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Recent Developments in Patent Law

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1. To reflect recent court activity, this paper has been slightly modified from the one distributed at the Symposium in March 2009.

I. INTRODUCTION

In the last year, the landscape of patent law was altered by court opinions from the Supreme Court and U.S. Court of Appeals for the Federal Circuit, as well as in opinions rendered by the Board of Patent Appeals and Interferences (hereafter BPAI) at the United States Patent and Trademark Office. In addition, patent reform legislation was introduced that could have shaken up patent practice even further. Although none of the reform proposals were passed, revised versions of these legislative initiatives have already been introduced in 2009.[2] This brief write-up summarizes many (but by no means all) of the important developments in patent law in 2008 and early 2009.

II. PATENTABILITY REQUIREMENTS

§101: Patent eligible subject matter rose to the forefront in 2008 with the en banc decision in *In* re *Bilski*.[3] In *Bilski*, the Federal Circuit overturned the "useful, concrete, and tangible result"[4] test for business methods and software inventions from *State Street Bank* and its progeny.[5] In its place, the court set up a test that requires the invention to be implemented by a particular machine or to involve a physical transformation.[6] The Supreme Court recently granted certiorari and will hear the case next term.[7] I am not hopeful that the Supreme Court will overturn *Bilski*, so it is likely the practical applications and nuances of the "machine or transformation" test will continue to play out over the next few years. Cases from the BPAI are already addressing the issue at an alarming rate. See for example, *Ex parte* Atkin, *Ex parte* Gutto, *Ex parte* Barnes, and *Ex parte* Becker.[8]

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2. *See, e.g.*, Patent Reform Act 2009, S. 515, 111th Cong. §35 (2009), *available at* http://www.opencongress.org/bill/111-s515/text (the latest proposed patent reform act which passed out of the Senate Judiciary Committee April 3, 2009); Fish and Richardson P.C., Fish News: 2009 Patent Reform Update, http://www.fr.com/news/articledetail.cfm?articleid=490&gclid=CKCh6sbgz5kCFQdN5QodzzTt5Q (last visited April 4, 2009) (for a summary of current action on these bills).

3. *In re* Bilski, 545 F.3d 943 (Fed. Cir. 2008).

4. *Id.* at 959.

5. State St. Bank & Trust Co. v. Signature Fin. Group, Inc., 149 F.3d 1368 (Fed. Cir. 1998).

6. *In re* Bilski, 545 F.3d at 960.

7. Bilski v. Doll, No. 08-964, 2009 U.S. LEXIS 4103 (U.S. June 1, 2009).

8. *See, e.g.*, *Ex parte* Atkin, B.P.A.I. Appeal 2008-4352 (2009); *Ex parte* Gutta, B.P.A.I. Appeal 2008-4352 (2009); *Ex parte* Barnes, B.P.A.I. Appeal 2007-4114 (2009); *Ex parte* Becker, B.P.A.I. 2008-2064 (2009) (BPAI decisions can be quickly accessed from the e-FOIA/Patent Office website by searching for the case name (e.g., "*Ex Parte* Atkin") in an internet search engine, such as Google).

Further, this issue is extending beyond the business method and software realm into other fields, such as medical diagnosis. For example, in *Classen v.* Biogen, the Federal Circuit's three-sentence opinion affirmed the district court's finding of invalidity under §101.[9] In the pending case *Prometheus v. Mayo*,[10] the district court found a method of optimizing therapeutic efficacy by administering a particular drug to a patient and then using the patient's metabolite level to adjust future drug doses, to be ineligible subject matter.[11]

As the *Bilski* case was the sole topic for another panel at the Richard C. Sughrue Symposium,[12] I will leave this summary very brief, although I believe there is much more to say on the matter.[13]

A. §102:

There is not much new on the anticipation/statutory bar front, but one interesting case relating to §102 this year is the Federal Circuit's decision in *SRI Int'l, Inc. v. Internet Security Systems Inc.*,[14] where the court addressed what may be required for a "publication" on the Internet. Here, before the critical date, an inventor posted a paper on an FTP server and sent an e-mail to a small group of people announcing the presence of the paper.[15] While the district court held this activity to constitute a "publication" for purposes of §102, the Federal Circuit disagreed.[16] In particular, the court noted that there was no evidence that, in 1997, a person skilled in the art could have gained access to the FTP server and navigated through a generic directory structure to obtain the paper in question.[17] Further, the court found the paper had not been

9. Classen Immunotherapies, Inc. v. Biogen IDEC, 2008 U.S. App. LEXIS 25661 (Fed. Cir. Dec. 19, 2008).

10. Prometheus Labs. v. Mayo Collaborative Servs., No. 04cv1200 JAH(RBB), 2008 U.S. Dist. LEXIS 25062 (S.D. Cal. Mar. 28, 2008), *appeal docketed,* No. 2008-1403 (Fed. Cir. Jan. 22 2009).

11. *Prometheus Labs.*, 2008 U.S. Dist. LEXIS 25062, at *14.

12. Richard C. Sughrue Symposium on Intellectual Property Law and Policy at the University of Akron School of Law (March 9, 2009) (other panels at the conference covered *Egyptian Goddess* and *Bilski* in more depth, and while very important, this paper does not extensively detail them).

