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## Anti-Troll Litigation Reform: A Patent Litigator's Guide to 2013 Congressional Bills

By Ognian V. Shentov and Kenneth S. Canfield<sup>1</sup>

### I. Introduction

Patent law rarely makes the news, but the last few years have been a notable exception. In September 2011, after years of delay in Congress, the America Invents Act (AIA) became the first major overhaul of U.S. patent law in over 50 years.<sup>2</sup> Before the ink was dry on the new law, however, an array of companies and individuals began complaining that the AIA would do little to curb mushrooming patent litigation by entities that are solely in the business of licensing or enforcing patents.<sup>3</sup> Frequently referred to as nonpracticing entities (NPEs), patent-assertion entities (PAEs), or “patent trolls,” such entities<sup>4</sup> appear to have played a major role in the rapid increase in the number of defendants sued for patent infringement in recent years.<sup>5</sup> According to one estimate, in 2012, trolls brought 62% of all patent litigation and troll defendants comprised 59% of all patent litigation defendants.<sup>6</sup> While patent trolls frequently sue companies perceived to have deep pockets, they also pursue a much wider net of targets, including retailers and end users, for selling or using off-the-shelf products.<sup>7</sup> According to one study, troll activity costs defendants and licensees \$29

billion in direct costs (e.g., costs for legal services and license fees, but not costs from the diversion of resources or loss of market share) in 2011.<sup>8</sup>

As a result, patent litigation became part of the regular news and, not surprisingly, patent trolls found themselves in the crosshairs of various congressional activities. Since the passage of the AIA, aside from management of the transition to the first-to-file system, virtually all efforts in the patent arena have been directed at curbing actual and perceived abuses of patent litigation, especially by trolls.

In this review, we provide some background and outline the main anti-troll initiatives, focusing on the Innovation Act (H.R. 3309) recently passed by the House of Representatives, and parallel efforts in the Senate, along with comments from various parties on the draft bills, in the hope that it can help patent practitioners navigate, and potentially shape, the new world of patent litigation in which we may soon have to operate.

### II. Background on the 2013 Sea of Legislative Activity Against Trolls

While patent trolls were on the radar during negotiations leading to the passage of the AIA, 2013 saw

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## PRESIDENT'S CORNER

The holiday season is upon us and, as 2014 begins, the involvement of the NYIPLA in intellectual property matters in the United States and abroad continues to grow and expand. With the direction and goals of the Association in mind, the Association has adopted a three-year strategic plan to promote the development and administration of intellectual property and related laws. An overall objective is to allow the membership to express positions and develop the body of knowledge available to legal professionals, the judiciary, Congress, the U.S. Patent and Trademark Office, and the public, thus increasing the visibility and influence of the NYIPLA. Furthermore, the Association will pursue activities to increase development of relationships with other U.S. and foreign intellectual property law organizations. We are forming appropriate committees and sub-committees to carry out the various program aspects of the strategic plan, with the hope that these organized efforts in specific areas will benefit the Association and its members.

On December 5, 2013, the U.S. House of Representatives passed the Innovation Act (H.R. 3309) to address certain perceived abuses in patent law. On December 13, 2013, the Association took immediate action to express our concerns regarding the Act by sending a letter to the Senate Judiciary Committee. (See <https://nyipla.org/images/nyipla/Documents/Commentary/H.R.3309theInnovationAct121313.pdf>.) We are pressing the issue in order to establish a voice in the deliberation of further legislation.

In the letter, we advised Congress of our recent activities in regard to the issues that the Act is meant to address. We pointed to our successful Presidents' Forum on October 9, 2013, entitled, "What to do about NPEs: Do We Risk Throwing The Baby Out With The Bath Water?" During that event, leaders from private practice, industry, government, and academia participated in a two-hour, invitation-only discussion on the impact of non-practicing entities ("NPEs") on innovation and patent litigation, and how to move forward from the current state of affairs.

In view of the pending legislation, a second Presidents' Forum is scheduled for February 11, 2014, where similarly high-level participants will further discuss the imminent modification of patent laws. We are fortunate that numerous past presidents and other active members of the Association will take part, and we are very hopeful that we will be able to advance ideas to beneficially assist in the development of the patent law as defined in our strategic plan.



Meanwhile, our continuing legal education programs have been progressing quite successfully. On November 20, 2013, the Meetings & Forums Committee, under co-chairs Colman Ragan and Steven Lendaris, in conjunction with the Patent Litigation Committee, under co-chairs Scott Stimpson and Victor Cole, hosted a panel at Holland & Knight entitled, "Patent Litigation from the Law Clerks' Perspective – Insights on New Patent Rules and Successful Litigation Strategies." Thereafter, on November 21, 2013, the Women in IP Law Committee, under co-chairs Sona De and Jeanna Wacker, along with member Lisa Simpson, hosted a wine tasting and networking event at Orrick. On December 4, 2013, Amicus Brief Committee members Charles Macedo and Robert Isackson hosted a program at Orrick directed to fee shifting in patent litigation. These three diverse events were well received, and we look forward to presenting similar programs in the future. On December 16, 2013, Circuit Judge Kathleen M. O'Malley of the United States Court of Appeals for the Federal Circuit gave a riveting and lively presentation addressing the proposed patent legislation from the view of a sitting circuit judge. The event, held at the Union League Club in New York City and hosted by the Meetings & Forums Committee, under co-chairs Colman Ragan and Steven Lendaris and member Sam Deka, was well attended by Association members.

We are looking forward to a one-day patent CLE seminar on January 16, 2014, at the

Princeton Club in New York City. Chief Judge Carol Bagley Amon of the United States District Court for the Eastern District of New York will be the keynote speaker in a program that will cover various patent law topics, including ethics.

The winter CLE schedule continues with a February 27, 2014 program at Fordham University School of Law entitled, "Diverse Careers in IP Law and Strategies for Achieving Success," which is designed to provide additional guidance to our membership in furthering their career goals. Two other programs particularly directed to young lawyers are planned for January and February on the topics of oral argument and claim construction.

On Friday, March 28, 2014, we will hold the 92nd Annual Dinner in Honor of the Federal Judiciary. We are pleased that Ken Starr, President and Chancellor of Baylor University, will be the keynote speaker. He has had a distinguished career as an attorney, Judge of the United States Court of Appeals for the District of Columbia Circuit, 39th Solicitor General of the United States, independent counsel for numerous federal investigations, and Dean of Pepperdine Law School where he also taught Constitutional Law. He has also taught at New York University School of Law and George Mason University School of Law. During his years in private practice, he was involved in a number of significant patent law appeals to the Federal Circuit and the United States Supreme Court. As part of the Judges Dinner events, we are pleased to provide once again a Day of the Dinner CLE Luncheon, which traditionally has been well attended, including by many of the judges attending the dinner.

Continuing with our approach to relating with other professional organizations, the day before the Judges Dinner, on March 27, we will be cooperating with the Licensing Executives Society in their mid-year meeting held in New York. We will present a panel in the morning of the all-day event addressing NPEs and related patent law issues. Also, I will be moderating an afternoon panel of federal judges providing information to the attendees from the bench. The NYIPLA will also once again be a sponsor of the 30th Joint Patent Practice (JPP) CLE Seminar on April 23, 2014 – an exhaustive, full-day event that has proved to be very popular with our members and members of the other joint associations. The growth in scope of the NYIPLA activities is clearly demonstrated by the above range of events.

Turning to the present publication, I would like to acknowledge six articles and their excellent presentation and analysis by the contributors. Regarding a principal area of current concern (and one discussed in this issue), Ognian Shentov and Ken Canfield present an interesting article regarding anti-troll legislation. "A View From the Trenches," by Kevin J. McNamee, provides an interesting survey of the trends that have emerged from the many post-*Bilski* decisions in connection

with Section 101 validity challenges to issued patents. Charles Macedo and Sandra Hudak address the recently filed briefs by the Association as *amicus curiae* to the Supreme Court in advocating a two-part test for finding a case exceptional in the award of attorney fees under Section 285. You will also want to consider the "Survey of U.S. District Court Decisions Addressing Requests to Stay a Case Pending Resolution of an *Inter Partes* Review," submitted by Kenneth R. Adamo, David W. Higer, and Eugene Goryunov.

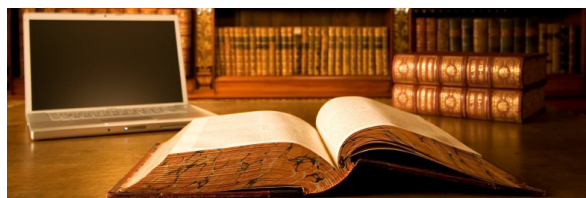
Turning to the trademark law area, Melissa Dimilta's treatment of international trademark piracy presents an interesting perspective. Also, Jim Bikoff's discussion of the Overseas Intellectual Property Rights (IPR) Attaché program relating to international enforcement of IP protection is of significant interest. The NYIPLA welcomes contributions of analysis and comment on important issues of intellectual property law on a continuing basis in order to serve and inform the membership.

In closing, I would like to send my best wishes to all our readers for a joyful holiday season and a happy new year.

Charles R. Hoffmann

## 2014 NYIPLA HONORABLE WILLIAM C. CONNER INTELLECTUAL PROPERTY LAW WRITING COMPETITION

*Deadline: Friday, March 7, 2014*



**The Winner will receive a cash award of \$1,500.00**  
**The Runner-up will receive a cash award of \$1,000.00**

**Awards to be presented on May 20, 2014**  
**NYIPLA Annual Meeting and Awards Dinner**  
**at The Princeton Club in New York City**

The competition is open to students enrolled in a J.D. or LL.M. program (day or evening). The subject matter must be directed to one of the traditional subject areas of intellectual property, i.e., patents, trademarks, copyrights, trade secrets, unfair trade practices and antitrust. Entries must be submitted electronically by March 7, 2014, to the address provided below.

See the rules for details on [www.nyipla.org](http://www.nyipla.org).

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a significant increase in the number of bills designed to address abusive patent litigation, especially that brought by trolls. In the House, various representatives introduced: the Saving High-Tech Innovators from Egregious Legal Disputes (“SHIELD”) Act (H.R. 845, reintroduced February 27, 2013 from an earlier version presented in 2012), the End Anonymous Patents Act (H.R. 2024, introduced May 16, 2013), the Patent Litigation and Innovation Act (H.R. 2639, introduced July 10, 2013), the Stopping the Offensive Use of Patents (“STOP”) Act (H.R. 2766, introduced July 22, 2013), and two “discussion drafts” introduced by Rep. Robert Goodlatte, Chairman of the House Judiciary Committee (May 23, 2013 and September 23, 2013). These proposals culminated in the Innovation Act (H.R. 3309, introduced October 23, 2013, by Rep. Goodlatte). The Innovation Act, which incorporated various aspects of the earlier proposals, passed the House on December 5, 2013, by a vote of 325-91 with bipartisan support. As a result, the earlier proposals are likely moot at this point as far as the House legislation goes, so this review will generally focus on the Innovation Act.<sup>9</sup>

In the Senate, 2013 saw the Patent Quality Improvement Act of 2013 (S. 866, introduced May 6, 2013), Patent Abuse Reduction Act of 2013 (S. 1013, introduced May 22, 2013), Patent Litigation Integrity Act of 2013 (S. 1612, introduced October 30, 2013), and Patent Transparency and Improvements Act of 2013 (S. 1720, introduced November 18, 2013). The latter bill, introduced by Senator Patrick Leahy, appears to be most comprehensive and is gaining the most traction, so this review will use it as a primary reference for the legislative efforts in the Senate. On December 17, 2013, the Senate Judiciary Committee held a hearing entitled “Protecting Small Businesses and Promoting Innovation by Limiting Patent Troll Abuse,” focusing on aspects of H.R. 3309 and related Senate efforts to address the troll problem.<sup>10</sup> Following testimony from two panels of corporate executives and experts, the record of the hearing was left open to enable entry of additional questions and comments from committee members who were unable to attend, and included a suggestion that the full process may take months to complete.<sup>11</sup> As will be explained, S. 1720 generally takes a less aggressive approach than H.R. 3309.

The Obama administration supports patent reform to address abusive litigation and, in particular, patent trolls. In February 2013, the president commented that the AIA did not go far enough in addressing trolls.<sup>12</sup> In

June 2013, the president directly addressed the issue, making various legislative recommendations and taking executive actions relating to patent reform.<sup>13</sup> On December 3, the administration issued a statement supporting the passage of H.R. 3309, which passed the House two days later.<sup>14</sup>

On the other side, prior to its passage, a group of House representatives submitted “Dissenting Views,” opposing H.R. 3309 as having been considered pursuant to a rushed and unfair process, excluding the single most important step of ending PTO fee diversion, while including a number of “one-sided changes” that limit the rights of all patent holders, not just trolls, and violating separation of powers by imposing mandates on the federal courts. The views of the House representatives and other critics of the legislative proposals will be discussed further below.

Another notable critic of the legislative litigation reform proposals is Chief Judge Randall Rader of the Court of Appeals for the Federal Circuit. While he acknowledges that abusive litigation is an issue, he has expressed his belief that the problem(s) should and can be solved by the judiciary. For example, in a speech to the bench in the Eastern District of Texas, Chief Judge Rader stated, “[O]ur patent law confidence crisis and litigation abuse are related in another way: they share the same preferred remedy, namely JUDICIAL CORRECTION.”<sup>15</sup> In particular, he offered three ways in which the judiciary could address abuse: liberal use of summary judgment, fee reversal, and litigation-expense reforms (*e.g.*, narrowing litigable issues at an early stage of proceedings).<sup>16</sup>

Various legal conferences and associations also oppose legislative reform, at least as appearing in H.R. 3309.<sup>17</sup> For example, on November 8, 2013, the Section of Intellectual Property of the American Bar Association adopted resolutions critical of several provisions in H.R. 3309.<sup>18</sup> On December 13, 2013, the President of the New York Intellectual Property Law Association wrote a letter to the Chairman of the Senate Judiciary Committee, Senator Patrick Leahy, expressing the Association’s position that “Congress should engage in a more extended public comment period in order to obtain a full airing of the potential impact of the legislation on the stakeholders in the patent system.”<sup>19</sup>

The following section provides highlights of the litigation reform proposals, along with the main pro and con arguments raised to this point.

### III. Legislative Proposals for Dealing With Patent Trolls

The various bills, proposals, and calls for legislation to stem abusive litigation practices address aspects of patent litigation ranging from pre-suit demand letters to the shifting of fees, as well as post-grant validity procedures in the U.S. Patent and Trademark Office (PTO). For ease of reference, this section follows the chronological events in a typical patent law suit and highlights the main items in H.R. 3309 and other legislative proposals. In particular, we discuss: pre-suit demand letters, heightened pleading requirements for claims of infringement, real-party-in-interest (RPI) and other disclosure requirements, stays of litigation against end users, limitations on discovery, fee shifting, and post-grant validity challenges in the PTO.

#### A. Demand Letters

One issue that has received a lot of attention recently is the widespread sending of letters by trolls alleging patent infringement and demanding payments in order to avoid litigation. The Senate committee on Commerce, Science & Transportation held a hearing on demand letters in November<sup>20</sup> and at least two states (Vermont and Nebraska) have taken independent action on this front.<sup>21</sup> The concern is that these demand letters are often evasive, are dispatched without the sender having performed a sufficient investigation, and target small businesses who simply purchased off-the-shelf technology, with the goal of extorting a series of quick settlements at rates less than the cost of litigation.

#### Summary of Provisions

H.R. 3309 first provides that it is the “sense of Congress that it is an abuse of the patent system and against public policy for a party to send out purposely evasive demand letters to end users” and suggests (without imposing specific requirements) the basic information demand letters should include.<sup>22</sup> The bill further provides that any actions or litigation that stem from purposely evasive demand letters to end users “should be considered a fraudulent or deceptive practice and an exceptional circumstance when considering whether the litigation is abusive.”<sup>23</sup> In addition, H.R. 3309 provides that a patentee seeking to establish willful infringement cannot rely on evidence of pre-suit notification of infringement unless the notification includes certain details.<sup>24</sup> Finally, it provides for a study on the extent to which bad-faith demand letters have

a “negative impact on the marketplace.”<sup>25</sup> While the administration supports H.R. 3309, it noted a desire for more legislation regarding demand letters.<sup>26</sup>

The Demand Letter Transparency Act, H.R. 3540 (*see note 9*), attacks the use of demand letters more aggressively. First, it imposes disclosure requirements to the PTO on any entity that sends at least 20 demand letters during a 365-day period.<sup>27</sup> Second, it imposes strict requirements on the content of letters.<sup>28</sup> A patentee who violates the requirements risks having its patent voided unless it pays a fee.<sup>29</sup> The bill also provides for Federal Trade Commission (FTC) enforcement of violations.<sup>30</sup> It is unclear at this point whether H.R. 3540 will get any traction.

S. 1720 makes widespread sending of false or misleading demand letters punishable by the FTC as an “unfair or deceptive act or practice” within the meaning of Section 5(a)(1) of the FTC Act (15 U.S.C. § 45(a)(1)).<sup>31</sup> It does not contain an equivalent provision to H.R. 3309’s pre-suit-notification section.

#### B. Heightened Requirements for Pleading Patent Infringement

The heightened requirements for pleading infringement are intended to combat the perception that patent-infringement actions are too easy to file and to preemptively remove meritless cases from the system by imposing strict upfront requirements on allegations of patent infringement. They also address perceived unfairness to defendants accused of infringing based on vague and uninformative complaints.<sup>32</sup>

#### Summary of Provisions

H.R. 3309 Section 3, entitled “Patent Infringement Actions,” includes significantly expanded pleading requirements for filing a patent infringement action compared to virtually any other type of civil case. Unless the information is not reasonably accessible, newly proposed 35 U.S.C. § 281A requires a party alleging infringement to include in the initial complaint: (1) an identification of each allegedly infringed patent, (2) an identification of each claim alleged to be infringed, (3) the identity of each allegedly infringing product or process, including names and model numbers if known, and (4) a theory of how each accused product or service infringes each asserted claim.<sup>33</sup> For claims of indirect infringement, proposed Section 281A further requires (5) a description of the acts of the alleged indirect infringer that contribute to or are inducing the direct infringement.<sup>34</sup>

In addition to the above infringement-related requirements, proposed § 281A also requires a description of other information about the plaintiff and the asserted patent(s), including the plaintiff's authority to assert each listed patent, a description of the principal business of the party alleging infringement, a list of each complaint filed asserting infringement of any of the patents in suit, and a description of certain licensing commitments, including those through a standard-setting body.<sup>35</sup>

When the above-required information is not disclosed in the complaint, H.R. 3309 further requires an explanation of why the information was not readily accessible along with a description of efforts to access the information. It also expressly permits the court to allow the filing of confidential information under seal and exempts Hatch-Waxman ANDA suits (where a brand-name drug manufacturer sues a generic drug manufacturer after the latter files an Abbreviated New Drug Application (ANDA)) from the expanded pleading requirements.<sup>36</sup>

The heightened pleading requirements were not part of the original May 20, 2013 Goodlatte discussion draft. But the majority of the requirements were part of Senator John Cornyn's roughly contemporaneous (May 22, 2013) Senate bill, S. 1013, which, with some changes, was included in Rep. Goodlatte's second discussion draft (Sep. 6, 2013) and then in the final H.R. 3309 Innovation Act.

S. 1720 has no corresponding provisions, making it possible that a compromise may be reached, such as the Intellectual Property Owners' (IPO's) proposal to require the identification of at least one claim alleged to be infringed in each patent, a statement explaining such infringement in the accused product, and a statement addressing any alleged indirect infringement.<sup>37</sup>

### Criticisms

The Report from the Committee on the Judiciary on the Innovation Act includes several criticisms directed at the heightened pleading requirements in H.R. 3309.<sup>38</sup> The principal criticisms are that such requirements (1) will work an unfairness against patent holders across the board as they "go well beyond this concept of fair notice of the basis for the allegation of infringement and well beyond the requirements of Rule 11 of the Federal Rules of Civil Procedure"; (2) are drafted in a one-sided manner because "a small inventor will be required to provide detailed information in their complaint, however, an alleged infringer does not bear the same burden to explain with specificity to

that inventor why they believe they have not infringed the patent or why they believe the patent is invalid"; (3) will prolong litigation as opposed to shortening it, because the requirements may foster further litigation "over whether the patent owner has met the heightened pleading standard or had reasonable access to the required information if they admittedly did not comply"; and (4) are unnecessary as the issue is already being dealt with by the courts in the aftermath of the Supreme Court's decisions in *Bell Atlantic Corp. v. Twombly*<sup>39</sup> and *Ashcroft v. Iqbal*.<sup>40</sup> Another consideration is that the Judicial Conference of the United States has issued a request for comments to its proposed amendments to Federal Rules of Civil Procedure, including revision of forms and discovery and that, in essence, Congress is unnecessarily meddling in procedural matters that are better left for the courts to decide.

### C. Disclosure of Real Party in Interest

Another criticism of patent troll litigants is that the plaintiffs are often shell companies set up to hide connections with larger trolls or, in the case of patent privateering, shell companies set up by practicing entities trying to go after their competitors while keeping their true identities hidden and themselves immune from countersuit.<sup>41</sup>

#### Summary of Provisions

To address this issue, H.R. 3309 provides that, upon filing of an infringement complaint, a plaintiff must identify assignees, entities with any right to sublicense or enforce the patents, and anyone else other than the plaintiff known to have a financial interest in the patents, and the ultimate parents of such entities.<sup>42</sup> Hatch-Waxman ANDA cases are not subject to the disclosure requirements.<sup>43</sup>

S. 1720 has a similar litigation-disclosure provision, but imposes an additional duty on an assignee to disclose its ultimate parent entity to the PTO during prosecution and the life of patent.<sup>44</sup>

The House representatives who submitted dissenting views support transparency of ownership and requiring litigants in patent litigation to disclose the real parties in interest in the asserted patents.<sup>45</sup>

### D. Stays of Litigation Against End Users

Over recent years, there has been a trend of trolls suing retailers or end users (often small businesses) of technology rather than, or in addition to, manufacturers.<sup>46</sup> Oftentimes, these targets are simply reselling or using off-the-shelf products as they are intended to be used.

