

Colorado Bar Association

INTELLECTUAL PROPERTY SECTION NEWSLETTER

January 2008

Upcoming Events:

CBA - Intellectual Property Law Section - Topical Lunch

The Hon. Michael R. Fleming

Chief Administrative Patent Judge

Board of Patent Appeals and Interferences

When: January 22, 2008 -11:45 a.m. - 1:15 p.m.

Location: Pepsi Center - Lexus Club

Topic: Judge Fleming will present a series of best practice tips for patent practitioners appearing before the Board. He will also address key issues facing the BPAI, including changes in how opinions are published, the impact of KSR, and the increased workload at the Board.

The cost of the luncheon is \$30 and students may attend for free. RSVP by calling (303) 860-1115 ext. 727 or by e-mailing <mailto:lunches@cobar.org>. If leaving a message, please spell your name, specify that you are attending the Intellectual Property Section Topical Lunch, and include your name (and spelling), and phone number. Please request a vegetarian lunch, if required.

*****PARKING IS FREE. PARK IN LOT A & ENTER THROUGH THE VIP ENTRANCE*****

The Pepsi Center is located in Denver's Central Platte Valley.

Directions:

- Traveling S on I-25 take the Speer Boulevard South exit. At the second stop light, turn right onto Chopper Circle.
- Traveling N on I-25, take the Auraria Parkway exit. Turn left on 9th Street to enter the grounds of Pepsi Center.
- From downtown Denver, take Speer Boulevard to Auraria Parkway. Go west on Auraria Parkway and turn right on 9th Street. Parking in Lot A, enter through the main entrance.

Additional Upcoming 2008 IP Section Programs

March 17, 2008

Richard Owens

Director, Copyright E-Commerce Technology and Management Division

World Intellectual Property Organization

Topic TBD

Other Upcoming Events of Interest

The Digital Broadband Migration: Information Policy for the Next Administration Silicon Flatirons Event

February 10-11; University of Colorado

This conference aims to underscore the challenging policy issues that will be high on any new administration's agenda. In particular, there will be an evaluation of questions related to changing broadband and wireless markets; challenges related to protecting privacy and security; and the optimal direction for intellectual property reform. An array of leaders from academic, industry, and governmental circles will speak.

More Info: <http://www.silicon-flatirons.org/conferences/20080210digitalbroadband.asp>

We are still soliciting ideas for our Luncheon programs of 2008. If you are interested in presenting on a current Intellectual Property topic or have suggestions for topics or speakers, please forward your comments to any of the current Section officers.

A Year in Review: Patent Reforms of 2007

By: Daniel J. Sherwinter*

After nearly losing their BlackBerries less than two years ago, Congress and the courts have been abuzz with demands for patent reform. In the past year, we saw the House pass its version of the Patent Reform Act of 2007 (HR 1908), near-adoption of new claim and continuation rules, proposed pilot programs, newfound judicial activism, and other significant changes. Needless to say, 2007 was an “exciting” year for patent practitioners, patent holders, and inventors alike. This article will attempt to give you the highlights of last year’s most important developments in the patent world.

Patent Legislation and Rulemaking

Disparate groups have spent the year fighting for and against the rights of patent holders, the authority of the US Patent & Trademark Office (PTO), and certainty in patent litigation. Here is a partial snapshot of where these battles stand.

The Patent Reform Act of 2007: On September 7, 2007, the House of Representatives passed its version of the Patent Reform Act of 2007 (HR 1908). The vote was 220 to 175, with 73% of Democrats supporting and 67% of Republicans opposing the bill. The Senate version of the bill (S 1145) has since been ordered by the Committee on the Judiciary to be reported with amendments favorably. In case you have not memorized Schoolhouse Rock, there is still “a long, long journey” ahead. Before the bill becomes law, the Senate version must be approved by a floor vote; differences between the House and Senate versions must be reconciled by a conference committee; the resulting bill must be presented again to the floors of each body of Congress for a new vote; both bodies must approve the identical bill; and the President must sign the bill (or the President can veto the bill and then Congress may override the veto by passing the bill again in both houses by a 2/3 majority vote).