13. In fact, I have written on this topic even before the *Bilski* opinion came out. *See* Kristen Osenga, *Ants, Elephant Guns, and Statutory Subject Matter*, 39 ARIZ. ST. L.J. 1087 (2007) (my arguments in that piece, namely that the courts and the Patent Office are using §101 rejections as proxies for inquiries made more appropriately under other patentability requirements, remain timely today, and in fact are quite similar to arguments raised in some Supreme Court briefing).

14. SRI Int'l, v. Internet Sec. Sys., 511 F.3d 1186 (Fed. Cir. 2008).

15. *See id.* at 1190.

16. *See id.* at 1192.

17. *See id.* at 1197.

catalogued or indexed in any meaningful way.[18] Judge Moore dissented, stating that the court's previous line of cases required this in fact to be considered a publication.[19]

Another interesting case is *Net Moneyin, Inc. v. Verisign, Inc.*[20] In this case, although a prior art reference disclosed all the elements of the claim, the elements in the prior art reference were not arranged or combined in the same way as in the claim; rather the elements were disclosed in different embodiments.[21] The Federal Circuit reversed the district court's finding of anticipation, holding that anticipation requires more than simply finding each element within a single prior art reference.[22] The invention, which must be disclosed in the anticipating reference, must include both the claimed elements and the claimed arrangement thereof.[23] Due to the fact that neither embodiment in the prior art reference contained all the claimed elements in the claimed arrangement, there was no anticipation.[24]

B. §103:

In 2008, the Federal Circuit fleshed out some of the implications of the 2007 Supreme Court case, *KSR v. Teleflex*.[25] *KSR* heightened the standard for non-obviousness by allowing the combination of prior art in the absence of a "teaching, motivation, or suggestion" to combine, the test the Federal Circuit had been using.[26] Now, after KSR, while a "teaching, motivation, or suggestion" to combine remains viable, it is not necessary; obviousness can be found so long as it would have been reasonable for a person having ordinary skill in the art to combine the pieces of prior art, such as in *KSR*, where previously known elements were combined without an overall change in function or performance.[27]

One of the most important cases on this issue is *Muniauction, Inc. v. Thomson Corp.*[28] Muniauction owned a patent directed towards conducting municipal bond auctions over the Internet.[29] A jury found

18. *See id.*
19. *See id.* at 1201-02 (Moore, J., dissenting).
20. Net Moneyin Inc. v. Verisign, Inc., 545 F.3d 1359 (Fed. Cir. 2008).
21. *Id.* at 1370.
22. *Id.* at 1371.
23. *See id.* at 1370.
24. *See id.* at 1371.
25. KSR Int'l Co. v. Teleflex Inc., 550 U.S. 398 (2007).
26. *Id.* at 415.
27. *See id.* at 422.
28. Muniauction, Inc. v. Thompson Corp., 532 F.3d 1318 (Fed. Cir. 2008).
29. *Id.* at 1321-22.

Thomson liable for infringement of the patent and awarded Muniauction $77 million.[30] Thomson appealed to the Federal Circuit, arguing the patent was obvious, and the Federal Circuit agreed.[31] The court first noted that the patent itself stated that internet technology and web browsers were conventional and well-known.[32] The court then stated that "adapting existing electronic processes to incorporate modern internet and web browser technology was similarly commonplace" at the time the patent application was filed.[33] Therefore, the combination was obvious.[34] Given this broad application of *KSR*, it is questionable whether any electronic technology transformed for web-based use would be found non-obvious.[35]

Another important post-*KSR* case is *Eisai v. Dr. Reddy's Labs.*[36] In this case, the Federal Circuit explained that *KSR* will often not apply in chemical compound cases, even where the individual components of the claimed compound are often previously known.[37] "To the extent an art is unpredictable, as the chemical arts often are, *KSR*'s focus on these 'identified, predictable solutions' may present a difficult hurdle because potential solutions are less likely to be genuinely predictable".[38] Rather, for chemical cases, the prima facie case for obviousness begins with the identification of a lead compound in the prior art.[39] Then, obviousness can be based on the structural similarity between the lead compound and the claimed compound, along with some motivation that would lead a skilled artisan to make the modification.[40] Motivation can be shown by a close relationship between the prior art and the new compound that would make the substitution predictable.[41]

Obviousness in biotech cases is still up in the air following *Ex parte Kubin* from the BPAI.[42] In *Kubin*, for which the Federal Circuit heard

30. *Id.* at 1321.
31. *Id.* (rejecting the patent on grounds of obviousness).
32. *See id.* at 1326.
33. *Id.* at 1327.
34. *Id.*
35. *See* KSR Int'l Co. v. Teleflex Inc., 550 U.S. 398 (2007).
36. Esai Co. Ltd. V. Dr. Reddy's Labs., Ltd, 533 F.3d 1353 (Fed. Cir. 2008).
37. *See id.* at 1356.
38. *Id.* at 1358.
39. *See id.* at 1358.
40. *See id.* at 1357.
41. *See id.*
42. *See, Ex Parte* Kubin, B.P.A.I. Appeal No. 2007-0819 (2007).

an oral argument in January 2009[43], the BPAI found a "nucleic acid molecule" claim obvious over the prior art.[44] Although the molecule's structure was not similar to other regulator proteins, and although protein folding is an unpredictable art,[45] the BPAI held the claim obvious because the molecule in question could have been isolated and verified using conventional techniques[46] – that is, it would have been obvious to try.[47] This argument of "obvious to try" had been previously rejected by the Federal Circuit in *In re Deuel,*[48] but the BPAI held that *KSR* limited *Deuel* and that the invention in this case was simply a product of "ordinary skill and common sense."[49] As this article was going to press, the Federal Circuit decided *In re Kubin* and affirmed the BPAI's opinion.[50] The Federal Circuit's opinion resurrects the 'obvious to try' analysis, although an invention that is obvious to try is not necessarily obvious.[51] How this plays out in the ever-advancing field of biotechnology will be seen over the next few years.