## Summary of Provisions

H.R. 3309 addresses this trend by providing that a court “shall” grant a motion to stay the portion of an action against a customer related to infringement of a patent if the manufacturer and customer consent in writing, the manufacturer is a party to an action involving the same patents relating to the product/process forming the basis of the allegation against the customer, the customer agrees to be bound by any common issues decided by the action involving the manufacturer, and the motion is filed during the time provided.<sup>47</sup> The court may, upon motion, decide not to bind the customer if the covered manufacturer agrees to a consent judgment or fails to appeal if doing so would “unreasonably prejudice and be manifestly unjust.”<sup>48</sup> Hatch-Waxman ANDA cases are not subject to the stay provisions.<sup>49</sup>

The House representatives who submitted dissenting views support a customer-stay provision.<sup>50</sup> S. 1720 has a similar provision.<sup>51</sup>

## Criticisms

Chief Judge Rader notes that “public trust in the patent system has been corroded by mass customer litigation” relating to off-the-shelf technology and agrees that this harm can be addressed by, in appropriate cases, having the manufacturer litigate the case rather than “scores of customers.”<sup>52</sup> Regarding the need for legislation, however, he submits that “[c]ourts already have the mechanisms to address this via stays of customer suits, transfers, and intervention.”<sup>53</sup>

Former Director of the PTO David Kappos also feels that a customer-stay provision is good policy.<sup>54</sup> However, he believes that “a number of improvements” are needed “to ensure against abuse and unintended consequences.”<sup>55</sup> First, he believes that the stay provision reaches too many parties, applying to all parties in the product channel downstream of the first component part maker, not only “mere retailers” or “mere end users.” Second, he believes further work is needed to specify the level of commonality needed between claims against the manufacturer and customer. Third, he argues that further effort is needed to avoid creating a “donut hole” where the covered customer is the direct infringer and the upstream manufacturer is an indirect infringer, thereby putting the patentee in the “catch-22” of having to prove direct infringement as a prerequisite to indirect infringement, without having access to the information needed to make out a case of direct infringement. Finally, he believes that “the devil’s in the details” and there is a need for a more “deliberative process.”

## E. Proposals Relating to Discovery Burdens and Costs

Discovery in patent litigation can be burdensome and expensive.<sup>56</sup> The set of provisions related to discovery burdens and costs are intended to reduce such costs and address an asymmetry in the discovery obligations of the parties in a patent troll case, as the burden and cost of discovery typically falls disproportionately on defendants. Several observers have noted that a typical defendant has to collect, review, and produce early in the case massive amounts of information, which effort front-loads the associated expenses, while a typical patent troll has few documents to produce, creating a cost imbalance often used to force smaller companies into settlement regardless of the actual merits of the case.<sup>57</sup>

## Summary of Provisions

H.R. 3309 Section 3(d), entitled “Discovery Limits,” includes specific limits on discovery in a patent infringement case designed to reduce the upfront cost of defending a case.<sup>58</sup> Section 6, entitled “Procedures and Practices to Implement Recommendations of the Judicial Conference,” further directs the Judicial Conference of the United States to develop rules and procedures to address asymmetries in discovery burdens and costs in patent cases.

Specifically, Section 3(d)(1) of the Innovation Act introduces new 35 U.S.C. § 299A, which limits discovery prior to the claim construction ruling to information necessary to construe claims or resolve motions.<sup>59</sup> This limit does not apply in cases where it is necessary to prevent “manifest injustice,” in actions seeking a preliminary injunction based on competitive harm, or if parties voluntarily consent in a signed stipulation to be excluded.<sup>60</sup> Also, a court “shall” expand discovery limits before the claim construction ruling where, under federal law (such as that relating to Hatch-Waxman ANDA cases), resolution within a specified period of time affects rights of a party with respect to a patent “as necessary to ensure timely resolution of the action.”<sup>61</sup> S. 1720 does not contain an equivalent provision.

Section 6 of the Innovation Act requires the Judicial Conference of the United States to develop rules on payment and prerequisites for document discovery in addition to core documentary evidence with the express purpose of addressing asymmetries in discovery burdens and costs in a patent action.<sup>62</sup>

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In addition, H.R. 3309 includes specific proposals the Judicial Conference should consider on discovery of (a) core documentary evidence, (b) electronic communication, (c) additional document discovery, as well as (d) discovery sequence and scope.<sup>63</sup> Further, the Judicial Conference is required to study the efficacy of rules and procedures for the first four years after implementation and is authorized to make modifications following this study; modifications during the first four years after implementation are authorized “to prevent a manifest injustice, the imposition of a requirement the costs of which clearly outweigh its benefits, or a result that could not reasonably have been intended by” Congress.<sup>64</sup>

### Criticisms

There is strong opposition to this provision. The main point that critics of the pre-claim-construction discovery limitations make is that the provision will delay litigation and lead to *greater* expenses for most parties, because the legislation creates “opportunities for systematic delays in patent litigation by inviting piecemeal discovery and adjudication that would push back a determination of patent infringement liability until much later in the case.”<sup>65</sup> In essence, critics argue that the proposed solution, which may be effective in certain troll litigations, when applied to all patent cases, will unnecessarily delay trial until postponed discovery is completed, and thus “further delay the resolution of patent litigation.”<sup>66</sup> In addition, critics argue that the cost of discovery can be more properly dealt with by the courts, which are actively seeking a “balance between the value of discovery and its costs,” citing in support the Federal Circuit Advisory Council’s Model Order Limiting E-Discovery.<sup>67</sup>

## F. Fee Shifting

Fee shifting is perhaps the most significant and controversial provision in H.R. 3309. It attempts to root out the financial incentives for patent trolls to file suit, especially cases having questionable merit (such as those brought to coerce a settlement at less than the cost of a litigation defense), by creating a default rule that the loser pays the other side’s attorney fees. Proponents of the provision hope that this will allow defendants who cannot afford litigation to fight frivolous claims instead of giving in.

## Summary of Provisions

H.R. 3309 has two sections directed to fee shifting: Section 3(b) entitled “Fees and Other Expenses” and Section 3(c) on “Joinder of Interested Parties.” Section 3(b) provides that reasonable fees and other expenses “shall” be awarded to the prevailing party “unless the court finds that the position and conduct of the nonprevailing party or parties were reasonably justified in law and fact or that special circumstances (such as severe economic hardship to a named inventor) make such an award unjust.”<sup>68</sup> Furthermore, if the losing party is unable to pay, Section 3(c) allows the court to make the judgment recoverable against a joined “interested party,” defined as the assignee of the patent(s) in issue; a party having the right, including contingent right, to enforce or sublicense a patent; or a party having a direct financial interest in the patent, including a right to any part of a damages award.<sup>69</sup> A party asserting a claim of patent infringement who later on its own (*e.g.*, not as part of a joint stipulated dismissal pursuant to a settlement) extends a covenant not to sue is deemed the “non-prevailing party.”<sup>70</sup> Similarly worded fee-shifting provisions are found in Senator Orrin Hatch’s S. 1612 and Senator Cornyn’s S. 1013, but not in Senator Leahy’s S. 1720.

### Criticisms

There are numerous criticisms of Section 3(b), generally asserting that the fee-shifting requirement (1) will favor wealthy corporate parties over individual inventors, (2) is drafted in an over-broad manner to apply beyond patent infringement actions, (3) deprives courts of discretion, and (4) is unnecessary because the issue is under consideration by the federal courts.<sup>71</sup>

The first concern is perhaps most significant in that critics allege it appears *always* to favor the party having greater financial resources and thus could chill potential meritorious claims.<sup>72</sup> Or, citing from a submission by the American Association for Justice, “A ‘loser pays’ provision will deter patent holders from pursuing meritorious patent infringement claims and protects institutional defendants with enormous resources who can use the risk of fee shifting to force inventors into accepting unfair settlements or dismissing their legitimate claims.”<sup>73</sup> Critics further claim that shifting the burden to the losing party will require courts to examine the justification for litigation positions in each and every case and distort the right of every American to have his or her “day in court.”<sup>74</sup> Critics also claim that

the provision is overly broad, as it would apply to any civil action in which any party asserts a claim for relief arising under any act of Congress relating to patents, apparently sweeping in over 25 statutes containing patent-law clauses.<sup>75</sup>

Critics further assert that the provision as written may deprive courts of discretion.<sup>76</sup> In addition, critics say that the provision is unnecessary because both the Supreme Court and the Federal Circuit are preparing to rule on litigation concerning the phrase “exceptional cases” in the context of the fee-shifting provision of 35 U.S.C. § 285.<sup>77</sup>

Critics attack the joinder provision in Section 3(c) as being drafted in a one-way manner that benefits alleged deep-pocketed infringers, because small companies, startups, and independent inventors would not be similarly protected when they prevail as plaintiffs against defendant infringers that hide their assets, file for bankruptcy, or otherwise evade payment of fee awards.<sup>78</sup> According to the dissenting House representatives, this provision also raises constitutional concerns because it creates standing for parties that would otherwise not have it (*i.e.*, a defendant may join a third party at the end of the case for purposes of fee shifting, but the third party had no standing to assert or defend itself during the course of the legal proceedings).

#### **G. Provisions Relating to Post-Grant Validity Challenges**

In the short time since they became available pursuant to the AIA, post-grant validity challenges, such as *inter partes* review (IPR), post-grant review (PGR), and covered business method (CBM) review proceedings, have become quite popular.<sup>79</sup> Their appeal is due in part to the rather attractive pricing (at least compared with the cost of district court litigation) and the opportunity to present a case in an adversarial proceeding before Administrative Patent Judges (APJs), who because of their skill and training are expected to be more likely than a typical jury to decide patent disputes on their merits. The present set of proposals is intended to build on the success of such proceedings.

H.R. 3309 Section 9 changes post-grant validity challenges in two principal ways. First, it requires the Patent Trial and Appeal Board (PTAB) to apply the district court claim construction standard in PGR and IPR rather than the PTO’s normal “broadest reasonable interpretation” standard.<sup>80</sup> The PTAB is expected to consider adopting any previously entered district court construction, although it is not required to do so.<sup>81</sup> The

change in the claim construction standard does not apply in CBM review proceedings.<sup>82</sup> S. 1720 also provides for changes in the claim construction standard.<sup>83</sup>

Second, Section 9 changes the estoppel provisions for PGR to apply only to arguments actually raised as opposed to also applying to arguments that “reasonably could have been raised.”<sup>84</sup> S. 1720 also makes this change.<sup>85</sup>

A third proposal, relating to the expansion of CBM review proceedings, did not make it into H.R. 3309. As proposed by Senator Charles Schumer in the Patent Quality Improvement Act, CBM review would be expanded to apply to essentially any business method patent (including software patents) and would become permanent.<sup>86</sup> The proposed CBM review expansion has strong proponents and detractors.<sup>87</sup> H.R. 3309 does require a study on the volume and quality of business method patents.<sup>88</sup>

#### **IV. Conclusion**

There seems to be a consensus that certain bad actors, primarily those commonly referred to as patent trolls, are abusing the U.S. patent litigation system by diverting significant costs and other company resources to the defense of patent infringement actions that are often meritless. There is also growing consensus that something has to be done to minimize such abuses, and the recent anti-troll bills along with the steps already taken by the courts are making progress in this regard. As outlined above, debates concerning the right approach to the troll problem reach a spectrum of issues ranging from pre-litigation demand letters to enhanced pleading requirements at the start of litigation to fee-shifting provisions at the end of litigation, and the use of PTO validity review proceedings in addition to standard district court litigation. The debates have also raised important questions about the respective roles of Congress and the federal judiciary in addressing abuse patent litigation, as exemplified by the opinions of Chief Judge Rader. Clearly, dealing with the reform of something as complex as patent litigation requires a lot of thoughtful analysis and attention. As suggested in the December 17, 2013 Senate Judiciary hearing on the patent troll problem, debates concerning this problem may take months, along with additional briefings, sessions and hearings, intended to arrive at narrowly tailored solutions that minimize the risk of unintended consequences for the whole ecosystem of innovation.<sup>89</sup> We hope that the highlights of the ongoing debate in this review give readers better understanding

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of the issues, allow them formulate their own opinions, and, perhaps, prompt them to provide input to their legislative representatives.

#### (Endnotes)



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<sup>2</sup> Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011).

<sup>3</sup> See Brian T. Yeh, *An Overview of the "Patent Trolls" Debate*, Congressional Research Service, CRS 7-5700, Summary (Aug. 20, 2012) ("[T]he AIA contains relatively few provisions that arguably might impact PAEs, apparently because of lively debate over what, if anything, should be done about them."); Julie Samuels, *Patent Reform Legislation Set to Become Law, But Will Make Few Meaningful Changes*, Electronic Frontier Foundation, <https://www.eff.org/deeplinks/2011/09/patent-reform-legislation-set-become-law-will-make> (Sep. 6, 2011).

<sup>4</sup> As pointed out by Brian Yeh, "[t]here is no consensus on a less-loaded synonym for 'patent troll' as it is most commonly understood." Yeh, *supra* note 3 at 4 n.27. While "PAE" and "NPE" are both used, they have differing meanings that do not completely align with the connotation of "patent troll." See *id.* For simplicity, however, in this review we use the terms "PAE," "NPE," "patent troll," and "troll" interchangeably.

<sup>5</sup> U.S. Gov't Accountability Office, GAO-13-465, Report to Congressional Committees, *Intellectual Property: Assessing Factors that Affect Patent Infringement Could Help Improve Patent Quality*, Summary (Aug. 2013) ("GAO's detailed analysis of a representative sample of 500 lawsuits from 2007 to 2011 shows that the number of overall defendants in patent infringement lawsuits increased by about 129 percent over this period. These data also show that companies that make products brought most of the lawsuits and that nonpracticing

entities (NPE) brought about a fifth of all lawsuits.")

<sup>6</sup> Colleen Chien, *Patent Trolls by the Numbers*, SSRN-id2233041 (Mar. 2013), available at <http://ssrn.com/abstract=2233041>.

<sup>7</sup> See *infra* § III.D.

<sup>8</sup> Yeh, *supra* note 3, at 2, 8 (citing James Bessen & Michael J. Meurer, *The Direct Costs from NPE Disputes*, Boston Univ. School of Law, Law and Economics Research Paper No. 12-34 (Jun. 28, 2012)), available at [http://www.bu.edu/law/faculty/scholarship/workingpapers/documents/BessenJ\\_MeurerM062512rev062812.pdf](http://www.bu.edu/law/faculty/scholarship/workingpapers/documents/BessenJ_MeurerM062512rev062812.pdf); Bessen at 2, 4.

<sup>9</sup> The Demand Letter Transparency Act of 2013 (H.R. 3540, introduced November 19, 2013), proposed after the Innovation Act, may still receive consideration as it addresses the demand-letter issue in greater detail than the Innovation Act. See *infra* § III.A.

<sup>10</sup> <http://www.judiciary.senate.gov/hearings/hearing.cfm?id=32cae8082f9297f0e7df6280b03ff1f>.

<sup>11</sup> *Id.*, closing comments by Senator Christopher Coons, audio recording starting at 3:19:51.

<sup>12</sup> Ali Sternburg, *Obama Acknowledges Patent Troll Problem* [w/Transcript] (Feb. 14, 2013), <http://www.patentprogress.org/2013/02/14/obama-acknowledges-patent-troll-problem-w-transcript/>.

<sup>13</sup> *FACT SHEET: White House Task Force on High-Tech Patent Issues* (June 4, 2013), available at <http://www.whitehouse.gov/the-press-office/2013/06/04/fact-sheet-white-house-task-force-high-tech-patent-issues>; see also *Patent Assertion and U.S. Innovation*, Executive Office of the President (June 2013), available at [http://www.whitehouse.gov/sites/default/files/docs/patent\\_report.pdf](http://www.whitehouse.gov/sites/default/files/docs/patent_report.pdf).

<sup>14</sup> Statement of Administrative Policy on H.R. 3309 (Dec. 3, 2013), available at [http://www.whitehouse.gov/sites/default/files/omb/legislative/sap/113/saphr3309r\\_20131203.pdf](http://www.whitehouse.gov/sites/default/files/omb/legislative/sap/113/saphr3309r_20131203.pdf).

<sup>15</sup> Chief Judge Randall R. Rader, Federal Circuit, Address to Bar/Bench of the E.D. Tex.: *Patent Law and Litigation Abuse*, at 7 (Nov. 1, 2013), transcript available at <http://www.fedcirbar.org/olc/filelib/LVFC/cpages/9008/Library/Rader%202013%20ED%20Tex%20BB%20Speech.pdf>.

<sup>16</sup> See generally *id.*

<sup>17</sup> See Report together with Dissenting Views and Additional Views to accompany H.R. 3309, at 93-94 (Dec. 2, 2013) [hereinafter "Report"] (noting concerns expressed by the Federal Judicial Conference, the American Bar Association, the American Intellectual Property Law Association, and others).

<sup>18</sup> American Bar Association, Section of Intellectual Property Law, 2013 Fall Counsel Meeting, Innovation Act Task Force Resolutions and Reports, Nov. 8, 2013.

<sup>19</sup> See <https://nyipla.org/images/nyipla/Documents/Commentary/H.R.3309theInnovationAct121313.pdf>, at 1.

<sup>20</sup> Hearing on "Demand Letters and Consumer Protection: Examining Deceptive Practices by Patent Assertion Entities" (Nov. 7, 2013), available at [http://www.commerce.senate.gov/public/index.cfm?p=Hearings&ContentRecord\\_id=8d56ac21-3494-451e-85ad-6ff36888a167&ContentType\\_id=14f995b9-dfa5-407a-9d35-56cc7152a7ed&Group\\_id=b06c39af-e033-4cba-9221-de668ca1978a&MonthDisplay=11&YearDisplay=2013](http://www.commerce.senate.gov/public/index.cfm?p=Hearings&ContentRecord_id=8d56ac21-3494-451e-85ad-6ff36888a167&ContentType_id=14f995b9-dfa5-407a-9d35-56cc7152a7ed&Group_id=b06c39af-e033-4cba-9221-de668ca1978a&MonthDisplay=11&YearDisplay=2013).

<sup>21</sup> Vermont Act 44 (H. 299); *State of Vermont v. MPHJ Tech. Investments, LLC*, No. 282-S-13; Cease and desist letter from the Jon Bruning, State of Nebraska Office of the Attorney General to Farney Daniels LLP (July 18, 2013).

<sup>22</sup> H.R. 3309 § 3(e) ("Demand letters sent should, at the least, include basic information about the patent in question, what is being infringed, and how it is being infringed.").

<sup>23</sup> *Id.*

<sup>24</sup> *Id.* § 3(f) provides that when seeking to establish willful infringement, a claimant may not rely on pre-suit notification, unless this notification “identifies with particularity the asserted patent, identifies the product or process accused, identifies the ultimate parent entity of the claimant, and explains with particularity, to the extent possible following a reasonable investigation or inquiry, how the product or process infringes one or more claims of the patent.”

<sup>25</sup> *Id.* § 8(e).

<sup>26</sup> Statement of Administrative Policy, *supra* note 14.

<sup>27</sup> H.R. 3540 § 2.

<sup>28</sup> *Id.* § 3.

<sup>29</sup> *Id.* § 4(c).

<sup>30</sup> *Id.* § 5.

<sup>31</sup> S. 1720 § 5.

<sup>32</sup> Report, *supra* note 17, at 22-23.

<sup>33</sup> H.R. 3309 § 3(a)(1), proposed 35 U.S.C. §§ 281A(a)(1)-(5).

<sup>34</sup> *Id.* § 3(a)(1), proposed 35 U.S.C. § 281A(a)(6).

<sup>35</sup> *Id.* § 3(a)(1), proposed 35 U.S.C. §§ 281A(a)(7)-(10).

<sup>36</sup> *Id.* § 3(a)(1), proposed 35 U.S.C. §§ 281A(b)-(d).

<sup>37</sup> See IPO Positions on Bills/Recommendations Directed at Abusive Patent Litigation, available at <http://www.ipo.org/wp-content/uploads/2013/11/Patent-Litigation-Bills-Quick-Overview-3309-Passed-by-House.pdf>.

<sup>38</sup> Report, *supra* note 17, at 105-07.

<sup>39</sup> 550 U.S. 544 (2007).

<sup>40</sup> 556 U.S. 662 (2009).

<sup>41</sup> See Report, *supra* note 17, at 24-26.

<sup>42</sup> H.R. 3309 § 4.

<sup>43</sup> H.R. 3309 § 4(a), proposed 35 U.S.C. § 290(b)(2).

<sup>44</sup> S. 1720 § 3.

<sup>45</sup> Report, *supra* note 17, at 95.

<sup>46</sup> See Chien, *supra* note 6 (noting that, according to one analysis, in 2012, NPEs sued more non-tech companies than tech companies); Rader, *supra* note 15, at 13-14.

<sup>47</sup> H.R. 3309 § 5(a).

<sup>48</sup> *Id.*

<sup>49</sup> *Id.* § 5(a), proposed 35 U.S.C. § 296(d).

<sup>50</sup> Report, *supra* note 17, at 95.

<sup>51</sup> S. 1720 § 4.

<sup>52</sup> Rader, *supra* note 15, at 13-14.

<sup>53</sup> *Id.* at 14.

<sup>54</sup> Statement of David J. Kappos before the Committee on the Judiciary of the House on H.R. 3309, at 6 (Oct. 29, 2013), available at <http://judiciary.house.gov/hearings/113th/10292013/Kappos%20Testimony.pdf>.

<sup>55</sup> *Id.* at 7.

<sup>56</sup> Report, *supra* note 17, at 31-33.

<sup>57</sup> See *id.*

<sup>58</sup> H.R. 3309 § 3(d).

<sup>59</sup> *Id.* § 3(d)(1) proposed 35 U.S.C. §§ 299A. Several Congressional hearings include statements to the effect that in many cases “claim construction can and often is determinative of the issue of infringement,” and that, accordingly, limits on pre-claim-construction discovery “may help prevent wasted effort by either eliminating the need for discovery entirely (where, for example, the court’s claim construction order effectively resolves the case), or at minimum by focusing the parties on truly relevant discovery.” Report, *supra* note 17, at 24 & n.24.

<sup>60</sup> *Id.* § 3(d)(1), proposed 35 U.S.C. §§ 299A(b)(3)-(4) and (c).

<sup>61</sup> *Id.* § 3(d)(1), proposed 35 U.S.C. § 299A(b)(1).

<sup>62</sup> H.R. 3309 § 6(a)(1).

<sup>63</sup> *Id.* §§ 6(a)(2)(A)-(D).

<sup>64</sup> *Id.* §§ 6(a)(5)(A)-(B).

<sup>65</sup> Report, *supra* note 17, at 110 (citing Letter from James C. Greenwood, President and CEO of the Biotechnology Industry Organization to Representative Robert Goodlatte, Chairman of the House Committee on the Judiciary (Nov. 14, 2013)).

<sup>66</sup> American Bar Association Section of Intellectual Property Law, 2013 Fall Council Meeting, Innovation Act Task Force Resolutions and Report, at 24; see also Report, *supra* note 17, at 110.

