

How to defend against patent claims



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War Story: Small-sized company H in Korea

- Yr 2010 ~ 2016
- H had sold parts that are compatible with US Company X's products
- X threatened lawsuits against H
- H hired US lawyers and conducted FTO("freedom to operate") analysis
- X filed an ITC proceeding against H
- The case was transferred because of conflicts
- H was subject to exclusion order
- However, US CBP (Customs and Border Protection) held H's designed-around parts do not infringe X's patents

IP Matters – cost of doing business

IP matters are not something UNLUCKY

- Not an earthquake. Not a thunderstorm
- Just like taxes, (in most cases) unavoidable
 - E.g. H**, X****
- Just like building rents, office desks, parts of your business

The only question would be “who do you pay, and how much?”

- Competitors?
- Unknown third-party patent holders?
- Patent Aggregators?
- Patent Insurers?
- Or...
- Your attorneys?

Conventional Defense Methods

Acquire license from patent holders or patent pools

- Only with well-known licensors (e.g., MP3, MPEG, ...). Just like paying tax.
- A form of contract
- Patent Licensing : Many different issues (“What if ...”): Scope of grant, Sublicense, Breach, Termination, Royalty structure (Running/ Lump Sum), ...
- Need to consult with licensing experts who understand the relevant industries.

Buy patents from others

- Consider purchasing patents from non-competitors
- Universities or Research Institutes
- However, be cautious when direct competitors are sellers
 - Potential issues: (willful) infringement or admission to make or use

Conventional Defense Methods (continued)

Buy licensed parts

- Value Chain: COMPONENT → END PRODUCT → CUSTOMER
- Indemnification (indemnity): Multiple legal & biz issues
 - Agreement (Purchase order, Separate contract, ...), How to (Defend legal proceedings, Share legal fees, ...)
- Patent Exhaustion
 - “The initial authorized sale of a patented item terminates all patent rights to that item.” Quanta v. LGE 553 U.S 617, 5 (2008).
 - CAUTION !!! “The authorized sale” must occur in the United States. Core Wireless Licensing v. LGE, 2:14-cv-00911 (EDTX, filed 2014, ordered 206).

Create new patents (cross-licensing)

- Actively seek to get Patents or other IP assets
- Diligently conduct patent searches (e.g. competitor’s patents)
- File patents (Wait a sec. What are the rights conferred by the patent grant?) (source: USPTO)

The right conferred by the patent grant is, in the language of the statute and of the grant itself, “the right to exclude others from making, using, offering for sale, or selling” the invention in the United States or “importing” the invention into the United States. What is granted is not the right to make, use, offer for sale, sell or import, but the right to exclude others from making, using, offering for sale, selling or importing the invention. Once a patent is issued, the patentee must enforce the patent without aid of the USPTO.

Conventional Defense Methods (continued)

Challenge patents

- File IPR (Inter Partes Review)
- File Declaratory Judgment, arguing the patent is invalid
- What if already acquired license of the patent?
 - MedImmune v. Genentech: a licensee need not repudiate the license prior to challenging patent validity
- What if the license includes “No Challenge” provision?
 - The “No Challenge” provision is generally unenforceable
 - Rates Technology Inc. v. Speakeasy, Inc., 685 F.3d 163 (2d Cir. 2012)
 - Massillon-Cleveland-Akron Sign Co. v. Golden State Advertising Co., 444 F.2d 425 (9th Cir. 1971)
 - Dot Hill Sys. Corp. v. Crossroads Sys., Inc., No. IPR2015-00822 (P.T.A.B. Sept. 17, 2015): IPR is not barred.

Non-conventional Defense Methods

- **IP Insurance**

- No panacea (Coverage is not uniform, multiple provisions to abide by, ...)
- Ultimately, an economic decision
 - May fail to help to nuisance, bad-faith claims (subject to plaintiff's gamesmanship litigation tactics)
 - Relatively low limits that may not protect against major threat
 - Expensive premiums

- **Basic types**

- (i) First-Party IP Coverage: protects the value of an insured's **direct loss** sustained when its revenue streams are diminished from a direct and resultant impact upon its IP rights;
- (ii) IP **Defense** coverage: protects a company against allegations that it improperly used the IP of another; and
- (iii) IP **Enforcement** coverage: funds an attack on a party that improperly uses the insured's IP.

- Policy limits typically range from US \$1-50 million and premiums range from 10-15% of the policy limit.
- **ALG, Hiscox, IPISC, Kiln and The Hartford** (source: ipwatchdog.com)

Non-conventional Defense Methods (continued)

Patent Aggregators

- RPX
 - offers a **membership model**, where its membership costs help the company purchase potentially problematic patents on the open market to prevent their use against members
 - claims that the incidence of NPE litigation has reduced by approximately 20 percent
 - about 250 companies as members, with annual fees reportedly ranging from \$85,000 to \$7 million
- AST “Proactive Patent Defense”
 - helps coordinate **buying consortium** when a defensive license is desired that then stays with the purchasing firms whether they leave or stay with AST.
 - uses a **bidding system** to distribute the cost of purchasing these patents among the companies that are most interested in each patent.
 - has only about 30 members and offers services for between \$25,000 to \$200,000 per year depending on the size of the company

Non-conventional Defense Methods (continued)

Patent Aggregators (continued)

- Unified Patents Inc. (<https://www.unifiedpatents.com/>)
 - Purchases and challenges patents in **specific technology areas**, which it calls “zones.”
 - Members join particular zones, and Unified uses subscription fees to challenge potentially problematic patents in the U.S. Patent and Trademark Office through IPR.
 - Purchase patents on the open market but not from patent trolls, and it grants members in its zones perpetual licenses for any patents it purchases in those zones.
 - fees vary significantly based on size, and it still offers a free membership option for startups, though costs can reach \$400,000 per year for bigger companies in certain zones.
- LOT NETWORK
 - Companies join LOT Network (a not-for-profit association of international companies) by signing the LOT Agreement and paying an annual fee to help cover administrative costs.
 - Members can sell or transfer patents to anybody, but **simply provides LOT Network members immunity** against PAE lawsuits if one of its member’s patents should be transferred to a troll.

Non-conventional Defense Methods (continued)

Cf. New Patent Pool (Defense or Offense?)

- Avanci (Internet of Things)
 - Founded by Kasim Alfalahi (former chief IP officer of Ericsson)
 - Patent licensing program for **IoT (internet of things)**
 - Inventors decide what tech they need and license it through Avanci for a flat rate per unit. Then, Avanci splits up the fee and pays companies that own patents the particular technology touches, keeping a cut of the revenue for itself.
 - Ericsson, Qualcomm, InterDigital, KPN, ZTE, and Sony

Patent Litigation Funding

For Defendants (Alleged infringers)

For patent holders

- Strong patent position
- Clear evidence of infringement
- Substantial monetary claim
- Judgment-worthy defendant
- Funding resources
 - Third-party funding entity will fund all of the expenses of patent assertion, including attorney fees
 - A law firm willing to take the case on a **contingency basis**.

Downsides

- Generally share revenue on a "net" basis (not much left after all costs are deducted)
- Third party will require that it will get repaid first
- Patent holders are also required to contribute financially

Complex case – *Eidos, Ironshore, Stairway* (2014~)

ABC v. Ironshore Speciality Ins. (2nd. Cir. 2014)

- Patent Litigation Funding + Patent Insurance + Arbitration
- **Eidos** (patent holder) ran a patent enforcement litigation program
- M law firm represented Eidos
- **Stairway Capital** funded the litigation program
- **Ironshore** sold its insurance to cover Eidos if Eidos did not recoup at least the amount of Stairway's loan through its litigation program
- In 2013, while the litigation program was continuing, Ironshore predicted that the outcome of the program would be bad, thus it filed a demand for **arbitration** of its contention that the insurance policy was void ab initio.
- In the parallel infringement litigation, the patent was held invalid as indefinite.

M law firm v. Ironshore (SDNY, 2015)

- M law firm is bound to the arbitration initiated by Ironshore.
- M law firm received a direct benefit from the insurance. Thus, a third-party beneficiary.

Complex case – *Eidos, Ironshore, Stairway* (2014~)

(continued)

Stairway Capital v. Ironshore Speciality Ins. (NY Appellate Div. 2015)

- The court held that Stairway Capital cannot immediately recover \$25 million from Ironshore for losses it suffered on a loan to Ironshore's policyholder (Eidos) to fund patent enforcement litigation
- Stairway Capital is also bound to the arbitration.

Complex case – *Eidos, Ironshore, Stairway* (2014~)

(continued)

Stairway Capital v. Ironshore Speciality Ins. (NY Appellate Div. 2015)

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- Stairway Capital is also bound to the arbitration.