C. §112:

There is not much new to report with respect to enablement, best mode, or written description. The Federal Circuit continues to hold broad claims invalid in the absence of sufficient support, either in the form of multiple embodiments or a single embodiment with enough detail supporting multiple configurations.[52] See for example, *In re* Alonso, which found that in an unpredictable art (here treating neurofibrosarcomas using antibody reagents) a single embodiment is insufficient.[53]

Even in predictable electrical and mechanical arts, the Federal Circuit is requiring the full scope to be enabled by the specification to

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43. Donald Zuhn, *Kubin Panel Questions Motivation Behind Reversal in New Written Description Training Materials*, PATENTDOCS, Jan. 8, 2009, http://www.patentdocs.org/2009/01/kubin-panel-questions-motivation-behind-reversal-in-new-written-description-training-materials.html.

44. *See generally Ex Parte* Kubin, B.P.A.I. Appeal No. 2007-0819 at *5, *7.

45. *Id.* at *13 (molecular biology . . . generally an unpredictable art).

46. *Id.* at *5.

47. *See Ex Parte* Kubin, B.P.A.I. Appeal No. 2007-0819 at *8.

48. *In re* Deuel, 51 F.3d 1552, 1559 (Fed. Cir. 1995).

49. *Ex Parte* Kubin, B.P.A.I. Appeal No. 2007-0819 at *9.

50. *See, In re* Kubin, 561 F.3d 1351 (Fed. Cir. 2009) (the US Court of Appeals for the Federal Circuit decided the case on April 3, 2009. The court of appeals indicated that the *KSR* standard for biotechnology was not simply obviousness, but obvious to try. In making its decision, the Court expressly overruled *Deuel*).

51. *Id.*

52. *See, e.g., In re* Alonso, 545 F.3d 1015, 1020 (Fed. Cir. 2008).

53. *Id.*

uphold validity.[54] See for example, *Sitrick v. Dreamworks, LLC.*[55] In this case, although the claim was broad enough to cover video games and movies, the specification only discussed video games.[56] The evidence showed that movies were quite different from video games, and thus the court held the patent invalid for failure to enable the full scope. [57]

As far as claim definiteness under §112, the court issued a couple opinions dealing with the propriety of functional language. In *Microprocessor Enhancement Corp. v. Texas Instruments Inc.*, the claims at issue included both structural and functional language.[58] In particular, claim 1 was written as follows:

> A method of executing instructions in a pipelined processor comprising:
> [structural limitations of processor];
> the method further comprising:
> [method steps implemented in the processor].[59]

Despite the unconventional nature of the claim,[60] the Federal Circuit explained that the claim was not indefinite and was "clearly limited to practicing the claimed method in a pipelined processor possessing the requisite structure."[61]

In *Aristocrat Technologies Australia Pty Ltd., v. International Game Technology,* [62] the Federal Circuit dealt a blow, however, to using functional claim language in computer apparatus systems.[63] The claim language at issue was "game control means,"[64] which falls under §112, para. 6, "means plus function" analysis.[65] The specification discussed only that the means included a programmed general purpose computer.[66] The court held that this was insufficient because "general purpose computers can be programmed to perform very different tasks in very

54. *See, e.g.*, Sitrick v. Dreamworks, LLC, 516 F.3d 993, 1000 (Fed. Cir. 2008).
55. Sitrick v. Dreamworks, LLC, 516 F.3d 993(Fed. Cir. 2008).
56. *Id.* at 1000.
57. *Id.* at 998.
58. Microprocessor Enhancement Corp. v. Texas Instruments Inc., 520 F.3d 1367 (Fed. Cir. 2008).
59. *Id.* at 1374.
60. U.S. Patent No. 5,471,593 (filed Jan. 21, 1994).
61. *Microprocessor Enhancement Corp.*, 520 F.3d at 1375.
62. Aristocrat Techs. Austl. Pty Ltd. v. Int'l Game Tech., 521 F.3d 1328 (Fed. Cir. 2008).
63. *Id.*
64. *Id.* at 1335.
65. 35 U.S.C. § 112 (1975).
66. *Aristocrat Techs. Austl. Pty Ltd.*, 521 F.3d at 1328-33.

different ways," so "simply disclosing a computer as the structure designated to perform a particular function" does not provide appropriate limits on the patent's scope and is thus invalid.[67]

III. PATENT PROSECUTION ISSUES

No discussion of 2008 would be complete without a mention of *Tafas v. Dudas*[68] (now captioned *Tafas v. Doll*[69]), the enormous battle over whether the Patent Office has the power to implement substantive prosecution rules with respect to continuation applications and limitations on the number of claims.[70] Tafas complained that the Patent Office had exceeded the rule-making authority it had been delegated by Congress.[71] After imposing an injunction to keep the Patent Office from implementing the new rules, the District Court found the rules to be substantive in nature and thus outside the scope of the Patent Office's power.[72] The Patent Office appealed to the Federal Circuit and arguments were held in December 2008.[73] It is unclear to what extent, if at all, the new administration will pursue this case.