Proponents¹ of the bill lament a system full of junk patents, patent trolls, and skyrocketing damage awards. Opponents² fear weakened rights of patent holders, and the demise of America’s leadership in worldwide research and development. Some contentious provisions of the bills follow:

First-to-File: For well over a century, the US has been the only country in the world to award a patent to the first-in-time inventor. The proposed 2007 Act would harmonize US patent laws with the rest of the world by granting a patent to the first inventor who files a patent application with an adequate written description. Disputes over inventorship would now be decided in new Derivation Investigation Proceedings before the PTO. *Pros:* Eliminates very expensive and

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¹ The “Coalition for Patent Fairness,” which includes many large tech companies, like Microsoft, Dell, Google, Cisco, Time-Warner, and Hewlett-Packard, has lobbied heavily for the bill.

² Strong opposition has come from small inventors, the IEEE, the Patent Office Professional Association (representing over 5,000 patent examiners and professionals), big pharma, biotech and nanotech, universities, hundreds of America’s largest industrial companies, the National Venture Capital Association, and others.

very difficult to win interference proceedings³ (mini-trials before the PTO to resolve contested inventorship) and may better harmonize US laws with the rest of the world. *Cons:* Many individual inventors and start-up companies lack the resources to win a race to the Patent Office. Also, rushing to file may not always yield the best disclosure. *Senate Bill:* No significant differences.

Post-Grant Opposition: Currently an issued patent can only be challenged through litigation in court or reexamination proceedings before the PTO. Under the 2007 Act, a “petition for cancellation” may be filed to challenge a patent post-issuance if the petitioner (1) files the petition within twelve months of issuance, (2) has “substantial reason to believe that the continued existence of the challenged claim ... is likely to cause the petitioner significant economic harm,” (3) receives notice of infringement from the patent holder, or (4) gets written consent from the patent holder. The oppositions would allow for limited discovery, appeals to the Federal Circuit, sanctions for abuses, and protective orders. There would be no presumption of validity, a lower burden of proof, and final decision issuance within one year (extendable to 18 months with a showing of good cause). *Pros:* May provide an alternative to the expenses of litigation and the limits of reexaminations (though the Act does expand reexaminations somewhat, as well). *Cons:* May add uncertainty and reduce the value of issued patents by leaving open the window for opposition with no presumption of validity. *Senate Bill:* Provides a second window after the first 12 months, which includes a presumption of validity and clear and convincing standard.

Limitation on Damages: Patent damages are often calculated based on lost profits or reasonable royalties for an accused product. In many cases, however, the economic contribution of the patent at issue is far below the full value of the accused product, distorting damages calculations. The 2007 Act would limit damages to the “economic value properly attributable to the patent’s specific contribution over the prior art.” *Pros:* May help recalibrate royalties being sought so as to be more in line with a patent’s actual contribution to a product. *Cons:* May burden the already overworked and ill-equipped courts with complex economic analyses. *Senate Bill:* Looks at entire market value and established royalties before economic contribution.

Willful Infringement: Currently, juries determine as a matter of fact whether a party is liable for willful infringement. The 2007 Act would shift this determination to the judge, who would have to find, by clear and convincing evidence, that the accused infringer continued to infringe (1) with knowledge of the patent, (2) after receiving detailed written notice of infringement from the patent owner, or (3) after a finding of infringement by the court. Accused infringers would still have the defenses of informed, good faith belief of invalidity, unenforceability, or non-infringement of the patent at issue. *Pros:* Limits the number of hoops many companies have to go through to make sure there is no appearance of willfulness (e.g., procuring multiple opinion letters, etc.). *Cons:* May allow some unscrupulous companies to more easily get away with willful infringement. *Senate Bill:* No significant differences.

Interlocutory Appeals: Claim construction is a critical issue in many patent cases, often significantly impacting infringement and validity determinations. Since *Markman*, claim construction is decided by district court judges as a matter of law with de novo review on

³ Some have estimated the average cost of an interference proceeding to be around \$600,000; although, interestingly, the PTO only handled around 275 interferences last year (compare that to the over 400,000 new patent applications filed last year).

appeal. Some estimate that the Federal Circuit overturns district court claim constructions up to 50% of the time, often forcing parties to re-try costly cases. Under the 2007 Act, interlocutory appeals would be available after a claim construction ruling by a district court judge, during which time the district court case would be stayed. *Pros*: May limit costly retrials after overturned claim constructions force another round of pre-trial and trial expenses. *Cons*: May increase the number of filings in the Federal Circuit, increasing court costs and delays. *Senate Bill*: No significant differences.