THANK YOU

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미국 특허 무효심판 청구를 통한 지재권 분쟁대응

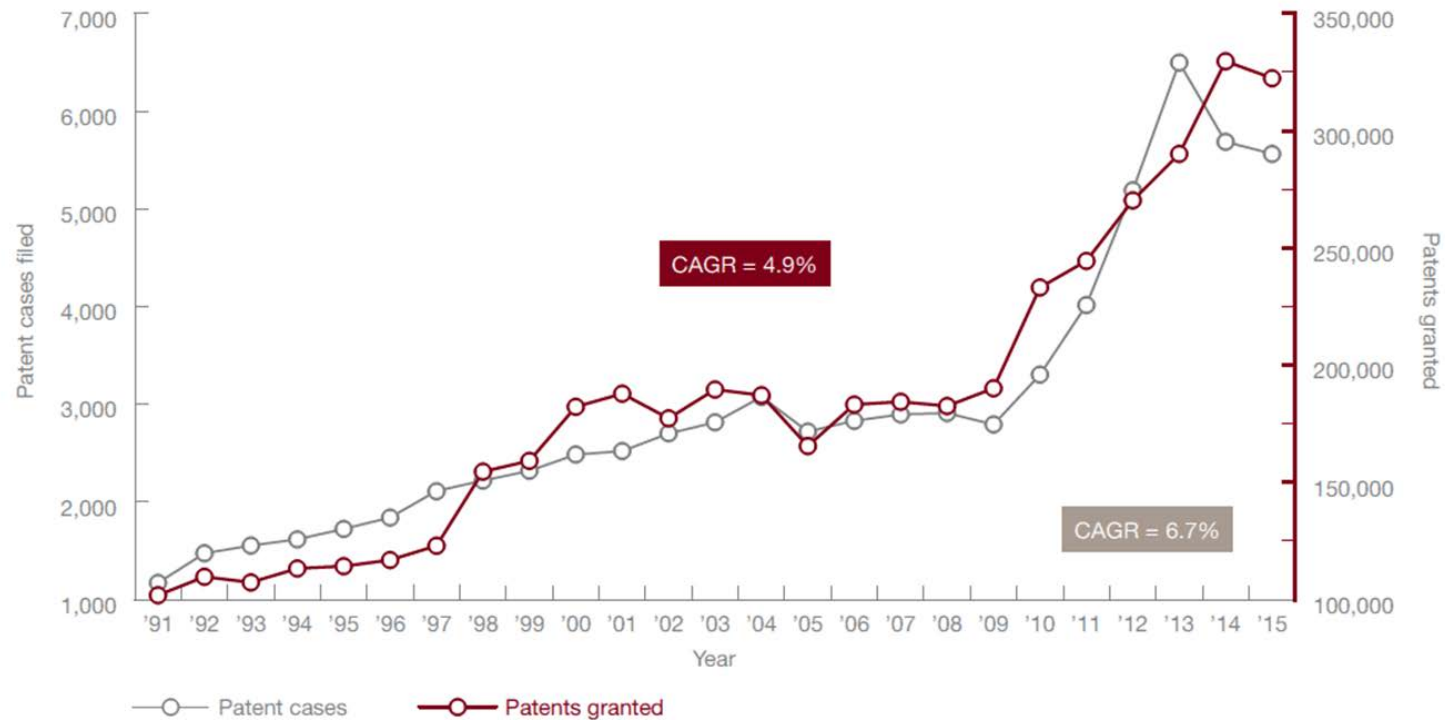


김재연 (STEVE KIM) 미국특허변호사
NOVICK, KIM & LEE, PLLC

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

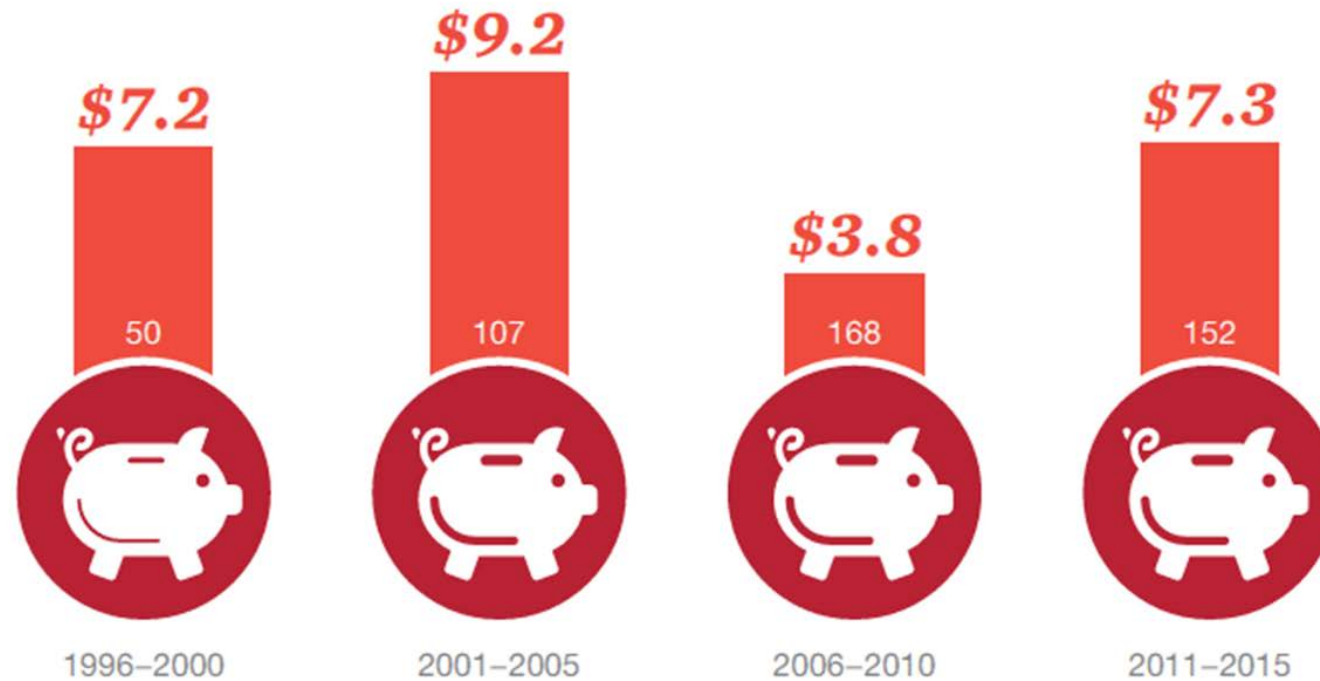


Years are based on September year-end.

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.

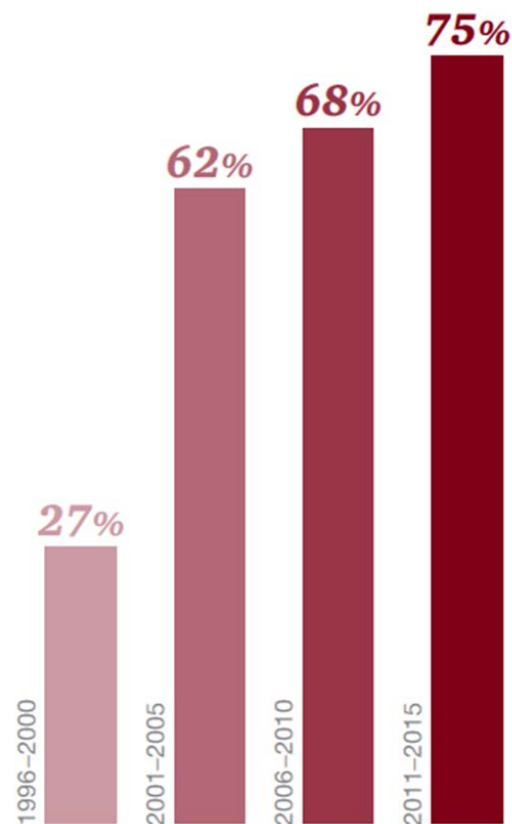
자료 PWC

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

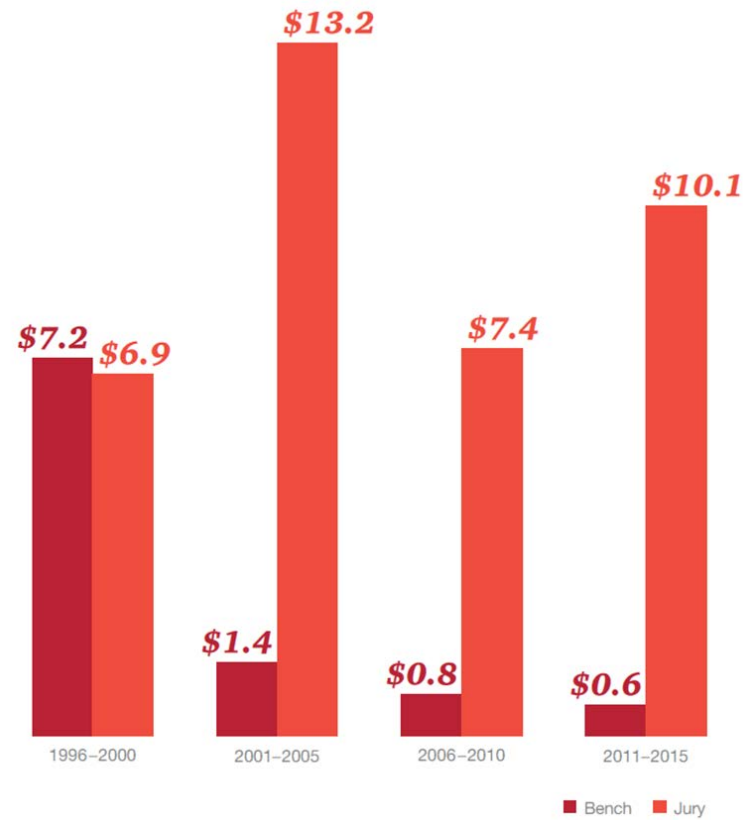
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배심원 판결 비율



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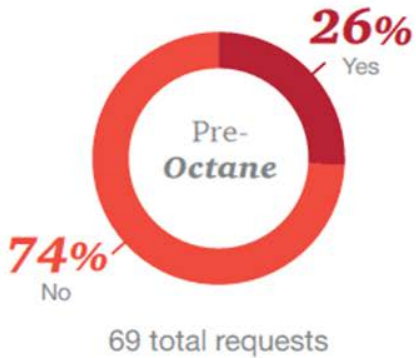
배심원, 판사 판결시 평균 손해배상 비교



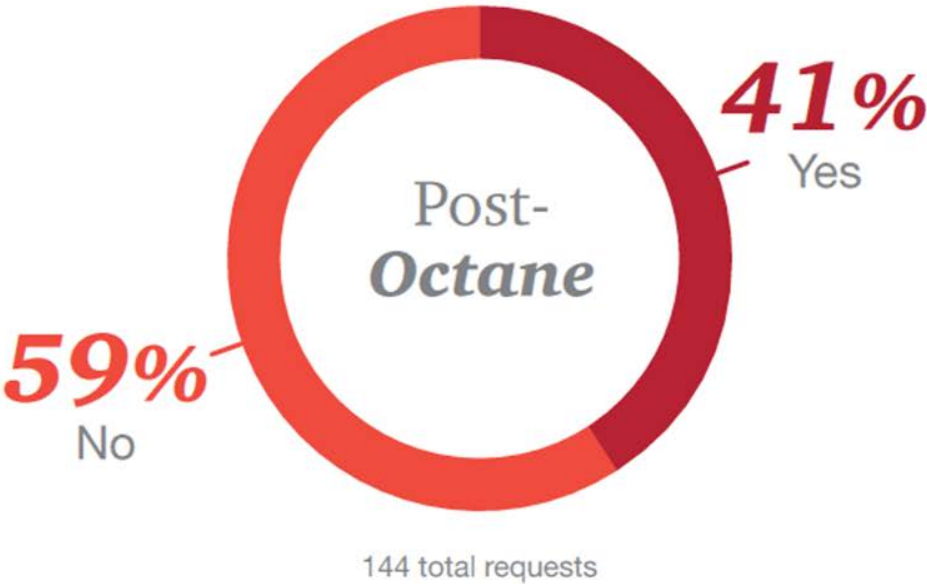
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상대 변호사 비용 지불 판결 추이 변화

