

Alice at the U.S. Federal Circuit: Software Patents



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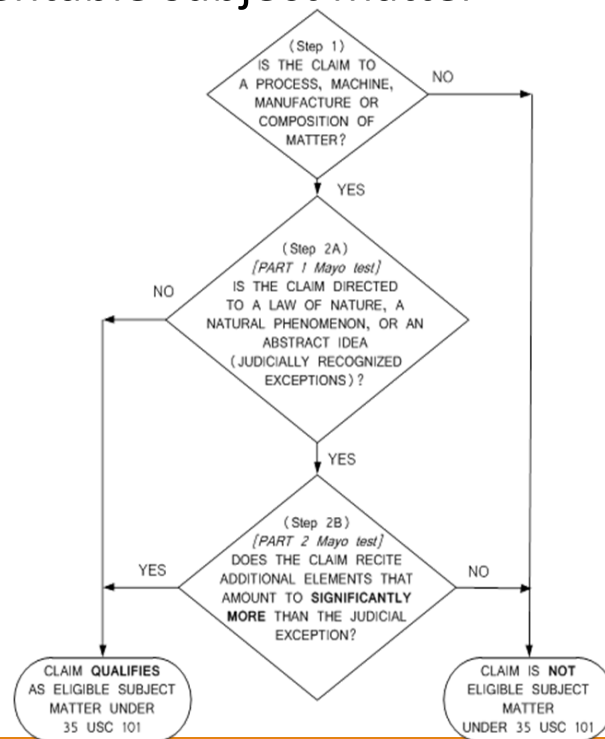
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The *Alice Corp.* Decision (2014.6.19)

Alice Corp. Pty. Ltd. v. CLS Bank Int'l, 134 S. Ct. 2347

- **The U.S. Supreme Court ruled that** implementing an abstract idea on a computer is not enough to transform that idea into patentable subject matter
- The 2- Part Alice Test




Alice at Federal Circuit

- Since June 19, 2014, citing *Alice*, the CAFC has reversed or vacated just four (4) district court's decisions

| Decision Date | Case | Decision |
|-------------------|--|---------------|
| 2014. 12.5 | <i>DDR Holdings, LLC v. Hotels. com, L.P.</i> | upheld claims |
| 2016. 5.12 | <i>Enfish, LLC v. Microsoft Corp.</i> | upheld claims |
| 2016. 6.27 | <i>BASCOM Global Internet Services, Inc. v. AT&T Mobility LLC</i> | upheld claims |
| 2016. 9.13 | <i>McRO, Inc. v. Bandai Namco Games America Inc.</i> | upheld claims |

Enfish, LLC v. Microsoft Corp. (2016.5.12)

| | |
|---|---|
|  | |
| US006151604A | |
| United States Patent [19] | [11] Patent Number: 6,151,604 |
| Wlaschin et al. | [45] Date of Patent: *Nov. 21, 2000 |
| [54] METHOD AND APPARATUS FOR IMPROVED INFORMATION STORAGE AND RETRIEVAL SYSTEM | |
| [75] Inventors: Scott Wlaschin; Robert M. Gordon, both of Los Angeles, Louise J. Wamler, La Canada, all of Calif.; Clay Gordon, New York, N.Y. | |
| [73] Assignee: Dex Information Systems, Inc. | |
| [*] Notice: This patent is subject to a terminal disclaimer. | |
| [21] Appl. No.: 09/035,510 | |
| [22] Filed: Mar. 5, 1998 | |
| Related U.S. Application Data | |
| [63] Confirmation of application No. 08/383,752, Mar. 28, 1995, Pat. No. 5,729,730. | |
| [51] Int. Cl.: G06F 17/30 | |
| [52] U.S. Cl.: 707/100; 707/102; 707/3 | |
| [58] Field of Search: 707/3, 4, 100, 707/102 | |
| [56] References Cited | |
| U.S. PATENT DOCUMENTS | |
| 5,295,256 3/1994 Bapat 395/509 | |
| 5,305,389 4/1994 Palmer 382/1 | |
| 5,359,724 10/1994 Earle 395/425 | |
| 5,375,237 12/1994 Tanaka et al. 395/650 | |

60 Claims, 17 Drawing Sheets

| | | | | | | | |
|-----------|---------------------|-------------------|----------------------|------------------------|------------------|-------------------|-----|
| 120 | 122 | 130 | 124 | 134 | 126 | 132 | 100 |
| OBJECT ID | TYPE [#101] | [#1012] LABEL | ADDRESS [#1013] | EMPLOYED BY [#1019] | TITLE [#1033] | AUTHOR [#1032] | |
| #1100 | #1020 [COMPANY] | DEXIS | 117 EAST COLORADO | | N/A | N/A | |
| #1101 | #1010 [PERSON] | SCOTT WLASCHIN | | #1100 [DEXIS] | N/A | N/A | |
| #1118 | #1030 [BOOK] | | | | | #1122 | |
| #1122 | #1020 [MEMO] | | | | | #1122 | |
| #1127 | #1080 [DOCUMENT] | | C:\WORD\ PROJ.DOC | | PROJECT PLAN | #1101 | |
| #1019 | #210 [FIELD] | EMPLOYED BY | | | | | |
| #210 | #111 [TYPE] | COLUMN | | | | | |
| #111 | #111 [TYPE] | TYPE | | | | | |

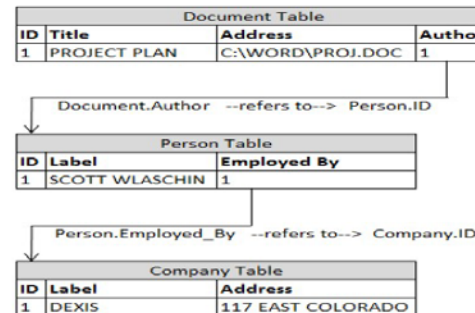
17. A data storage and retrieval system for a computer memory, comprising:
means for configuring said memory according to a logical table, said logical table including:

a plurality of logical rows, each said logical row including an object identification number (OID) to identify each said logical row, each said logical row corresponding to a record of information;

a plurality of logical columns intersecting said plurality of logical rows to define a plurality of logical cells, each said logical column including an OID to identify each said logical column; and

means for indexing data stored in said table.

Relational Model vs. Self-Referential Table




| SELF-REFERENTIAL TABLE | | | | | | |
|------------------------|----------|--------------|----------------|-------------------|------------------|--------|
| ID | Type | Title | Label | Address | Employed By (#4) | Author |
| #1 | DOCUMENT | PROJECT PLAN | | C:\WORD\PROJ.DOC | | #2 |
| #2 | PERSON | | SCOTT WLASCHIN | | #3 | |
| #3 | COMPANY | | DEXIS | 117 EAST COLORADO | | |
| #4 | FIELD | | EMPLOYED BY | | | |

Enfish, LLC v. Microsoft Corp. (2016.5.12)

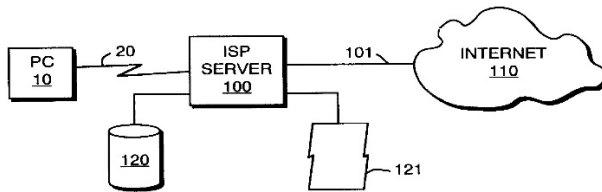
- **District Court** – found all the patent claims invalid under 35 U.S.C. § 101 as being directed to an abstract idea
- **CAFC** – reversed.
 - ✓ CAFC rejected the idea “that claims directed to software, as opposed to hardware, are inherently abstract.”
 - ✓ Step 1 of Alice test : determine whether the focus of the claims is on the specific asserted improvement in computer-capability instead on a process that qualifies as an abstract idea for which computers are invoked merely as a tool.
 - ❖ The claims are directed to a *specific implementation of a solution to a problem* in the software art and not to an abstract idea.
 - ❖ Look to the specification to determine advantages of the claimed implementation: here, the specification teaches the self-referential table functions in an improved manner compared to conventional database structures. (*i.e.* increased flexibility, faster search times, and smaller memory requirements.)
 - ✓ **A database can be patent eligible subject matter**

BASCOM Global Internet Services, Inc. v. AT&T Mobility LLC (2016.6.27)

| | | |
|---|--|---|
| United States Patent [19] Cirasole et al. | |  US005987606A |
| [11] Patent Number: | | 5,987,606 |
| [45] Date of Patent: | | Nov. 16, 1999 |
| [54] METHOD AND SYSTEM FOR CONTENT FILTERING INFORMATION RETRIEVED FROM AN INTERNET COMPUTER NETWORK | | |
| [75] Inventors: Peter Cirasole, Babylon; Robert DeRosa, Smithtown, both of N.Y.; Robert Fox, Danbury, Conn. | | |
| [73] Assignee: Bascom Global Internet Services, Inc., Farmingdale, N.Y. | | |
| [21] Appl. No.: 08/820,955 | | |
| [22] Filed: Mar. 19, 1997 | | |
| [51] Int. Cl.: 713/200, 713/201, 713/202 | | |
| [52] U.S. Cl.: 395/186, 187/01, 395/188.01, 200/59, 200/33, 200/49, 200/56, 713/200, 201, 202 | | |
| [56] References Cited | | |
| U.S. PATENT DOCUMENTS 5,673,322 9/1997 Pope et al. 380/49 5,705,207 1/1998 Schlos 395/200.33 5,732,216 3/1998 Logan 395/200.33 OTHER PUBLICATIONS <i>Internet Cowboyp: The Top Shelf</i> , The Economist, May 18, 1996, at 84. <i>Surfwatch Filtering Products from Spyglass</i> (visited Oct. 7, 1996) <http://www.surfwatch.com/products/surfwatch/datasheet.html>. | | |

Spyglass Server Application Development Interface (visited Oct. 7, 1996) <http://www.spyglass.com/techspec/spocs/atl_spec.html>.
SurfWatch ProServer from Spyglass (visited Oct. 7, 1996) <http://www.spyglass.com/products/proserver/>.
Trove Investment—News Page (visited Oct. 7, 1996) <http://www.actnanny.com/netnanny/nffaq.html>.
Trove Investment Corporation—Net Nanny Product Page (visited Oct. 7, 1996) <http://www.actnanny.com/netnanny/product.html>.
CYBERSitter Product Information (visited Oct. 7, 1996) <http://www.solidook.com/cysitter.htm>.
Spyglass: Case Studies (visited Oct. 7, 1996) <http://www.spyglass.com/cases/index.html>.
Primary Examiner—Ly V. Hua
Attorney, Agent, or Firm—Andrew F. Strobert; Skadden, Arps, Slate, Meagher & Flom LLP
ABSTRACT
 A method and system for filtering Internet content retrieved from an Internet computer network (110) by a remote Internet Service Provider ("ISP") server (100) and forwarded to a local client computer (10). The method and system matches at least one filtering scheme (121), such as an inclusive or exclusive filter, and at least one set of filtering elements (120), such as a list of allowed or excluded sites, to each Internet access request generated at the local client computer (10). The filtering scheme is implemented on the ISP server (100).

25 Claims, 6 Drawing Sheets




1. A content filtering system for filtering content retrieved from an Internet computer network by individual controlled access network accounts, said filtering system comprising:
 a local client computer generating network access requests for said individual controlled access network accounts;
 at least one filtering scheme;
 a plurality of sets of logical filtering elements; and
 a remote ISP server coupled to said client computer and said Internet computer network, said ISP server associating each said network account to at least one filtering scheme and at least one set of filtering elements, said ISP server further receiving said network access requests from said client computer and executing said associated filtering scheme utilizing said associated set of logical filtering elements.

BASCOM Global Internet Services, Inc. v. AT&T Mobility LLC (2016.6.27)

- **District Court** – found all the patent claims invalid under 35 U.S.C. § 101 as being directed to an abstract idea
- **CAFC** – vacated and remanded
 - ✓ Step 1 of Alice test : the claims are directed to filtering content on the Internet → This is an abstract idea
 - ✓ Step 2 of Alice test : what is an inventive concept?
 - ❖ The limitations of the claims, taken individually, recite a generic computer, network, and Internet components, none of which is inventive by itself.
 - ❖ **BUT, “An inventive concept can be found in the non-conventional and non-generic arrangement of known, conventional pieces.”**
(i.e. the installation of a filtering tool at a specific location, remote from the end-users, with customizable filtering features specific to each end user → both the benefits of a filter on a local computer and the benefits of a filter on the ISP server)

McRO, Inc. v. Bandai Namco Games America Inc. (2016.9.13)

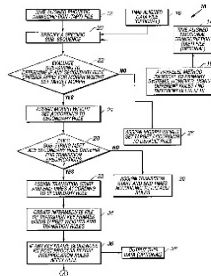
| | |
|---|---|
|  US006307576B1 | |
| (12) United States Patent Rosenfeld | (10) Patent No.: US 6,307,576 B1 (45) Date of Patent: *Oct. 23, 2001 |
| (54) METHOD FOR AUTOMATICALLY ANIMATING LIP SYNCHRONIZATION AND FACIAL EXPRESSION OF ANIMATED CHARACTERS | 5,684,983 * 11/1997 Kimura 345/473 5,692,117 * 11/1997 Bernad et al. 345/473 5,717,848 * 2/1998 Watanabe et al. 345/474 5,818,461 * 3/1999 Raset et al. 345/473 5,880,788 * 3/1999 Biegler 345/473 5,907,351 * 5/1999 Chen et al. 345/473 6,097,381 * 8/2000 Scott et al. 345/473 6,408,011 * 8/2000 Fowler 345/473 6,147,692 * 11/2000 Shaw et al. 345/473 6,232,965 * 5/2001 Scott et al. 707/500 |
| (76) Inventor: Maury Rosenfeld , 1040 N. Las Palmas Ave., No. 25, Los Angeles, CA (US) 90038 | |
| (*) Notice: This patent issued on a continued prosecution application filed under 37 C.F.R. 1.53(d), and is subject to the twenty year patent term provisions of 35 U.S.C. 154(a)(2). Subject to any disclaimer, the term of this patent is extended or adjusted under 35 U.S.C. 154(b) by 0 days. | |
| (21) Appl. No.: 08/942,987 | |
| (22) Filed: Oct. 2, 1997 | |
| (51) Int. Cl. ⁷ G06T 15/70 | |
| (52) U.S. Cl. 345/956; 345/951; 345/955; 345/473 | |
| (58) Field of Search 345/473, 951, 345/953, 956, 957, 955 | |
| (56) References Cited U.S. PATENT DOCUMENTS 4,600,919 * 7/1986 Stern 345/473 4,884,972 * 12/1989 Casper et al. 345/473 5,111,406 * 5/1992 Casper et al. 345/473 5,416,899 * 5/1995 Poggio et al. 345/473 5,613,086 * 3/1997 Casper et al. 345/473 5,657,426 * 8/1997 Waters et al. 704/276 5,663,517 * 9/1997 Oppenheim 345/473 | |

OTHER PUBLICATIONS
Beier et al; Feature-Based Image Metamorphosis: Computer Graphics, 26, 2, Jul. 1992.*
Brooke et al; Computer graphics animations of talking faces based on stochastic models; Proceedings, KNSIPNN 1994 International Symposium; p. 73-76 vol. 1, Apr. 1994.*
* cited by examiner

Primary Examiner—Matthew Lau
Assistant Examiner—Lynn Yang
(74) Attorney, Agent, or Firm—The Hecker Law Group

(57) **ABSTRACT**
A method for controlling and automatically animating lip synchronization and facial expressions of three dimensional animated characters using weighted morph targets and time aligned phonetic transcriptions of recorded text. The method utilizes a set of rules that determine the systems output comprising a stream of morph weight sets when a sequence of timed phonemes and/or other timed data is encountered. Other data, such as timed emotional state data or emotes such as "surprise," "disgust," "embarrassment," "timid smile", or the like, may be inputted to affect the output stream of morph weight sets, or create additional streams.

26 Claims, 4 Drawing Sheets



1. A method for automatically animating lip synchronization and facial expression of three-dimensional characters comprising:
 - obtaining a first set of rules that define output morph weight set stream as a function of phoneme sequence and time of said phoneme sequence;
 - obtaining a timed data file of phonemes having a plurality of sub-sequences;
 - generating an intermediate stream of output morph weight sets and a plurality of transition parameters between two adjacent morph weight sets by evaluating said plurality of sub-sequences against said first set of rules;
 - generating a final stream of output morph weight sets at a desired frame rate from said intermediate stream of output morph weight sets and said plurality of transition parameters; and
 - applying said final stream of output morph weight sets to a sequence of animated characters to produce lip synchronization and facial expression control of said animated characters.

McRO, Inc. v. Bandai Namco Games America Inc.

(2016.9.13)

- **District Court** – found all the patent claims invalid under 35 U.S.C. § 101 as being directed to an abstract idea
- **CAFC** – reversed.
 - ✓ Step 1 of Alice test :
 - ❖ Claim construction: the claims are limited to rules that evaluate subsequences consisting of multiple sequential phonemes → The claims do not improperly preempt all processes for achieving automated lip-synchronization of 3-D characters
 - ❖ As the specification confirms, the claimed improvement here allows computers to produce accurate and realistic lip synchronization and facial expressions in animated characters that previously could only be produced by human animators.
 - ❖ When viewed as a whole, Claim 1 is directed to a patentable, technological improvement over the existing, manual 3-D animation techniques. The claim uses the limited rules in a process specifically designed to achieve an improved technological result in conventional industry practice.
 - ✓ **Merely automating a known manual process is not patent-eligible; however, automating a process that is not known to have been previously preformed manually *may be patent-eligible***

HOW DOES THIS AFFECT YOU?

- Be sure to include sufficient disclosure regarding the details of technical advancements in your patent application specification.
- The USPTO guidelines were updated on 2016.5.19
- Based on our experiences, Examiners are constructively suggesting that Applicants present arguments that reference *Enfish*
 - ❖ (1) under *Enfish* & *McRo*, the claim is unambiguously **directed to** a technological improvement
→ eligible under **Step 1 of Alice test**
 - ❖ (2) under *Bascom*, even if Step 1 of Alice test is a close call, the claim still recites patent eligible subject matter because the specific arrangement of features in the claim improves a technological process → eligible under **Step 2 of Alice test**
- Case law under 35 U.S.C. § 101 is still evolving

THANK YOU

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PTAB Decisions in Post-*Alice* Appeals



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BAR ASSOCIATION

SUJIN PARK
Sughrue Mion, PLLC

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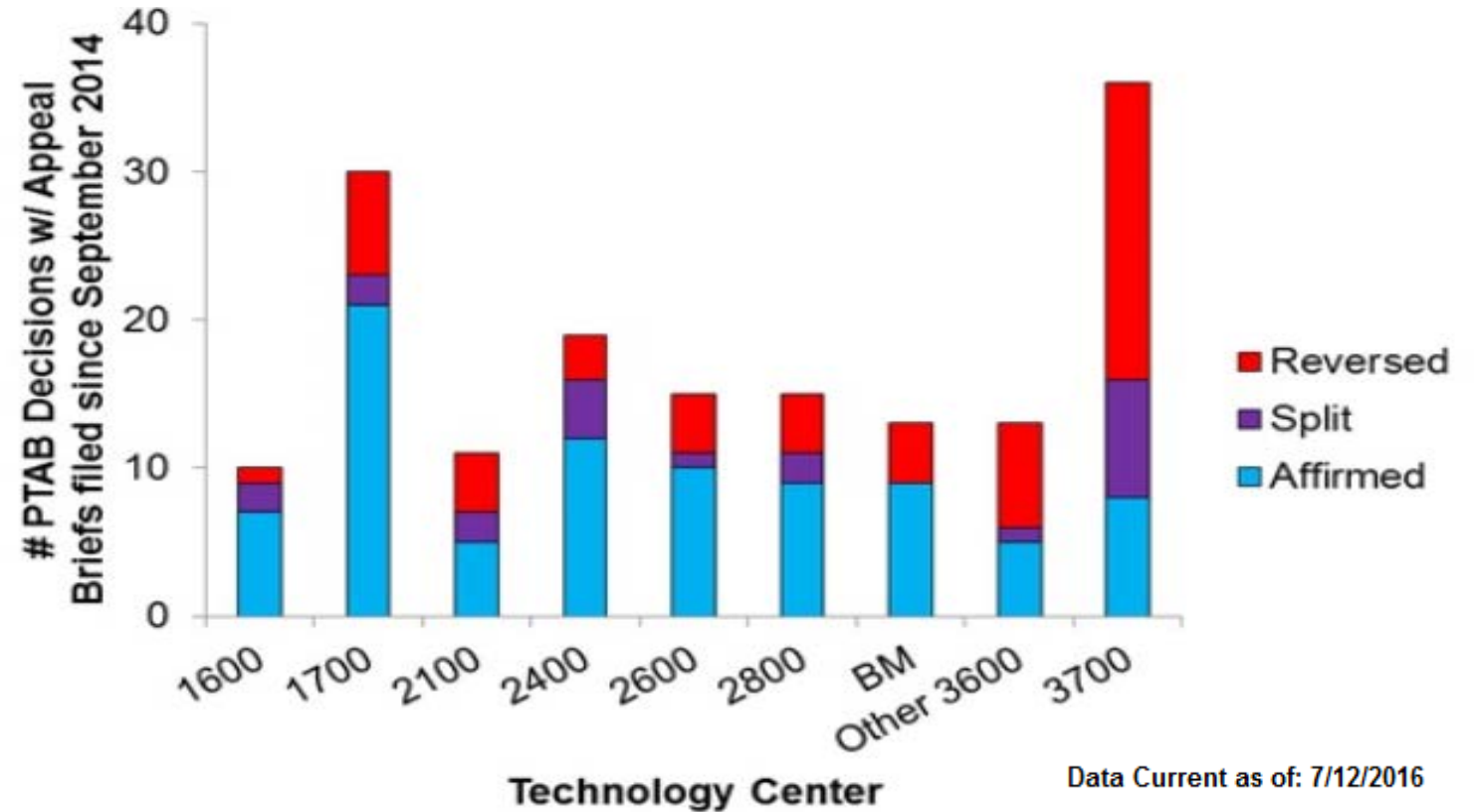
Post-*Alice* Prosecution Strategies

Applicants stuck in the post-*Alice* purgatory have had several prosecution options:

- Abandon their application;
- Attempt to wait out the *Alice* effects, in hopes that a new Federal-Circuit or Supreme-Court decision would change the current eligibility stance of an art unit or examiner; or
- Appeal a rejection.

Over Half of PTAB Decisions on Post-Alice Appeals Fully Affirm Rejections

Overall, the PTAB affirmed or affirmed-in-part two-thirds of the post-Alice appeals, 53% of which being affirmed in full and 14% being affirmed in part.

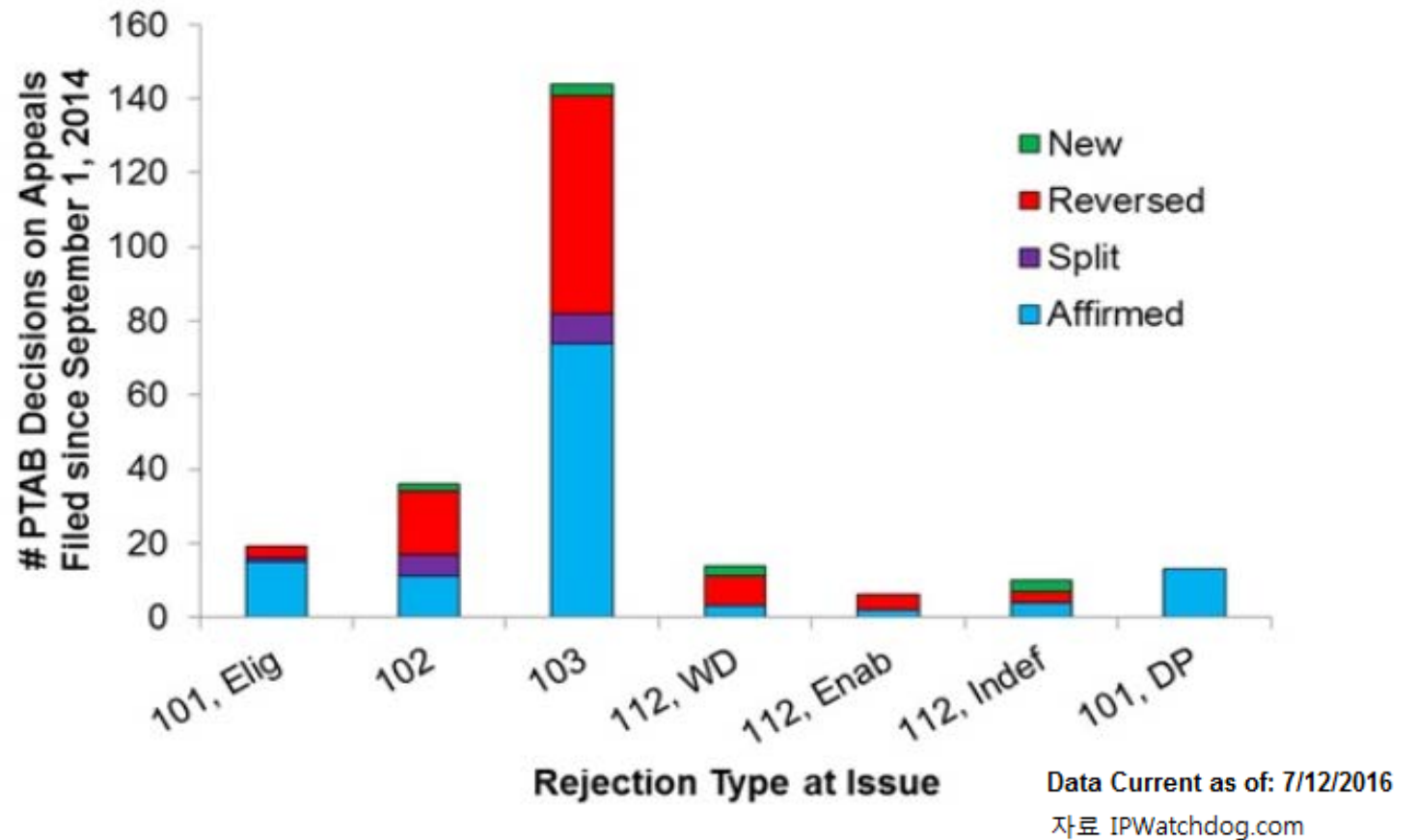


Data Current as of: 7/12/2016

자료 IPWatchdog.com

Appeals of rejections involving § 101 were unlikely to be successful

The PTAB has predominately affirmed eligibility rejections challenged in Post-Alice Appeals, with **79% of patent-eligibility rejections (15 of 19 appeals) being affirmed.**



PTAB Decisions on Eligibility Rejections in Post-Alice Appeals

| APP NUMBER | ART UNIT | APPEAL BRIEF DATE | PTAB DECISION DATE | PTAB DECISION ON ELIGIBILITY REJECTION | STATUS |
|------------|----------|-------------------|--------------------|--|---------------------------------|
| 13829207 | 3689 | 5/4/2015 | 10/19/2015 | Affirmed | Abandoned |
| 10668133 | 3689 | 4/17/2015 | 10/20/2015 | Affirmed | Pending (2 RCEs since Decision) |
| 12671702 | 1678 | 12/15/2014 | 11/2/2015 | Affirmed | Abandoned |
| 13630385 | 3696 | 5/19/2015 | 12/8/2015 | Affirmed | Abandoned |
| 14115488 | 3625 | 6/29/2015 | 1/19/2016 | Affirmed | Abandoned |
| 13560232 | 3689 | 4/30/2015 | 3/1/2016 | Reversed | Patented |
| 13743133 | 3688 | 6/15/2015 | 3/7/2016 | Affirmed | Abandoned |
| 13646285 | 3623 | 8/13/2015 | 3/8/2016 | Affirmed | Abandoned |
| 13743198 | 3686 | 6/9/2015 | 3/17/2016 | Reversed | Allowed |
| 14297996 | 3694 | 9/2/2015 | 3/28/2016 | Affirmed | Abandoned |
| 12506921 | 3687 | 8/31/2015 | 4/1/2016 | Reversed | Allowed |
| 13860821 | 3695 | 8/3/2015 | 4/15/2016 | Affirmed | No Events since Decision |
| 12426034 | 1628 | 10/27/2015 | 4/15/2016 | Affirmed | Petition for Rehearing |
| 14186552 | 3717 | 6/24/2015 | 4/25/2016 | Affirmed | Abandoned |
| 12587101 | 3626 | 4/3/2015 | 4/29/2016 | Affirmed | Appeal to CAFC |
| 12932295 | 1631 | 7/20/2015 | 5/18/2016 | Affirmed | Abandoned |
| 12080356 | 3622 | 7/6/2015 | 5/24/2016 | Affirmed | No Events since Decision |
| 14356747 | 3735 | 2/13/2015 | 6/3/2016 | Affirmed | No Events since Decision |
| 13073026 | 1631 | 11/18/2015 | 7/11/2016 | Split | No Events since Decision |

Data Current as of: 7/12/2016

자료 IPWatchdog.com

Ex parte Carvalho (Appeal No. 2015-001076)

Technology Center 2600

Decided: July 8, 2016

In [*Ex parte* Carvalho](#), in overturning the Examiner's rejection, the PTAB utilized the decision in *Enfish v. Microsoft* to find that the claims were directed to improving the functioning of a computer.

Ex parte Carvalho

14. A method comprising:
aligning words to a desired word boundary, wherein each of the words has a plurality of bits;
receiving from a word aligner, by a bit slipper, information regarding the aligning;
and
slipping bits of the words, **wherein total delay due to the aligning and the slipping is constant for all phases of a recovered clock signal,**
wherein the aligning and the slipping are performed by a transceiver system.

PTAB relied upon *Enfish* under step one of the *Alice* Framework

The PTAB reversed the rejection, citing *Enfish*.

- ✓ It is "relevant to ask whether the claims are directed to an **improvement to computer functionality** versus being directed to an abstract idea, even at the first step of the Alice analysis."
- ✓ The rejected method claims were directed to "an improvement in the functioning of a computer (i.e., eliminating word aligner latency delay uncertainty) and not to the addition of general-purpose computer components to a fundamental economic practice or mathematical equation."
- ❖ The PTAB looked to the specification of Appellant's application and identified that the specification taught how prior art systems would introduce "a Deserializer/Word aligner latency uncertainty."
- ❖ The PTAB then contrasted the deficiencies of the prior art with the solutions set forth in the specification (i.e., constant total delay for all recovered clock phases by using a bit slipper).