A. Patent Enforcement Issues: Venue & Jurisdiction

This year may have marked the end of the Eastern District of Texas's reign as the hotbed of patent infringement cases. The Fifth Circuit, in *In re Volkswagen of America, Inc.*,[74] held that the judges in the Eastern District of Texas must follow the federal change of venue statute, 28 U.S.C. §1404, when deciding motions to transfer cases.[75] In particular, the district courts should no longer allow the plaintiff's choice of forum to trump all other considerations, such as the location of witnesses and other matters of convenience.[76]

On this issue, the Federal Circuit follows the law of the circuit in which the district court resides and has adopted the same viewpoint as the *Volkswagen* court. In *TS Tech USA Corp.*, the Federal Circuit

67. *Id.* at 1333.
68. Tafas v. Dudas, 541 F. Supp. 2d 805 (E.D. Va. 2008).
69. Tafas v. Doll, 559 F.3d 1345 (Fed. Cir. 2009).
70. Tafas v. Dudas, 541 F. Supp. 2d 805 (E.D. Va. 2008).
71. *Id.* at 811.
72. *Id.* at 814.
73. Audio of Oral Argument, *Tafas*, 541 F. Supp. 2d 805 (No. 2008-1352) *available at* http://oralarguments.cafc.uscourts.gov/mp3/2008-1352.mp3.
74. *In re* Volkswagon of Am., Inc., 545 F.3d 304 (5th Cir. 2008).
75. *Id.* at 326.
76. *Id.* at 315.

responded to a petition for writ of mandamus by ordering a patent case transferred out of the Eastern District of Texas.[77] The Federal Circuit found that while Texas was a proper venue, Ohio was a far more appropriate venue, given the facts that the defendant company was headquartered in Ohio; the witnesses were located in Ohio, Michigan, and Canada; the physical evidence was in Ohio; and the state of Texas had no connection or interest in the case.[78]

Between *Volkswagen* and *TS Tech*, patent infringement cases are starting to be transferred out of the Eastern District of Texas. Just recently, Judge Love of the Eastern District of Texas granted a motion to transfer in the case of *Odom v. Microsoft*,[79] where the plaintiff was located in Oregon, the defendant was located in Washington, the conduct and contracts giving rise to the case occurred in the Pacific Northwest, and Texas had no particular interest in the case.[80]

B. Declaratory Judgment Jurisdiction:

In the *MedImmune, Inc. v. Genentech, Inc.*[81] case from 2007, the Supreme Court rejected the Federal Circuit's previous test for declaratory judgment (DJ) jurisdiction, namely that the DJ plaintiff has (1) a reasonable apprehension of suit and (2) has conducted meaningful preparation towards infringing activity.[82] While *MedImmune* got rid of the first prong of the test, it apparently left the second prong intact.[83] This year, the Federal Circuit has given us a broader test for DJ jurisdiction in *Cat Tech LLC v. Tubemaster, Inc.*[84] The proper inquiry now is whether the totality of the circumstances shows there is a substantial controversy between parties having adverse interests of sufficient reality and immediacy to require DJ.[85] Meaningful preparation is important, but not required, to show immediacy and reality.[86]

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77. *See In re* TS Tech. USA Corp., 551 F.3d 1315 (Fed. Cir. 2008).

78. *Id.* at 1320-23.

79. Odom v. Microsoft Corp., No. 6:08-CV-331, 2009 U.S. Dist. LEXIS 9835, at *2 (E.D. Tex. Jan. 30, 2009).

80. *Odom*, 2009 U.S. Dist. LEXIS 9835, at * 22-23.

81. *See generally* MedImmune, Inc. v. Genentech, Inc., 549 U.S. 118 (2007).

82. *Id.* at 132.

83. *See generally MedImmune Inc.*, 549 U.S. at 129-37.

84. Cat Tech LLC v. Tubemaster, Inc., 528 F.3d 871 (Fed. Cir. 2008).

85. *Id.* at 879 (quoting MedImmune, Inc. v. Genentech, Inc., 549 U.S. 118 (2007)).

86. *Id.*

C. *Jurisdiction over Foreign Patentees:*

In *Avocent Huntsville Corp. v. Aten International Co., Ltd.*, the Federal Circuit held that a district court lacked jurisdiction over a foreign patentee in a declaratory judgment action.[87] For specific jurisdiction to attach in DJ cases, a court must determine whether the claim arises out of or relates to the DJ defendant's contacts with the forum state.[88] The Federal Circuit has repeatedly held that a threat letter alone is insufficient to create DJ jurisdiction and that there must be other activities related to the claim in the forum.[89] Here, the DJ plaintiff asserted there was jurisdiction based on an infringement letter mailed from Aten (a Taiwanese corporation) to Avocent (in Alabama); distribution of Aten products in Alabama by a subsidiary; and previous patent enforcement litigation by Aten in other fora.[90] The Federal Circuit held that the previous patent enforcement was not relevant to this case or fora and that the distribution of a product by the patentee was not related to the DJ claim that the patent at issue was invalid and not infringed by Avocent.[91] Thus, there was no personal jurisdiction over Aten.[92]

IV. PATENT ENFORCEMENT ISSUES: INFRINGEMENT

A. *Design Patent Infringement:*

The Federal Circuit altered the analysis for finding infringement of design patents in its en banc decision in *Egyptian Goddess, Inc. v. Swisa, Inc.* [93] This case, like *Bilski,* was the subject of another panel at the Richard C. Sughrue Symposium and therefore is not covered extensively in this paper.[94] Simply noted, the court abolished the "point of novelty" prong of the infringement inquiry for design patents.[95]

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87. Avocent Huntsville Corp. v. Aten Int'l Co., Ltd., 552 F.3d 1324 (Fed. Cir. 2008).