Rulemaking Authority: Currently, the PTO only has the limited authority to promulgate rules directed toward the conduct of proceedings at the PTO. Under HR 1908, the director would be granted broad rulemaking authority to “promulgate such rules, regulations, and orders as the Director determines appropriate to carry out the provisions of this title or any other law applicable to the [USPTO] or that the Director determines necessary to govern the operation and organization of the Office.” *Pros*: May allow the PTO to pass rules to improve the efficiency and quality of patent examination. *Cons*: May shift too much power from Congress and the courts into the hands of one agency. *Senate Bill*: Gives only fee setting authority (this provision may be too contentious to be passed as part of the final Act).

Other: The 2007 Act significantly changes prior art evaluations, including the removal of former 35 U.S.C. §§ 102(a) and (c) – (g), and new grace periods (requiring agreement by Europe (EPO) and Japan (JPO) in HR 1908, but not in S 1145). Further provisions include limitations on venue selection (look out Eastern District of Texas), authority to the PTO to demand search reports (except for a new class of “micro-entities”), and the prohibition on patents for tax planning methods.

PTO Rulemaking: The PTO was busy this year proposing a slew of new rules, including rules for claims and continuations, disclosure, and appeals practice.

Claims / Continuations: In August 2007, the PTO published a set of final rules, which effectively limit the numbers of claims⁴ and continuations⁵ allowed in patent applications. Almost immediately after publication, an individual inventor named Tafas filed suit⁶ to block the rules. Shortly thereafter, Glaxo Smithkline (GSK) filed a preliminary injunction, with supporting briefs and declarations from numerous other parties, including AIPLA, IBM, SanDisk, and Senator Schumer. The day before the rules’ November 1, 2007 effective date, the district court granted GSK’s preliminary injunction, essentially finding a “genuine possibility” that the PTO would lose if the case were to proceed.

The court evaluated the four significant factors for granting preliminary injunctions: (1) likelihood that the plaintiff will succeed on the merits of the case; (2) irreparable harm without an injunction; (3) a balance of hardships weighing in favor of an injunction; and (4) the public interest supporting an injunction. Regarding the first factor, the court found it likely that GSK would succeed in showing that, without express Congressional authority, it is illegal for the

⁴ Changes to Practice for the Examination of Claims in Patent Applications, *Notice of Proposed Rulemaking*, 71 Fed. Reg. 61 (Jan. 3, 2006) (subsequently published at 1302 Off. Gaz. Pat. Office 1329 (Jan. 24, 2006)).

⁵ Proposed Changes to Practice for Continuing Applications, Requests for Continued Examination Practice, and Applications Containing Patentably Indistinct Claims, *Notice of Proposed Rulemaking*, 71 Fed. Reg. 48 (Jan. 3, 2006) (subsequently published at 1302 Off. Gaz. Pat. Office 1318 (Jan. 24, 2006)).

⁶ *Tafas v. Duda*, 07-cv-0846 (E.D. Va., Oct. 31, 2007).

PTO to: (1) limit the number of continuations under 35 USC 120 (there is no clear statutory basis for making the same argument with respect to the claim limitations); and (2) retroactively limit the settled rights of patent owners (who, for example, chose to give up trade secret protection by filing patent applications). Additionally, the court found that the Examination Support Document (ESD) requirements may be so vague as to have violated due process.⁷ The court did not feel the PTO was arbitrary and capricious in its rulemaking.

Regarding the other three factors, the court found that they all weighed in GSK's favor. First, the court found that uncertainty in the rules would cause a shift in patent investment and incentives, the damages from which would cause irreparable harm to GSK if the rules were ultimately invalidated. Second, while not passing the rules would likely cause a gradual increase in pendency of applications in the PTO, GSK's harm would be felt immediately. Finally, enjoining the rules would preserve the status quo, which would maintain a more stable patent system in the best interest of the public.

It is uncertain what will happen if the Patent Reform Act is passed prior to a decision in the courts, considering that the Act would more explicitly grant authority to the PTO Director to promulgate these rules.

