly confronts patent assertions involving mobile platforms, electronic merchandise presentation, billing, marketing, inventory management and other features of the 21st century marketplace. Mr. Lo Cicero evaluates and responds to these assertions in a practical, business-oriented manner. For example, on behalf of one retailer, he obtained dismissals of several actions for little or no payment. Mr. Lo Cicero also evaluates contractual terms with vendors and suppliers to mitigate liability and works with retailers to identify and obtain protection for their own innovations. He has assisted retailers in successfully pursuing indemnification claims ranging to seven-figure settlements.

Restaurants, financial institutions, insurance companies, health care institutions, consumer product manufacturers and other businesses likewise rely on technology to bind customers, improve the customer experience, differentiate themselves and stimulate demand. Mr. Lo Cicero advises clients on freedom to operate issues, prosecutes patents and defends them in litigation.

Many of the most prestigious apparel manufacturers and retailers in the world, along with financial services, food products, computer, consumer electronics, home products, and toy companies also turn to Mr. Lo Cicero for trademark protection. He advances brand development and enforcement strategies ranging from anti-counterfeiting and trademark infringement protection to trade dress and Internet domain matters. For example, he overcame significant legal obstacles to protecting a name and symbol for what is now one of the best-known prestige brands in the country. On many occasions, he has been called upon to enforce trademark rights for entities that do not have the advantage of a federal trademark registration.

Mr. Lo Cicero was actively involved in shaping the Trademark Anti-counterfeiting Act of 1984, and served on the board of the International Anti-counterfeiting Coalition during seminal efforts to strengthen the protection of federal and state laws, including Customs laws, to counteract counterfeiting. He is also effective at marshalling law enforcement agencies in the United States and other countries to disrupt and dismantle counterfeiting operations harming his clients' rights. For example, counterfeit toner cartridges were adversely impacting the profitability of a major printer manufacturer; he coordinated Customs and law enforcement in the United States and abroad, obtained seizure orders and mitigated the problem. Similarly, he represents companies based in Europe, Asia and Latin America in protecting their trademark rights in the United States.

An important element of Mr. Lo Cicero's work is transactional and results in monetizing a client's IP through a sale or license agreement. Knowledgeable of customs and terms in a wide variety of industries, he counsels clients on structuring and pricing transactions when the IP is the key value of an enterprise.



Annemarie Hassett
Executive Director
Engelberg Center for Innovation Law and Policy, NYU School of Law

Anne Hassett recently joined NYU School of Law as a Research Scholar and the Executive Director of the Engelberg Center on Innovation Law and Policy. Anne has over 30 years' experience as a trial lawyer, including extensive work on patent litigations involving pharmaceuticals, medical devices, cellular telephone systems, and optical amplifiers. She joined NYU from Goodwin Procter LLP, where she was a senior partner in the firm's Intellectual Property Litigation Group, as well as a member of the firm's Pro Bono Committee, its Women's Initiative Steering Committee, and a co-chair of the firm's New York Women's Initiative Council. Previously, Anne was a partner at Kirkland & Ellis, Of Counsel at Fish & Neave, and an associate at Newman, Schwartz & Greenberg in NYC. Anne started her career as an associate at Foley Hoag in Boston and then served for five years as an Assistant Federal Defender. Anne is an officer and trustee of the New York Intellectual Property Association and a member of the Conner Inn of Court. She holds a BS, summa cum laude, in Chemistry from SUNY Albany, an MA in Chemistry from Harvard, and a JD, cum laude, from the University of California, Hastings College of Law, where she was Editor-in-Chief of The Hastings Law Journal.

Nicholas Mesiti
Principal Attorney
Heslin Rothenberg Farley & Mesiti P.C.

Nicholas Mesiti, the Managing Partner of the firm, is an experienced and versatile intellectual property law practitioner and litigator. Mr. Mesiti's practice includes patent infringement, trademark, false advertising, copyrights and unfair competition cases. Mr. Mesiti has been lead trial counsel in numerous infringement jury and non-jury trials, and appeals. Mr. Mesiti's technical and legal abilities have enabled him to handle complex patent infringement cases in various technologies including medical devices, semiconductors, electronics, communication systems, optics, industrial and power generation machinery, biotechnology, pharmaceutical and biopharmaceutical products. His cases have also included other consumer products such as furniture, backpacks, and protein bars.

Mr. Mesiti also counsels clients in all aspects of intellectual property law including rendering of non-infringement, validity and patentability opinions; due diligence investigations, audits and opinions; as well as managing, licensing and acquiring intellectual property portfolios. Mr. Mesiti has been recognized by his peers as a "Super Lawyer" in the area of Intellectual Property Law as published in Law & Politics. He is a frequent guest lecturer and presenter in the area of Intellectual Property.



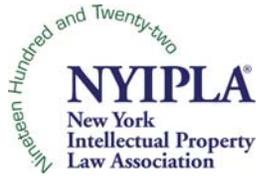
Charles Hoffmann
Immediate Past President
NYIPLA

Mr. Hoffmann is a graduate engineer of Rensselaer Polytechnic Institute and has a J.D. degree from New York University School of Law. He is registered to practice law in the State of New York, before the United States Patent and Trademark Office, in numerous United States District and Appellate Courts and the Supreme Court of the United States.

His career began in New York City in 1965 at the intellectual property law firm of Kane, Dalsimer and Kane where he became a partner in 1969. He moved his practice to Long Island in 1984 and founded the law firm of Hoffmann & Baron, LLP.

Throughout his career he has practiced in all aspects of intellectual property law with extensive patent and trademark litigation experience on the trial and appellate levels including the Supreme Court of the United States and proceedings before the International Trade Commission as both advocate and law expert. Mr. Hoffmann is a sought-after lecturer in patents, trademarks, and trade secrets and is a faculty member of the Practising Law Institute.

Mr. Hoffmann is the immediate Past President of the NYIPLA and a member of the Board of Directors. He previously served on the Board and as an Officer of the Association since 2002. He retired from his firm in 2014 and is currently consulting and practicing law at Charles R. Hoffmann. P.C. in Woodbury, N.Y.



Update On Key Supreme Court And Federal Circuit Decisions

Panelists: Anthony Lo Cicero, NYIPLA President, Amster, Rothstein & Ebenstein LLP
Annemarie Hassett, NYU Law School
Nicholas Mesiti, Heslin Rothenberg Farley & Mesiti P.C.
Moderator: Robert Rando, The Rando Law Firm P.C.

Hosted by the NYIPLA Programs Committee **April 15, 2015**
Co-Chairs: Mark Bloomberg, Colman Ragan, Robert Rando Board Liaison: Richard Parke



Limelight Networks, Inc. v. Akamai Technologies, Inc. et al., 572 U.S. __ (June 2, 2014)

- ▶ Unanimous Supreme Court ruled that a party cannot be held liable for inducing patent infringement when no direct infringement had occurred
- ▶ The Court assumed the correctness of the Federal Circuit's ruling in *Muniauction* that §271(a) direct infringement requires solely one party to perform all steps of a claimed method



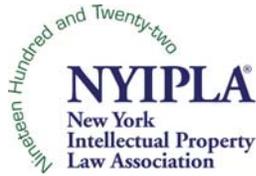
VirnetX Inc et al v. Cisco Systems, Inc. et al,
767 F. 3d 1308 (Fed Cir. 2014)

- ▶ Federal Circuit held that when dealing with a product containing both infringing and noninfringing features, the patentee must apportion the value attributable to the infringing features to arrive at the appropriate royalty base.
 - ▶ Entire market rule is only applicable in limited circumstances.
-



VirnetX Inc et al v. Cisco Systems, Inc. et al,
767 F. 3d 1308 (Fed Cir. 2014)

- ▶ Unless the entire market value rule applies, the patent owner must first identify the smallest salable unit.
 - ▶ If that unit contains both noninfringing and allegedly infringing features, then the patent owner must identify what portion of the value of that unit is attributable to the allegedly infringing features.
-



Update On Key Supreme Court And Federal Circuit Decisions

Panelists: **Anthony Lo Cicero**, *NYIPLA President, Amster, Rothstein & Ebenstein LLP*
Annemarie Hassett, *NYU Law School*
Nicholas Mesiti, *Heslin Rothenberg Farley & Mesiti P.C.*
Moderator: **Robert Rando**, *The Rando Law Firm P.C.*

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Nautilus, Inc. v. Biosig Instruments, Inc.

134 S.Ct. 2120 (2014)

- ▶ A patent claim is invalid for indefiniteness if, when read in light of the specification and prosecution history, it fails to inform, with reasonable certainty, those skilled in the art about the scope of the invention.
- ▶ The prior standard of “not amenable to construction” and not “insolubly ambiguousness” resulted in a zone of uncertainty which may be entered only at the risk of an infringement claim, and tolerates some ambiguous claims and not others.



BuySAFE, Inc., v. Google Inc.

765 F.3d 1350 (Fed.Cir. 2014)

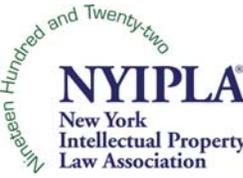
- ▶ **Two Part Analysis under 35 U.S.C. § 101:**
 - ▶ (1) The court must determine if the claim at issue is directed toward an abstract idea and;
 - ▶ (2) examine the elements of the claim to determine whether it contains an “inventive concept” sufficient to transform the abstract idea into a patent-eligible application.
- ▶ Intangible entities of guaranteeing certain arrangements involving contractual relations are abstract ideas.
- ▶ Use of computer or network to send and receive information cannot transform abstract idea into patentable subject matter under 35 U.S.C. §101.

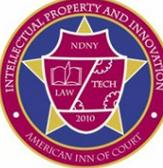


I/P Engine, Inc. v. AOL Inc.

2014 WL 3973501 (Fed.Appx. 2014)

- ▶ Combining content based and collaborative based filtering for a search engine is obvious.
- ▶ No reasonable juror could find claim non-obvious when:
 - (1) Prior art suggested benefits of combination;
 - (2) Patentee did not show unexpected results (conclusory expert opinion/testing is insufficient)
 - (3) Patentee did not show indicia of non-obviousness
 - (a) commercial success with nexus to invention
 - (b) copying
 - (c) long felt need



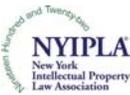


Update On Key Supreme Court And Federal Circuit Decisions

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Moderator: **Robert Rando**, *The Rando Law Firm P.C.*

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Commil v. Cisco

- ▶ “Whoever actively induces infringement of a patent shall be liable as an infringer.”
- ▶ Commil challenges the Federal Circuit’s conclusion that “[i]t is axiomatic that one cannot infringe an invalid patent” and thus one cannot induce infringement of a patent honestly, thought mistakenly, believed to be invalid.
 - ▶ Patents are presumed to be valid
 - ▶ Infringement and validity are independent questions
 - ▶ Invalidity precludes liability for infringement but does not preclude a finding of infringement.

New York Intellectual Property Law Association (NYIPLA)
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Commil v. Cisco

- ▶ Query what SCOTUS meant in prior cases:
 - ▶ *Global Tech*: “induced infringement under § 271 (b) requires knowledge that the induced acts constitute patent infringement.”
 - ▶ *Aro Mfg. Co. v. Convertible Top Replacement Co.*: imposed liability for contributory infringement once Aro actually knew that a patent covered the replacement part it made without a license

- ▶ Solicitor General: Inducement only requires proof the patentee understood that the conduct is within the scope of the asserted claims.

Teva v. Sandoz

- ▶ Factual issues resolved by the district court in construing a disputed patent claim term are subject to a clear error standard of review, not the de novo standard.

- ▶ Federal Circuit must give substantial deference on appeal to factual conclusions that underpin claim construction rulings.

