ASSOCIATION OF CORPORATE COUNSEL

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PRESENTED BY: **ACC's Intellectual Property Law Committee**

SPONSORED BY: **Kilpatrick Stockton, LLP**

FACULTY: **Steven Gardner,** Partner, Kilpatrick Stockton LLP
Jayna Whitt, Patent Counsel, Apple Inc.

MODERATOR: **Steven Rosenthal,** Senior Counsel, IP, Diageo North American, Inc.

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Operator: Just a reminder today's conference is being recorded.

Welcome to this ACC webcast. Steve, please go ahead.

Steve Rosenthal: Thank you, Kelly, welcome everyone to the ACC Intellectual Property Committees Webinar. I am Steve Rosenthal, the ACC IP Committee Sub-Committee Chair for Webinars and I am also in-house IP counsel Diageo North America.

Thank you for joining us today. First I would like to thank our sponsor Kilpatrick Stockton and Judy Powell of Kilpatrick Stockton for supporting the IP Committee and helping to make these webcasts possible. Also I'd like to announce another upcoming ACC IP Committee webcast on copyright issues for in-house counsel.

This copyright webcast is scheduled for Tuesday May 6, 2008 at 12:00, noon Eastern time and will feature three distinguished panelists, Joe Beck a Senior Partner at Kilpatrick Stockton, Fred Haber the General Counsel of the Copyright Clearance Center, and Sam Mosenkis, Vice President of Legal Affairs at ASCAP, The American Society of Composers and Publishers.

In our patent presentation today our speakers will discuss updates in U.S. patent case law focusing on important Federal Court decisions from the past six months. First we have Steve Gardner. Steve is a partner at Kilpatrick Stockton, LLP where he co-chairs the Patent Litigation Group and has an active patent litigation counseling and prosecution management practice.

He received a B.S. and M.S. in electrical engineering from the University of North Carolina in Charlotte and J.D. cum laude from Wake Forest University School of Law. He served as a law clerk for the honorable Frank W. Bullock, Jr. U.S. District Court for the Middle District of North Carolina and to the honorable Alvin A. Schall, U.S. Court of Appeals for the Federal Circuit.

And we have Jayna Whitt who is in-house patent counsel at Apple, Inc. where she focuses on patent litigation, pre-litigation patent disputes, and licensing. Jayna has a B.S. in mechanical engineering from the University of Maryland and received her J.D. from George Washington Law School.

Jayna will provide the in-house counsel's perspective and will discuss practical implications of the cases that Steve Gardner will be highlighting. I note that the comments from our speaker's note

their personal views and not necessarily the views of their respective firms. We will try to save time at the end for questions so please do submit any questions that you have for our speakers. With that introduction I will not turn things over to Steve Gardner. Steve?

Steve Gardner: Thank you, Steve. The Supreme Court's first opinion regarding patent law in 2007 was it's metamune decision and as you know a company or person may file suit against a patent owner in federal court and ask that court for a declare to a judgment issue is not infringed or is invalid or unenforceable.

The issue in metamune was whether the plaintiff, the non-patent holder, had standing to file and maintain a declaratory judgment action against the patent holder. Prior to the Supreme Court's decision in metamune the Federal Circuit held the plaintiff does not have standing to maintain a declaratory judgment suit or a DJ suit of this nature unless the plaintiff could show that it was in reasonable apprehension of imminent suit.

And that was the test what was the plaintiff in reasonable apprehension of imminent suit by the patent holder for infringement? And so generally the plaintiff would have to show that it reasonably thought that patent holder was about to sue it in order to have standing to bring a DJ action.

Under this old standard many patent holders thought that avoiding an explicit threat against others or indicating no intent to actually sue any time soon would mean that the non-patent holder wouldn't have standing to bring a DJ action.

The Supreme Court, this is in early 2007, did away with the reasonable apprehension of imminent suit tests and replaced it with a new test and this new test is what you see there on the slide is whether the facts alleged show that there is a substantial controversy between the parties, that they have adverse legal interests, and that it's of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.

And in the last six months or so the Federal Circuit has applied this new standard several times and we'll take a look at two of the cases in which the Federal Circuit did that. The first one is the Sony Electronics case.

There the patent holder told another company that the patent holder thought the company was infringing but also that the company – but also the patent holder told the company that patent holder wanted to negotiate "a business resolution" in this matter as opposed to litigation.

The non-patent owner filed a declaratory judgment action against the patent holder and the patent holder asserted that well, you know, because I – because we indicated that we have an interest in a business resolution there could be no reasonable apprehension of imminent suit by the declaratory judgment plaintiff and the declaratory judgment standing was otherwise improper.

The Federal Circuit under the new metamune standard held that the patent holder's statements that it wanted to negotiate with the plaintiff did not deprive the plaintiff of standing and that the declaratory judgment action could proceed.

And essentially the Federal Circuit indicated that generally that a – when a patentee, the patent owner, asserts that it's owed royalties based on specific past and ongoing activities by another company and that company says no we can – we have the right to engage in those activities without a license that generally in that situation the non-patent holding company can file and maintain a declaratory judgment due under this new standard.

The second case is the Micron case and there – in that situation the Micron considers the impact of generally directed public statements on a declaratory judgment standing as opposed to specifically directed statements to a specific company. There in Micron the plaintiff that filed a

declaratory judgment action had received several letters from a patent holder and those letters strongly suggested that the company – the plaintiff should license their patents.

And then the patent holder sued the company's competitors for sales of the same type of product sold by the company and also issued a public statement and that public statement indicated that the patent holder though that all companies which manufacture this type of product use the patent holders technology and it also indicated an intent to undertake an aggressive pursuit of enforcing their portfolio, their patent portfolio.

And that instance the Federal Circuit held under the new standard that that declaratory judgment standing was present.