January 1, 2013–April 29, 2014



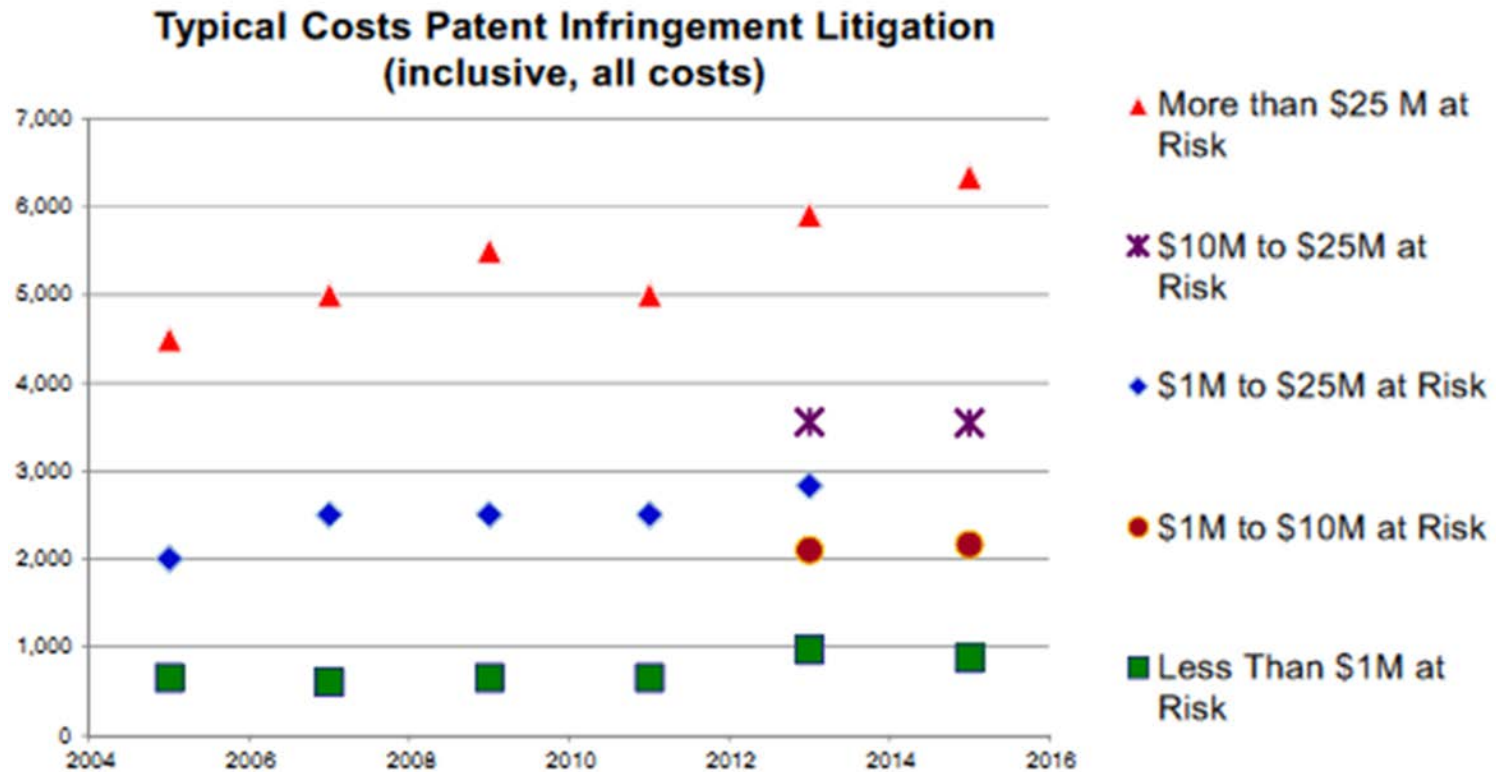
April 30, 2014–December 31, 2015



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

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소송 방어 평균 비용



Source: AIPLA Report of the Economic Survey 2015

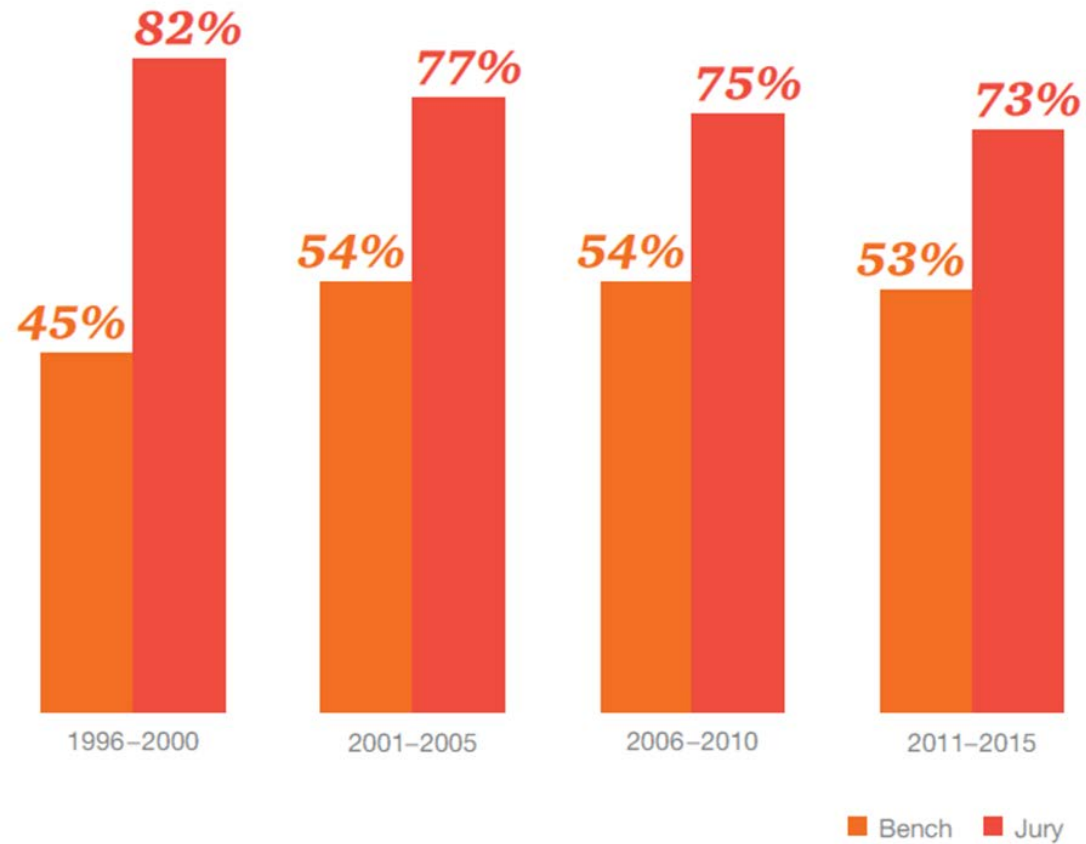
미국 지방 법원별 특허 소송 순위

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

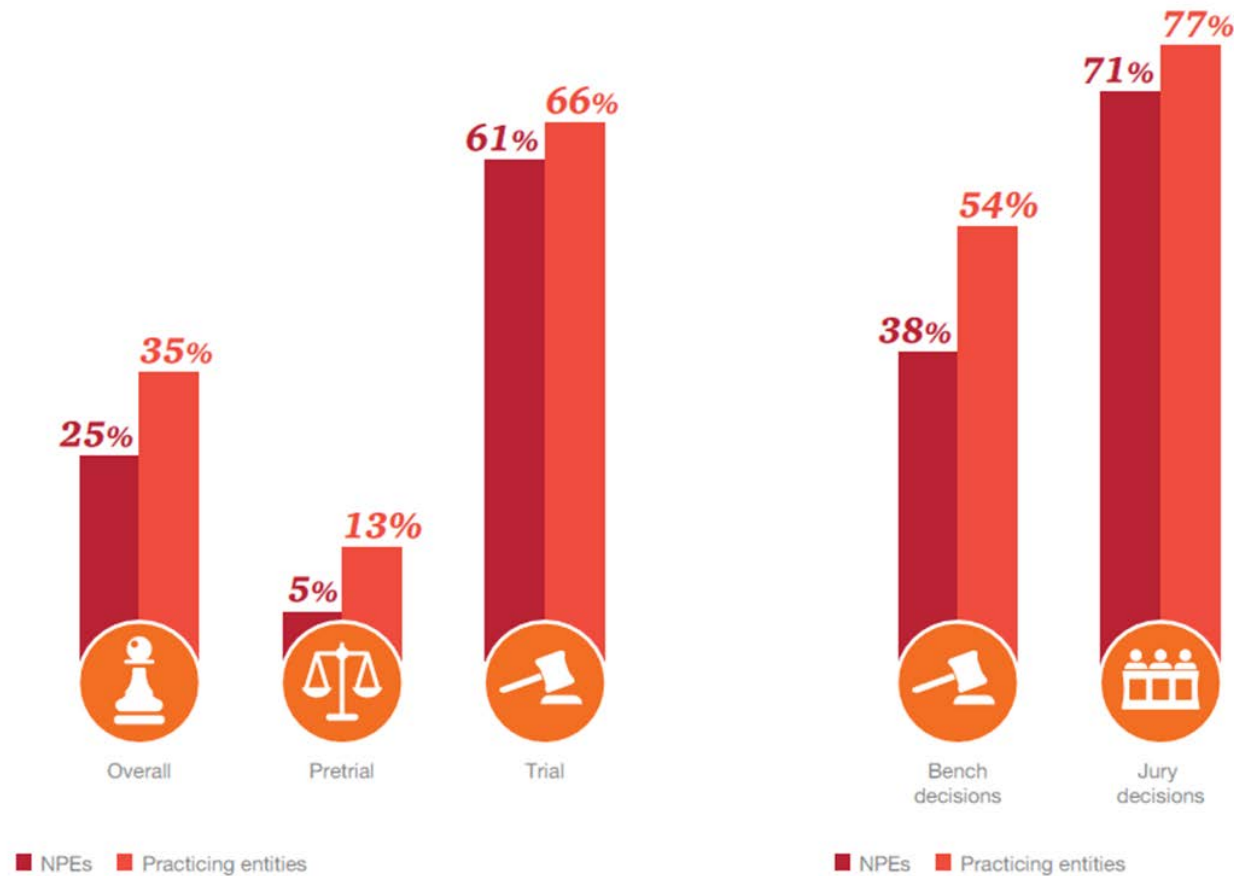
The overall ranking for these courts are based on their relative ranking for each of the three statistical measures, equally weighted.

원고 승소율 Bench v. Jury 비교



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NPE, Practicing Entities 승소율 비교



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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

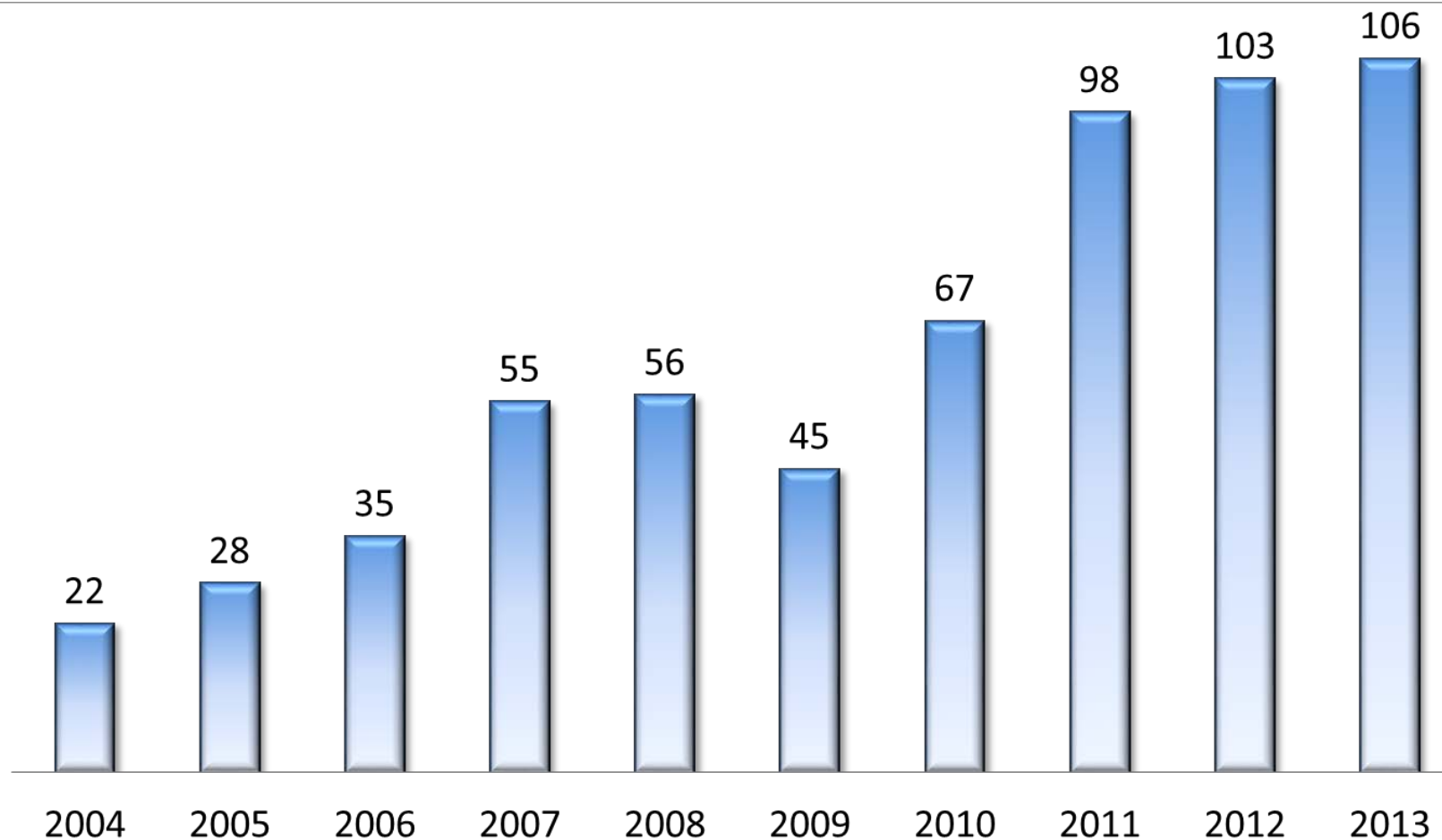
17%

Individual NPEs lag far behind in success rate

The number of cases is indicated below each graphic.