Takeaway

- ✓ It would be beneficial to include deficiencies of prior art in the specification and benefits of the invention that identify the technological improvements in order to align the claims at issue with the decision in *Enfish* (illustrating that claims are directed to improving the functioning of the computer).

Ex parte Ismail (Appeal No. 2014-005477)

Technology Center 1600

Decided: July 1, 2016

In [Ex parte Ismail](#), the PTAB reversed an Examiner's rejection of claims for utilizing multi-pixel spectral images to identify microorganisms under 35 U.S.C. § 101. In part, the PTAB focused on the practical application of the claimed subject matter to find that the claims do not preempt the abstract idea or any natural law.

Ex parte Ismail

1. A method for characterizing a microorganism said method comprising:
 - a) obtaining at least one multi-pixels spectral image of a sample of said microorganism, wherein each pixel of said multi-pixels spectral image has a corresponding spectrum;
 - b) selecting one or more spectra from said multi-pixels spectral image, wherein said **selecting is based on one or more spectral characteristics of said corresponding spectrum**; and
 - c) identifying said microorganism by **comparing said one or more selected spectra with spectra of reference microorganisms from a database** to determine an identity of said microorganism.

Positions taken by Examiner and Appellant

The **Examiner** found “there is *no clear-cut practical application* of the objective of the claim” and thus concludes the claims are drawn to a patent-ineligible “law of nature/natural principle” or “the abstract idea of data manipulation.”

The **Examiner** then argued that the “body of independent claim 1 relies on image data analysis of image data ... [that] may be interpreted to be *obtained empirically*.”

The **Appellant** argued that the Examiner has not sufficiently explained the rejection – both as to what aspect of the claims involve “empirical observation,” and what exactly is considered the “natural principle.”

The **Appellant** further contended that in the claims “[e]ach pixel in a multi-pixels spectral image of a sample has a *corresponding spectrum, which would be obtained by spectral analysis as opposed to empirical observation*.”

Two-part Alice/Mayo Framework Analysis

The PTAB reversed the Examiner's rejection.

✓ Step 1 of Alice test :

- ❖ The PTAB agreed with the Appellant in finding that the Examiner did not persuasively show that the claims, considered in their entirety, are limited to an abstract idea or natural principle.
- ❖ The PTAB found that the Examiner did not adequately explain why image data analysis of claim 1 may be interpreted to be obtained empirically ("Nor has the Examiner explained how the methods claimed may be accomplished **without specialized (i.e., non-abstract) techniques and equipment** (such as the FPA-FTIR spectrometer described in the specification.)")

Two-part Alice/Mayo Framework Analysis

✓ Step 2 of Alice test :

- ❖ The PTAB seemed to focus on *whether the claims would wholly preempt “access to the building block itself.”* (“[T]he Examiner has not persuasively demonstrated that the claim elements here add nothing of substance such that the claims stand to preempt any law of nature or abstract idea alone.”)
- ❖ In contrast, the PTAB found that “the rejected claims include multiple steps directed to a *practical application of a particular type* of spectral-image analysis.”

Takeaway

- ✓ In line with the decision in [BASCOM](#), the PTAB is starting to focus on whether the claims are directed to a practical application of the alleged abstract idea as opposed to encompassing the abstract idea (and thus preempting that abstract idea). Applicants may wish to formulate arguments that rely on the practical application aspect of the claimed subject matter.

Ex parte Barous (Appeal No. 2016-003320)

Technology Center 3600
Decided: August 1, 2016

In [*Ex parte* Barous](#), the PTAB reversed an Examiner's rejection of claims that recite utilizing a retailer's point-of-sale (POS) system that printed coupons for a third-party's unrelated goods or services under 35 U.S.C. § 101 as being directed to patent-ineligible subject matter.

Ex parte Barous

43. A checkout system for a retail outlet for distributing third- party discount coupons associated with one or more third-party retailers comprising:

a printer; and

a point-of-sale register having a processor configured to:

add prices of items purchased by a shopper to reach a total sale ST ;

compare the total sale ST of the shopper to a threshold sale value T ; and

*print one or more third-party coupons **for use with a respective third-party retailer to purchase goods or services unrelated to the goods or services offered by the retail outlet if the total sale ST of the shopper exceeds the threshold sale value T .***

Positions taken by Examiner and Appellant

The **Examiner** argued,

- (1) the claimed invention is directed to an abstract idea of *distributing coupons by a retailer for the purpose of enhancing revenue*, which is a fundamental economic practice and employs mathematical economic practice, and
- (2) there is no meaningful limitations because the claims require no more than a generic computer to perform generic computer functions that are *well-understood, routine and conventional*.

The **Appellant** has not disputed that the claims are directed to an abstract idea but asserted that the Examiner has erred in ignoring the additional features.

"[i]t is unconventional for a retailer's POS register to print a coupon for the purchase of a third-party retailer's unrelated goods or services. It is especially unconventional for the retailer's POS register to condition doing this on a shopper's total purchase from the retailer exceeding a certain threshold sale value. None of this is routine or well understood. In fact, twelve years of prosecution reveals that nothing in the prior art teaches these additional features or even renders them obvious. Nothing of record demonstrates that this sort of activity has ever been previously engaged in by those in the field."

PTAB relied upon specific limitations of claims

The PTAB reversed the rejection.

- ✓ Comparing the total sale value to a threshold and printing coupons for use with third party retailers clearly narrow the claims so that they do not preempt the "abstract idea" defined by the Examiner.
- ✓ The *2014 Interim Guidance on Patent Subject Matter Eligibility* require that if an Examiner decides the limitations do not add "significantly more" to the claim, the Examiner must identify the limitations and explanations provided as to why this is the case.
 - ❖ The PTAB found that the Examiner failed to provide persuasive arguments or evidence as to why the limitations were not "significantly more."
 - ❖ The argument "the limitations are generic computer functions (e.g. adding, comparing and printing) that are well-understood, routine and conventional activities previously known to the industry" did not suffice.

Takeaway

- ✓ Appellants may look to specific limitations recited in the claim that contrasts with the prior art to point out that those limitations add "significantly more" to the alleged abstract idea.
- ✓ Additionally, these specific limitations may be utilized to show that the claimed subject matter is an "unconventional" arrangement of elements.

THANK YOU

Post-Alice Litigation Trends for Invalidity Challenges under §101



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SUNG-HOON KIM
TREASURER OF KAIPBA
WESTERMAN, HATTORI, DANIELS & ADRIAN, LLP

DISCLAIMER

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§101 Motions

- ❑ Rule 12(b)(6) motions to dismiss
 - ❑ Must be filed no later than the deadline for filing the answer and rely only on the complaint.
- ❑ Rule 12(c) motions
 - ❑ Can be filed at any time after the pleadings are closed but early enough not to delay trial and may rely on both parties' pleadings.
- ❑ Rule 56 motions
 - ❑ Can be filed at any time until 30 days after the close of all discovery and rely on actual evidence.

Advantages and Disadvantages of Pre-Markman §101 motions (for patent challengers)

❑ Advantages:

- ❑ If won, can save time and expense that would have been spent on litigation the case through Markman.
- ❑ Even if lost, can still file another §101 motions and use arguments made by the patent owner during the litigation.

❑ Disadvantages:

- ❑ May waste time and expense for preparing the motion.
- ❑ However, potential loss from a losing motion could be much less than cost of litigating the rest of the case.
- ❑ Patent owners: may allow to get a preview of the challenger's claim construction positions.

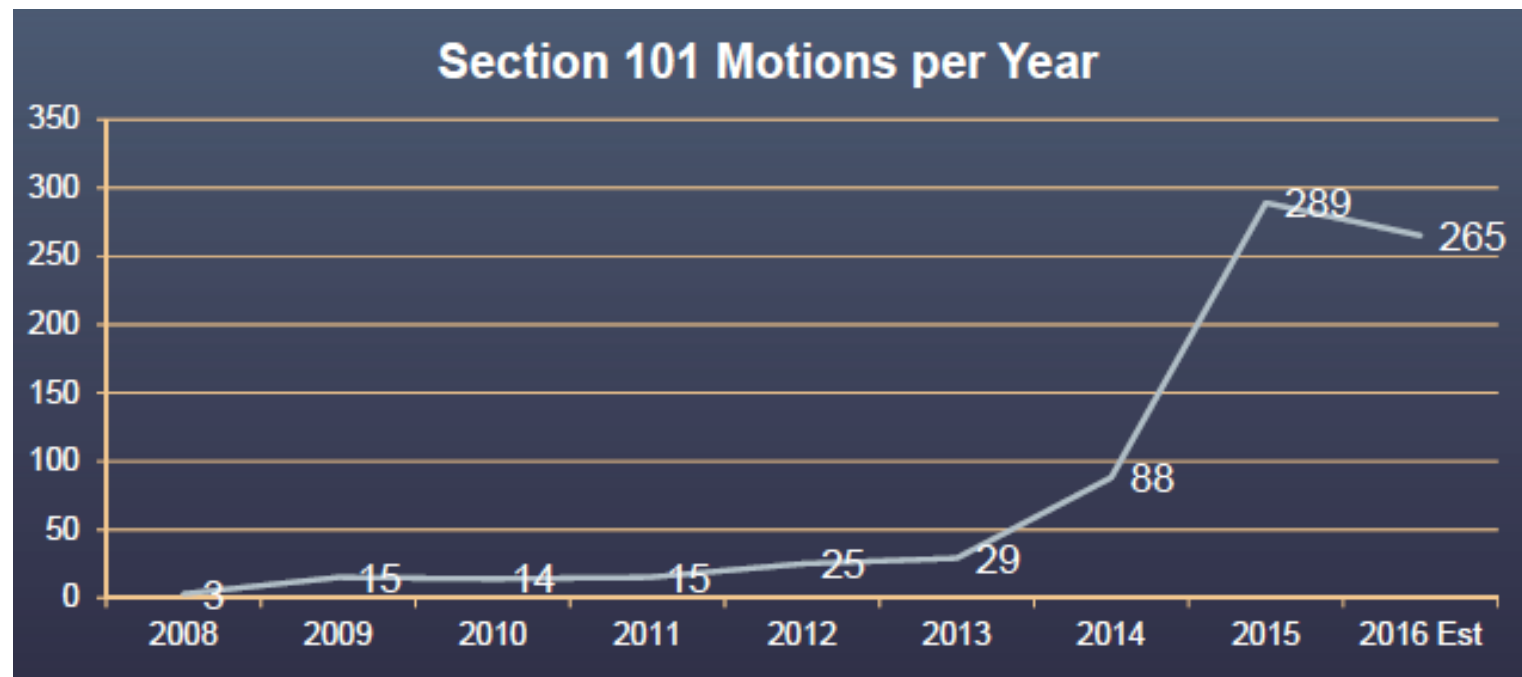
How to succeed in Pre-Markman §101 motions (for patent challengers)

- ❑ Ripeness:
 - ❑ Build characterization of the patent and any relevant limitations with intrinsic evidence (specification and prosecution history).
 - ❑ If any terms for construction or proposed constructions are not offered by patent owners, argue that the motion is procedurally ripe because patent owner has not identified any claim construction disputes.
 - ❑ If offered, argue that patent owners have not sufficiently explained how its constructions would affect court's §101 analysis.
- ❑ Merits: argue using 2-parts Alice analysis (directed to an abstract idea and no inventive concept).

How to succeed in Pre-Markman §101 motions (for patent owners)

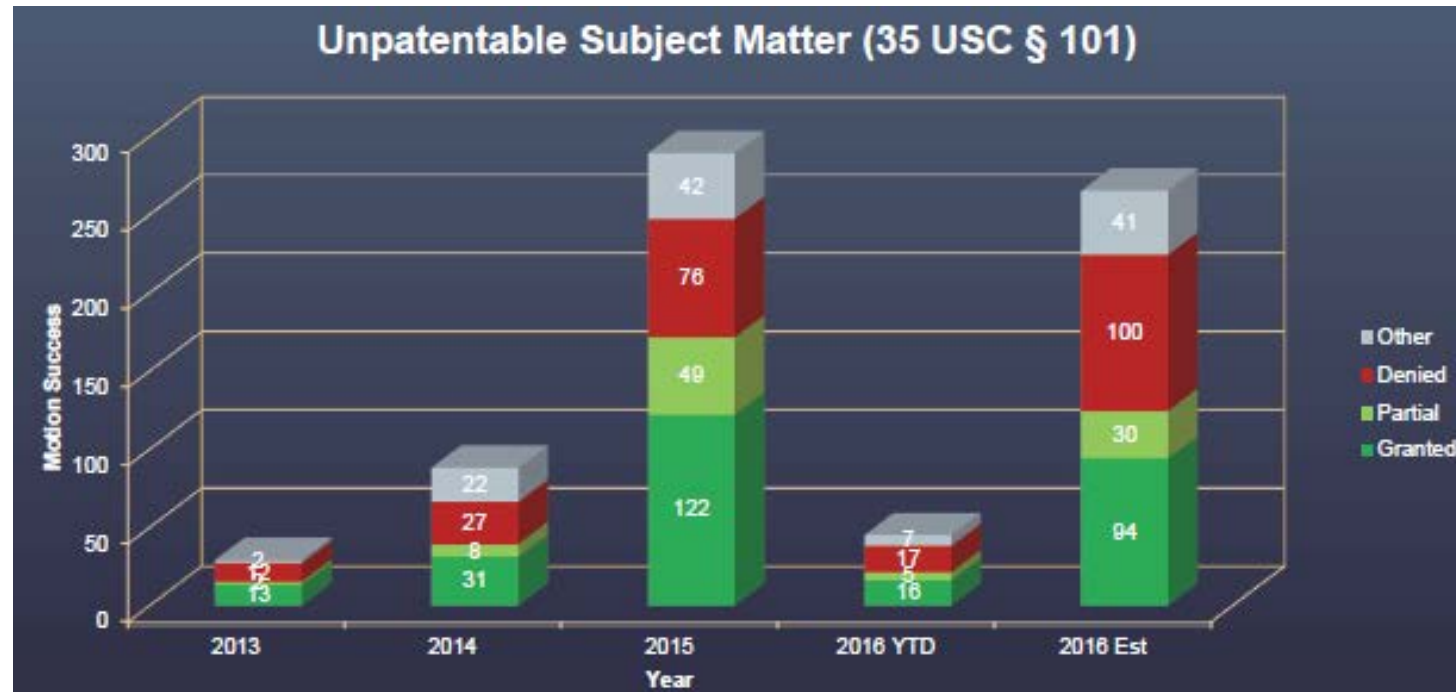
- ❑ Ripeness:
 - ❑ Argue that the factual record is not yet sufficiently developed and that there are genuine factual disputes that render the patent unclear prior to Markman.
 - ❑ Identify many terms that the court should construe prior to ruling on the motions and dispute patent challenger's claim constructions.
- ❑ Merits: argue using 2-parts Alice analysis (not directed to an abstract idea and inventive concept).

§101 Motions per year



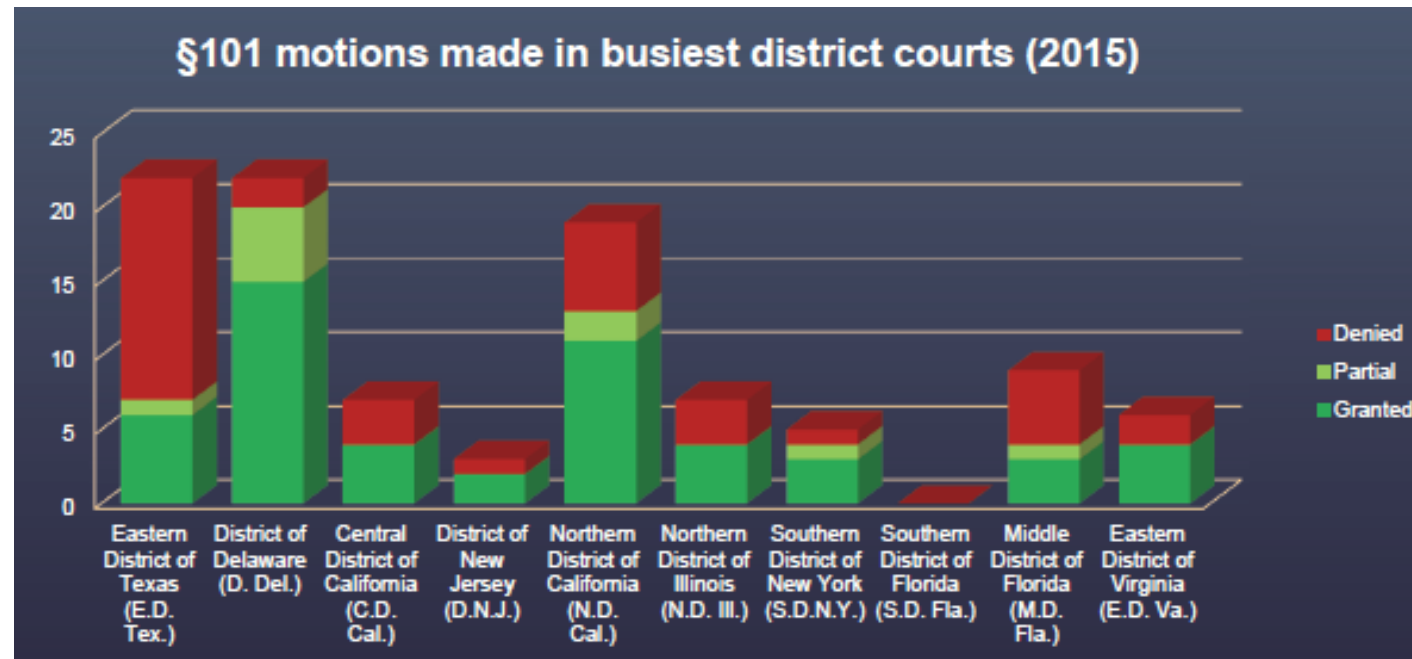
<http://www.pillsburylaw.com/siteFiles/Events/AliceMayoPresentation.pdf>

Success rate of §101 motions



<http://www.pillsburylaw.com/siteFiles/Events/AliceMayoPresentation.pdf>

§101 Motions by jurisdictions



<http://www.pillsburylaw.com/siteFiles/Events/AliceMayoPresentation.pdf>

Post-Alice §101 Prosecution Tips



KOREAN
AMERICAN
INTELLECTUAL
PROPERTY
BAR ASSOCIATION

SUNG-HOON KIM
TREASURER OF KAIPBA
WESTERMAN, HATTORI, DANIELS & ADRIAN, LLP

Tip 1: Show failure to meet prima facie requirements

- ❑ Show that the Examiner does not provide sufficient evidence to support BOTH PRONGS of the 2-step statutory subject matter analysis.
- ❑ Check whether the Office Action contains little more than a form paragraph, or otherwise fails to analyze all of the claim limitations and the claim as a whole.

Tip 2: Tie method claims to a physical object

- ❑ Amend method claims to put a machine in the preamble so that the machine is clearly performing the method.
- ❑ If claiming virtual machine or virtual memory, amend with the limitations stating that the virtual device is implemented with physical computing resources.

Tip 3: Need “right” kind of detail

- ❑ Show the “heart” of the invention in the claim by describing key elements or steps with sufficient substance.
- ❑ For functional limitations, consider the “way” that a function is implemented.
- ❑ Keep business goals in mind: increase the chance of a granted patent v. commercial value.

Tip 4: Identify a basis for patentability independent of abstract idea (“significantly more”)

- ❑ Show that specific limitations or combinations of limitations provide distinct advantages over any identified abstract idea.
- ❑ Enfish: “self-referential” table improves the prior art and is a specific solution apart from the alleged abstract idea.
- ❑ Bascom: installation of a filtering tool at a specific location provides “significantly more.”

Tip 5: Identify technical solutions to technical problems

- ❑ Show that the specification describes advantages of the invention in the context of a specific solution to a particular problem in detail.
- ❑ Enfish: technical problem with databases.
- ❑ Bascom: technical problem with content filtering systems.
- ❑ **The specification is as important as the claims.**

Tip 6: Show there is no preemption

- ❑ Show that the patent is limited to a specific process.
- ❑ McRO: “the patent is limited to a specific process for automatically animating characters using particular information and techniques and does not preempt approaches that use rules of a different structure or different techniques.”

Tip 7: Examiner's interview

- ❑ Discuss two-steps Alice analysis process with the Examiner and may get a read on which approaches may be effective for a response to the Office Action.

THANK YOU



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Software Invention: Subject Matter Eligibility



THOMAS JOONWOO HONG, ESQ.

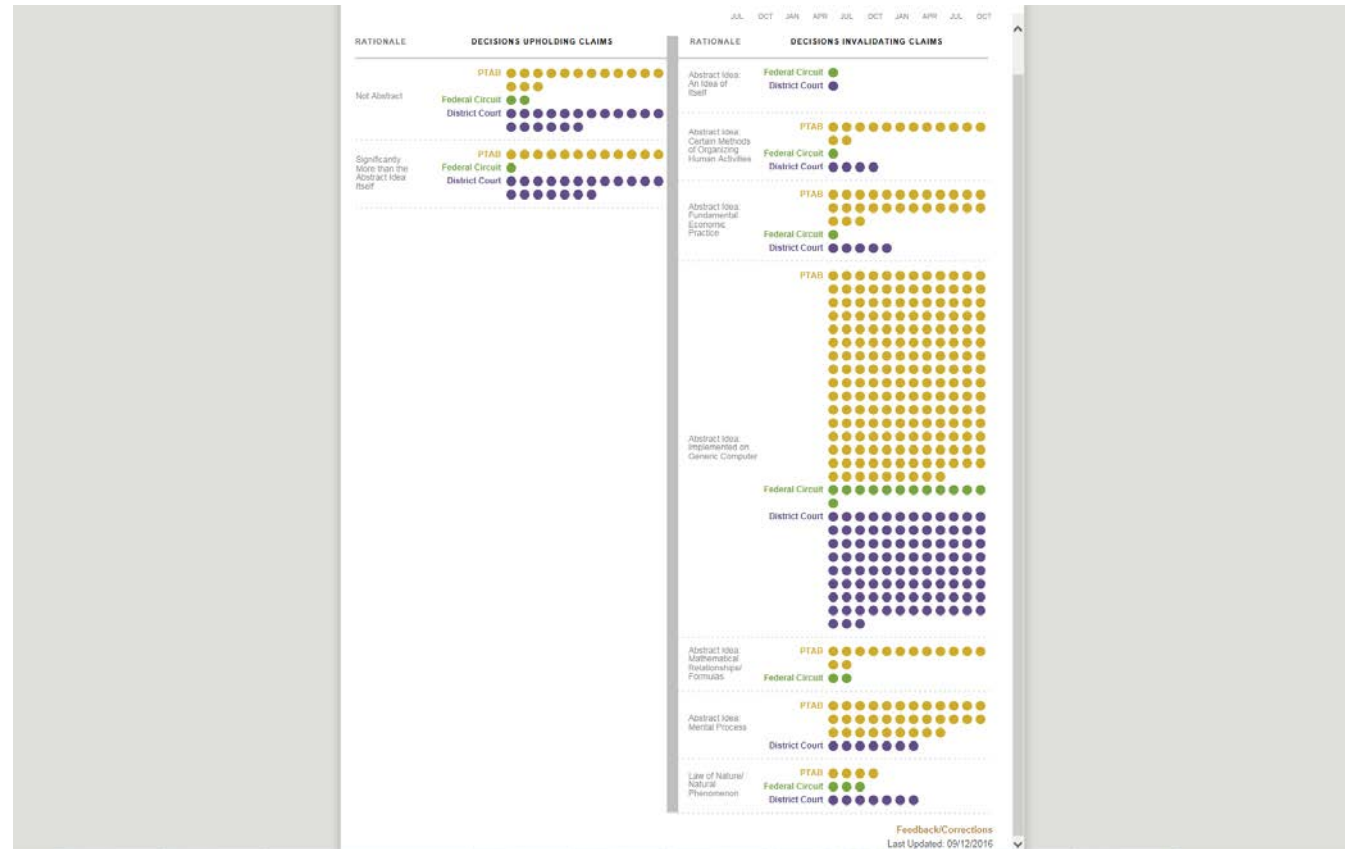
CHIEF OPERATING OFFICER,
KOREAN-AMERICAN INTELLECTUAL PROPERTY BAR ASSOCIATION

PATENT EXAMINER, UNITED STATES PATENT AND TRADEMARK OFFICE

DISCLAIMER

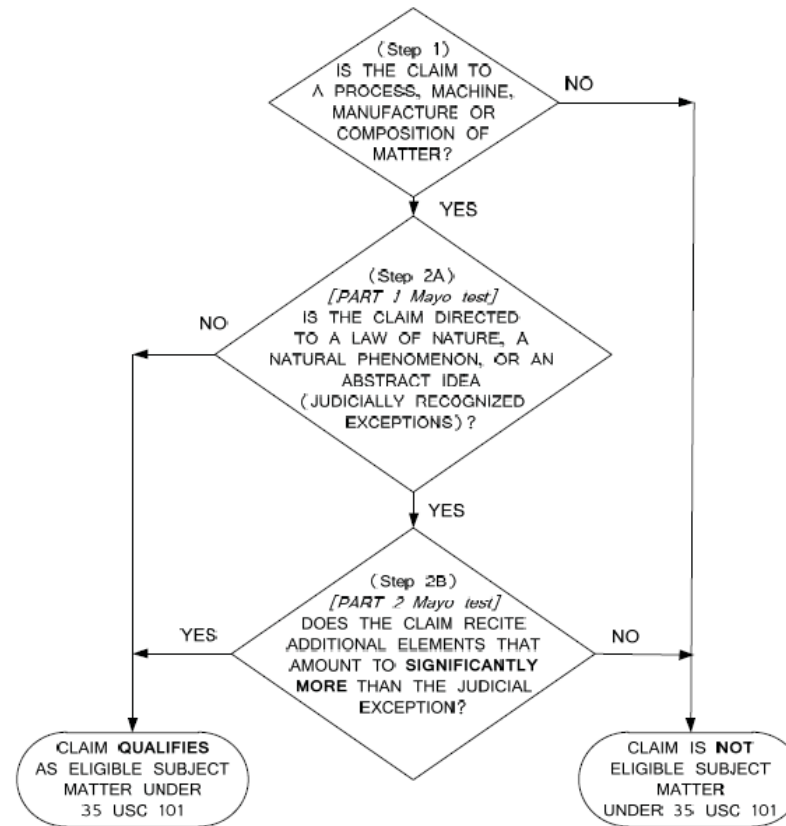
This presentation was prepared or accomplished by Thomas Hong in his personal capacity. The opinions expressed in this article are the author's own and do not reflect the view of the United States Patent and Trademark Office, the Department of Commerce, or the United States government. Also, this presentation does not provide any legal advice.

Post-Alice Patent Eligibility Court Decisions



<https://www.fenwick.com/pages/post-alice.aspx>

Subject Matter Eligibility Test (2014 IEG)



https://www.uspto.gov/patents/law/exam/2014_eligibility_qrs.pdf

USPTO Subject Matter Eligibility Guidelines

December 2014

- Two-Part Analysis for Judicial Exceptions
- Examples

July 2015

- Additional Examples
- Further information on Identifying Abstract Ideas in Step 2A
- Requirements of A Prima Facie Case
- Preemption/Streamlined analysis

May 2016

- Formulating a 101 Rejection
- Evaluating Applicant's Response

<https://www.uspto.gov/patent/laws-and-regulations/examination-policy/2014-interim-guidance-subject-matter-eligibility-0>

May 2016 Updates (2016.5.4)

Formulating a § 101 Rejection

- *A. When making a rejection, identify and explain the judicial exception recited in the claim (Step 2A)*
- *B. When making a rejection, explain why the additional claim elements do not result in the claim as a whole amounting to significantly more than the judicial exception (Step 2B)*

Evaluating Applicant's Response

- identification of an abstract idea
- something is well-known, routine, conventional activity with a specific argument or evidence
- 'specially programmed' or 'particular machine'
- the claim is specific and does not preempt all applications

Enfish & TLI Communications Memo (2016.5.19)

Additional information and clarification on SME analysis

- In step 2A, compare the claim to claims already found to be directed to an abstract idea in a previous court decision
- "directed to" inquiry applies a filter to claims, when interpreted in view of the specification, based on whether their character as a whole is directed to a patent ineligible concept
- caution against describing a claim at a high level of abstraction untethered from the language of the claim
- invention's ability to run on a general purpose computer does not automatically doom the claim

The fact that a claim is directed to an improvement in computer-related technology can demonstrate that the claim does not recite a concept similar to previously identified abstract ideas.