<sup>67</sup> Federal Circuit Advisory Council’s Model Order Limiting E-Discovery, available at [http://www.ca9.uscourts.gov/images/stories/announcements/Ediscovery\\_Model\\_Order.pdf](http://www.ca9.uscourts.gov/images/stories/announcements/Ediscovery_Model_Order.pdf).

<sup>68</sup> H.R. 3309 § 3(b)(1), proposed 35 U.S.C. § 285(a).

<sup>69</sup> *Id.* § 3(c), proposed 35 U.S.C. § 299(d)(4).

<sup>70</sup> *Id.* § 3(b)(1), proposed 35 U.S.C. § 285(c).

<sup>71</sup> Report, *supra* note 17, at 107.

<sup>72</sup> *Id.*

## NYIPLA Bulletin to Publish Smartphone Issue

NEW!



The February/March 2014 issue of the NYIPLA Bulletin will be devoted to “Smartphones.” Articles can encompass any of the intellectual property aspects of Smartphones, including patent (utility and design), trademark, and copyright, and also including damages, licensing, and technology standards. Articles may also discuss the parties involved, including phone manufacturers, such as Apple, Samsung, BlackBerry, Google, Motorola, Nokia, Microsoft, and HTC and service providers, such as AT&T, Sprint, Verizon, and T-Mobile.

Articles can be any length, but a length of 1700 to 2500 words is expected to be about average. Please submit the articles in Microsoft Word, 1997-2003 format (i.e. “.doc,” not “.docx”) and with endnotes rather than footnotes.

- Final Articles due by **February 14, 2014**

**For more information, contact the Bulletin editors,  
Robert Greenfeld ([rgreenfeld@mayerbrown.com](mailto:rgreenfeld@mayerbrown.com)) or Mary Richardson ([mary.e.w.richardson@gmail.com](mailto:mary.e.w.richardson@gmail.com)).**

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<sup>73</sup> *Id.* (citing Letter from Linda Lipsen, CEO of The American Association for Justice, to Representative Robert Goodlatte, Chairman of the House Committee on the Judiciary, and Representative John Conyers, Jr., Ranking Member of the House Committee on the Judiciary (Nov. 19, 2013)).

<sup>74</sup> *Id.* at 108.

<sup>75</sup> *Id.*

<sup>76</sup> Kappos, *supra* note 54, at 4.

<sup>77</sup> Report, *supra* note 17, at 109; *Highmark v. Allcare Health Management*, No. 12-1163 (*cert. granted*); *Octane Fitness v. Icon Health & Fitness Inc.*, No. 12-1184 (*cert. granted*); *Kilopass Tech., Inc. v. Sidense Corp.*, No. 2013-1193, 2013 WL 6800885 (Fed. Cir. Dec. 26, 2013). 35 U.S.C. 285 provides “The court in exceptional cases may award reasonable attorney fees to the prevailing party.”

<sup>78</sup> Report, *supra* note 17, at 109.

<sup>79</sup> According to DocketNavigator, from September 16, 2012 until November 30, 2013, there have been 731 IPR petitions, 1 PGR petition (PGR proceedings apply only to patents having claims with effective filing dates after March 16, 2013), and 96 CBM review petitions.

<sup>80</sup> H.R. 3309 § 9(b).

<sup>81</sup> *Id.*

<sup>82</sup> Report, *supra* note 17, at 38-40.

<sup>83</sup> S. 1720 § 7(b).

<sup>84</sup> H.R. 3309 § 9(a).

<sup>85</sup> S. 1720 § 7(a).

<sup>86</sup> S. 866. The current provision is due to expire September 16, 2020, at which time petitions will no longer be accepted.

<sup>87</sup> E.g., Letter from Amazon, Google, and other companies to Senators and Representatives (July 30, 2013), *available at* <http://www.scribd.com/doc/157106550/Patent-troll-letter> (in favor of expanded CBM); Letter from various inventors, technologists, and entrepreneurs (Nov. 19, 2013), *available at* [https://www.eff.org/files/2013/11/20/inventors\\_letter\\_support\\_patent\\_reform.pdf](https://www.eff.org/files/2013/11/20/inventors_letter_support_patent_reform.pdf) (in favor); Letter from IBM, Microsoft, and other companies to various Senators and Representatives (Sep. 19, 2013), *available at* <http://www.bsa.org/~media/Files/Policy/Patents/JointCBMLetter091913> (opposing).

<sup>88</sup> H.R. 3309 § 8(f).

<sup>89</sup> December 17, 2013 Senate Judiciary hearing, *supra* note 10.

## Moving UP ▲ & Moving ON ►►►

- Gaston Kroub, Zachary Silbersher, and Sergey Kolmykov, formerly of Locke Lord LLP, have opened an Intellectual Property firm in New York City called Kroub, Silbersher & Kolmykov PLLC.
- Delphine Knight Brown, formerly of Curtis, Mallet-Prevost, Colt & Mosle LLP, has joined Axinn, Veltrop & Harkrider LLP as a Partner in its Intellectual Property Group.
- Paul V. LiCalsi, formerly of Mitchell Silberberg & Knupp LLP, has joined Robins, Kaplan, Miller & Ciresi L.L.P. as a Partner in its Business Litigation and Entertainment and Media Litigation practices.
- Jeffrey L. Loop, formerly of Carter Ledyard & Milburn LLP, has joined Kaufman & Co. PLLC as a Member in its recently-opened New York office.
- Mark N. Mutterperl, formerly of Norton Rose Fulbright, has joined Bracewell & Giuliani LLP as a Partner in its IP litigation practice.
- Grace L. Pan, formerly of Kaye Scholer LLP, has joined Orrick Herrington & Sutcliffe LLP as a Partner in its Intellectual Property Group.
- Frankfurt Kurnit Klein & Selz, PC has named Nicole I. Hyland as a partner in the firm's Attorney Ethics and Professional Responsibility Group and Maggie Pisacane as a partner in the firm's Entertainment Group.

The Bulletin's Moving Up and Moving On feature is for the Association's members. If you have changed your firm or company, made partner, received professional recognition, or have some other significant event to share with the Association, please send it to the Bulletin editors: Mary Richardson ([mary.e.w.richardson@gmail.com](mailto:mary.e.w.richardson@gmail.com)) or Robert Greenfeld ([rgreenfeld@mayerbrown.com](mailto:rgreenfeld@mayerbrown.com)).

# A View From the Trenches: Section 101 Patent Eligibility Challenges in the Post-*Bilski* Trial Courts

By Kevin J. McNamee\*

## A. Introduction

“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.”<sup>1</sup> A “magisterial statute [of] sweeping inclusion,”<sup>2</sup> 35 U.S.C. § 101 is simply worded, yet has generated three trips to the United States Supreme Court in just three years,<sup>3</sup> and a soon-to-be fourth trip after causing a “judicial deadlock” by the United States Court of Appeals for the Federal Circuit sitting *en banc*.<sup>4</sup>

While much has been written about the continuing dialogue between the U.S. Supreme Court and the Federal Circuit concerning precisely which inventions meet the statute’s “coarse eligibility filter,”<sup>5</sup> considerably less attention has been devoted to how trial court judges have handled “the murky morass that is § 101 jurisprudence”<sup>6</sup> since the Federal Circuit’s 2008 *In re Bilski* decision.<sup>7</sup> This article surveys the trends that have emerged from the roughly 65 post-*Bilski* decisions issued by United States District Courts or the International Trade Commission (ITC) that have considered a § 101 patentability challenge to a U.S. patent.

## B. It’s Not Just Business Method Patents Being Challenged

In *Bilski v. Kappos*, the U.S. Supreme Court concluded that petitioner’s business method patent, directed to “hedging risk in the energy market,” was “not a patentable ‘process’” under U.S. patent law.<sup>8</sup> While *Bilski* produced sharply divergent opinions on whether business method patents categorically are excluded from § 101 patent eligibility,<sup>9</sup> all nine Justices agreed that Mr. Bilski’s putative invention was not patent-eligible subject matter.<sup>10</sup> The *Bilski* decision had been expected to be a death knell for business method patents, but it is clear – more than 3 years out from that decision – that business method patents have neither monopolized recent § 101 jurisprudence at the trial courts, nor have they universally suffered the same fate as Mr. Bilski’s methods for hedging against risk in the energy market.

For this analysis, patent claims challenged in district court or at the ITC on § 101 patentability grounds were divided into three broad categories: (1) business method patents; (2) medical diagnostic or treatment patents of the type at issue in the Supreme Court’s *Prometheus* decision;<sup>11</sup> and (3) a catch-all category of technology-based patents, including hardware and software

patents.<sup>12</sup> Of the roughly 65 decisions analyzed, 7 cases considered diagnostic/treatment patents and 27 considered business method patents.<sup>13</sup> The business methods challenged in these decisions ranged from “the transfer of data regarding insurance cases from one electronic file to another,”<sup>14</sup> to “administering and tracking the value of separate-account life insurance policies,”<sup>15</sup> to “computing a price for the sale of a fixed income asset and generating a financial analysis output.”<sup>16</sup> But, for all the press devoted to business method patents in the immediate aftermath of the *Bilski* cases, these patents represent less than half of all patents challenged on § 101 grounds at the district courts and ITC in the post-*Bilski* era.

The take-away from this statistic: fully half of the challenged claims fell into that latter category of technology-based patents, including patents with software and hardware limitations. These challenged patents claimed widely-divergent technology, *e.g.*:

- transmitters used to send secure signals to garage door openers;<sup>17</sup>
- a “method for determining machining instructions to cut the root sections of turbine blades”;<sup>18</sup>
- “parsing information into packets based upon ‘context-insensitive’ parsing”;<sup>19</sup> and
- “an industrial process for manufacturing a semiconductor device using claimed manufacturing equipment.”<sup>20</sup>

Consistent with U.S. Supreme Court precedent, whether a § 101 patentability challenge to these patents succeeded depended on the degree to which the alleged mental process claimed in the patent was “manifestly abstract,”<sup>21</sup> and/or how specific and integral to the claimed method the recited machine components were.<sup>22</sup> Claims that “depend on sophisticated software running on particular machines”<sup>23</sup> – or whose machine components were not merely “added as an afterthought”<sup>24</sup> and thus “constitute[] the very heart of the invention”<sup>25</sup> – were likely to survive a § 101 patentability challenge. But claims merely reciting a “general purpose computer that has been programmed in an unspecified manner”<sup>26</sup> or “simply generic computer components ... [insufficient] to take the patents out of the realm of the abstract”<sup>27</sup> were often invalidated on a motion to dismiss or at summary judgment. Simply put, the more specific a claim is regarding its recited machine components – and

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the more integral those components are to the overall claimed system or process – the more likely that claim is to survive a § 101 challenge.<sup>28</sup>

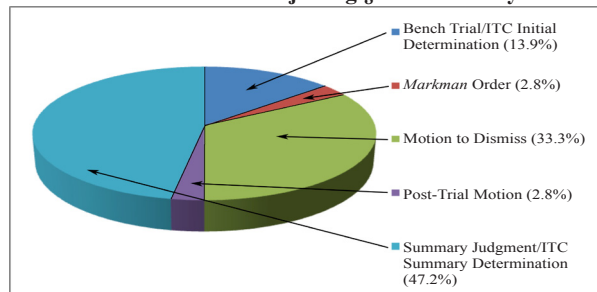
Specificity, moreover, appears to be the lifeline for business method patents challenged on § 101 grounds in the post-*Bilski* era. The narrow window of patentability for business method patents left open by the Supreme Court in *Bilski*<sup>29</sup> has since remained open in the district courts. Although business method patents now appear categorically suspect, a small number of these patents have withstood recent validity challenges in trial-level courts on substantive, as opposed to procedural, grounds.<sup>30</sup> These business method patents survived dispositive motions primarily because their hardware and/or software limitations, or field-of-use restrictions, were deemed sufficiently specific to take their claims “beyond an abstract idea and into an actual practical application.”<sup>31</sup>

Section 101 defies bright line rules, so every § 101 patentability challenge ultimately will turn on the actual claim language at issue. But it is clear from the recent district court and ITC cases that a variety of patents beyond business method patents are being targeted for § 101 challenges, and that business method patents – although of dubious validity since the *Bilski* decisions – can withstand a § 101 challenge. Rumors of their demise are somewhat overstated.

### C. A Majority of Challenged Claims Survive § 101 Validity Motions

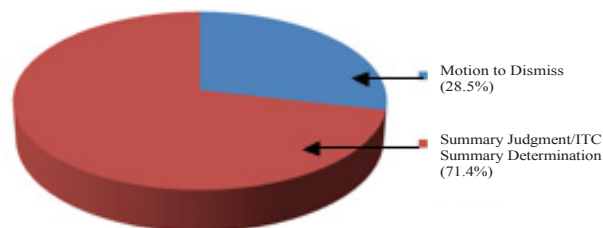
The Supreme Court has reviewed several recent Federal Circuit § 101 decisions “and, in each instance, concluded that the claims at issue were not patent-eligible.”<sup>32</sup> The Federal Circuit has been somewhat more generous to patent holders in the post-*Bilski* era, sustaining the validity of about 50% of the patents substantively analyzed for § 101 patent eligibility.<sup>33</sup> Patentees, however, have fared better in the district courts and at the ITC in recent years, with a roughly 56% overall success rate in defeating § 101 challenges. These victories are primarily at the pleadings or summary judgment stages, as shown in Chart 1:

Chart 1: Decisions Rejecting § 101 Invalidity



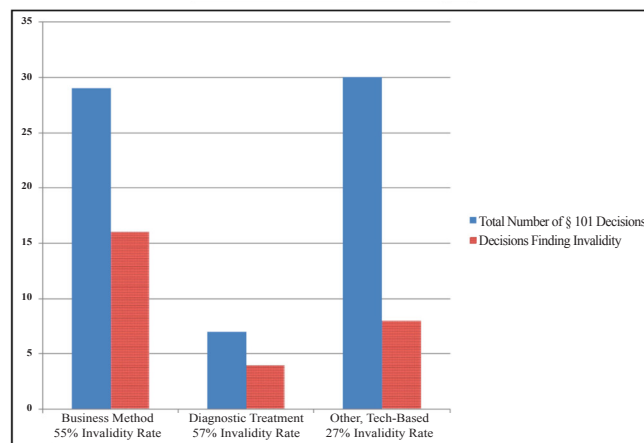
District courts and the ITC have granted about 44% of § 101 invalidity motions, overwhelmingly by summary judgment or summary determination:

Chart 2: Decisions Invalidating Claims Under § 101



The 56% overall success rate for patentees in withstanding a § 101 patentability challenge, however, masks a disparity in the types of patents that survive, as depicted in Chart 3:

Chart 3: Success Rate Per Category



Denials include motions denied both on the merits (*i.e.*, failure to carry burden of proof) and on procedural grounds (*i.e.*, Rule 12 motion denied with leave to re-file after claim construction).

As Chart 3 clearly shows, business method patents and medical diagnostic/treatment patents remain far more vulnerable to § 101 challenges than more traditional, technology-based patents, including those with software and hardware limitations. These statistics appear to reflect the present state of § 101 jurisprudence – with its renewed focus on patents impermissibly claiming “laws of nature, physical phenomena, [or] abstract ideas”<sup>34</sup> – as well as the apparent suspicions courts harbor toward business method and medical diagnostic/treatment patents following the U.S. Supreme Court’s decisions in *Bilski*, *Prometheus*, and *Myriad*.

### D. Timing is a Critical Consideration

When to challenge a patent under § 101 emerged as a key strategic consideration in the post-*Bilski* litigation era. A successful validity challenge at the pleadings stage, brought under either Fed. R. Civ. P. 12(b)(6) or 12(c), will avoid the time and financial cost of the most expensive parts of patent litigation: claim construction, fact and expert discovery, summary judgment, and trial/post-trial. But the courts – both the trial courts and the Federal Circuit – are decidedly split on whether § 101 motions are properly heard at the pleadings stage and/or before claim construction.

## 1. Motions to Dismiss are a Mixed Bag

The vast majority of § 101 challenges in the post-*Bilski* era have been heard at the summary judgment stage or later in the case (*i.e.*, at a bench trial or at post-trial briefing).<sup>35</sup> But a sizable minority of the cases – 20 of the approximately 65 cases analyzed – were decided at the pleadings stage on a Rule 12 motion. Only about 7 of these decisions, however, invalidated the disputed claims.<sup>36</sup> The majority of the motions to dismiss were denied, either on procedural grounds or on the merits.

**Procedural denials.** Numerous courts simply refused, on procedural grounds, to adjudicate the validity of a patent on a motion to dismiss. The judges in these cases either: (a) cited the need for discovery<sup>37</sup> and/or for a claim construction hearing<sup>38</sup> to better understand the subject matter of the challenged patent, or (b) objected to the timing of the § 101 motion as premature “in advance of the normal schedule for dispositive motions.”<sup>39</sup> Denial of the motion to dismiss in these cases is usually without prejudice to re-file the motion after discovery or claim construction.<sup>40</sup>

**Denials on the merits.** Decisions denying motions to dismiss on the merits primarily cite the “heavy burden ... required to support a finding of unpatentability” on a Fed. R. Civ. P. 12 motion.<sup>41</sup> The focus by these judges on the heavy burden Rule 12 places on movants is consistent with the recent instruction provided by the Federal Circuit in the *Ultramercial* case, on remand from the Supreme Court. In that decision, the Court of Appeals made clear that a Rule 12 dismissal “is appropriate only if .... the *only* plausible reading of the patent [is] that there is clear and convincing evidence of ineligibility.”<sup>42</sup> This particularly heavy burden to overcome a patent’s presumptive validity,<sup>43</sup> moreover, remains solely on the party challenging validity at the pleadings stage.<sup>44</sup> The *Ultramercial* Court further instructed that Rule 12 dismissal for lack of eligible subject matter should “be the exception, not the rule,” and, indeed, that “it will be rare that a patent infringement suit can be dismissed at the pleadings stage for lack of patentable subject matter.”<sup>45</sup> *Ultramercial* – at least on paper – increases the burden accused infringers face in proving § 101 invalidity at the pleadings stage. “But rare does not mean never,” and district courts do remain willing, even after *Ultramercial*, to invalidate a patent on the pleadings “when ‘the only plausible reading of the patent [is] that there is clear and convincing evidence of ineligibility.’”<sup>46</sup>

## 2. Mixed Messages on the Need for Claim Construction

District courts post-*Bilski* have wrestled with the question of whether formal claim construction

is important or even necessary for deciding a § 101 patent-eligibility challenge. This struggle likely is due in no small part to the Supreme Court’s silence on the issue<sup>47</sup> and on the Federal Circuit’s mixed messages on this topic. On the one hand, the Court of Appeals has instructed that “claim construction ... is an important first step”<sup>48</sup> and “normally will be required” in a § 101 analysis.<sup>49</sup> On the other hand, the Federal Circuit also “has never set forth a bright line rule” requiring claim construction as “an inviolable prerequisite to a validity determination under § 101.”<sup>50</sup> Whether formal claim construction will be required ultimately remains a fact-specific determination, turning in any given case on whether “a definition of the invention via claim construction can clarify the basic character of the subject matter of the invention.”<sup>51</sup>

District courts have cited a number of reasons excusing the need for formal construction before undertaking a § 101 patent eligibility analysis, *e.g.*:

- The “‘basic character of the claimed subject matter’” was “clearly evident to the Court,” thus requiring “no further construction of the claims.”<sup>52</sup>
- The patentee had requested formal claim construction but only in the vaguest terms, failing to detail how construction of specific claim terms “would materially impact the § 101 analysis.”<sup>53</sup>
- The court could resolve the § 101 motion by – consistent with Fed. R. Civ. P. 12 and 56 – construing the claim terms “in a light most favorable” to the patentee.<sup>54</sup>

Trial courts that have explained why claim construction is necessary for a § 101 analysis primarily cite the “different pictures of the [patented] subject matter” presented by the parties.<sup>55</sup> In these cases, whether the patent was manifestly abstract or claimed a law of nature – and invalid under § 101 – was dictated by which party’s claim construction ultimately was adopted by the Court.<sup>56</sup> For example, claim construction could clarify whether a claim recited merely “a general purpose computer that has been programmed in some unspecified manner”<sup>57</sup> (likely invalid), or a computer “specially programmed to perform [steps] necessary for the invention to have any useful purpose” (likely valid).<sup>58</sup>

These decisions discussing the necessity for claim construction, however, appear to be the outliers of the surveyed cases. In the vast majority of post-*Bilski* decisions, the parties’ differing positions on the patented subject matter and on claim construction appear to have played a negligible role in the § 101 analysis.<sup>59</sup> Even in cases where a claim construction order had already issued, the § 101 validity decision usually focused on the claim language itself, as opposed to the court’s construction of any disputed terms. Indeed, in at least

*cont. on page 16*

one case, the district court previously had ordered extensive claim construction briefing “before making a final determination on [§ 101] invalidity,” but later invalidated the asserted claims on summary judgment without reference to the actual claim construction order.<sup>60</sup> *Ultramercial* may have stated that claim construction “normally will be required” for a § 101 analysis,<sup>61</sup> but the district court cases appear to belie this contention.