88. *See, e.g.*, Breckenridge Pharm. Inc. v. Metabolite Labs., Inc., 444 F.3d 1356, 1363 (Fed. Cir. 2006).

89. Silent Drive, Inc. v. Strong Indus., Inc., 326 F.3d 1194 (Fed.Cir.2006) (quoting Red Wing Shoe Co. v. Hockerson-Halberstadt, Inc., 148 F.3d 1355, 1359-60 (Fed.Cir.1998)).

90. *Id.* at 1341.

91. *Id.* at 1339-41.

92. *Id.* at 1340.

93. Egyptian Goddess, Inc. v. Swisa, Inc., 543 F.3d 665 (Fed. Cir. 2008) (*en banc*).

94. Richard C. Sughrue Symposium on Intellectual Property Law and Policy at the University of Akron School of Law (March 9, 2009) (other panels at the conference covered *Egyptian Goddess* and *Bilski* in more depth, and while very important, this paper does not extensively detail them).

95. *Egyptian Goddess, Inc.*, 543 F.3d at 683.

B. *Joint Infringement:*

In *Muniauction, Inc. v. Thomson Corp.*, [96] the Federal Circuit also addressed the issue of infringement of a process patent, where all of the steps are not performed by the same party.[97] In that case, the auction process included the steps of inputting data associated with a bid, automatically computing interest based on the inputted data, submitting the bid by transferring over an electronic network, and communicating a message associated with the bid, where at least one step is performed using a web browser.[98] The problem is that the first step, inputting a bid, is done by a user of the system, while the rest of the steps are performed by the defendant (Thomson), who provides the software and access to the electronic network.[99] The Federal Circuit held that there was no infringement because there was no one party that performed every step of the claimed process.[100] A petition for writ of certiorari in this case was denied by the Supreme Court on March 9, 2009.[101]

C. *Transnational Infringement:*

Although patent law is generally limited to activity that occurs in the United States, Congress has expanded the reach via §271(f), which prohibits supplying components of a patented device to be assembled abroad,[102] and §271(g), which prohibits importation of products made abroad using patented processes.[103] While the Federal Circuit had ruled in 2005 (in the *Union Carbide* v. *Shell* case)[104] that §271(f) extends to components used in a claim method, this holding was made tenuous by the Supreme Court's decision in 2007 in *Microsoft Corp. v. AT&T Corp.*,[105] which held that the shipment of golden master disks, containing patented processes in the form of software that were used for duplication abroad, did not fall under §271(f)'s purview.[106] However, this year, the Federal Circuit stated that the Supreme Court decision did

96. *See* Muniauction, Inc. v. Thomson Corp., 532 F.3d 1318, 1325-27 (Fed. Cir. 2008).
97. *See Id.* at 1330.
98. *See Id.* at 1322-23.
99. *See Id.* at 1329.
100. *See Id.* at 1330.
101. Muniauction, Inc. v. Thomson Corp., 532 F.3d 1318 (Fed. Cir. 2008), *cert. denied*, 129 S. Ct. 1585 (2009).
102. 35 U.S.C. §271(f) (1984).
103. 35 U.S.C. §271(g) (1994).
104. Union Carbide Chems. & Plastics Tech. Corp. v. Shell Oil Co., 425 F.3d 1366 (Fed. Cir. 2005).
105. Microsoft Corp. v. AT&T Corp., 550 U.S. 437 (2007).
106. *Id.* at 462.

not alter the §271(f) analysis with respect to supplying actual components used in patented processes (versus the golden master disks, which were copied onto the computer systems, and not themselves actually used).[107] The defendant sought rehearing en banc to overturn *Union Carbide,*[108] and the petition was supported by some big-name amici, such as AIPLA[109] and a group of tech companies including Microsoft, Intel, and Oracle.[110] The en banc rehearing was granted[111], and argument held May 29, 2009, at the Federal Circuit.[112]

D. Claim Construction:

Although there has been no big news in claim construction jurisprudence this year, there have been many cases that point out the still-remaining need for something better. For example, *Outside the Box Innovations, LLC v.* Travel *Caddy, Inc.*[113] involved a patent on a very straightforward device – a bag used to store and carry tools such as used by an electrician. In this case, a three-judge panel of the Federal Circuit could not agree on the construction of the term "between."[114]

E. Doctrine of Equivalents:

Infringement under the Doctrine of Equivalents (DOE) continues to be very difficult to prove. After *Festo*[115] limited application of the DOE to amended claims only in cases of unforeseeability, tangentiality, or failings of language, the court has shown repeatedly how these can bar a

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107. Cardiac Pacemakers v. St. Jude Med., Inc., No. 2007-1296, No. 2007-1347, 2008 U.S. App. LEXIS 25475 (Fed. Cir. Dec. 18, 2008).

108. Cardiac Pacemakers v. St. Jude Med., Inc., No. 2007-1296, No. 2007-1347, 2009 U.S. App. LEXIS 4379 (Fed. Cir. March 6, 2009).