THANK YOU

Thomas Joonwoo Hong, joony76@gmail.com

미국 특허 무효심판 청구를 통한 지재산권 분쟁대응

무효심판제도 개요 및 통계 AIA Patent Trials Overview and Statistics

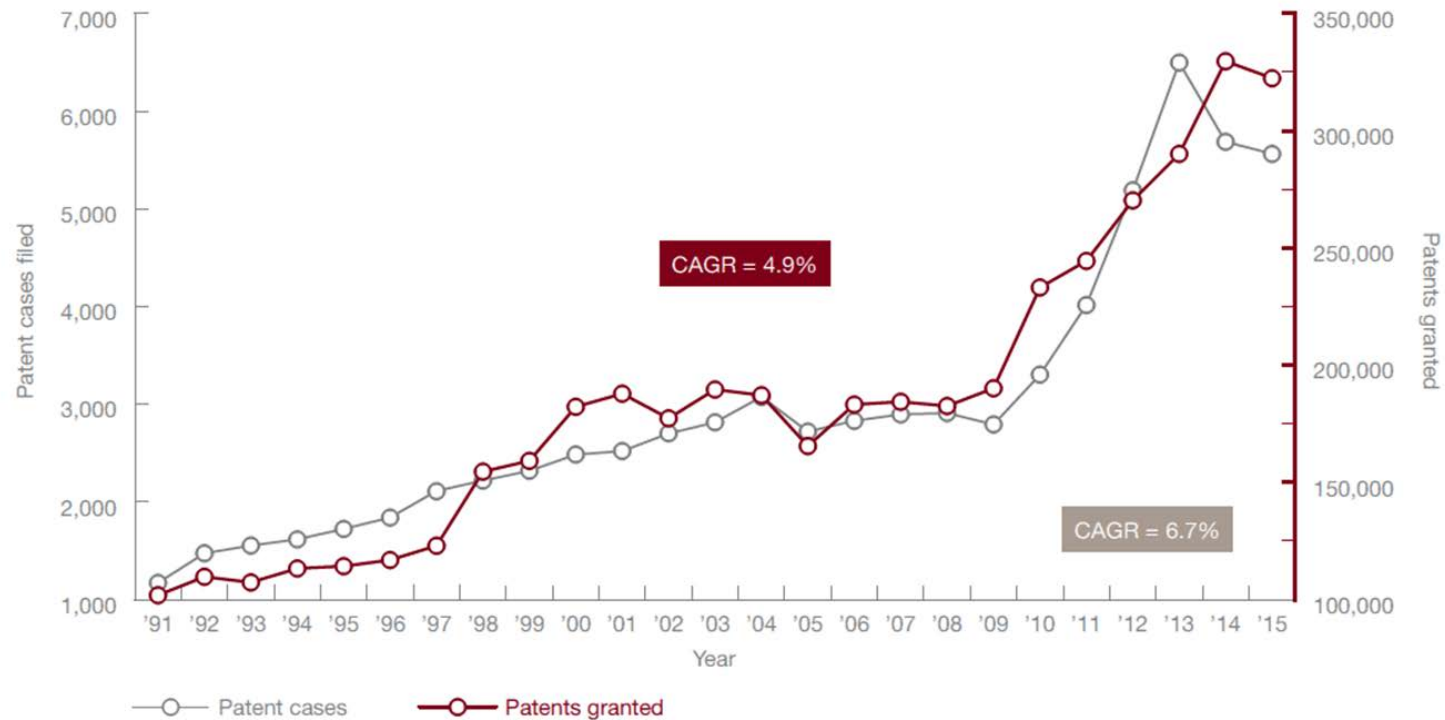


김재연 (STEVE KIM) 미국특허변호사
NOVICK, KIM & LEE, PLLC

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미국 소송 건수 : 2013년 6500, 2014년 5500, 2015년 5300건

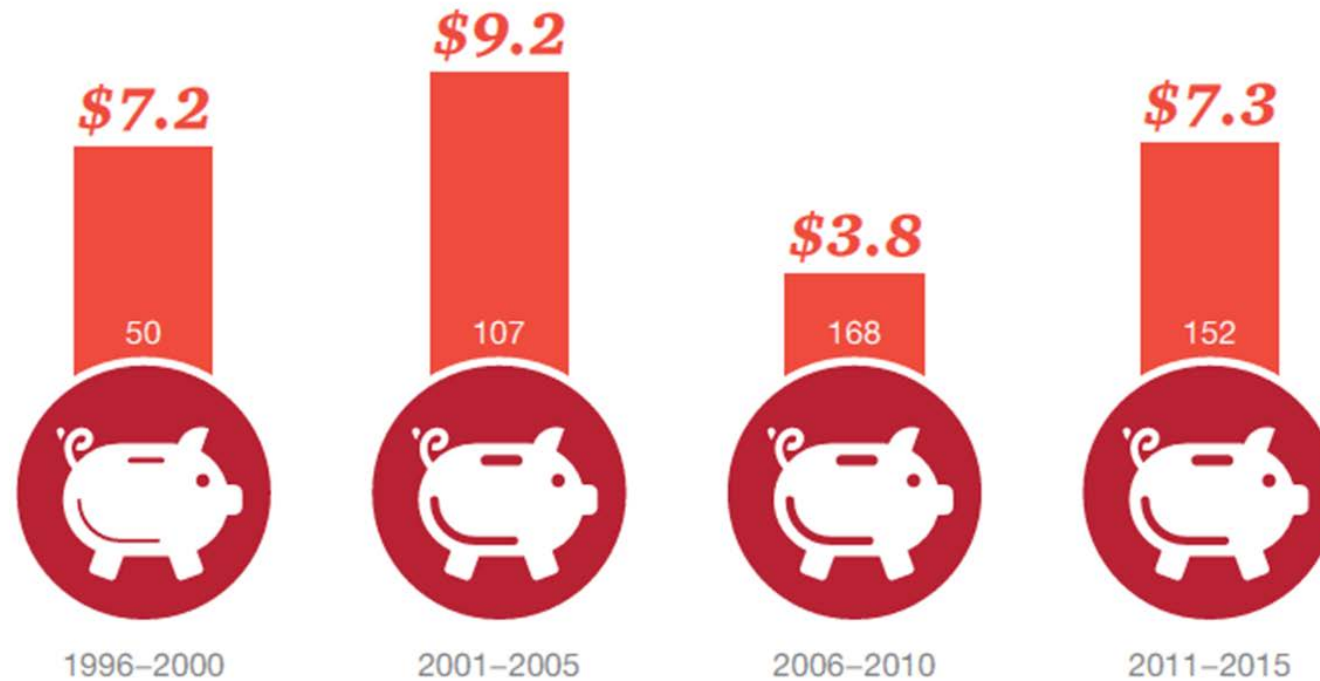


Years are based on September year-end.

Sources: *Performance & Accountability Report* (USPTO) and *Judicial Facts and Figures* (US Courts)

자료 PWC

평균 손해배상 금액



The number of identified decisions is indicated within the respective column.

자료 PWC

NPE, Practicing Entities 손해배상 금액 비교



자료 PWC

NPE 유형별 손해배상 금액



The number of cases is indicated within the respective row.

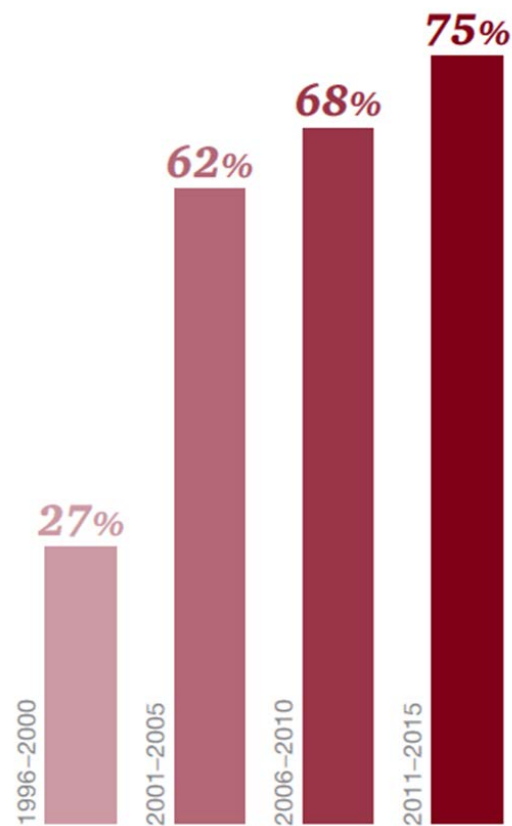
자료 PWC

10대 손해 배상 금액 (1심 판결 기준; 95-2005년)

| Year | Plaintiff | Defendant | Technology | Award (in \$M) |
|------|-----------------------------|--------------------------------------|---|----------------|
| 2009 | Centocor Ortho Biotech Inc. | Abbott Laboratories | Arthritis drugs | \$1,673 |
| 2007 | Lucent Technologies Inc. | Microsoft Corp. | MP3 technology | \$1,538 |
| 2012 | Carnegie Mellon University | Marvell Technology Group | Noise reduction on circuits for disk drives | \$1,169 |
| 2012 | Apple Inc. | Samsung Electronics Co. | Smartphone software | \$1,049 |
| 2012 | Monsanto Company | E. I. du Pont de Nemours and Co. | Genetically modified soybean seeds | \$1,000 |
| 2005 | Cordis Corp. | Medtronic Vascular, Inc. | Vascular stents | \$595 |
| 2015 | Smartflash LLC | Apple Inc. | Media storage | \$533 |
| 2004 | Eolas Technologies Inc. | Microsoft Corp. | Internet browser | \$521 |
| 2011 | Bruce N. Saffran, M.D. | Johnson & Johnson | Drug-eluting stents | \$482 |
| 2014 | Masimo Corporation | Philips Electronics N. America Corp. | Device measuring blood oxygen levels | \$467 |

자료 PWC

배심원 판결 비율



자료 PWC

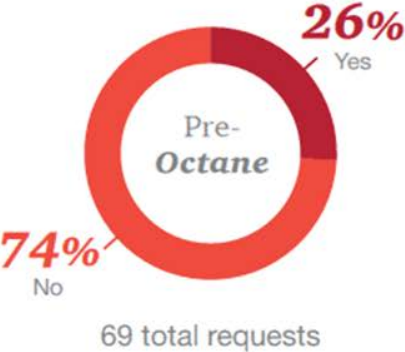
배심원, 판사 판결시 평균 손해배상 비교



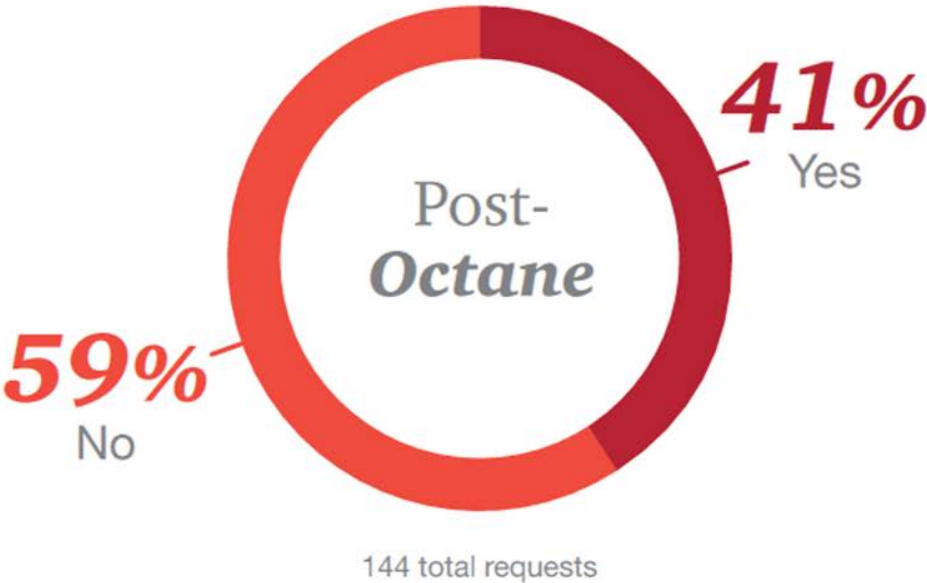
자료 PWC

상대 변호사 비용 지불 판결 추이 변화

January 1, 2013–April 29, 2014



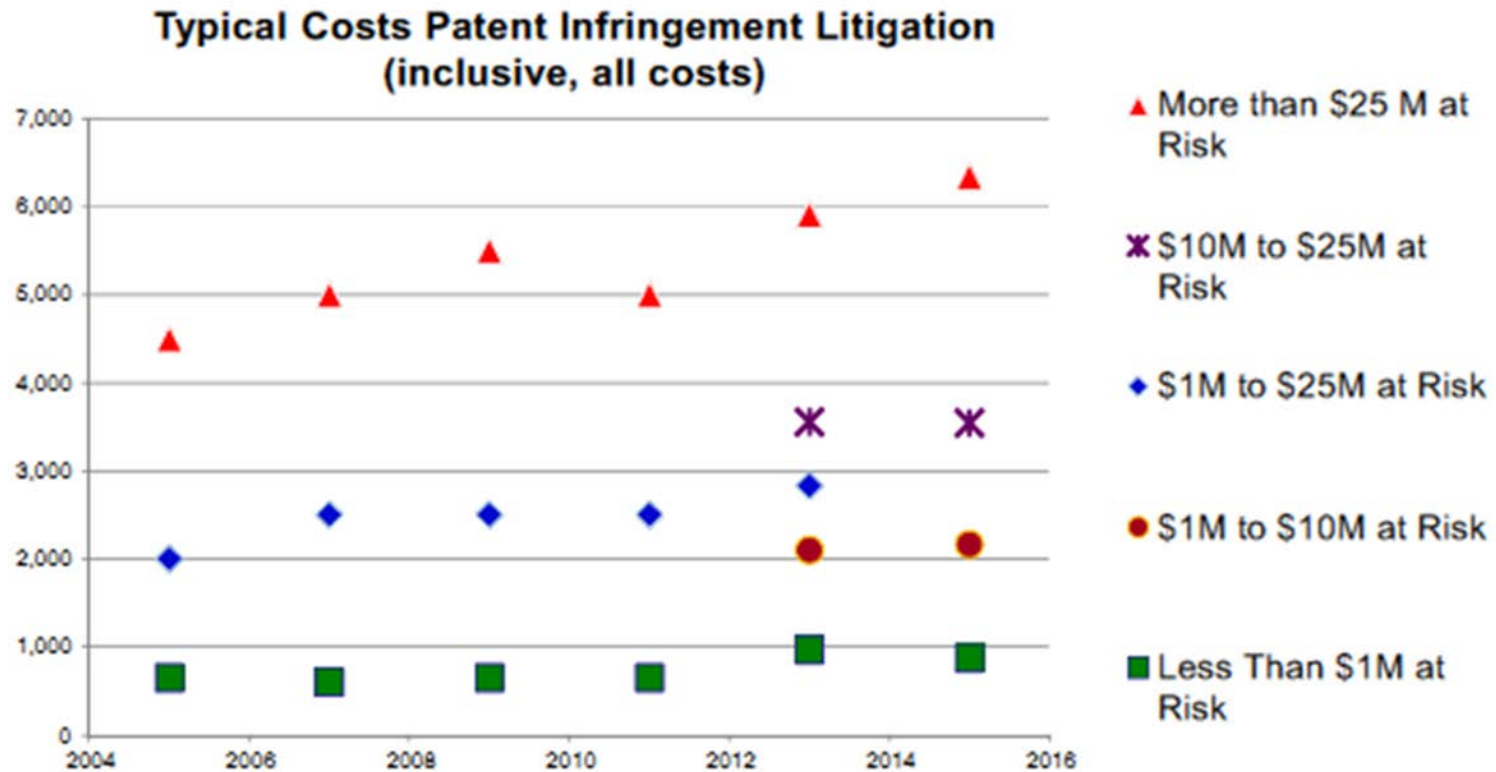
April 30, 2014–December 31, 2015



Median fees awarded post-Octane.....\$0.3M
Median % of fee request awarded post-Octane.....82%

자료 PWC

소송 방어 평균 비용



Source: AIPLA Report of the Economic Survey 2015

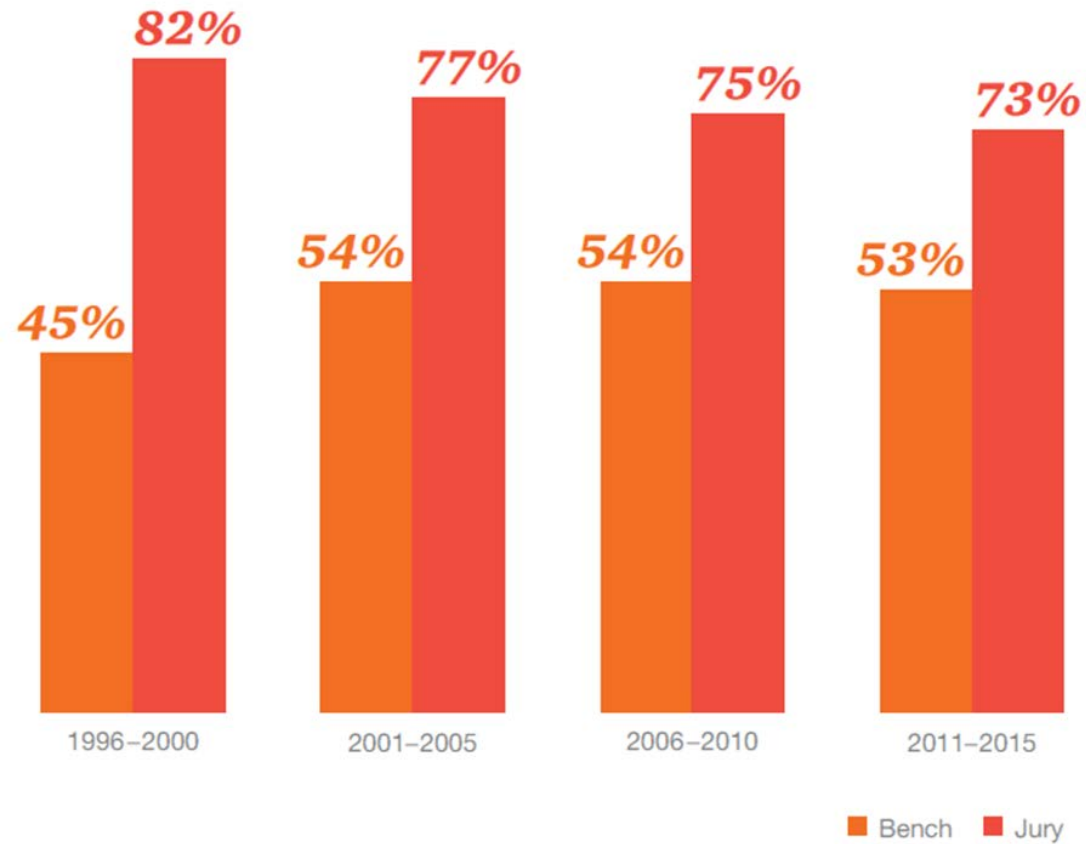
미국 지방 법원별 특허 소송 순위

| Overall rank | District | Median time-to-trial (in years) | Rank | Overall success rate | Rank | Median damages award | Rank |
|--------------|---|---------------------------------|------|----------------------|------|----------------------|------|
| 1 | Delaware | 2.0 | 4 | 40% | 4 | \$17,000,000 | 3 |
| 2 | Texas Eastern | 2.3 | 6 | 54% | 1 | \$9,402,274 | 5 |
| 3 | Virginia Eastern | 1.0 | 1 | 28% | 10 | \$32,651,682 | 2 |
| 4 | Wisconsin Western | 1.1 | 2 | 37% | 5 | \$7,997,380 | 6 |
| 5 | Florida Middle | 1.9 | 3 | 52% | 2 | \$226,503 | 15 |
| 6 | Texas Southern | 2.0 | 5 | 21% | 15 | \$58,017,546 | 1 |
| 7 | New Jersey | 2.7 | 11 | 36% | 6 | \$16,507,459 | 4 |
| 8 | Texas Northern | 2.4 | 9 | 47% | 3 | \$4,788,595 | 10 |
| 9 | California Central | 2.3 | 7 | 27% | 11 | \$3,322,719 | 11 |
| 10 | New York Southern | 2.5 | 10 | 31% | 7 | \$2,580,864 | 12 |
| 11 | Massachusetts | 3.6 | 14 | 30% | 8 | \$6,152,537 | 7 |
| 12 | California Northern | 2.8 | 12 | 26% | 12 | \$5,157,682 | 9 |
| 13 | Florida Southern | 2.4 | 8 | 24% | 13 | \$386,519 | 14 |
| 14 | Minnesota | 2.9 | 13 | 30% | 9 | \$2,498,695 | 13 |
| 15 | Illinois Northern | 3.7 | 15 | 23% | 14 | \$6,080,118 | 8 |
| | Overall (all decisions identified) | 2.4 | | 33% | | \$5,779,003 | |

자료 PWC

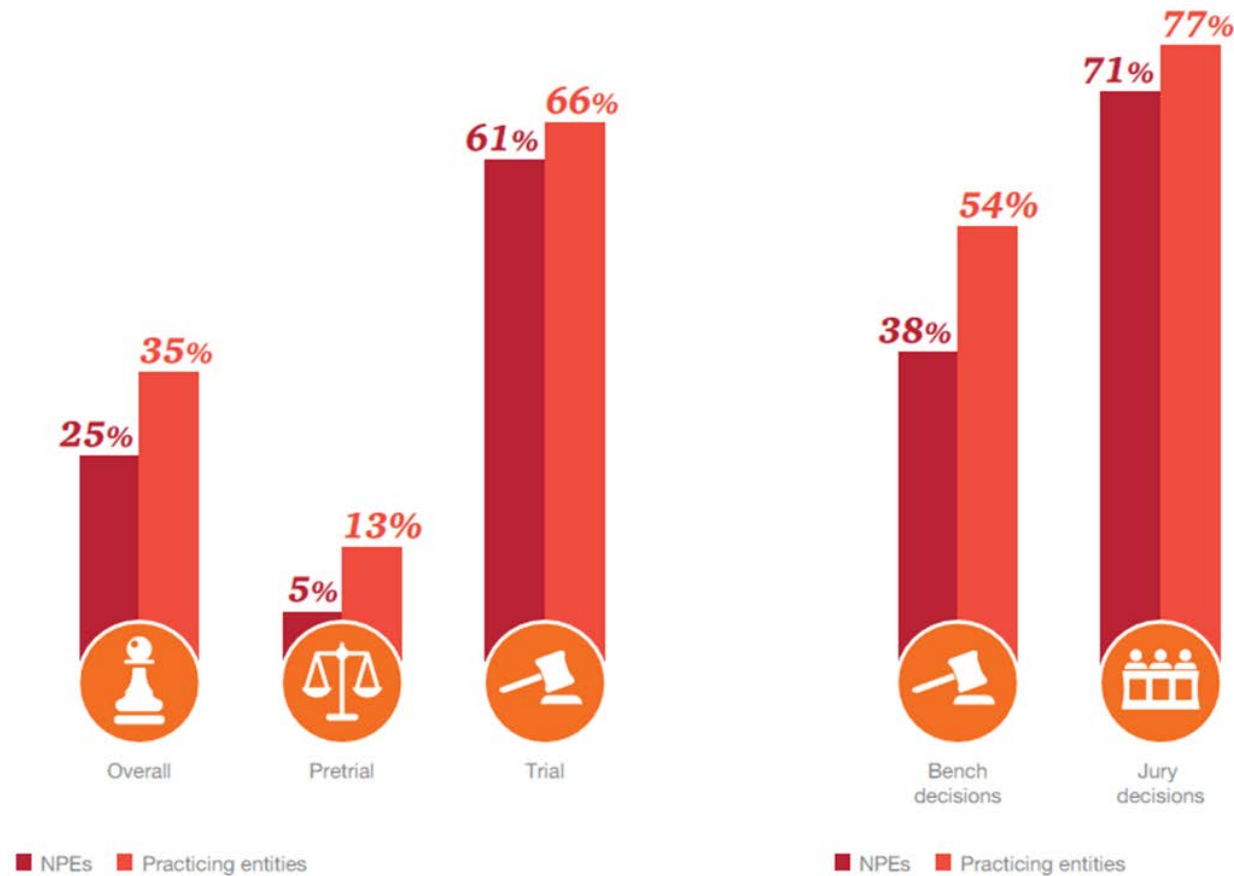
The overall ranking for these courts are based on their relative ranking for each of the three statistical measures, equally weighted.

원고 승소율 Bench v. Jury 비교



자료 PWC

NPE, Practicing Entities 승소율 비교



자료 PWC

NPE 유형별 승소율 비교



71/245

29%

Company success rate falls in the middle, but still below overall 25% success rate for NPEs



9/19

47%

Universities/non-profits lead the pack in overall success rate



37/213

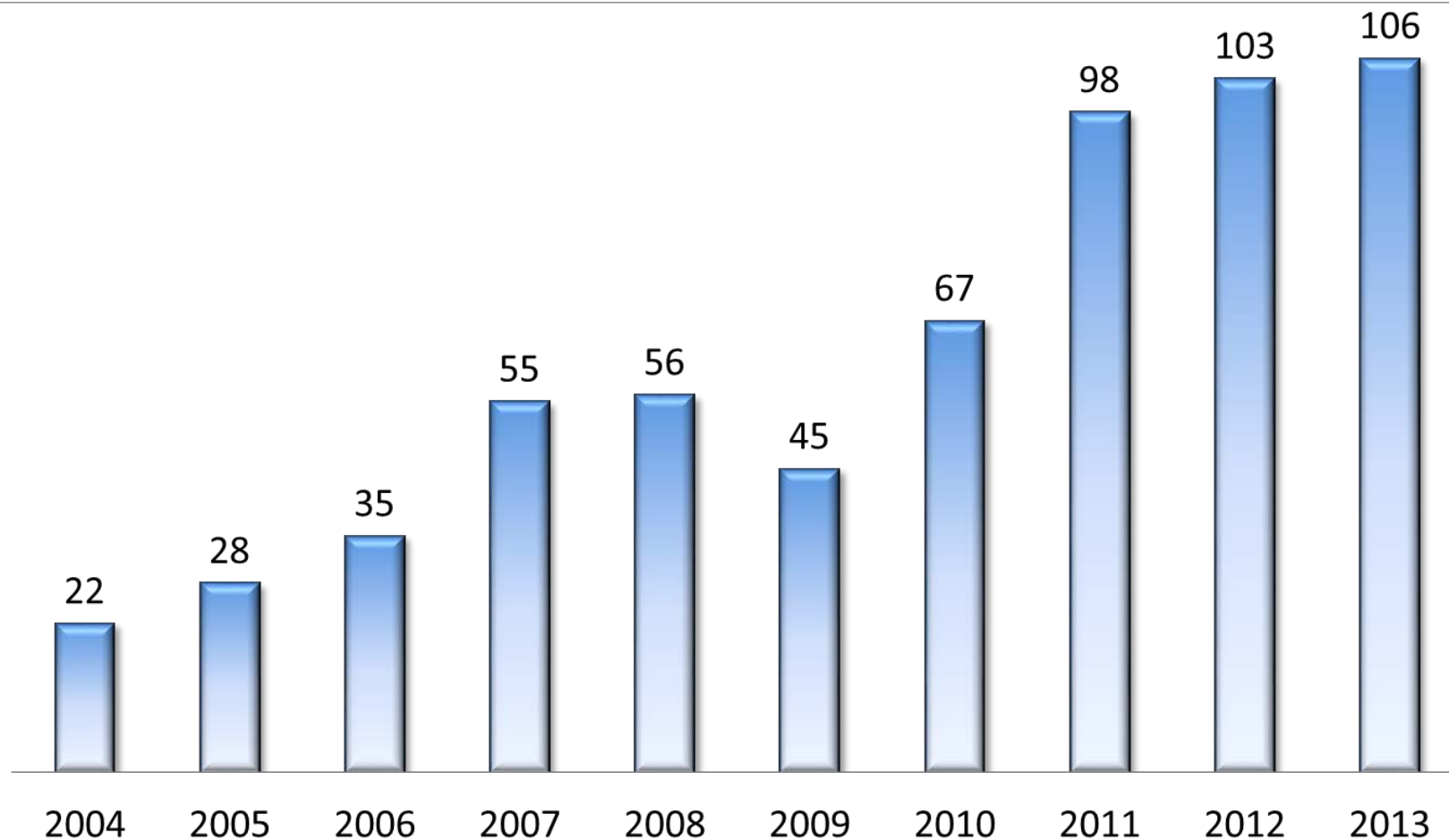
17%

Individual NPEs lag far behind in success rate

The number of cases is indicated below each graphic.