자료 PWC

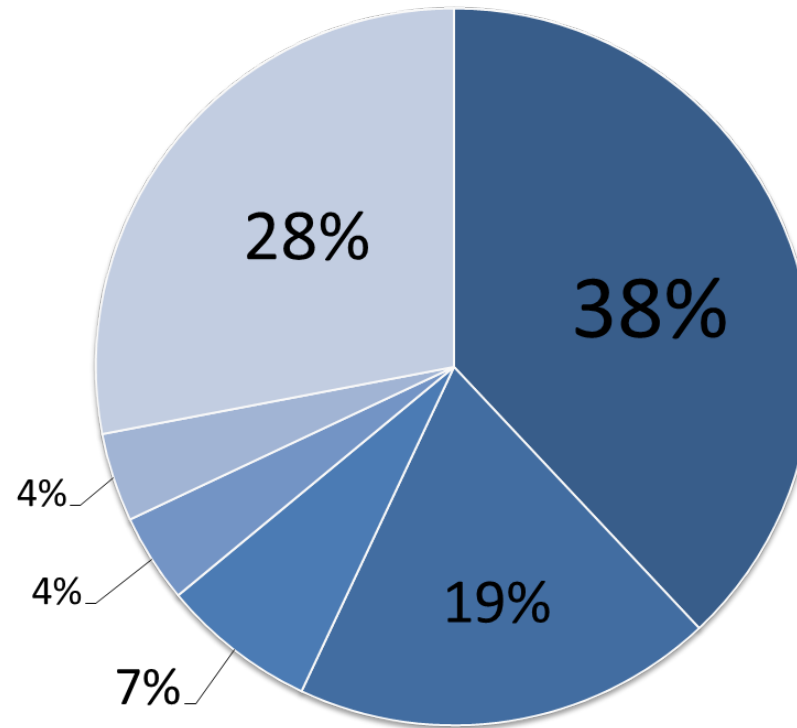
한국 기업 상대 미국 연도별 소송건수



자료 KOTRA

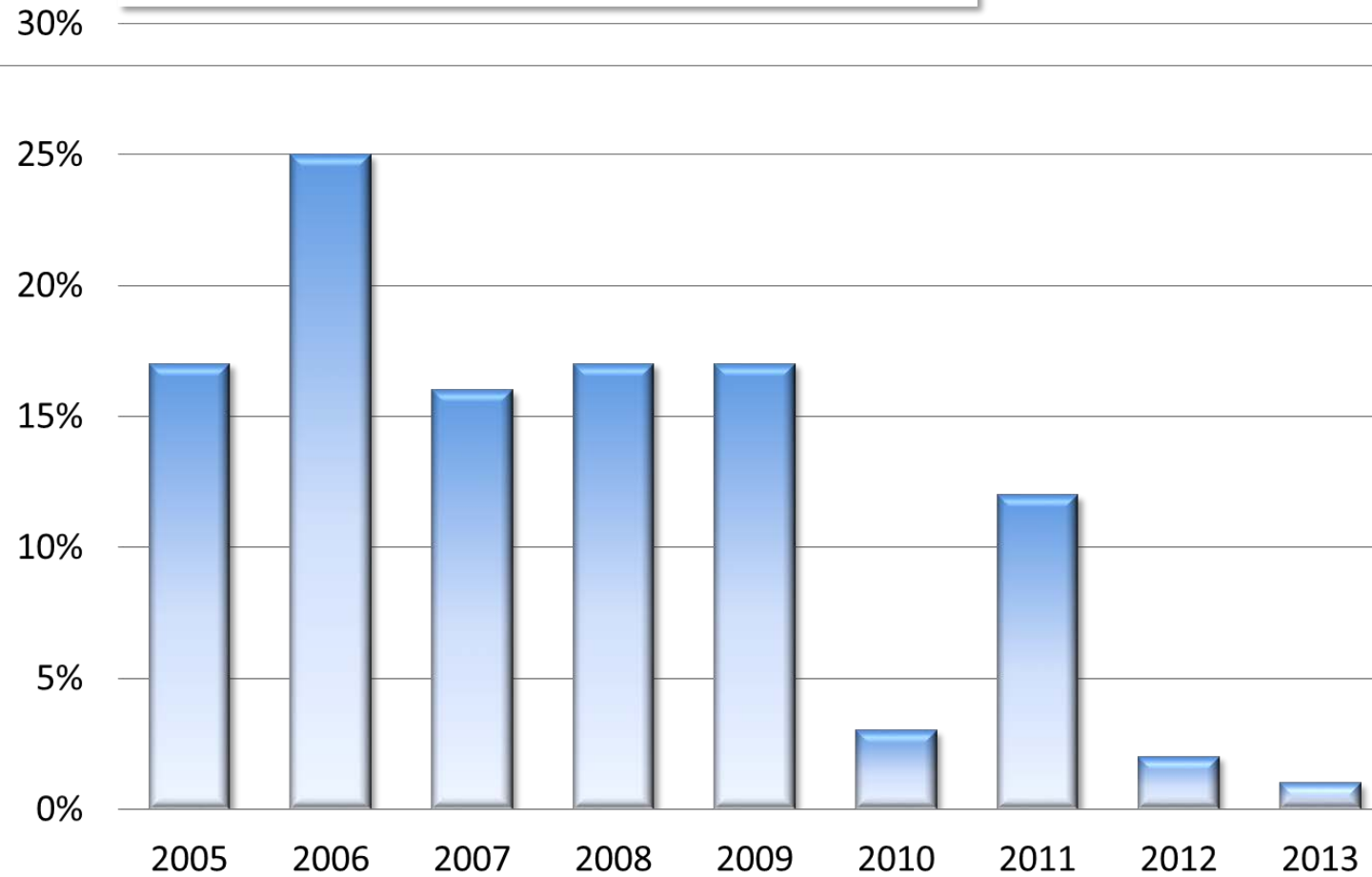
한국 기업 대상 소제기 법원

- 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

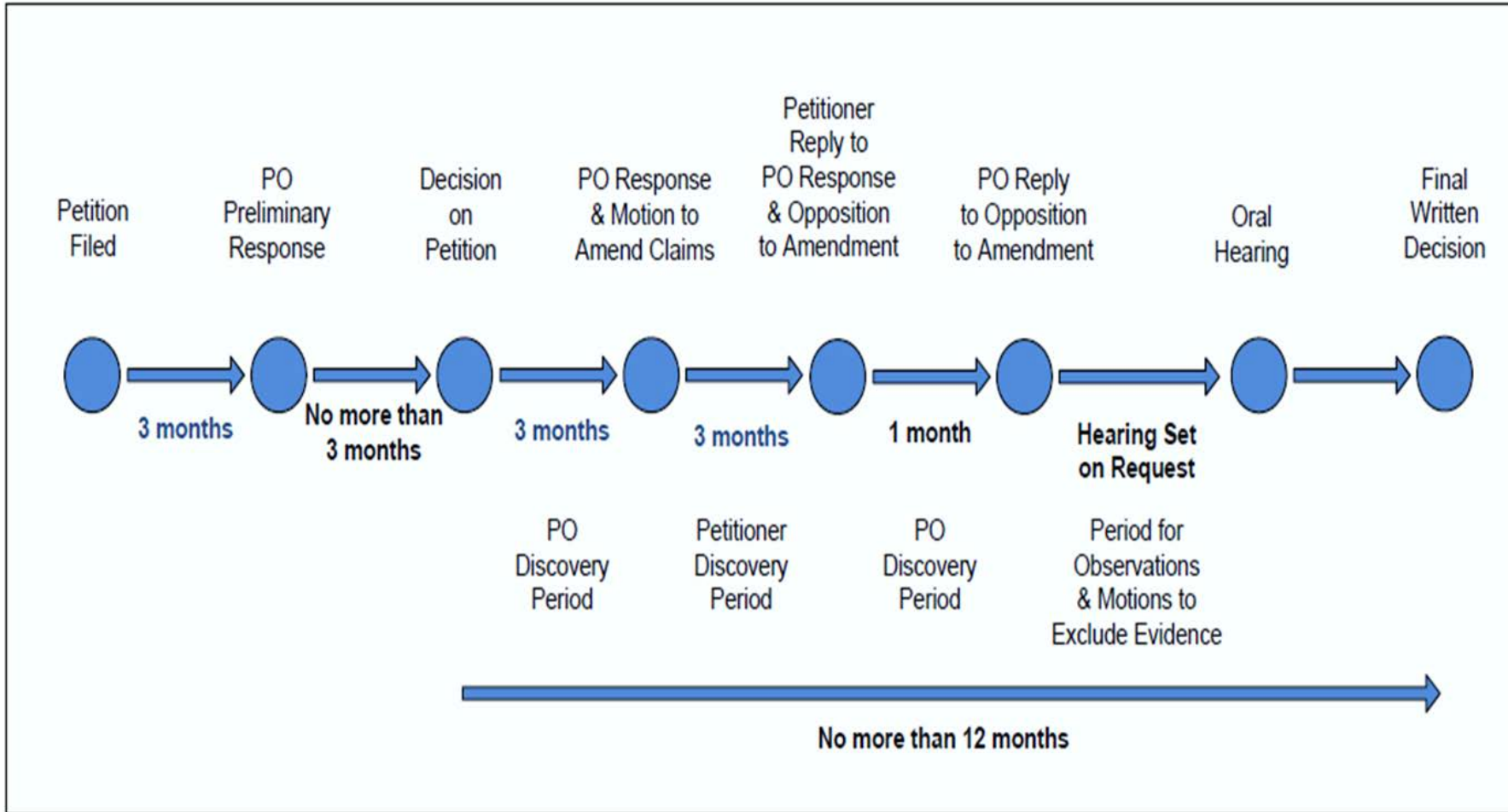
PATENT TRIALS – PGR, IPR, CBM

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

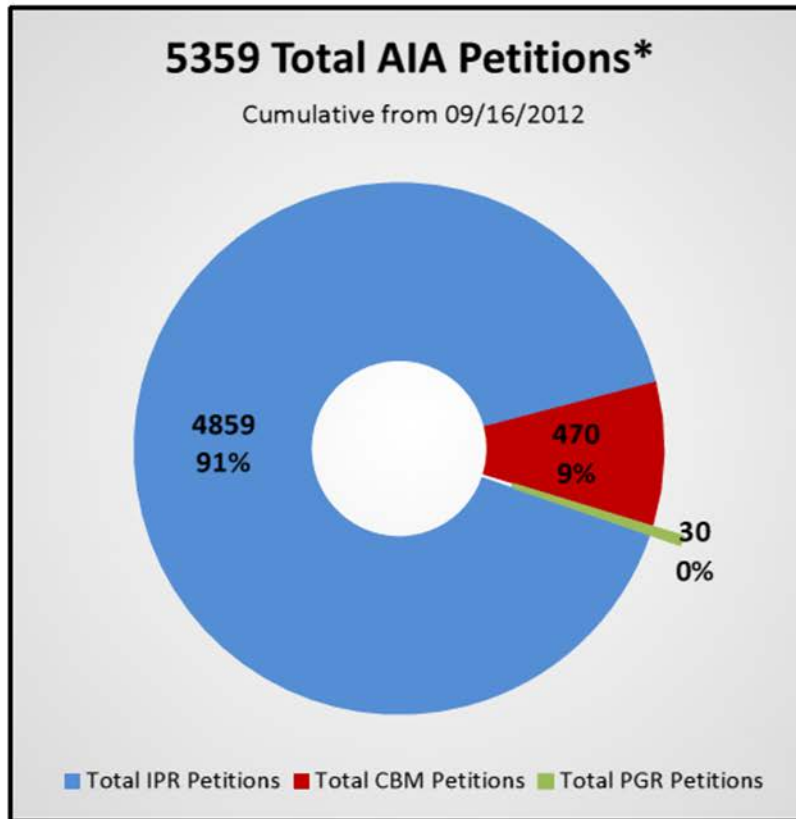


Advantages for USPTO Trials

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



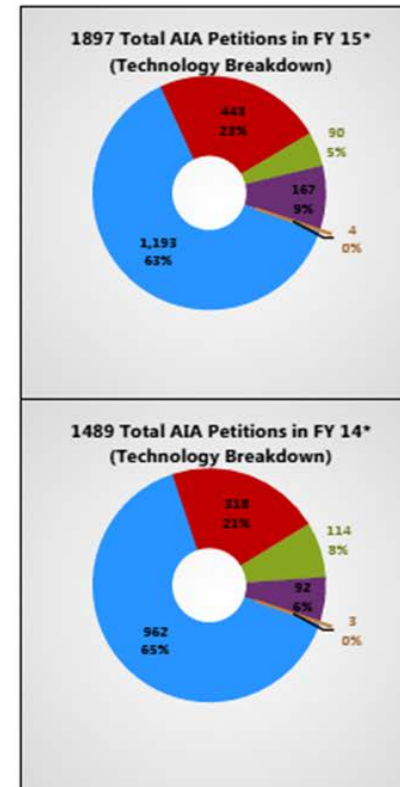
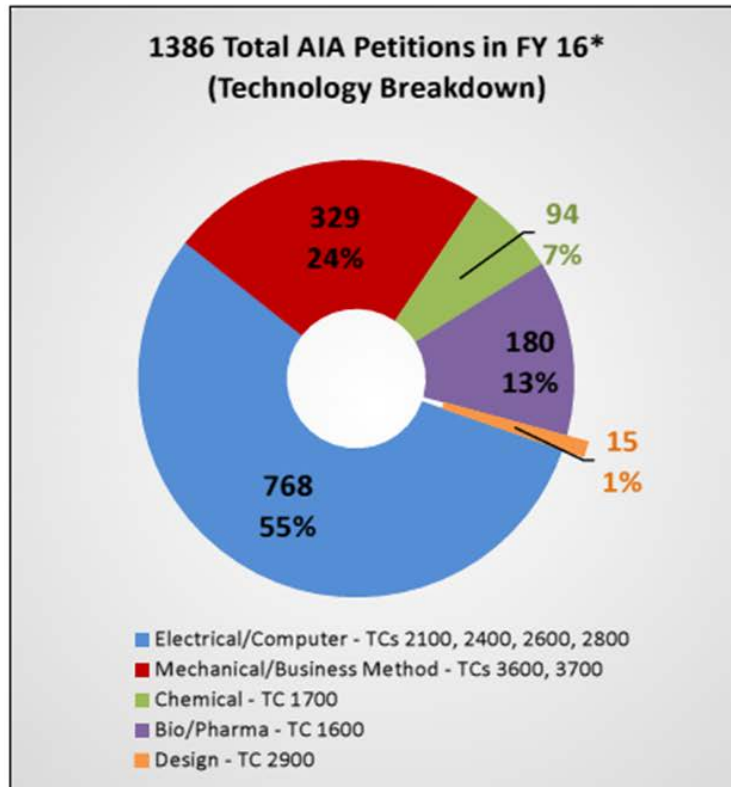
Narrative:

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