- ▶ Although *Teva v. Sandoz* changes the standard of review for subsidiary factual matters, the ultimate issue of claim interpretation is still reviewed de novo



Teva v. Sandoz

- ▶ Claim construction may involve both legal and factual elements, which call for different levels of appellate review.
- ▶ If intrinsic evidence alone is the basis for a patent claim term construction, then the determination is a legal question subject to de novo review.
- ▶ If intrinsic evidence alone does not resolve the question, and the district court takes extrinsic evidence (e.g., expert testimony, technical dictionary definitions, etc.) to better understand the meaning of the term, such facts are subject to review for clear error.
- ▶ Facts in the intrinsic evidence presented by the applicant during prosecution are not subject to review for clear error.



Alice Corp. v. CLS Bank International

- ▶ Section 101 patent eligibility is limited by the judicially-created exception that “[l]aws of nature, natural phenomena, and abstract ideas are not patentable.” *Alice Corp.*, 134 S. Ct. at 2354.
- ▶ Applying analysis in *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 132 S. Ct. 1289 (2012), *Alice* claims were directed to an abstract idea.
- ▶ A unanimous SCOTUS affirmed a deeply divided CAFC.
 - ▶ A three-judge panel reversed the district court, concluding that *Alice* claims were not directed to an abstract idea.
 - ▶ Rehearing *en banc*, the CAFC vacated the panel opinion, and affirmed the district court in a one paragraph *per curiam* opinion.
 - ▶ The ten-judge panel issued five separate opinions, with none garnering support from more than a plurality.
 - ▶ Seven judges agreed that the method claims were invalid, but only five would have found the system claims invalid



Alice Corp. v. CLS Bank International

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Association for Molecular Pathology v. Myriad Genetics, Inc.

- ▶ DNA isolated from nature is not patentable subject matter.
- ▶ cDNA (synthesized DNA that omits non-coding portions) is patentable.
- ▶ Myriad did not create nor alter the sequence of the DNA isolated from nature
 - ▶ the minor chemical differences between naturally occurring DNA and isolated DNA would not change the informational component of DNA relative to its naturally occurring state.
- ▶ Removing the non-expressing portion of the DNA sequence to produce cDNA yielded a non-naturally occurring DNA sequence.
 - ▶ this change in the informational content renders the cDNA sequence patent- eligible subject matter.



Association for Molecular Pathology v. Myriad Genetics, Inc.

- ▶ *Myriad* applied the long-standing “rule against patents on naturally occurring things”: *Diamond v. Chakrabarty*, 447 U.S. 303 (1980) (“*Chakrabarty*”), and *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 566 U.S. ___, 132 S. Ct. 1289, 101 USPQ2d 1961 (2012) (“*Mayo*”). See *Myriad*, 133 S. Ct. at 2116.
- ▶ *Myriad* re-affirmed *Chakrabarty*’s criterion for patent eligibility of a “natural product”:
 - ▶ Whether or not in fact the product is a non-naturally occurring product of human ingenuity that is markedly different from naturally occurring products. *Id.* at 2116-17.
- ▶ Claims reciting or involving natural products should be examined for a marked difference under *Chakrabarty*.

Nautilus, Inc. v. Biosig Instruments, Inc.
___ U.S. ___, 134 S.Ct. 2120, 189 L.Ed. 2d 37 (2014)

The Supreme Court found that a patent claim is indefinite when it fails to inform those skilled in the art about the scope of the invention with reasonable certainty, when read in light of the specification and prosecution history.

Biosig, brought an infringement claim against Nautilus. The claim of the patent at issue related to a heart-rate monitor comprising a cylindrical bar including electrodes on each end, one common and one live mounted “in spaced relationship with each other.” The United States District Court for the Southern District of New York construed the term “spaced relationship” to mean that “there is a definite relationship between the live electrode and common electrode, but found the term indefinite under 35 U.S.C. §112, ¶2. The Court of Appeals for the Federal Circuit reversed finding the term not insolubly ambiguous and amenable to construction. The Court of Appeals for the Federal Circuit found that a person of ordinary skill in the art would understand that the space between electrodes must not be “greater than the width of a user’s hands” because the electrodes must “independently detect electrical signals at two distinct points of a hand.”

The Supreme Court vacated and remanded holding that under 35 U.S.C. §112, ¶2 a claim must be precise enough to afford clear notice. The lower court’s standard of “insolubly ambiguousness” diminished the public notice function of 35 U.S.C §112 allowing for a zone of uncertainty as to what the claims cover, and tolerating some ambiguous claims and not others. The Supreme Court also stated that patent claims should be construed from the objective perspective of a skilled artisan, which should be indicative of whether the application provided enough precision to afford clear notice to the public as to what is still open to utilize or create.

The Federal Circuit thus held that a patent claim is invalid for indefiniteness if, read in light of the patent's specification and prosecution history, it fails to inform those skilled in the art about the scope of the invention with reasonable certainty. The court remanded the indefiniteness determination and did not express an opinion on the validity of the claim in light of this standard.

***BuySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350 (Fed. Cir. 2014)**

The Court of Appeals for the Federal Circuit held that a claim directed to an abstract idea was not patentable under 35 U.S.C. §101 because additional elements recited in the claim did not provide an “inventive concept” but rather merely recited a computer which sends and receives information.

Patent owner of a guaranty service for online transactions, BuySAFE, brought an infringement claim against Google. The United States District Court for the District of Delaware granted judgment on the pleadings in favor of Google finding the patent invalid under 35 U.S.C. §101. The Court of Appeals for the Federal Circuit affirmed citing *Alice, Gap v. CLS Bank Intn’l*, _____ U.S. ____, 134 S.Ct. 2347, 187 L.Ed. 2d 296 (2014).

The claims at issue were directed to a method for guaranteeing a party’s performance during an online transaction. The process included performing the following steps *all using a computer*: receiving a request for a performance guarantee of a commercial transaction; processing the request for performance by underwriting the requesting party to provide the performance guarantee; and offering via a “computer network” a transaction guarantee that binds the transaction to guarantee the performance. The District Court found the claims invalid under §101. The Court of Appeals for the Federal Circuit affirmed and held that (1) The court must determine if the claim at issue is directed toward an abstract idea and then; (2) examine the elements of the claim to determine whether it contains an “inventive concept” sufficient to transform the abstract idea into a patent-eligible application. The Court of Appeals for the Federal Circuit found the guarantee of certain arrangements, as claimed, involving contractual relations were abstract ideas under 35 U.S.C. §101. The Court also found that the computer, as recited in the claim, merely receives and sends data over a network and processes computations.

As such, the computer implementation was not substantial enough to transform the abstract idea into patent eligible subject matter.

I/P Engine, Inc. v. AOL Inc., 2014 WL 3973501

The Court of Appeals for the Federal Circuit found that when the prior art suggests combining two well known search engine filtering techniques, namely, content based and collaborative based, a claim directed to a search engine which combined these techniques was obvious, absent any evidence of unexpected results.

The claims at issue in this case recited search engine, which uses a combined method of content based filtering and collaborative based filter (filtering based upon feedback from other users) to filter each information item to respond to a user's query. I/P Engine, Inc. the patentee brought an infringement action against AOL. The United States District Court for the Eastern District of Virginia held a jury trial. At trial, the jury found claims infringed and not anticipated, but made no recommendation on obviousness, which is an issue of law. The District Court, however, found the claims non-obvious and thus invalid. The Court of Appeals for the Federal Circuit reversed finding the claims obvious.

The test of obviousness involves an analysis of (1) the scope and content of the prior art; (2) the differences between the claimed invention and the prior art; (3) the level of ordinary skill in the art; and (4) any objective indicia of non-obviousness. The Court of Appeals for the Federal Circuit found no reasonable juror could find the claims non-obviousness. The prior art that exists in the field contained explicit statements describing the advantages of combining content and collaborative filtering, which are two well known methods to those with knowledge of the art. The Court of Appeals for the Federal Circuit reiterated that a nonenabling reference still qualifies as a prior art for purposes of obviousness. I/P Engine provided scant evidence of objective indicia of non-obviousness and no nexus between commercial success of the infringing device and the claim invention. Insufficient evidence of copying existed, and only

evidence of unexpected results was conclusory expert testimony. Thus, in the absence of factual evidence of unexpected results, and indicia of non-obviousness, the prior art's teachings of the advantages of combining the search filtering techniques, rendered the claims obvious.

Significant Recent Supreme Court of the United States and Court of Appeals for the Federal Circuit Decisions and the Impact on Patent Law

- Scope and Frequency of Review

- Shaping of the Law
 - a. Judicial Impact

 - b. Legislative Activity

 - c. Public Interest

Expanded Financial Liability Through Fee Shifting Including Award of Attorney's Fees

Statutory History

- a. Patent Acts Prior to 1946 did not authorize awarding of attorney's fees to the prevailing party.
- b. 1946 Congress amended the Patent Act codified in § 70 providing for the ability of a court in its discretion to award reasonable attorney's fees to the prevailing party upon the entry of judgment in any patent case. The courts proceeded to apply an award under § 70 only under extraordinary circumstances.
- c. The 1952 patent statute amended the fee shifting provision and recodified it as § 285. The court in its discretion could award reasonable attorney's fees to the prevailing party in exceptional cases. The amended language was interpreted to be mere clarification of § 70 as included in § 285 and for 30 years the courts applied it in a discretionary manner and determined if the case was exceptional.

CAFC

- In 1982 the Court of Appeals for the Federal Circuit was created and for approximately 20 years the court instructed the district courts to consider the totality of the circumstances when making determinations under § 285 and noted that the substitution of the phrase “In exceptional cases” did not do away with the discretionary feature.
- The Federal Circuit abandoned that equitable approach in 2005 in favor of a more rigid and mechanical formulation. *Brooks Furniture Mfg. Inc. v. Dutailer Int’l Inc.* 393 F.3rd 1378 holds a case to be exceptional under § 285 only when there has been some material inappropriate conduct related to the matter in litigation, such as willful infringement, fraud or inequitable conduct in procuring the patent, misconduct during litigation, vexatious or unjustified litigation, conduct that violates Federal Rules of Civil Procedure 11 or like infractions. Absent misconduct in conduct of the litigation or in securing the patent, the Federal Circuit continued, fees “may be imposed against the patentee owner only if both (1) the litigation is brought in subjective bad faith and (2) the litigation is objectively baseless. The Court further clarified that litigation is objectively baseless only if it is “so unreasonable that no reasonable litigant could believe it would succeed” and that litigation is brought in subjective bad faith only if the plaintiff actually knew that it is objectively baseless. Finally, *Brooks Furniture* held that in view of the presumption

of the validity of a duly granted patent the underlying improper conduct and the characterization of the case as exceptional must be established by clear and convincing evidence.

SUPREME COURT

- Octane Fitness LLC v. ICON Health and Fitness, Inc. (No. 12-1184) decided April 29, 2014
- Both parties manufactured exercise equipment and the suit was for patent infringement. The District Court granted motion for summary judgment of non-infringement and denied motion for attorney's fees under the *Brooks Furniture* standard. The Court of Appeals for the Federal Circuit affirmed both judgments.
- The Supreme Court reversed and remanded finding the *Brooks Furniture* standard to be unduly rigid and impermissibly encumbers the statutory grant of discretion to district courts.
- The district court has discretion to award reasonable attorney's fees to a prevailing party in a patent litigation with the one and only constraint on that discretion that the power is reserved for exceptional cases.
- An exceptional case is simply one that stands out from others with respect to the substantive strength of a parties litigating position (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated.

- District courts may determine whether a case is exceptional in the case by case exercise of their discretion, considering the totality of the circumstances. The Federal Circuit's formulation is overly rigid.
- Clear and convincing evidence is inappropriate and the preponderance of the evidence standard is applicable. Section 285 demands a simple discretionary inquiry and imposes no specific evidentiary burden much less such a high one. Patent infringement litigation has always been governed by a preponderance of the evidence standard.