자료 PWC

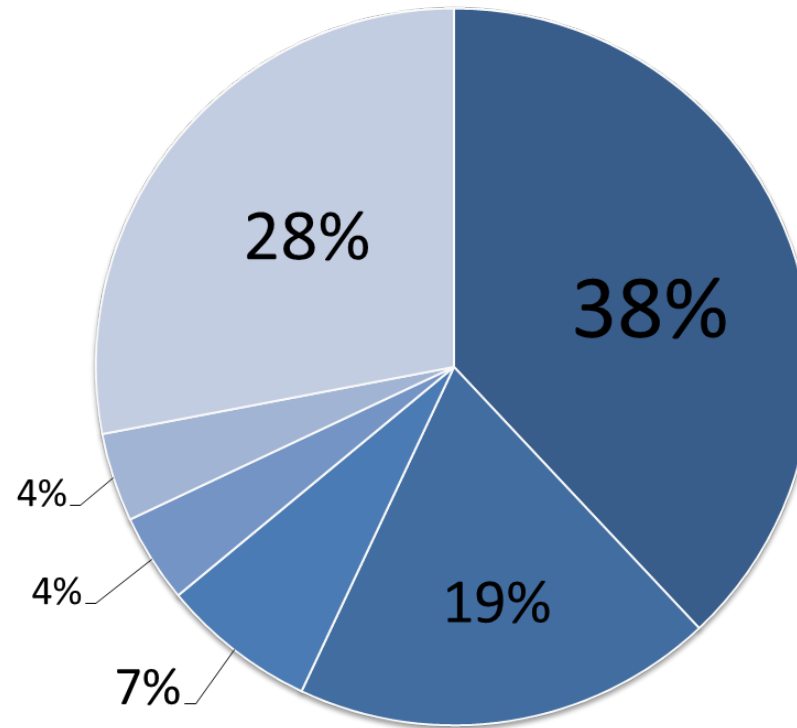
한국 기업 상대 미국 연도별 소송건수



자료 KOTRA

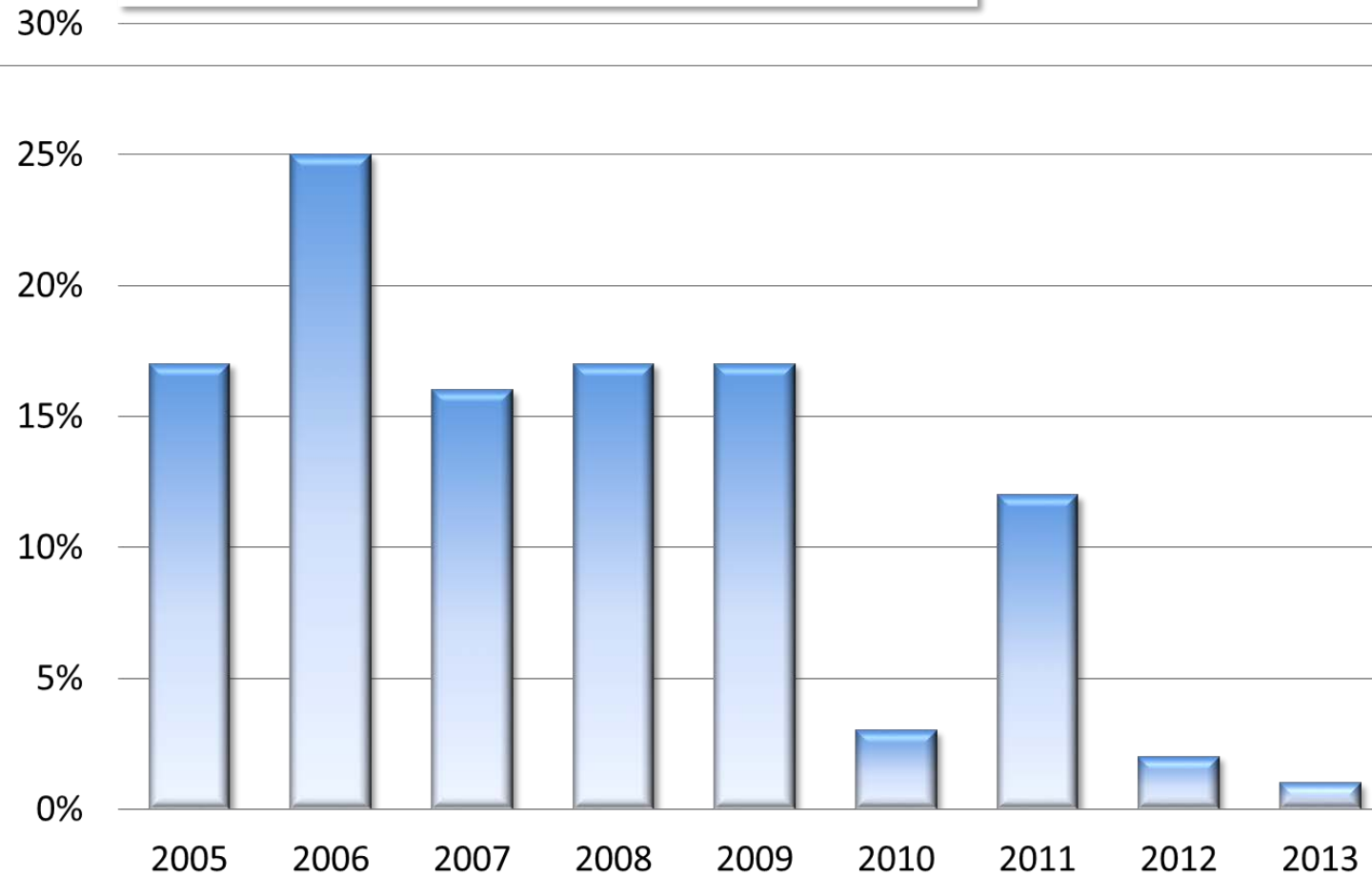
한국 기업 대상 소제기 법원

- 동부텍사스
- 델라웨어
- 북부캘리포니아
- 남부캘리포니아
- 중부캘리포니아
- 기타



자료 KOTRA

연도별 한국 기업 원고 소송 비율



자료 KOTRA

Invalidity in USPTO, Court and ITC

| CAFC (Appellate Court) | | |
|---|--|--|
| USPTO 1. PTAB - Judges - IPR - PGR - CBM 2. CRU - Examiners - Ex Parte Reexam - No Inter Partes Rexexam (9/16/2012) | District Court - Declaratory Judgement - Counter claim | ITC - Invalidity Contention |

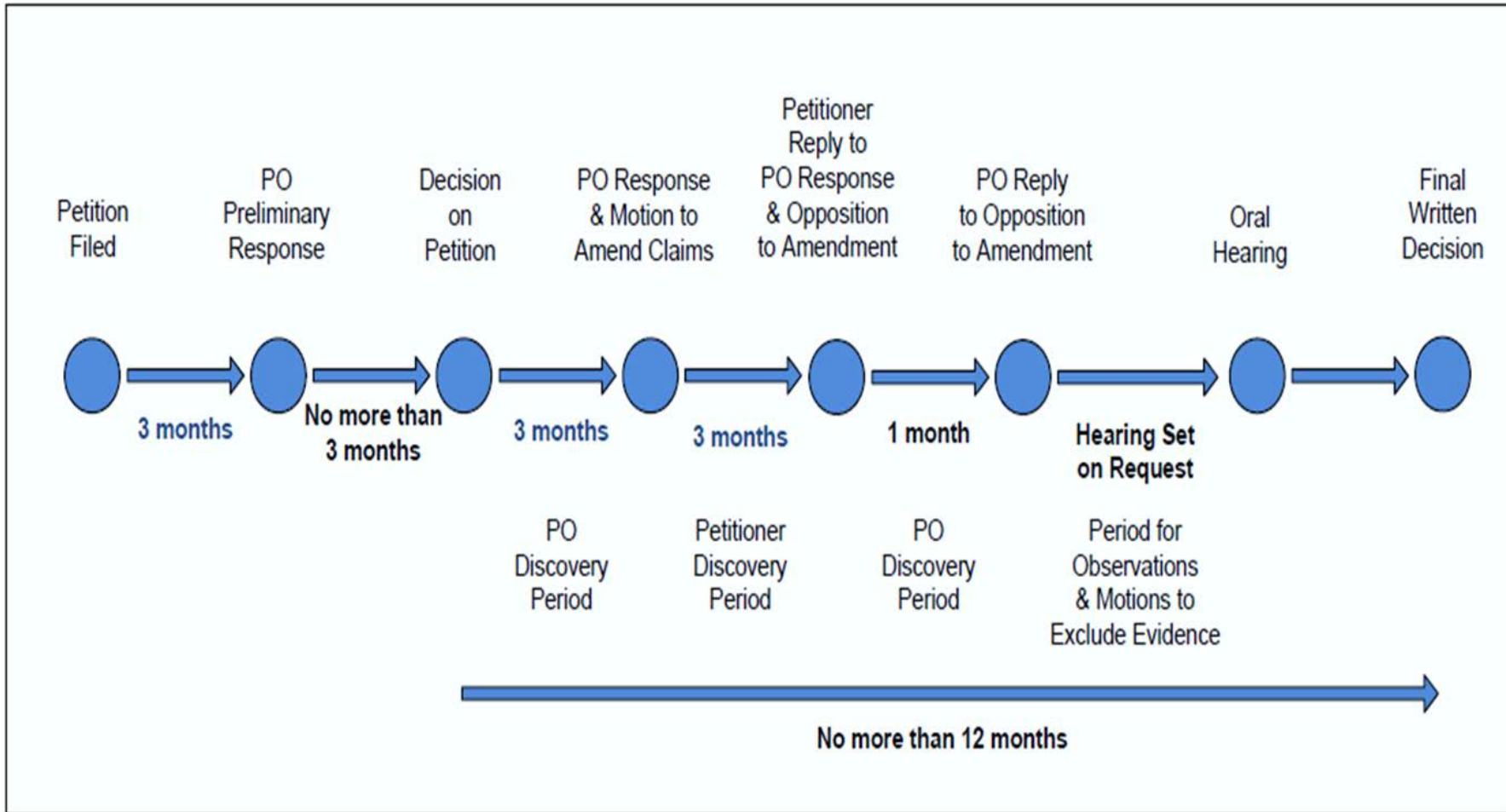
PATENT TRIALS – PGR, IPR, CBM

| Proceeding | Available | Applicable | Timing |
|-------------------------------|---|---|--|
| Post Grant Review (PGR) | From patent grant to 9 months after patent grant or reissue | Patent issued under first-inventor-to-file | Must be completed within 12 months from institution, with 6 months good cause exception possible |
| Inter Partes Review (IPR) | For first-inventor-to-file, from the later of: (i) 9 months after patent grant or reissue; or (ii) the date of termination of any post grant review of the patent. For first-to-invent, available after grant or reissue (technical amendment) | Patent issued under first-to-invent or first-inventor-to-file | Must be completed within 12 months from institution, with 6 months good cause exception possible |
| Covered Business Method (CBM) | Available 9/16/12 (for first-inventor-to-file only after PGR not available or completed) | Patents issued under first-to-invent and first-inventor-to-file | Must be completed within 12 months from institution, with 6 months good cause exception possible |

PATENT TRIALS – PGR, IPR, CBM

| Inter Partes Review (IPR) | Petitioner | Estoppel | Standard | Basis |
|-------------------------------|---|---|--|--|
| Post Grant Review (PGR) | <ul style="list-style-type: none"> Person who is not the patent owner and has not previously filed a civil action challenging the validity of a claim of the patent Must identify all real parties in interest | <ul style="list-style-type: none"> Raised or reasonably could have raised Applied to subsequent USPTO/district court/ITC action | More likely than not (>50%) OR Novel or unsettled legal question important to other patents/applications | 101, 102, 103, 112, double patenting but not best mode |
| Inter Partes Review (IPR) | <ul style="list-style-type: none"> Person who is not the patent owner, has not previously filed a civil action challenging the validity of a claim of the patent, and has not been served with a complaint alleging infringement of the patent more than 1 year prior (exception for joinder) Must identify all real parties in interest | <ul style="list-style-type: none"> Raised or reasonably could have raised Applied to subsequent USPTO/district court/ITC action | Reasonable likelihood (50:50) | 102 and 103 based on patents and printed publications |
| Covered Business Method (CBM) | <ul style="list-style-type: none"> Must be sued or charged with infringement Financial product or service Excludes technological inventions Must identify all real parties in interest | <ul style="list-style-type: none"> Office—raised or reasonably could have raised Court-raised | Same as PGR | Same as PGR (some 102 differences) |

Trial Proceedings

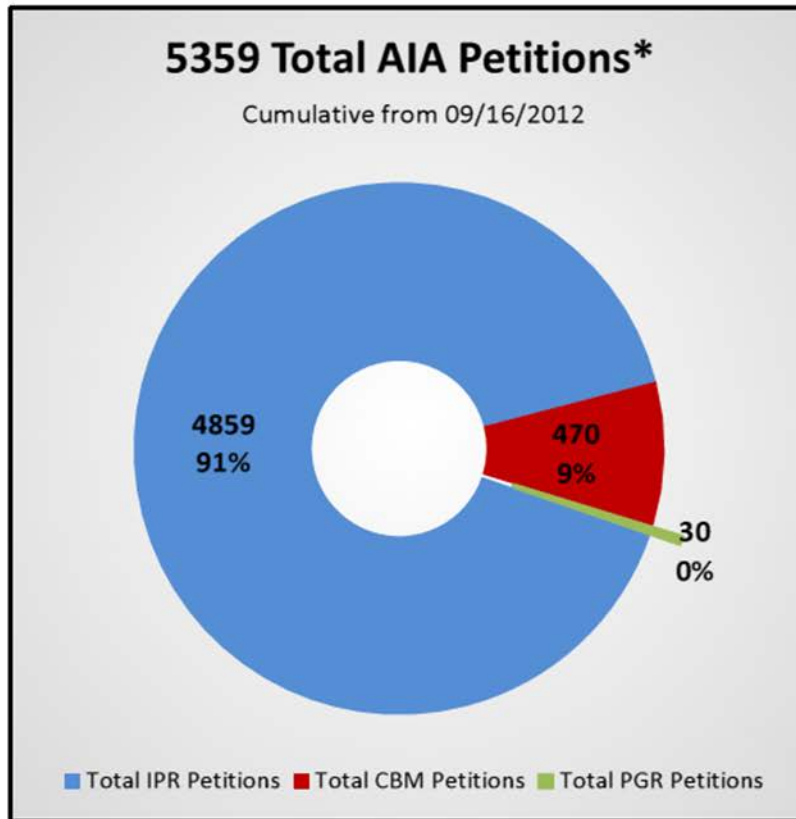


Advantages for USPTO Trials

| Advantages | DISTRICT COURT | USPTO |
|--------------------------|--|---|
| Claim Construction | Plain and ordinary meaning (The Phillips standard) | BRI (Broadest Reasonable Interpretation) |
| Burden of Proof Standard | Clear and convincing evidence (Presumption of Validity) | Preponderance of evidence (No presumption of validity) |

- Other advantages: Cost, Period of Proceeding (1 year after institution), Limited discovery, Motion to stay

Patent Trial and Appeal Board Statistics



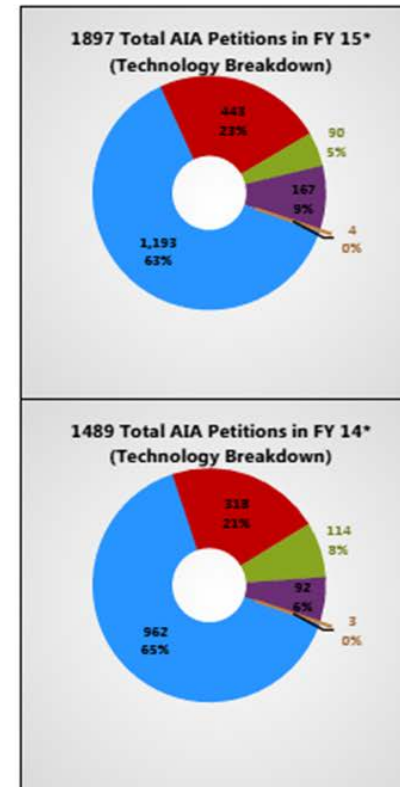
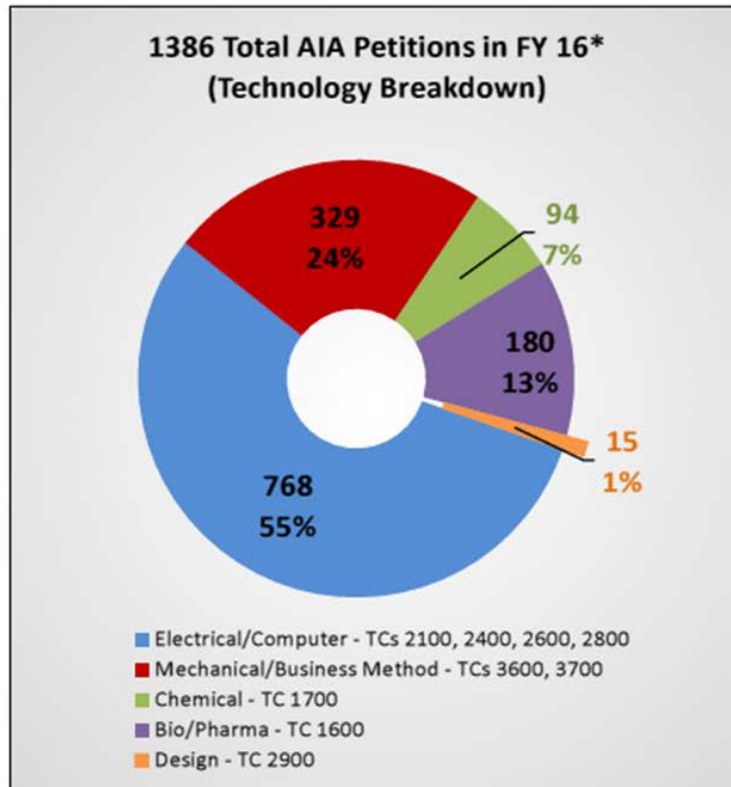
Narrative:

This pie chart shows the total number of cumulative AIA petitions filed to date broken out by trial type (i.e., IPR, CBM, and PGR).

***Data current as of: 7/31/2016**

USPTO 통계 자료

Patent Trial and Appeal Board Statistics

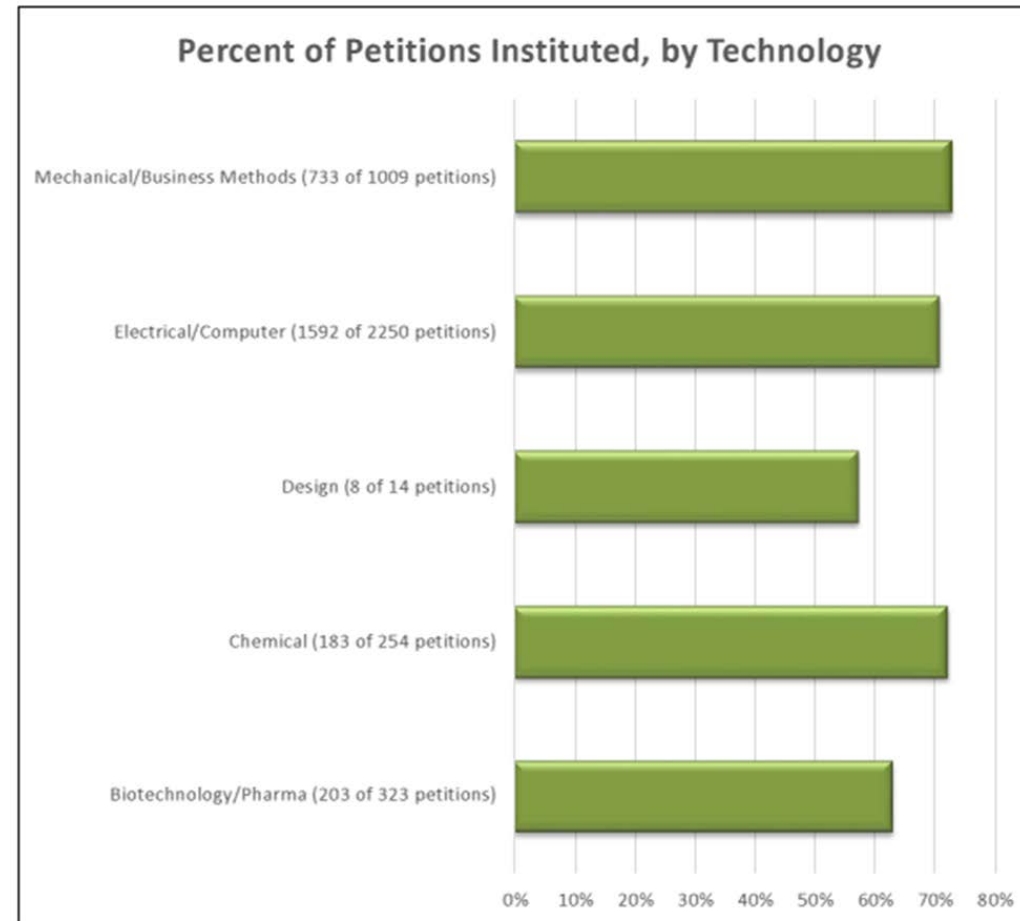


Narrative:

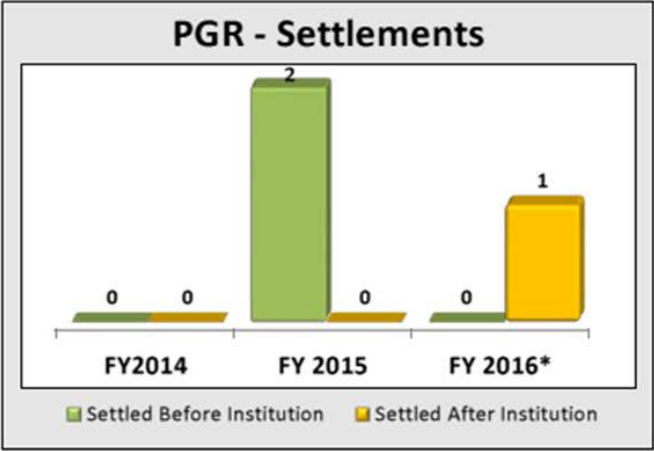
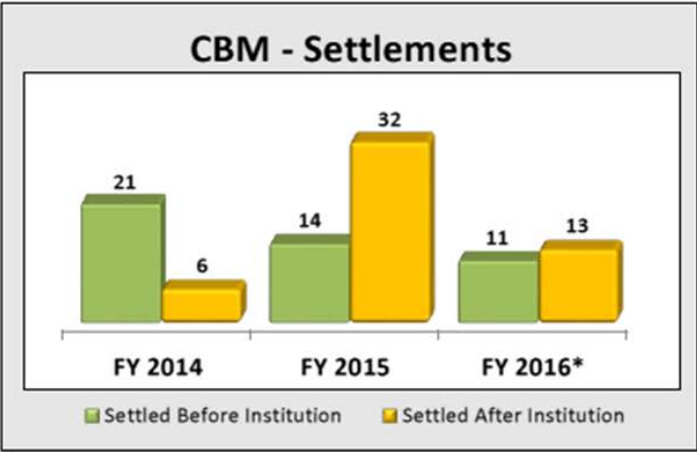
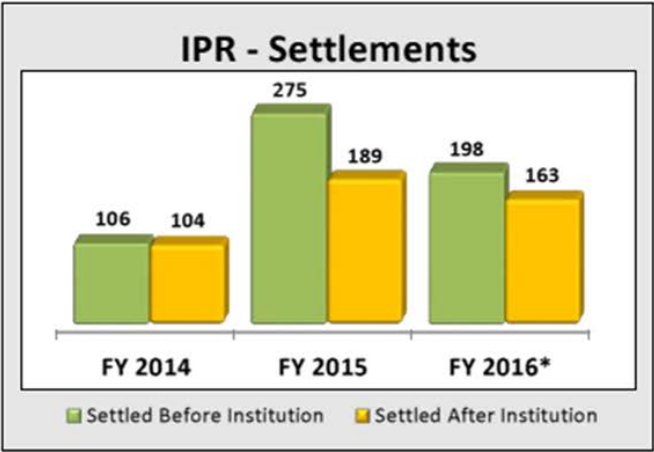
This pie chart shows the total number of AIA petitions filed in the current fiscal year to date as well as the number and percentage of these petitions broken down by technology.

*Data current as of: 7/31/2016

Patent Trial and Appeal Board Statistics



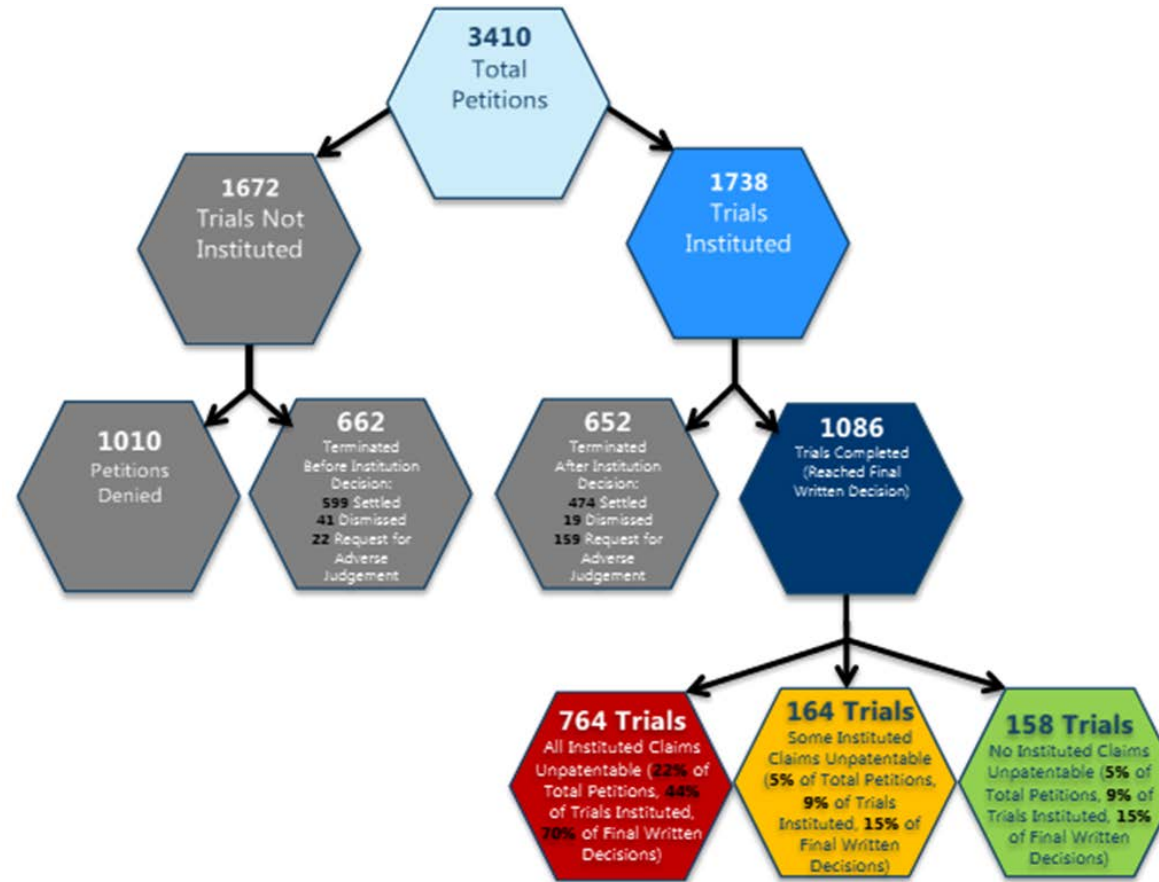
Patent Trial and Appeal Board Statistics



Narrative:
These three sets of bar graphs show settlements in AIA trials broken down by settlements that occurred prior to institution and settlements that occurred after institution in IPR, CBM, and PGR proceedings.