Whether a § 101 patentability motion is properly considered on the pleadings or before claim construction ultimately remains a case-by-case inquiry lacking bright-line rules. But it is advisable – based on the post-*Bilski* district court cases – that patentees seeking to defer a § 101 challenge until after fact and expert discovery offer more than just vague speculation that claim construction *might* affect the court’s analysis. They should instead proffer *specific* claim terms and explain how their proper construction will “materially impact the § 101 analysis.”<sup>62</sup>

## E. Trial Court Analytical Tools

### 1. The Machine-or-Transformation Test Remains Pivotal to § 101 Patentability Analysis

In its *Bilski* decision, the *en banc* Federal Circuit held that the so-called “machine-or-transformation” test was the exclusive “governing test for determining patent eligibility of a process under § 101.”<sup>63</sup> Under the test’s machine prong, “a process claim satisfies § 101” if it is “tied to a particular machine” that “impose[s] meaningful limits on the claim’s scope.”<sup>64</sup> Under the transformation prong, a claimed process is patent eligible if it “transforms an article into a different state or thing,” and that “transformation [is] central to the purpose of the claimed process.”<sup>65</sup>

On *certiorari* review, the Supreme Court clarified that the machine-or-transformation test is “a useful and important clue, an investigative tool, for determining whether some claimed inventions are processes under § 101,” but is not “the sole test for what constitutes a [patentable] ‘process.’”<sup>66</sup> The Court instead emphasized § 101’s “permissive approach to patent eligibility,” subject only to three specific non-statutory exceptions: “laws of nature, physical phenomena, and abstract ideas.”<sup>67</sup> These three exceptions guided the Court’s analysis in *Bilski* and in the other § 101 cases decided by the Supreme Court since *Bilski*.<sup>68</sup>

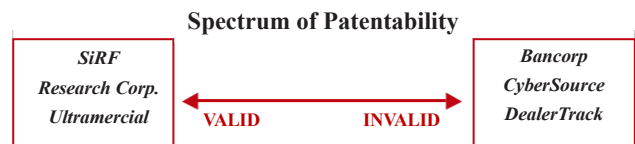
At the district court and the ITC, however, the machine-or-transformation test remains precisely what the Supreme Court deemed it: “a useful and important clue, an investigative tool, for determining whether some claimed inventions are processes under § 101.”<sup>69</sup> Indeed, more than 30 post-*Bilski* district court

and ITC decisions have substantively relied on the machine-or-transformation test in conducting a § 101 patent-eligibility analysis. These decisions use the test either: (a) as a starting point for determining whether the disputed inventions impermissibly claim laws of nature, physical phenomena, or abstract ideas<sup>70</sup> or (b) as validation of analysis primarily conducted under the laws of nature/physical phenomena/abstract ideas exceptions to patentability.<sup>71</sup> The post-*Bilski* Federal Circuit, moreover, continues to utilize the machine-or-transformation test, either to supplement or confirm its patent eligibility analysis under the laws of nature, physical phenomena, and abstract ideas exceptions.<sup>72</sup>

After *Bilski*, a patent claim’s failure to satisfy the machine-or-transformation test “is not dispositive of the § 101 inquiry,”<sup>73</sup> and “no longer ensures that ... a claim will be deemed unpatentable.”<sup>74</sup> The machine-or-transformation test nevertheless remains a highly reliable gauge of § 101 patentability.<sup>75</sup> Just one of the surveyed post-*Bilski* decisions sustained the validity of claims that failed the machine-or-transformation test, but did not otherwise impermissibly claim laws of nature, physical phenomena, or abstract ideas.<sup>76</sup>

### 2. The Federal Circuit’s Post-Bilski Spectrum of Patentability

The Supreme Court and the Federal Circuit both “have recognized the difficulty of providing a precise formula or definition for the abstract concept of abstractness.”<sup>77</sup> Indeed, “no one understands what makes an idea abstract.”<sup>78</sup> Not surprisingly, the district courts have not attempted to fill that definitional void. Cognizant that unpatentable “[a]bstract ideas lend themselves to identification rather than definition,”<sup>79</sup> district courts instead have identified a “spectrum” of patentability<sup>80</sup> that has emerged from the post-*Bilski* Federal Circuit caselaw:



At the “VALID” end of the patentability spectrum are patents, like those in the *SiRF*, *Research Corp.*, and *Ultramercial* cases,<sup>81</sup> in which:

- machines or software components “perform[] specific operations essential to the claimed methods”;<sup>82</sup>
- the claim “is drawn to a *specific way* of doing something with a computer”;<sup>83</sup>
- the invention “presented ‘functional and palpable’ applications” in a particular field and “improves a technology already in the market”;<sup>84</sup> and

- the invention “claimed a practical application with concrete steps” and required complex hardware or software components.<sup>85</sup>

At the “INVALID” end of the patentability spectrum are claims, like those in the *Bancorp*, *CyberSource*, and *DealerTrack* cases,<sup>86</sup> that merely recite:

- “a general purpose computer that is generically performing calculations”;<sup>87</sup>
- “a series of steps that could be performed entirely in the human mind”;<sup>88</sup> or
- hardware or software components that play no “significant part in permitting the claimed method to be performed” but, rather, “function solely as an obvious mechanism for permitting a solution to be achieved more quickly, *i.e.*, through the utilization of a computer for performing calculations.”<sup>89</sup>

Placing challenged claims somewhere along this “spectrum of patentability” has proven to be a useful analytic tool to trial courts forced “to enter the murky morass that is § 101 jurisprudence”<sup>90</sup> and attempt to “understand[] what makes an idea abstract.”<sup>91</sup> District courts have thus invalidated challenged claims “located on the end of the spectrum inhabited by *Bancorp* [and] *Dealertrack* [sic],”<sup>92</sup> but have denied invalidity motions regarding claims (a) “closer to *Ultramercial* and *Research Corp.* than to *CyberSource*”<sup>93</sup> or that (b) “fall somewhere in between [on] the spectrum of patentability.”<sup>94</sup> Still other courts have, without expressly identifying a *spectrum* of patentability, used perceived similarities to claims previously adjudicated by the Supreme Court or the Federal Circuit as a data point in their § 101 analyses.<sup>95</sup> Either approach will help anchor a district court’s § 101 analysis in controlling precedent – and thus likely provides some degree of insulation from reversal by a Court of Appeals well-known for a reversal rate “significantly greater than the overall reversal rate” of the regional Circuits.<sup>96</sup>

## F. Are Jurisdictional Trends Discernible?

The following chart shows the breakdown of the outcomes of post-*Bilski* § 101 validity challenges in the trial courts, on a jurisdiction-by-jurisdiction basis. Although most jurisdictions lack more than just one or two § 101 decisions in the post-*Bilski* era, certain observations can be made:

Court	Granted	Denied (Merits)	Denied (Premature)
California (Central)	3	2	1
California (Eastern)		1	
California (Northern)	7	1	1
District of Columbia	4		
Delaware <sup>97</sup>	5	1	1
Florida (Middle)	2		
Illinois (Northern)		2	1
ITC	1	5	2
Massachusetts		1	
Maryland			1
Michigan (Western)	1		
Missouri (Eastern)	1	1	
North Carolina (Western)			1
New Jersey	2	1	
New York (Southern)	2	1	1
Oklahoma (Western)	1		
Texas (Eastern)		6	
Texas (Southern)		1	
Virginia (Eastern)		1	
Washington (Eastern)		1	
Washington (Western)		1	

- The jurisdictions most familiar with patent litigation – *e.g.*, the Northern District of California, the Eastern District of Texas, and the District of Delaware – appear the most receptive to adjudicating § 101 motions on the merits, as opposed to deferring motions to dismiss until after discovery and/or claim construction.
- The Eastern District of Texas appears to remain a friendly jurisdiction for patentees, at least concerning § 101 patent eligibility. No reported decision from that district has invalidated a patent on § 101 grounds since the 2008 *In re Bilski* decision.
- The District of Delaware – long considered a jurisdiction “predisposed to denying requests for summary judgment” in patent litigation<sup>98</sup> – appears receptive to invalidating patents on § 101 grounds, even early in the case at the pleadings stage.<sup>99</sup>
- The ITC does not appear receptive to § 101 invalidity motions. This may be explained, at least in part, by the ITC’s statutory mandate to police the importation into the United States of *articles* that infringe valid and enforceable U.S. patents, or that were produced via a patented process.<sup>100</sup> Patents embodied in, or which are used to create, tangible articles are far more likely to survive invalidity challenges under § 101 than claims to “a ‘disembodied’ concept ... untethered from any real-world application.”<sup>101</sup>

cont. on page 18

These jurisdictional trends likely will continue to play out as additional § 101 invalidity motions are decided at the trial courts. New trends will also likely emerge as § 101 jurisprudence continues to evolve post-*Bilski* and, in particular, in the aftermath of the Supreme Court's anticipated decision in *CLS Bank*.<sup>102</sup>

## Conclusion

"When all else fails, consult the statute!"<sup>103</sup> For 20-plus years, Federal Circuit Chief Judge Randall Rader consistently has circled back to the "simplicity, clarity, and directness"<sup>104</sup> of 35 U.S.C. § 101 in resolving the thorny issue of patentable subject matter.<sup>105</sup> Alas, while resolving a validity challenge brought under § 101 is not simply a matter of consulting the statute, this article hopefully provided its readers useful and practical information for litigating these motions in the trial courts.

## (Endnotes)



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<sup>1</sup> 35 U.S.C. § 101.

<sup>2</sup> *CLS Bank Int'l v. Alice Corp. Pty.*, 717 F.3d 1269, 1334 (Fed. Cir. 2013) (additional reflections of Rader, C.J.). During the drafting of this article, the U.S. Supreme Court granted *certiorari*.

*Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, No. 13-298 (U.S. Dec. 6, 2013).

<sup>3</sup> *Ass'n for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107 (2013); *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289 (2012); *Bilski v. Kappos*, 130 S. Ct. 3218 (2010); see also *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, No. 13-298 (U.S. Dec. 6, 2013) (order granting *certiorari*).

<sup>4</sup> *CLS Bank*, 717 F.3d at 1321 (Newman, J., concurring in part, dissenting in part). Judge Newman characterized the *CLS Bank* decision – which “hoped to ameliorate” uncertainty to inventors – as instead resulting in “three incompatible standards, devoid of consensus, serving simply to add to the unreliability and cost of the system of patents as an incentive for innovation.” *Id.*

<sup>5</sup> *Ultramercial, Inc. v. Hulu, LLC*, 722 F.3d 1335, 1341 (Fed. Cir. 2013) (citing *Research Corp. Techs. v. Microsoft Corp.*, 627 F.3d 859, 869 (Fed. Cir. 2010)).

<sup>6</sup> *MySpace, Inc. v. GraphOn Corp.*, 672 F.3d 1250, 1260 (Fed. Cir. 2012).  
<sup>7</sup> 545 F.3d 943 (Fed. Cir. 2008) (*en banc*).

<sup>8</sup> 130 S. Ct. at 3231.

<sup>9</sup> Compare *id.* at 3228 (Kennedy, J., delivering the opinion of the Court) (“Section 101 similarly precludes the broad contention that the term ‘process’ categorically excludes business methods.”), with *id.* at 3232 (Stevens, J., joined by Justices Ginsburg, Breyer and Sotomayor, concurring in judgment) (“[A] claim that merely describes a method of doing business does not qualify as a ‘process’ under § 101.”).

<sup>10</sup> *Id.* (Kennedy, J., delivering the opinion of the Court); *id.* at 3257 (Stevens, J., joined by Justices Ginsburg, Breyer and Sotomayor, concurring in judgment) (concluding that “petitioners’ claim is not a ‘process’ within

the meaning of § 101”); *id.* at 3258 (Breyer, J., joined by Justice Scalia, concurring in judgment) (highlighting “the Court’s unanimous agreement that the claims at issue here are unpatentable abstract ideas”).

<sup>11</sup> The claims at issue in *Prometheus* “cover[ed] processes that help doctors who use thiopurine drugs to treat patients with autoimmune diseases determine whether a given dosage level is too low or too high.” *Prometheus*, 132 S. Ct. at 1294.

<sup>12</sup> Different categories or sub-categories are obviously possible, and the line between a “business method patent” and a “software patent” can be amorphous.

<sup>13</sup> See, e.g., *Acorda Therapeutics Inc. v. Apotex Inc.*, 2011 U.S. Dist. LEXIS 102875, at \*3, \*76-77 (D.N.J. Sept. 6, 2011) (rejecting § 101 challenge to claims directed to dosing the drug multiparticle tizanidine with food to reduce unwanted side effects); *SmartGene, Inc. v. Advanced Biological Labs., SA*, 852 F. Supp. 2d 42, 45 (D.D.C. 2012) (invalidating claims directed to “guiding the selection of therapeutic treatment regimens for complex disorders ... by ranking available treatment regimens and providing advisory information”); *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 2013 U.S. Dist. LEXIS 156554, at \*25 (N.D. Cal. Oct. 30, 2013) (invalidating claims directed to “methods of detecting paternally inherited cfDNA in maternal plasma or serum”).

<sup>14</sup> *Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 800 F. Supp. 2d 613, 620 (D. Del. 2011), *aff’d*, 728 F.3d 1336 (Fed. Cir. 2013).

<sup>15</sup> *Bancorp Servs., L.L.C. v. Sun Life Assur. Co.*, 771 F. Supp. 2d 1054, 1056 (E.D. Mo. 2011), *aff’d*, 687 F.3d 1266 (Fed. Cir. 2012).

<sup>16</sup> *Graff/Ross Holdings LLP v. Fed. Home Loan Mortg. Corp.*, 892 F. Supp. 2d 190, 197 (D.D.C. 2012).

<sup>17</sup> *Chamberlain Group, Inc. v. Lear Corp.*, 756 F. Supp. 2d 938, 969 (N.D. Ill. 2010) (denying summary judgment of § 101 invalidity).

<sup>18</sup> *Oleksy v. Gen. Elec. Co.*, 2013 U.S. Dist. LEXIS 89351, at \*5 (N.D. Ill. June 26, 2013) (denying summary judgment of § 101 invalidity).

<sup>19</sup> *Compression Tech. Solutions LLC v. EMC Corp.*, 2013 U.S. Dist. LEXIS 78338, at \*2, \*13 (N.D. Cal. May 29, 2013) (granting early summary judgment of invalidity, because patent claimed “no more than an abstract idea”).

<sup>20</sup> *In re Certain Flash Memory & Prods. Containing Same*, 2010 USITC LEXIS 2425, at \*2-3 (USITC Nov. 15, 2010) (denying summary determination of § 101 invalidity).

<sup>21</sup> *IconFind, Inc. v. Google, Inc.*, 2012 U.S. Dist. LEXIS 5460, at \*8 (E.D. Cal. Jan. 18, 2012) (denying Fed. R. Civ. P. 12(c) motion for judgment on the pleadings).

<sup>22</sup> *Compare Netgear, Inc. v. Ruckus Wireless, Inc.*, 2013 U.S. Dist. LEXIS 140047, at \*59 (D. Del. Sept. 30, 2013) (denying summary judgment on wireless communication patent, because recited “receiver” component “plays an integral part in permitting the [claimed] system ... to be performed”), with *id.* at \*71-73 (invalidating separate claim to an abstract strategy, because recited means did not “tie the otherwise abstract idea to a specific way of performing it, or link the abstract idea to a particular machine implementing a process”).

<sup>23</sup> *Applied Innovation, Inc. v. Commercial Recovery Corp.*, 2013 U.S. Dist. LEXIS 115596, at \*4 (E.D. Wash. Aug. 14, 2013).

<sup>24</sup> *In re Certain Flash Memory*, 2010 ITC LEXIS 2425, at \*3.

<sup>25</sup> *Chamberlain*, 756 F. Supp. 2d at 969.

<sup>26</sup> *DealerTrack, Inc. v. Huber*, 657 F. Supp. 2d 1152, 1155 (C.D. Cal. 2009) (invalidating claims on summary judgment), *aff’d in relevant part*, 674 F.3d 1315, 1330-35 (Fed. Cir. 2012).

<sup>27</sup> *Fuzzyssharp Techs. Inc. v. Intel Corp.*, 2013 U.S. Dist. LEXIS 160897, at \*41 (N.D. Cal. Nov. 6, 2013).

<sup>28</sup> *Compare Advanced Software Design Corp. v. Fiserv, Inc.*, 2012 U.S. Dist. LEXIS 67755, at \*18 (E.D. Mo. May 15, 2012) (rejecting validity challenge to claim reciting “a scanner and programmed data processing device, [which] requires complex programming for a specific application to a narrow field”), with *Fannie Mae v. Graff/Ross Holdings LLP*, 893 F. Supp. 2d 28, 37-38 (D.D.C. 2012) (invalidating dependent claims, because their “various field of use limitations ... fail to provide meaningful limits” on claim scope).

<sup>29</sup> The *Bilski* majority refused to place “business methods ... categorically outside of § 101’s scope.” *Bilski v. Kappos*, 130 S. Ct. 3218, 3228 (2010).

<sup>30</sup> Numerous decisions have refused to adjudicate § 101 invalidity at the

motion-to-dismiss stage, or prior to claim construction and/ or discovery. See cases cited *infra* notes 37, 38, and 39.

<sup>31</sup> *LML Patent Corp. v. JPMorgan Chase & Co.*, 2010 U.S. Dist. LEXIS 144649, at \*9, \*30-31 (E.D. Tex. Sept. 20, 2010) (rejecting validity challenge to patent “directed to electronic consumer payments as an alternative to paper checks, credit cards, or cash”); see also *Big Baboon, Inc. v. Dell, Inc.*, 2011 U.S. Dist. LEXIS 155536, at \*10, \*43 (C.D. Cal. Feb. 8, 2011) (rejecting validity challenge, because a “specially programmed, web-enabled DBMS [database management system]” was “central” to the claimed business-to-business web commerce solution); *Island Intellectual Prop. LLC v. Deutsche Bank AG*, 2012 U.S. Dist. LEXIS 16413, at \*8, \*24-28 (S.D.N.Y. Feb. 6, 2012) (limitations in methods claims, enabling financial institutions to sweep client funds into external interest-earning accounts at multiple FDIC-insured banks, “‘far removed [the asserted claims] from purely mental steps’”).

<sup>32</sup> *CLS Bank*, 717 F.3d at 1313 (Moore, J., joined by Chief Judge Rader and Judges Linn and O’Malley, dissenting-in-part).

<sup>33</sup> Of the 16 Federal Circuit decisions containing substantive § 101 analysis by the panel majority or *en banc* court, 8 cases found the challenged claims invalid and 8 cases sustained validity. This statistic includes panel decisions that were ultimately reversed by the Supreme Court or the Federal Circuit sitting *en banc*.

<sup>34</sup> *Bilski*, 130 S. Ct. at 3225.

<sup>35</sup> This includes several long-pending cases in which the § 101 defense appears to have first been raised and addressed by the district court in the aftermath of *In re Bilski*. See, e.g., *Chamberlain*, 756 F. Supp. 2d 938 (filed 2005); *CyberSource Corp. v. Retail Decisions, Inc.*, 620 F. Supp. 2d 1068 (N.D. Cal. 2009) (filed 2004), *aff’d* 654 F.3d 1366 (Fed. Cir. 2011); *DealerTrack*, 657 F. Supp. 2d 1152 (filed 2006), *aff’d in relevant part*, 674 F.3d 1315, 1330-1335 (Fed. Cir. 2012); *Every Penny Counts, Inc. v. Bank of Am. Corp.*, 2009 U.S. Dist. LEXIS 53626 (M.D. Fla. May 27, 2009) (filed 2007); *Graff/Ross Holdings LLP v. Fed. Home Loan Mortgage Corp.*, 2010 U.S. Dist. LEXIS 141399 (D.D.C. Aug. 27, 2010) (filed 2007); *Oleksy*, 2013 U.S. Dist. LEXIS 89351 (filed 2006); *Research Corp. Techs., Inc. v. Microsoft Corp.*, 2009 U.S. Dist. LEXIS 71883 (D. Az. July 28, 2009) (filed 2001), *rev’d in relevant part*, 627 F.3d 859 (Fed. Cir. 2010).

<sup>36</sup> *BuySAFE, Inc. v. Google Inc.*, 2013 U.S. Dist. LEXIS 105601 (D. Del. July 29, 2013); *Cardpool, Inc. v. Plastic Jungle, Inc.*, 2013 U.S. Dist. LEXIS 9280 (N.D. Cal. Jan. 22, 2013); *Content Extraction & Transmission LLC v. Wells Fargo Bank*, 2013 U.S. Dist. LEXIS 107184 (D.N.J. July 31, 2013); *Glory Licensing LLC v. Toys “R” Us, Inc.*, 2011 U.S. Dist. LEXIS 51888 (D.N.J. May 16, 2011); *OIP Techs., Inc. v. Amazon.com, Inc.*, 2012 U.S. Dist. LEXIS 129396 (N.D. Cal. Sept. 11, 2012); *Sinclair-Allison, Inc. v. Fifth Ave. Physician Servs., LLC*, 2012 U.S. Dist. LEXIS 179138 (W.D. Okla. Dec. 19, 2012); *UbiComm, LLC v. Zappos IP, Inc.*, 2013 U.S. Dist. LEXIS 161559 (D. Del. Nov. 13, 2013).

<sup>37</sup> *InvestPic, LLC v. FactSet Research Sys.*, 2011 U.S. Dist. LEXIS 112891, at \*3 (D. Del. Sept. 30, 2011) (declining to “address the merits of defendants’ arguments ... in the absence of either discovery or claim construction”); *Infonow Corp. v. Zyme Solutions, Inc.*, 2013 U.S. Dist. LEXIS 113325, at \*23 (D. Colo. Apr. 29, 2013) (declining to “resolv[e] questions of validity prior to discovery or claim construction”).

<sup>38</sup> *Classen Immunotherapies, Inc. v. Biogen IDEC*, 2012 U.S. Dist. LEXIS 75039, at \*22 (D. Md. May 29, 2012) (refusing to invalidate patent “without the benefit of a claim construction hearing”); *Spark Networks USA, LLC v. Humor Rainbow, Inc.*, 2011 U.S. Dist. LEXIS 153506, at \*9 (C.D. Cal. July 7, 2011) (requiring at least “minimal claim construction .... because the parties have presented fundamentally different pictures of the [patent’s] subject matter”); see also *Zillow, Inc. v. Trulia, Inc.*, 2013 U.S. Dist. LEXIS 127606, at \*23 (W.D. Wash. Sept. 6, 2013) (denying motion to dismiss with leave “to raise this issue again following claim construction”).

<sup>39</sup> *Lendingtree, LLC v. Zillow, Inc.*, 2012 U.S. Dist. LEXIS 78332, at \*5 (W.D.N.C. June 4, 2012); *Edge Capture L.L.C. v. Barclays Bank PLC*, 2011 U.S. Dist. LEXIS 11562, at \*3 (N.D. Ill. Jan. 31, 2011) (invalidity judgment “would be inappropriate on the record ... before the Court” on a motion to dismiss); *In re Certain Mach. Vision Software*, 2010 USITC LEXIS 752, at \*4-5 (USITC May 3, 2010) (“[I]t is simply too early in the game to state that ... the moving party is entitled to complete victory, i.e., the invalidation of the patents.”).

<sup>40</sup> *Zillow*, 2013 U.S. Dist. LEXIS 127606, at \*2 (denying motion to dismiss “but without prejudice to re-filing following claim construction”).

<sup>41</sup> *Sandborn v. Avid Tech., Inc.*, 2013 U.S. Dist. LEXIS 126772, at \*15 (D. Mass. Sept. 5, 2013).

<sup>42</sup> *Ultramercial*, 722 F.3d at 1339 (emphasis in original) (citing *Bell Atlantic Corp. v. Twombly*, 550 U.S. 544, 555 (2007)).

<sup>43</sup> 35 U.S.C. § 282.

<sup>44</sup> *Versata Software, Inc. v. Sun Microsystems, Inc.*, 2009 U.S. Dist. LEXIS 37811, at \*4-5 (E.D. Tex. Mar. 31, 2009) (denying Fed. R. Civ. P. 12(c) motion, because accused infringer “has not met its burden to prove there are ‘no disputed issues of material fact and only questions of law remain’”); *IconFind*, 2012 U.S. Dist. LEXIS 5460, at \*8 (same; defendant failed to show “under the applicable ‘clearly established’ standard of Rule 12(c) that the [patented] concepts” were “manifestly abstract”).