Markush Rules: Almost as soon as the claims rules were announced, quick-thinking prosecutors began to wonder whether they could just use Markush groups⁸ to get around them. To close that loophole, the PTO proposed a new set of anti-Markush rules⁹ on in the Federal Register on August 10, 2007. Among the rules are requirements that the alternatives in the group must be substitutable, may not include sets of other alternatives or encompass other alternatives, and may not make claims difficult to construe. The rules also allow examiners to make restriction requirements within a claim (intra-claim restrictions) unless all species share a feature that is substantial and essential for common unity.

Disclosure: The PTO also submitted a number of rules to the OMB, including new requirements for Information Disclosure Statements and changes relating to protests and unsolicited third-party disclosures.¹⁰ The rules seek to give patent examiners access to better information by, for example, requiring more disclosure references that are long, non-English, or numerous. The OMB has approved the rules, but implementation seems to have stalled somewhat since implementation of the claim/continuation rules was enjoined.

Appeals: In July 2007, the PTO published new proposed rules relating to Appeals practice.¹¹ The rules appear to add roadblocks to the appeals process as an attempt to limit appeals practice, possibly in anticipation of increased appeals resulting from the new continuation rules. The comment period has resulted in a largely negative response, and implementation of the rules has not yet occurred.

⁷ The PTO published a series of clarifications relating to preparing and filing ESDs after the rules were published. Interestingly, the Court felt this constituted an admission that the rules were vague when promulgated.

⁸ A Markush group expresses a genus as a group, as in "a fastener selected from the group consisting of a screw and a nail."

⁹ Examination of Patent Applications That Include Claims Containing Alternative Language, *Notice of Proposed Rulemaking*, 72 Fed. Reg. 44992 (Aug. 10, 2007).

¹⁰ Changes To Information Disclosure Statement Requirements and Other Related Matters, *Notice of Proposed Rulemaking*, 71 Fed. Reg. 38808 (July 10, 2006).

¹¹ Rules of Practice Before the Board of Patent Appeals and Interferences in Ex Parte Appeals, *Notice of Proposed Rule Making*, 72 Fed. Reg. 41472 (July 30, 2007) (subsequently published at 1321 Off. Gaz. Pat. Office 95 (Aug. 21, 2007)).

Expert Judges Pilot Program: As its title states, the goal of HR 34 (Issa, R-CA) is “[t]o establish a pilot program in certain United States district courts to encourage enhancement of expertise in patent cases among district judges.” In each of at least five district courts, the bill would identify judges who desire to have an expertise in patent law. Each pilot district would also get at least one clerk assigned to it with an expertise in patent law. As in the current system, patent cases would be randomly assigned to judges in those pilot district courts. However, a judge who has not opted to participate in the pilot program would have the option to keep the case or transfer the case to one of the judges who has opted into the pilot program. The bill passed the House on February 12, 2007, and has been referred to the Senate Committee on the Judiciary.¹²

Peer-to-Patent Pilot Program: Beginning June 15, 2007, volunteers began placing their patent applications in a new Peer-to-Patent pilot program initiated by the PTO. Participants in the program include experts from the various companies submitting applications. For each application, the experts cooperate to review the application, identify prior art, and select the best (“top ten”) references the PTO should review when evaluating the application. So far, GE, HP, Intel, IBM, and others have participated.

Patent Cases

The patent community is still reeling from the effects of recent cases from past years, like *Phillips*, *EBay*, and *NTP*. But 2007 did not disappoint. In fact, since none of the legislation or rulemaking mentioned above actually went into effect in 2007, all the major reforms came out of the courts. Here are some highlights:¹³

Obviousness: The well-established “TSM” test was widely seen as requiring that a teaching, suggestion, or motivation for every element of a claim is found in the prior art before the claim is rendered obvious. In *KSR v. Teleflex*¹⁴, however, the Federal Circuit rejected using a “rigid approach” to the TSM test, stating that the teaching, suggestion, or motivation could be implicitly shown through ordinary knowledge in the art. *KSR* may make non-obviousness analyses less predictable and more difficult to prove. In fact, many sections of the latest version of the Manual of Patent Examining Procedure¹⁵ (MPEP) were revised to reflect the *KSR* ruling. Section 2141 of the MPEP, for example, now provides examiners with a new set of “Examination Guidelines for Determining Obviousness Under 35 U.S.C. 103,” including an entire subsection on the effect of the *KSR* decision.

¹² It is worth noting that Denver seems an unlikely candidate due to an insufficient number of judges.