Jayna Whitt: So, from this case file that Steve discussed it's clear that now less threatening activity is required or maybe even activity that's not threatening at all and really is just negotiation is sufficient to bring a declaratory judgment action and this is a significant change from the previous test, the reasonable apprehension of imminent suit test.

And it's pretty clear that just engaging in licensing negations will give a risk of DJ action. So, I think the question most of us have now is whether a patentee can engage in any type of meaningful communication that won't give rise to that threat.

For example, will the sending of a mere notice letter make you susceptible to an action? And if so what kind of detail needs to be put in the letter? I think we'll see opinions coming out in the near future that grapple with these issues and really show what the bottom threshold is.

In the meantime I think we're dealing with some uncertainty in this regard and it leads to a practical dilemma for patent holders that want to give notice of potential infringement in order to start the damages clock running.

So, if you're a patent holder wanting to send notice of potential infringement you essentially have three options, the first option is to go ahead and send the letter and take your chances and either hope that the recipient is not going to file a DJ or that if suit is filed you'll be able to show that the letter doesn't meet the test.

The second option is to go ahead and initiate contact without giving notice of the patents and try to protect against a DJ with either a request for an agreement that the other party not file a DJ while you discuss the patents in good faith or by requesting some sort of NDA.

The last option is to go ahead and file an action first and then try to talk to the other party. There do appear to be a fair number of patentees choosing the last option, which is to file first and talk later. I think this is a result of patent holders afraid of losing their preferred forum.

As you probably know the Eastern District of Texas had the highest number of patent cases filed last year and whether it's right or wrong there is a strong perception that the patentees have a distinct advantage there.

In the event that there is any change to the venue standards that constrain a patentee's choice I don't think you'll see so much fear of potential declaratory judgment action because I don't think you'll see the patentee being as afraid of losing their forum.

But until that – unless and until that happens I think you'll continue to see cases filed where the patentee may have preferred to talk first but goes ahead and files their case first instead.

Steve Rosenthal: The second opinion by a Supreme Court on patent law in 2007 was its KSR decision and we could do an hour-long session actually more than an hour-long session on just KSR.

Here though we will introduce you to the issue and address there and mention three Federal Circuit opinions applying KSR over the past six months. And discuss some associated practical tips.

First some introduction a patent claim is invalid as obvious under section 103 of the Patent Act if the patent claims subject matter that would have been obvious to one of ordinary skill in the art at the time that the named inventor allegedly invented the subject matter.

And frequently a defendant seeking to prove that a patent claim is invalid is obvious or the patent office examiner and asserting an obviousness rejection will offer as proof two or more prior art references that the defendant of the patent office have searched together peach that which is claimed in the patent claimant issue.

Prior to the grant of search in KSR the Federal Circuit held that in order to prove obviousness in such a situation a defendant or the patent office would have to show that there is a teaching suggestion or motivation in the prior art that would have caused a person of ordinary skill in the art to combine those teachings – to combine the teachings of those two prior art references.

And the Federal Circuit also generally held that this teaching suggestion or motivation must come from the prior art and must be relatively specific. And this teaching suggestion motivation test became known as the TSM test. It had the rules, the Federal Circuit, had these rules in order to engage against – to guard against judges, juries, and the patent office engaging in finding things obvious with the benefit of 20/20 hindsight.

Of course, everyone knows once one knows about something it's usually then obvious. It's hard to remember, you know, even after a short while how interesting or difficult or different, et cetera that something invented is.

So, in KSR the Supreme Court held that this TSM test, the teaching, suggestion, and motivation test need not be shown in every case. But instead set forth a new standard requiring a reason to combine – that one must show reason to combine the two prior art references in order to prove obviousness.

If one is seeking to prove it in that manner. But the Supreme Court also made several other statements about how to undertake the obviousness. Now, in general practitioners and others thought well, you know, if you look at it in a vacuum there really doesn't seem to be that much difference between a standard of teaching, suggestion, or motivation to combine which was the old standard and the reason to combine which is the new, just looking at that.

And the Cortis case, the first case that courts that mode of thought somewhat in Cortis the Federal Circuit approved of jury instructions that required a teaching, suggestion, motivation among other things and held that that instruction did not conflict with KSR.

You know, for the most part though KSR has given rise to many statements by the Federal Circuit about what is not patentable and the cause is obvious. Employing some of the other statements made under KSR decision.

Kaminsky is an example of this. In Kaminsky the court, the Federal Circuit gave us this general statement that the routine addition of modern electronics to a prior art device or process creates a ((inaudible)) case of obviousness.

So, here you have the statement about relatively, you know, specific rules as to what gives rise to obviousness, what gives rise to a prime affecta case there. And other Federal Circuit cases from 2007 and 2008 are more in that game expressing what is not patentable.

Pharmastem is another example, in this case a somewhat worrisome example there in Pharmastem the question the court addressed is well if an inventor uses known research methods to prove a theory that was generally believed to be true but has not yet been proven is the resulting invention patentable?

And there the court said no it's not. So, you have this theory that people know about and – but no one has actually proven the theory to be true, false, or what have you. There the Federal Circuit held that the inventor just use regular routine research methods to prove what was already believed to be the case and that scientific confirmation of what was already believed to be true while valuable does not give rise to a patentable invention, at least in this case.

Judge Newman dissented and said, you know, look here we have a situation where these patents went through a three week jury trial, the jury found that the patents were not invalid, the District Court on post-verdict motions found the patents not to have been proven invalid, the patents were upheld after three re-examinations by the patent office and yet today under this new – under this standard and this theory set forth by the court the claims here held to be invalid for obviousness.

Jayna Whitt: So, while KSR did not dramatically change the obviousness standards it does empower decision makers with more flexibility, which I think if used, may make a significant difference in the outcomes.