<sup>45</sup> *Ultramercial*, 722 F.3d at 1338, 1339.

<sup>46</sup> *Lumen View Tech. LLC v. Findthebest.com, Inc.*, 2013 U.S. Dist. LEXIS 166852, at \*40 (S.D.N.Y. Nov. 22, 2013); see also *UbiComm*, 2013 U.S. Dist. LEXIS 161559, at \*20 (citing *Ultramercial*’s Rule 12 standard but nevertheless invalidating claims on the pleadings); see also *Content Extraction*, 2013 U.S. Dist. LEXIS 107184, at \*14-15 (granting post-*Ultramercial* motion to dismiss under § 101).

<sup>47</sup> Both the Federal Circuit and several district courts have noted that the Supreme Court reached the § 101 validity issue on the merits in *Bilski* without undertaking claim construction. See, e.g., *Ultramercial*, 722 F.3d at 1339; *Digitech Info. Sys. v. BMW Fin. Servs. NA, LLC*, 864 F. Supp. 2d 1289, 1292-1293 (M.D. Fla. 2012); *Lumen View*, 2013 U.S. Dist. LEXIS 166852, at \*41.

<sup>48</sup> *Bilski*, 545 F.3d at 951.

<sup>49</sup> *Ultramercial*, 722 F.3d at 1339.

<sup>50</sup> *Bancorp*, 687 F.3d at 1273.

<sup>51</sup> *Ultramercial, LLC v. Hulu, LLC*, 657 F.3d 1323, 1325 (Fed. Cir. 2011).

<sup>52</sup> *Content Extraction*, 2013 U.S. Dist. LEXIS 107184, at \*14 (invalidating asserted claims on a Fed. R. Civ. P. 12(b)(6) motion); *Cardpool*, 2013 U.S. Dist. LEXIS 9280, at \*10 (same).

<sup>53</sup> *OIP Techs.*, 2012 U.S. Dist. LEXIS 129396, at \*14, \*69 (invalidating claims on motion to dismiss); *CyberFone Sys., LLC v. Celco P’ship*, 885 F. Supp. 2d 710, 715 (D. Del. 2012) (granting summary judgment of § 101 invalidity); *Digitech*, 864 F. Supp. 2d at 1292-1293 (same).

<sup>54</sup> *Big Baboon*, 2011 U.S. Dist. LEXIS 155536, at \*11-12 (adopting plaintiffs’ construction solely for purpose of resolving summary judgment; § 101 motion denied); *Compression Tech.*, 2013 U.S. Dist. LEXIS 78338, at \*9 (same; § 101 motion granted); *CyberSource*, 620 F. Supp. 2d at 1073 (same; § 101 motion granted).

<sup>55</sup> *Spark Networks*, 2011 U.S. Dist. LEXIS 153506, at \*8-9 (deferring defendants’ motion to dismiss until after receiving “evidentiary submissions” on claim construction).

<sup>56</sup> *Spark Networks*, 2011 U.S. Dist. LEXIS 153506, at \*7-8 (noting that the disputed claim was abstract under defendants’ proposed construction but patentably “computer specific” under plaintiff’s proffered construction); *In re Certain Video Game Machs.*, 2009 USITC LEXIS 673, at \*12-16 (USITC Mar. 26, 2009) (holding that genuine issue of material fact precluded summary determination of invalidity); cf. *Zillow*, 2013 U.S. Dist. LEXIS 127606, at \*22-23 (deferring motion to dismiss, because claim construction “may assist the court” in conducting § 101 inquiry); *DealerTrack*, 657 F. Supp. 2d at 1156 (citing claim construction order to show how recited machine components were not “particular machines” under *Bilski*).

<sup>57</sup> *Bancorp*, 771 F. Supp. 2d at 1064 (invalidating claims on summary judgment).

<sup>58</sup> *Advanced Software Design*, 2012 U.S. Dist. LEXIS 67755, at \*15 (E.D. Mo. May 15, 2012) (denying summary judgment).

<sup>59</sup> See, e.g., *Oleksy*, 2013 U.S. Dist. LEXIS 89351 (denying summary judgment of § 101 invalidity *before* turning to the proper construction of disputed claim terms).

<sup>60</sup> *Planet Bingo, LLC v. VKGS, LLC*, 2013 U.S. Dist. LEXIS 116898, at \*3, \*20-41 (W.D. Mich. Aug. 19, 2013).

<sup>61</sup> *Ultramercial*, 722 F.3d at 1339.

<sup>62</sup> *OIP Techs.*, 2012 U.S. Dist. LEXIS 129396, at \*14.

<sup>63</sup> *Bilski*, 545 F.3d at 956.

<sup>64</sup> *Id.* at 961.

<sup>65</sup> *Id.* at 962.

<sup>66</sup> *Bilski*, 130 S. Ct. at 3226, 3227.

- <sup>67</sup> *Id.* at 3225.
- <sup>68</sup> *Id.* at 3231 (holding that petitioner's putative claim was "an unpatentable abstract idea"); *Prometheus*, 132 S. Ct. at 1305 (invalidating claims that "effectively claim the underlying laws of nature themselves"); *Myriad*, 133 S. Ct. at 2116 (invalidating claims directed to "naturally occurring phenomena").
- <sup>69</sup> *Bilski*, 130 S. Ct. at 3226, 3227.
- <sup>70</sup> Cases invalidating patent claims: e.g., *Accenture*, 800 F. Supp. 2d at 621; *Bancorp*, 771 F. Supp. 2d at 1063; *BuySAFE*, 2013 U.S. Dist. LEXIS 105601, at \*13; *CLS Bank Int'l v. Alice Corp. Pty. Ltd.*, 768 F. Supp. 2d 221, 234 (D.D.C. 2011), *aff'd*, 717 F.3d 1269 (Fed. Cir. 2013) (*en banc*) (per curiam). Cases rejecting validity challenge: e.g., *Advanced Software Design*, 2012 U.S. Dist. LEXIS 67755, at \*15-19; *VS Techs., LLC v. Twitter, Inc.*, 2011 U.S. Dist. LEXIS 114998, at \*14-20 (E.D. Va. Oct. 4, 2011).
- <sup>71</sup> See, e.g., *Acorda*, 2011 U.S. Dist. LEXIS 102875, at \*77-78 (bench trial verdict of no invalidity under § 101); *Cardpool*, 2013 U.S. Dist. LEXIS 9280, at \*7-8 (invalidating asserted claims on motion to dismiss); *Compression Tech.*, 2013 U.S. Dist. LEXIS 78338, at \*21-25 (invalidating asserted claims on summary judgment); *DDR Holdings, LLC v. Hotels.com, L.P.*, 2013 U.S. Dist. LEXIS 86962, at \*42-43 (E.D. Tex. June 20, 2013).
- <sup>72</sup> See, e.g., *PerkinElmer, Inc. v. Intema Ltd.*, 496 F. App'x 65, 72 (Fed. Cir. 2012) ("The machine-or-transformation test confirms our conclusion."); see also *CyberSource*, 654 F.3d at 1371 (affirming invalidity under both the machine-or-transformation test and "abstract ideas" exception to § 101 patentability); *DealerTrack*, 674 F.3d at 1333-1334 (same); *Bancorp*, 687 F.3d at 1278 (same).
- <sup>73</sup> *CyberSource*, 654 F.3d at 1371.
- <sup>74</sup> *Fuzzyssharp Techs., Inc. v. 3DLabs Inc., Ltd.*, 447 F. App'x 182, 184 (Fed. Cir. 2011).
- <sup>75</sup> See, e.g., *Digitech Info. Sys. v. BMW Fin. Servs. NA, LLC*, 2012 U.S. Dist. LEXIS 105458, at \*9 (M.D. Fla. July 30, 2012) (disputed claims' failure to satisfy machine-or-transformation test was "a good indicator that they did not claim patent-eligible subject matter").
- <sup>76</sup> *Prompt Med. Sys., L.P. v. AllscriptsMysis Healthcare Solutions, Inc.*, 2012 U.S. Dist. LEXIS 30694, at \*30 (E.D. Tex. Feb. 13, 2012) (denying summary judgment, because "meaningful limitations" on claim scope rendered claims non-abstract).
- <sup>77</sup> *Ultramercial*, 722 F.3d at 1343.
- <sup>78</sup> *Accenture*, 728 F.3d at 1348 (Rader, C.J., dissenting) (citation and internal quotation marks omitted).
- <sup>79</sup> *Oplus Techs. v. Sears Holding Corp.*, 2013 U.S. Dist. LEXIS 35474, at \*40 (C.D. Cal. Mar. 4, 2013).
- <sup>80</sup> See, e.g., *Netgear*, 2013 U.S. Dist. LEXIS 140047, at \*25-26 ("It is apparent, when comparing *Bancorp* and *SiRF*, that a spectrum exists with respect to computer-based implementation limitations. At one end of the spectrum is *Bancorp* and a general purpose computer that is generically performing calculations; at the other end is *SiRF* and a GPS receiver that performs specific operations essential to the claimed methods.").
- <sup>81</sup> *SiRF Tech., Inc. v. ITC*, 601 F.3d 1319 (Fed. Cir. 2010); *Research Corp. Techs., Inc. v. Microsoft Corp.*, 627 F.3d 859 (Fed. Cir. 2010); *Ultramercial, LLC v. Hulu, LLC*, 657 F.3d 1323 (Fed. Cir. 2011); *Ultramercial, Inc. v. Hulu, LLC*, 722 F.3d 1335 (Fed. Cir. 2013).
- <sup>82</sup> *CyberFone*, 885 F. Supp. 2d at 718 (discussing *SiRF Tech., Inc. v. ITC*, 601 F.3d 1319 (Fed. Cir. 2010)).
- <sup>83</sup> *Id.* (citing *CLS Bank Int'l v. Alice Corp. Pty.*, 685 F.3d 1341, 1351 (Fed. Cir. 2012)).
- <sup>84</sup> *Innova Patent Licensing, LLC v. Alcatel-Lucent Holdings*, 2011 U.S. Dist. LEXIS 155522, at \*37 (E.D. Tex. Sept. 22, 2011) (citing *Research Corp.*, 627 F.3d at 868-869); *Island Intellectual Prop.*, 2012 U.S. Dist. LEXIS 16413, at \*20 (citing *Ultramercial*, 657 F.3d 1323).
- <sup>85</sup> *Island Intellectual Prop.*, 2012 U.S. Dist. LEXIS 16413, at \*23 (citing *DealerTrack*, 674 F.3d at 1334).
- <sup>86</sup> *Bancorp Servs., L.L.C. v. Sun Life Assur. Co.*, 687 F.3d 1266 (Fed. Cir. 2012); *CyberSource Corp. v. Retail Decisions, Inc.*, 654 F.3d 1366 (Fed. Cir. 2011); *DealerTrack, Inc. v. Huber*, 674 F.3d 1315 (Fed. Cir. 2012).
- <sup>87</sup> *CyberFone*, 885 F. Supp. 2d at 718 (discussing *Bancorp Servs., L.L.C. v. Sun Life Assur. Co.*, 687 F.3d 1266 (Fed. Cir. 2012)).
- <sup>88</sup> *Innova Patent Licensing*, 2011 U.S. Dist. LEXIS 155522, at \*37 (citing *CyberSource*, 654 F.3d at 1373).
- <sup>89</sup> *Island Intellectual Prop.*, 2012 U.S. Dist. LEXIS 16413, at \*23 (citing *DealerTrack*, 674 F.3d at 1333).
- <sup>90</sup> *MySpace*, 672 F.3d at 1260.
- <sup>91</sup> *Accenture*, 728 F.3d at 1348 (Rader, C.J., dissenting).
- <sup>92</sup> *Content Extraction*, 2013 U.S. Dist. LEXIS 107184, at \*31 (invalidating claim on motion to dismiss); see also *CyberFone*, 885 F. Supp. 2d at 719 (invalidating claim whose recited machine component "exists on the *Bancorp* end of the spectrum.").
- <sup>93</sup> *Innova Patent Licensing*, 2011 U.S. Dist. LEXIS 155522, at \*39 (E.D. Tex. Sept. 22, 2011) (recommending denial of motion to dismiss); see also *Oplus Techs.*, 2013 U.S. Dist. LEXIS 35474, at \*40-41 (denying summary judgment where claim fell on the *Research Corp.* "patent-eligibility side of the spectrum"); *Island Intellectual Prop.*, 2012 U.S. Dist. LEXIS 16413, at \*24 (rejecting validity challenge to business method claims "more similar to those in *Ultramercial* than to those in *Cybersource* [sic]"). The *Oplus* court appears to have noted a similar spectrum in Supreme Court § 101 cases, stating that a "closer comparison between the ineligible claims in *Benson* and *Flook*, on the one hand, and the eligible claim in *Diehr*, on the other, reveals that the [disputed] patent is directed to eligible subject matter." *Id.* at \*37 (referencing *Gottschalk v. Benson*, 409 U.S. 63 (1972), *Parker v. Flook*, 437 U.S. 584 (1978), and *Diamond v. Diehr*, 450 U.S. 175 (1981)).
- <sup>94</sup> *Zillow*, 2013 U.S. Dist. LEXIS 127606, at \*21 (denying motion to dismiss, because accused infringer failed to meet heavy burden to prove invalidity on Rule 12 motion).
- <sup>95</sup> See, e.g., *Oplus Techs.*, 2013 U.S. Dist. LEXIS 35474, at \*28 (summary judgment denial "[m]otivated primarily by the similarity of the [disputed] claims to the *RCT* claims"); *In re Certain Flash Memory*, 2010 ITC LEXIS 2425, at \*2 (rejecting validity challenge to claims that, "much like *Diehr*, ... protect an industrial process for manufacturing a device"); *Compression Tech.*, 2013 U.S. Dist. LEXIS 78338, at \*25 (invalidating claims "fatally similar to the claims in *Gottschalk*"); *Fannie Mae*, 893 F. Supp. 2d at 38 (invalidating claims "quite similar to the claims in *Bilski*"); cf. *CLS Bank*, 717 F.3d at 1311 (Rader, C.J., joined by Judges Linn, Moore and O'Malley, dissenting from invalidation of "system claims ... indistinguishable from those in *Diehr*").
- <sup>96</sup> See, e.g., Ted L. Field, "Judicial Hyperactivity" in the Federal Circuit: An Empirical Study, 46 U.S.F. L. REV. 721, 776 (2011-2012) (concluding that "the overall reversal rate of the Federal Circuit ... was statistically significantly greater than the overall reversal rate of the representative regional circuits taken as an aggregate").
- <sup>97</sup> The Delaware statistics account for one particular decision that invalidated the claims in one patent under § 101 but denied summary judgment as to claims in a separate patent. See *Netgear, Inc. v. Ruckus Wireless, Inc.*, 2013 U.S. Dist. LEXIS 140047 (D. Del. Sept. 30, 2013).
- <sup>98</sup> See, e.g., Richard L. Brophy, *The Ever Increasing Concentration of Patent Cases in Plaintiff-Favored Venues: Can We Avoid Critical Mass?*, St. Louis B.J. (Winter 2012), at 17 (noting that "[a]lmost 12% of the patent cases filed in Delaware ... end up in front of a jury").
- <sup>99</sup> *UbiComm*, 2013 U.S. Dist. LEXIS 161559, at \*20-21; *BuySAFE*, 2013 U.S. Dist. LEXIS 105601, at \*14.
- <sup>100</sup> See 19 U.S.C. § 1337(a)(1)(B).
- <sup>101</sup> Compare *In re Certain Products Containing Interactive Program Guide & Parental Control Tech.*, Inv. No. 337-TA-845, 2013 WL 3463385, at \*35 (USITC June 7, 2013) (affirming validity of claims "directed to client-server systems wherein an interactive program guide client device works in tandem with a remote interactive program guide server"), and *In re Certain Coenzyme Q10 Products & Methods of Making Same*, Inv. No. 337-TA-790, 2012 WL 5383646, at \*97 (USITC Sept. 27, 2012) (rejecting invalidity challenge to process requiring control of timing, temperature and environment to produce oxidized coenzyme Q10 on an industrial scale), with *CLS Bank*, 717 F.3d at 1286 (Lourie, J., joined by Judges Dyk, Prost, Reyna and Wallach, concurring in judgment invalidating both the disputed system and method claims).
- <sup>102</sup> See *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, No. 13-298 (U.S. Dec. 6, 2013) (granting *certiorari* to review *CLS Bank Int'l v. Alice Corp. Pty.*, 717 F.3d 1269 (Fed. Cir. 2013) (*en banc*)).
- <sup>103</sup> *CLS Bank*, 717 F.3d at 1335 (additional reflections of Rader, C.J.).
- <sup>104</sup> *Id.* (additional reflections of Rader, C.J.).
- <sup>105</sup> *Arrhythmia Research Tech., Inc. v. Corazonix Corp.*, 958 F.2d 1053, 1066 (Fed. Cir. 1992) (Rader, J., concurring); *Bilski*, 545 F.3d at 1015 (Rader, J., dissenting); *CLS Bank*, 717 F.3d at 1334 (additional reflections of Rader, C.J.); *Accenture*, 728 F.3d at 1348 (Rader, C.J., dissenting).

# Trademark Infringement Across Borders: Navigating a Sea of Pirates

By Melissa Dimilta\*

Trademark infringement can and often does cross borders, but trademark rights are generally limited by the borders of the jurisdiction in which a trademark is registered. Trademark owners in the United States can find themselves in legal limbo when infringement of a trademark occurs north of the border. While American trademark owners have rights under the Lanham Act,<sup>1</sup> these rights are applied extraterritorially in only certain circumstances, as was illustrated in the recent decision of the United States District Court for the Western District of Washington in *Trader Joe's Co. v. Michael Norman Hallatt, d/b/a Pirate Joe's a/k/a Transilvania Trading Co.*<sup>2</sup> In *Trader Joe's*, a Canadian company, "Pirate Joe's," purchased goods in the United States branded with the American registered trademark TRADER JOE'S and then resold the unmodified TRADER JOE'S products in Canada. The Court refused to exert its jurisdiction over the Canadian company.<sup>3</sup> The decision has limited Trader Joe's options for protecting, from within the United States, its brand against infringement in Canada.

In cases such as *Trader Joe's*, American trademark owners should consider whether there are trademark rights that can be enforced in Canada to stop unauthorized use. This article discusses recourse available to American trademark owners whose rights are infringed in Canada.

## The Pirating of Trader Joe's

Trader Joe's is a popular grocery store chain that operates exclusively in the United States with its own line of branded goods. Trader Joe's sued the defendant, Michael Norman Hallatt, a Canadian citizen, alleging violation of the Lanham Act through Federal Trademark Infringement,<sup>4</sup> Unfair Competition, False Endorsement and False Designation of Origin,<sup>5</sup> False Advertising,<sup>6</sup> and Federal Trademark Dilution.<sup>7</sup>

Hallatt operates a grocery store in Vancouver, British Columbia, under the name "Pirate Joe's," which sells unmodified TRADER JOE'S products. These TRADER JOE'S products are purchased by Hallatt or his associates at full retail price in the United States and are transported lawfully across the border. Pirate Joe's does not sell counterfeit merchandise; rather, it is an unofficial and unauthorized trader of legally purchased TRADER JOE'S products.

Hallatt moved to dismiss Trader Joe's claims for lack of subject matter jurisdiction. The District Court granted the motion to dismiss, declining to exert its jurisdiction over Pirate Joe's.

## Extraterritorial Application of the Lanham Act

The United States Supreme Court has held that the Lanham Act "confers broad jurisdictional powers upon the courts of the United States" and should be applied extraterritorially<sup>8</sup> where the following so-called "Timberlane Factors" are met:

- 1) the defendant's action creates some effect on American foreign commerce,
- 2) the effect is sufficiently great to present a cognizable injury to the plaintiff under the Lanham Act, and
- 3) "the interests of and links to American foreign commerce [are] sufficiently strong in relation to those of other nations to justify an assertion of extraterritorial authority."<sup>9</sup>

In order to meet the first two prongs of the test, a trademark owner needs to show only that there is "some" effect on United States foreign commerce.<sup>10</sup> An analysis of the third prong requires the "balancing of seven relevant factors: [1] The degree of conflict with foreign law or policy, [2] the nationality or allegiance of the parties and the locations or principal places of business of corporations, [3] the extent to which enforcement by either state can be expected to achieve compliance, [4] the relative significance of effects on the United States as compared with those elsewhere, [5] the extent to which there is explicit purpose to harm or affect American commerce, [6] the foreseeability of such effect, and [7] the relative importance to the violations charged of conduct within the United States as compared with conduct abroad."<sup>11</sup>

In some cases where the defendant is a foreign national, the *Timberlane* test may be satisfied based on the defendant's strong presence in the United States. For example, in *Basis Int'l Ltd. v. Research in Motion Ltd.*, the United States District Court for the District of New Mexico found that the Lanham Act applied where a foreign corporation with a significant presence in the United States infringed the trademark rights of a United States corporation at a conference in Asia.<sup>12</sup>

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The decision in *Trader Joe's* stands in contrast to that in *Basis*. The court in *Trader Joe's* emphasized that a plaintiff must “show an effect on U.S. foreign commerce sufficient to present a cognizable Lanham Act claim.”<sup>13</sup> Because all alleged infringement took place in Canada, the court determined that even if Canadian consumers were confused into believing Pirate Joe's was Trader Joe's, there was no economic harm to Trader Joe's. TRADER JOE'S products were purchased lawfully at the retail price and, “any ‘goodwill’ related harm is too tenuous to support a cognizable Lanham Act claim when all infringing conduct is abroad.”<sup>14</sup>

While the *Trader Joe's* decision may have effectively created a “pirate haven” for Hallatt and Pirate Joe's, there are options available for American trademark owners whose rights are infringed by Canadian companies. Trademark owners must strategize internationally when protecting their brands and consider whether there are rights in Canada that can be enforced to stop the unauthorized use of trademarks.

## Trademark Rights in Canada

As a common law jurisdiction, Canada affords protection to both registered and unregistered trademarks. An American trademark owner may have unregistered trademark rights in Canada arising from the goodwill and reputation acquired in Canada. Unregistered trademark rights may be enforced through the common law tort of passing off that has been codified in section 7(b) of the Canadian *Trade-marks Act*.<sup>15</sup> Further, the American trademark owner may be entitled to the registration of its trademark in Canada, regardless of whether the trademark has actually been used in Canada. Registered trademarks may be enforced through trademark infringement proceedings. Because of the enhanced enforcement benefits associated with registration, American trademark owners should consider registering their trademarks in Canada.