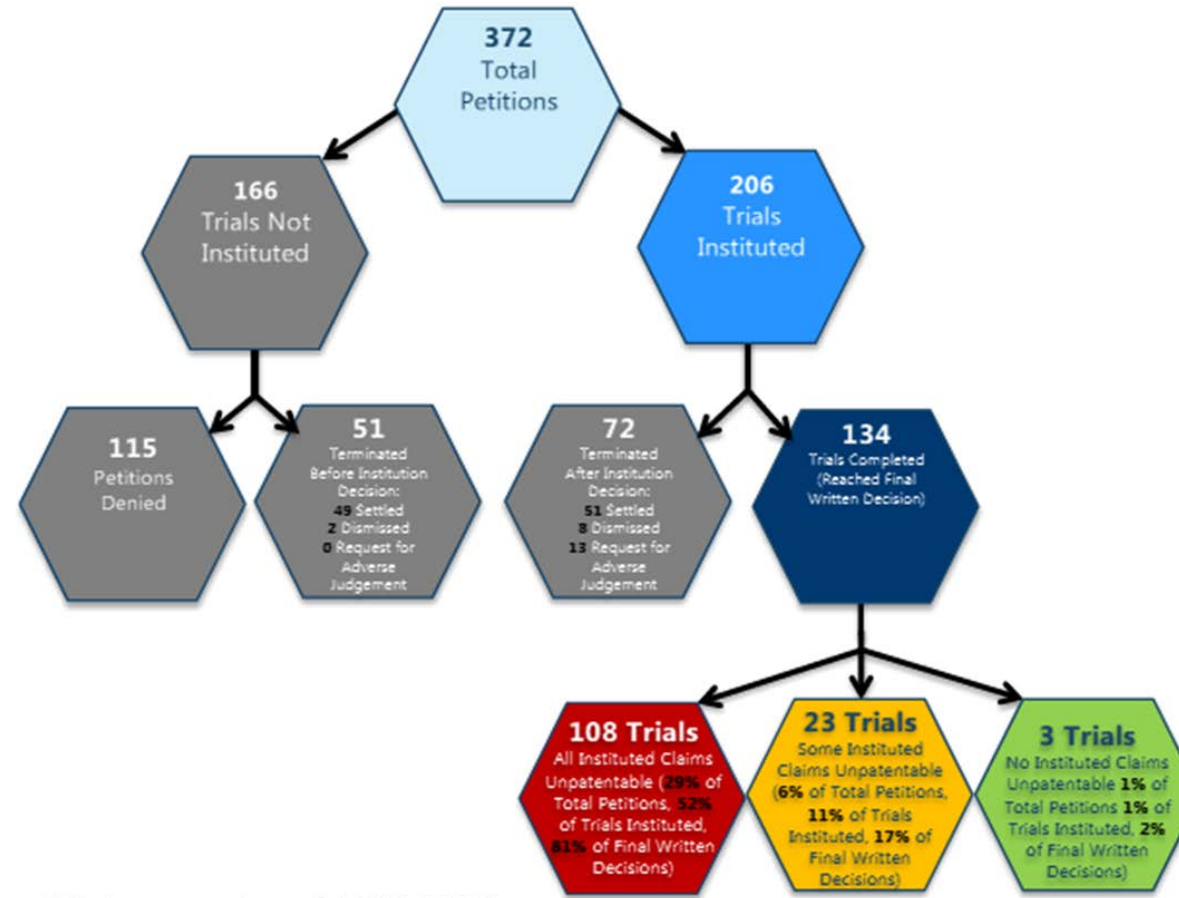
***Data current as of: 7/31/2016**

Disposition of IPR Petitions Completed to Date



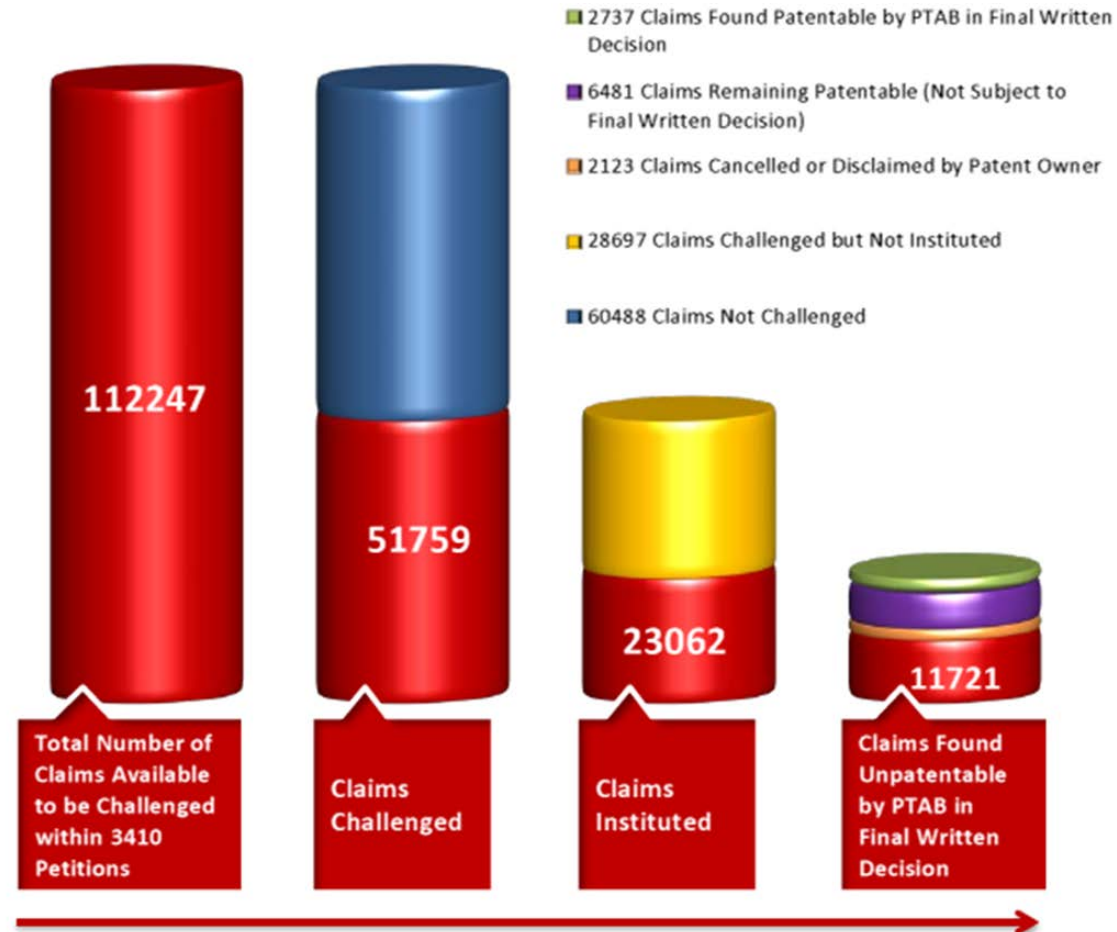
*Data current as of: 7/31/2016

Disposition of CBM Petitions Completed to Date

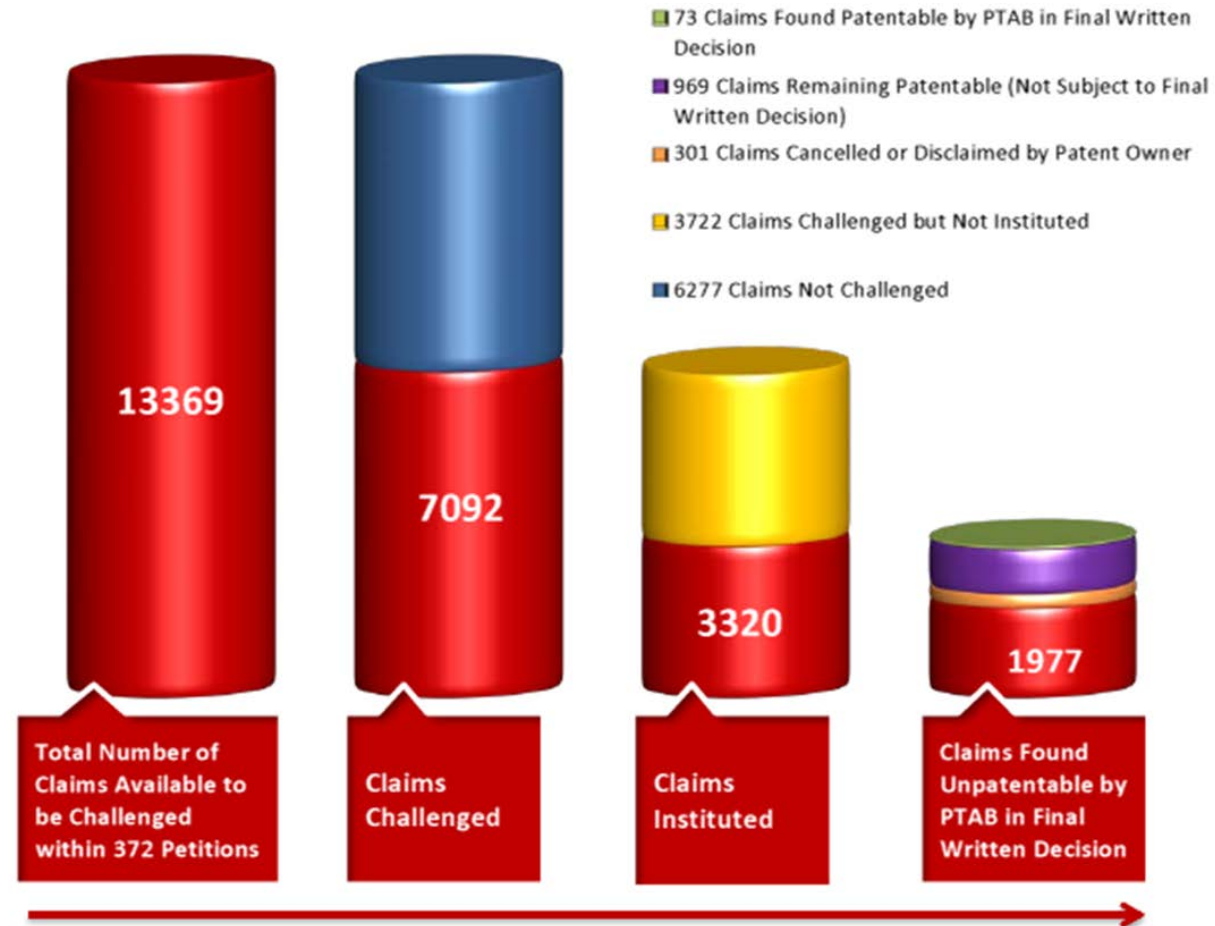


*Data current as of: 7/31/2016

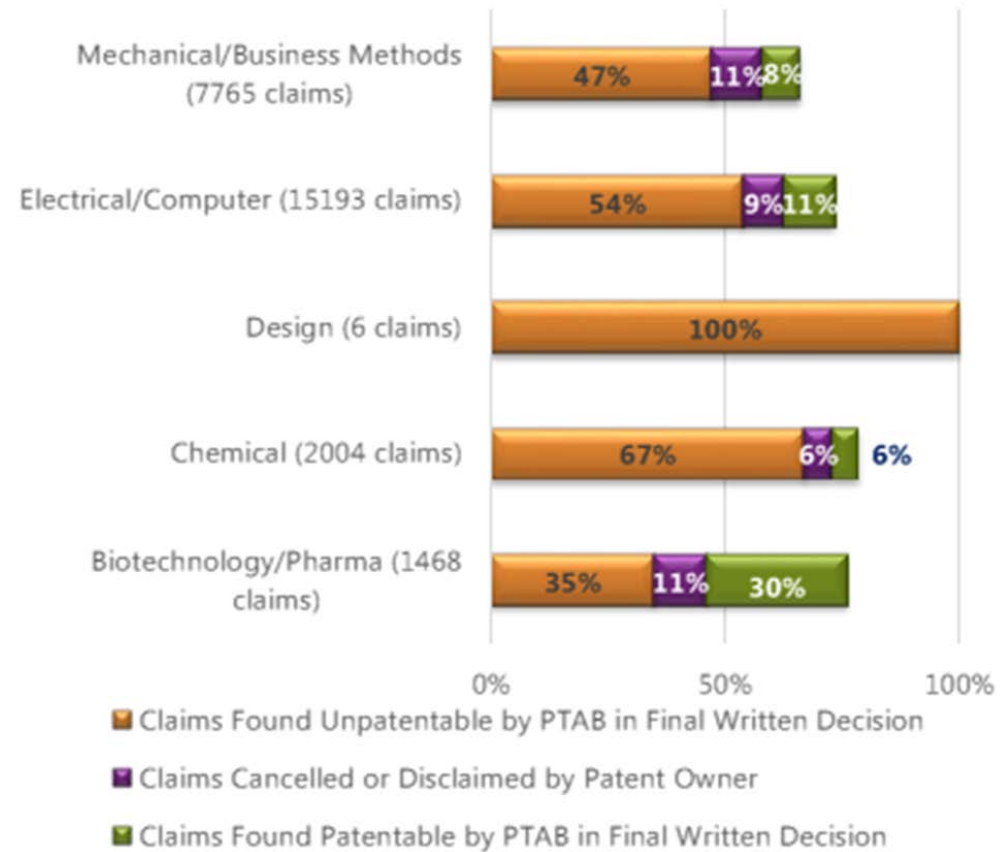
IPR Petitions Terminated to Date*



CBM Petitions Terminated to Date*



Trial Outcomes for Instituted Claims, by Technology



U.S. Court of Appeals for the Federal Circuit

Table B-8.
U.S. Court of Appeals for the Federal Circuit--Appeals Filed, Terminated, and Pending
During the Twelve-Month Period Ended September 30, 2015

| Source of Appeals | Pending 1-Oct-14 | Filed | Terminations | | | Percent Reversed | Pending 30-Sep-15 |
|---|---------------------|-------|--------------|--------------|-------|---------------------|----------------------|
| | | | Total | By Judges | Other | | |
| Total | 1,098 | 1,711 | 1,513 | 1,097 | 416 | 10 | 1,296 |
| Board of Contract Appeals | 16 | 16 | 19 | 16 | 3 | 20 | 13 |
| U.S. Court of International Trade | 41 | 44 | 42 | 36 | 6 | 3 | 43 |
| U.S. Court of Federal Claims | 121 | 161 | 154 | 111 | 43 | 4 | 128 |
| U.S. Court of Appeals for Veterans Claims | 90 | 109 | 135 | 101 | 34 | 7 | 64 |
| U.S. District Courts | 498 | 632 | 614 | 459 | 155 | 16 | 516 |
| Department of Justice | 4 | 3 | 5 | 1 | 4 | 0 | 2 |
| Department of Veterans Affairs | 4 | 7 | 2 | 2 | 0 | 0 | 9 |
| Government Accountability Office, Personnel Appeals Board | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| International Trade Commission | 15 | 11 | 14 | 9 | 5 | 17 | 12 |
| Merit Systems Protection Board | 135 | 259 | 237 | 157 | 80 | 6 | 157 |
| Office of Compliance | 1 | 0 | 1 | 1 | 0 | 0 | 0 |
| Patent & Trademark Office | 162 | 411 | 233 | 162 | 71 | 5 | 340 |
| Writs* | 11 | 57 | 57 | 42 | 15 | 0 | 11 |

*THIS CATEGORY INCLUDES WRITS OF MANDAMUS, OTHER EXTRAORDINARY WRITS, PETITIONS FOR PERMISSION TO APPEAL, AND DISCRETIONARY PETITIONS FOR REVIEW.

THANK YOU

김재연 미국특허변호사; skim@nkllaw.com
Novick, Kim & Lee, PLLC

Claim Construction in Patent Office Trial



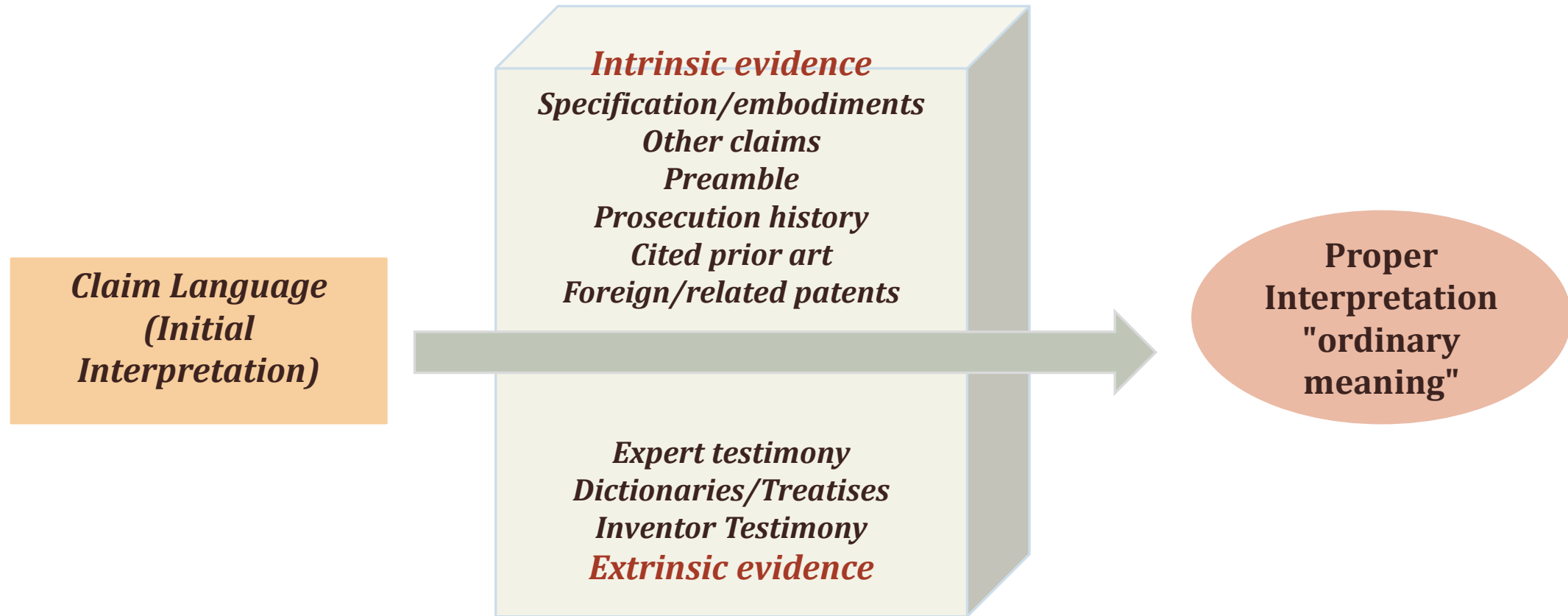
KOREAN
AMERICAN
INTELLECTUAL
PROPERTY
BAR ASSOCIATION

SUNHEE LEE
SUGHRUE MION, PLLC

DISCLAIMER

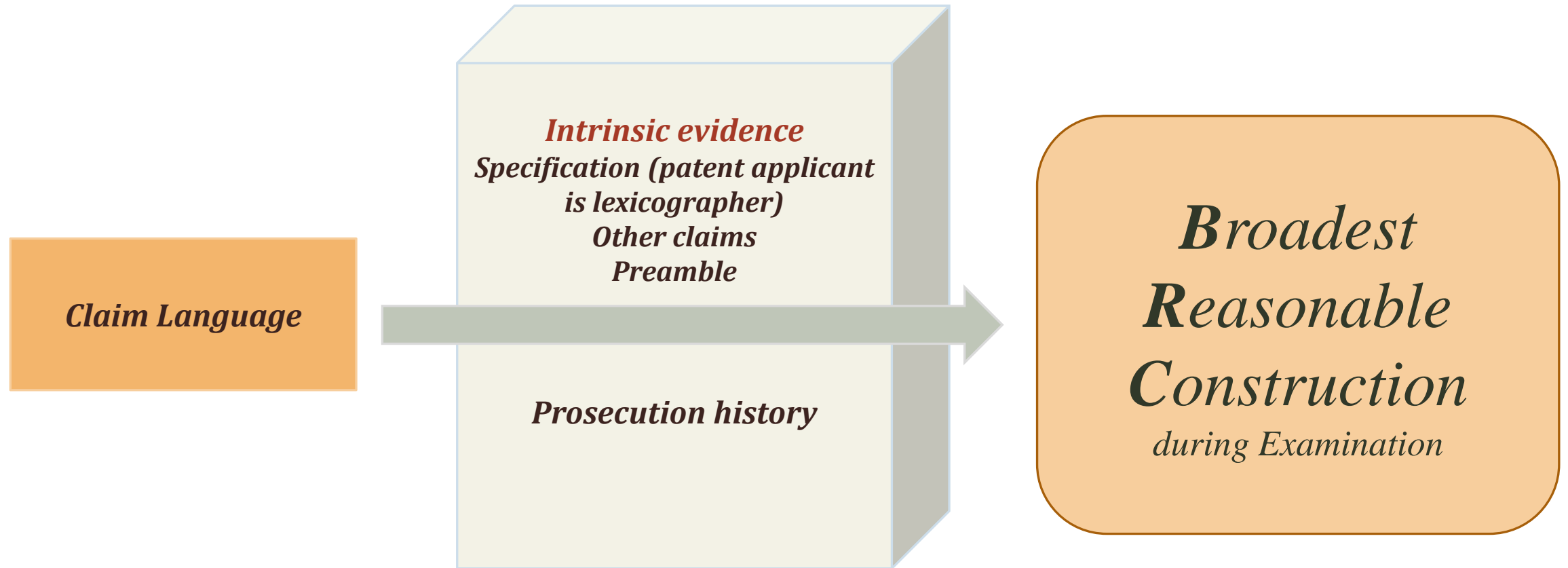
This presentation was prepared by the speaker in her personal capacity. The opinions expressed in this article are the author's own and do not reflect the view of the Sughrue Mion Firm or its clients. Also, this presentation does not provide any legal advice.

Ordinary Meaning by Patent Claim Construction



Phillips v. AWH (Fed.Cir. 2005)

BRC of Claims in the USPTO



Grounds: Applicant has an opportunity to amend claims

Claim Construction in IPR

- Standard: broadest reasonable construction in light of the specification of the patent in which claim appears

(37 C.F.R. §42.100(b))

- Justify a proposed construction with evidence
- The Board will construe terms even if the parties do not

Cuozzo Speed Technologies v. Lee

BACKGROUND

- Patent No. 6,778,074 : speed limit indicator and method for displaying speed
 - IPR2012-00001 (Garmin v. Cuozzo) (and two other IPRs and D. NJ cases)
 - Garmin requests IPR institution on dependent claim 17
 - PTAB instituted IPR for independent claim 10, and claims 14 and 17 on additional references
 - PTBA found claims 10, 14, 17 are unpatentable; denied Cuozzo motion to amend claims

IPR2012-00001

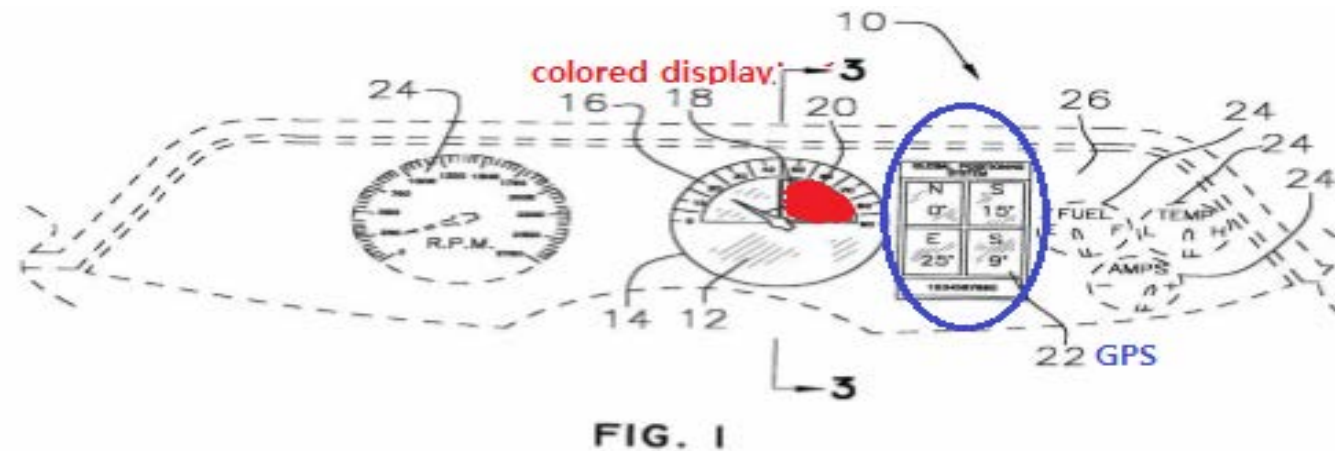
Claim 10.

A speed limit indicator comprising:

a global positioning system receiver;

a display controller connected to said global positioning system receiver, wherein said display controller adjusts a colored display in response to signals from said global positioning system receiver to continuously update the delineation of which speed readings are in violation of the speed limit at a vehicle's present location; and

a speedometer *integrally attached* to said colored display.



IPR2012-00001 "integrally attached"

- Not shown in the specification and original claims
- Added during Examination to distinguish over a cited reference
- Applicant points the specification and Fig. 1 as support

| CUOZZO's construction | PTAB construction |
|---|--|
| joined or combined to work as a complete unit => Requires a single display | discrete parts physically joined together as a unit <i>without each part losing its own separate identity</i> |

Appeal to Federal Circuit : In re Cuozzo Speed Technologies

PTAB

- **decided claims 10, 14, and 17 are unpatentable under 35 USC 103**
- **Denied Cuozzo's Motion to amend the claims**

Cuozzo appealed

- **In re Cuozzo Speed Technologies, LLC (Fed. Cir. 2014-1301), decided Feb.4,2015)**
 - **Garmin withdrew as an appellee**
 - **USPTO intervened**
- **Issues**
 - **Appeal for PTAB decision on institution of IPR (Garmin failed the "with particularity... " requirement for an IPR petition)**
 - **CAFC previously decided that no interlocutory review; thus, here whether the IPR institution decision can be appealed when a final decision is issued**
 - **Appeal for invalidation on three grounds**
 - **BRC should not be applied in IPR**
 - **Claim construction by PTAB under BRC was erroneous**
 - **Determination of obviousness was erroneous**
 - **Appeal for denial of motion to amend claims**

US Supreme Court : Cuozzo Speed Technologies v. Lee

Decided June 20, 2016

Issue 1: Whether PTAB decision on institution of IPR is appealable upon a final decision on IPR

➤ NO

Issue 2: Whether the PTO has an authority to issue a regulation applying BRC standard in IPR?

➤ YES

Aftermath: New Rule for Claim Construction in IPR

- A party may request "ordinary meaning under *Phillips*" construction
- Must certify patent will expire within 18 months from entry of Notice of Filing Date

Aftermath: Different Claim Scope of a same patent

- Federal Circuit ruled that PTAB claim construction in inter parte reexamination is not binding on district court litigation
 - SkyHawke v. Deca (SkyHawke, patentee prevailed in inter parte reexamination, appealed for PTAB's claim construction)
compare B&B Hardware, Inc. v. Hargis Inc. (S.C. 2105), factual finding by the TTAB could have preclusive effect if all the normal elements of issue preclusion are satisfied
- same rule will likely be applicable to IPR or PGR proceeding's claim construction

Example of Claim Chart

FINAL JOINT CLAIM CHART

U.S. Patent No. 6,015,577

| Claim Term | Boehringer Ingelheim's Proposed Construction | Boehringer Ingelheim's Intrinsic Evidence | Barr's Proposed Construction | Barr's Intrinsic Evidence |
|--|---|--|---|---|
| <p>"a pharmaceutically acceptable acid excipient formulated together with said first component" (Claims 1-12)</p> | <p>the acid excipient is present with the first component in a single formulation</p> | <p>'577 Patent, Col. 2:53-3:65; 4:38-5:11; 5:23-31; 9:63-13:16; 14:7-34</p> <p><u>'577 Prosecution History</u> Original Application 07/084,648</p> <p>Application 08/421,351</p> | <p>a pharmaceutically acceptable acid excipient mixed with said first component</p> | <p>Claims 1, 2, 7, 8, 9, 10, 15</p> <p>'577 Patent, Col. 2:1-3:65; 4:29-5:11; 9:63-13:17</p> <p><u>'577 Prosecution History</u> Original Application 07/084,648 Application 08/421,351 2-15-96 Response to Office Action 3-12-96 Response to Office Action 6-13-96 Office Action 9-9-96 Response to Office Action 11-5-96 Response to Office Action 12-4-98 Response to Office Action</p> |

Example of Claim Chart

| Claim Term | Boehringer Ingelheim's Proposed Construction | Boehringer Ingelheim's Intrinsic Evidence | Barr's Proposed Construction | Barr's Intrinsic Evidence |
|--------------------------------|--|---|------------------------------|--|
| "inhibiting" (Claims 16-20) | reducing compared to what would otherwise be but for the method employed | '577 Patent, Col. 6:35-56; Figures 2-6; 7:35-50; 9:42-50 <u>'577 Prosecution History</u> Original Application 07/084,648 Application 08/421,351 Response to Office Action, dated February 15, 1996 Office Action of June 13, 1996 Response to Final Office Action, dated September 9, 1996 Office Action of March 23, 1999 Response to Office Action, dated March 29, 1999 | The term is indefinite | Claims 16-20 '577 Patent, Figures 1-11; Col. 1:28-53; 2:30-52; 5:32-9:61; 9:63-13:17 <u>'577 Prosecution History</u> Original Application 07/084,648 Application 08/421,351 2-15-96 Response to Office Action 3-12-96 Response to Office Action 6-13-96 Office Action 9-9-96 Response to Office Action 11-5-96 Response to Office Action 11-12-98 Examiner Interview Summary 12-4-98 Response to Office Action 3-23-99 Office Action 3-29-99 Response to Office Action |

THANK YOU

Sunhee (Sunny) Lee sxlee@sughrue.com

IPR-PROOF PATENTS

Strategies for Drafting and Prosecuting IPR-Proof Patents



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JUSTIN H. KIM
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DISCLAIMER

This presentation was prepared by the speaker in his personal capacity. The opinions expressed in this article are the author's own and do not reflect the view of the Maxon Law Firm or its clients. Also, this presentation does not provide any legal advice.

Objectives

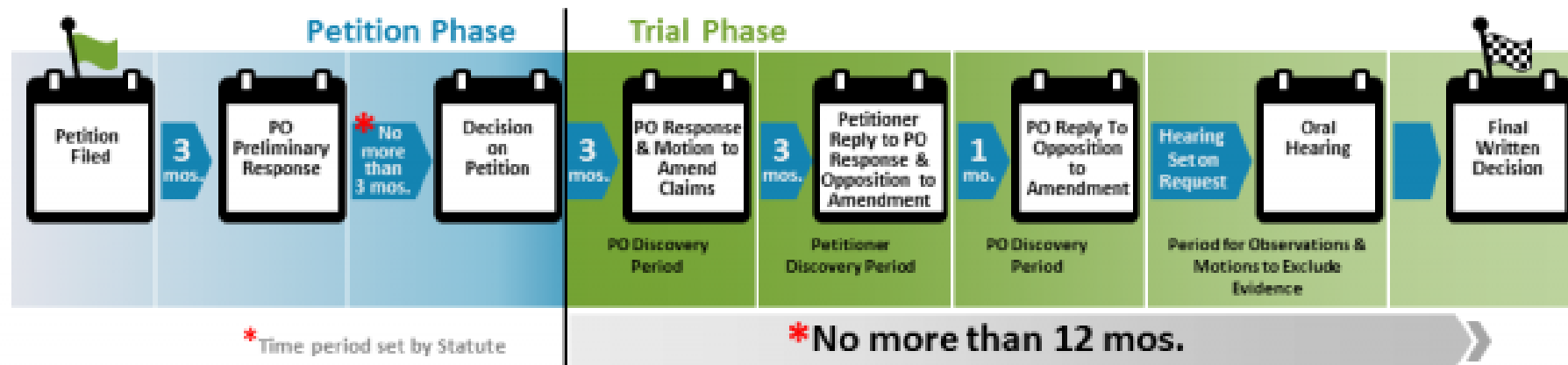
- IPR Trends
- Know Your Enemy: Petitioner's Approach
- Strategies in Drafting and Prosecuting IPR-Proof Patents
 - IPR-Proof Prior Art Search
 - IPR-Proof Specification & Claims
 - IPR-Proof Prosecution
- Conclusion

Can Your Patent Survive IPR?



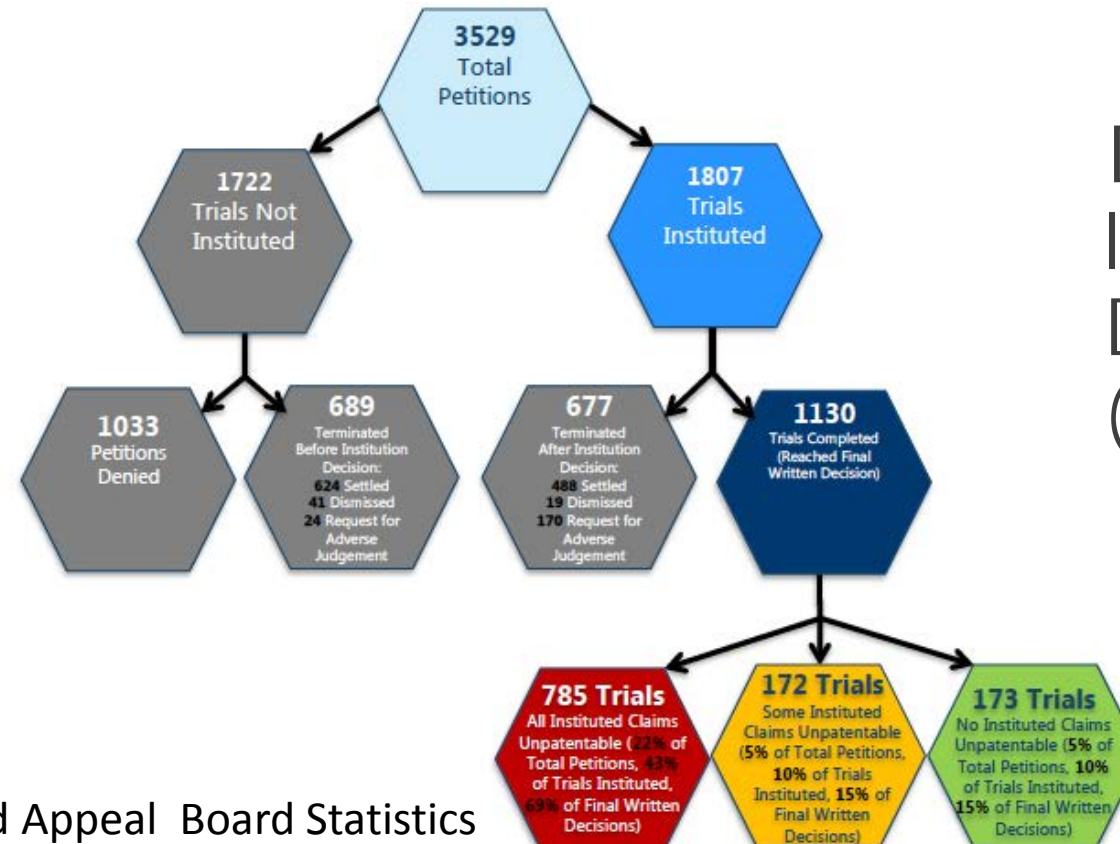
Timeline of IPR Proceedings

Goal of Patent Owner: *Prevent IPR Institution*



Source: USPTO

CURRENT IPR TRENDS



Disposition of
IPR Petitions to
Date
(8/31/2016)

Source: USPTO Patent Trial and Appeal Board Statistics
8/31/2016

CURRENT IPR TRENDS

- 20% (689/3529) Terminated Before Institution
- **29% (1033/3529) Denied Institution**
- 51% (1807/3529) Instituted
- 19% (677/3529) Instituted but Terminated Before Trial
- 32% (1130/3529) Instituted & Completed Trial

Source: USPTO Patent Trial and Appeal Board Statistics
8/31/2016

CURRENT IPR TRENDS

Disposition of 1130 petitions after IPR trials

- **70% (785/1130) Unpatentable**
- 15% (172/1130) Partly Unpatentable
- 15% (173/1130) Fully Patentable

Source: USPTO Patent Trial and Appeal Board Statistics
8/31/2016

What should we do?