- Highmark Inc. v. Allcare Health Management System, Inc. (No. 12-1163) decided April 29, 2014
- Case argued and decided at the same time as Octane Fitness case.
- The Supreme Court held that an Appellate Court should review all aspects of a district court's § 285 determination for abuse of discretion. District court entered final judgment of non-infringement and was affirmed by the Federal Circuit. District court granted motion for attorney's fees under § 285 on the basis of a pattern of vexatious and deceitful conduct throughout the litigation. The Federal Circuit affirmed the district court's exceptional case determination. After reviewing the issues *de novo*, the Federal Circuit determined that an objective-baselessness determination is reviewed on appeal *de novo* and without deference. It then determined that contrary to the judgment of the District Court, Allcare's argument as to claim construction was not so unreasonable that no reasonable litigant could believe it could succeed and further found that none of the conduct warranted an award of fees under the litigation-misconduct prong of the Federal Circuit's *Brooks Furniture* decision. The Supreme Court reversed and remanded based on its opinion in the *Octane Fitness* decision which rejected the *Brooks Furniture* framework as unduly rigid and inconsistent with the text of § 285.

- The Supreme Court held that the word “exceptional” in § 285 should be interpreted in accordance with its ordinary meaning. An exceptional case, it explains, “is simply one that stands out from others with respect to the substantive strength of a parties litigating position (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated.
- The District Court may determine whether a case is exceptional in the case by case exercise of its discretion considering the totality of the circumstances. Thus, the Supreme Court stated that its holding in *Octane* settles this case: because § 285 commits the determination of whether a case is “exceptional” to the discretion of the district court, that decision is to be reviewed on appeal for abuse of discretion.
- Traditionally, decisions on “questions of law” are “reviewable *de novo*”, decisions on “questions of fact” are “reviewable for clear error” and decisions on “matters of discretion” are “reviewable for abuse of discretion”.
- The District Court is better positioned to decide whether a case is exceptional because it lives with the case over a prolonged period of time and therefore an Appellate Court should apply an abuse of discretion standard in reviewing all aspects of a district court’s § 285 determination.

Judicial Impact

1. “Fee Shifting After Octane and Highmark
2. Higher success rate of § 285 motions
3. 6 of 31 motions granted 8 months prior to Decisions
4. 21 of 43 motions granted 8 months after Decisions

Legislative Activity

Push for legislation and bond options still present after Decisions

1. Financial Responsibility (collection concerns)
2. Full party disclosure
3. Reasonable requirements for posting bond

Public Interest

Neutralization of PAE Issues

Octane Fitness, LLC v. Icon Health & Fitness, Inc.

No. 12-1184

Decided April 29, 2014

Section 285 of the Patent Act authorizes the District Court to award attorney's fees in patent litigation. It provides, in its entirety, that the Court in exceptional cases may award reasonable attorney's fees to the prevailing party. In *Brooks Furniture Mfg., Inc. v. Dutailier Int'l, Inc.*, 393 F.3d 1378 (2005), the Federal Circuit held that a case may be deemed exceptional under § 285 only in two limited circumstances: The first is "when there has been some material inappropriate conduct," the second is when the litigation is both brought in subjective bad faith and is objectively baseless. The Supreme Court in this decision holds that the *Brooks Furniture* framework is inconsistent with the statutory text.

Prior to 1946, the Patent Act did not authorize the awarding of attorney's fees to the prevailing party in patent litigation. Congress amended the Patent Act in 1946 to add a discretionary fee shifting provision then codified in § 70 which stated that a court "may in its discretion award reasonable attorney's fees to the prevailing party upon the entry of judgment in any patent case." 35 U.S.C. § 70. Courts proceeded to apply § 70 "only in extraordinary circumstances."

Six years later, Congress amended the fee shifting provision and re-codified it as § 285. The language was amended to refer to "exceptional cases as being appropriate for awarding reasonable attorney's fees. It has been accepted that the re-codification did not substantively alter the meaning of the statute. The courts applied it for the next thirty years in a discretionary manner to determine a given case was sufficiently exceptional to warrant a fee award.

In 1982, the Federal Circuit was created and for twenty years the Federal Circuit instructed the district court's to consider the totality of the circumstances when making fee determinations under § 285. It was generally understood that substitution of the phrase "exceptional cases" did not do away with the discretionary feature.

This changed in 2005 when the Federal Circuit abandoned the equitable approach in favor of a more rigid and mechanical formulation. In *Brooks Furniture Mfg. Inc. v. Dutailier Int'l, Inc.*, 393 F.3d 1378 (2005), the Court held that a case is exceptional under § 285 only "when there has been some material inappropriate conduct related to the matter in litigation such as willful infringement, fraud or inequitable conduct in procuring the patent, misconduct during litigation, vexatious or unjustified litigation, conduct that violates Federal Rules of Civil Procedure 11 or like infractions. Absent misconduct in conduct of the litigation or in securing the patent, the Federal Circuit continued, fees "may be imposed against the patentee only if both (1) the litigation is brought in subjective bad faith, and (2) the litigation is objectively baseless. It was subsequently clarified by the Federal Circuit that litigation is objectively baseless only if it is so unreasonable that no reasonable litigant could believe it could succeed, and, that litigation is brought in subjective bad faith only if the plaintiff actual knows that it is objectively baseless. *Brooks Furniture* also held that because there is a presumption that the assertion of infringement of a duly granted patent is made in good faith, the underlying improper conduct and characterization of the case as exceptional must be established by clear and convincing evidence.

ICON Health & Fitness, Inc. owns a patent which discloses an elliptical exercise machine that allows for adjustments to fit the individual stride pads of users. ICON is a major manufacturer of exercise equipment. ICON sued Octane for patent infringement. The District Court granted Octane's motion for summary judgment based on non-infringement. Octane

moved for attorney's fees under § 285 and the District Court denied Octane's motion. The *Brooks Furniture* standard was applied. Both parties appealed and the Federal Circuit affirmed both orders.

The Supreme Court granted certiorari and reversed and remanded the case. It found the framework established by the Federal Circuit in *Brooks Furniture* to be unduly rigid and it impermissibly encumbers the statutory grant of discretion to district courts. The Supreme Court's analysis began and ended with the text of § 285 "the court in exceptional cases may award reasonable attorney's fees to the prevailing party." The text is patently clear according to the Supreme Court. It imposes one and only one constraint on district courts' discretion to award attorney's fees in patent litigation. The power is reserved for "exceptional" cases. The Supreme Court further held that an "exceptional" case is simply one that stands out from others with respect to the substantive strength of a parties litigating position (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated. District courts may determine whether a case is exceptional in the case by case exercise of their discretion considering the totality of the circumstances.

The Federal Circuit's formulation was found to be overly rigid in *Brooks Furniture* in defining a case as exceptional only if a district court either finds litigation related misconduct of an independently sanctionable magnitude or determines that the litigation was both "brought in subjective bad faith" and "objectively baseless". This formulation superimposes an inflexible framework onto statutory text that is inherently flexible.

The court also rejected *Brooks Furniture* for another reason. It would appear to render § 285 largely superfluous. The Supreme Court has long recognized the common law exception to the general American rule against fee-shifting, an exception, "inherent" in the power of the

courts that applies for “willful disobedience of a court order” or “when the losing party has acted in bad faith veraciously, wantonly or for oppressively reasons. The Supreme Court pointed out that it had previously declined to construe fee-shifting provisions narrowly on the basis that doing so would render them superfluous given the background of the American rule and it does so again in this instance.

The final aspect in its rejection of the *Brooks Furniture* decision of the Federal Circuit is directed to the clear and convincing evidence standard. The Supreme Court has not interpreted comparable fee shifting statutes to require proof of entitlement to fees by clear and convincing evidence. Nothing in § 285 justifies such a high standard of proof according to the court. Section 285 demands a simple discretionary inquiry and imposes no specific evidentiary burden much less such a high one. Patent-infringement litigation has always been governed by a preponderance of the evidence standard and that is the standard applicable in civil actions because it allows both parties to share the risk of error in roughly equal fashion. This case is another example of the Supreme Court’s actions in recent years to limit the Federal Circuit’s efforts to develop more defined, rigid and bright line rules in contrast to more equitable and general principles applicable to judicial determinations.

Highmark Inc. v. Allcare Health Management System, Inc.

12-1163 Supreme Court

Decided April 29, 2014

This Supreme Court decision is a companion case to *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S.Ct. 981 (2014). Both cases were argued and decided on the same day. Consistent with its *Octane Fitness* opinion, the Court here held that an Appellate Court should review all aspects of a District Court's Section 285 determination for abuse of discretion. Section 285 of the Patent Act provides "the court in exceptional cases may award reasonable attorney's fees to the prevailing party".

Allcare owns a patent which covers I "utilization review" in "managed healthcare systems". Highmark is a health insurance company who sued Allcare seeking a declaratory judgment that the patent was invalid and unenforceable and that, to the extent it was valid, there was no infringement. Allcare counterclaimed for patent infringement. Pursuant to summary judgment motions, the District Court entered a final judgment of non-infringement in favor of Highmark which was affirmed by the Federal Circuit.

The District Court then granted *Highmark's* motion for attorney's fees under § 285. The Court found that *Allcare* had engaged in a pattern of vexatious and deceitful conduct throughout the litigation. It had pursued the suit as part of an effort to force companies to purchase a license under threat of litigation. The District Court also found that Allcare had maintained infringement claims well after the claims had been shown by its own experts to be without merit and had asserted defenses it and attorneys knew to be frivolous.

The Federal Circuit affirmed in part and reversed in part. It reversed the exceptional case determination in a “*de novo*” review. The Court held that because the question of whether litigation is objectively baseless under its *Brooks Furniture* decision, is a question of law based on underlying mixed questions of law and fact. Therefore, an objective-baselessness determination is reviewed on appeal *de novo* and without deference. Contrary to the judgment of the District Court, it found the claimed construction was not unreasonable and none of the asserted conduct warranted an award of attorney’s fees.

The Supreme Court reversed and remanded in view of its contemporaneous decision in the Octane Fitness case rejecting the Federal Circuit’s *Brooks Furniture* framework as being unduly rigid and inconsistent with the text of § 285. It held instead that the word exceptional in § 285 should be interpreted in accordance with its ordinary meaning. This is simply one that stands out from others with respect to the substantive strength of the party’s litigating position (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated. The Supreme Court further instructed that the district courts may determine whether a case is “exceptional” in a case by case exercise of their discretion, considering the totality of the circumstances. Because § 285 commits to the determination of whether a case is exceptional to the discretion of the district court, that decision is to be reviewed on appeal for abuse of discretion.

The Supreme Court further pointed out that decisions on questions of law are reviewable *de novo*, decisions on questions of fact are reviewable for clear error, and decisions on matters of discretion are reviewable for abuse of discretion. *Pierce v. Underwood*, 485 U.S. 552, 558 (1988). As a matter of the sound administration of justice, the district court is better positioned to decide whether a case is exceptional because it lives with the case over a prolonged period of

time. The Supreme Court did relate the standard to similar fee-shifting situations, for example, in connection with the Equal Access to Justice Act and sanctions under Federal Rule of Civil Procedure 11 which are similarly reviewed for abuse of discretion. It should also be observed that the Court did not preclude an appellate court's correction of a district court's legal or factual error. A district court would necessarily abuse its discretion if it based its ruling on an erroneous view of the law on a clearly erroneous assessment of the evidence.

Limelight Networks, Inc. v. Akamai Technologies, Inc. et al., 572 U.S. ___ (June 2, 2014)

In this case, the Supreme Court reversed the leading Federal Circuit case on induced infringement. The Federal Circuit had held that, in order to establish direct infringement of a method claim, a “single party” must have performed all steps of the method, yet a defendant who performed just some of the steps and encouraged others to perform the remaining steps could still be liable for inducing infringement, even when there was no underlying direct infringement. In *Limelight*, a unanimous Supreme Court (per Justice Alito) reversed the Federal Circuit’s holding on inducement but left the question as to the so-called “single actor” rule for direct infringement for another day.