The tort of passing off provides that “no person is entitled to misrepresent his or her goods and services as being those of another and thereby appropriate the other's goodwill.”<sup>16</sup> There are three elements that must be established in a passing off claim: (1) the existence of goodwill or a reputation in the trademark; (2) the deception of the public due to a misrepresentation; and (3) actual or potential damage to the plaintiff. The main issue in cross-border trademark passing off cases is whether the plaintiff has acquired the requisite degree of goodwill or reputation in the mind of the purchasing public. Canadian courts recognize that even though a company may not do any business in Canada, there may still be a reputation and goodwill worthy of protection in Canada.<sup>17</sup> Therefore, a company such as Trader Joe's,

which does not actually conduct business in Canada, may have grounds for a passing off claim against any unauthorized user in Canada.

Notably, in most cases in which an American trademark owner does not actually use the trademark in Canada, there is considerable effort and cost involved in establishing a sufficient reputation in the unregistered trademark in Canada. Further, unregistered trademarks are entitled to protection only in the particular geographical areas in which the trademark has become known in Canada. Therefore, an American trademark owner's reputation in one province in Canada does not provide the owner with the right to stop the unauthorized use of its trademark in a different province.

By contrast, registered trademarks are entitled to the full breadth of protection under the *Trade-marks Act*. Enforcement of a trademark registration through infringement proceedings involves considerably less effort than enforcing an unregistered trademark through a passing off action. The owner of a trademark registration can simply rely on the trademark registration as proof of ownership in an infringement proceeding. In contrast, the owner of an unregistered trademark must establish extensive use of the trademark in a passing off action. Further, the owner of a trademark registration has a legal basis for stopping the infringement of its trademark anywhere in Canada, regardless of whether the owner actually uses the trademark in a particular geographical area.

The primary basis for registering a trademark in Canada is use of the trademark.<sup>18</sup> Alternatively, an American trademark owner may be entitled to a trademark registration without actually using the trademark in Canada based on either making the trademark known in Canada,<sup>19</sup> or using and registering the trademark in another country of the Union (defined as including any World Trade Organization member).<sup>20</sup>

The requirements for an application for registration based on making the trademark known in Canada are onerous, and require the foreign trademark owner to establish that the trademark has become “well known” in Canada.<sup>21</sup> An application based on registration and use abroad is less onerous so long as the applicant meets the requirements under the *Trade-marks Act*: the foreign registration must be in the name of either the applicant or the applicant's predecessor-in-title; the applicant's or the applicant's predecessor-in-title's country of origin must be the same as the country of the Union in which the trademark is registered; the trademark applied for must be identical in all respects to the one registered; and recent case law has determined that the trademark must have been used in the foreign jurisdiction prior to the filing date of the Canadian trademark application.<sup>22</sup>

Therefore, a company such as Trader Joe's may register its trademark before it has used the trademark in Canada, and avail itself of a trademark infringement proceeding against an unauthorized user in Canada.

## Conclusion

When an American trademark owner, such as Trader Joe's, finds itself without access to the United States courts to pursue the remedies under the Lanham Act, it may have remedies available in Canada. These remedies may consist of initiating a passing off claim in Canada if the mark's reputation warrants it, or infringement proceedings to enforce a Canadian registered trademark. Given the greater ease of enforcing a registered trademark against an unauthorized user in Canada, American trademark owners should consider trademark registration proactively, regardless of whether they have actually used their trademarks in Canada. When Canadian companies "pirate" United States trademarks, American trademark owners are not necessarily stranded at sea.

### (Endnotes)



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<sup>1</sup> 15 U.S.C. § 1051 *et seq.*

<sup>2</sup> 108 U.S.P.Q.2d (BNA) 1720

(W.D. Wash. Oct. 2, 2013).

<sup>3</sup> While the Court dismissed the claims under the Lanham Act for lack of subject matter jurisdiction, the Court allowed Trader Joe's to amend its claim under state laws. In a recent decision released December 19, 2013, a Washington federal judge dismissed the remainder of the state claims.

<sup>4</sup> 15 U.S.C. § 1114(1).

<sup>5</sup> 15 U.S.C. § 1125(a)(1)(A).

<sup>6</sup> 15 U.S.C. § 1125(a)(1)(B).

<sup>7</sup> 15 U.S.C. § 1125(c).

<sup>8</sup> *Steele v. Bulova Watch Co.*, 344 U.S. 280, 283, 287 (1952).

<sup>9</sup> *Reebok Int'l v. Marnatech Enters.*, 970 F.2d 552, 554 (9<sup>th</sup> Cir. 1992).

<sup>10</sup> *Wells Fargo & Co. v. Wells Fargo Express Co.*, 556 F.2d 406, 428 (9<sup>th</sup> Cir. 1977).

<sup>11</sup> *Reebok*, 970 F.2d at 555.

<sup>12</sup> 827 F. Supp. 2d 1302 (D.N.M. 2011).

<sup>13</sup> *Trader Joe's*, 108 U.S.P.Q.2d 1720, slip op. at 6.

<sup>14</sup> *Id.* at 7.

<sup>15</sup> R.S.C. 1985, c. T-13 [*Trade-marks Act*] § 7(b).

<sup>16</sup> *Enterprise Rent-A-Car Co. v. Singer*, [1996] 66 C.P.R.

(3d) 453 (F.C.T.D.) at ¶ 47, *aff'd* [1998] 79 C.P.R. (3d) 45 (F.C.A.).

<sup>17</sup> *Orkin Exterminating Co. v. Pestco Co.*, [1985] 5 C.P.R. (3d) 433 (O.C.A.), *aff'g* [1984] 80 C.P.R. (2d) 153 (O.H.C.).

<sup>18</sup> *Trade-marks Act* § 16(1) and § 30(b).

<sup>19</sup> *Trade-marks Act* § 16(1) and § 30(c).

<sup>20</sup> *Trade-marks Act* § 16(2) and § 30(d).

<sup>21</sup> *Trade-marks Act* § 5.

<sup>22</sup> *The Thymes, LLC v. Reitmans (Canada) Ltd.*, 2013 F.C. 127.

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# Survey of U.S. District Court Decisions Addressing Requests to Stay a Case Pending Resolution of an *Inter Partes* Review

By Kenneth R. Adamo, David W. Higer & Eugene Goryunov\*<sup>1</sup>

The Leahy-Smith America Invents Act<sup>2</sup> (“AIA”) created a new post-grant patent challenge—*inter partes* review (“IPR”)—to replace the older *inter partes* reexamination procedure.<sup>3</sup> IPRs are intended to “create a timely, cost-effective alternative to litigation.”<sup>4</sup> To be truly an effective alternative, the AIA attempts to “convert[] *inter partes* reexamination from an examination to an adjudicative proceeding” in an IPR.<sup>5</sup> This article reports the current state of the law for seeking a stay of a U.S. district court case pending resolution of an IPR, and surveys a group of decisions addressing requests to stay (*see* table on page 25).

By way of a brief overview, a person or entity, who is not the patent owner, may file an IPR petition with the U.S. Patent & Trademark Office (“USPTO”) for patents issued under both pre- and post-AIA patent law regimes.<sup>6</sup> The USPTO must decide whether to institute an IPR—called “a trial”—within six months of the petition’s filing date.<sup>7</sup> For an IPR to be instituted, the Petitioner must show that “there is a reasonable likelihood” that at least one challenged claim is invalid.<sup>8</sup> The USPTO must issue a final trial determination not later than one year after the IPR is instituted, but this timeline may be extended by up to six months for good cause.<sup>9</sup> All in all, a final

determination can be expected from the USPTO between 18 and 24 months after an IPR petition is filed.

Many petitions requesting IPR are filed when there is already a related case pending in a U.S. district court. Such concurrent proceedings (U.S. district court and IPR) may provide a strategic advantage but may also substantially increase the total cost of the overall litigation to the parties. Seeking a stay of the U.S. district court case pending resolution of the IPR is one approach to streamline the litigation and control costs.

Granting a stay pending resolution of an IPR is within the sound discretion of the U.S. district court judge. Courts generally apply a three-factor test, previously established for requests to stay a case pending pre-AIA reexamination proceedings, when considering a stay motion.<sup>10</sup> These factors and further considerations include:

- (1) the stage of the proceedings, including considerations of whether the case is in its early stage, whether discovery is complete or is still ongoing, and whether claim construction has been completed;
- (2) whether a stay will simplify the issues, including considerations of whether any claims



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or defenses will remain at issue in the case after an IPR is completed, whether an IPR has been requested of all asserted patents and/or claims, and whether the party requesting a stay will be subject to the estoppel provisions of the AIA; and

(3) whether a stay would unduly prejudice or present a clear tactical disadvantage to the nonmoving party, including whether the parties in the case are competitors, whether an IPR trial has been instituted, and whether the plaintiff in the case is seeking an injunction.<sup>11</sup>

The analysis, however, is not limited to these factors and must be based on “the totality of the circumstances.”<sup>12</sup>

To assess how courts are analyzing and ruling on motions to stay pending resolution of an IPR, a group of 40 cases was reviewed, in which a U.S. district court addressed a party’s motion to stay. The summary table below reflects the result. The major considerations addressed by U.S. district courts are column headings; a bullet (●) in any cell in the table indicates that the court’s holding is based, at least in part, on the item noted.

Case Name	Details	Result	Case in Early Stage?	Discovery Complete?	Markman Briefed?	Markman Order?	IPR Instituted?	IPR on All Asserted Claims?	Other Claims/Defenses?	Direct Competitor?	Estoppel?	Seeking Injunction?
Semiconductor Energy Lab. Co. Ltd. v. Chimei Innolux Corp.	C.D. Cal. Dec. 19, 2012	Granted	●	●	●	●	●	●	●	●	●	●
Capriola Corp. v. LaRose Indus., LLC	M.D. Fla. Mar. 11, 2013	Granted	●	●	●	●	●	●	●	●	●	●
Star Envirotech, Inc. v. Redline Detection, LLC	C.D. Cal. Apr. 3, 2013	Granted	●	●	●	●	●	●	●	●	●	●
Achates Reference Publ'g, Inc. v. Symantec Corp.	E.D. Tex. Apr. 5, 2013	Granted	●	●	●	●	●	●	●	●	●	●
Everlight Elec. Co., Ltd. v. Nichia Corp.	E.D. Mich. Apr. 30, 2013	Denied	●	●	●	●	●	●	●	●	●	●
Universal Elec. Inc. v. Universal Remote Control Inc.	C.D. Cal. May 2, 2013	Denied	●	●	●	●	●	●	●	●	●	●
One Stockduq Holdings, LLC v. Becton, Dickinson and Co.	W.D. Tenn. May 6, 2013	Denied	●	●	●	●	●	●	●	●	●	●
Auto. Mfg. Sys., Inc. v. Primera Tech., Inc.	M.D. Fla. May 13, 2013	Denied	●	●	●	●	●	●	●	●	●	●
e-Watch, Inc. v. Mobotix Corp.	W.D. Tex. May 21, 2013	Granted	●	●	●	●	●	●	●	●	●	●
NuTech Ventures v. Norman Noble, Inc.	N.D. Oh. May 30, 2013	Granted	●	●	●	●	●	●	●	●	●	●
Regents of Univ. of Michigan v. St. Jude Med. Inc.	E.D. Mich. May 31, 2013	Granted	●	●	●	●	●	●	●	●	●	●
Nat'l Oilwell Varco, L.P. v. Omron Oilfield & Marine, Inc.	W.D. Tex. Jun. 10, 2013	Denied	●	●	●	●	●	●	●	●	●	●
Kowalski v. Anova Food, LLC.	D. Hawaii Jun. 14, 2013	Denied	●	●	●	●	●	●	●	●	●	●
Davol, Inc. v. Atrium Med. Corp.	D. Del. Jun. 17, 2013	Denied	●	●	●	●	●	●	●	●	●	●
Nat'l Oilwell Varco, L.P. v. Parson Sys. USA Corp.	W.D. Tex. Jun. 20, 2013	Denied	●	●	●	●	●	●	●	●	●	●
Neste Oil OYJ v. Dynamic Fuels LLC	D. Del. Jul. 2, 2013	Granted	●	●	●	●	●	●	●	●	●	●
Derma Sci., Inc. v. Manukamed Ltd.	D. N.J. Jul. 18, 2013	Denied	●	●	●	●	●	●	●	●	●	●
e-Watch, Inc. v. Flir Sys., Inc.	S.D. Tex. Aug. 8, 2013	Granted	●	●	●	●	●	●	●	●	●	●
e-Watch, Inc. v. ACTI Corp.	W.D. Tex. Aug. 9, 2013	Granted	●	●	●	●	●	●	●	●	●	●
Pride Mobility Prod. Corp. v. Permobil, Inc.	E.D. Penn. Aug. 14, 2013	Granted	●	●	●	●	●	●	●	●	●	●
Pi-Net Int'l Inc. v. Focus Bus. Bank	N.D. Cal. Aug. 16, 2013	Granted	●	●	●	●	●	●	●	●	●	●
Dane Techs., Inc. v. Gatekeeper Sys., Inc.	D. Minn. Aug. 20, 2013	Denied	●	●	●	●	●	●	●	●	●	●
SSW Holding Co Inc. v. Schott Gemtron Corp.	W.D. Kent. Aug. 21, 2013	Granted	●	●	●	●	●	●	●	●	●	●
Softview LLC v. Apple Inc.	D. Del. Sep. 4, 2013	Granted	●	●	●	●	●	●	●	●	●	●
The Procter & Gamble Co. v. Team Tech., Inc.	S.D. Oh. Sep. 10, 2013	Denied	●	●	●	●	●	●	●	●	●	●
Software Rights Archive LLC v. Facebook, Inc.	N.D. Cal. Sep. 17, 2013	Granted	●	●	●	●	●	●	●	●	●	●
Mueller Water Products, Inc., et al. v. Victaulic Co.	N.D. Ga. Sep. 25, 2013	Granted	●	●	●	●	●	●	●	●	●	●
e-Watch, Inc. v. Lorex Canada, Inc.	S.D. Tex. Sep. 26, 2013	Granted	●	●	●	●	●	●	●	●	●	●
Select Brands, Inc. v. Sensio, Inc.	D. Kansas Sep. 27, 2013	Granted	●	●	●	●	●	●	●	●	●	●
Black & Decker Inc. v. Positech USA, Inc.	N.D. Ill. Oct. 1, 2013	Granted	●	●	●	●	●	●	●	●	●	●
Pi-Net Int'l, Inc. v. Focus Bus. Bank, et al.	N.D. Cal. Oct. 3, 2013	Granted	●	●	●	●	●	●	●	●	●	●
ResMed Inc. v. Apex Med. Corp.	C.D. Cal. Oct. 4, 2013	Granted	●	●	●	●	●	●	●	●	●	●
TruePosition, Inc. v. Polaris Wireless, Inc.	D. Del. Oct. 21, 2013	Denied	●	●	●	●	●	●	●	●	●	●
Interface, Inc. v. Tandus Flooring, Inc.	N.D. Ga. Nov. 5, 2013	Granted	●	●	●	●	●	●	●	●	●	●
Personalized Media Comms., LLC v. Zynga, Inc.	E.D. Tex. Nov. 8, 2013	Denied	●	●	●	●	●	●	●	●	●	●
One Stockduq Holdings, LLC v. Becton, Dickinson and Co.	W.D. Tenn. Nov. 12, 2013	Granted	●	●	●	●	●	●	●	●	●	●
TPK Touch Solutions, Inc. v. Wintek Electro-Optics Corp.	N.D. Cal. Nov. 13, 2013	Denied	●	●	●	●	●	●	●	●	●	●
Ultratec, Inc. v. Sorenson Comms., Inc.	W.D. Wisc. Nov. 14, 2013	Denied	●	●	●	●	●	●	●	●	●	●
e-Watch, Inc. v. Avigilon Corp.	S.D. Tex. Nov. 15, 2013	Granted	●	●	●	●	●	●	●	●	●	●
Automatic Mfg. Sys., Inc. v. Primera Techs, Inc.	M.D. Fl. Nov. 21, 2013	Granted	●	●	●	●	●	●	●	●	●	●

cont. on page 26

## 1. Stage of the Proceedings

The cases reviewed show that a stay pending resolution of an IPR is more likely to be granted when the case is in its procedural infancy. In these circumstances, U.S. district courts reason that a stay of the case is appropriate because neither the parties nor the court have expended significant resources to manage the case.<sup>13</sup> Well-progressed discovery or an issued claim construction *Markman* order, on the other hand, generally weighs against granting a stay. For example, in *Universal Electronics*, the court concluded this factor weighed against a stay because the Petitioner filed its petition requesting IPR after the court had already issued its claim construction order.<sup>14</sup> One court in the survey held the opposite, however, finding that the completion of fact discovery and claim construction weighed in favor of a stay because the late stage of the case mitigated the risk of evidentiary staleness.<sup>15</sup>

## 2. Simplification of the Issues

In view of the cases surveyed, a stay is more likely to be granted if an IPR is requested of all patents and/or claims at issue in the U.S. district court case. The courts that found this factor weighed in favor of a stay reasoned that if the challenged claims are canceled in an IPR, there will be no need for a trial. If any of the challenged claims survives, the court may incorporate guidance from the USPTO into further court proceedings.<sup>16</sup>

The estoppel provisions of the AIA are also viewed as having the potential to simplify the issues before the U.S. district court. The AIA provides that a petitioner, real party in interest, or privy of the petitioner will be estopped from asserting invalidity on any ground that it raised or reasonably could have raised during the IPR.<sup>17</sup> An IPR can assert only anticipation or obviousness on the basis of prior art consisting of patents and printed publications. Thus, the estoppel provision of the AIA does not eliminate all bases for invalidity that a defendant may assert in a U.S. district court case, e.g., § 101, § 112, public use, and/or on-sale bar. Nevertheless, courts have held that an IPR is “guaranteed to finally resolve at least some issues of validity.”<sup>18</sup> Even if all claims are confirmed by the USPTO, the record of the IPR “will assist [the] Court in reducing the length and complexity of [the] litigation and will limit what issues are left to be resolved by [the] Court.”<sup>19</sup>

## 3. Undue Prejudice or Clear Tactical Disadvantage

The likelihood of a stay greatly depends on the relationship between the parties in the U.S. district court case and the status of an IPR proceeding.<sup>20</sup> The surveyed cases show that a stay is more likely to be

granted if the USPTO has already instituted the IPR trial. On the other hand, a stay is less likely if the parties in the case are direct competitors. Courts also consider the timing of the IPR request and request for stay.<sup>21</sup>

### (a) Relationship Between the Parties

A stay pending resolution of an IPR is less likely to be granted where parties to a U.S. district court case are direct competitors, according to the surveyed cases. Courts denying a stay in these circumstances reason that alleged infringement among direct competitors “can cause harm in the marketplace that is not compensable by readily calculable money damages.”<sup>22</sup> For example, the plaintiff in the district court case may lose customers that it would not have lost if the case were not stayed. On the other hand, the risk of losing customers is less cause for concern “when there are multiple firms in the relevant market.”<sup>23</sup>

Some courts also consider whether the plaintiff sought an injunction in the U.S. district court case when determining the existence of prejudice.<sup>24</sup> The reasoning here is that a plaintiff who seeks a preliminary injunction is more likely to be prejudiced because the plaintiff is arguing that money damages alone would not be sufficient to compensate it for the alleged infringement. Nevertheless, failure to move for an injunction does not appear to weigh heavily in favor of a stay. At least one court explained that it would “not hold against the patentee its decision to spare the parties more litigation in the form of a motion for preliminary injunction.”<sup>25</sup>

### (b) Status of the IPR Proceeding

Based on the survey, and as can be expected, U.S. district courts are more likely to stay a case pending resolution of an IPR where the IPR trial has already been instituted (not where just an IPR petition was filed) by the USPTO. Courts staying cases in these situations reason that at least some claims are likely to be cancelled or amended because an IPR petition must meet an arguably high standard to be instituted by the USPTO. Some other courts, however, have relied on the same reasoning to grant stays even where the USPTO has not yet instituted the IPR. In other words, if an IPR is not instituted, “the stay will be relatively short,” such that this sub-factor may weigh in favor of a stay.<sup>26</sup>

### (c) Timing of the IPR Request and Request for Stay

The survey suggests that U.S. district courts are reluctant to grant a stay where the timing of the request to the USPTO suggests a dilatory intent.<sup>27</sup> One court explained that the “more diligent a party is in seeking [IPR], the less likely its petition [for a stay] is prejudicial

to the non-movant.”<sup>28</sup> Where the IPR is filed within a few months of the date the defendant is served with a complaint alleging infringement, this sub-factor has been found to weigh in favor of a stay.<sup>29</sup> Waiting until near the end of the statutory one-year IPR filing deadline, on the other hand, may weigh against granting a stay.<sup>30</sup>

#### 4. Other Considerations

Again, a U.S. district court’s decision whether to stay a case pending resolution of an IPR must be based on the totality of the circumstances. In addition to the three common factors and associated considerations reviewed when a party is seeking a stay, courts sometimes consider a stay’s impact on the court’s ability to control its docket. Courts that rely on this consideration usually deny a stay because it would interfere with the court’s obligation to “secure the just, speedy, and inexpensive determination of every action.”<sup>31</sup>

In sum, whether you plan, or your client plans, to seek a stay pending resolution of an IPR or defend against a request for one, it is important to understand the pertinent factors courts analyze in addressing such stay motions. This high-level summary of our survey provides a useful tool for some cases in many common patent litigation jurisdictions.

#### (Endnotes)



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<sup>1</sup> This article reflects only the present considerations and views of the authors, which should not be attributed to Kirkland & Ellis LLP, or to any of its or their former or present clients.

<sup>2</sup> Pub. L. No. 112-29, 125 Stat. 284 (2011).

<sup>3</sup> The AIA also created two other post-grant patent challenges: post-grant review (“PGR”) and covered business method review (“CBMR”). At the time of this article, no requests seeking PGR have yet been filed. The authors expect U.S. district courts will

treat motions seeking a stay pending resolution of a PGR similarly to an IPR.

<sup>4</sup> Rules of Practice for Trials Before the Patent Trial and Appeal Board and Judicial Review of Patent Trial and Appeal Board Decisions, 77 Fed. Reg. 157, 48612 (Aug. 14, 2012) (to be codified at 37 C.F.R. pts. 1, 42 and 90).

<sup>5</sup> *Universal Elec., Inc. v. Universal Remote Control, Inc.*, 943 F. Supp. 2d 1028, 1030 (C.D. Cal. 2013) (quoting House Judiciary Committee Report on the AIA, H.R. Rep. No. 112-98, pt. 1, at 46 (2011)).

<sup>6</sup> 35 U.S.C. § 314(a).

<sup>7</sup> 35 U.S.C. § 314(b).

<sup>8</sup> 35 U.S.C. § 314.