The flexibility cuts against predictability and clarity a bit so I think you're going to see courts struggling with the application of obviousness in the post-KSR world and I think you may see some disfair treatment of KSR in different jurisdictions and perhaps even by different judges in the same jurisdiction.

There is a bit of uncertainty, but as Steve mentioned KSR does still try to guard against hindsight by requiring a decision maker to articulate a reason to combine prior art references. I think the real difference now is that this reason to combine doesn't need to come from the prior art references themselves instead it can come from common sense and from knowledge of one of ordinary skill in the art.

And that's where the real change may be significant. I also think that if the spirit of KSR is followed that we will see more obviousness based summary judgment outcomes in court. There may be – there may not a direct translation to outcome because while obviousness is a question of law it is based on factual determinations that can preclude summary judgments.

So, for example, there may be factual disputes over the differences between the invention and the prior art. Or secondary considerations of non-obviousness to counter an obviousness showing such as evidence of commercial success or evidence of copying, evidence of long felt need, et cetera.

I think we'll have to wait and see for more opinions to see whether there is a long-term change in cases from KSR out of the courts. As for Cortis, which was the first case that Steve discussed to the extent that the jury instruction required there that the prior art references themselves teach or suggest or motivate the combination, I do think it's inconsistent with KSR.

I think that in that case the Federal Circuit found that the entirety of the jury instruction wasn't conflicting enough to warrant overturning the jury verdict. But I do think there is more flexibility that is required in KSR.

And the patent office recently issued some KSR guidelines and you may want to take a look at those, as well. I think it will take a little time for examiners to digest the guidelines and make adjustments to their practice.

But when prosecuting patent applications I would suggest that secondary considerations of non-obviousness may be more important to counter obviousness rejections that are based on common sense or general knowledge of one of ordinary skill in the art.

And even though is going to probably require more up-front leg work and potentially more expense for patent prosecutors to gather and submit this type of evidence if it's during prosecution it could lead to stronger patents in the long run and it also may help you to preserve evidence that could be hard to find years later when you want to go in and enforce your patent.

I also think that interviews will be helpful and much more important to persuade examiners that your evidence is supportive of patentability. So, I think what we'll see – my final note is that the unpredictability and flexibility goes into the new obviousness standard may lead to more appeals whether you're in court or the PTO.

Steve Rosenthal: The next two cases address what is public under section 102B of the Patent Act and essentially by way of introduction among other things section 102B of the Patent Act provides if one publishes a printed publication that describe an invention or make public use of that invention more than a year before a patent application of that invention is filed then a patent on that invention is barred as untimely.

And the next two cases take a look at well what is really public here. In SRI the – an article allegedly embodying the subject of a later patent application was posted on an FTP server that was connected to the Internet and that would allow a few – allow people to access that article to conduct a peer review.

And the way it was setup the server would allow anyone to download that article freely via the Internet if one knew the correct file and pass name for that article. And, you know, the person managing the peer view would let the people who needed to know how to access. And there was no index of, you know, this article or other way to find the article. You had to know the address.

The court, the Federal Circuit, held here at least on the record and under the Summary Judgment Standard that just by putting that article on an FTP server that could have been accessed by anyone who knew that address more than a year before the patent application was filed was not a public – was not a publication under the standards of section 102B.

American Seating was in a similar mode. There was a disclosure to a small group by the inventor, a small group of people of a prototype of the invention, more than a year before the patent application was filed. And this small group didn't enter – there was no written confidentiality agreement.

And the court in American Seating that here the jury based on the evidence presented at trial could find that disclosure to the small number of people with a "general understanding" of confidentiality could have viewed that as sufficient and could to not be – not to be a public use under section 102B.

Jayna Whitt: So, these cases remind us that anticipation under section 102B of the Patent Act only apply to specific items or activities, mainly a printed publication, public use, or sales activity more than one year before the filing date of the patent.

Previous case file h has taught us that if something is accessible to the public, for example, indexed at least one library it generally will qualify as a printed publication and oral presentations likewise at conferences will be considered sort of a public use.

There is this gray area, however, between disclosures, whether its disclosure or use that's not easily accessible to the general public but also is not subject to a confidentiality agreement. And

in those instances just a reminder that it's not clear whether the disclosure is going to bar patentability.

So, the best practice here is to avoid this gray area. And err on the side of caution. And consistently require written confidentiality agreements whenever your clients going to disclose an invention to any third party. This is very important if you are going to file for foreign patent rights because those foreign rights can be lost for a broader range of activities than under the U.S. law.

Another thing to remember is that if you're faced with a question of whether some activity constituted a public use or printed publication when you're prosecuting a patent you not only have to consider whether the activity is a bar to patentability but you also want to consider whether your failure to disclose those facts to the patent office may constitute inequitable conduct.

And you want to be careful there so if you're aware of anything that's questionable or in that gray area it's really best to disclose those facts to the examiner. Present your arguments and positions and then let the examiner determine for him or herself whether there is anticipation or not.

Steve Rosenthal: The first paragraph of section 112 of the Patent Act requires that the specification of the patent enable the person with ordinary skill in the art to make and use the invention. And the next three cases that we'll discuss represent a shift, a narrowing, so to speak, by the court relative to this requirement.

The first case is the automotive technologies case and there the scope of the claim limitation issue is a means plus function or if there was a means responsive to the motion of said map limitation, which essentially was according to court a claiming a sensor.

And the – so the scope the court held of this claim limitation included both mechanical sensors and electrical sensors. So on the claim construction it included a broad, you know, a broad enough construction that it included both mechanical and electrical type sensors. The specification described and enabled a mechanical sensor. It mentioned an electronic sensor but didn't describe in detail.