109. Brief of Amici Curiae Fed. Circuit Bar Ass'n & Am. Intellectual Prop. Law Ass'n in Support of Cross-Appellants' Petition For Rehearing *En Banc*, Cardiac Pacemakers v. St. Jude Med., Inc., 2009 U.S. App. LEXIS 4379 (Fed. Cir. March 6, 2009) (No. 2007-1296, No. 2007-1347), *available at* http://www.patentlyo.com/fcba-aipla-amicus-brief.pdf.

110. Brief for Amici Curiae Cisco Systems, Inc., Intel Corp., Apple Inc., Oracle Corp., Microsoft Corp., and Symantec Corp., in Suport of Cross-Appellants' Petition For Rehearing *En Banc*, Cardiac Pacemakers v. St. Jude Med., Inc., 2009 U.S. App. LEXIS 4379 (Fed. Cir. March 6, 2009) (No. 2007-1296, No. 2007-1347), *available at* http://www.patentlyo.com/cardiac-amicus-brief-01-30-09.pdf.

111. *Cardiac Pacemakers*, 2009 U.S. App. LEXIS 4379, at *2.

112. Audio of Oral Argument, *Cardiac Pacemakers, Inc.*, 2009 U.S. App. LEXIS 4379 (No. 2007-1296-2) *available at* http://oralarguments.cafc.uscourts.gov/mp3/2007-1296-2.mp3.

113. Outside the Box Innovations, LLC v. Travel Caddy, Inc., No. 2007-1253, 2008 U.S. App. LEXIS 813, at *2 (Fed. Cir. Jan. 15, 2008).

114. *Outside the Box Innovations, LLC*, 2008 U.S. App. LEXIS 813, at *10-11.

115. Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., Ltd., 535 U.S. 722 (2002).

finding of infringement.[116] In *Honeywell Int'l, Inc. v. Hamilton Sundstrand Corp.*,[117] the patentee argued that the accused infringer's equivalent was not foreseeable.[118] The court disagreed, stating that "[f]oreseeability does not require that the accused infringing product or process be foreseeable, nor that any equivalents exist at the time; rather, foreseeability only requires that one of ordinary skill in the art would have reasonably foreseen the proposed equivalent at the pertinent time."[119]

F. Willful Infringement/Inducement to Infringe:

In *Seagate*,[120] the Federal Circuit made it more difficult to establish willful infringement and obtain enhanced damages by removing the "affirmative duty of due care."[121] In *Broadcom Corp. v. Qualcomm Inc.*,[122] the defendant argued that it could not be liable for inducement to infringe if it was not liable for willfulness under the *Seagate* standard.[123] The Federal Circuit rejected this argument, holding the inducement standard had not changed and that inducement does not require a finding of willfulness.[124] Further, in finding the requisite intent for inducement (that the defendant "knew or should have known" that its action would cause direct infringement), the court held that advice of counsel (or failure to procure this advice) was relevant to the inducement inquiry.[125]

V. PATENT ENFORCEMENT ISSUES: DEFENSES

A. Inequitable Conduct:

This year saw the return of inequitable conduct, along with a heightened standard to keep it at bay. In *Aventis Pharma S.A. v. Amphastar Pharmaceuticals, Inc.*,[126] a patent was held to be unenforceable due to inequitable conduct.[127] The behavior in question

116. *Id.* at 740.
117. Honeywell Int'l, Inc. v. Hamilton Sundstrand Corp., 523 F.3d 1304 (Fed. Cir. 2008).
118. *Id.* at 1311.
119. *Id.* at 1314.
120. *In re* Seagate Tech., LLC, 497 F.3d 1360 (Fed. Cir. 2007) (*en banc*).
121. *Id.* at 1371.
122. Broadcom Corp. v. Qualcomm Inc., 543 F.3d 683 (Fed. Cir. 2008).
123. *Id.* at 699.
124. *Id.*
125. *Id.*
126. Aventis Pharma S.A. v. Amphastar Pharmaceuticals, Inc., 525 F.3d 1334 (Fed. Cir. 2008).
127. *Id.* at 1337.

was the failure to include material information in a declaration submitted to the Patent Office, but the intent of the patentee to deceive the Patent Office was shown only circumstantially at best.[128] Judge Rader, in dissent, suggested the court take a closer look at the intent necessary to find inequitable conduct, noting that "inequitable conduct has taken on a new life as a litigation tactic" and that it should be limited to "only the most extreme cases of fraud and deception."[129] A petition for writ of certiorari at the Supreme Court has recently been filed by the patentee.[130]

The Federal Circuit followed up *Aventis* with *Star Scientific, Inc. v. R.J. Reynolds Tobacco, Co.*[131] In this case, the Federal Circuit stated that:

> Just as it is inequitable to permit a patentee who obtained his patent through deliberate misrepresentations or omissions of material information to enforce the patent against others, it is also inequitable to strike down an entire patent where the patentee only committed minor missteps or acted with minimal culpability or in good faith.[132]

The court thus required the infringer to prove the prongs of materiality and deceptive intent with clear and convincing evidence and noted that "inferences drawn from lesser evidence" will not satisfy the requirements.[133]

B. Patent Exhaustion:

Following 2007, a year that saw a great number of Supreme Court cases in patent law, the primary Supreme Court patent case is *Quanta Computer, Inc. v. LG Electronics, Inc.*[134] LG owned patents relating to method and system claims.[135] LG licensed these patents to Intel, granting Intel the right to make, use, and sell products covered by the patent; however, the license included a limitation that no license was granted to third-parties to combine licensed technology with non-Intel equipment.[136] Intel also agreed to tell its customers that they had no