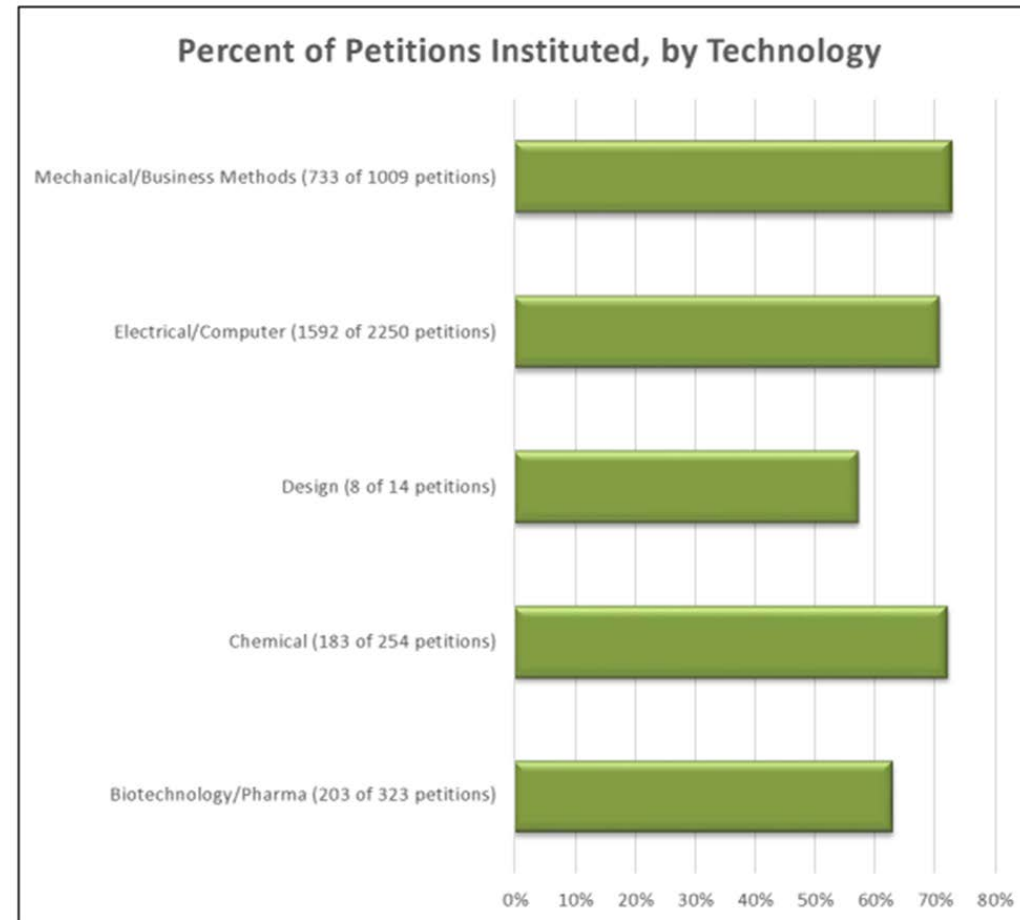


Narrative:

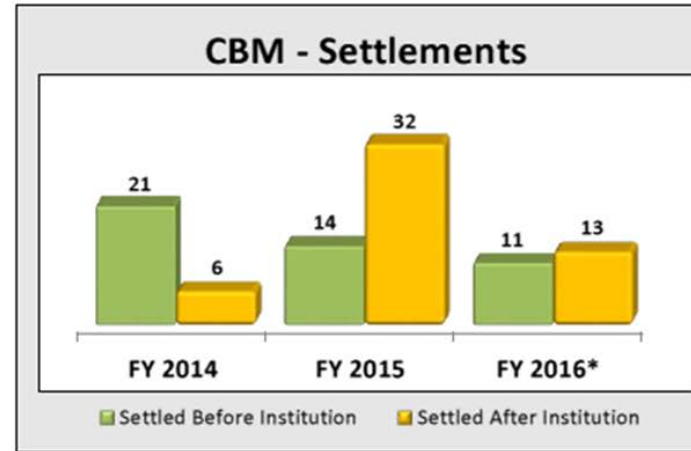
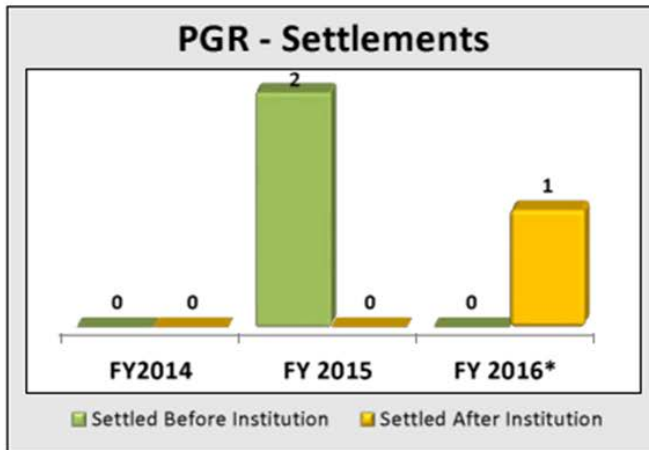
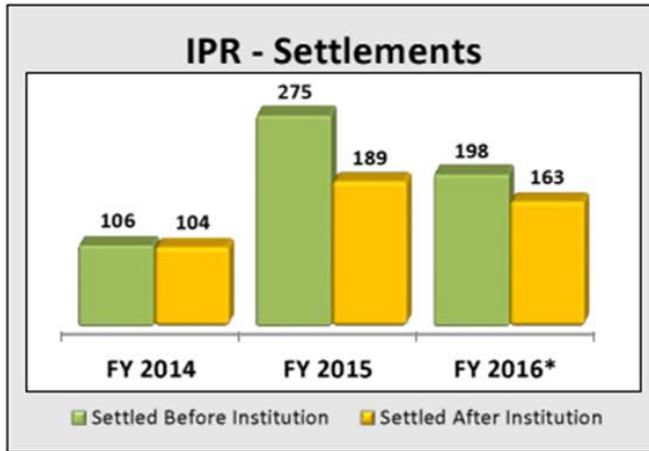
This pie chart shows the total number of AIA petitions filed in the current fiscal year to date as well as the number and percentage of these petitions broken down by technology.

*Data current as of: 7/31/2016

Patent Trial and Appeal Board Statistics



Patent Trial and Appeal Board Statistics

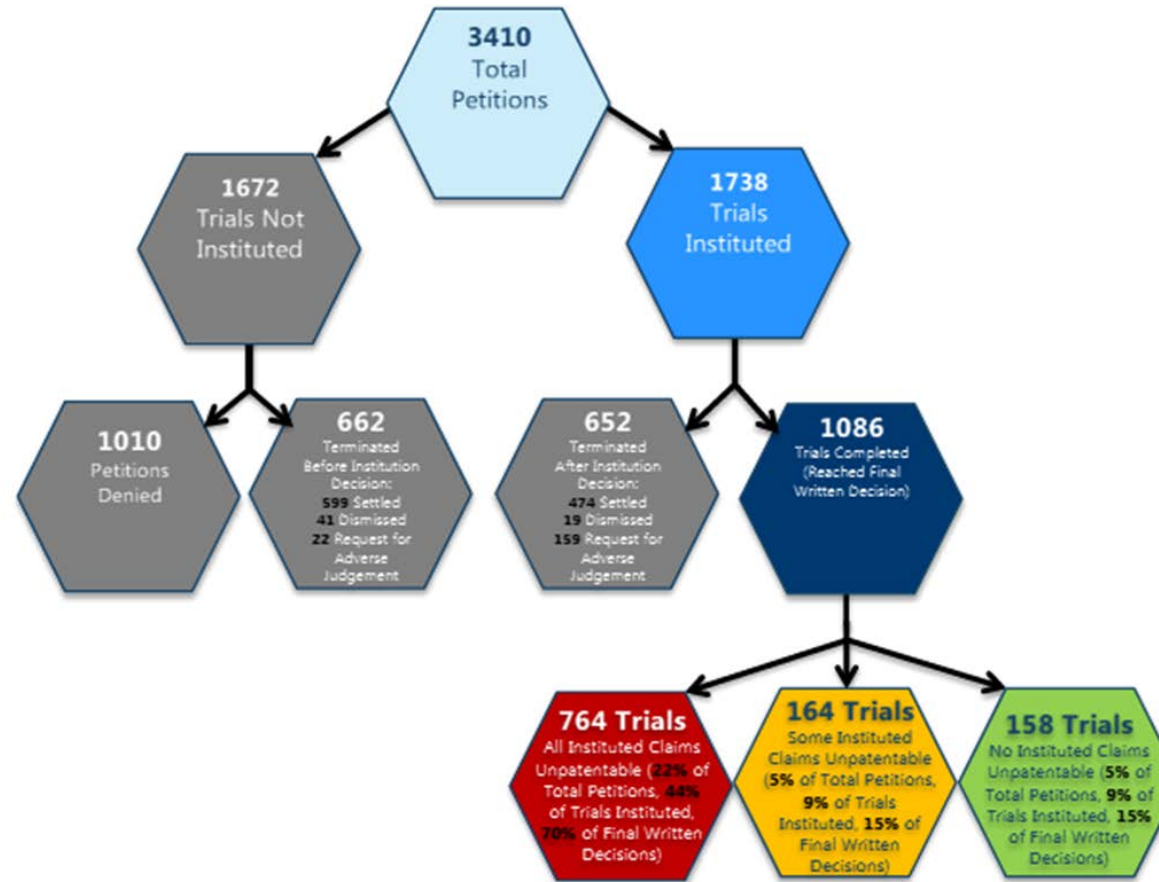


Narrative:

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.