The court – the Automotive Technologies Court found that because the claim – that claim limitation was brought out to cover both mechanical and electrical sensors and only mechanical sensors were enabled in the specification itself the claim is invalid – it was invalid for lack of enablement under section 112 paragraph one.

So, we're all, you know, we're all used to the idea generally that the claim can be broader than that which is disclosed on the specification but Automotive Technologies went against that. The Monsanto case ruled similarly.

There the claim limitation at issue related to a plant gene that comprised of promoter sequence that was adapted to cause sufficient expression of the polypeptide to enhance the glycophic resistance and here is the interesting part of the plant cell transformed with the gene.

So, you have a plant cell that's transformed. In the specification there was a description and enablement how – there's two types of plant cells, there is dicot and monocot. The specification described the plant cell transformation of a dicot type plant cell. But the transformation for the other type, for the monocot type was not described or enabled. In fact, there the evidence showed that the transform for the second type was not known at the time of application, at least.

There the court said, well, you know, because your claim limitation it was just plant cell so it covered both monocot and dicot and you enabled one of the two species of that limitation but you didn't enable the other and they're sufficiently distinct we're going to hold that your claim is invalid under Paragraph one section 112 for lack of enablement.

Now the third case that holds similarly the citric case from earlier this year. There the claim limitation was broad enough – it covered a method of integrating this user created image – the user would create an image and then it would embed into a video game or a movie. So, the claim limitation was broad enough to include doing this integration in a video game or a movie.

The specification taught how to do – how to carry this out in a video game but didn't teach how to do it relative to movie but the claim was broad enough to cover both. There the court held that the claim was invalid for lack of enablement because the claim was broader than the claim limitation was broader than what was present and enabled in the specification.

Jayna Whitt: These recent cases signal an increase in the Federal Circuits willingness to enforce the enablement requirement, which requires the patent specification to teach one of ordinary skill in the art how to make and use the full scope of the claimed invention without undue experimentation.

The scrutiny with respect to enablement it's really in line with the Federal Circuit's decisions in recent years in enforcing other section 112 requirements that a patent specification set forth inadequate written description showing that the inventor had possession of the invention as of the filing date.

I think many people thought that the enforcement of these section 112 requirements and particularly with respect to enablement of the full scope of the claims that from a practical stand point it was limited in application to bio-technology or other types of unpredictable arts and that there wasn't a meaningful requirement for patents in the mechanical or electrical fields.

And these recent cases that Steve discussed really show that the requirements can equally apply in all of the arts. And later these trends regardless of what field you're in patent prosecutors need to be sure to include enough alternative embodiments in the specification to support the full breadth of the claims and ensure that undue experimentation is not necessary to practice the full scope of the claim.

They also should include a variety of claims of different scope so that if you go to later enforce your patents the claims won't all rise and fall together with respect to the 112 requirements.

Steve Rosenthal: The next case is – the next two cases address three types of information or activity that can give rise to inequitable conduct besides what we traditionally think of as giving rise to unenforceability for inequitable conduct.

In the Nielson case the question became – there was a declaration or affidavit submitted during prosecution to support patentability and the declaration or affidavit was from a third party, in other word's it wasn't an inventor declaration or affidavit.

The declaration did not indicate the relationship between the party providing the declaration and the applicant and there in that instance and the question was that hiding material information? Was that a failure to disclose material information to the patent office?

The Federal Circuit explained that, you know, even though the examiner didn't raise a question about the relationship between the declarant and the applicant it is material to an examiners evaluation of the credibility and the content of the affidavit in order to and so they must know this significant relationship and failure to disclose that relationship here violated the applicants duty of disclosure.

The same case looked at the instance of maintenance fees, you know, we're familiar with the idea that activities during prosecution of a patent application can result in the unenforceability of a resulting patent if the activity was of ((inaudible)) duty and was intentional failure, for example.

This is a post-issuant – this is post-issuant activity. So, it's a bit different. Here originally the applicant was a small entity during prosecution and thus could pay the – take advantage of the half off for patent office fees with the patent office.

But then became a large entity based on licensing after issuance of the patent. And so when it came time to pay maintenance fee the applicant according to court should have paid the large entity maintenance fee.

The court held here that there was a misrepresentation of a small entity status and while not strictly speaking inequitable conduct in the prosecution of patent that the District Court was entitled to hold that patent unenforceable for inequitable conduct when there was a representation of one status a large versus small entity for purposes of maintenance fees.

The second case, Monsanto, is also looked with a non-traditional type of information that the court held should have been disclosed during prosecution. Here an employee, not an inventor, an employee of the applicant company took notes about prior art. And what the prior art itself was disclosed to the patent office but it wasn't very detailed, it didn't have a lot of detail in it and there was questions about well how would it be interpreted.

But in Monsanto the court held that those notes taken by the employee would refute or inconsistent with the position that the applicant took during prosecution, and held that here materiality is not limited to just prior art but embraces any information that a reasonable examiner would be substantially likely to consider important.

And held that here this – what one might call or refer to as an internal document an internal document of this type was in this case of potential relevance should have been submitted to the patent office here.

The court took pains to say look, you know, we're not saying that all internal documents of potential relevance must be submitted to the patent office as a matter of course but the courts in this instance did identify this internal document as material information which should have been disclosed.

Jayna Whitt: The take away from these cases and other inequitable conduct related cases in recent years is that there really aren't categorical limitations on what type of information maybe material to patentability and there aren't any safe harbors.

So, really nothing should be overlooked when it comes the equitable doctrine and you should be aware that patents may be held unenforceable based on conduct that you didn't previously know was susceptible to an inequitable conduct argument, therefore, from a general standpoint everyone involved in patent prosecution should just try to do their best to think proactively to pay close attention to detail, to really take all the time necessary to ensure that every piece of information is accurately represented to the patent office.