Akamai is the sole licensee of a patent which protects a method of delivering electronic data using a content delivery network. Limelight provides a similar service, but requires that its customers perform one of the steps (the “tagging” step) of the claimed method. Limelight performs the other steps.

The full Court at the Federal Circuit did not address whether Limelight was liable for direct infringement, nor did it address whether an underlying direct infringement is necessary for indirect infringement to occur. Rather, the Federal Circuit held that “induced infringement can be found even if there is no single party who would be liable for direct infringement.” Thus, it found that if Limelight was aware of Akamai’s patent, performed all but one of the steps in the method, induced the content providers to perform the final step, and the content providers did in fact perform the final step, then Limelight would be liable for induced infringement. The Court reasoned that enforcing a “single actor” rule creates a regime that allows parties to “knowingly sidestep infringement liability simply by arranging to divide the steps of a method claim between

them,” and to prevent this loophole, the performance of steps by multiple parties must constitute inducement to infringe.

In its decision, a unanimous Supreme Court (per Justice Alito) reversed, and ruled that a party cannot be held liable for inducing patent infringement when no direct infringement had occurred.

The Court began its opinion with the simple proposition that “our case law leaves no doubt that inducement liability may arise ‘if, but only if, (there is) . . . direct infringement.’ *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U. S 336, 341 (1961) (emphasis deleted).” Thus, the Court in *Limelight* found that once the Federal Circuit concluded that there was no direct infringement, under its precedent in *Muniauction, Inc. v. Thomson Corp.*, 532 F. 3d 1318 (Fed. Cir. 2008) there could be no inducement of infringement.

Significantly, the Court assumed for purposes of its analysis the correctness of the Federal Circuit’s ruling in *Muniauction* that §271(a) direct infringement of a method claim requires *solely* one party to perform all steps of the method. However, the Supreme Court expressly did not address whether this rule of law was correct and left room for the Federal Circuit to reconsider the rule, if appropriate, on remand.

In this case, the Federal Circuit expanded its application of the entire market value rule to require that, when dealing with a multicomponent product containing both infringing and noninfringing features, the patentee must seek to apportion the value attributable to the allegedly infringing features to arrive at the appropriate royalty base.

VirnetX is the owner of several patents, two of which it asserted against the Apple Face time platform and two others that it asserted against Apple's VPN On Demand feature. The jury found all four patents to have been infringed and awarded damages of more than \$368 million. Apple appealed.

On appeal, the Federal Circuit upheld the jury verdict with respect to most of the claims asserted against VPN on Demand but reversed as to some of the claims asserted against Facetime.

Cognizant of the entire market value rule, which provides that a patentee "may assess damages based on the entire market value of the accused product only where the patented feature creates the basis for customer demand or substantially creates the value of the component parts," the District Court instructed the jury that:

In determining a royalty base, you should not use the value of the entire apparatus for product unless either: (1) the patented feature creates the basis for the customers demand for the product, or the patented feature substantially creates the value of the other component parts of the product; or (2) the product in question constitutes the smallest salable unit containing the patented feature.

On appeal, the Federal Circuit ruled that this instruction did not go far enough to produce a royalty base properly tied to the claimed invention. The court held that where the so-called "smallest salable unit" contain both noninfringing and allegedly infringing features, the patentee must make some effort to estimate the value of that smallest salable unit that is attributable to the

claimed invention. To hold otherwise, the court concluded “would permit the entire market value rule exception to swallow the rule of apportionment.” Because the patent owner’s expert did not seek to apportion the value of the iOS devices (e.g. an iPhone) attributable to the VPN On Demand or Facetime features, the jury instruction was incorrect, and the verdict could not stand.

In essence, the Federal Circuit has held that in dealing with a product having both noninfringing and allegedly infringing features, unless the entire market value rule applies, the patent owner must first identify the smallest salable unit. If, in turn, that unit contains both noninfringing and allegedly infringing features, then the patent owner must seek to identify what portion of the value of that unit is attributable to the allegedly infringing features.

In its decision, the Federal Circuit went on to reject application of the Nash Bargaining Solution, which theorizes that there is a solution to a matter in which the parties agree to split the profits evenly between. The Federal Circuit held that absent a showing that the facts of the case makes the Solution reasonable, it is no more than a rule of thumb and should be rejected just as the “25%” rule of thumb was rejected by the Federal Circuit in *Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d 1292 (Fed. Cir. 2011) case.

On a bottom line basis, it can be said that it will be more difficult for a patent owner accusing a multi-feature product of infringement to establish a reasonable royalty base unless it can specifically tie the value of the infringement to the claimed invention; and rules of thumb will be of little or no use.

**Third Segment:
Current Issues in Patent Law**

Panel 2

**Discussion On Local Patent Rules,
Discrete AIA Litigation Issues,
Interplay Of Different Fora In
Which To Litigate Patent Disputes**

Robert Maier, *Baker Botts LLP*

Alan Sack, *Sack IP Law PC*

Heather Schneider, *Willkie Farr & Gallagher LLP*

Moderator: **Robert Rando**, *The Rando Law Firm P.C.*



Robert Maier
Partner
Baker Botts LLP

Robert Maier's practice focuses on intellectual property litigation, especially that involving patents related to developments in the high-tech industry. He has significant experience through all phases of litigation, including discovery, Markman hearings, summary judgment and trial. He has been described by clients and peers as "one of the most skilled people you are ever likely to see in the courtroom," and as a "strong, practical advocate," who "secures great results in Markman hearings." (Intellectual Asset Management's IAM Patent 1000 – The World's Leading Patent Practitioners, 2012-2014). He also handles patent preparation and prosecution and intellectual property licensing and counseling, including due diligence evaluations for mergers and acquisitions. Mr. Maier's work spans a variety of high technology fields, including computer hardware and software, cellular telecommunications, in-vehicle navigation and telematics, semiconductor manufacturing processes used in the production of ICs and LCDs and Internet applications.

Mr. Maier is also an Adjunct Associate Professor of Law at Brooklyn Law School, where he teaches patent litigation.



Alan Sack
Founder
SACK IP Law p.c.

Alan Sack is an experienced intellectual property attorney. A graduate of MIT and the Benjamin N. Cardozo School of Law, Alan helps his clients protect their patents, copyrights, trademarks and trade secrets in disputes before district courts across the United States, the United States Patent and Trademark Office (US PTO), as well as before the United States International Trade Commission (US ITC). He has served as lead and associate counsel in numerous patent, trademark, unfair competition and copyright litigations and has also mediated intellectual property disputes.

In the realm of patent law, Alan handles patent and design patent litigation matters before U.S. district courts, and inter partes matters before the US PTO, including patent appeals, reissues, reexaminations and post issue review proceedings. He also counsels clients on patent preparation and infringement matters and has extensive experience in the preparation, prosecution and appeals of patent applications before the US PTO in a broad spectrum of technologies and designs. He is experienced in patent and copyright protection of technologies relating to computer sciences and business methods, as well as, nanotechnology, biotechnology, medical devices, imaging, LED lighting, mechanical devices, energy storage, radiation detection, superconductors, computer sciences, signal processing, iontophoresis and chemical technologies, waste treatment, polymer molding and processing, chemical engineering, petroleum processing, films, fluid handling and business methods. Alan also has successfully overseen opposition proceedings before the European and Japanese Patent Offices, and he also handles licensing negotiations and preparation of license agreements.

Alan is experienced in trademark, unfair competition and trade secret litigation in the U.S. district courts and opposition and cancellation proceedings before the US PTO. He routinely counsels clients in adoption and clearance of trademarks and service marks, the protection of trade secrets, as well as U.S. and foreign trademark filing, prosecution, opposition and appeals. His practice also encompasses counseling and negotiation of branding and advertising transactions. He advises clients regarding protection and use of trademarks in advertising and product packaging, advertising claims and the use of appropriate marking of patents and registered trademarks on product packaging and brochures. Alan has extensive Trademark, Copyright, Trade Secret & UC protection, counseling, licensing and litigation experience in the Apparel, Banking, Entertainment, Fabrics, Food, Footwear, Gaming, Music & Restaurant industries. Alan has been a longtime member of the International Trademark Association (INTA) and an active member of the Trade Name Subcommittee of the Trademark Enforcement Committee of INTA. Alan has also handled a variety of copyright and entertainment related litigation, registration and counseling matters, and has litigated software and television copyright infringement actions in U.S. district courts and before the US ITC.

In a recent US ITC investigation, Alan and his team prevailed on summary determination in an investigation involving a children's television show. The ITC's Administrative Law Judge (ALJ) found lack of substantial similarity between the accused television show and the copyrights asserted in the investigation. Alan has also handled matters related to copyright infringement actions in the music industry and has been successful in taking down infringing content for music posted on various Internet websites under the Digital Millennium Copyright Act. (DMCA). He has also successfully conducted arbitrations under ICANN's Uniform Domain-Name Dispute-Resolution (UDRP) arbitration procedures.



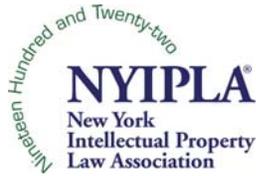
Heather Schneider

Associate

Willkie Farr & Gallagher LLP

Heather M. Schneider is an associate in the Intellectual Property Department. Heather's practice focuses on patent litigation, as well as antitrust issues involving intellectual property. Her litigation experience encompasses an array of technologies, including pharmaceuticals, computer software, medical devices, and chemical products. Her practice also includes client counseling on patent issues, as well as intellectual property issues associated with transactional work including licensing, mergers, and bankruptcy.

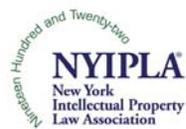
In the pharmaceutical field, Heather has played a significant role in litigations and appeals for major life sciences companies involving drug products including: paricalcitol (Zemlar), dexmedetomidine (Precedex), argatroban (Argatroban Injection), and amlodipine besylate (Norvasc). In the computer field, Heather recently appeared before the U.S. and Canadian courts in the Nortel bankruptcy litigation involving the allocation of proceeds from the sale of Nortel's assets, including a \$4.5 billion portfolio of telecommunications patents. Heather has also worked on patent litigation and antitrust issues involving standard-essential patents in the chemical industry.



Local Patent Rules, AIA Litigation Issues, Interplay Of Different Fora

Panelists: Robert Maier, *Baker Botts L.L.P.*
Alan Sack, *SACK IP Law p.c.*
Heather Schneider, *Willkie Farr & Gallagher LLP*
Moderator: Robert Rando, *The Rando Law Firm P.C.*

Hosted by the NYIPLA Programs Committee **April 15, 2015**
Co-Chairs: Mark Bloomberg, Colman Ragan, Robert Rando *Board Liaison:* Richard Parke



Pre-Filing Considerations



Choice of Forum

- ▶ For patent owners – in what forum should I assert my patent?
 - ▶ District Court, International Trade Commission

- ▶ For patent challengers – in what forum should I challenge validity?
 - ▶ Counterclaim/defense in District Court or ITC
 - ▶ IPR or CBM review in Patent Office – new proceedings discussed below.



Choice of Forum

- ▶ **Jurisdiction/Venue Considerations**
 - ▶ Where do I have standing?
 - ▶ Where do I have jurisdiction over the other party?
 - ▶ Can this forum provide the relief I am seeking?

- ▶ **Party Considerations**
 - ▶ Who are proper parties to suit?
 - ▶ New joinder considerations discussed below.