<sup>9</sup> 35 U.S.C. § 316(a)(11).

<sup>10</sup> *Universal Elec.*, 943 F. Supp. 2d at 1030.

<sup>11</sup> Section 18(b)(1) of the AIA identifies four factors U.S. district courts are to consider when ruling on motions seeking a stay pending resolution of a CBMR: “(A) whether a stay, or the denial thereof, will simplify the issues in question and streamline the trial; (B) whether discovery is complete and whether a trial date has been set; (C) whether a stay, or the denial thereof, would unduly prejudice the nonmoving party or present a clear tactical advantage for the moving party; and (D) whether a stay, or the denial thereof, will reduce the burden of litigation on the parties and on the court.” Section 18(b)(2) of the AIA provides for an immediate interlocutory appeal from a court’s decision on such a motion to the United States Court of Appeals for the Federal Circuit. At the time of this article, at least one court had applied these four factors to grant a motion for stay pending resolution of a CBMR. *Mkt.-Alerts Pty. Ltd. v. Bloomberg Fin. L.P.*, 922 F. Supp. 2d 486, 489 (D. Del. 2013).

<sup>12</sup> *Universal Elec.*, 943 F. Supp. 2d at 1031 (quoting *Allergan Inc. v. Cayman Chem. Co.*, No. SACV 07-01316 JVS (RNBx), 2009 WL 8591844, at \*2 (C.D. Cal. Apr. 9, 2009)).

<sup>13</sup> *Id.*

<sup>14</sup> *Id.* at 1032.

<sup>15</sup> *Softview LLC v. Apple Inc.*, No. 12-989-LPS, 2013 WL 4757831, at \*2 (D. Del. Sep. 4, 2013).

<sup>16</sup> *Semiconductor Energy Lab. Co. v. Chimei Innolux Corp.*, No. SACV 12-21-JST (JPRx), 2012 WL 7170593, at \*2 (C.D. Cal. Dec. 19, 2012) (quoting *Target Therapeutics, Inc. v. SciMed Life Sys., Inc.*, 33 U.S.P.Q. 2d 2022, 2023 (1995)).

<sup>17</sup> 35 U.S.C. § 315(e)(2). The AIA estoppel provisions apply only “with respect to a claim for which [the petitioner] has obtained a final written decision on patentability” in an IPR. 37 C.F.R. 42.73(d). In other words, estoppel does not attach to a prior art reference raised in a petition requesting IPR but (1) not made part of the IPR trial; or (2) not relied-upon by the USPTO in its final written decision.

<sup>18</sup> *Semiconductor Energy Lab.*, 2012 WL 7170593, at \*2 (quoting *Avago Techs. Fiber IP (Sing.) Pte. Ltd. v. IPtronics, Inc.*, No. 10-CV-02863-EJD, 2011 WL 3267768, at \*5 (N.D. Cal. July 28, 2011)).

<sup>19</sup> *One Stockduq Holdings, LLC v. Becton, Dickinson & Co.*, No. 2:12-cv-03037-JPM-tmp, Dkt. 85, slip op. at 15 (W.D. Tenn. Nov. 12, 2013).

<sup>20</sup> *Davol, Inc. v. Atrium Med. Corp.*, No. 12-958-GMS, 2013 WL 3013343, at \*2 (D. Del. Jun. 17, 2013).

<sup>21</sup> *Id.*

<sup>22</sup> *Universal Elec.*, 943 F. Supp. 2d at 1033 (quoting *Acumed LLC v. Stryker Corp.*, 551 F.3d 1323, 1327-1328 (Fed. Cir. 2008)).

<sup>23</sup> *Davol*, 2013 WL 3013343, at \*3.

<sup>24</sup> *Semiconductor Energy Lab.*, 2012 WL 7170593, at \*4.

<sup>25</sup> *Universal Elec.*, 943 F. Supp. 2d at 1034 (quoting *Avago Techs. Fiber IP (Sing.) Pte. Ltd. v. IPtronics, Inc.*, No. 10-CV-02863-EJD, 2011 WL 3267768, at \*6 (N.D. Cal. July 28, 2011)).

<sup>26</sup> *Star Envirotech, Inc. v. Redline Detection, LLC*, No. SACV 12-01861 JGB (MLGx), 2013 WL 1716068, at \*2 (C.D. Cal. Apr. 3, 2013).

<sup>27</sup> *Neste Oil Oyj v. Dynamic Fuels, LLC*, No. 12-1944-GMS, 2013 WL 3353984, at \*2 (D. Del. July 2, 2013).

<sup>28</sup> *TruePosition, Inc. v. Polaris Wireless, Inc.*, No. 12-646-RGA/MPT, 2013 WL 5701529, at \*6 (D. Del. Oct. 21, 2013).

<sup>29</sup> *Neste Oil*, 2013 WL 3353984, at \*2 (“the court cannot discern an improper dilatory motive” where IPR is filed less than three months after service of the complaint); *Davol*, 2013 WL 3013343, at \*2 (filing IPR less than one month after service of the complaint “present[s] little evidence that the defendant sought an unfair tactical advantage”).

<sup>30</sup> *TruePosition*, 2013 WL 5701529, at \*6.

<sup>31</sup> *Universal Elec.*, 943 F. Supp. 2d at 1035.

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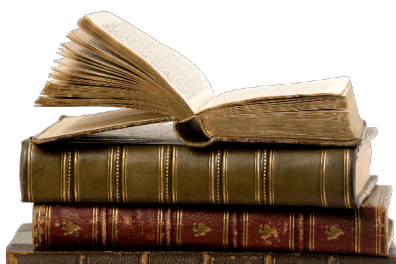
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If you have any NYIPLA historical records, specifically Bulletins (1967-1981), Greenbooks (prior to 1951), and Judges Dinner booklets (1973 & prior to 1971), please contact Bill Dippert at [wdippert@eckertseamans.com](mailto:wdippert@eckertseamans.com) or 1.914.286.2813.

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# Introduction to the USPTO IPR Attaché Program

By James L. Bikoff\*

The United States Patent and Trademark Office's (USPTO) Overseas Intellectual Property Rights (IPR) Attaché program was created in 2006 to "promote high standards of IP protection and enforcement internationally for the benefit of U.S. stakeholders." Currently, there are active Attachés in Bangkok, Thailand; Beijing, China; Geneva, Switzerland; Guangzhou, China; Mexico City, Mexico; Moscow, Russia; New Delhi, India; and Rio de Janeiro, Brazil. New positions are also contemplated in other countries, including plans to post an Attaché in the Middle East.

The principal goals of the IPR Attaché Program are to promote U.S. intellectual property policy and rights internationally, to secure strong intellectual property provisions in international agreements and host country laws, and to encourage U.S. trading partners to better protect and enforce the intellectual property rights of U.S. rights holders.

In furtherance of these goals, IPR Attachés promote U.S. intellectual property interests and initiatives; advise U.S. officials on the host government's IP system and advise representatives of the host governments on U.S. intellectual property laws; conduct training with host governments and local officials; advocate for legislation favorable to U.S. rights holders; organize educational, networking and public awareness programs; and assist U.S. businesses in protecting and enforcing their interests abroad.

During a recent USPTO IPR Attaché Discussion on Fighting Piracy and Counterfeiting on November 19, 2013, Attachés for Brazil, Russia, Mexico, and

Switzerland spoke about their efforts in their respective regions to facilitate the goals of the IPR Attaché Program. For example, Albert Keyack, Attaché for Brazil, addressed how his office helps U.S. rights holders enforce their intellectual property rights in the region by connecting them to local officials and coordinating these relationships. In Russia, Attaché Donald Townsend lobbies to amend local legislation with stronger intellectual property protections. In Mexico, where sluggish prosecution and lax border regulations are a big problem, Attaché Michael Lewis works with regional officials to foster coordination between Customs agencies to target packages and to resolve transshipment issues. In Geneva, Attaché Karin Ferriter promotes new initiatives designed to appeal to a wider audience, such as seeking protection for sports-related intellectual property, and which elicit broader support than the more controversial industry-specific issues.

Current contact information for IPR Attachés is set forth below.

\*James L. Bikoff is a partner at the law firm of Silverberg, Goldman & Bikoff, L.L.P. in Washington, D.C., and chairs the firm's Intellectual Property and Internet Practice Group. Valeriya Sherman and Griffin M. Barnett, associates at the firm, assisted in the preparation of this article.



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# NYIPLA Files Amicus Briefs to the Supreme Court to Advocate a Two-Part Test for Finding a Case “Exceptional” in the Award of Attorney Fees Under Section 285

By Charles R. Macedo and Sandra A. Hudak\*

On February 26, 2014, the Supreme Court will hear two cases regarding the award of attorney fees in “exceptional” patent cases under 35 U.S.C. § 285: *Highmark Inc. v. Allcare Health Management Systems, Inc.* (No. 12-1163) and *Octane Fitness LLC v. Icon Health & Fitness, Inc.* (No. 12-1184). Both cases relate to the appropriate standard for determining when attorney fees can be awarded, as well as the level of deference to be given to the district court in reaching that decision.

The question presented in *Highmark* briefly summarizes how the “exceptional” case issue arose in that litigation:

The Patent Act provides that a “court in exceptional cases may award reasonable attorney fees to the prevailing party.” 35 U.S.C. § 285. A case is “exceptional” if it is objectively baseless and brought in bad faith. After living with this case for more than six years, the District Court found that it was objectively baseless and brought in bad faith, and it awarded fees. Over a strong dissent, a Federal Circuit panel reversed, holding that a district court’s objective baselessness determination is reviewed “without deference.” Pet. App. 9a. The Federal Circuit denied rehearing *en banc* by a vote of six to five. One of the two pointed dissents from that denial accurately observed that the decision below “deviates from precedent ... and establishes a review standard for exceptional case findings in patent cases that is squarely at odds with the highly deferential review adopted by every regional circuit and the Supreme Court in other areas of law.” Pet. App. 191a.

The question presented is: Whether a district court’s exceptional-case finding under 35 U.S.C. § 285, based on its judgment that a suit is objectively baseless, is entitled to deference.

*Highmark Inc. v. Allcare Health Management Systems, Inc.*, Petition for *Certiorari*, at i.

The question presented in *Octane* addresses a similar issue:

Does the Federal Circuit’s promulgation of a rigid and exclusive two-part test for determining whether a case is “exceptional” under 35 U.S.C. § 285 improperly appropriate a district court’s discretionary

authority to award attorney fees to prevailing accused infringers in contravention of statutory intent and this Court’s precedent, thereby raising the standard for accused infringers (but not patentees) to recoup fees and encouraging patent plaintiffs to bring spurious patent cases to cause competitive harm or coerce unwarranted settlements from defendants?

*Octane Fitness LLC v. Icon Health & Fitness, Inc.*, Petition for *Certiorari*, at i.

Although these cases were not consolidated by the Supreme Court, the Amicus Brief Committee decided to submit identical amicus briefs in both cases because of the similarity between the two cases in addressing whether unjustified litigation gives rise to an “exceptional” case.

In its amicus briefs, the NYIPLA proposed four guiding principles for the Court to consider when addressing the situations in which an “exceptional” case should be found, and what level of deference should be given to the district court in making such a finding. These recommended guiding principles maintained that:

- 1) The standard for awarding attorney fees in an “exceptional” case should be equally available to prevailing patent holders and accused infringers. In other words, there should be parity; the same level of burdens and tests should be applied evenhandedly, with no bias either way.
- 2) The award of attorney fees under Section 285 should not lead to or require extensive and burdensome proceedings beyond the resolution of the dispute on the merits.
- 3) As the statute is currently written, attorney fees are only available in “exceptional” cases and thus should not be ordered in every case.
- 4) Section 285 provides a fee-shifting remedy under the Patent Act that is distinct from sanctions awarded under Rule 11 and costs awarded under 28 U.S.C. § 1927, and thus does not need to apply the same standard.

Based on these principles, the NYIPLA reasoned that the form of the present test for determining whether a case is “exceptional” under Section 285—a two-part test with an objective and subjective evaluation of the

case, followed by a discretionary award by the district court—is an appropriate structure for the analysis. However, the NYIPLA believes that the current tests create too high a bar to meet in order to adequately protect unjustly burdened prevailing parties from misconduct, and thus advocated for a slightly lower threshold for each prong of the analysis.

In its amicus briefs, the NYIPLA proposed that, in a Section 285 assessment of whether a case is “exceptional,” the district court consider:

- 1) Were the asserted claims or defenses *objectively* meritless (absent, *e.g.*, advocacy for a change in the law) such that any reasonable litigant would expect a low likelihood of success on the merits?
- and
- 2) Was the litigant *subjectively* advancing such claims or defenses in the litigation for an improper purpose (*e.g.*, extorting money, prolonging the litigation, or increasing litigation costs)?

Under the proposed analysis, if *both* parts of this test are met, the case would then be considered an “exceptional” case and the district court may exercise its discretion to award (or not award) some or all of the prevailing party’s reasonable attorney fees. The NYIPLA advocated the following standards of appellate review for each element of the test: *de novo* review for the objective prong, clear error for the subjective prong, and an abuse of discretion for the ultimate award of the district court. The NYIPLA also maintained that the attorney fees awarded under its proposed test should continue to be available only to prevailing parties (whether alleged infringers or patentees).

In addition to its proposed guiding principles, the NYIPLA cited the legislative history of Section 285 as well as Supreme Court precedent to support its position. The NYIPLA brief explained that Congress added the “exceptional” case limitation to Section 285 to codify the judicial interpretation of its predecessor statute on attorney fees and the original statutory intent for that statute. In the case law interpreting the predecessor statute to Section 285, district courts had been required to state the basis for the award; acceptable grounds for the award included “unfairness or bad faith in the conduct of the losing party . . . which [made] it grossly unjust that the winner . . . be left to bear the burden of his own counsel fees.” The NYIPLA thus explained that its proposed test, which delineates an “exceptional” case, is consistent with legislative history.

The NYIPLA agreed with the Federal Circuit’s decision to adopt the current two-part structure for finding

an “exceptional” case from the Supreme Court’s two-part definition of a “sham” litigation in *Prof’l Real Estate Investors v. Columbia Pictures Indus.*, 508 U.S. 49, 60 (1993) (“*PRE*”), but argued that the current prongs are too high a bar. The NYIPLA explained that the proposed test adopts the rationale of the two-part test used in *PRE*, but lowers the threshold of each prong to account for the different standards in antitrust actions—which impose treble damages in civil cases and can have criminal consequences—and civil tort actions under the patent laws.

The brief explained that leaving the discretion of whether to award fees to the district court only after the two-part test is satisfied follows the Supreme Court’s interpretation of “may” in *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391 (2006). The statutory language of Section 285 provides that a district court “may” award attorney fees in “exceptional cases”; thus, the NYIPLA explained that, just like in *eBay*, only after all of the elements of the “exceptional case” test are met may the court decide, within its discretion, whether to

award fees.

\*Charles R. Macedo is Co-Chair of the Amicus Brief Committee for the New York Intellectual Property Law Association, and a Partner at Amster, Rothstein & Ebenstein LLP. Sandra A. Hudak is a Law Clerk and Patent Agent at Amster, Rothstein & Ebenstein LLP. Their practice specializes in intellectual property issues, including litigating patent, trademark and other intellectual property disputes. They may be reached at [cmacedo@arelaw.com](mailto:cmacedo@arelaw.com) and [shudak@arelaw.com](mailto:shudak@arelaw.com).



## December 2013/January 2014 IP Media Links

*Edited by Jayson Cohen\**

### Is Software Patent Eligible?

The Supreme Court's recent decision to review the Federal Circuit's fractured decision in *CLS Bank Int'l v. Alice Corp.*, No. 11-1301 (Fed. Cir. May 10, 2013) (*en banc*), gained the attention of the mainstream media. For example, the Chicago Tribune picked up Reuters' December 6, 2013 piece by Lawrence Hurley titled, "Supreme Court to decide on patent protections for software." (<http://bluesky.chicagotribune.com/chisupreme-court-to-decide-on-patent-protections-for-software-bis-news-20131206000story>.) While the piece does not reflect a deep understanding of the 35 U.S.C. § 101 issues at stake, it does portray the divisiveness that separates not only the Federal Circuit but also the potential stakeholders, such as Google and IBM, in a Supreme Court restatement of the law of patent eligibility for software and business methods. The patent claims at issue in *CLS Bank* relate to risk management for computerized trading. The Federal Circuit held the method claims to be patent ineligible as abstract ideas, but certain system claims survived the § 101 challenge. The Reuters article cites Professor Mark Lemley of Stanford Law School, who filed an amicus brief with the Supreme Court on behalf of Facebook and others stating that the appeals court had left the law "hopelessly confused." A number of the concurring and dissenting opinions by the Federal Circuit Judges in *CLS Bank* reflected that same sentiment. We expect that that the mainstream media will continue to follow this important issue closely.

### Copyright-Dependent Industries Contribute Over \$1 Trillion to GDP

In Richard Verrier's November 24, 2013 article titled, "Copyright industries boost GDP by \$1 trillion," the Columbus Dispatch reported on a study of the International Intellectual Property Alliance ("Alliance") designed to demonstrate the economic strength of industries that create and distribute computer software, video games, books, newspapers, periodicals, journals, motion pictures, music, and radio and television programming. (<http://www.dispatch.com/content/stories/business/2013/11/24/copyright-industries-boost-gdp-by-1-trillion.html>.) The study found that 6.5 percent of the U.S.

economy is encompassed by these copyright-dependent industries, which employed about 5.4 million people in the U.S. in 2012. The Alliance that sponsored the study is a private coalition that represents industry groups such as the Motion Picture Association of America and the Recording Industry Association of America, whose purpose according to the article is to "improve protection of copyrighted materials and promote market access around the world." The study was released in advance of U.S. congressional subcommittee hearings on copyright issues.

### Family Dispute over Publication of "The Diary of Malcolm X, 1964"

The Chicago Tribune, in a November 28 article by Dawn Turner Trice titled, "Chicago publisher sued for publishing Malcolm X's diary," covered the copyright infringement battle that recently erupted between one of Malcolm X's daughters, Ilyasah Al-Shabazz, and publisher Third World Press on the one hand, and X Legacy LLC on the other hand. ([http://articles.chicagotribune.com/2013-11-28/news/ct-malcolm-x-third-world-press-met-20131128\\_1\\_betty-shabazz-malcolm-x-diary](http://articles.chicagotribune.com/2013-11-28/news/ct-malcolm-x-third-world-press-met-20131128_1_betty-shabazz-malcolm-x-diary).) X Legacy LLC is controlled by six of Malcolm X's daughters, who claim that Al-Shabazz and Third World Press acted improperly in moving forward with the publication and distribution of the diary without X Legacy's consent. Third World Press insists that it had proper consent and that the contract giving it rights to publish and sell the diary provides for proceeds to be distributed to the six daughters of Malcolm X that control X Legacy LLC. Distribution of the diary was halted in early November by a temporary restraining order issued by Judge Laura Swain of the District Court for the Southern District of New York. A preliminary injunction hearing is set for January 31, 2014. (See also <http://forwardtimesonline.com/2013/index.php/national-news/item/715-federal-judge-halts-publication-of-malcolm-x-s-diary>.)

\* Jayson L. Cohen is an associate at Morrison & Foerster LLP, where his practice focuses on patent litigation. He is a member of the Publications Committee of the NYIPLA.



# Notable Trademark Trial and Appeal Board Decisions

By Stephen J. Quigley\*

(Unless noted otherwise, all decisions are precedential.)

## Disparagement – Ethnic Term

THE SLANTS for a musical band was held to be disparaging to a substantial composite of persons of Asian descent. The Board rejected the applicant's argument that this term is neither inherently offensive nor inherently disparaging because the word "slant" has several meanings.

A determination of disparagement under Section 2(a) requires application of a two-part test:

1) What is the likely meaning of the matter in question, taking into account not only dictionary definitions, but also the relationship of the matter to the other elements in the mark, the nature of the goods or services, and the manner in which the mark is used in the marketplace in connection with the goods or services; and

2) if that meaning is found to refer to identifiable persons, institutions, beliefs or national symbols, whether that meaning may be disparaging to a substantial composite of the referenced group.



The Board concluded that because THE SLANTS identifies people, its meaning is a derogatory reference to people of Asian descent.

*In re Simon Shiao Tam*, 108 USPQ2d 1305 (TTAB 2013).

## Water and Wine Are Related Products

Because bottled water and wine can emanate from a single source, the Board found a likelihood of confusion between



for bottled water and the registered trademarks GOTT and JOEL GOTT for wine. Evidence that bottled water at wineries has been sold under the same brand name as the wine as well as a number of use-based third-party registrations for both water and wine tipped toward finding a likelihood of confusion.

The Board accorded little weight to the wave designs for the GOTT LIGHT mark (LIGHT had been disclaimed), dismissing them as "insignificant background elements" that only reinforced the connection to the applicant's water products.

*Joel Gott Wines, LLC v. Rehoboth Von Gott, Inc.*, 107 USPQ2d 1424 (TTAB 2013).

## BLAZING SILKS is Deceptive for Clothing Not Made of Silk

The Board rejected the applicant's argument that the plural word "silks" is not deceptive because it refers to the apparel worn by a horse jockey or harness driver which, in turn, evokes the image of horse racing.



"Silk" immediately describes a significant feature of clothing and consumers will understand that when used in a mark for apparel, "silk" indicates that the goods are made of silk or at least include silk. Since there was no evidence that all or part of the material used in manufacturing the applicant's clothing was silk, registration was properly refused.

*In re Spina Technology Corp.*, 2013 TTAB LEXIS 582 (November 15, 2013) [not precedential].

cont. on page 36

## Gun-Toting Statue of Liberty is Not a Scandalous Trademark

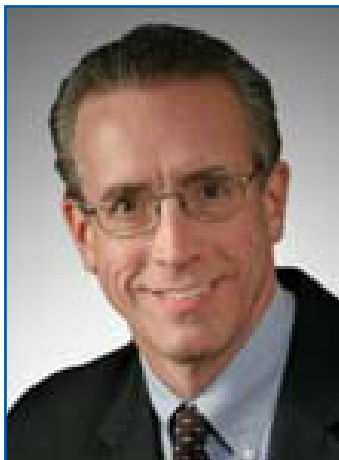
The refusal to register



for silencers for firearms was reversed. The test is whether a substantial composite of the general public “would perceive applicant’s mark to be a scandalous adaptation” of the Statue of Liberty.

The Board noted that there have been registered trademarks showing the Statue of Liberty holding objects such as a cup of coffee or a football, so the replacement of the torch with something else is not an issue. Nor is holding a firearm necessarily scandalous as the evidence submitted by the applicant and the examining attorney did not strongly indicate whether the mark will be viewed as offensive or as a gesture of patriotism. The Board also found that the pose is not threatening and could be viewed as consistent with the Constitutional right to bear arms.