And hopefully all material information is disclosed. From the specific cases discussed there are a couple of practice tips that are pretty clear. First if you're presenting a declaration to the patent office that supports patentability make sure that your declarant discloses his or her relationship with the applicant to the patent office.

As an aside it used to be relatively uncommon that you would submit these types of affidavits but as we mentioned earlier it likely will become much more common to submit these types of declarations in the post KSR arena when you're trying to convince the examiner that secondary considerations show that the invention is non-obvious.

Also generally be very, very cautious when submitting declarations from an inventor or anyone else and make sure that those particularly are entirely accurate because they're very susceptible to scrutiny from an inequitable conduct standpoint.

The second specific practice tip was that you should take great care to make sure that your small entity, large entity status is accurately represented at all times both during prosecution and afterward during the life of the patent.

And last tip is that any non-privileged notes about prior art really should be disclosed to the patent office.

Steve Rosenthal: The next case that we'll address is the ((inaudible)) case. And there are a couple of aspects of CJ. First a couple of years ago ENRAY EchoStar the Federal Circuit held that the scope of the wave – the privilege waiver when one uses an opinion of counsel during litigation to defend against an accusation of willfulness the resulting scope of the waiver of attorney client privilege is relatively broad.

And after that case many district courts held that the scope of the waiver would reach not only communication from the opinion counsel but also reach communication to and from the company's litigation counsel with using an opinion to defend against an accusation of willfulness.

The Federal Circuit in CJ heard the case ((inaudible)) and decided that the waiver of privilege and work product protection that the scope of the waiver does not reach litigation counsel generally when an opinion of counsel is used in litigation. The court said it doesn't reach litigation counsel unless there is some form of chicanery involved.

The CJ court also took a look at the standard of duty of due care. Up until CJ the Federal Circuit held that if one had knowledge of a patent then that would give rise to a duty of due care relative to that patent and in most instances that duty – to satisfy that duty one would need to consult with a patent attorney to determine whether one is infringing the patent although the patent has ((inaudible)) separate.

In CJ the courts did away with the duty of due care. So, the affirmative duty of due care is no longer the standard at the Federal Circuit. The Federal Circuit replaced that standard in determining whether an infringer was a willful infringer with an objective of reckless standard. The court held that now to prove a company a willful infringer one must show that that company acted with an objectively reckless manner.

The court defined objective reckless in part the court referenced tort law, and traditional tort law in doing so. The court held that now to prove that a company is a willful patent infringer the patent holder must show by clear and convincing evidence that that infringer acted despite an objectively high likelihood that the infringer's action constitute infringement of a valid patent.

And that this objectively defined risk was known or so obvious to the infringer that they should have known about this risk. So it's a rather high standard compared to in particular with the standard replaced, the duty of due care simply by having knowledge.

Jayna Whitt: The change in the standard for willful infringement is very important for in house counsel because we're the ones who initially decide how to proceed in a given case. Damages as we all know can be very high in patent cases and managing the risk of treble damages can be very frightening.

It's going to take us some time to develop best practices around the new case, but because there's still a number of open questions in the wake of the C Eight decision but generally this is an opinion that is helpful to us.

First of all though, C Eight eliminated the stringent requirement that one obtain an opinion of outside counsel. I just note that we still have to make reasonable assessments of patents and we still have to take reasonable action. And we may decide that in some instances an opinion of outside counsel is the best thing and is really what we need anyway.

And the good thing is we now have flexibility to determine what's reasonable and willful infringement is one of the two objectively reckless behaviors. So in addition to or instead of an opinion of counsel you may consider a number of other options such as preparing a memo yourself.

Preparing and sending a letter explaining your positions to the patentee. Potentially filing a re-examination request or identifying prior references for the file that may lead one to conclude that no valid claim is infringed.

These types of activities can provide a defense to willfulness now and reliance on some of those alternatives to opinions may allow you to avoid the very difficult decision to waive privilege in order to protect against a willfulness charge, which if any of you have ever faced is not an easy choice.

In the event that you do decide ultimately to get an opinion of counsel just in case there are various practice tips to follow in light of the opinion. And first and foremost is to keep your opinion counsel separate from trial counsel so that the work product of trial counsel is not going to become part of a potential waiver.

And second, you know, avoid chicanery. I'm not exactly sure what that is or what may constitute that, but I think you can avoid it if you generally act in a reasonable manner. So I think just use your conscience.

Additionally be cautious with your own in house role because C Eight did not delineate the scope of a privilege waiver as applied to in house counsel. So if the same in house counsel has contact with opinion counsel and with trial counsel I think that he or she should be very careful to keep those interactions separate.

And to try to avoid mixing the two that could lead to a bleed over between trial counsel and opinion counsel and result in a broader waiver than you would expect.

There's one last facet of C Eight that I think is worthy of note. The opinion discusses the impropriety of a asserting a willfulness charge if there is no pre-suit rule 11 basis for the allegation which should require notice or knowledge of the patent and the patentee fails to move for a preliminary injunction.

So this part of the opinion is interesting. I'm not sure that the practice, the standard practice of alleging willful infringement in almost every complaint has changed. So if you're a defendant faced with willfulness allegations and you didn't know about the patent and you didn't receive pre-suit notice of the patent and the patentee did not go ahead and move for a preliminary injunction, you probably want to give some serious thought as to whether you want to try to move to strike the allegations or move for some other early adjudication that there can be no willful infringement in your case.

Steve Gardner: The next set of cases addresses remedies. The Federal Circuit issued several opinions in 2007 and so far in 2008 regarding remedies and we're going to address a few of them relative to preliminary injunction, permanent injunction and post-verdict damages.

And one of the four factors the court has to consider relative to whether to grant a preliminary injunction is relative to a patent case is the likelihood of success of the patent holder. And in

Erico the question was, well, what does a party opposing a motion for preliminary injunction have to show relative to this likelihood of success in order to avoid a preliminary injunction?