Overview of Legislation

- ▶ A Legislative “Perfect Storm” has Engulfed the Federal Courts and has Caused a Sea Change in Patent Litigation
 - ▶ Patent Cases Pilot Program (“PCPP”)
 - ▶ America Invents Act (“AIA”)



PCPP – H.R. 628 Signed into Law January 4, 2011

- ▶ Pub. L. 111-349; 124 Stat. 3674-3676.
 - ▶ “An Act [intended to] establish a pilot program in certain United States district courts to encourage enhancement of expertise in patent cases among district judges”
 - ▶ Consists of a single uncodified section
 - ▶ **By June 4, 2011**, the Director of the AOUSC designated at least 6 district courts in at least 3 circuits – Sec. 1(b)(1):
 - ▶ From the 15 courts having the most patent and plant variety protection cases (PVPCs) filed during CY 2010 – Sec. 1(b)(2)(A)(i) or
 - ▶ From the courts that have adopted or intend to adopt local rules for patent cases and PVPCs – Sec. 1(b)(2)(A)(ii)
 - ▶ 3 courts each having at least 10 judges of whom at least 3 have asked to participate, and 3 courts each having less than 10 judges of whom at least 2 have asked to participate – Sec. 1(b)(2)(B)(i)-(ii)
 - ▶ **As of June 4, 2011** there are 14 designated district courts: C.D. Cal., N.D. Cal., S.D. Cal., S.D. Fla., N.D. Ill., D. Md., D. Nev., D. N.J., S.D.N.Y., E.D.N.Y., W.D. Pa., W.D. Tenn., E.D. Tex., and N.D. Tex.



PCPP (cont'd)

- ▶ **91 judges** (including senior judges in designated districts w/at least 1 designated regular judge) and magistrate-judges upon their request have been designated by chief judges pursuant to Sec. 1(a)(1)(A) and 1(a)(2)
 - ▶ Patent cases and PVPCs initially randomly assigned as before – Sec. 1(a)(1)(B)
 - ▶ Non-participating judges may decline to accept an assigned patent case or PVPC – Sec. 1(a)(1)(C)
 - ▶ A case declined is then randomly assigned to a participating judge – Sec. 1(a)(1)(D)
 - ▶ A judge's right to request reassignment or transfer of an assigned case is preserved – Sec. 1(a)(3)
 - ▶ List of judges' names and their respective districts is available from Legal Metrics Research at www.legalmetrics.com
- ▶ **Reports by Directors of the AOUSC, of the FBC, and CJs of designated courts to House and Senate Judiciary Committees – Sec. 1(e)**
 - ▶ 5- and 10-year reports are due 9/4/16 and 9/4/21 – Sec. 1(e)(2)(A) and (B)
 - ▶ “Periodic” reports – Sec. 1(e)(3)



PCPP (cont'd)

- ▶ **Contents of Reports – Sec. 1(e)(1)(A)-(E)**
 - ▶ Analysis of extent to which the PCPP has succeeded in developing “expertise in patent and plant variety protection cases among the district judges of the district courts so designated”
 - ▶ Analysis of the extent to which the PCPP has “improved the efficiency of the courts involved by reason of such expertise”
 - ▶ Comparative Federal Circuit reversal rates re claim construction and substantive patent law issues
 - ▶ Comparative times to commencement of trial or entry of summary judgment
 - ▶ Discussion of any evidence of forum shopping among designated courts
 - ▶ Analysis of whether to extend PCPP to other district courts, or make it permanently applicable to all district courts



Patent Pilot Program Statistics

(From: *The Patent Pilot Program: Reassignment Rates and the Effect of Local Patent Rules* (NYIPLA 2013) by Ron Vogel, Fish & Richardson, P.C.)

Table 1— DISTRICTS PARTICIPATING IN THE PATENT PILOT PROGRAM

District	Patent Cases Filed ⁴			Time to Trial, years ⁵	Local Patent Rules Adopted ⁶
	2011	2012	Through 10/29/13		
Eastern District of Texas	413	1,231	1,195	2.13	2/2/05 ⁷
Central District of California	309	503	324	2.47	—
Northern District of California	219	256	212	2.92	1/1/01
Northern District of Illinois	217	238	182	2.52	10/1/09
District of New Jersey	178	159	121	3.06	1/1/09
Southern District of New York	152	141	95	2.85	4/8/13
Southern District of California	79	143	174	2.48	4/3/06
Southern District of Florida	63	134	155	1.66	—
Northern District of Texas	46	57	67	2.26	5/1/07 ⁸
Eastern District of New York	33	30	38	3.28	4/8/13
District of Maryland	31	42	14	2.22	7/1/11
District of Nevada	30	30	37	2.39	8/1/11
Western District of Pennsylvania	11	39	19	—	1/1/05
Western District of Tennessee	2	31	14	—	9/19/11

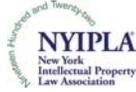


Patent Pilot Program Statistics

...(cont'd)

TABLE 2 - REASSIGNMENT OF PATENT CASES IN PATENT PILOT DISTRICTS¹¹

District	Patent Pilot Judges in District ¹²	Patent cases assigned	Cases assigned to non-patent judges	Cases reassigned by non-patent judges	95% CI for Range of Cases Reassigned	
					Low	High
Eastern District of Texas	5 of 7	2,519	78	34	32.4%	55.3%
Central District of California	6 of 37	845	601	113	15.8%	22.2%
Northern District of California ¹³	12 of 31	474	335	2	0.1%	2.1%
Northern District of Illinois	10 of 39	416	211	81	31.8%	45.3%
District of New Jersey	11 of 25	290	144	24	11.0%	23.8%
Southern District of New York	10 of 50	225	113	25	14.9%	30.9%
Southern District of California ¹⁴	5 of 17	319	145	111	68.8%	83.2%
Southern District of Florida	3 of 25	210	194	108	48.4%	62.8%
Northern District of Texas	3 of 14	102	71	54	64.5%	85.4%
Eastern District of New York ¹⁵	15 of 42	69	61	35	44.1%	70.0%
District of Maryland	3 of 18	45	36	20	38.1%	72.1%
District of Nevada	4 of 12	70	26	23	69.8%	97.6%
Western District of Pennsylvania	6 of 14	53	13	13	75.3%	100.0%
Western District of Tennessee	2 of 6	44	9	6	29.9%	92.5%



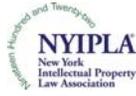
AIA – H.R. 1249 Signed Into Law September 16, 2011

- ▶ **Pub. L. No. 112-29, 125 Stat. 284-341.**
 - ▶ “An Act to amend title 35, United States Code, to provide for patent reform”
- ▶ **A comprehensive overhaul of the U.S. patent system (1952 Patent Act) by means of legislation consisting of 37 sections**
 - ▶ SEC. 1 lists the sections and their titles
 - ▶ SECs 3, 5, 6, 9, 12, and 15-20 directly affect district-court patent cases
- ▶ **Effective dates of AIA provisions ranged from 9/16/11 thru 3/16/13**
 - ▶ SEC. 35 prescribes 9/16/12 as the default effective date of AIA provisions and grant date of affected patents
 - ▶ For years to come, the courts will be dealing with a dual patent law system because some patents and disputes involving them will be subject to pre-existing law, while others will be subject to the new law
 - ▶ This duality is nowhere more evident than in “first-to-invent” cases under the 1952 Act versus “first-inventor-to-file” cases under the AIA



AIA (cont'd)

- ▶ **Legislative Intent – “Sense of Congress”**
 - ▶ Fix flaws in America’s patent system to promote industries to continue to develop new technologies that spur growth and create jobs across the country
 - ▶ Improve U.S. patent quality to “protect the rights of small businesses and inventors from predatory behavior that could result in the cutting off of innovation”
 - ▶ Enhance court adjudication of patent infringement, validity, and enforcement actions and proceedings
 - ▶ Increase the PTO’s role as an arbiter of patent validity
 - ▶ Facilitate harmonization of the U.S. patent system with the patent systems of other countries



AIA Sections Directly Affecting Patent Litigation

- ▶ **SEC. 3. FIRST INVENTOR TO FILE**
 - ▶ Converts the “First-to-Invent” basis of the U.S. Patent System to a “First-Inventor-to-File” Regime
 - ▶ Prior art redefined (SEC. 3(b)-(g))
 - ▶ Derivation proceedings (SEC. 3(h)-(j))

- ▶ **THE FUNDAMENTAL CHANGE IN THE AIA ON NOVELTY, REDEFINING THE RIGHT TO A PATENT, SINCE THE MOST PROFOUND EFFECT THE AIA WILL HAVE ON THE PATENT LAWS IS THE SWITCH FROM FIRST TO INVENT TO FIRST INVENTOR TO FILE**



AIA Sections Directly Affecting Patent Litigation (cont'd)

- ▶ **SEC. 5. DEFENSE TO INFRINGEMENT BASED ON PRIOR COMMERCIAL USE**
 - ▶ Intended to promote manufacturing in the U.S.
- ▶ **SEC. 6. POST-GRANT REVIEW PROCEEDINGS**
 - ▶ Inter Partes Review (“IPRv”) (SEC. 6(a)-(c))
 - ▶ Post-Grant Review (“PGRv”) (SEC. 6(d)-(f))
 - ▶ Citation of prior art & written statements (SEC. 6(g))
 - ▶ Reexamination (“Reex”) (SEC. 6(h))
- ▶ **SEC. 9. VENUE**
 - ▶ Civil actions for de novo review of PTO decisions must henceforth be brought in the E.D.Va.



AIA Sections Directly Affecting Patent Litigation (cont'd)

- ▶ **SEC. 12. SUPPLEMENTAL EXAMINATION**
 - ▶ Intended to mitigate the inequitable conduct defense
- ▶ **SEC. 15. BEST MODE REQUIREMENT**
 - ▶ Eliminates the failure to disclose the best mode in a patent as a basis for an invalidity defense
- ▶ **SEC. 16. MARKING**
 - ▶ Intended to mitigate qui tam actions for false patent marking



AIA Sections Directly Affecting Patent Litigation (cont'd)

- ▶ **SEC. 17. ADVICE OF COUNSEL**
 - ▶ Relates to Willful Infringement
- ▶ **SEC. 18. TRANSITIONAL PROGRAM FOR COVERED BUSINESS-METHOD PATENTS**
- ▶ **SEC. 19. JURISDICTION AND PROCEDURAL MATTERS**
 - ▶ Suits against multiple accused infringers (joinder)
- ▶ **SEC. 20. TECHNICAL AMENDMENTS**



VENUE – AIA SEC. 9

- ▶ Civil actions for de novo review of PTO decisions are now venued in E.D.Va. (formerly in D.D.C.)
 - ▶ Applicable to suits filed on or after 9/16/11
 - ▶ The E.D.Va. has 4 divisions: Alexandria, Norfolk, Newport News, and Richmond
 - ▶ Non-Contested Cases:
 - ▶ 35 USC § 32 – Practitioner disciplinary proceedings
 - ▶ 35 USC § 145 – PTAB decisions on patent applications
 - ▶ 35 USC § 154(b)(4)(A) – PTO decisions on patent term adjustments
 - ▶ 35 USC § 156 – PTO decisions on patent term extensions
 - ▶ 15 USC § 1071(b)(1)-(2) – TTAB trademark decisions



VENUE... (cont'd)

- ▶ Contested Cases:
 - ▶ 35 USC § 146 – PTAB decisions in derivation proceedings wherein adverse parties reside in different countries or in different districts not within the same state
- ▶ Suits under 35 USC § 291 between owners of interfering patents are now venued in E.D.Va.
 - ▶ Venue specified by reference to 35 USC § 146
- ▶ Suits Against Non-U.S.-Resident Patentees Are Now Venued in E.D. Va.
 - ▶ 35 USC § 293
 - ▶ Designation of agent for service can be filed by PO in PTO
- ▶ Federal Circuit Retains Appellate Review Jurisdiction of E.D.Va. Decisions
 - ▶ 28 U.S.C. § 1295(a)(1) & (4)(C)



VENUE... (cont'd)

- ▶ Judicial Recourse - 35 USC § 146 provides two non-redundant, mutually exclusive routes for seeking judicial relief from adverse PTAB decisions on the merits
 - ▶ Direct appeal to the Federal Circuit
 - ▶ De novo review of PTAB's conclusions-of-law and deference to PTAB's fact-findings (based solely on "substantial evidence" in the administrative record) or



VENUE... (cont'd)

- ▶ Civil action by losing party against prevailing party for de novo adjudication in district court venue where both parties reside (e.g., EDNY); otherwise in E.D.Va (venue of the PTO)
 - ▶ Federal Circuit appellate jurisdiction under 28 U.S.C § 1295(a)(4)(C) under a de novo standard of review of district court's conclusions of law and "clear error" standard of review of district court's findings of fact



VENUE... (cont'd)

- ▶ Interference – will remain as a legacy proceeding applicable to patents having effective filing dates prior to 03/16/13
- ▶ Amended 35 USC § 291 enables “derivation” suits between patentees in E.D. of Virginia if commenced within one year after issuance of the first patent



Joinder –AIA SEC. 19- I. BACKGROUND

- ▶ Prior to AIA, patent infringement suits could be filed against multiple unrelated parties based upon infringement of the same patent-in-suit
- ▶ Patent holders that are NPEs filed suit in a perceived patentee-favorable venue against multiple unrelated parties
- ▶ For example in MyMail, Ltd. v. AOL, Inc., 223 F.R.D. 455 (E.D. Tex. 2004), the Court found that the alleged *infringement of the same patent* leads to a “nucleus of operative facts or law” which in turn gives rise to “logical relationships between the various transactions or occurrences” thereby satisfying the Rule 20 “same transaction or occurrence” requirement.
- ▶ This case applied the minority view “logical relationships” test rather than the majority “factual commonality” test (followed in the Second Circuit) .