Know Your Enemy: Petitioner's Approach



Petitioner's Approach

- Claim Construction Analysis
- Petitioner challenges all of the claims in the Patent, not just the accused claims.
- **BRI** vs Phillip
- **Extensive** Prior Art Search

IPR-Proof Patent Strategies

- Thorough Prior Art Search
- IPR-Proof Specifications & Claims
- IPR-Proof Prosecution
- ***Patent Owner's GOAL: Prevent IPR Institution***

Thorough Prior Art Search

- Pre-filing Prior Art Search
- Find the Closest and Most Relevant Prior Art
- Emphasize Patentable Subject Matter over that Known Prior Arts
- No Short Cuts

IPR-Proof Specifications

- Draft Lengthy Well-Described Specifications
- Multiple Embodiments from Broad to Narrow to Mirror and Support a Wide Range of Claim Scopes
- No Cookie-cutter Patents with Short Specifications

IPR-Proof Specifications

- Ability to amend claims is virtually non-existent in IPR trial
- BRI vs Phillips Claim Construction
- In POPR, patent owners have to propose claim constructions without the benefit of discovery of potentially infringing product

IPR-Proof Specifications

- Use “Patent Profanity” for Critical Embodiments while Keeping Other Embodiments Free of “Patent Profanity”

IPR-Proof Claims

- Include “Picture” Claims for Literal Infringement
- Include Broad Claims for Protection from More Potential Infringers

IPR-Proof Claims

- Use Means-Plus-Function Claim for at least One Independent Claim
- Toyota Motor Corporation (petitioner) v. Cellport Systems, Inc. (Patent Owner), IPR2015-00633

IPR-Proof Claims

- Diversity of Claims
- Increase the Number of Claims
- Independent Claims that is Directed to a Preferred Embodiment
- Dependent Claims with Significant Limitations

IPR-Proof Prosecution

- Keeping a Family Member Alive
- Pursue and Maintain Child Applications after Patent is Issued
- Re-examination
- Re-issue
- Continuations
- Omron Oilfield & Marine Inc. v. Varco LP, IPR2013-00265

IPR-Proof Prosecution

- Carefully Draft to Avoid Ambiguous Claims
 - §112, Indefiniteness Issue

IPR-Proof Prosecution

- Carefully Considered Declarations During Prosecution
- Put More in the Record During Prosecution
- Submitting Solid Arguments and/or Declarations Supporting §102 and/or §103 positions
- Amended Rules effective 5/1/16

Conclusion:

Be Proactive & Prevent Institution

- Effective Use of POPR - best chance of preventing Institution
- IPR-Proof Claims and Specifications
- IPR-Proof Prosecutions
- 15% Patentable After IPR Institution
- 15% Partly Unpatentable
- **70% Entirely Unpatentable**

Source: USPTO Patent Trial and Appeal Board Statistics
8/31/2016

THANK YOU

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Post-Prosecution Pilot(P3)



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SANG CHUL KWON

Goldilocks **ZONE** IP LAW

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P3 Participation

The P3 is open to nonprovisional and international, utility applications filed under [35 USC 111\(a\)](#) or [35 USC 371](#) that are under final rejection. Reissue, design and plant applications, as well as reexamination proceedings, are not eligible to participate in the P3.

A [Request Form](#) ("Certification and Request for Consideration under the Post-Prosecution Pilot Program (P3)") filed via EFS-Web within two months of the mailing date of the final rejection and prior to filing a notice of appeal.

A statement [contained within the Request Form] that the applicant is willing and available to participate in a P3 conference with the panel of examiners;

A response comprising no more than five (5) pages of arguments under [37 CFR 1.116](#) to the outstanding final rejection, exclusive of any amendments; and

Optionally, a proposed non-broadening amendment to one or more claim(s).

Pilot Duration

The Post-Prosecution Pilot begins on July 11, 2016, and will run for 6 months or when **1,600** requests have been accepted into the Pilot, whichever comes first. Each individual technology center will accept no more than **200** compliant requests, meaning that the P3 may close with respect to an individual technology center that has accepted 200 compliant requests, even as it continues to run in other technology centers that have yet to accept 200 compliant requests.

Counter by Technology Center (updated as of September 23, 2016)

| | | | |
|-------------|-------------|--------------|--------------|
| 1600_____45 | 1700_____71 | 2100_____91 | 2400_____100 |
| 2600_____81 | 2800_____89 | 3600_____125 | 3700_____127 |

P3 Requirements

There is no fee to participate in the P3.

Applicant cannot have previously filed a proper request to participate in the Pre-Appeal or the AFCP 2.0 programs in response to the same outstanding final rejection.

Once a P3 Request has been accepted, no additional response(s) under [37 CFR 1.116](#) will be entered, unless requested by the examiner.

It is also impermissible to request to participate in the Pre-Appeal program or request consideration under AFCP 2.0 once a P3 request has been accepted.

P3 Compliance

All P3 Requests will be considered for timeliness and compliance before entry into the pilot

A. For Requests considered untimely or otherwise non-compliant (or if filed after the technology center has reached its limit of P3 Requests):

The Office will treat the Request as in the same manner it would treat any after final response absent the P3 Request.

- No conference will be held.

The next communication issued by the Office will indicate:

- the reason why the P3 request was found to be untimely or otherwise non-compliant;
- the result of the treatment under [37 CFR 1.116](#) of the response and any proposed amendment; and
- the time period for the applicant to take further action.

B. For Requests considered timely and compliant, the Office will enter the application into the pilot process.

Pilot Process

1. The Office will contact the applicant to schedule the P3 conference. Such contact should result in a P3 conference within ten calendar days of the initial contact with the applicant or the P3 Request could be considered improper at that time.
2. The applicant will make an oral presentation to the panel of examiners, with such participation being limited to 20 minutes:
 - a) Any materials used by the applicant will be placed in the file. Entry of claim amendments, affidavits or other evidence included as part of the presentation materials is governed by [37 CFR 1.116](#). See [MPEP 714.12](#).
 - b) Applicant may present on appealable, but not petitionable, matters.
 - c) Applicant may present arguments directed to the outstanding record or the patentability of the amended claim(s) as proposed.
3. After applicant's presentation, the applicant will be excused from the conference.
4. The applicant will be informed of the panel's decision, in writing, following complete consideration of the P3 Request.

Pilot Process

5. The P3 process will be terminated if applicant files any of the following after the filing of the P3 Request but prior to a notice of decision from the panel:

- A notice of appeal
- A Request for Continued Examination (RCE)
- An express abandonment under [37 CFR 1.138](#)
- A request for the declaration of interference or
- A petition requesting the institution of a derivation proceeding

Notice of Decision

The applicant will be informed of the panel's decision in writing via a [Notice of Decision from Post-Prosecution Pilot Program \(P3\) Conference](#) (PTO-2324).

One of three outcomes will be indicated:

A. **Final Rejection Upheld**

If proposed amendment(s) were included with the P3 Request, the status of such amendment(s) will be communicated.

The time period for taking further action in response to the final rejection expires on (1) the mailing date of the notice of decision; or (2) the date set forth in the final rejection, whichever is later. To avoid abandonment, the applicant must file a notice of appeal or RCE within the statutory period for response to the final rejection. Extensions of time may be obtained under [37 CFR 1.136\(a\)](#), but the period for response may not be extended beyond the six-month statutory period for response.

The decision is not petitionable, and the Office will not grant a petition seeking reconsideration of a panel decision upholding a final rejection.

B. **Allowable Application**

A notice of decision indicating “allowable application” will be mailed concurrently with a Notice of Allowance.

C. **Reopen Prosecution**

A notice of decision indicating “reopen prosecution” will state that the rejection(s) is/are withdrawn and a new Office action will be mailed.

Comparisons between Programs

| | <u>After-final Consideration Pilot (AFCP 2.0)</u> | <u>Pre-Appeal Brief Conference Pilot Program</u> | <u>Post-Prosecution Pilot Program (P3)</u> |
|---|--|--|---|
| How Many Requests Will Be Accepted and Until When? | Unlimited, program extended to September 30, 2016 | Unlimited, no end date for program | Up to 1,600 total <u>and</u> up to 200 per technology center, program ends January 12, 2017 (if not extended) |
| Time for Filing | Filed in response to Final Office Action | Filed with Notice of Appeal | Filed within 2 months from mail date of a Final Office Action <u>and</u> before filing Notice of Appeal |
| Procedural Requirements | Certification and Request for Consideration Under the After Final Consideration Pilot Program 2.0 (<u>Form PTO/SB/434</u>) | Pre-Appeal Brief Request for Review (<u>Form PTO/AIA/33</u>) and Notice of Appeal under 37 CFR § 41.31 | Post-Prosecution Pilot Program (P3) Request Form (Form |

Comparisons between Programs

| | <u>After-final Consideration Pilot (AFCP 2.0)</u> | <u>Pre-Appeal Brief Conference Pilot Program</u> | <u>Post-Prosecution Pilot Program (P3)</u> |
|--------------------------------|---|--|---|
| Argument | Response under 37 CFR § 1.116 | Pre-Appeal Brief, with no more than five pages of argument | Response under 37 CFR § 1.116, with no more than five pages of argument |
| Are Amendments Allowed? | Yes, non-broadening amendment to at least one independent claim | No | Yes, optional proposed non-broadening amendment (Notice indicates best use is amendment that focuses the issues with respect to a single independent claim) |
| Who Reviews? | Examiner of Record | Panel of Examiners | Panel of Examiners, with 20 minutes of applicant presentation before panel discussion |
| Result | AFCP Response Form, may include interview summary | Panel Decision, without reasoning | Notice of Decision from Post-Prosecution Pilot Conference, with brief written summary |

| CERTIFICATION AND REQUEST FOR CONSIDERATION UNDER THE POST-PROSECUTION PILOT PROGRAM (P3) | | |
|---|-------------------------------|--------------|
| Practitioner Docket No.: | Application No.: | Filing Date: |
| First Named Inventor: | Title: | |
| <p>APPLICANT HEREBY CERTIFIES THE FOLLOWING AND REQUESTS CONSIDERATION UNDER THE P3 OF THE ACCOMPANYING RESPONSE UNDER 37 CFR 1.116.</p> <ol style="list-style-type: none"> 1. The above-identified application is (i) an original utility non-provisional application filed under 35 U.S.C. 111(a), (ii) an international utility application that has entered the national stage in compliance with 35 U.S.C. 371(c), or (iii) a continuing utility application (<i>e.g.</i>, a continuation or divisional application). 2. The above-identified application contains an outstanding final rejection. 3. This request is being filed within two (2) months from the mailing date of the final rejection and prior to filing a notice of appeal. 4. Submitted herewith is a response under 37 CFR 1.116 to the outstanding final rejection. The response, exclusive of any amendment, comprises no more than five (5) pages of arguments. <input type="checkbox"/> (OPTIONAL) The response also includes a proposed non-broadening amendment to a claim(s). 5. Applicant is willing and available to participate in the P3 conference. 6. This request is being filed electronically using the Office's electronic filing system (EFS-Web). <p>APPLICANT HEREBY ACKNOWLEDGES THE FOLLOWING:</p> <ul style="list-style-type: none"> • Reissue, design, and plant applications, as well as reexamination proceedings, are not eligible to participate in the P3. • There is no fee required to request consideration under the P3. • Entry of any proposed amendment, affidavit, or other evidence after a final Office action is governed by 37 CFR 1.116. See MPEP 714.12. • If applicant is unable to schedule the conference within ten calendar days from the date the Office first contacts applicant, the request will be deemed improper. • If a request is deemed improper for any reason, a conference will not be held. The response and any proposed amendment filed with the request will be treated under 37 CFR 1.116 in the same manner as any non-P3 response to a final rejection. • Once a P3 request has been accepted, no additional response under 37 CFR 1.116 to the same final rejection will be entered, unless the examiner has requested the additional response because the examiner agrees that it would place the application in condition for allowance. • The filing of a P3 request will not toll the six-month statutory period for reply to the final rejection. To avoid abandonment, further action, such as the filing of a notice of appeal or RCE, will need to be taken within the six-month statutory period for responding to the final rejection, unless applicant receives written notice from the Office that the application has been allowed or that prosecution is being reopened. | | |
| Signature | Date | |
| Name (Printed/Typed) | Practitioner Registration No. | |
| <p>Note: This form must be signed in accordance with 37 CFR 1.33. See 37 CFR 1.4(d) for signature requirements and certifications. Submit multiple forms if more than one signature is required, see below*.</p> | | |
| <p><input type="checkbox"/> * Total of _____ forms are submitted.</p> | | |

Questions & Answers

THANK YOU

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Section 337 Investigations at the U.S. International Trade Commission



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HAE-CHAN PARK



HC Park & Associates, **PLC**
COUNSELORS at LAW

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Contents

Part I. General Introduction of ITC and Statistics

Part II. Recent Case : Creative Technology case (337-TA-994)

Section 337 – Overview

- ❖ Investigation conducted by a quasi judicial administrative agency in Washington, DC
- ❖ Addresses unfair acts (e.g., patent infringement) regarding importations
- ❖ If violation is found, ITC will order exclusion and/or cease & desist, but no damages
- ❖ Speedy: trial ~9 months, ALJ decision ~12 months, and Commission decision ~16 months

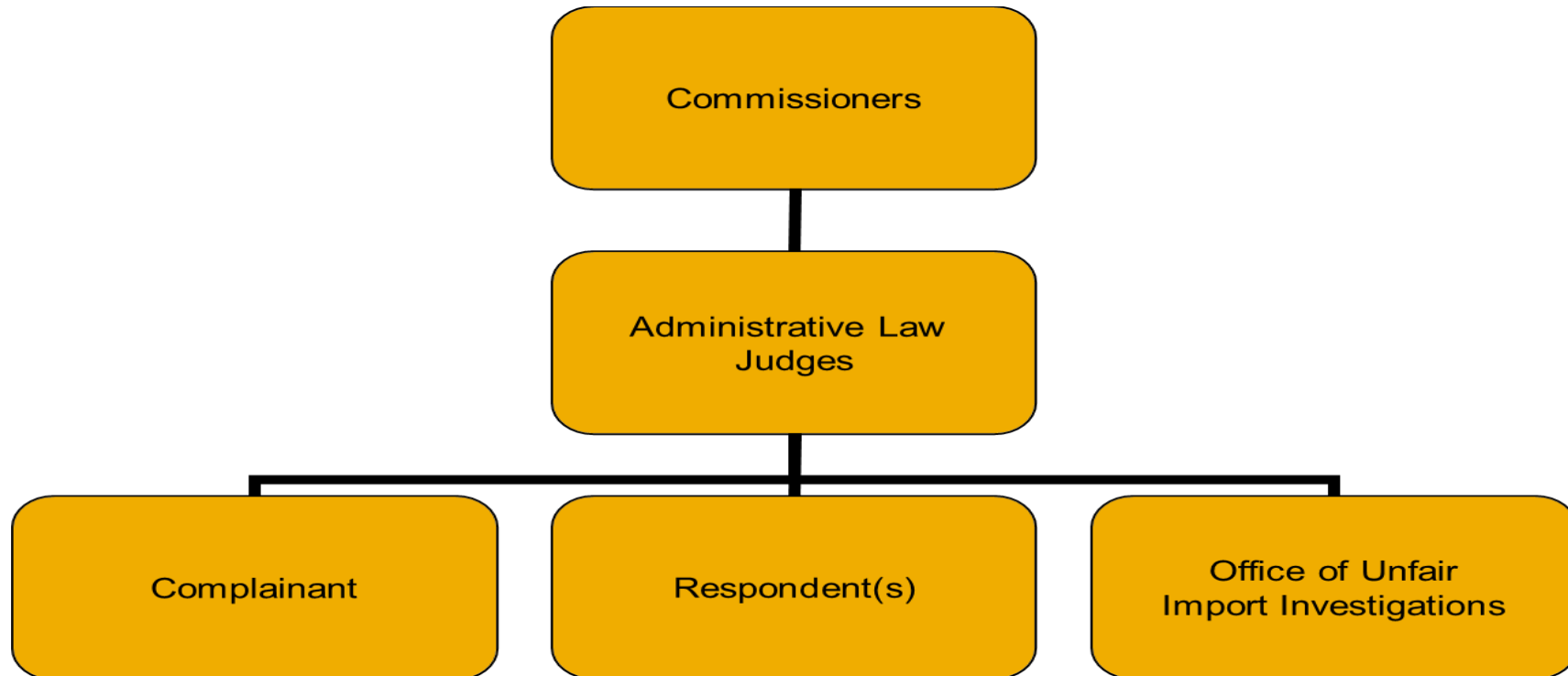
Section 337

- ❖ Trade Act of 1930, as amended 1988,
19 U.S.C. § 1337:

Prohibits unfair acts in the importation of articles into the United States,
which injure a domestic industry



Section 337 – Participants



Section 337 – Laws & Rules

- ❖ Trade Act of 1930, amended – 19 U.S.C. § 1337
- ❖ ITC investigations conducted pursuant to the Administrative Procedures Act – 5 U.S.C. § 551
- ❖ Procedural rules set forth in 19 C.F.R. Part 200
- ❖ ALJs individually have Ground Rules
- ❖ Substantive patent law & Federal Circuit appeal

Element – Importation

- ❖ Products that come into the U.S.
- ❖ Also components, subassemblies, software, and other imports
- ❖ But **NOT** electronic transmission of data

Element – Unfair Act

- ❖ About 95% of all cases involve patents
- ❖ Other IP: trademarks, copyrights, trade dress, trade secrets, etc.
- ❖ “Unfair acts” have even included antitrust claims and breach of contract claims
- ❖ Can be creative: Section 337 is *not* limited to violations of statutorily-defined rights

Element – Domestic Industry

- ❖ Two prongs: technical & economic
- ❖ Technical – Complainant (or authorized party) is practicing the IP rights at issue
- ❖ Economic – The practice occurs in the US by:
 - ❖ Significant investment in plant and equipment, or
 - ❖ Significant employment of labor or capital, or
 - ❖ Substantial investment in engineering, R&D, or licensing
- ❖ Domestic industry exists or is being established

Element – Injury (Some Cases)

- ❖ Historically, had to show injury to domestic industry attributable to unfair imports
- ❖ Since 1988 Amendments, injury now presumed for patents & federal IP rights
- ❖ Must still show injury for other types of unfair acts, e.g., trade dress & secrets
- ❖ Must be due to unfair act, not other unrelated reasons (consumer preferences)

Section 337 – Remedies



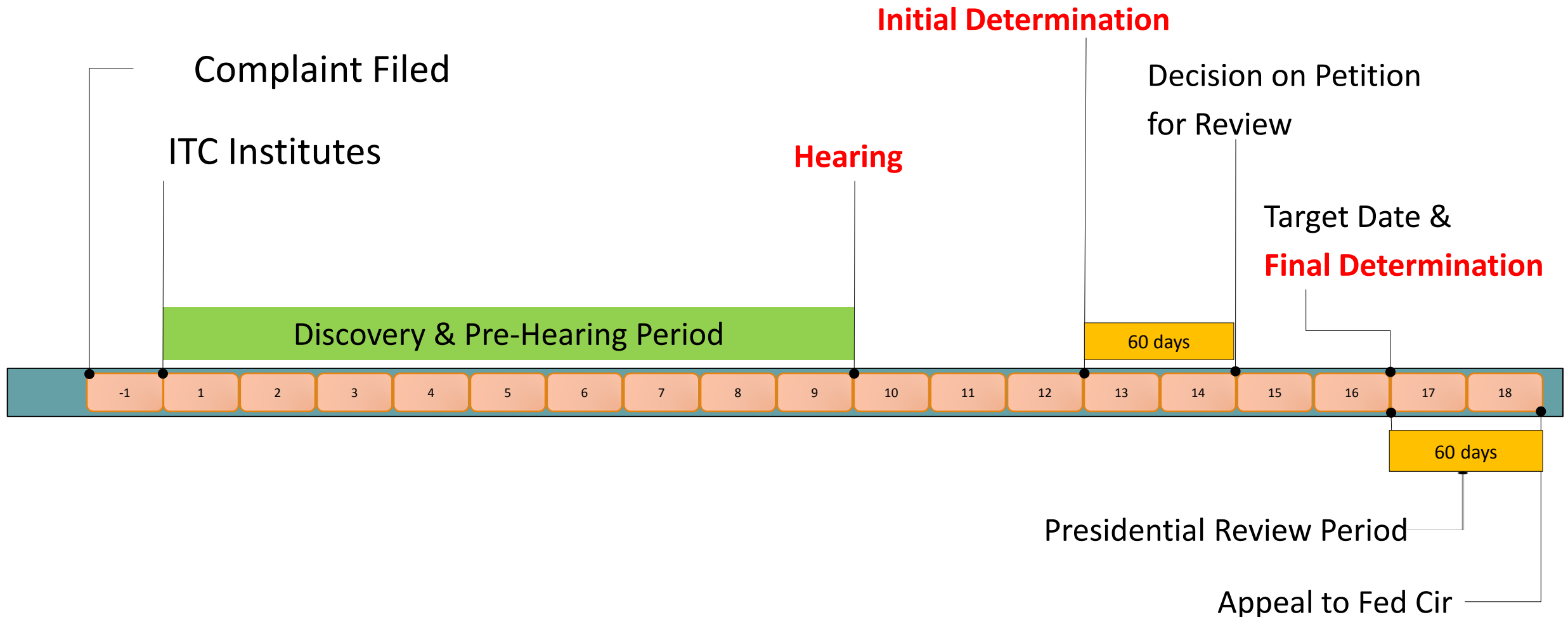
- ❖ **Exclusion order** enforced by Customs
 - ❖ General orders stop articles from all sources
 - ❖ Limited orders stop articles from named parties
- ❖ **Cease & desist orders**
 - ❖ Directed at named U.S. entities, such as to stop sales from existing inventories, servicing of articles already sold, advertising for further sales, etc.
- ❖ Public interest issues considered
- ❖ Review by President for possible veto
- ❖ **NO DAMAGES AWARDED**



Section 337 – Timetable

- ❖ 1 month from filing to institution (i.e., official start)
- ❖ 9 months of discovery, then trial conducted
- ❖ 3 months for Initial Decision from ALJ
- ❖ 4 months for Final Decision from Commission
- ❖ 60 days for review & possible veto by President if violation found and exclusion order issued. Imports can continue under bond during the review period.

Section 337 – Overview of Process



Section 337 – Typical Defenses

- ❖ Defenses to the alleged unfair act
 - ❖ Examples for patents: **invalidity, non-infringement, unenforceability, estoppel, license**
- ❖ Defenses to **ITC-unique elements**
 - ❖ Examples: **no domestic industry, no jurisdiction, no importation, arbitration or other agreement on venue**
- ❖ Defenses to remedy issues
 - ❖ Examples: type of exclusion order, whether cease & desist order is appropriate, bond amount

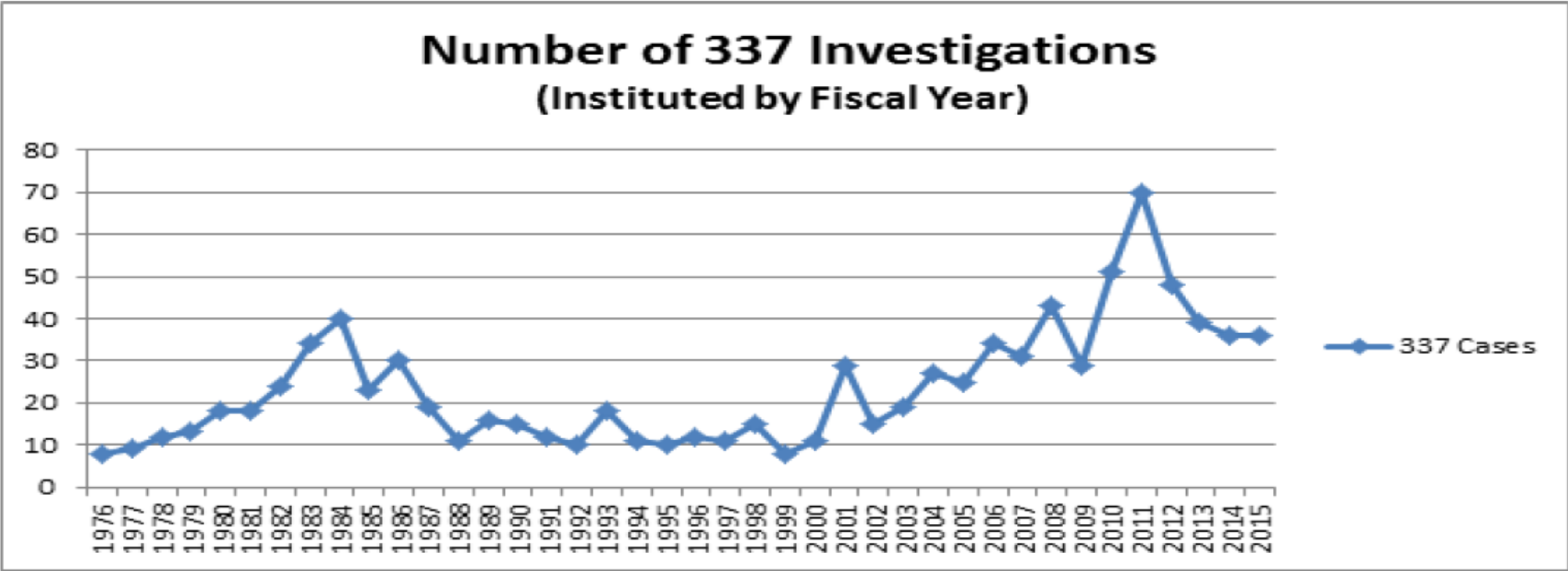
Additional Actions by Complainant

- ❖ Simultaneous filing in District Court
 - ❖ Purpose: To seek damages
 - ❖ Purpose: To select favorable venue (home state)
- ❖ 28 U.S.C. § 1659 – Stay of D.Ct action
 - ❖ Mandatory if requested within 30 days for same patents and parties; otherwise, discretionary
 - ❖ **ITC decisions are not binding precedent**
- ❖ Might distinguish D.Ct action to avoid stay
 - ❖ Examples: Different patents, or different parties

Counter Actions by Respondents

- ❖ **Declaratory judgment** action in District Court on patents asserted at ITC
- ❖ **Counterclaims** at ITC – immediately removed to District Court
- ❖ **Countersuits** in District Court based on other patents in respondent's portfolio
- ❖ **Initiate own ITC action** if domestic industry, importation, etc. are satisfied

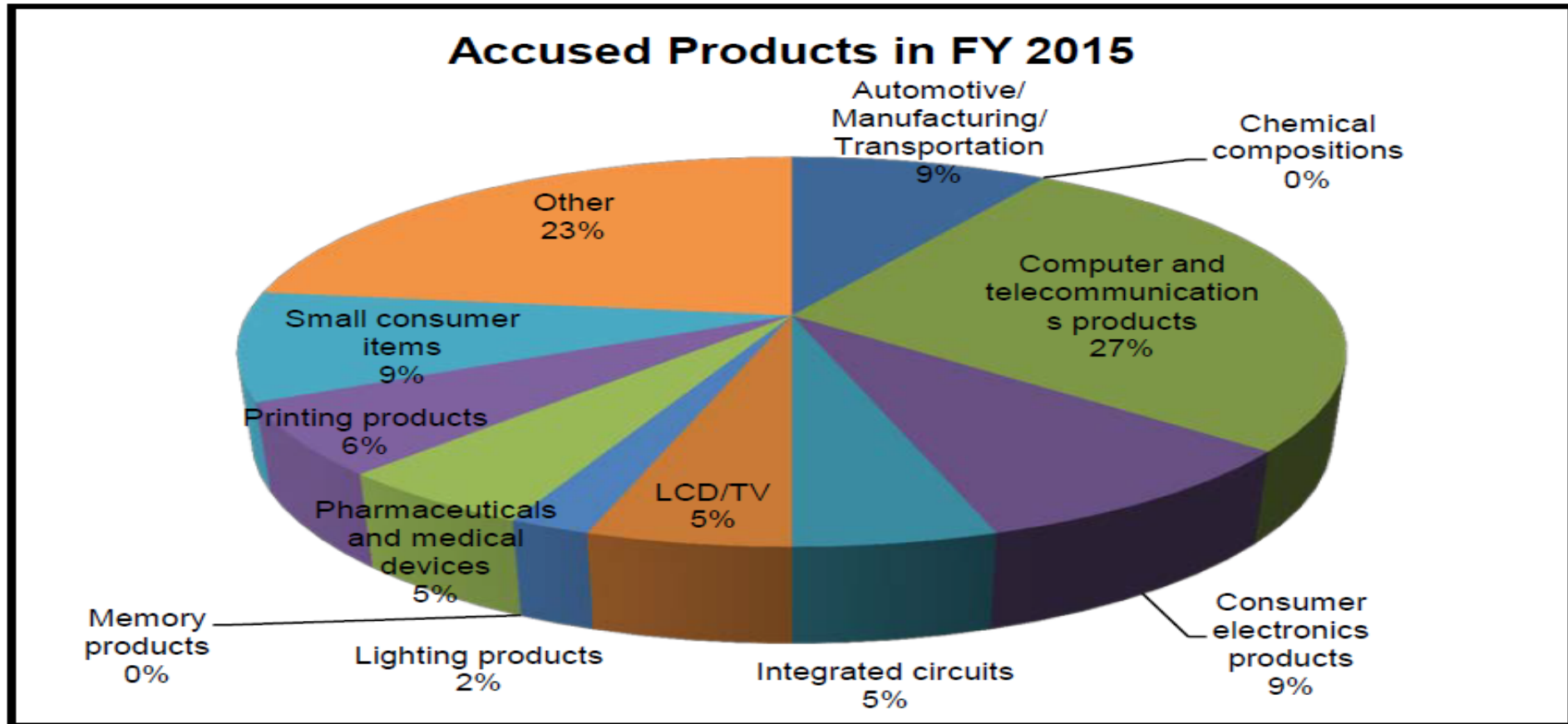
337 Investigations Instituted – 30~40 cases/y



Note: This line chart does not include ancillary proceedings.