128. *Id.* at 1342.
129. *Id.* at 1349 (Rader, J., dissenting).
130. Aventis Pharma S.A. v. Amphastar Pharm. Inc, 525 F.3d 1334 (Fed. Cir. 2008).
131. Star Scientific, Inc. v. R.J. Reynolds Tobacco Co., 537 F.3d 1357 (Fed. Cir. 2008).
132. *Id.* at 1366.
133. *Id.*
134. Quanta Computer, Inc. v. LG Electronics, Inc., 128 S.Ct. 2109 (2008).
135. *Id.* at 2113.
136. *Id.* at 2114.

license to combine the Intel products with any other non-Intel parts.[137] Quanta, a third-party, had purchased Intel's chips and combined them with other technology. LG sued Quanta for patent infringement.[138]

The District Court held that the license agreement between LG and Intel exhausted the patent right and there was no infringement.[139] The Federal Circuit reversed on two grounds: first, method claims could not be exhausted, and second, the license was conditional, and therefore, not exhausted.[140] The Supreme Court heard the case and ultimately determined that the patents were indeed exhausted and Quanta did not infringe.[141]

The Supreme Court's reasoning is as follows: the basic principle of patent exhaustion is that an authorized sale of a patented item ends any patent rights with respect to that item.[142] In fact, any item that "sufficiently embodies the patent – even if it does not completely practice the patent – such that its only and intended use is to be finished under the terms of the patent" will invoke patent exhaustion.[143] The Court next reasoned that patent exhaustion can apply to method claims, although sale of a patented product is not necessarily a sale of a method.[144]

Applying this reasoning to Quanta, the Court concluded that Intel's parts were capable of use only in practicing LG's patents, and the relevant consideration is whether the products embody the patent's essential features.[145] The Court then determined that the products sold by Intel were licensed, but that this license did not restrict use of the products by Intel – the first license was thus unconditional.[146] Intel was licensed to make the products, and Intel was licensed to sell the products to Quanta.[147] Any further restrictions on Quanta (or any other third party) were not relevant to the inquiry of exhaustion.[148]

So what is important about this case? Patent exhaustion can apply to method claims as well as apparatus claims. Additionally, patent

137. *Id.*
138. *Id.*
139. *Id.*
140. *Id.* at 2115.
141. *Id.* at 2122.
142. *Id.* at 2115.
143. *Id.* at 2117.
144. *Id.*
145. *Id.* at 2119.
146. *Id.* at 2122.
147. *Id.*
148. *Id.* at 2122.

exhaustion can be avoided by careful license drafting. The conditions and limitations must apply to the licensee, not to a third party, as was the case here.[149]

C. *Erroneous Revival:*

In *Aristocrat Technologies Australia v. IGT*, the Federal Circuit held that improper revival of a patent application was not a defense to patent infringement.[150] The Patent Office did not have the authority to revive a national stage application that was unintentionally filed late, but it did revive the application and issue a patent based thereon.[151] When the resulting patent was then asserted in litigation, the accused infringer argued the Patent Office's improper revival constituted a defense of invalidity.[152] The Federal Circuit, looking to §282, held there was no such defense.[153] This section of the Patent Act allows for the following defenses to allegations of patent infringement: non-infringement, invalidity based on conditions of patentability (defined by the court as utility, novelty, and non-obviousness), invalidity based on failure to comply with sections 112 or 251, or any other fact or act made a defense by the act.[154] Thus, there is no recourse for an accused infringer to invalidate a patent based on procedural lapses by the Patent Office.[155]

VI. PATENT ENFORCEMENT ISSUES: REMEDIES

A. *Injunctions:*

In 2008, we also got a better idea of how the Federal Circuit is going to apply the four-factor test for injunctive relief that the Supreme Court required in *eBay Inc. v. MercExchange, L.L.C.*[156] For example, consider *Voda v. Cordis Corp.*[157] In this case, a jury found Cordis liable for patent infringement and awarded damages, but the district court denied entry of a permanent injunction.[158] On appeal to the Federal

149. *See id.*

150. Aristocrat Techs. Austl. Pty Ltd. v. Int'l Game Tech., 543 F.3d 657 (Fed. Cir. 2008).

151. *Id.* at 660.

152. *Id.* at 662.

153. *Id.* at 663.

154. 35 U.S.C. §112 (2007); 35 U.S.C. §251 (2007).

155. *See, e.g.*, Magnivision, Inc. v. Bonneau Co., 115 F.3d 956, 960 (Fed. Cir. 1997) ("Procedural lapses during examination, should they occur, do not provide grounds of invalidity.").

156. eBay Inc. v. MercExchange, L.L.C., 547 U.S. 388, 391 (2006).

157. Voda v. Cordis Corp., 536 F.3d 1311 (Fed. Cir. 2008).

158. *Id.* at 1315.