Joinder... (cont'd)

- ▶ Under *MyMail* Patent holders could survive Rule 20 misjoinder motions in certain venues that considered infringement of the same patent a sufficient basis for joinder under Fed.R.Civ.P. 20 (Permissive Joinder of Parties)



Joinder – II. AIA AMENDMENT

The AIA introduces 35 USC § 299:
(Section (b) overruling *MyMail*)

- ▶ (a) JOINDER OF ACCUSED INFRINGERS. –With respect to any civil action arising under any Act of Congress relating to patents, other than an action or trial in which an act of infringement under section 271(e)(2) has been pled, parties that are accused infringers may be joined in one action as defendants or counterclaim defendants, or have their actions consolidated for trial, or counterclaim defendants only if –
 - any right to relief is asserted against the parties jointly, severally, or in the alternative with respect to or arising out of the same transaction, occurrence, or series of transactions or occurrences relating to the making, using, importing into the United states, offering for sale, or selling of the same accused product or process; and
 - (2) questions of fact common to all defendants or counterclaim defendants will arise in the action.

Joinder... (cont'd)

- ▶ 35 USC § 299 (cont'd):
 - ▶ (b) ALLEGATIONS INSUFFICIENT FOR JOINDER. – For purposes of this subsection, accused infringers may not be joined in one action as defendants or counterclaim defendants, or have their actions consolidated for trial, based solely on allegations that they have each infringed the patent or patents in suit. (emphasis added).
 - ▶ (c) WAIVER. – A party that is an accused infringer may waive the limitations set forth in this section with respect to that party.

Joinder... (cont'd)

- ▶ Congress has left no doubt as to its intent regarding previous holdings like that of the Court in MyMail, Ltd. and its progeny. See H.R. Rep. 112-98, pt. 1, at 55 n. 61.
- ▶ Does not apply to ANDA litigation. See 35 USC § 299(a) (“other than [actions or trials] under section 271(e)”).
- ▶ The AIA does not bar consolidation for pre-trial proceedings
- ▶ Allow consolidated trials in specific instances
 - ▶ Relevant transaction and accused products or processes are the same
- ▶ Common factual issues require documentary proof Relation to multi-district litigation
 - ▶ Under 28 USC § 1407
 - ▶ AIA
 - ▶ Federal Circuit possible guidelines



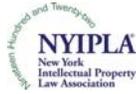
Joinder - III. EFFECT OF 35 USC § 299

- ▶ The new rule should reduce the number of defendants in the typical patent case and will likely increase the number of patent cases filed.
 - ▶ Patentee will have to pay a filing fee for each defendant and deal with maintaining separate actions later.
- ▶ Venue transfer should become easier.
 - ▶ no longer can patentee join a few defendants from within the district to maintain jurisdiction over out-of-district defendants.
- ▶ Consolidation for pre-trial
 - ▶ Patentees will probably seek to consolidate individual cases for pre-trial matters (discovery, Markman hearings, MDL)
- ▶ Defendants can still waive the limitations of the new rule in order to pool their resources for joint trial.



Joinder (cont'd)

- ▶ Patentees may seek out a venue with wide-ranging jurisdiction (e.g., Delaware where a large number of companies are incorporated).
 - ▶ But see *In re Link_A_Media Devices*, 662 F.3d 1221, 1223 (Fed. Cir. 2011) (on writ of mandamus reversing district court denial of transfer motion and holding defendant's incorporation in state of Delaware not dispositive of public interest analysis).
- ▶ Patentees may resort to ITC proceedings where all parties alleged to import infringing products may be included as respondents in a single investigation.
 - ▶ While previously viewed as a poor choice for NPEs, recent case law allows for complainants whose only domestic industry in the patents is a licensing program.



Joinder (cont'd)

- ▶ The new rule may have the unintended consequence of unfairly limiting the ability of practicing entities, especially small companies, to efficiently seek a remedy against multiple infringers because of the increased cost of suing, and maintaining actions against, each infringer separately.
- ▶ Maintaining judicial efficiency and economy.
 - ▶ Multiple lawsuits involving the same patents in different venues across the country could result in duplicative activities and inconsistent rulings.



Joinder - IV. Impact on District Court Litigation

- ▶ Questions for potential District Court resolution:
- ▶ How to address motions to transfer venue?
 - ▶ Issues related to judicial efficiencies and economy?
 - ▶ Does 35 USC § 299 preclude MDL and, if not, should MDL be used?
 - ▶ Factors concerning the size of the patent holder and whether it is an NPE or practicing entity?
 - ▶ Does “anchor strategy” (suing initial defendant in proper venue and adding others after lawsuit has progressed to the point where argument is made that the Court is already familiar with the patents) alter the analysis?

Joinder (cont'd)

- ▶ How to address motions to consolidate?
 - ▶ Actions in the same proper venue against multiple defendants individually sued?
 - ▶ More efficient to manage single action with multiple defendants rather than coordinate multiple actions?
 - ▶ Consolidate the multiple actions in part or for limited purposes (discovery, claim construction or other pretrial purposes)?
 - ▶ Would widespread consolidation be contrary to the intent behind, or limit the impact of, the new rule?

Joinder - V. **RECENT CASES**

- ▶ Almost two months after the AIA was signed into law, a patent holder, Klausner Technologies, Inc., filed 30 separate suits in the Eastern District of Texas on 11/01/11, each naming a different defendant and alleging infringement of USP 5,572,576.
 - ▶ Cases raised several issues regarding the impact of the new rule on transfer motions, MDL and consolidation.



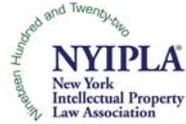
Joinder (cont'd)

- ▶ **In Re: Bear Creek Techs., Inc., ('722) Patent Litigation, MDL No. 2344, 2012 U.S. Dist. LEXIS 60884 at *1 (J.P.M.L. May 2, 2012)**
 - ▶ (holding centralization of ten (10) separate already-pending actions in D. Del., three (3) in E.D.Va. + one (1) in N.D. Cal. brought by Bear Creek alleging infringement of a patent was warranted since preclusion of consolidation of the actions under 35 USC § 299 did not preclude centralization for pretrial proceedings under 28 USC § 1407 and the actions shared common issues of fact concerning validity of the patent and claim construction).

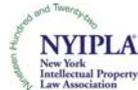


Joinder (cont'd)

- ▶ **Cyberfone Systems, LLC, V. Cellco Partnership, No. 11-827, 2012 U.S. Dist. LEXIS 60045, at *1 (D. Del. April 30, 2012)**
 - ▶ (denying motion to sever in case alleging patent infringement by 175 different defendants in 21 related cases filed 11 PM on day before AIA signed into law)
- ▶ **Genetic Techs., Ltd. V. Agilent Techs., Inc., 2012 U.S. Dist. LEXIS 39666 at * 11-12 (D. Colo. March 23, 2012)**
 - ▶ (granting motion to sever for misjoined party in case filed pre-AIA finding AIA joinder rule persuasive)

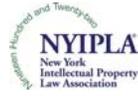


Post-Filing Considerations



Outline of Stay Issues

- ▶ District Courts and Motions to Stay Pending IPR, CBM Review, and PGR
 - ▶ Stay Statistics (as of March 26, 2015)
 - ▶ Stay Factors
 - ▶ Factors 1 and 4: Simplification of Issues / Reduced Burden of Litigation
 - ▶ Factor 2: Stage of Litigation
 - ▶ Factor 3: Undue Burden / Clear Tactical Advantage
 - ▶ Stay Suggestions



Stay Statistics (as of March 26, 2015)

- ▶ **388** dispositive orders on disputed motions to stay litigation pending IPR, CBM review, and PGR
 - ▶ 229 (**59.0%**) granted or granted-in-part
 - ▶ 319 disputed motions to stay litigation pending IPR
 - ▶ 189 (**59.2%**) granted or granted-in-part
 - ▶ 65 disputed motions to stay litigation pending CBM
 - ▶ 37 (**56.9%**) granted or granted-in-part
 - ▶ 4 disputed motions to stay litigation pending PGR
 - ▶ 3 (**75.0%**) granted or granted-in-part



Stay Statistics (as of March 26, 2015)

- ▶ Northern District of California: **55** orders
 - ▶ 42 (**76.4%**) granted or granted-in-part
- ▶ Eastern District of Texas: **49** orders
 - ▶ 14 (**28.6%**) granted or granted-in-part
- ▶ District of Delaware: **38** orders
 - ▶ 22 (**57.9%**) granted or granted-in-part



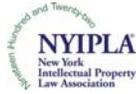
Stay Factors

- ▶ IPR Factors
 - ▶ **(1) Simplification of issues:** whether a stay would simplify the issues in question and streamline the trial;
 - ▶ **(2) Stage of litigation:** whether discovery is complete and whether a trial date has been set;
 - ▶ **(3) Undue prejudice or tactical advantage:** whether a stay would unduly prejudice the non-moving party or cause a clear tactical advantage for the moving party;
- ▶ Extra CBM Factor
 - ▶ **(4) Reduced burden of litigation:** whether a stay would reduce the burden of litigation on the parties and on the court



Recent Federal Circuit Cases on Motions to Stay

- ▶ *VirtualAgility Inc. v. Salesforce.com, Inc.*, 759 F.3d 1307 (2014).
 - ▶ 2-1 decision reversing and remanding E.D.Tex.'s decision to deny motion to stay pending CBM review
- ▶ *Benefit Funding Sys., LLC v. Advance Am. Cash Advance Ctrs. Inc.*, 767 F.3d 1383 (2014).
 - ▶ 3-0 decision affirming D. Del.'s decision to stay pending CBM review
- ▶ *Versata Software, Inc. v. Callidus Software, Inc.*, 771 F.3d 1358 (2014).
 - ▶ 3-0 decision reversing and remanding D. Del.'s decision to deny motion to stay pending CBM review



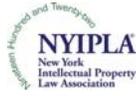
Factors 1 and 4: Simplification of Issues / Reduced Burden of Litigation

- ▶ Arguments may overlap regarding these two factors
- ▶ But, the factors are listed separately in the statute
- ▶ They are still separate, individual factors