¹³ Of course, many other cases were decided this year, which may impact the daily habits of patent practitioners and patent holders (see, e.g., the 2007 installments of “JurisNotes” compiled in past issues of this newsletter). Of specific note are *In re Icon Health and Fitness*, No. 06-1573 (Fed. Cir. Aug. 1, 2007) (similar solution to similar problem in non-analogous art can establish obviousness); *Egyptian Goddess, Inc. v. Swisa, Inc.*, 2007 U.S. App. LEXIS 20599 (Fed. Cir. 2007) (judicial activism); *Quanta Computer, Inc. v. LG Electronics, Inc.*, 2007 WL 2768020 (U.S. Sept. 25, 2007) (oral arguments scheduled Jan. 16, 2008) (patent exhaustion); and *BPMC v. Ca. Dept. of Health Svcs.*, No. 06-1515 (Fed. Cir. 2007) (state sovereign immunity).

¹⁴ *KSR Int’l Co. v. Teleflex, Inc.*, 127 S. Ct. 1727 (2007).

¹⁵ Manual for Patent Examining Procedure, 8th Ed. Rev. 6 (Sept. 2007).

Declaratory Judgments: It is well accepted that declaratory judgments are appropriate only where there is a “reasonable apprehension of suit.” In *MedImmune v. Genentech*¹⁶, MedImmune believed the patent it licensed from Genentech was invalid and failed to cover its product, Synagis. Still, to avoid breaching its license agreement, MedImmune opted to pay royalties “under protest” and sue for declaratory judgment of invalidity. The Federal Circuit affirmed a district court ruling that a licensee in good standing cannot be under a “reasonable apprehension of suit.” The Supreme Court, however, reversed, stating that declaratory judgments are proper when self-avoidance of injury is coerced by imminent threat of an enforcement action. In *SanDisk*¹⁷, the Federal Circuit expanded the *MedImmune* holding to cover a cross-licensing situation. Since *MedImmune* and *SanDisk*, many feel that cease and desist letters and license negotiations may give rise to declaratory judgment standing.

Joint and Extra-Territorial Infringement: Direct infringement requires that a party infringes all the elements of a claim. In *BMC v. Paymentech*¹⁸, Paymentech performed fewer than all of the method steps in patents assigned to BMC and had no control over the parties performing the remaining steps. Still, BMC argued a joint infringement theory based on language from the Federal Circuit in *On Demand*¹⁹. *On Demand* appeared to overturn previous precedent, which had required direction or control by one party over the other before finding joint infringement liability. The Federal Circuit held that the *On Demand* language was mere dicta, and found no statutory support for BMC’s strict-liability joint infringement claims. Just as infringement can be difficult to show with multiple actors, it can also be difficult to show across multiple jurisdictions. In *Microsoft v. AT&T*²⁰, Microsoft admitted that it shipped “golden masters” of software overseas for installation into computers abroad, and that the shipped software contained infringing AT&T speech coding technology. Still, Microsoft insisted that it did not infringe under 35 U.S.C. § 271(f) (infringement for supplying components of a patented invention abroad). In the end, the Supreme Court agreed with Microsoft, holding that (1) shipping intangible software code does not constitute shipping a “component” as contemplated by § 271(f), and (2) because the master disks shipped overseas never became part of the final product, Microsoft could not be said to have supplied components of a patented invention. Both *Paymentech* and *Microsoft* exemplify the importance of carefully drafting claims with different types of infringement in mind.

Willfulness and Inequitable Conduct: In the past, the standard for willful infringement was a breach of an “affirmative duty of due care.” In *In re Seagate*²¹, however, the Federal Circuit overruled that standard in a unanimous en banc holding that willfulness now requires “at least a showing of objective recklessness.” In contrast to this tightened standard for willfulness in *Seagate*, the Federal Circuit appeared to loosen the standard for inequitable conduct in *McKesson*²². In *McKesson*, McKesson’s patent attorney failed to submit three material pieces of information which were deemed material to patentability, and which he had submitted in a related case. Even with no clear and convincing evidence of intent to deceive the patent office

¹⁶ *MedImmune, Inc. v. Genentech, et al.*, 127 S. Ct. 764 (2007).

¹⁷ *SanDisk Corp. v. ST Microelectronics, Inc.*, 480 F.3d 1372 (Fed. Cir. 2007).