And in Erico the court held that if the non-movement shows a substantial question of invalidity that that should be sufficient to avoid a showing of likelihood of success. And often likelihood of success is the most important factor many times, not all times, but many times in a preliminary injunction consideration.

And so the question became well, what's the burden? What is the opposing party's burden to show this substantial question? Do you have to prove – does the defendant have to prove by a preponderance of the evidence or what have you?

In Erico the court held that well, a defendant must put forth a substantial question of invalidity to show that the claims at issue are vulnerable and the defendant need not prove actual invalidity. Judge (Newman) dissented here and said that, you know, this formulation of substantial question doesn't even require the defendant to prove a substantial question or to prove a lack of likelihood of success by even a preponderance of the evidence.

So the standard, at least under Erico, seems to be in certain question and certainly lower than many viewed it as before.

And also relative to permanent injunctions an interesting case, the eBay decision from the Supreme Court year before last held that a permanent injunction is not an automatic, that there are factors to consider, among them the irreparability of the injury for a District Court to consider on whether to grant a permanent injunction or not.

And so the question came as to well, what do you do in a situation where the plaintiff succeeds the trial with a verdict, succeed in obtaining a verdict, but the defendant keeps doing what the defendant was doing, keeps infringing? What happens in that situation? These next cases look at that sort of situation.

Here the plaintiff sought a permanent injunction in a genetic case and the Federal Circuit held that well, because the plaintiff's theory of damages was one that had a market entry fee plus a per sale or per distribution royalty.

In other words, a situation where you've got a payment of and a licensing generation of $100,000 up front plus $1 per widget, that sort of situation, that the plaintiff's damages theory included this market entry fee, this initial up-front payment and because in general their practice was that that up-front payment is good for the life of the patent.

That in that sort of situation the patent owner can't complain that it'll be irreparably harmed by future sales because it's been compensated at least in part relative to some part of that future sale by this market entry fee. And because of that the District Court vacated the District Court's grant of a permanent injunction in this case.

That eBay situation that I described, so what do you do relative to the plaintiff who succeeds at trial, gets a verdict, seeks a permanent injunction but the District Court decides that a permanent injunction is not appropriate. What happens?

Is a compulsory license appropriate? Under copyright law compulsory license is a fairly familiar mode; in patent law it is not. The Pace case from the federal circuit to my knowledge is the first one to explicitly approve of a, what is essentially a compulsory license after a verdict when the plaintiff who succeeds does not want the defendant to be able to continue making and selling, et cetera, the infringing product.

The Pace Court says it's OK for the District Court to let the defendant continue and for the District Court to hold a hearing and determine what would be appropriate for the defendant to pay for continued infringement and to essentially provide a compulsory license in the situation where the plaintiff does not want to do so.

The Amato Court looked at this and found that what the post-verdict royalty rate is going to be does not have to be the same as what the jury awarded at trial.

Jayna Whitt: These cases are very important because they affect the real value of patents, which at the end of the day is the most important part. So for just as an initial note a reminder of the four factors for preliminary injunctive relive in patents cases is the plaintiff must show first a reasonable likelihood of success on the merits.

Second, irreparable harm if an injunction is not issued. Third, the balance of hardships weigh in favor of the plaintiff and lastly that the public interest is not negatively impacted by a preliminary injunction. And permanent injunctive relive requires all of the same factors except that the first factor of course you've already won on the merits to obtain a permanent injunction.

eBay was decided in the context of permanent injunctive relief and it made it much more difficult for non-practicing entities to obtain injunctive relief because they have a very difficult time establishing irreparable harm which is the second factor.

The Erico case that Steve discussed clarified that now it's significantly harder for any type of entity to get preliminary injunctive relief versus permanent injunctive relief because a defendant can counter showing on the first factor by establishing any substantial question of invalidity which is now clearly a lesser showing than even the preponderance of the evidence standard arguably.

I think we all knew that it was less than the clear and convincing standard, but now it's pretty clear it's less than the preponderance of the evidence standard, which is significant.

With respect to, in the genetic case, the practice pointer is that patentees who want to obtain a permanent injunction shouldn't seek a damages award that takes into account future activity. And accused infringers should consider presenting a damages calculation that does take into account future activities such as a lump sum or a partial lump sump up-front payment.

With respect to post-verdict damages and compulsory licenses I think we're going to see a lot more cases in the future fleshing this out in the post eBay world, but for now I think the practical tip is just to be cognizant that any positions you take in a lawsuit are going to potentially affect or translate into a future damages award or affect the compulsory license.

And just as a final note this case law intercepts with the willfulness standard and the declaratory judgment standard in the sense that a plaintiff is unlikely to move for preliminary injunction with the Erico clarification of the likelihood of success on the merits factor and is less likely to give pre-suit notice because of a lower declaratory judgment threshold and ultimately that means that it's more likely that a plaintiff doesn't have an appropriate rule 11 basis for a willfulness allegation.

Steve Gardner: The next few cases deal with inventors and different scenarios. We're used to the idea that if an inventor, a person who's actually an inventor, is intentionally left off a patent application, that they're left off in bad faith, that that can render the patent unenforceable.

The Shum decision from the Federal Circuit also tells us, at least under California law that the inventor who was left off, the agreed inventor, may be able to state a claim, a state law claim for unjust enrichment and pursue damages against the company and others for being left off that patent application.

The DBD Technologies case just affirms something that we all hoped was true, but that looked at the instance where an employee – can an employee who enters a written obligation where they agree not only to assign in the future things that they come up with, but by that written agreement go ahead and hereby does grant and assign the patent rights and other rights.

The DBD Court held that that type of automatic assignment of future rights can be agreed to and can be enforceable.