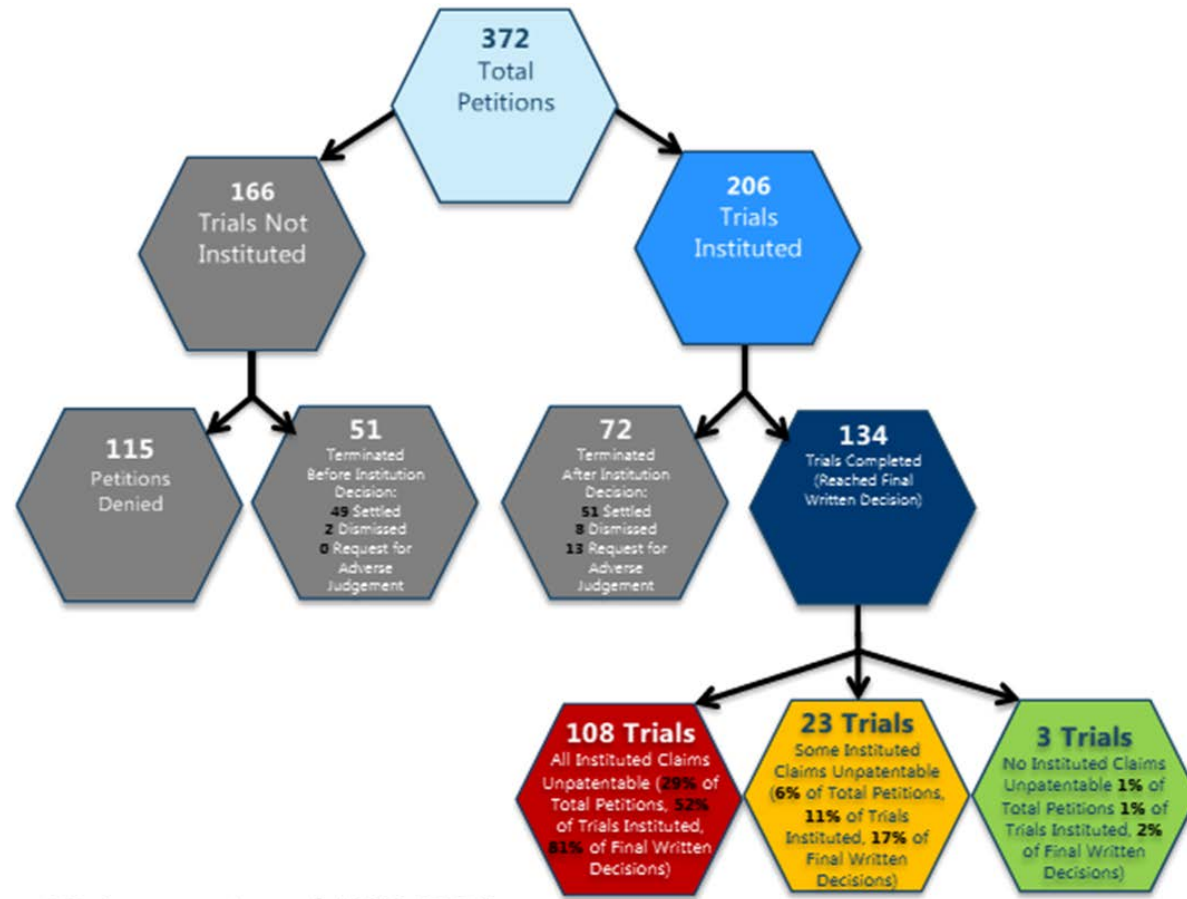
*Data current as of: 7/31/2016

Disposition of IPR Petitions Completed to Date



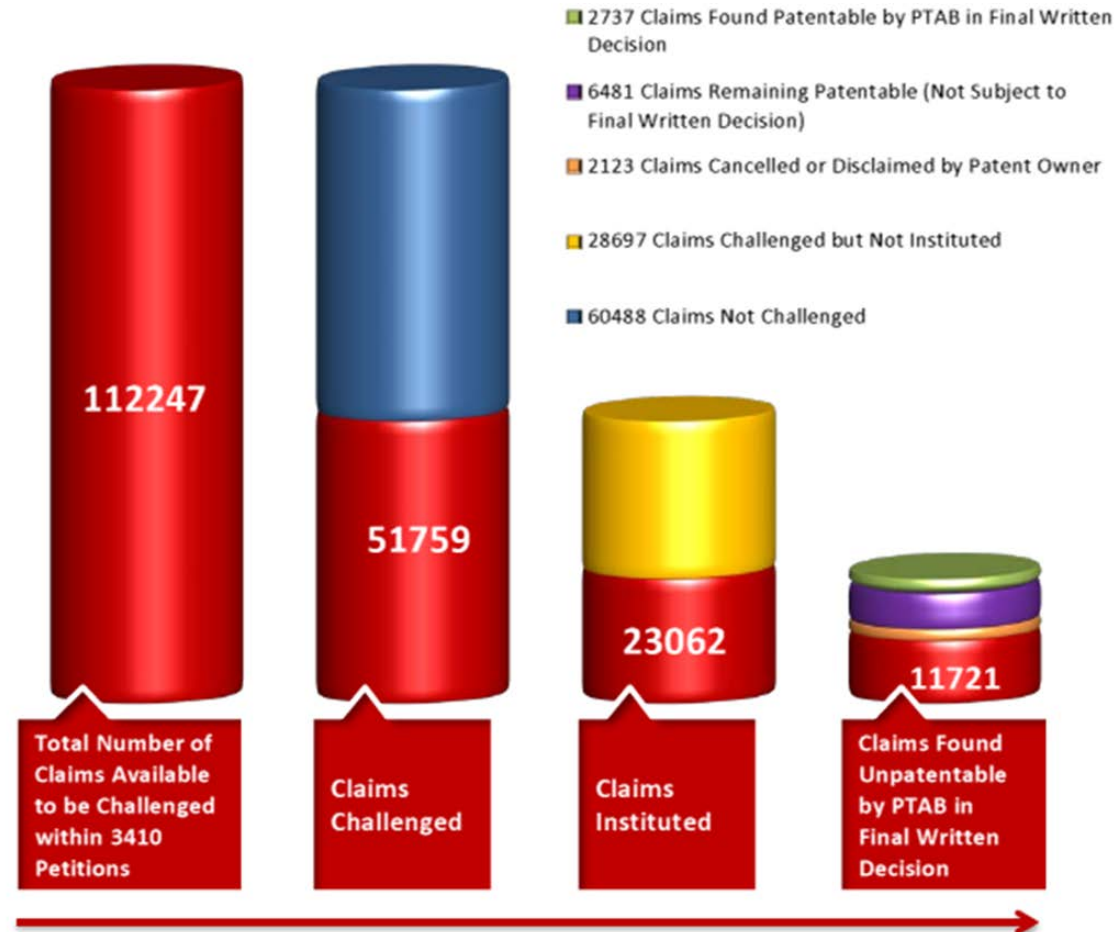
*Data current as of: 7/31/2016

Disposition of CBM Petitions Completed to Date

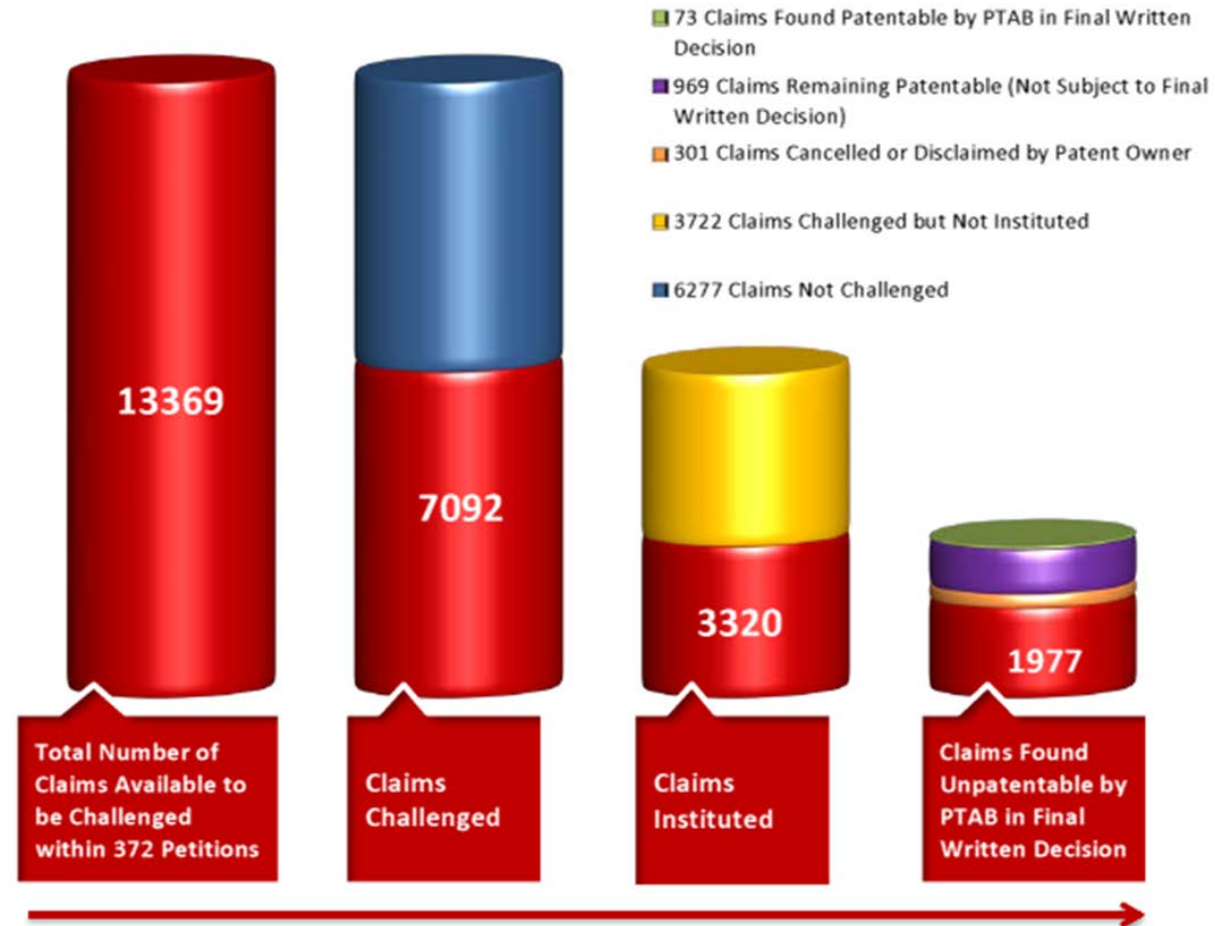


*Data current as of: 7/31/2016

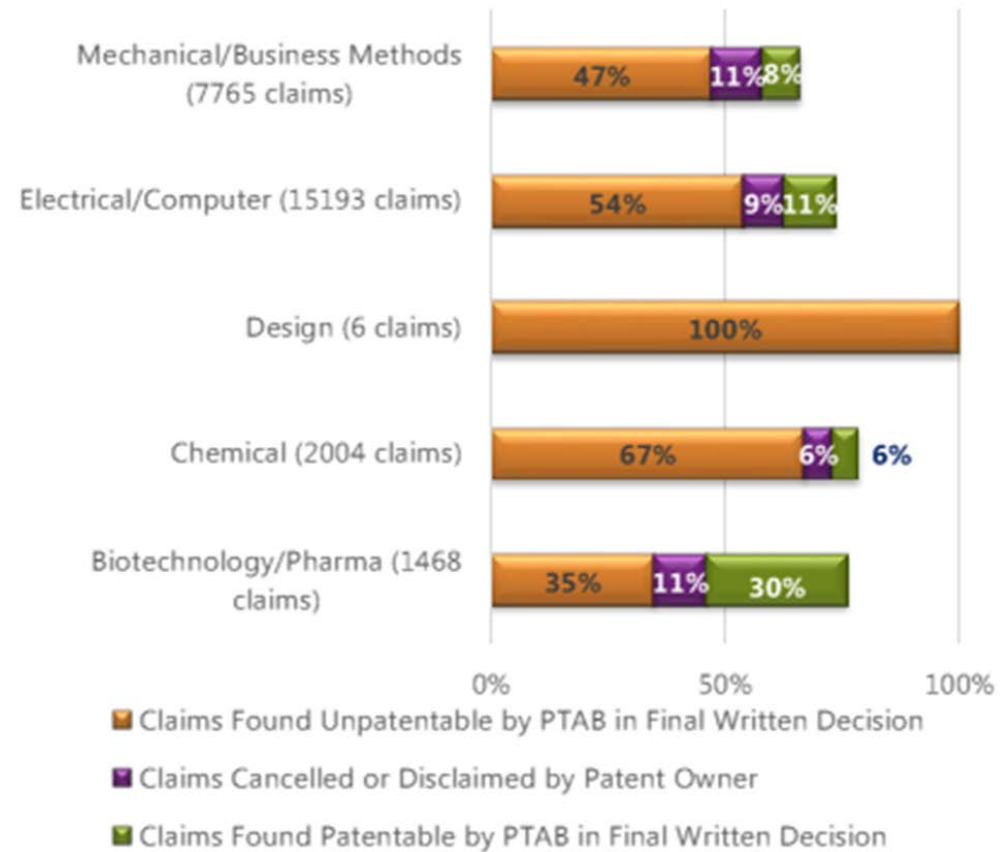
IPR Petitions Terminated to Date*



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.