¹⁸ *BMC Res., Inc. v. Paymentech, L.P.*, 498 F.3d 1373 (Fed. Cir. 2007).

¹⁹ *On Demand Mach. Corp. v. Ingram Indus., Inc.*, 442 F.3d 1331 (Fed. Cir. 2006).

²⁰ *Microsoft Corp. v. AT&T Corp.*, 550 S. Ct. ____ (2007).

²¹ *In re Seagate*, No. 06-M830 (Fed. Cir. 2007).

²² *McKesson Info. Solutions v. Bridge Medical, Inc.*, No. 06-1517 (Fed. Cir., May 18, 2007).

(typically thought to be the standard), the Federal Circuit held that the attorney's acts constituted inequitable conduct.

Patentable Subject Matter: A number of interesting cases have begun to revisit the definition of patentable subject matter under 35 U.S.C. § 101. In *In re Nuijten*²³, the patent at issue includes claims covering new processes for adding digital watermarking signals, storage media for storing the digital watermarking signals, and the digital watermarking signals themselves. The court found that, while the processes and storage media were patentable subject matter, the signals themselves were not. Around the same time, the court decided *In re Comiskey*²⁴, in which it interpreted a method and system for arbitration in the context of §101. Similar to its decision in *In re Nuijten*, the court found that the system was patentable subject matter, but the process was not. Interestingly, the court brought up the §101 issue with the Comiskey patent for the first time *sua sponte* (i.e., the issue never came up during prosecution of the patent). The cases taken together suggest that business methods and signals will have to be tied to tangible machines, manufactures, and compositions of matter to be enforceable.

²³ *In re Nuijten*, No. 06-1301 (Fed. Cir. 2007).

²⁴ *In re Comiskey*, No. 06-1286 (Fed. Cir. 2007).

Other Announcements

Patent Legislation Opposition Information

Cochran Freund & Young LLC has been organizing a pro-patent group that is opposing the current patent legislation. If you have any clients that are interested in joining their efforts to oppose the patent legislation by co-signing letters to our Senators, please contact Pam Bauernfeind at pamb@patentlegal.com or (970) 492-1100. This is a nationally organized effort and CFY has been active in Colorado, which is a key state.

Patent Legislation Support Information

The Coalition for Patent Fairness is supporting the passage of the current patent legislation, and information can be found at: http://www.patentfairness.org/about_the_coalition

Congressional Contact Information

Legislation currently being considered in Congress and Rule changes at the PTO will have a significant impact on the practices of many of our Section members. The following contact information is being provided as a courtesy if Section members would like to air their views to Colorado's Congressional delegation.

Senator Ken Salazar
702 Hart Senate Office Building
Washington, DC 20510
202.224.5852

Senator Wayne Allard
521 Dirksen Senate Office Building
Washington, DC 20510
202.224.5941

Congresswoman Diana DeGette
2421 Rayburn House Office Building
Washington, DC 20515
202.225.4431

Congresswoman Marilyn Musgrave
1507 Longworth HOB
Washington, DC 20515
202.225.4676

Congressman John T. Salazar
1531 Longworth HOB
Washington, DC 20515
202.225.4761

Congressman Mark Udall
100 Cannon House Office Building
Washington, DC 20515
202.225.2161

Congressman Doug Lamborn
437 Cannon HOB
Washington, DC 20515
202.225.4422

Congressman Ed Perlmutter
415 Cannon House Office Building
Washington, DC 20515
202.225.2645

Congressman Tom Tancredo
1131 Longworth HOB
Washington, DC 20515
202.225.7882

IP Newsletter

Subject to editorial discretion and review, the IP Section newsletter is open to the submission of short articles and columns on IP topics of interest. If you are interested in contributing, please contact Michael Drapkin, at mldrapkin@townsend.com.

IP Section Website

The Colorado Bar Association website has undergone a significant overhaul, and is now up and running, and please refer to it often for updates on news and events.

<http://www.cobar.org/group/index.cfm?EntityID=PATENT>

The Colorado Bar Association has posted member directories for each practice section on-line. See ours at:

<http://www.cobar.org/directory/sections.cfm?section=PATENT>

Our contact at the Colorado Bar is Melissa Nicoletti, the Director of Sections and Committees. She can be reached at (303) 824-5321, or melissan@cobar.org.