Jayna Whitt: So this is just a reminder though. We should revisit our standard employment agreements and take a look at the language in the DBD Technologies case that effectuates a grant of rights and future inventions and an automatic assignment of patents covering those inventions by operation of law.

And try to include that language in your standard employment agreements. With respect to the unjust enrichment claim for alleged intentional omission of an inventor, of course there the practical tip is just to try to accurately identify inventors.

Just a little refresher on inventorship, remember that a person who contributes to the conception of the invention should be named as an inventor. The person should not be named as inventors solely because they're managers or because they assisted with the implementation or reduction to practice of the invention.

Steve Gardner: There's a tremendous amount going on in our profession and obviously we couldn't cover all the interesting things that have occurred over the past six months. Some of the other things that you may want to pay attention to that happened recently or that a major event is slated to occur soon or may include that the patent offices rules limiting claims in RCEs and continuing relations have been enjoined by the eastern district group Virginia.

And it sounds like the patent office is deciding whether to appeal or where to go from here. And that includes what to do with their proposed information disclosure statement rules, what to do with those. The Supreme Court has before it now and could issue a ruling anytime now regarding patent exhaustion, particularly in the licensing context.

The Federal Circuit has before it in bank cases, Henry Bilke and Egyptian Goddess, which will address significant issues under section 101. We also do business methods and software patents, et cetera and design patents for Egyptian Goddess.

A major reform bill is pending before Congress and continue to be under consideration so there's a tremendous amount going on in our profession.

Jayna Whitt: Just one last closing note that everything you're seeing, that we're seeing right now from the Supreme Court, the Federal Circuit, the Patent Office and Congress I think can be viewed in light of a general sentiment that some areas of patent law are weighted a bit heavily in favor of patentees.

And there's this shifting of the balance back toward the middle. I also think it's fair to say that there's commentators and interest groups that are rightfully concerned about this shift because the pendulum could swing too far in the other direction.

So there's this lively debate going on in all of these different forums and it does appear now that Congress may be unable to reach consensus to pass the comprehensive patent reform act. So I think you'll see the Supreme Court and the Federal Circuit on bunk continuing to take up some of the issues that are really at the forefront in trying to find the right balance for patentees and accused infringers.

So as Steve said, this is an exciting time and there's a lot of debate going on so keep an eye out for future developments.

Steve Rosenthal: Thank you Jayna and Steve. We are at the top of the hour but we can run about two minutes over and try to squeeze in one question before concluding.

Now the question that came in is since one of the requirements to recover for induced patent infringement is that the accused infringer was aware of the patent, is it safe to say that now there is essentially no way to satisfy that notice requirement without leaving one's self exposed for a declaratory judgment action?

Jayna Whitt: I think that it is pretty safe to say that without – I think it's safe to say that that's right. That because you have to show that the person was aware of the patent sending notice is likely going to expose you to a DJ action.

I even think that it's not just limited to the induced infringement situation, though, and that most of the time negotiations over a patent will result in a potential for a DJ action. And some of the alternatives that were mentioned are ways you could try to get around that.

But if you need to use that evidence to prove knowledge then I think you're facing the risk. And even if that notice letter may not be enough, you're still facing the risk that someone could file.

Steve Gardner: What Jayna said I agree with there. If there is a path, if there may be one or if there is one it's going to be rather narrow and totally have a definite clear case on it. There's going to be significant risk when sending any kind of notice or communication relative to a DJ.

In some, you know, there is a bit of a difference between the inducement knowledge standard and the DJ standard. You know DJ, knowledge itself there has to be some form of disagreement under that standard.

So in theory there could be a way to get someone knowledge of a patent that might lead to the DSU standard for inducement, but not yet rise to the level of a “disagreement” under metamune.

But if one has very many conversations after that that disagreement is very likely to arise and so the path to that is one that may not be there and if it's there it's rather narrow.

I'll also mention that in theory one can enter into a contract and say, OK, we're going to engage in further discussions but you have to agree not to file a DJ action. Most companies are not going to be agreeable to entering induce that kind of agreement, but it also is a possibility.

Steve Rosenthal: Great. Thanks. If anyone is interested in any of the full cites for any of the cases that were discussed we do have one slide at the end with the full cites there.

In concluding I'd like to thank our speakers, Steve Gardner and Jayna Whitt for their excellent presentations and helpful comments today. And our sponsor Kilpatrick Stockton and everyone who dialed in for these important updates.

This concludes the patent webcast. Please join us again on Tuesday, May 6th for the copyright panel. Have a great day.

Steve Gardner: Thank you.

Steve Rosenthal: Hello?

Operator: Hello everybody. I got stuck in sub-conference hell over there for a second. I couldn't get out. Who do we have? It looks like we have Steve.

Steve Rosenthal: Rosenthal's here.

Operator: OK. Gardner? And Jayna? Yes, they're stuck in the sub-conference and I can't get them in. OK. Let me send them a note in the meeting. I don't know what's going on here.

Steve Rosenthal: You want to – OK.

Operator: Unless, actually Steve if you want to stay on or do you just want to go ahead and go and I can just talk to them?

Steve Rosenthal: No, no. I want to talk to them, too. Do you want me to hang up and dial in somewhere else or something?

Operator: No, it's just everything's getting stuck. Dial back in again.

Steve Rosenthal: I'll just hand on as long as you tell me.

Operator: Technical. So what do you think?

Steve Rosenthal: I'm happy.

Operator: You guys did a great job.

Steve Rosenthal: I'm happy. I want to tell these guys. I think it's very difficult subject matter. It's hard to be interesting and to carry it with two people for an hour is not an easy task. And I just want to give them credit for that.

Operator: I'm going to disconnect that line and see if that does anything. I mean, it looks like Steve's in, Steve, other Steve. Gardner?