Claim Construction in Patent Office Trial Proceedings



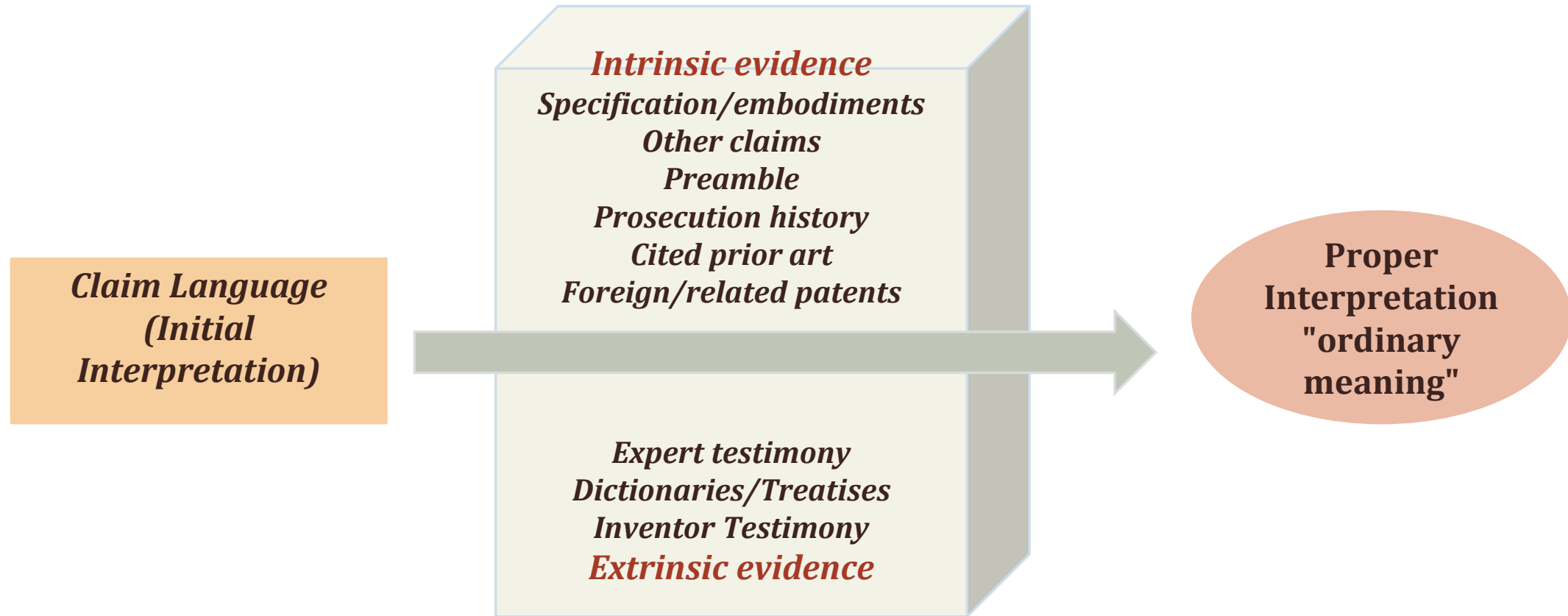
SUNHEE LEE
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DISCLAIMER

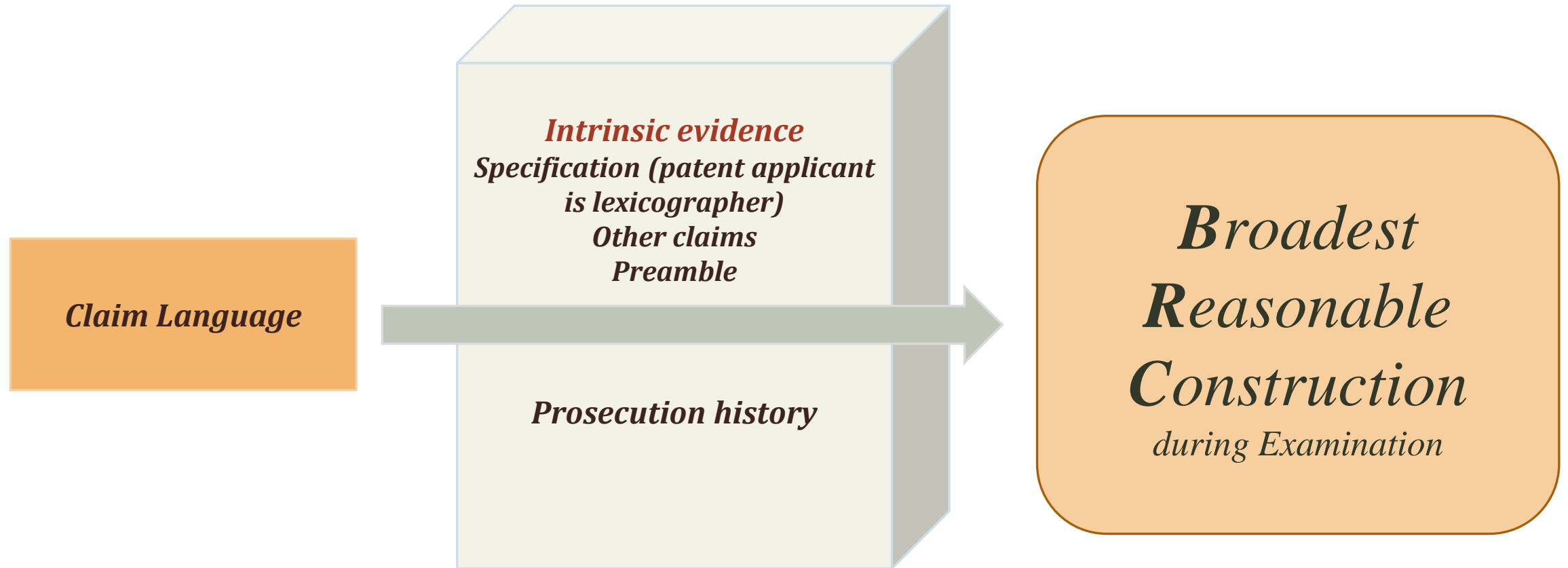
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Ordinary Meaning by Patent Claim Construction



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

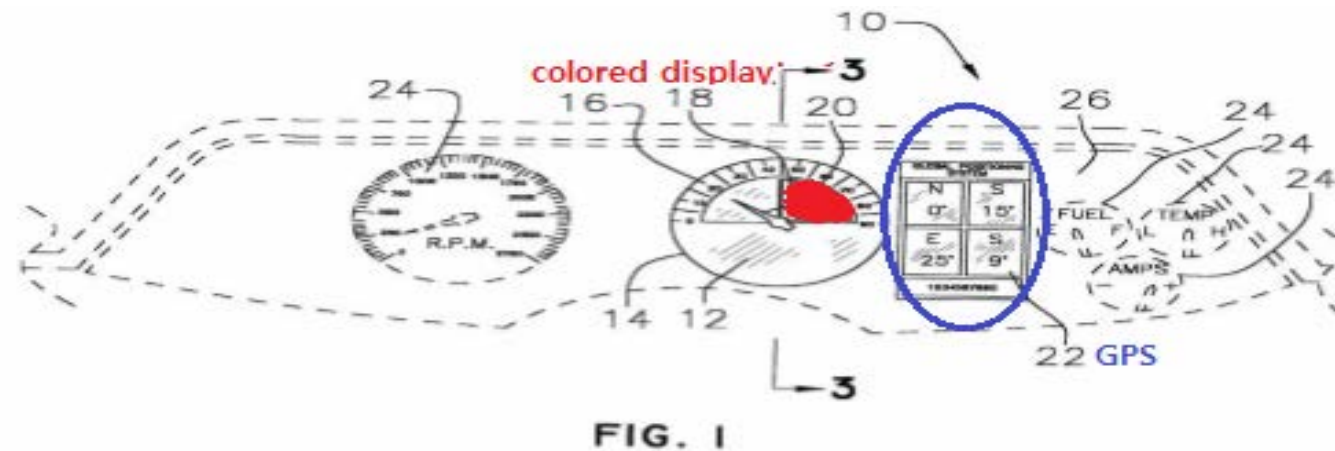
Claim 10.

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... " requirment for an IPR petition)**
 - **CAFC previously decided that no interlocutory review; thus, here whether the IPR intitution 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 partes reexamination is not binding on district court litigation
 - SkyHawke v. Deca (SkyHawke, patentee prevailed in inter partes 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

THANK YOU

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Novick, Kim & Lee, PLLC

New Regime for ENHANCED DAMAGES

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



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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

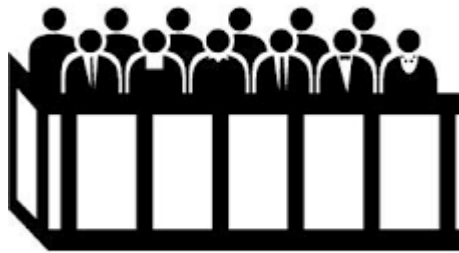
District courts may award enhanced damages under §284 based on the ***totality of the circumstances***.