JurisNotes

Patent Cases

Abbott Laboratories v. Sandoz, Inc. (ND Ill 12/4/07)

Party's reliance on decision was not objectively reckless.

The court granted Sandoz's motion to dismiss Abbott's claims for willful infringement. Sandoz's decision to launch its product was objectively reasonable because it relied on a Federal Circuit opinion in which that court stated that substantial questions had been raised as to the validity of various claims of the '718 patent. That decision, though only an appeal of an interlocutory order, would invariably have led a reasonable potential infringer to believe that there was a very strong probability that the claims of the '718 patent were invalid. At the very least, the Federal Circuit's opinion provided an objectively low likelihood that marketing a product that read on those same claims would infringe a valid patent. Further, the limited nature of the record before that court had little, if any, impact on whether Sandoz's reliance on the opinion was reasonable.

DePuy Spine, Inc. v. Medtronic Sofamor Danek (D Mass 12/11/07)

Court rejects defendants' ensnarement defense.

Via an ensnarement defense, Medtronic contended that DePuy could not have patented a hypothetical claim covering the accused product because such a claim would have been anticipated or rendered obvious by two prior art references: the Anderson patent and the Puno patent. The Anderson reference did not anticipate the hypothetical claim because it failed to disclose a screw. Even if it did, the Anderson swivel-clamp was not suitable for use in the human spine. Further, Puno taught away from the hypothetical claim because it discouraged the rigidity that would result from adding a compression member to Puno's polyaxial screw. Moreover, even if one skilled in the art were motivated to make Puno more rigid, it would not have been obvious to add the Anderson compression member to the Puno screw.

In re Muth Mirror Systems, LLC (ED Wis 12/5/07)

Failure to disclose best mode invalidated patent.

After a trial in this adversary proceeding, the bankruptcy court ruled that Muth's '724 patent was invalid and that the accused product of Gentex Corp. did not infringe.

In 2006, Muth and an affiliate filed voluntary petitions for bankruptcy. Prior to this time, Gentex filed a suit against Muth asserting claims for breach of contract, tortious interference, and declaratory judgment (seeking to invalidate Muth's '724 patent and to secure a declaration of non-infringement). Muth filed a similar suit against Gentex asserting a claim for infringement of the '243 patent. Both Muth and Gentex develop signal mirror technology for use in motor vehicles. The '724 patent covers a method for allowing light to pass through the mirrored surface. In 1998, Muth and Gentex entered into an agreement whereby the parties agreed to work together by combining Muth's dichroic signal mirror technology with Gentex's electrochromic mirror technology. Gentex also agreed to recommend Muth's signal mirrors to OEMs for passenger side mirrors. As part of the agreement, Muth also gave Gentex a license to use its non-dichroic technology. Muth accused Gentex of failing to recommend it for the passenger side mirror to a Toyota supplier.

The facts showed that the inventor had a preferred way of making his mirror and it included tilting the LEDs in the light assembly so that they did not shine directly at the driver but were visible to nearby vehicles. This was not disclosed or claimed and the drawings of the LEDs did not show them tilted. In addition, the size of the ablated apertures in the manufactured product was different from the apertures described in the patent. In fact, Muth could not manufacture holes that small and the inventor did not know if holes that small would work. The positioning of the LEDs was essential to practicing the invention, as it was not a routine or production matter. If it eliminated expensive optics, as stated by the inventor, it was highly material to the invention. Similarly, the size of the holes in the reflective coating affected how much light was transmitted through the mirror. This was also material to practicing the invention. The size of the ablations and the position of the LEDs, both important issues in practicing the device, were known and not revealed. The evidence was clear and convincing that the best mode of practicing the invention in the '724 patent was known and not disclosed and that the omission by the inventor was intentional. This resulted in invalidation of the '724 patent. Moreover, the evidence showed that the inventor obtained the '724 patent by means of inequitable conduct by failing to disclose Gentex's '527 patent during prosecution of the '724 patent.

Trademark Cases

Romag Fasteners, Inc. v. J.C. Penney, Inc. (D. Conn. 11/27/07)

Confusion as to source was virtually inevitable.