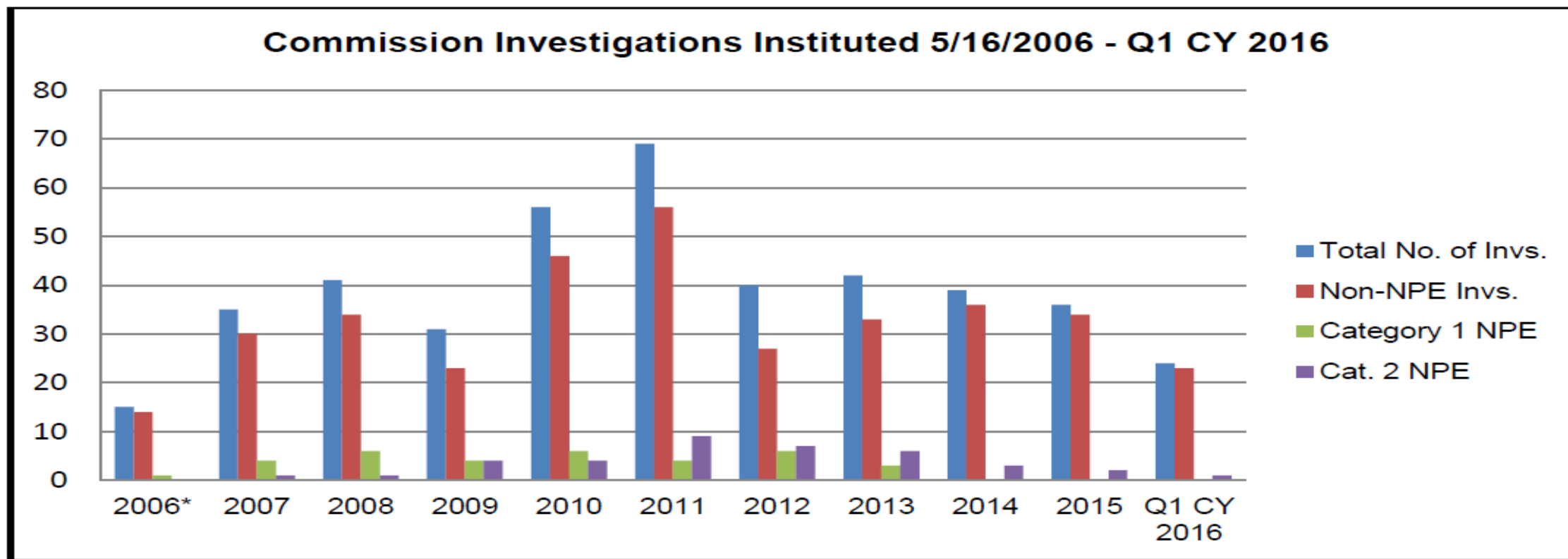
Source : USITC

337 Investigations Instituted – Mobile !!!



Source : USITC

337 Investigations Instituted – Non-NPE !!!



Category 1 NPEs. Entities that do not manufacture products that practice^[1] the asserted patents, including inventors who may have done R&D or built prototypes but do not make a product covered by the asserted patents and therefore rely on licensing

Source : USITC

Category 2 NPEs. Entities that do not manufacture products that practice the asserted patents and whose business model primarily focuses on purchasing and asserting patents.

Contents

Part I. General Introduction of ITC and Statistics

Part II. Recent Case : [Creative Technology case \(337-TA-994\)](#)

Case General

- ❖ Complainant : Creative Technology
- ❖ Respondents : Samsung, ZTE, Sony, LG, Lenovo, HTC, Blackberry
- ❖ Licensing History : \$ 100M settlement with Apple for iPod and iPhone (2006)
- ❖ Requested Remedy : permanent limited exclusion order and permanent cease and desist orders

Case General

❖ Patent : US 6,928,433

: 16 asserted claims, which covers technology that allows users to browse through songs based on their category, artists, album and other criteria

(가수, 장르, 앨범별로 구분해서 노래 선정하는 방법)

Case General

❖ Patent : US 6,928,433

| | | | |
|--------|---|-----------------------|-----------------------|
| Albums | Full Moon Fever | Free Falling | |
| | | I Won't Back Down | |
| | | Love Is A Long Road | |
| | Graceland | The Boy In The Bubble | |
| | | Graceland | |
| | Hotel California | Hotel California | |
| | | New Kid In Town | |
| | | | |
| | Unknown (Created for items without Album attribute) | Track 1 | |
| | | Stardust | |
| Artist | Tom Petty | Full Moon Fever | Free Falling |
| | | | I Won't Back Down |
| | | | Love Is A Long Road |
| | Eagles | Hotel California | Hotel California |
| | | | New Kid In Town |
| | Paul Simon | Graceland | The Boy In The Bubble |
| | | | Graceland |
| Genre | Rock | Full Moon Fever | Free Falling |
| | | | I Won't Back Down |
| | | | Love Is A Long Road |
| | | | |
| | | Hotel California | Hotel California |
| | | | New Kid In Town |
| | | | |
| | | Graceland | The Boy In The Bubble |
| | | | Graceland |

FIG. 7.

Case General

❖ Patent : US 6,928,433

1. A method of selecting at least one track from a plurality of tracks stored in a computer-readable medium of a portable media player configured to present sequentially a first, second, and third display screen on the display of the media player, the plurality of tracks accessed according to a hierarchy, the hierarchy having a plurality of categories, subcategories, and items respectively in a first, second, and third level of the hierarchy, the method comprising:

selecting a category in the first display screen of the portable media player;

displaying the subcategories belonging to the selected category in a listing presented in the second display screen;

selecting a subcategory in the second display screen;

displaying the items belonging to the selected subcategory in a listing presented in the third display screen; and

accessing at least one track based on a selection made in one of the display screens.

Case Proceedings

- ❖ May 11, 2016 : decided to institute the investigation by ITC with the following order

The presiding Administrative Law Judge shall hold an early evidentiary hearing, find facts, and issue an early decision, as to whether the asserted claims of the '433 patent recite patent-eligible subject matter under 35 U.S.C. 101

The Commission expects the issuance of an early Initial Determination relating to Section 101 within 100 days of institution

Case Proceedings

- ❖ ITC's 100-day pilot program – found '433 invalid under Alice

*In 2013, ITC launched its 100-day pilot program ("pilot program") to test whether **early rulings** on certain case-dispositive issues could limit unnecessary litigation. To date, the ITC has utilized the pilot program only twice: once on the issue of **domestic industry** (Inv. No. 337-TA-874) and once on the issue of standing (Inv. No. 337-TA-949). 전체 소송에 영향을 끼치는 중대한 이슈 즉, Domestic Industry 같은 단일 이슈를 100일 내로 신속히 판결해서 불필요한 소송 진행을 막기 위해 도입*

Case Proceedings

❖ ITC's 100-day pilot program with Patent Eligibility

*"This is **the first time** that a patent has been found invalid under a new expedited ITC procedure known as the 100-day program, resulting in an efficient victory for Sony and the other respondents," Gerald Hrycyszyn, a Wolf Greenfield & Sacks PC attorney for Sony"*

A typical ITC case takes over a year, so reducing that period to 100 days saves significant time and resources," Hrycyszyn said.

Case Proceedings

❖ Reasoning for Patent Ineligibility by Judge Shaw

1. Judge Shaw found that the patent is invalid under Alice for claiming only the abstract idea of "organizational hierarchy."
2. "There is no indication that the inventors went beyond anything routine and ordinary in claiming the application of known organizational methods to the standard functions of portable music players and similar devices," Judge Shaw wrote.

Executive Summary

- ✓ ITC = Speedy Proceeding !!!
- ✓ ITC = Powerful Remedy
: Exclusion Order
- ✓ ITC = More Power Tool
: ITC 100-day pilot program !!!

Q & A

THANK YOU



Hae-Chan Park (hpark@park-law.com)
HC Park & Associates, PLC

Review on Recent Development on Section 337 Action at International Trade Commission (ITC)



Sungyong “David” In

Ichthus International Law, PLLC

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Brief Summary of Section 337 Action at ITC

U.S. International Trade Commission (ITC)

- An independent, non-partisan, quasi-judicial administrative agency in Washington, DC
- Established by Congress in 1916 and has broad investigative powers on trade matters
- Six Commissioners, six administrative law judges, Office of Unfair Import Investigations (OUII), and General Counsel



- Review by the Commission
- Trial Proceedings by Administrative Law Judges (ALJ) in accordance with 19 U.S.C. 1337 and the Administrative Procedure Act

Brief Summary of Section 337 Action at ITC

Section 337 of the Tariff Act of 1930, as amended (19 U.S.C. 1337)

- It authorizes the ITC to investigate unfair acts and methods of competition in the importation of articles into the United States.
- It makes it unlawful for any person or entity to import such goods into the United States, to sell them for importation or to sell them within the United States after they are imported.

Statutory Elements of Violation

- Importation into the United States, the sale for importation, or the sale within the U.S. after importation by the owner, importer, or consignee, of articles.
- Infringement by articles of one or more claims of a valid and enforceable U.S. patent (or U.S. copyright or U.S. trademark)
- Domestic Industry related to the articles protected by the patent, copyright, trademark, mask work, or design concerned exists, or is in the process of being established.

Remedies

- There are the following remedies in general: General Exclusion Order (GEO), Limited Exclusion Order (LEO), and Cease and Desist Order (CDO).

Recent ITC Cases at the Federal Circuit:

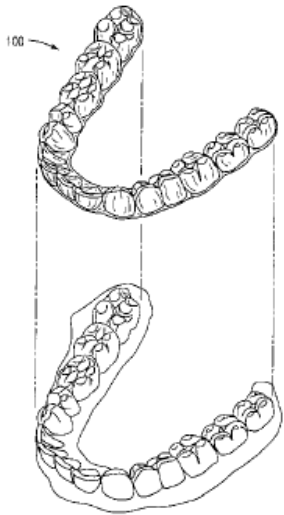
- 1. ClearCorrect Operating, LLC, et al., v. ITC, No. 2014-1527 (Fed. Cir. Nov. 10, 2015)*
- 2. DeLorme Publishing Co., Inc. et al., v. ITC, No. 2014-1572 (Fed. Cir. Nov. 12, 2015)*

ClearCorrect Operating, LLC v. ITC, No. 2014-1527 (Fed. Cir. Nov. 10, 2015)

Case Background

- Align Technology, Inc. (Align) filed a complaint alleging a violation of 19 U.S.C. 1337 (“Section 337”) based on their patents.
- The Commission instituted the Section 337 investigation based on the complaint.
- Respondents to the investigation were ClearCorrect LLC (“ClearCorrect US”) and ClearCorrect Pakistan (“ClearCorrect Pakistan”) (Collectively, “ClearCorrect”).

ALIGN TECHNOLOGY, INC.



ClearCorrect Operating, LLC v. ITC, No. 2014-1527

(Fed. Cir. Nov. 10, 2015)

Representative Claim 1 of US6,722,880 ('880 Patent)

1. A method for making a predetermined series of dental incremental position adjustment appliances, said method comprising:

- a) obtaining a digital data set representing an initial tooth arrangement;
- b) obtaining a repositioned tooth arrangement based on the initial tooth arrangement;
- c) obtaining a series of successive digital data sets representing a series of successive tooth arrangements; and
- d) fabricating a predetermined series of dental incremental position adjustment appliances based on the series of successive digital data sets, wherein said appliances comprise polymeric shells having cavities shaped to receive and resiliently reposition teeth, and said appliances correspond to the series of successive tooth arrangements progressing from the initial to the repositioned tooth arrangement.

Representative Claim 21 of US6,217,325 ('325 Patent)

21. A method for fabricating a dental appliance, said method comprising:

- providing a digital data set representing a modified tooth arrangement for a patient;
- controlling a fabrication machine based on the digital data set to produce a positive model of the modified tooth arrangement; and
- producing the dental appliance as a negative of the positive model.

Note: This claim was on appeal in the above form, but later it was subject to ex parte reexamination and as a result the claim scope was further narrowed.

ClearCorrect Operating, LLC v. ITC, No. 2014-1527 (Fed. Cir. Nov. 10, 2015)

ClearCorrect's Process of Making "Aligners"

- ClearCorrect US scans physical models of a patient's teeth and creates a digital recreation of the patient's initial tooth arrangement.
- ClearCorrect US sends electronically the digital recreation to ClearCorrect Pakistan
- ClearCorrect Pakistan manipulates the position of each tooth to create a final tooth position and then creates digital data models of intermediate tooth positions.
- ClearCorrect Pakistan then transmits these digital models electronically to ClearCorrect US.
- ClearCorrect US subsequently 3D prints these digital models into physical models. Then, an aligner is manufactured using the physical model in the United States.

Accused "Articles" are

- "digital models, digital data and treatment plans, expressed as digital data sets, which are virtual three-dimensional models of the desired positions of the patient's teeth at various stages of orthodontic treatment ('digital models')" from Pakistan to the United States.

The ALJ and the Commission found certain method claims "infringed" and "valid."

ClearCorrect Operating, LLC v. ITC, No. 2014-1527 (Fed. Cir. Nov. 10, 2015)

Both Align and ClearCorrect filed appeals of the Commission's decision to the Federal Circuit

- The issue on appeal is whether the term “articles” as used in 19 U.S.C. 1337(a) includes digital data that was transferred electrically.

ClearCorrect's alleged infringement:

- ClearCorrect Pakistan's electronic transmission of digital models of ClearCorrect US.

The Commission terminated the investigation finding Group 1 and 2 claims infringed.

- Found that ClearCorrect US directly infringed the Group 1 claims and ClearCorrect Pakistan contributed to the infringement.
- Found that ClearCorrect Pakistan directly infringed the Group 2 method claims in Pakistan and that the importation of the resulting digital models violated 19 U.S.C. 1337(a)(1)(B)(ii). ClearCorrect's transmission of digital data sets into the U.S. – electronic transmissions over the Internet, not via on a physical medium such as CD or thumb drive – were importations in violation of Section 337, and issued cease and desist orders against ClearCorrect US and ClearCorrect Pakistan.
- Determined that the Commission had jurisdictional authority over electronically imported data under Section 337.

ClearCorrect Operating, LLC v. ITC, No. 2014-1527 (Fed. Cir. Nov. 10, 2015)

Representative Claim 1 of US6,722,880 ('880 Patent)

1. A method for making a predetermined series of dental incremental position adjustment appliances, said method comprising:

- a) obtaining a digital data set representing an initial tooth arrangement;
- b) obtaining a repositioned tooth arrangement based on the initial tooth arrangement;
- c) obtaining a series of successive digital data sets representing a series of successive tooth arrangements; and
- d) fabricating a predetermined series of dental incremental position adjustment appliances based on the series of successive digital data sets, wherein said appliances comprise polymeric shells having cavities shaped to receive and resiliently reposition teeth, and said appliances correspond to the series of successive tooth arrangements progressing from the initial to the repositioned tooth arrangement.

Representative Claim 21 of US6,217,325 ('325 Patent)

21. A method for fabricating a dental appliance, said method comprising:

- providing a digital data set representing a modified tooth arrangement for a patient;
- controlling a fabrication machine based on the digital data set to produce a positive model of the modified tooth arrangement; and
- producing the dental appliance as a negative of the positive model.

Note: This claim was on appeal in the above form, but later it was subject to ex parte reexamination and as a result the claim scope was further narrowed.

ClearCorrect Operating, LLC v. ITC, No. 2014-1527 (Fed. Cir. Nov. 10, 2015)

Section 337(a)(1) reads:

- Subject to paragraph (2), the following are unlawful, and when found by the Commission to exist shall be dealt with, in addition to any other provision of law, as provided in this section:

(A) Unfair methods of competition and unfair acts in the importation of **articles** (other than articles provided for in subparagraphs (B), (C), (D), and (E)) into the United States, or in the sale of such articles by the owner, importer, or consignee, ...

(B) The importation into the United States, the sale for importation, or the sale within the United States after importation by the owner, importer, or consignee, of **articles** that --... infringe a valid and enforceable United States patent or a valid and enforceable United States copyright registered ...

(C) The importation into the United States, the sale for importation, or the sale within the United States after importation by the owner, importer, or consignee, of **articles** that infringe a valid and enforceable United States trademark registered under the Trademark Act of 1946 ...

(E) The importation into the United States, the sale for importation, or the sale within the United States after importation by the owner, importer, or consigner, of an **article** that constitutes infringement of the exclusive right in a design protected under chapter 13 of title 17.

19 U.S.C. § 1337

ClearCorrect Operating, LLC v. ITC, No. 2014-1527 (Fed. Cir. Nov. 10, 2015)

- The Federal Circuit noted that the Commission's jurisdiction was limited to unfair acts involving the importation of articles under 19 U.S.C. § 1337(a).
- Since there is no physical device to transmit the digital models, the article at issue was the electronically delivered digital data from which the 3D models were printed.
- In reviewing the Commission's decision, the Federal Circuit undertook a Chevron analysis, acknowledging that deference be given to the Commission's interpretation of the term "articles."
- After reviewing contemporaneous and modern definitions of the term "articles," the 1930 Tariff Act, etc., however, **the Federal Circuit ultimately concluded that the term "articles" was limited to "material things" and thus did not extend to electronic transmission, reversing and remanding the Commission's decision.** Also, the Federal Circuit determined that the Commission lacked the jurisdiction.

ClearCorrect Operating, LLC v. ITC, No. 2014-1527 *(Fed. Cir. Nov. 10, 2015)*

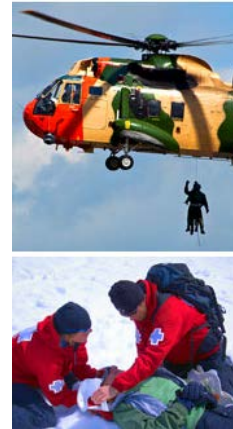
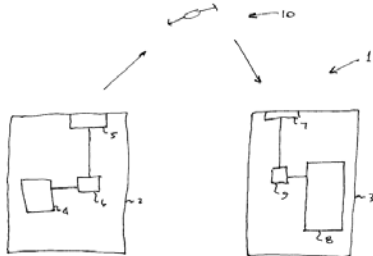
- **Practitioner's Tip(s):**

In the context of Section 337 litigation, the term “articles” as used in 19 U.S.C. § 1337(a) is only limited to “material things” and does not extend to electronic transmissions.

DeLorme Publishing Co., Inc. v. ITC, No. 2014-1572 (Fed. Cir. Nov. 12, 2015)

Case Background

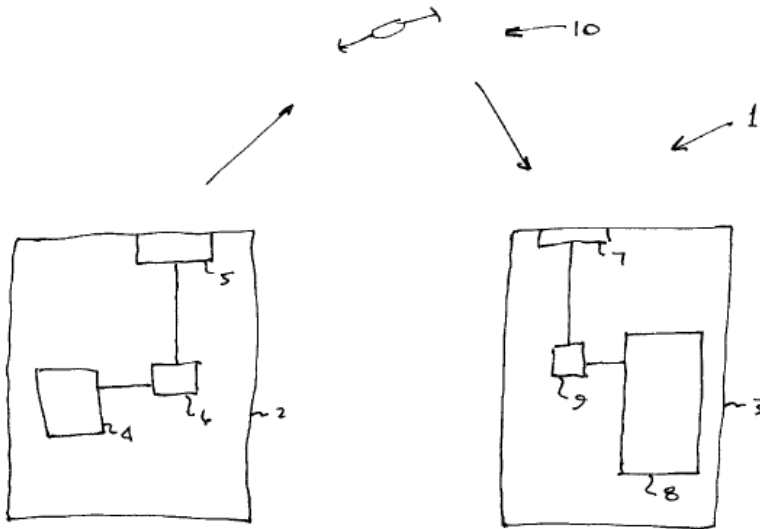
- BriarTek, IP (“BriarTek”) filed a complaint alleging a violation of 19 U.S.C. 1337 (“Section 337”) against DeLorme Publishing Company Inc. and DeLorme InReach LLC (collectively, “DeLorme”), based on their patent US7,991,380 (the “380 patent”).
- The Commission instituted the Section 337 investigation based on the complaint. The ‘380 patent is directed to emergency monitoring and reporting systems comprising a user unit and a monitoring system that communicate through a satellite network.



DeLorme Publishing Co., Inc. v. ITC, No. 2014-1572 (Fed. Cir. Nov. 12, 2015)

Representative Claim 1 of US7,991,380:

1. An emergency monitoring and reporting system, comprising:
a user unit; and
a monitoring system;
wherein the user unit includes an input device, a user satellite communication system, and a user processor communicatively coupled to the input device and the user satellite communication system;
wherein the monitoring system includes a monitoring satellite communication system, an output device, and a monitoring processor communicatively coupled to the monitoring satellite communication system and the output device;
wherein the user satellite communication system and the monitoring satellite communication system are adapted for mutual communication via a satellite network such that the output device can present information to an observer, wherein the information corresponds to information entered at the input device; and
wherein the input device includes a text entry device adapted to receive textual data entered by a user.



DeLorme Publishing Co., Inc. v. ITC, No. 2014-1572

(Fed. Cir. Nov. 12, 2015)

- The Commission instituted the Section 337 investigation on May 24, 2013, based on the complaint to determine if DeLorme was violating Section 337, by importing, selling for importation, or selling after importation satellite based communication devices.
- On May 28, DeLorme filed an action against BriarTek in the United States District Court for the Eastern District of Virginia, seeking declaratory judgment of non-infringement and invalidity of the '380 patent.
- The Commission terminated the investigation based on entry of a Consent Order proposed by DeLorme.
- After the Commission's termination, the District Court granted summary judgment that the asserted claims of the '380 patent are invalid for anticipation and obviousness.
- DeLorme assembled the accused devices by converting previously imported devices, using imported plastic housing components.
- While the district court suit was pending, the Commission issued a decision in the enforcement proceeding (i) finding that DeLorme violated the Consent Order with regard to claims 1 and 2 of the '380 patent, and (ii) imposing a civil penalty of \$6,242,500.

“Under the terms of the Consent Order, DeLorme violates the order if, after entry of the order, it imports, sells for importation, or sells or offers for sale within the United States after importation any infringing two-way global satellite communication devices, system, or components thereof.”
- DeLorme appealed to the Federal Circuit.

DeLorme Publishing Co., Inc. v. ITC, No. 2014-1572 (Fed. Cir. Nov. 12, 2015)

- The Commission concluded that “DeLorme induced infringement and violated the Consent Order by selling the newly accused devices with instructions to use them in a manner that infringed claims 1 and 2 of the ‘380 patent.”
- DeLorme argued that “even if the devices infringed the claims, the Consent Order did not preclude DeLorme from selling domestically manufactured devices containing imported, noninfringing components.”

- The Consent Order includes in part:

DeLorme shall not import into the United States, sell for importation into the United States, or sell or offer for sale within the United States after importation any two-way global satellite communication devices, system, and components thereof, that infringe claims 1, 2, 5, 10–12, and 34 of the ‘380 Patent after April 1, 2013, until the expiration, invalidation, and/or unenforceability of the ‘380 Patent or except under consent or license from Complainant, its successors or assignees.

- Under the Consent Order, DeLorme had penalties for importing any articles that infringe the ‘380 patent
- The Commission is empowered to assess a penalty of up to the greater of \$100,000 or twice the domestic value of the articles per day.

1. An emergency monitoring and reporting system, comprising:
a user unit; and
a monitoring system;
wherein the user unit includes an input device, a user satellite communication system, and a user processor communicatively coupled to the input device and the user satellite communication system;
wherein the monitoring system includes a monitoring satellite communication system, an output device, and a monitoring processor communicatively coupled to the monitoring satellite communication system and the output device;
wherein the user satellite communication system and the monitoring satellite communication system are adapted for mutual communication via a satellite network such that the output device can present information to an observer, wherein the information corresponds to information entered at the input device; and
wherein the input device includes a text entry device adapted to receive textual data entered by a user.

DeLorme Publishing Co., Inc. v. ITC, No. 2014-1572 (Fed. Cir. Nov. 12, 2015)

- The Federal Circuit determined that “DeLorme violated the Consent Order by selling the accused devices containing imported components with instructions for its customers to use the devices in an infringing manner” and that under the terms of the Consent Order, “DeLorme” was precluded from selling infringing devices containing imported components with instructions to infringe.”
- The Federal Circuit further commented that “when read in the context of the Consent Order as a whole, this provision is forward-looking and contains no language indicating that the invalidation trigger would apply retroactively, and determined that “the Consent Order unambiguously indicates that the invalidation trigger ... applies only prospectively.”
Consent Order states in part: “DeLorme shall not ... until the expiration, invalidation, and/or unenforceability of the ‘380 Patent.”
“The Consent Order shall not apply with respect to any claim of any intellectual property right that has expired or been found or adjudicated invalid ...”
- As to the civil penalty, the Federal Circuit found no abuse of the Commission’s discretion in the penalty determination, (“[t]he Commission did not abuse its discretion in imposing a civil penalty of \$6,242,500. The penalty – which amounted to \$27,500 per day for 227 violation days – was substantially less than the statutory ceiling of \$100,000 per violation per day”).
- DeLorme filed a petition for a Writ of Certiorari for the U.S. Supreme Court review on July 13, 2016.

DeLorme Publishing Co., Inc. v. ITC, No. 2014-1572 (Fed. Cir. Nov. 12, 2015)

- **Practitioner's Tip(s):**

- 1) Use care in drafting language of a Consent Order, because the penalty for not being in compliance with the terms of the Consent Order may be a very stiff one at the International Trade Commission (ITC).
- 2) In parallel litigation with the Section 337 action, a subsequent district court invalidation of asserted claims may not retroactively eliminate the obligations of the Consent Order in the Section 337 action by the alleged infringing party. Use more specific language if such retroactive elimination of the obligation is desired.

THANK YOU!

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Ichthus International Law, PLLC

Appendix: Some Statistics at the ITC

Number of New, Completed, and Active Investigations by Fiscal Year (Updated Quarterly)

| Fiscal year | New Complaints and Ancillary Proceedings | Investigations and Ancillary Proceedings Completed | Active Investigations |
|-------------|--|--|-----------------------|
| 2006 | 40 | 30 | 70 |
| 2007 | 33 ^a | 35 | 73 |
| 2008 | 50 | 38 | 89 |
| 2009 | 37 | 43 | 89 |
| 2010 | 58 | 52 | 103 |
| 2011 | 78 | 58 | 129 |
| 2012 | 56 | 57 | 129 |
| 2013 | 52 | 72 | 124 |
| 2014 | 49 ^b | 59 | 100 |
| 2015 | 47 | 50 | 88 |
| 2016 | 79 | 64 | 117 |

Source: USITC, *Budget Justifications*, FY 2008–FY 2016; USITC, *Performance and Accountability Report*, FY 2006–FY 2010; USITC, *Annual Performance Report*, FY 2011–FY 2012; USITC, *Annual Performance Plan FY 2014–2015 and Annual Performance Report*, FY 2013; USITC, *Annual Performance Plan FY 2015–2016 and Annual Performance Report*, FY 2014; USITC, *Year in Review*, FY 2006–FY 2010; *U.S. International Trade Commission FY 2011 At A Glance*; *U.S. International Trade Commission FY 2012 At A Glance*; *U.S. International Trade Commission FY 2013 At A Glance*.

^aIn FY 2007, the USITC started to include proceedings based on remands from the U.S. Court of Appeals for the Federal Circuit in its calculation of ancillary proceedings.

^bIn FY 2014, the USITC also started to include proceedings based on a request for the rescission of an exclusion order in its calculation of the number of ancillary proceedings filed.

Appendix: Some Statistics at the ITC

Types of Accused Products in New Filings by Fiscal Year (Percent of Total Cases Filed) (Updated Annually)

| Product Type | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|------|------|------|------|------|------|------|------|
| Automotive/Manufacturing /Transportation | 7 | 5 | 4 | 4 | 8 | 11 | 9 | 11 |
| Chemical compositions | 2 | 0 | 1 | 2 | 2 | 2 | 0 | 3 |
| Computer and telecommunications products | 17 | 19 | 25 | 27 | 35 | 27 | 27 | 23 |
| Consumer electronics products | 10 | 12 | 15 | 18 | 4 | 6 | 9 | 4 |
| Integrated circuits | 12 | 14 | 6 | 16 | 2 | 5 | 5 | 1 |
| LCD/TV | 7 | 14 | 17 | 4 | 0 | 5 | 5 | 0 |
| Lighting products | 7 | 3 | 5 | 2 | 5 | 2 | 2 | 1 |
| Memory products | 7 | 3 | 5 | 0 | 2 | 6 | 0 | 1 |
| Pharmaceuticals and medical devices | 7 | 2 | 5 | 5 | 15 | 12 | 5 | 16 |
| Printing products | 5 | 9 | 4 | 2 | 0 | 2 | 6 | 1 |
| Small consumer items | 5 | 3 | 8 | 10 | 8 | 16 | 9 | 4 |
| Other | 14 | 16 | 5 | 10 | 19 | 6 | 23 | 35 |

Source: USITC, 337Info.