Factors 1 and 4: Simplification of Issues / Reduced Burden of Litigation

- ▶ Pre- v. post-institution of IPR or CBM review
 - ▶ Grant review when “more likely than not that at least 1 of the claims challenged in the petition is unpatentable”
 - ▶ Post-institution of review **favours** a stay; post-institution of review of **all asserted claims strongly favours** a stay
 - ▶ When review can dispose of the entire litigation: “**ultimate simplification of issues**”
 - ▶ Pre-institution stay is “**premature**” and a “**complete waste of time**”
 - ▶ Review does not have to address all asserted claims
 - ▶ But, courts have granted pre-institution motions to stay until denial or completion of review
 - ▶ PTAB does not take long (upwards to six months) to institute; therefore, a stay is appropriate



Factors 1 and 4: Simplification of Issues / Reduced Burden

- ▶ When determining stays, district courts **should not review the merits of the PTAB's decision to institute** an IPR/CBM review
- ▶ The **patent owner amending claims** during the IPR/CBM review weighs in favor of granting a stay
 - ▶ A stay would avoid unnecessary claim construction
- ▶ **Failure to include other known prior art** in the IPR/CBM review reduces efficiencies
 - ▶ Could create tactical advantage (see Factor 3)
- ▶ **Estoppel** rules either streamline/narrow subsequent litigation or do not go far enough with respect to multiple parties to a litigation that may not be a part of the IPR/CBM review



Factor 2: Stage of Litigation

- ▶ The **time of the motion** not the time the PTAB instituted the IPR/CBM review is the relevant time to measure the stage of litigation
 - ▶ Consider:
 - ▶ Deadline to complete fact and expert discovery
 - ▶ *Markman* hearing date
 - ▶ Jury selection date
 - ▶ Trial date
 - ▶ Filing date of joint claim construction statements



Factor 3: Undue Prejudice

- ▶ Consider patent owner's need for an **expeditious resolution of its claim**
 - ▶ Note: stay does not diminish monetary damages
 - ▶ Only delays realization of these damages and any potential injunctive remedies
- ▶ **Direct competitors** in a market resulting in irreparable harm could decrease the chances of a stay: loss of market share and consumer goodwill due to a stay
 - ▶ Direct evidence not required at this early stage
- ▶ Did the patent owner move for a **preliminary injunction?**
 - ▶ Influential, but not dispositive because there are many reasons that a patent owner does not move for one



Factor 3: Undue Prejudice

- ▶ **Delay** in bringing an infringement suit after patent issues
- ▶ Risk of **witness loss**
 - ▶ Evidence of age or ill health
 - ▶ But, district court can preserve testimony under Rule 27 of the FRCP



Factor 3: Clear Tactical Advantage

- ▶ **Saving prior art** for district court litigation gives the movant a clear tactical advantage
 - ▶ Note: technically allowed because no estoppel applies
 - ▶ But, difficulty in obtaining evidence necessary to include prior art while preparing a petition to institute a post-grant proceeding is a valid reason for having more prior art during the district court litigation



Stay Suggestions

- ▶ If possible, **file a motion to stay during the early stages** of district court litigation - before or after the PTAB's decision on institution of IPR/CBM review depends on a number of factors
 - ▶ Consider making invalidity case in motion
- ▶ Give notice to the district court **when the petition to IPR/CBM review is filed** even if a motion to stay is coming later
- ▶ **Be consistent** during the concurrent proceedings: include all prior art or relevant invalidity issues in petition for IPR/CBM review



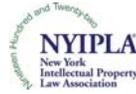
Early Case Motions: *Twombly*

- ▶ A pleading must contain “a short and plain statement of the claim showing that the pleader is entitled to relief.” Fed. R. Civ. P. 8(a)(2).
- ▶ Motions to Dismiss Under *Twombly/Iqbal*
 - ▶ Sufficient factual matter to state a claim to relief that is plausible on its face. Legal conclusions must be supported by factual allegations.
 - ▶ “Factual allegations must be enough to raise a right to relief above the speculative level.” *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 555 (2007).
 - ▶ “[W]e do not require heightened fact pleading of specifics, but only enough facts to state a claim to relief that is plausible on its face.” *Id.* at 570.



Twombly Motions

- ▶ How do they impact patent cases?
 - ▶ Direct Infringement
 - ▶ Whoever directly makes, uses, sells, imports patented invention
 - ▶ Requirements had been set by Form I8
 - ▶ Indirect Infringement
 - ▶ Inducement or contributory infringement
 - ▶ Affirmative Defense of Invalidity
 - ▶ Counterclaim of Invalidity
 - ▶ “The claims of the patent-in-issue are invalid for failure to satisfy the conditions for patentability specified in 35 U.S.C. § 101 et seq., including, without limitation, sections 101, 102, 103, and/or 112.”



Twombly Motions (cont'd)

Form 18. Complaint for Patent Infringement.

(Caption – See Form 1.)

1. (Statement of Jurisdiction — See Form 7.)
2. On date , United States Letters Patent No. were issued to the plaintiff for an invention in an electric motor. The plaintiff owned the patent throughout the period of the defendant's infringing acts and still owns the patent.
3. The defendant has infringed and is still infringing the Letters Patent by making, selling, and using electric motors that embody the patented invention, and the defendant will continue to do so unless enjoined by this court.
4. The plaintiff has complied with the statutory requirement of placing a notice of the Letters Patent on all electric motors, it manufactures and sells and has given the defendant written notice of the infringement.

Therefore, the plaintiff demands:

- (a) a preliminary and final injunction against the continuing infringement;
- (b) an accounting for damages; and
- (c) interest and costs.

(Date and sign – See Form 2.)



Twombly Motions (cont'd)

- ▶ Twombly does not apply to counterclaims:
 - ▶ “[I]t would be incongruous to require heightened pleading when the pleading standard for infringement does not require facts such as why the accused products allegedly infringe or to specifically list the accused products.” *Microsoft Corp. v. Phoenix Solutions, Inc.*, 741 F. Supp. 2d 1156, 1159 (C.D. Cal. 2010).
- ▶ Twombly does apply to counterclaims:
 - ▶ “[T]he court concludes that the pleading standards set forth in *Twombly* and *Iqbal* apply to counterclaims of invalidity.” *Senju Pharm. Co. v. Apotex, Inc.*, 921 F. Supp. 2d 297, 303 (D. Del. 2013).
- ▶ Judicial conference is voting on amendment to get rid of Form 18 – could go into effect Dec. 1, 2015



Early Case Motions: Alice

- ▶ **Motions to Dismiss Because Not Patentable Subject Matter under Section 101**
 - ▶ Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.
- ▶ **What about software? Business methods?**



Alice Motions

- ▶ ***Alice Corporation Pty. Ltd. v. CLS Bank International*, No. 13-298 (U.S. June 19, 2014)**
- ▶ **Because Alice Corporation's patent claims involving**
 - ▶ (1) a method for exchanging financial obligations,
 - ▶ (2) a computer system as a third-party intermediary, and
 - ▶ (3) a computer-readable medium containing program code for performing the method of exchanging obligations
- ▶ **are drawn to a patent-ineligible abstract idea under 35 U.S.C. § 101, they are not patent eligible under Section 101.**



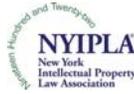
Alice Motions (cont'd)

- ▶ **When are motions being brought?**
 - ▶ Motion to dismiss on pleadings
 - ▶ Summary judgment
 - ▶ Motion for JMOL
- ▶ **What are statistics?**
 - ▶ 17 district court decisions on Docket Navigator for “Unpatentable Subject Matter” and motion “Granted” for year to date (as of 4/7/2015).



Alice Motions (cont'd)

- ▶ “The court granted defendant's motion for judgment on the pleadings that plaintiff’s real-time auction patent was invalid for lack of patentable subject matter and found the patent was directed to an abstract idea.” *Advanced Auctions LLC v. eBay Inc.*, 3:13-cv-01612 (S.D. Cal. March 27, 2015).
- ▶ “The court granted defendant’s motion to dismiss for lack of patentable subject matter because plaintiff’s e-commerce patent was directed to the abstract idea of upselling and lacked an inventive concept.” *Tuxis Techs. LLC v. Amazon.com*, 1:13-cv-01771 (D. Del. March 25, 2015)



Motion Suggestions

- ▶ **Twombly/Iqbal**
 - ▶ Consider whether you are asserting claim, counterclaim, or defense and determine what rules apply.
 - ▶ Model your claims off of recent decisions in that Court - find a sample that survived a Twombly motion.
- ▶ **Section 101**
 - ▶ For patent owner, consider how to distinguish from Alice in your pleadings
 - ▶ For patent challenger, consider whether patent is vulnerable to Section 101 attack.
 - ▶ Look at recent decisions, particularly by same Court.



▶ The Federal District Courts Local Patent Rules

13 MISC 00119

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

IN RE: LOCAL PATENT RULES OF THE SOUTHERN AND EASTERN DISTRICTS OF NEW YORK	M10-468 ORDER
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On November 28, 2012, the Board of Judges of the Southern District of New York approved the adoption of Local Patent Rules, as attached.

These rules, having been posted for public comment and approved by the Judicial Council of the Second Circuit, hereby take effect on April 8, 2013.

SO ORDERED.

Loretta A. Preska
Loretta A. Preska
Chief Judge

Dated: New York, New York
April 5, 2013

13 MISC 00119
S.D. OF N.Y.
APR 5 2013



Local Patent Rules of the United States District Courts for the Southern and Eastern Districts of New York

Effective September 3rd, 2013

with amendments to the SDNY Rules for the Division of Business Among District Judges

Rule 13 effective 1/1/2014,

Rules 18 and 21 effective 1/13/2014

Adopted by the Board of Judges of the Eastern District of New York and the Southern District of New York

Approved by the Judicial Council of the Second Circuit



Local Patent Rule 2. Initial Scheduling Conference

- ▶ When the parties confer pursuant to Fed. R. Civ. P. 26(f), in addition to the matters covered by Fed. R. Civ. P. 26, the parties must discuss and address in the report filed pursuant to Fed. R. Civ. P. 26(f):
 - ▶ any proposed modification of the deadlines or proceedings set forth in these Local Patent Rules;
 - ▶ proposed format of and deadlines for claim construction filings and proceedings, including a proposal for any expert discovery the parties propose to take in connection therewith; and
 - ▶ iii. proposed format of and deadlines for service of infringement, invalidity and/or unenforceability contentions, including any proposed deadlines for supplementation thereof.



Local Patent Rule 6. Disclosure of Asserted Claims and Infringement Contentions

- ▶ Unless otherwise specified by the Court, not later than forty-five (45) days after the Initial Scheduling Conference, a party claiming patent infringement must serve on all parties a “Disclosure of Asserted Claims and Infringement Contentions,” which identifies for each opposing party, each claim of each patent-in-suit that is allegedly infringed and each product or process of each opposing party of which the party claiming infringement is aware that allegedly infringes each identified claim.



Local Patent Rule 7. Invalidity Contentions

- ▶ Unless otherwise specified by the Court, not later than forty-five (45) days after service of the “Disclosure of Asserted Claims and Infringement Contentions,” each party opposing a claim of patent infringement must serve upon all parties its “Invalidity Contentions,” if any.
- ▶ Invalidity Contentions must identify each item of prior art that the party contends allegedly anticipates or renders obvious each asserted claim, and any other grounds of invalidity, including any under 35 U.S.C. § 101 or § 112, or unenforceability of any of the asserted claims.