Circuit, the court affirmed the denial of injunction because the patent owner had exclusively licensed the patent to a third party.[159] Since the patent owner himself was not irreparably injured (even if the exclusive licensee may be), the court held that damages were sufficient to make the patentee whole.[160]

Licensing by the patentee, however, is not fatal. In *Acumed LLC v. Stryker Corp.*, [161] the court upheld the entry of a permanent injunction, despite the fact that the patentee had previously licensed the patent to other manufacturers.[162] The District Court had found that these prior licenses did not defeat the requirement of irreparable harm because the previous licensees were not direct competitors.[163] The Federal Circuit noted that the "plaintiff's past willingness to license its patent is not sufficient *per se* to establish lack of irreparable harm if a new infringer were licensed."[164]

One of the main questions after *eBay*[165] was how non-practicing patent-holding entities (NPEs) would be treated. In *Broadcom v. Qualcomm*, the court provided some insight.[166] In this case, Broadcom was a quasi-NPE, in that it was not making or selling the invention claimed in the asserted patents; it was, however, a competitor of Qualcomm based on an alternative chipset.[167] This permitted the court to find irreparable harm.[168] Also interesting, is how the district court crafted the injunction to suit both the patentee and the public interest.[169] The injunction order contained a sunset provision that allowed Qualcomm to continue infringing for twenty months while paying a compulsory license, after which time it must cease infringing altogether.[170] This, the court reasoned, would allow Qualcomm to redesign and retool without interrupting service to its customers.[171] It is not clear, however, how the courts will treat NPE's that do not compete on some level, such as patent holding companies or "patent trolls."

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159. *Id.*
160. *Id.* at 1329.
161. Acumed LLC v. Stryker Corp., 551 F.3d 1323 (Fed. Cir. 2008).
162. *Id.* at 1332.
163. *Id.* at 1328.
164. *Id.*
165. 547 U.S. 388 (2006).
166. *See* Broadcom Corp. v. Qualcomm Inc., 543 F.3d 683 (Fed. Cir. 2008).
167. *See id.* at 702.
168. *See id.* at 703.
169. *See id.* at 701.
170. *See id.*
171. *See id.*

B. Damages:

Damages are likely to be a hot issue in 2009, both in the courts and in the legislature. Congress is contemplating damage apportionment as part of patent reform, and the courts are seeing the issue turn political as well.[172] In particular, keep an eye on *Lucent Technologies, Inc. v. Gateway, Inc.*, on appeal at the Federal Circuit, with the argument expected to be scheduled either late spring or early summer.[173] In that case, some $500 million in damages were awarded, even though only a portion of the accused device was infringing.[174] This case has turned into a prime exhibit in the Congressional debate about damages.[175] In any case, expect at least a lively debate about damages, if not wholesale change, in the coming year.

VII. PATENT REFORM LEGISLATION

Without a crystal ball, it is difficult to see what will happen with patent reform legislation in the new year. Certainly, a number of people are hopeful that the new administration will push forward, particularly given President Obama's Technology Agenda that calls for reforming the patent system to improve patent quality, and reduce uncertainty and waste.[176] However, during a time when there are certainly more pressing needs, patent reform may need to take a back seat for a while. Some hot (and controversial) issues in patent reform include legislation to exempt infringement of tax strategy patents by tax practitioners (similar to the medical treatment exception), damages apportionment, and expanded interlocutory appeals of claim construction rulings.[177] Other less controversial measures include harmonizing procedures, such as first-to-

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172. *See, e.g.*, Dennis Crouch, *Patent Reform 2009: Damages, Patent Reform Contemplation*, PATENTLYO, March 3, 2009, http://www.patentlyo.com/patent/2009/03/patent-reform-2009-damages.html.

173. Lucent Techs., Inc. v. Gateway, Inc., 543 F.3d 710 (Fed. Cir. 2008).

174. *Id.*

175. *See, e.g.*, Manzullo & Michaud: New Patent Bill Encourages IP theft, Destroys American Jobs, http://manzullo.house.gov/News/DocumentSingle.aspx?DocumentID=113152 (last visited April 3, 2009) (US Representative Don Manzullo, commenting that the patent reform bill would weaken IP protections by limiting damage awards in patent infringement cases); *See also*, Rick Merritt, *Damages key to patent reform debate*, EE TIMES, March 3, 2009, http://www.eetimes.com/news/latest/showArticle.jhtml?articleID=215800319 (commenting on the patent reform bill, the debate on damages, the possibility of giving judges more latitude to instruct juries on how to reach a damages settlement, and bringing the United States to a first-to-file system).

176. White House, The Technology Agenda, Improve America's Competitiveness, http://www.whitehouse.gov/agenda/technology (last visited April 3, 2009).

177. *See, e.g.*, Dennis Crouch, *Patent Reform Act 2009*, PATENTLYO, March 3, 2009, http://www.patentlyo.com/patent/2009/03/patent-reform-act-of-2009.html.

file and post-grant oppositions.[178] Patent reform legislation has been introduced to the current Congress, and hearings have been held on the controversial issue of damage apportionment.[179] It is possible that patent law is in for great changes in 2009.[180]

178. *Id.*

179. *See, e.g.*, Donald Zuhn, *Senate Judiciary Committee Holds Hearing on Patent Reform*, PATENTDOCS, March 10, 2009, http://www.patentdocs.org/2009/03/senate-judiciary-committee-holds-hearing-on-patent-reform.html (referring to testimony heard on the proposed patent reform).

180. *See, e.g.*, Kevin Noonan, *Senate "Patent Reform" Bill (S. 515) Voted out of Judiciary Committee*, PATENTDOCS, April 2, 2009, http://www.patentdocs.org/2009/04/senate-patent-reform-bill-s-515-voted-out-of-judiciary-committee.html (Bill S. 515 was voted out of the Senate Judiciary Committee on April 2, 2009, albeit around much controversy and dissention).