Steve Rosenthal: Yes.

Operator: He's not there. OK. I'm going to have him dial back in.

Steve Rosenthal: OK.

Operator: I don't have a clue what this is doing but I've had this problem before with this RC plus number where the lines just duplicate so when you try to move people around …

OK. I'll be right back. Sorry about that.

Steve Rosenthal: Yes, Kelly, are we still on?

Operator: Yes. I just wrote her back and said dial back in. I'm sorry. OK. I think I could probably dial out to them. Actually maybe I'll do that. I'll see if I have their number in front of me. Let's see.

Let me check this other line. I'll be right back. OK. Found it. I don't hear them yet coming back in. OK. ((inaudible)). I've give them the number again just in case they don't have it.

Jayna Whitt: Hello?

Operator: Hey, Jayna, I'm so sorry. I got stuck. Everybody's stuck in the sub-conference and I couldn't – it's a long story. Sorry about that. And now we're waiting for the other Steve Gardner to come back in, too. You guys were just – I couldn't hear you or anything. What happened was I moved everybody out one at a time but for whatever reason it got stuck in the main – Steve?

Steve Gardner: Yes.

Operator: Hello. Sorry about that.

Steve Gardner: Hello. Good.

Operator: The lines got stuck in one place and I couldn't get them out.

Steve Rosenthal: All right. We're all here.

Operator: We're back.

Steve Rosenthal: My reaction is just huge thanks. Great job. Our first time doing all this and I think it went, I think it went quite well. I just want to give you guys all the credit in the world for carrying this for an hour.

The transitions were smooth. The comments were great and helpful I thought and I would think other people would think so, too. So, that's my reaction.

Steve Gardner: Well, hear, hear. I agree. Thank you both. I think that was really good.

Jayna Whitt: Great. Well, thank you guys, that was great. And I thought that the cases were great, the reviews were great, Steve.

Steve Gardner: Well, thank you. How many did we end up with on the line?

Operator: It looks like that time that we were logging off I had between 70 and 75.

Steve Gardner: That's good.

Operator: That's pretty good. So, slower than I thought but still it's free so you always see a drop off.

Steve Rosenthal: It's free and, you know, the issue comes up, an issue for me is CL. If we advertise and offer CLE we will get a lot more people. And here I know the ACC does not do it and the question is there anything Kilpatrick Stockton can do.

And I mentioned this a little bit with Judy Powell, but then I don't really know how much we can say, or how much you guys can say or do. So I didn't, you know, I don't mention anything like that but that would be something to, you know, take a hard look at for the future. Is there anything we can do to make that happen at least in some key jurisdictions?

Steve Gardner: There might be. I know that we do that. We have telephone seminars ourselves from time to time and we'll do that in certain jurisdictions where some of them we have to register for and some of them we can do it, you know, ad hoc.

And them some of them we can issue out, you know, a certificate to the person attending and they can turn it in. The requirement, and that's probably one of the reasons the ACC doesn't do it, I don't know, is the requirements vary so much doing it administratively – ACC would probably have to do it nationwide.

We do it I want to say in seven or eight states and then help those who can do it just by a certificate in their state. Administering it at a national effort is a challenge. But I don't know why the ACC doesn't, but that might be it though.

Steve Rosenthal: I can pick it up with Judy. Anyway, Kelly, do you have any other comments?

Operator: I think you guys did great considering it was your first event. And overall we have very technical issues from the participants, which is always a great sign. So the stream was up the whole time, everyone sounded good, and it looked like the slides were flipping for everybody. So I just want to thank you all for being so flexible. I know it's hard to train right before an event but you guys did a great job.

Steve Rosenthal: Yes, and we had two questions came in. One was answered and then the second one was, "Can you please e-mail me the cite for the section 112 cases or the cites for the section 112 cases that you talked about and let me know if they're under appeal or, you know, if anything's pending with them." So Steve, is that something that you saw and can address?

Steve Gardner: I'm sorry, Steve, which one?

Steve Rosenthal: One, well, two questions came in. The one that I asked and you both answered. The only other question that came in was not a question but a request. It was, "Please e-mail me the case cites for the section 112 cases that you talked about and let me know if they are under appeal or if anything else is pending with them," so …

Steve Gardner: I got you. That cite, I'm sorry, that second part I read and then I just forgot about it.

Steve Rosenthal: So the person didn't leave his name or e-mail address, so I don't know if there's anything we can but I guess if they want it badly enough it's easy enough to find you on your website.

Steve Gardner: It is, yes. And I would have to – I think I know the answer to that but I'm not positive so I'd have to double check to be sure.

Steve Rosenthal: OK. And since we don't have the person's name, like just a number popped up

Operator: Well, the way they log in they should have put their name and they didn't. They just put a number in which is the meeting number probably. So yes. Unfortunately it is truly anonymous in that case. But I think you're right. If they really want it they'll track Steve down.

Steve Rosenthal: Track Steve down. OK.

Operator: Or they'll send us an e-mail to that ACC webcast address.

Steve Rosenthal: OK. And then we can just forward it to Steve. OK. Fantastic. Thanks everybody.

Operator: Well, are you all relieved it's all over? There's a sense of relief when it's all over. Steve, for you, I know you're working on the one in May. I don't know if I'll be on that one but good luck. I'm sure it will go well and it was great working with all of you.

Jayna Whitt: Thank you.

Steve Gardner: Likewise.

Operator: Thank you so much.

Steve Rosenthal: Thanks again.

Operator: Have a great day everybody.

Steve Rosenthal: Thanks. Take care.

Jayna Whitt: Bye-bye.

Steve Rosenthal: Bye.

Steve Gardner: Thanks everybody. Bye.

Steve Rosenthal: Bye-bye.

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