*In re Advanced Armament Corp., LLC*, 2013 TTAB LEXIS 601 (November 29, 2013) [not precedential].



\* Stephen J. Quigley is Of Counsel to Ostrolenk Faber LLP, where his practice focuses on trademark and copyright matters. He is also a member of the NYIPLA Board of Directors.

## The New York Intellectual Property Law Association Announces

### *The 92<sup>nd</sup> Annual Dinner*

IN HONOR OF THE

### *Federal Judiciary*

**Friday, March 28, 2014**

*The Waldorf Astoria New York Hotel,  
301 Park Avenue, New York, NY*

**Keynote  
Speaker**



**Ken Starr**

*President and Chancellor  
of Baylor University*

**Outstanding Public  
Service Award**



**The Honorable  
Gregory M. Sleet**

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

## As Time Goes By – Career in the Mirror

My earliest memory of the NYIPLA perhaps echoes that of other newly-minted IP lawyers lucky enough to be practicing in the New York metro region. It involved attending the Judges Dinner in 1976. I recall staying late and witnessing a plethora of octogenarian judges walking arm-in-arm down the broad staircase to the Waldorf lobby at about 1 a.m.

From the outset, I heard tell tall tales about yet earlier Judges Dinners. One that stands out in my mind was about a former patent colleague at Union Carbide, Fred McCarthy. It seems that Fred was standing in the Waldorf lobby at the end of the evening, apparently waiting for someone, when another Carbider, Bill Durkee, walked over to him with highball in hand.

With apparent malice aforethought, Bill pulled Fred's waist-band forward, and then slowly emptied the entire contents of the highball into the resulting void. As yet another Carbider, Bernie Crowe, put it: "Fred evinced no reaction whatsoever as the ice cubes slowly tinkled onto the marble floor. Bill went on as a partner in Arnold, White and Durkee in Houston and Fred stood pat. There's a message there someplace. I [Bernie], for one, have always remained alert if someone offers me a highball."

My second NYIPLA memory is from 1978. At that time, I was a new member of the Association, and had just authored an article on best mode in patent practice, published in what was then titled the "Journal of the Patent Office Society." As a result of the article, I was invited to speak at an NYIPLA monthly luncheon being held at the time at the Williams Club. On the walk over to the Club, I was joined by NYIPLA Past President Pat Razzano, at that time a member of the NYIPLA Meetings & Forums Committee. When he asked if I'd ever done a presentation like this before, and I replied, "No." Pat was visibly shaken.



*Dale Carlson, a partner at Wiggin and Dana, is NYIPLA Historian and a Past President.*

Thankfully, the bulk of the presentation before the standing-room-only crowd of about 70 went smoothly. During the subsequent Q&A, Past President Karl Jorda asked a rather long-winded question about the interplay between secret prior art and best mode. Not grasping what he was driving at, I asked Karl if he would repeat the question. Before he had a chance to do so, a gentleman standing in the rear of the room volunteered an answer—saving the day, from my vantage point.

Afterwards, I approached the gentleman, thanking him and asking who he was. He was J. Philip Anderegg, an NYIPLA Board Member then, and a partner at Pennie & Edmonds. A couple of months later, an article authored by Mr. Anderegg on international aspects of best mode was published in the AIPLA Quarterly Journal.

Later, I became involved in committee work of all kinds, under the tutelage of the likes of Past Presidents Bob Neuner, David Kane, John Pegram, Peter Saxon, and others.

By the time of my first stint on the NYIPLA Board from 1988-91, Union Carbide had moved from Manhattan to Danbury, CT, the incident at Bhopal had occurred, and I had joined the in-house patent staff of Olin Corporation in Cheshire, CT.

In 1993 I joined my current firm. During the subsequent two decades, I've had the opportunity to assume a number of positions within the Association, and to teach patent law as an adjunct professor at Quinnipiac University School of Law.

In retrospect, the NYIPLA has been a springboard for my career development. By the time of my next historian's column, I will be a retired partner at my firm and will continue with the teaching and writing projects.

For my wife Ginger and me, the Judges Dinner is always a highlight of the year. We enjoy visiting with friends and colleagues, past and present. See you at the 2014 Judges Dinner!

With kind regards,

Dale Carlson

## Understanding Recent Changes in Patent Law and Their Effect on Litigation

By James Harrington

On November 7, 2013, the NYIPLA hosted a CLE program and networking event at the Syosset, NY office of Hoffmann & Baron, LLP. The program was designed to explore changes in litigation strategy brought about by new legislation, regulations, and case law.

Charles Hoffmann, the current NYIPLA President, provided the welcoming remarks. Mr. Hoffmann also highlighted the CLE program as part of the NYIPLA's continuing effort to reach out to Long Island and other locations outside of New York City.

Sal Abbruzzese, partner at Hoffmann & Baron, then moderated the first panel entitled "Prosecution and Post-Grant Proceedings under the AIA." Rod Turner, another partner at Hoffmann & Baron, discussed changes to patent prosecution under the America Invents Act (AIA). Mr. Turner also explained how some of the changes to, for example, the prior use defense, supplemental examination, and third party pre-issuance submissions, may affect litigation strategies.

Lead Administrative Patent Judge Thomas L. Giannetti then led a discussion regarding USPTO trial proceedings. Judge Giannetti began his discussion by explaining the umbrella trial rules, as well as those specifically applicable to *inter partes* review, post-grant review, derivation proceedings, and covered business method patent review. Judge Giannetti also provided helpful practitioner tips and insight into what Administrative Patent Judges like to see and do not like to see when reviewing submissions.

Ron Baron, partner at Hoffmann & Baron, moderated the second panel regarding the Supreme Court's decision in *FTC v. Actavis, Inc.* and its effect on ANDA litigation. Dr. Irving Feit, Of Counsel at Hoffmann & Baron, provided a history of the case. Dr. Feit also discussed possible misconceptions of the Supreme Court in deciding whether reverse payments from brand-name companies to generic companies when settling ANDA litigation can unreasonably diminish competition in violation of antitrust laws. Michael Ertel, of Haynes and Boone, LLP, explained the framework of generic drug litigation under Hatch-Waxman, as well as the effects *FTC v. Actavis* may have on ANDA litigation.

Robert Neuner, Senior Counsel at Hoffmann & Baron, moderated the third and last panel regarding litigation in the United States District Court and the International Trade Commission (ITC). Federal Magistrate Judge William D. Wall of the Eastern District of New York provided a general discussion regarding patent litigation in the Eastern District. Michael Chakansky, partner at Hoffmann & Baron, then discussed ITC investigations under 19 U.S.C. § 1337 as a possible alternative to litigation in the district court. Mr. Chakansky also discussed the interplay between AIA and ITC proceedings.

After closing remarks from Charles Hoffmann, the panelists and attendees further discussed the issues presented, over refreshments.



## Patent Litigation From The Law Clerks' Perspective

By Scott D. Stimpson



On Wednesday, November 20, 2013, the Patent Litigation Committee and Meetings & Forums Committee teamed up for a reception and presentation on the litigation perspectives of former law clerks from jurisdictions with heavy patent case dockets. The presentation was moderated by Scott Stimpson of Sills Cummis & Gross P.C., and former, recent law clerks from the District of New Jersey (Glen Cheng, Jones Day), the Southern District of New York (Leah Edelman, Fish & Richardson, P.C.), and the District of Delaware (Michelle Nerozzi Ankenbrand, Fish & Richardson, P.C.) attended

and presented valuable insights into the workings of their respective courts and preferences of their judges. The presentation explored various aspects of patent litigation, including initial disclosures, infringement and validity contentions, *Markman* proceedings, dispositive motion practice, pretrial orders, and settlement efforts. The presentation was very well attended, and the audience was active in asking its own questions of the clerk panel. Due to the success of the program, consideration is being given to ongoing presentations involving clerks from different courts.

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## Women in IP Law Committee Wine Tasting & Networking Event

By Lisa T. Simpson

The NYIPLA Women in IP Law Committee, co-chaired by Jeanna Wacker and Sona De, in conjunction with Orrick, Herrington & Sutcliffe LLP, held an NYIPLA Wine Tasting & Networking event on November 21, 2013 at Orrick's offices. Lisa Simpson of Orrick served as host for this event. The event featured a number of French and Californian wines along with suggested cheese pairings and a terrific sommelier who

provided additional insight and answered questions about the wines. The event was well-attended by both members and non-members (several of whom were interested in joining NYIPLA committees) and gave everyone a much-needed chance to catch up during the busy holiday season. The event concluded with a blind wine-tasting contest – the happy winner guessed exactly right and took home a bottle of Syrah wine.



## Amicus Brief Discussion on Fee Shifting in Patent Litigation

By Robert M. Isackson

On December 4, 2013, the Amicus Brief Committee hosted a CLE presentation at the New York offices of Orrick Herrington & Sutcliffe LLP on “Fee Shifting in Patent Litigation: What does it take to make an ‘exceptional case’ under 35 U.S.C. § 285, or how can you avoid paying the other side’s attorneys fees.” The driving force for the topic was the confluence of the Supreme Court’s recent grant of *certiorari* in the *Highmark Inc. v. Allcare Health Management Systems, Inc.* and *Octane Fitness, LLC v. Icon Health Fitness, Inc.* cases, and all of the current activity in Congress and the press with respect to non-practicing-entity (NPE) patent litigation and pending legislation to address the economic costs thereof. The Supreme Court’s recent grant of *certiorari* in the *Highmark* and *Octane* cases poses questions regarding what is the proper test for finding litigation unjust and an “exceptional” case under 35 U.S.C. § 285, and what deference should be given to the district court’s findings.

Several Amicus Brief Committee members were generous enough to deliver presentations. John Cleary of Vedder Price opened with a review of the origin of the fee-shifting statute in the Patent Act of 1952, and the ensuing case law defining the conditions under which fees were granted. This culminated in the Patent Act and its current language, which, based on the legislative history, merely codified the then-current case law. Rob Isackson of Orrick Herrington & Sutcliffe, LLP followed with a review of the factual and legal background of the NPE *Highmark* case and the competitor *Octane* case, from filing through the petitions for *certiorari*. He compared and contrasted the fact patterns and commented on the consistency with which the Federal Circuit acted. Charley Macedo and Sandra Hudak of Amster, Rothstein & Ebenstein LLP then



provided a discussion that walked through the amicus briefs that the Amicus Brief Committee prepared for filing in the *Highmark* and *Octane* cases (discussed earlier in this issue). They explained the background and reasoning behind the NYIPLA’s proposed modified test for exceptionality to level the playing field for prevailing parties by slightly lowering the bar, relative to the standard the Federal Circuit had applied, for an accused infringer to recover attorney fees. Julia Kim of Cozen O’Connor then wrapped up with a synopsis of the most relevant legislation pending before Congress. The Amicus Brief Committee’s amicus briefs were filed on December 9, 2013.

Although the presentations started at 6 p.m., the crowd was unusually interactive with the presentation, keeping the speakers on the platform until about 8:30 p.m. Many lingered for long after that at the reception that followed.

## December CLE Luncheon – A View From The Bench

By Steven Lendaris

On December 16, 2013, the NYIPLA Meetings & Forums Committee hosted a Continuing Legal Education program at the Union Club of New York, featuring Circuit Judge Kathleen M. O’Malley of the United States Court of Appeals for the Federal Circuit. Judge O’Malley led a lively discussion focused primarily on her thoughts concerning recent congressional “patent reform” efforts, including the House of Representative’s recent passage of H.R. 3309 (The Innovation Act). In particular, Judge O’Malley discussed how



her views relating to the roles that the Federal Circuit and Congress play in establishing substantive and procedural law, particularly in the patent arena, have evolved since she was appointed to the United States District Court for the Northern District of Ohio in 1994. Judge O’Malley also took time to answer audience questions on a range of subjects and offered a thoughtful counterpoint to Judge Wood’s recent speech proposing an end to the Federal Circuit’s monopoly on appeals of patent cases.

**MINUTES OF OCTOBER 8, 2013**  
**MEETING OF THE BOARD OF DIRECTORS OF**  
**THE NEW YORK INTELLECTUAL PROPERTY LAW ASSOCIATION**

The Board meeting was called to order at the offices of Cadwalader, Wickersham & Taft LLP, 590 Madison Avenue, New York, NY at 12:30 p.m. by President Charles Hoffmann. In attendance were:

Dorothy Auth	Anthony Lo Cicero (telephone)
Jessica Copeland (telephone)	Denise Loring
Kevin Ecker (telephone)	Matthew McFarlane (telephone)
Raymond Farrell (telephone)	Thomas Meloro
Alexandra Frisbie (telephone)	Richard Parke
Bruce Haas	Stephen Quigley
Walter Hanley	Wanli Wu (telephone)
Annemarie Hassett	

Feikje van Rein was in attendance from the Association's executive office.

The Board approved the Minutes of the September 10, 2013, Board meeting.

Treasurer Denise Loring reported that the organization continues to be in a strong financial position, noting that (compared to 2012) assets and expenses are up, and income is flat. The Treasurer further reported on details regarding the investment plan to improve yield on the Association's financial assets while maintaining adequate liquidity and security of its funds. The Board authorized the Treasurer to transfer funds for investment according to the plan approved previously. The Board also confirmed its intent to fund the Association's activities out of current income rather than investment proceeds. The Board saw no need at this time for a separate Investment Committee.

The Board reviewed and approved the list of new applicants for membership.

Dorothy Auth and Walter Hanley reported on the progress of developing the Association's strategic plan. The Strategic Plan Ad Hoc Subcommittee is preparing a draft statement describing the proposed goals and strategies to attain them over a period of time. The Board discussed possible goals, e.g., expanding membership, enhancing the value of existing programs, developing new programming, and expanding the Association's influence by providing input to legislators on issues of the day and endorsing particularly qualified judicial nominees.

Dorothy Auth reported on the progress

of planning for the JPPCLE program on April 23, 2014, and the inaugural Presidents' Forum on October 9, 2013. The Presidents' Forum is expected to have a high rate of attendance.

President Hoffmann reported on the Association's role at the LES meeting in New York City in March 2014. President Hoffmann will moderate a panel of judges and the Association will present a morning session workshop.

On behalf of the Amicus Brief Committee, Matthew McFarlane reported on the CLE program on "exceptional" case issues. He also noted the cases on the horizon for potential amicus submissions.

Ray Farrell discussed the proposed 2013-14 program line-up. Richard Parke reported on the progress of obtaining speakers for the January 2014 all-day CLE program. Anne Hassett described the successful Young Lawyers Committee Roundtable on Legal Writing. Stephen Quigley reported on the Copyright Committee webinar program. Denise Loring relayed that the Women in IP Law Committee will host a wine tasting in November and a judges panel in February. Kevin Ecker reported that the time to nominate for Inventor of the Year will begin soon.

The Board discussed a request from MIT Press that the Association review and promote to its members MIT Press' new copyright publication.

President Hoffmann presented a tribute to John Tramontine, who had a long and storied career in the practice of IP law and died on September 21, 2013.

The Board meeting was adjourned at 1:55 p.m.



**Not Receiving  
NYIPLA  
E-mails?**

Contact your IT/ISP and  
request them to place

[admin@nyipla.org](mailto:admin@nyipla.org) and [dinner@nyipla.org](mailto:dinner@nyipla.org)  
on your Safe List!

## MINUTES OF NOVEMBER 19, 2013

### MEETING OF THE BOARD OF DIRECTORS OF THE NEW YORK INTELLECTUAL PROPERTY LAW ASSOCIATION

The Board meeting was called to order at the offices of Amster, Rothstein & Ebenstein, LLP, 90 Park Avenue, New York, NY at 12:31 p.m. by President Charles Hoffmann. In attendance were:

Dorothy Auth	Anthony Lo Cicero (telephone)
Kevin Ecker (telephone)	Denise Loring
Raymond Farrell (telephone)	Matthew McFarlane (telephone)
Alexandra Frisbie (telephone)	Richard Parke
Bruce Haas	Stephen Quigley
Walter Hanley	Wanli Wu (telephone)
Annemarie Hassett	

Feikje van Rein was in attendance from the Association's executive office. Thomas Meloro and Jessica Copeland were absent and excused from the meeting.

The Board approved the Minutes of the October 8, 2013, Board meeting.

Treasurer Denise Loring reported that the organization continues to be in a strong financial position. Assets and equity are up compared to 2012, although overall revenue is down. While dues revenue is flat, program revenue has decreased because the Association has lowered prices to increase participation in its CLE programs. Ms. Loring confirmed that the transfer of funds previously approved by the Board for investment would take place that afternoon.

The Board reviewed and approved the list of new applicants for membership.

The Board discussed the overall growth in student membership and various ways to further enhance it. Walter Hanley noted that the Board previously approved having a job bank on the Association's website, and the Board adopted his suggestion that the Website Committee submit a proposal on how to structure the job bank.

On behalf of the Amicus Brief Committee, Matthew McFarlane reported that the Committee was preparing a brief concerning the appropriate standard to be applied when determining whether a case is "exceptional" under 35 U.S.C. § 285. Both the Amicus Brief Committee and the Copyright Committee are considering a position regarding a recent copyright case that has a December 16 filing deadline. Mr. McFarlane also briefly discussed preparation for the December 4 program on "exceptional case" issues.

President Hoffmann reported that the Association would honor Judge Sleet with its Public Service Award and that the keynote speaker at the March 2014 Judges Dinner will be Ken Starr.

Dorothy Auth reported on the success of the October 9, 2013, inaugural Presidents' Forum. The Board agreed to hold more Presidents' Forums events

and discussed various approaches to the timing, geographic location, and duration of future Presidents' Forums as a means to increase the engagement and sense of community among the Association members who attend.

President Hoffmann reported that planning was underway for the NYIPLA program at the Licensing Executives Society meeting in New York City in March 2014. Dorothy Auth will moderate a panel on NPES, and Alexandra Frisbie offered to help locate a third corporate representative for that panel.

On behalf of the Meetings & Forums Committee, Ray Farrell reported on the following upcoming programs: A November 20 panel of former law clerks, a November 21 wine tasting sponsored by the Women in IP Law Committee, and a December 12 lunch with a judge as speaker.

Dorothy Auth reported that the program topics had been selected for the 2014 JPPCLE program and the search was underway for a keynote speaker.

Dorothy Auth also reported that Peter Thurlow is working with the Patent & Trademark Office to finalize the details for a program to offer pro bono legal services to small inventors. The NYIPLA website will serve as a portal to Volunteer Lawyers for the Arts, which will be responsible for locating the pro bono legal services.

Walter Hanley, Bruce Haas, and Dorothy Auth reported on the proposed NYIPLA Strategic Plan. After discussion, the Board approved the Strategic Plan overall and scheduled discussion of individual subsections at Board meetings in January-March 2014 to develop an operating plan for implementing the goals of the Strategic Plan. The Strategic Plan Ad Hoc Subcommittee recommended, and the Board agreed, that to implement aspects of the Strategic Plan, the Association should form a new subcommittee responsible for developing (1) the Association's positions on legislative and other issues and (2) a process for communicating the Association's positions to the appropriate interested lawmakers, other persons and entities.

The Board discussed and agreed to decline the invitation from a third-party legal information vendor to make a presentation to the Association.

Kevin Ecker reported that the Inventor of the Year nomination process was underway.

The Board discussed the possibility of donating funds to increase the number of judges who could participate in the Federal Judicial Center patent law training for federal judges. Kevin Ecker and Feikje van Rein agreed to look into this further and report back to the Board.

The Board meeting was adjourned at 2:10 p.m.

## **NYIPLA Presidents' Forum: Addressing Patent Litigation Abuse: Do the Courts Need Legislative Activism or Restraint?**

➤ **TUESDAY, FEBRUARY 11, 2014 4:00 PM – 8:00 PM** ◀  
Thurgood Marshall US Courthouse, 40 Foley Square, New York

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## **Webinar: "What Every NY Attorney Should Know About California Privacy Law - But Is Afraid to Ask!"**

➤ **TUESDAY, FEBRUARY 18, 2014 12:30 PM – 1:45 PM** ◀

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## **February Roundtable: Claim Construction for Young Lawyers**

### **Diverse Careers in IP Law and Strategies for Achieving Success**

➤ **THURSDAY, FEBRUARY 27, 2014 12:40 PM – 1:45 PM** ◀  
Fordham University School of Law, 140 West 62nd Street, New York

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## **"Day of the Dinner" CLE Luncheon Key Developments in the Evolving Law of Remedies and Recoveries in Patent Infringement Cases**

EARN NYS/NJ 2.0 CLE PROFESSIONAL CREDITS

*FOLLOWED BY*

## **92nd Annual Dinner in Honor of the Federal Judiciary (Judges Dinner)**

➤ **FRIDAY, MARCH 28, 2014** ◀  
The Waldorf Astoria New York Hotel, 301 Park Avenue, New York

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## **30th JPPCLE Seminar**

➤ **WEDNESDAY, APRIL 23, 2014** ◀  
New York Marriott Marquis, 1535 Broadway, New York

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## **NYIPLA April Program in conjunction with Accelerate, LIFT, and LISTnet**

## **NYIPLA Annual Meeting**

➤ **TUESDAY, MAY 20, 2014** ◀  
Princeton Club, 15 West 43rd Street, New York

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## NEW MEMBERS

Last Name	First Name	Firm/School	Tel. No.	E-mail Address
Anumonwo	Francesca Obiageli	Benjamin N. Cardozo School of Law		obi.francesca@gmail.com
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Hanna	Jane	New York Law School	908-208-5762	jane.hanna@law.nyls.edu
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Torres	Francisco Xavier	Benjamin N. Cardozo School of Law		franciscoxtorres@gmail.com

**NEW!**



## NYIPLA Job Board

A perfect chance to submit job openings,  
refer members to postings, and search for new opportunities  
at [www.nyipla.org](http://www.nyipla.org)

## THE NEW YORK INTELLECTUAL PROPERTY LAW ASSOCIATION, INC.

**Telephone (201) 461-6603 [www.NYIPLA.org](http://www.NYIPLA.org)**

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### Officers of the Association 2013-2014

President: Charles R. Hoffmann

President-Elect: Anthony F. Lo Cicero

1st Vice President: Dorothy R. Auth

2nd Vice President: Walter E. Hanley Jr.

Treasurer: Denise L. Loring

Secretary: Annemarie Hassett

### Committee on Publications

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Robert Greenfeld and Mary Richardson

Graphic Designer: Johanna I. Sturm

**Committee Members:** Poopak Banky,

Jayson Cohen, William Dippert, Alexandra Gil,

Dominique Hussey, Keith McWha

**Board Liaison:** Wanli Wu