RFI discovered handbags on sale at a JC store with magnetic snap fasteners bearing the "Romag" name and the wording "USA Pat 5722126." The court granted RFI's motion for a temporary restraining order, noting that the snaps on JC's handbags were extremely close copies of RFI's product that were designated with RFI's mark and its patent number. The evidence clearly demonstrated that the snaps found on JC's bags were counterfeits that were successfully passed off as substitutes for RFI's snaps for more than a year. Thus, consumer confusion as to the source of the snaps was virtually inevitable. JC's right to continue to sell the infringing goods (even if no one ever noticed the knock off snaps) could not trump RFI's right to exercise control over its registered mark. JC's loss emanated only from being denied the opportunity to sell known counterfeit goods.

ITC Limited v. Punchgini, Inc. (NY 12/13/07)

New York does not recognize famous marks doctrine.

While the court concluded that New York recognized common law unfair competition claims, it found that New York did not recognize the famous marks doctrine. At issue here was whether New York common law permitted the owner of a famous mark or trade dress to assert property rights therein by virtue of the owner's prior use of the mark or trade dress in a foreign country. In the court's view, when a business, through renown in New York, possessed goodwill constituting property or a commercial advantage in New York, that goodwill was protected from misappropriation under New York unfair competition law. This was so whether the business was domestic or foreign. If ITC could show that Punchgini appropriated its "Bukhara" mark or trade dress, it would then have to establish that the relevant consumer market primarily associated that mark or trade dress with those "Bukhara" restaurants owned by ITC.

False Advertising Case

Russian Standard Vodka v. Allied Domecq (SD NY 11/19/07)

Waiver eliminated any controversy as to past statements.

There was no showing of the existence of an actual controversy between RSV and Pernod and Allied regarding its past statements about "Stoli" vodka. These defendants had waived their right to sue RSV regarding past statements about the authenticity of Stoli vodka. However, the threat of legal action for RSV's future conduct was sufficiently immediate to create an actual controversy. RSV alleged that it would continue to make statements about Stoli's Russian heritage. In fact RSV had an advertising campaign centered on highlighting the distinction between Imperia and Stoli vodka and RSV planned to question the authenticity of Stoli vodka. Finally, RSV failed to show the existence of an actual controversy between itself and the remaining defendants, as none of the alleged conduct implicated these parties.

Trade Secret Case

ClearOne Communications, Inc. v. Chiang (D Utah 12/13/07)

Comprehension of trade secret not necessary for claim.

Defendant Biamp Systems Corp. argued that it could not have misappropriated Clear's trade secret because Biamp could not decipher the object code to understand the underlying trade secrets. However, Biamp's understanding of the underlying code and algorithm was not necessary for misappropriation. There was no requirement of comprehension of the trade secret to state a claim for misappropriation under Utah law. Because Clear had alleged that Biamp knew, for over two years, that co-defendant WideBand Solutions, Inc. derived the code at issue through improper means, the court did not need to consider whether Biamp actually understood the object code.

Copyright Cases

Virgin Records America, Inc. v. Thompson (5th Cir. 1/4/08)

No abuse of discretion in denial of motion for fees.

Thompson appealed the trial court's denial of his motion for attorney fees and the 5th Circuit affirmed. The trial court applied the correct factors to the facts of this case and determined that they weighed against an award of fees. VRA's lawsuit was not frivolous or objectively unreasonable, as VRA discovered substantial copyright infringement of various songs by a file-sharing program associated with an account registered to Thompson. VRA attempted to contact Thompson for six months prior to filing suit. VRA's motivation in bringing the suit was proper and VRA immediately moved to dismiss the suit against Thompson after discovering that Thompson's daughter was responsible for the infringement. Thus, there was no abuse of discretion in the trial court's denial of Thompson's motion for an award of fees.

Zella v. The E.W. Scripps Co. (CD Cal. 12/18/07)

Any similarities between shows constituted scenes a faire.

The court ultimately concluded that there was no substantial similarity between Zella's *Showbiz Chefs* work and the *Rachael Ray* show. Clearly, the stock elements of a host, guest celebrities, an interview, and a cooking segment could be characterized as unprotected scenes a faire. Any similarities between the two works constituted scenes a faire that naturally flowed from the interview and talk show format. Similarly, the merger doctrine precluded protection for these elements expressed in the standard form of a talk show. There were only a finite number of ways in which to express the idea of a talk/cooking show with celebrities. Even assuming that some elements of Zella's show were protectable, *Showbiz Chefs* was not substantially similar to *Rachael Ray*. There were differences in the ordering of segments, themes, dialogue, characters, and settings.

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