Appendix: Some Statistics at the ITC

Number of Cases in which a Determination is Made on the Merits by Fiscal Year (Updated Quarterly)

| Determination | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|----------------------------|-------|------|------|------|------|------|
| Number of Violations | 6 | 10 | 11 | 8 | 7 | 11 |
| Number of No Violations | 11 | 12 | 10 | 10 | 4 | 5 |
| Total No of Investigations | 17 | 22 | 21 | 18 | 11 | 16 |
| Percentage of Violations | 35.3% | 45.5 | 47.6 | 44.4 | 63.6 | 69 |

Average Length of Investigations by Fiscal Year, Completion Time (in Months) (Updated Quarterly)

| Fiscal Year | Investigations Completed on Merits ^a | Shortest ^a | Longest ^a | Average ^a | Average for all Investigations ^c |
|-------------|---|-----------------------|----------------------|----------------------|--|
| 2006 | 12 | 3.5 | 19.0 | 12.0 | 11.2 |
| 2007 | 12 | 8.0 | 23.5 | 16.6 | 12.0 |
| 2008 | 15 | 6.0 | 28.0 | 16.7 | 13.2 |
| 2009 | 16 | 3.5 | 28.5 | 17.9 | 10.4 |
| 2010 | 22 ^b | 6.4 | 25.4 | 18.4 | 12.5 |
| 2011 | 17 | 5.2 | 24.2 | 13.7 | 9.9 |
| 2012 | 22 | 2.6 | 28.9 | 16.7 | 12.6 |
| 2013 | 21 | 4.3 | 30.1 | 19.7 | 13.3 |
| 2014 | 18 | 7.4 | 23.9 | 17.1 | 13.9 |
| 2015 | 11 | 5.6 | 21.9 | 15.6 | 11.4 |
| 2016 | 16 | 4.4 | 21 | 15.8 | 10.8 |

New Regime for ENHANCED DAMAGES

Halo v. Pulse & Stryker v. Zimmer
(Supreme Court, JUNE 13, 2016)



KOREAN
AMERICAN
INTELLECTUAL
PROPERTY
BAR ASSOCIATION

SUNG PIL KIM
Harness, Dickey & Pierce, PLC

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Statute

35 U.S.C. § 284 - Damages

- “Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court. . . . [T]he court **may** increase the damages up to three times the amount found or assessed. . . .”

35 U.S.C. § 285 - Attorney fees

- “The court in exceptional cases **may** award reasonable attorney fees to the prevailing party.”

35 U.S.C. § 298 - Advice of counsel

- “The failure of an infringer to obtain the advice of counsel with respect to any allegedly infringed patent, or the failure of the infringer to present such advice to the court or jury, **may** not be used to prove that the accused infringer willfully infringed the patent or that the infringer intended to induce infringement of the patent.” (added Sept. 16, 2011, applicable to any civil action commenced on or after Jan. 14, 2013)

PRECEDENTS

In re Seagate Technology (Fed. Cir. 2007) (*en banc*)

Under *Seagate*, a plaintiff seeking enhanced damages must show that the infringement was “**willful**.”

TWO-PRONG TEST to establish willfulness

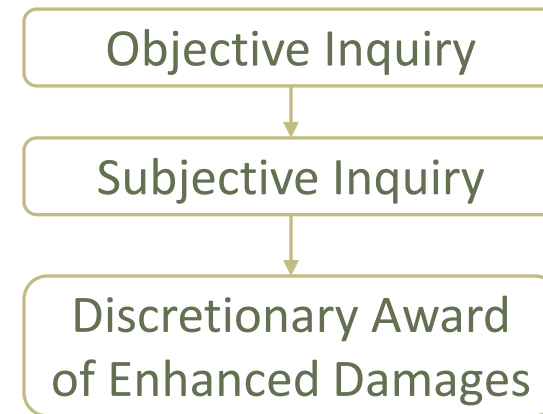
A patentee must show by **clear and convincing evidence** that:

- (1) **Objective recklessness** (reasonableness of the infringer’s defenses) * **Threshold**
- Whether “the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent,” without regard to “[t]he state of mind of the accused infringer”
 - “Objective recklessness will not be found” at this first step if the accused infringer, during the infringement proceedings, “raise[s] a ‘substantial question’ as to the validity or noninfringement of the patent.” *Bard Peripheral Vascular, Inc. v. W. L. Gore & Assoc., Inc.*, 776 F. 3d 837, 844 (CA Fed. 2015).
 - That categorical bar applies even if the defendant was unaware of the arguable defense when he acted. See *Seagate*, 497 F. 3d, at 1371; *Spine Solutions, Inc. v. Medtronic Sofamor Danek USA, Inc.*, 620 F. 3d 1305, 1319 (CA Fed. 2010).

- (2) **Subjective knowledge** (the accused infringer's state of mind)
- Whether the objectively-defined risk (determined by the record developed in the infringement proceeding) “was either known or so obvious that it should have been known to the accused infringer.”

Still Discretionary

If the patentee proves both prongs of willful infringement, the ultimate determination of whether to award enhanced damages and the extent of any enhancement are left to the district court's discretion.



Appellate Review for Enhanced Damages

First step — objective recklessness—is reviewed *de novo*;

- The objective recklessness standard, “even though ‘predicated on underlying mixed questions of law and fact, is best decided by the judge as a question of law subject to *de novo* review.’” *Bard Peripheral Vascular, Inc. v. W.L. Gore & Assocs., Inc.*, 682 F.3d 1003, 1006–08 (Fed. Cir. 2012).

Second step —subjective knowledge—for *substantial evidence*; and

The ultimate decision— whether to award enhanced damages—for *abuse of discretion*.

Opinion of Counsel

Prior to *Seagate*, Fed. Cir. Explicitly imposed an affirmative duty on potential defendants to obtain an opinion of counsel per *Underwater Devices*.

Under *Seagate's* new willfulness test, there is no affirmative obligation to obtain opinion of counsel.

Note: AIA codifies such absence of affirmative duty of obtaining opinion of counsel as § 298.

Octane Fitness (S. Ct. 2014)

§285 allows district courts to award attorney fees to the prevailing party in “exceptional cases.” However, Fed. Cir. has repeatedly limited dist. ct. discretion in determining whether a particular case is exceptional.

- Fed. Cir. had adopted a **two-part test** for determining when a case qualified as **exceptional**, requiring that the claim asserted be both (1) objectively baseless and brought in (2) subjective bad faith. See *Brooks Furniture Mfg., Inc. v. Dutailier Int’l, Inc.*, 393 F. 3d 1378 (Fed. Cir. 2005).

In a 9-0 decision, SCOTUS has **rejected the Federal Circuit’s *Brooks Furniture*** test as “unduly rigid.” and returns discretion to the district courts in determining whether a case is exceptional based upon the general principle:

- District courts may determine whether a case is “exceptional” in the **case-by-case** exercise of their discretion, considering the **totality of the circumstances** [and without any] precise rule or formula for making these determinations. (based on a preponderance of the evidence standard)

SCOTUS **rejected** Fed. Cir.’s rule requiring clear and convincing evidence for awards of attorney’s fees under §285

- §285 provision provides no basis for imposing such a heightened standard of proof. patent-infringement litigation has always been governed by a **preponderance of the evidence** standard.

Hallmark (S. Ct. 2014)

Appellate Review Standard for the §285 questions

SCOTUS held that the question of whether Section 285 attorney's fees are appropriate is a question rooted in fact, to be reviewed for “*abuse of discretion*,” not a question of law reviewed *de novo*.

Halo/Stryker – SCOTUS (June 13, 2016)

Whether the Seagate test is consistent with § 284

Background – Halo v. Pulse

Halo and Pulse supply electronic components.

Pulse was accused of infringing 3 Halo patents.

At trial, jury found (1) that Pulse directly infringed all 3 patents, (2) that all of the asserted claims were valid for nonobviousness, and (3) that Pulse it was “highly probable that Pulse’s infringement was willful.”

On post-trial motion, Dist. Ct. concluded that Pulse did not meet the objective component of the Seagate willful infringement test because Pulse “reasonably relied on at least its obviousness defense” and Pulses’ unsuccessful obviousness defense was not “objectively baseless.”

Fed. Cir. affirmed the jury’s validity determination, but indicated that “almost all the limitations in the asserted claims were known elements of electronic packages that existed in the prior art” but Pulse waived their right to challenge the jury’s factual findings (e.g., failed to file a FRCP 50(a) JMOL motion).

Fed. Cir. affirmed the Dist. Ct.’s finding that Pulse did not willfully infringe based on the reasonable obviousness defense presented at trial (e.g., Pulse’s reasonable obviousness defense developed after the initiation of the litigation).

Background – Skyler v. Zimmer

Stryker and Zimmer compete in the market for orthopedic pulsed lavage devices. Zimmer was accused of infringing 3 Stryker patents.

At trial, the jury found that the Stryker patents were valid, that Zimmer infringed the patents, and the jury's award of damages.

Dist. Ct. also found that Zimmer willfully infringed the Stryker patents based on a testimony stating that Zimmer “all but instructed its design team to copy Stryker's products.”

Dist. Ct. also cited secondary considerations of non-obviousness as making it “dramatically less likely that Zimmer's invalidity arguments were reasonable.”

Fed. Cir. affirmed the judgment of infringement, but vacated the award of treble damages.

- Applying *de novo* review, the court concluded that enhanced damages were unavailable because Zimmer had asserted “reasonable defenses” at trial
- Found that Zimmer's claim construction/non-infringement and invalidity defenses were “not unreasonable”; and noted that Dist. Ct. “failed to undertake an objective assessment of Zimmer's specific defenses to Stryker's claims,” instead improperly considered the “subjective mindset” of the accused infringer during the objective prong analysis.

Holdings

Roberts, C.J. authored the ***unanimous*** opinion (8-0); Breyer, with Kennedy and Alito joining, wrote a concurring opinion.

SCOTUS ***overturned*** the *Seagate* test.

SCOTUS adopts: (1) ***new enhanced damages test***, rejecting all aspects of the *Seagate* test, including changes with regard to (2) the patent holder's ***burden of proof*** and (3) the ***level of appellate review***.

Judgments in both *Halo* and *Stryker* are vacated and remanded for further proceedings.

In the Opinion

Principal Problem with the *Seagate* Test:

“It requires a finding of objective recklessness in every case before district courts may award enhanced damages.”

This word “may” in §284 clearly connotes **discretion**. In a system of laws discretion is rarely without limit ... and to be **guided by sound legal principles**.

This Court described §284—consistent with the history of enhanced damages under the Patent Act—as providing that “punitive or ‘increased’ damages” could be recovered “in a case of willful or bad-faith infringement.”

Awards of enhanced damages [...] are instead designed as a “punitive” or “vindictive” sanction for **egregious** infringement behavior.

- District courts enjoy discretion in deciding whether to award enhanced damages, and in what amount. But through nearly two centuries of discretionary awards and review by appellate tribunals, “the channel of discretion ha[s] narrowed,” so that such damages are generally reserved for **egregious** cases of culpable behavior.

Although there is “no precise rule or formula” for awarding damages under §284, a district court’s “discretion should be exercised in light of the considerations” underlying the grant of that discretion. *Octane Fitness (S. Ct. 2014)*

Overtured the *Seagate* test

The *Seagate* test reflects, in many respects, a sound recognition that enhanced damages are generally appropriate under §284 only in **egregious cases**. The test, however, “is **unduly rigid, and it impermissibly encumbers** the statutory grant of discretion to district courts.” *Octane Fitness* (construing §285 of the Patent Act).

- *Seagate*’s two-part test can have the effect of insulating some of the worst patent infringers from any liability for enhanced damages.
- The *Seagate* test requires a finding of **objective recklessness by a clear and convincing evidence** as a pre-requisite (or a threshold requirement) to award enhanced damages. Further, the *Seagate* test aggravates the problem by making dispositive the ability of the infringer to muster a reasonable (even though unsuccessful after-the-fact) defense at the infringement trial.

SCOTUS recognized that along the line of *Octane Fitness*, the **subjective willfulness** of a patent infringer, intentional or knowing, may warrant enhanced damages, without regard to whether his infringement was objectively reckless.

Based on the above, SCOTUS held that district courts must have greater discretion in awarding enhanced damages in case where the defendant’s infringement was egregious, cases “typified by willful infringement.”

Adopted New Regime

Enhanced Damages should be limited to “**egregious**” cases, not typical infringement

- §284 allows district courts to punish the full range of culpable behavior. Consistent with nearly two centuries of enhanced damages under patent law, however, such punishment should generally be reserved for egregious cases typified by willful misconduct.

New Test (Totality of Circumstances Test?)

- District Courts must “continue to take into account the particular circumstances of each case in deciding whether to *award damages*, and in *what amount*. Section 284 permits district courts to exercise their discretion in a manner free from the inelastic constraints of the *Seagate* test.”

Scienter Requirement

- Intentional or knowing (i.e., subjective reckless) infringement are required for enhanced damages.
 - “A patent infringer’s subjective willfulness, whether intentional or knowing, may warrant enhanced damages, without regard to whether his infringement was objectively reckless.” *Id.* at 10.
- Defendant’s state of mind at the time of infringement is relevant time frame for § 284 analysis
 - Invalidity and/or Non-infringement Defenses developed after the fact, e.g., after litigation has commenced, is irrelevant.

New Burden of Proof – The SCOTUS adopts ***preponderance of the evidence*** standard

- “The *Seagate* test is also inconsistent with § 284 because it requires clear and convincing evidence to prove recklessness [...]. As we explained in *Octane Fitness*, ‘patent-infringement litigation has always been governed by a *preponderance of the evidence standard*.’ *Enhanced damages are no exception.*”

Appellate Review Standard – ***Abuse of discretion***

- Along the line of *Octane Fitness*, SCOTUS rejected Fed. Cir.’s tripartite framework for appellate review.
- §284 “commits the determination” whether enhanced damages are appropriate to the “discretion of the district court” and “that decision is to be reviewed on appeal for *abuse of discretion.*”

Concurrence (Justice Bryer)

SUGGESTS 4 LIMITATIONS ON ENHANCED DAMAGES AWARDS

Mere knowledge of the patent and nothing more should not result in enhanced damages.

- “[T]he Court’s references to ‘willful misconduct’ do not mean that a court may award enhanced damages simply because the evidence shows that the infringer knew about the patent *and nothing more* while the Court explains that ‘intentional or knowing’ infringement ‘may’ warrant a punitive sanction, the word it uses is *may*, not *must*.”

Opinion of Counsel is not required; Invalidity and/or Non-infringement analysis performed by a non-lawyer may be evidence of the Defendant’s good faith behavior and/or unintentional infringement.

- “[A]n owner of a small firm, or a scientist, engineer, or technician working there, might, without being ‘wanton’ or ‘reckless,’ reasonably determine that its product does not infringe a particular patent, or that that patent is probably invalid. . . . “Congress has thus left it to the potential infringer to decide whether to consult counsel – without the threat of treble damages influencing that decision.”

Enhanced Damages award should not be used to award patentees for a) “infringement related costs,” or b) “litigation expenses.”

- The direct infringement award should compensate the patentee for the cost of infringement. 35 U.S.C. § 284, first paragraph (“the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.”).
- §285 (“Attorney’s Fees”) should be used to provide for litigation expenses (e.g., “fee awards may be appropriate in a case that is ‘exceptional’ in respect to ‘the unreasonable manner in which [it] was litigated’”).

Errors regarding the “reasonableness” of a Infringer’s defense should be reviewed by an abuse of discretion standard

- “[I]n applying [the abuse of discretion standard], the Federal Circuit may take advantage of its own experience and expertise in patent law. Whether, for example, an infringer truly had ‘no doubts about [the] validity’ of a patent may require an assessment of the reasonableness of a defense that may be apparent from the face of that patent. And **any error on such a question** would be an **abuse of discretion.**” *Id.* at 5 (internal citations omitted)(emphasis added).

Summary

Overtaken the *Seagate* test because it unduly confine the district courts' discretion to award enhanced damages

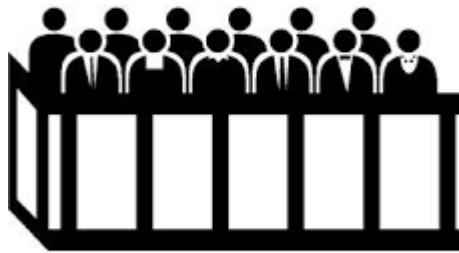
District courts may award enhanced damages under §284 based on the ***totality of the circumstances***.

- The subjective component alone can be enough to establish willfulness.
- The accused infringer's scienter should be determined at the time of infringement;
- Enhanced awards should be limited to egregious cases.

Defendant's culpability must be proved based on a ***preponderance of the evidence***.

At an Appellate level, enhanced damages awards are reviewed for ***abuse of discretion***.

| | Halo/Stryker (New Law) | Seagate (Old Law) |
|----------------------|--|--|
| — Test | Totality of circumstances test (Egregious, Subjective Willfulness) | Two-prong test (Objective Recklessness → Subjective Knowledge) |
| Evidentiary Standard | Preponderance of Evidence | Clear and Convincing |
| Appellate Review | Abuse of discretion | Trifurcated Review <ul style="list-style-type: none"> • <u>De novo</u> for Objective Recklessness • <u>Substantial evidence</u> for Subjective Knowledge • <u>Abuse of discretion</u> for ultimate decision to award enhanced damages |



Questions Unanswered

Halo opinion does not provide a particular framework and/or enumerate specific factors for district courts to consider when making enhanced award determinations

Halo opinion does not address potential defenses and/or mitigating factors that accused infringers may present

- Differences between “typical” infringement and “egregious” infringement?
- What is a “reasonable” defense?

SCOTUS does not provide any specific guidance regarding how to determine the amount of enhancement of the damage award

- No discussion of when 1.5X, 2.0X, 3.0X, etc., enhancement is appropriate.

Will unsuccessful Design Around attempts and/or Reverse Engineering of products automatically trigger enhanced damages?

- See, e.g., *Stryker* fact pattern

Post *Halo/Stryker*

On Remand

Halo v. Pulse

Fed. Cir. remanded, as the district judge had relied on the *Seagate* test to grant JMOL of no willful infringement over a jury verdict of willful infringement.

Skyler v. Zimmer

Fed. Cir. remanded the case back to the district court for a further determination as to whether and how much damages should be enhanced.

- Zimmer did not challenge the subjective component so the Federal Circuit affirmed willfulness on remand.
- Thus, remand in this case is somewhat odd given that the district judge has already made a discretionary determination to the amount of enhanced damages.

Post *Halo/Stryker*

***Westerngeco LLC v. ION Geophysical Corp.* (Fed. Cir. Sept. 21, 2016)**

- The Fed. Cir. Held that the “objective reasonableness is one of the relevant factors” of the “totality of the circumstances” test. Thus, objective reasonableness is still relevant to determine willfulness.
- In some way, this holding is in *tension* with *Halo* because *Halo* does not mention the “totality of the circumstances” and writes harshly against the objective test.
- However, Judge Dyk explains the holding as follows:
 - *Halo* relied upon the patent attorney fee case of *Octane Fitness* of the relevant standard of district court’s discretion;
 - *Octane Fitness* relied on the copyright case attorney fee case of *Fogerty v. Fantasy*; and
 - *Fogerty* required consideration of a “totality of the circumstances,” which could include objective reasonableness. Thus, “objective reasonableness is one of the relevant factor.”

Background of the Case

- ION was accused of infringing Westerngeco's 4 patents.
- The jury found infringement and awarded damages to Westerngeco.
- The jury also found that ION's infringement had been *subjectively reckless* under the "subjective" prong of the *Seagate* test. However, the district court held that ION was *not a willful infringer* meriting enhanced damages because ION's (defense) positions (at trial) were reasonable and not objectively baseless (failing to meet the first threshold prong (objective recklessness) of the *Seagate* test.
- Because the district court found no objective reasonableness, it did not reach ION's JMOL motion seeking to set aside the jury's finding of subjective recklessness.
- The Fed. Cir. Affirmed based on the then valid *Seagate* test.
- SCOTUS remanded the case for further consideration in light of *Halo*.
- On remand, the Fed. Cir. Vacated the district court's judgment denying willfulness.

Background of the Case (cont'd)

- Now, two questions are before the district court:
 - (1) Whether the jury's verdict of subjective willfulness is supported by substantial evidence by *preponderance of the evidence* standard (instead of clear-and-convincing evidence standard)
 - (2) If the jury's finding of willfulness is sustained, whether enhanced damages should be awarded.
 - (a) Is it a egregious case of conduct beyond typical infringement meriting enhanced damages; and
 - (b) If so, what is the appropriate extent of the enhancement.

THANK YOU



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How to improve your US patent applications

Enforcement in Mind



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Enforcement in mind / Issues in later stages

- Inventors / Inventorship & Ownership
- Specifications / Indefiniteness
- Claim terms / Constructions
- Claims structure / Maximized Royalty Base, Benefits in Licensing & Litigation
- Abandonment / Revival
- Note 1) Automation of application review
- Note 2) Correspondence with US Practitioners

Patent grant is the first milestone, but not the last one

Good patents will be ultimately litigated, sold, or subject to license

- Patents have inherent risks: unenforceable, invalid, not infringed, lapsed, ...
- Grant of bad patents is no good, but harm
- Presumption of patent validity becomes weaker: General public's perception is "Patent s***s"

Patent applicants should know what happens after patents are granted

- Need to know trends of patent litigations: many IPR filings, patentability issues, ...
- Patent monetization: how much value will the patent retain?
- Collaboration with litigators or patent brokers is a plus

Inventors / Inventorship & Ownership

Inventors should know

- They will be subpoenaed and deposed later

False Inventorship will invalidate patents

- “Who conceived the invention” Conception is a key. Mueller Brass Co. (E.D. Pa. 1972)
- Conception is completed only when the idea is so clearly defined in the inventor’s mind that only ordinary skill would be necessary to reduce the invention to practice, without extensive research or experimentation.
 - Sewall v. Walters (Fed. Cir. 1994)
- Simply ordering “do this, do that” does not constitute conception of the invention.

Specifications / Indefiniteness

Be specific

- No good to be unclear or abstract
- Cannot amend after the first draft
 - Claims can be cancelled or amended, but spec is almost impossible to amend
- Consistent internal logic
- Grammar and punctuation, just like any other English literature
- Quality translation

Indefiniteness standard

- *Nautilus, Inc. v. Biosig Instruments, Inc.*
- “A patent is invalid for indefiniteness if its claims, read in light of the specification delineating the patent, and the prosecution history, fail to inform, with reasonable certainty, those skilled in the art about the scope of the invention.”

Claim terms / Constructions

Claim construction (Markman briefing/hearing/ruling) is a key step of Patent litigation

Research constructions of claim terms you want to put in your claims (e.g. claim term dictionary, docket navigator)

Claims structure / Maximized Royalty Base

- **Royalty Base**

- Patent royalties and damages are based on the market value of whatever encompassed by the claims.
- If the claim scope is limited to ballpoint pen's spring, it will become the royalty base.
- But, if the claim scope covers the spring and the ballpoint pen, the royalty base may be the combination of both components. (But, no guarantee.)
- Divided Infringement issues (Server – Terminal) *Akamai v. Limelight*

Claims structure / Benefits in Licensing & Litigation

- **Independent embodiment claim(s) needed for future licensing & litigation**
 - An independent embodiment claim is “an independent claim that includes one or more details of the disclosed or preferred embodiments” source: Invention Analysis, ABA, Ronald D. Slusky
 - Not the broadest claim. Includes details that usually appear in dependent claims.
 - In litigation,
 - Judges and juries accessing the validity of a claim may not consider the dependent claim limitations separately, even though they should.
 - Independent-Dependent claims structure may be confusing them.
 - In licensing,
 - The broadest claims are presumed to be risky: subject to IPR challenges.
 - Not-too-broad and not-too-narrow claims are easy to discuss for licensing purposes

Abandonment / Revival

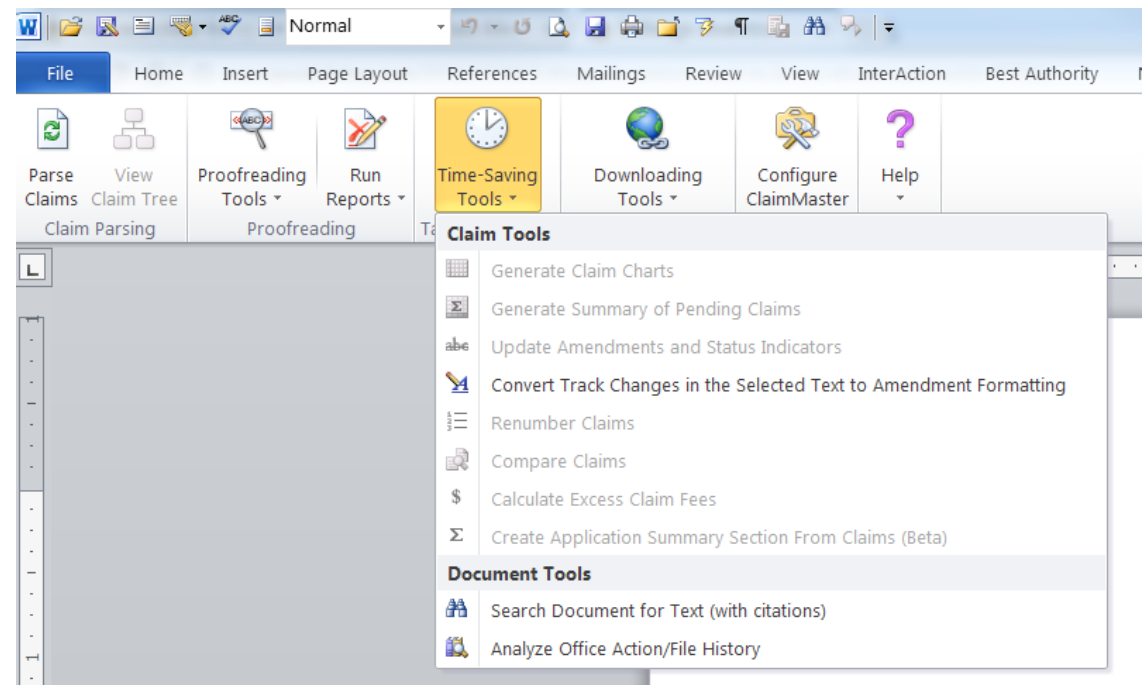
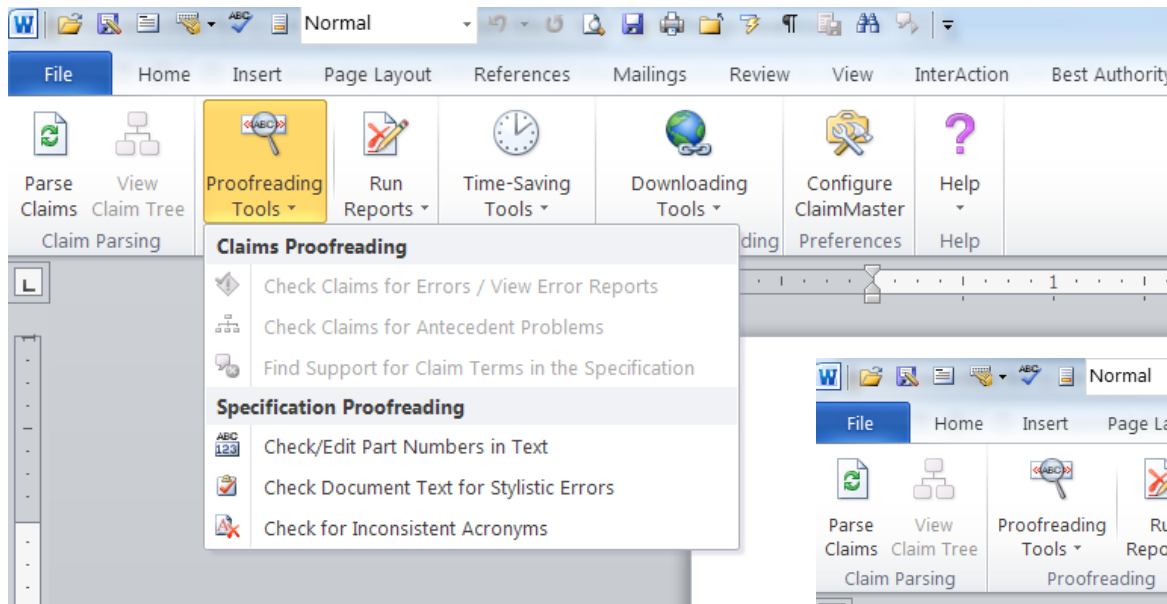
Original Assignee decided not to pay the maintenance fees of issued patent. But, Subsequent buyer wanted to buy it.

- How to reinstate (revive) the lapsed patent
 - Before 2013, “unavoidable” (any time) AND “unintentional” delay (within 2 years) standard
 - Now, only “unintentional” delay is the standard to revive ZOMBIE patents. 37 CFR 1.378
 - Any patent which has expired for failure to pay a maintenance fee can be revived, at any time, upon a statement that the delay in paying the maintenance fee was unintentional. 35 U.S.C. § 41(c)(1)
 - What about damages? Reduced for the lapsed (abandoned) period of the patent?
 - **“only to those who first began using or first took steps to begin using a patent** that had expired for failure to pay a maintenance fee” *Fonar Corp. v. GE*, 107 F.3d 1543, 1554 (Fed. Cir. 1997), 35 U.S.C. § 41(c)(2)

Abandoned application can be revived, too

- Filing a petition to revive is enough to revive the abandoned application, but...
- In later litigation, US practitioner and/or original assignee would be subpoenaed and deposed
 - “Was the delay truly unintentional?”

Note 1) Automation of application review



Correspondence with US Practitioners

Please, clear and be specific in written instructions.

- Avoid Passive Voice (“It is regarded that ...”). SVO is strongly preferred
- “Constitution 1, Constitution 2, Constitution 3” What are they? Please, find relevant things in US Patent law.

Do use quotation marks. Who said that?

- Claims?
- Examiner?
- Client (Assignee)?
- Your own comments?

Contacting with you or inventors (even via email only) are usually discouraged.

- Budget issues
- Partner’s business decisions
- Please, send out complete instructions (e.g. Amendments that are readily applicable to pending application)
- If *half-baked* instructions are sent, please mark what’s missing in them and what you expect from US practitioners

THANK YOU

Morgan Lewis

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