Local Patent Rule 8. Disclosure Requirement in Patent Cases Initiated by Declaratory Judgment

- ▶ In all cases in which a party files a pleading seeking a declaratory judgment that a patent is not infringed, is invalid, or is unenforceable, Local Patent Rule 6 shall not apply with respect to such patent unless and until a claim for patent infringement of such patent is made by a party. If a party does not assert a claim for patent infringement in its answer to the declaratory judgment pleading, unless otherwise specified in the Court's Scheduling Order, **the party seeking a declaratory judgment must serve upon all parties its Invalidity Contentions with respect to such patent that conform to Local Patent Rule 7 not later than forty-five (45) days after the Initial Scheduling Conference.**



Local Patent Rule 10. Opinion of Counsel

- ▶ **Not later than thirty (30) days after entry of an order ruling on claim construction, each party that will rely on an opinion of counsel as part of a defense to a claim of willful infringement or inducement of infringement, or that a case is exceptional, must produce or make available for inspection and copying the opinion(s) and any other documents relating to the opinion(s) as to which attorney-client or work product protection has been waived as a result of such production.**



Local Patent Rule 11. Joint Claim Terms Chart

- ▶ By a date specified by the Court, the parties shall cooperate and jointly file a Joint Disputed Claim Terms Chart listing the disputed claim terms and phrases, including each party's proposed construction, and cross-reference to each party's identification of the related paragraph(s) of the invalidity and/or infringement contention(s) disclosures under Local Rules 6 and 7.



Local Patent Rule 12. Claim Construction Briefing

- ▶ Not later than thirty (30) days after filing of the Joint Disputed Claim Terms Chart pursuant to Local Patent Rule 11, the party asserting infringement, or the party asserting invalidity if there is no infringement issue present in the case, must serve and file an opening claim construction brief and all supporting evidence and testimony.
- ▶ Not later than thirty (30) days after service of the opening claim construction brief, the opposing party must serve and file a response to the opening claim construction brief and all supporting evidence and testimony.
- ▶ Not later than seven (7) days after service of the response, the opening party may serve and file a reply solely rebutting the opposing party's response.



Local Rules of the United States District Court the Northern District New York

Effective July 7, 2014

ND of New York Patent Rules

Timeline

New York Intellectual Property Law Association (NYIPLA)

67



TIMELINE

<u>Event</u>	<u>Deadline</u>
Rule 26(f) Meeting	21 prior to Rule 16 conference
Filing of Civil Case Management Plan	14 days prior to Rule 16 conference
Rule 16 Conference	120 Days after filing/removal of the action
Patentee Infringement Contentions	14 days after Rule 16 conference
Accused Non-Infringement/ Invalidity/Unenforceability Contentions	30 days after service of infringement contentions
Exchange of Claim Terms for Construction	60 days after Rule 16 conference
Exchange of Proposed Constructions	21 days after exchange of lists of proposed terms for construction
Joint Claim Construction Statement	21 days after exchange of proposed construction
Completion of Claim Construction Discovery	30 days after filing of joint statement
Opening Markman Briefs	45 days after filing of joint statement
Opposing Markman Briefs	30 days after opening Markman submissions
Advice of Counsel Disclosure	30 days after claim construction decision
Initial Expert Reports (non-claim construction)	60 days after claim construction decision
Responsive Expert Reports	30 days after service of initial expert disclosure
Completion of All Discovery	120 days after claim construction
Filing of Motions	30 days after close of fact discovery

TIMELINE SUMMARY

Filing of Suit to Full Markman Briefing	297 Days
Claim Construction Decision to Motion Deadline	150 Days



Sample: New Jersey Rules for Hatch-Waxman Cases

Deadline	Required Disclosure
When answering Complaint	Produce ANDA or NDA
7 days after Scheduling Conference	Disclosure of Asserted Claims
14 days after Scheduling Conference	Invalidity Contentions, Non-Infringement Contentions, Documents
45 days later	Infringement Contentions, Response to Invalidity Contentions, Documents



New Jersey Standard for Amendments

- ▶ Amendments may be made only by order of the Court:
 - ▶ Timely application
 - ▶ Showing of good cause

- ▶ Examples of good cause, absent undue prejudice:
 - ▶ Court adopts different claim construction.
 - ▶ Material prior art despite earlier diligent search.
 - ▶ Infringement contention not previously presented or reasonably anticipated.

- ▶ Burden on amending party to show diligence.



Category #1: Publicly Available Prior Art

- ▶ *Merck v. Sandoz* - Contentions must identify prior art with particularity and “it is the obligation of the party, not the expert, to act with diligence.” Order Denying Motion for Leave to Amend, *Merck Sharp & Dohme Corp. v. Sandoz, Inc.*, No. 12-3289 (D.N.J. Jan. 6, 2014).
- ▶ Amendment not allowed where:
 - ▶ Expert report added 16 new references, four of which were cited in patent.
 - ▶ Contentions included general incorporation of “prior art cited in ‘336 patent.”
 - ▶ Relevance of references was discovered by expert – but diligence is not measured from when expert learned of references.
 - ▶ Portions of expert report were stricken.



Category #2: Legal Defenses

- ▶ *Nautilus v. Wockhardt* - Parties must raise defenses that “could have been discovered” prior to filing invalidity contentions. Opinion and Order, *Nautilus Neurosciences, Inc. v. Wockhardt USA LLC*, No. 2:11-cv-01997 (D.N.J. Jan. 23, 2013).
- ▶ Section 112 indefiniteness defense not allowed where:
 - ▶ Defendant waited three months to add defense.
 - ▶ Plaintiffs allegedly “urged” them to wait because Markman hearing was not the proper forum for indefiniteness.
 - ▶ Defendants are “responsible for their own actions in this litigation.”
- ▶ Diligence does not exist if a party uncovers a defense during claim construction that it could have uncovered earlier.



Category #3: Opposing Party's Documents

- ▶ *Nautilus v. Wockhardt* and *Shire v. Amneal* - Rules require diligence “throughout the discovery process” and volume of documents might not provide valid excuse. *Previous slide* and *Shire LLC v. Amneal Pharms., LLC*, No. 2:11-cv-03781, 2013 U.S. Dist. LEXIS 180920 (D.N.J. Dec. 26, 2013).
- ▶ Evidence of prior art sale was not allowed in cases where:
 - ▶ Prior foreign sale allegedly “buried amongst 1.3 million pages” but initial production contained a related licensing agreement.
 - ▶ Reference showing prior sale was uncovered “after combing through 2.3 million pages” but party could have learned of it earlier.
- ▶ Need to show why information was not uncovered sooner – “inadvertence can in no way constitute good cause.”



Category #3: Opposing Party's Documents (cont'd)

- ▶ *Warner Chilcott v. Lupin* – May be able to add defense if discovery was necessary to develop contentions. *Warner Chilcott Co. v. Lupin Ltd.*, No. 11-7228, 2013 U.S. Dist. LEXIS 116988 (D.N.J. Aug. 19, 2013).
- ▶ New anticipation/obviousness defense was allowed where:
 - ▶ Access to internal, confidential documents was necessary to develop defense.
 - ▶ Documents contained admissions that prior art product was “nearly identical” to patent.
 - ▶ Inventor deposition testimony confirmed this.
 - ▶ Prior art product was cited by another defendant and thus Plaintiff was on notice and not prejudiced.
- ▶ Inconsistency between diligence and lack of prejudice?



Delaware Default Discovery Standard

- ▶ Proposed schedule for initial discovery in patent litigation, not tailored to Hatch-Waxman Act.
- ▶ Courts encourage early disclosure of initial contentions – if you know something now, include it now.
- ▶ Some parties and Courts agree to NJ rules.
- ▶ Courts may exclude expert testimony if not in contentions.



Preclusion of Expert Testimony

- ▶ **Vehicle IP v. Werner** - Judge Robinson precluded expert testimony that was not in contentions. Memorandum Order (Sept. 9, 2013) & Order (Sept. 20, 2013), *Vehicle IP, LLC v. Werner Enterprises, Inc.*, No. 10-503 (D. Del.).
 - ▶ Courts follow Pennypack factors on preclusion of testimony under Rule 37.
 - ▶ One factor is prejudice or surprise to opposing party.
 - ▶ Prior art system had been removed from contentions but included in expert report.
 - ▶ Non-infringement argument raised for first time in expert report.
 - ▶ Both arguments were precluded at trial.
- ▶ “While expert discovery is part of the discovery process, it is the part where the experts opine on the facts vetted during fact discovery”



Prior to Contentions: Are Pleadings Sufficient?

- ▶ Interplay with pleading requirements under Twombly
- ▶ *Eli Lilly v. Watson* – Motion to Dismiss, No. 1:13-cv-01799 (S.D. Ind. Jan. 27, 2014)
 - ▶ “One or more claims of the patent are invalid under one or more provisions of 35 U.S.C. §§ 101, 102, 103 and/or 112.”
 - ▶ Previous district court decision held that party cannot substitute duty to plead with detailed contentions or notice letter.
- ▶ Amending pleadings vs. amending contentions.



Contentions Suggestions

- ▶ Conduct diligent prior art searches early and involve litigation counsel.
- ▶ Consider how much detail to put in Affirmative Defenses/Counterclaims.
- ▶ Raise all viable defenses and supporting documents in initial contentions.
- ▶ Retain experts early on to assist with contentions.
- ▶ Review documents prior to depositions, especially initial disclosures.
- ▶ Move to amend promptly when new information discovered.



Outline of Markman Issues

- ▶ Implications of the Different Claim Construction Standards between the PTAB and District Courts
 - ▶ Claim Construction Standards
 - ▶ Differences in the Standards
 - ▶ Effect of Differences in the Standards
 - ▶ Claim Construction Suggestions
- ▶ Offering IPR Evidence at District Courts



Claim Construction Standards

- ▶ PTAB
 - ▶ "**broadest reasonable construction** in light of the specification of the patent in which it appears"
- ▶ District Court
 - ▶ "**ordinary and customary meaning** . . . the meaning that the term would have to a person of ordinary skill in the art in question at the time of the invention"



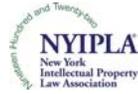
Differences in the Standards

- ▶ *Facebook, Inc. v. Pragmatus AV, LLC*, Nos. 2013-1350, 2013-1351, 2014 WL 4454956, at *4 (Fed. Cir., Sept. 11, 2014) (emphasis added).
 - ▶ "The broadest reasonable interpretation of a claim term **may be the same as or broader** than the construction of a term under the Phillips standard. But it **cannot be narrower**."
- ▶ Construction analysis is guided by the common goal that the meaning given to the term would be the meaning as understood by a person of ordinary skill of the art



Effect of Differences in the Standards

- ▶ Constructions have been **similar**, if not the same in the concurrent PTAB post-grant proceedings and district court cases where district court litigations have not been stayed
 - ▶ POSITA frame of reference appears the same
- ▶ Still, should the PTAB claim construction standard for post-grant proceedings be changed to the district court standard?
 - ▶ Conflicting claim constructions not a basis for interlocutory appeal, see *Wonderland Nurserygoods Co. v. Thorley Indus., LLC*, No. 2:12-cv-00196, ECF No. 267 (W.D. Pa. Oct. 20, 2014).



Claim Construction Suggestions

- ▶ Understand how the different constructions **relate to each other**
- ▶ Understand how the different constructions will **affect the invalidity and infringement theories**
- ▶ Consider using **similar or the same constructions** before the PTAB and district court
- ▶ A patent owner **should not file a late terminal disclaimer** during a post-grant proceeding to change the construction standard for the proceeding
 - ▶ File early (during the response), but the PTAB also considers gamesmanship in deciding whether to allow the disclaimer



Offering IPR Evidence at District Courts

- ▶ **Ultratec, Inc. v. Sorenson Commc'ns, No. 13-cv-346-bbc, at 3-5 (W.D.Wisc., Oct. 8, 2014).**
 - ▶ Evidence concerning the IPR proceedings may not be relied upon for **validity or damages** phase because it is irrelevant and highly prejudicial
 - ▶ Different standards, procedures, and presumptions during IPRs
 - ▶ Can be relied upon for the **willfulness test**
 - ▶ Objective: outside the jury's presence
 - ▶ Subjective: jury must be given instruction regarding weight of IPR evidence