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



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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

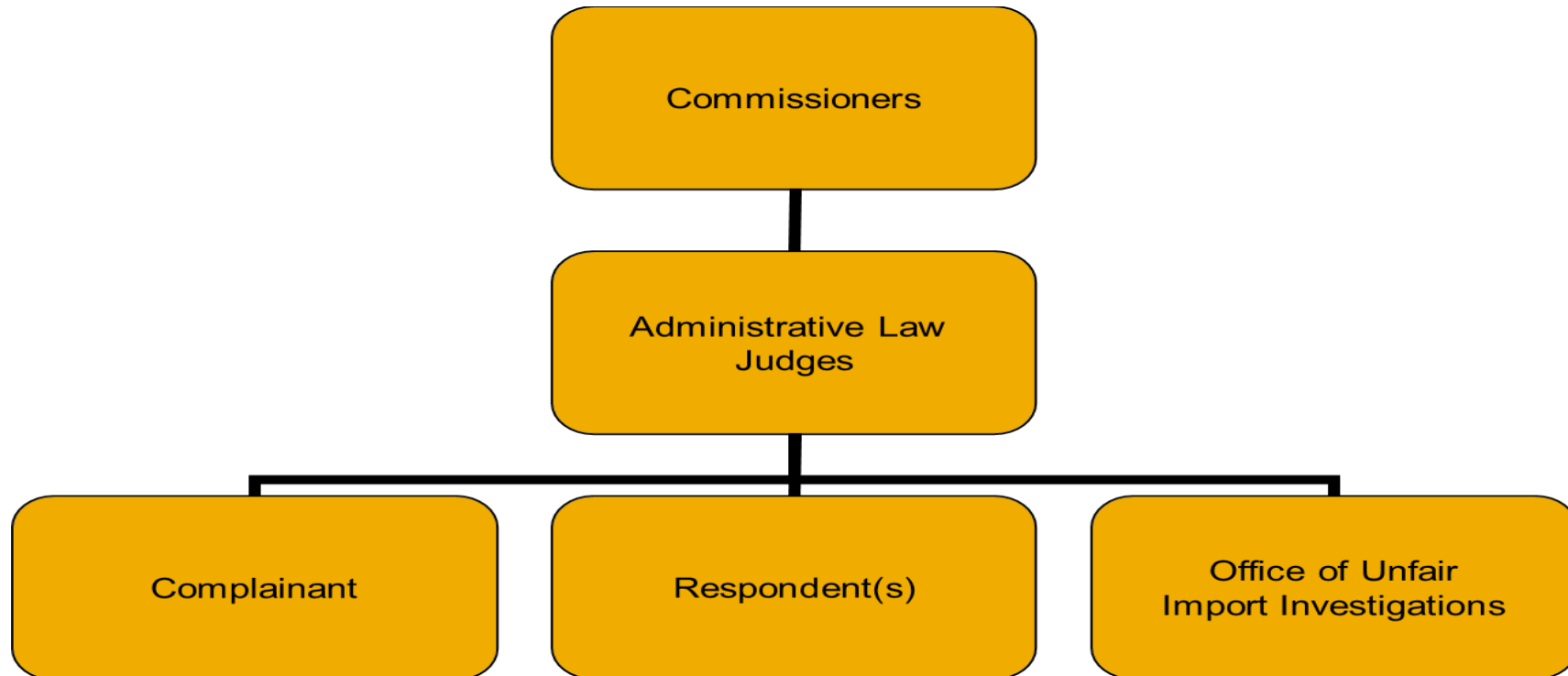
Section 337

- ❖ 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



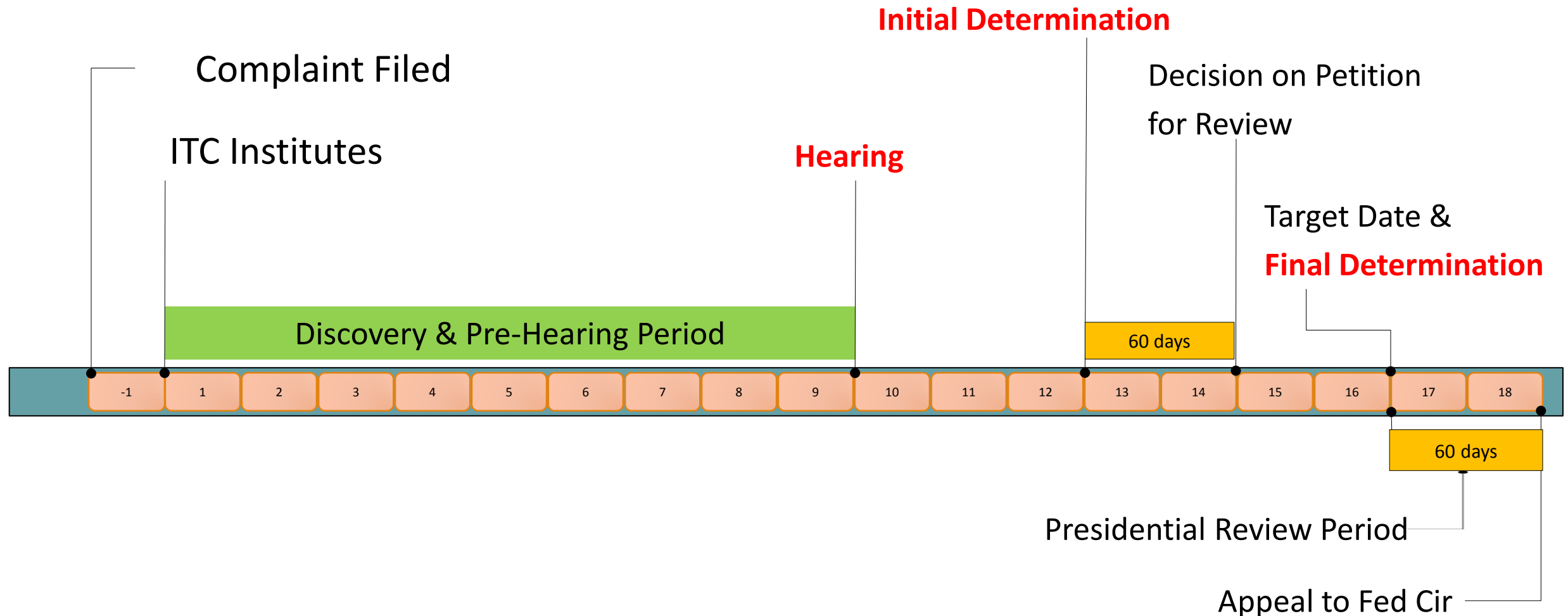
- ❖ **Exclusion order** enforced by Customs
 - ❖ General orders stop articles from all sources
 - ❖ Limited orders stop articles from named parties
- ❖ **Cease & desist orders**
 - ❖ Directed at named U.S. entities, such as to stop sales from existing inventories, servicing of articles already sold, 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

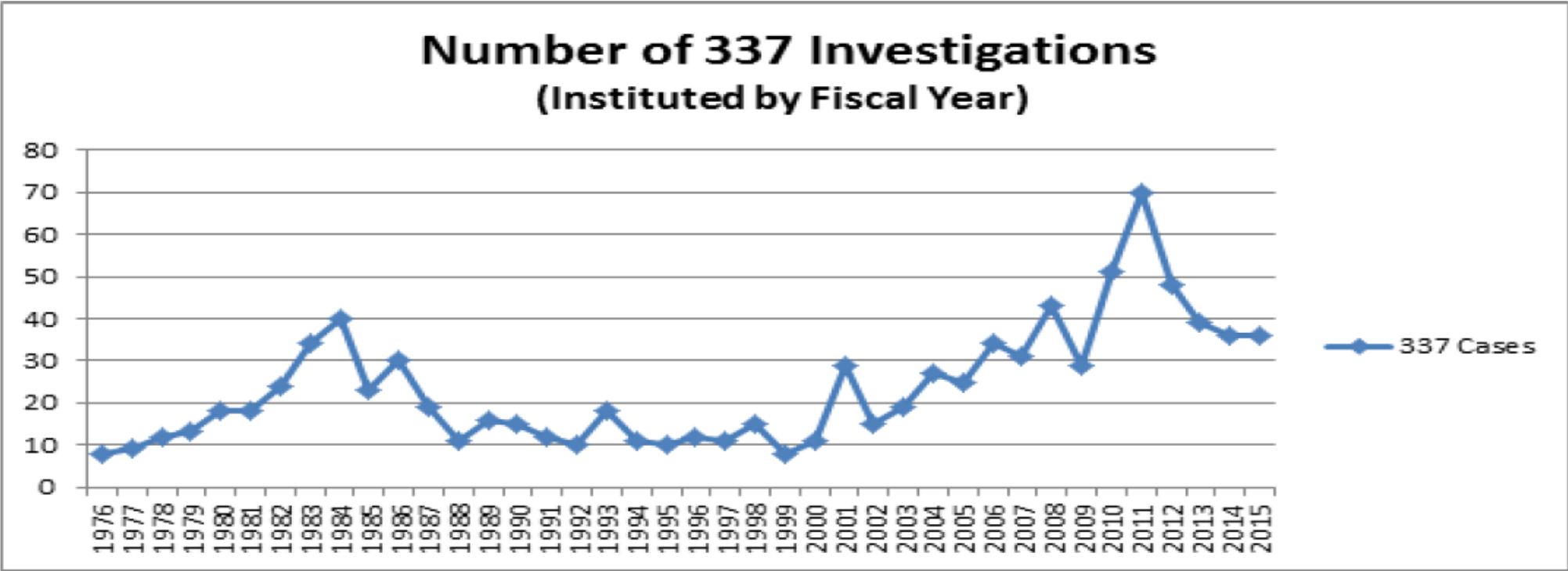
Additional Actions by Complainant

- ❖ 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

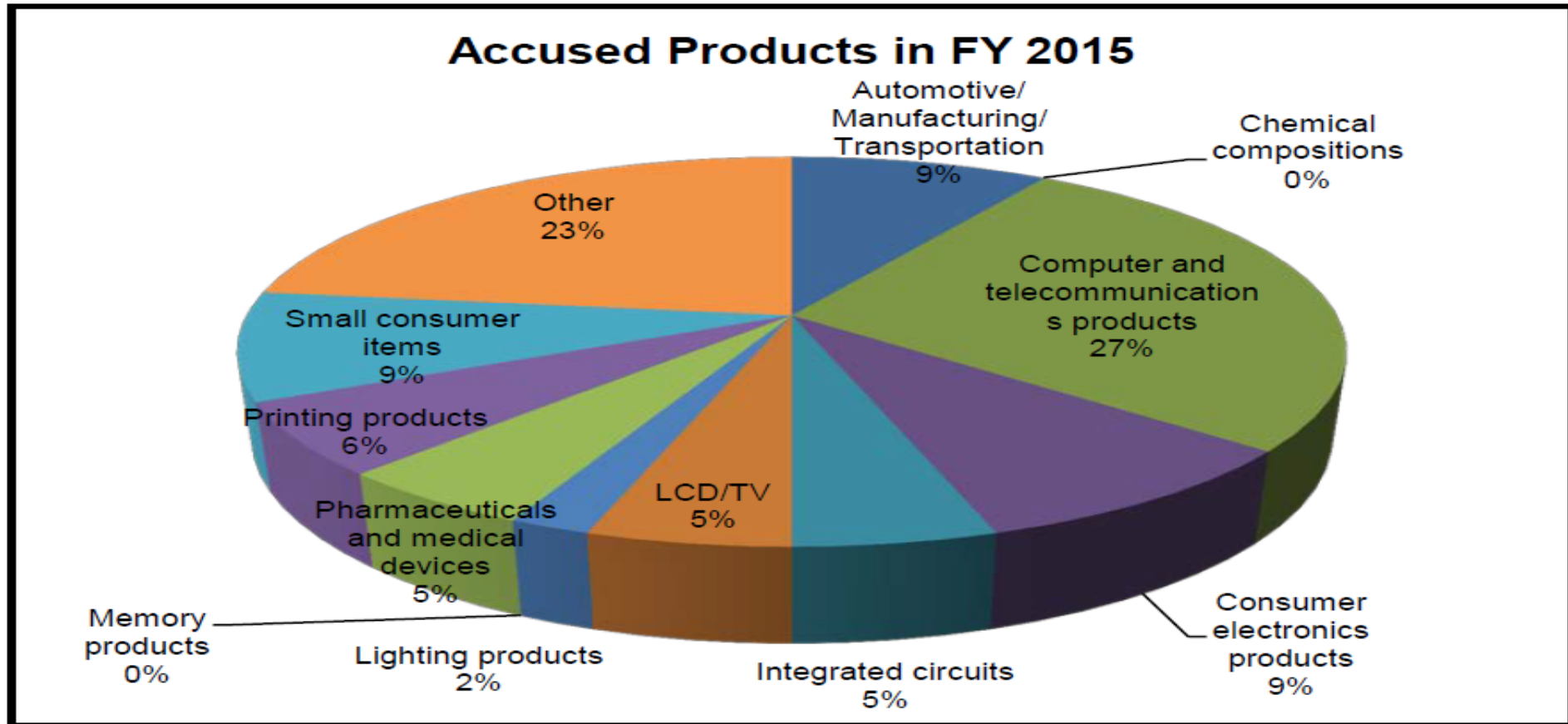
337 Investigations Instituted – 30~40 cases/y



Note: This line chart does not include ancillary proceedings.

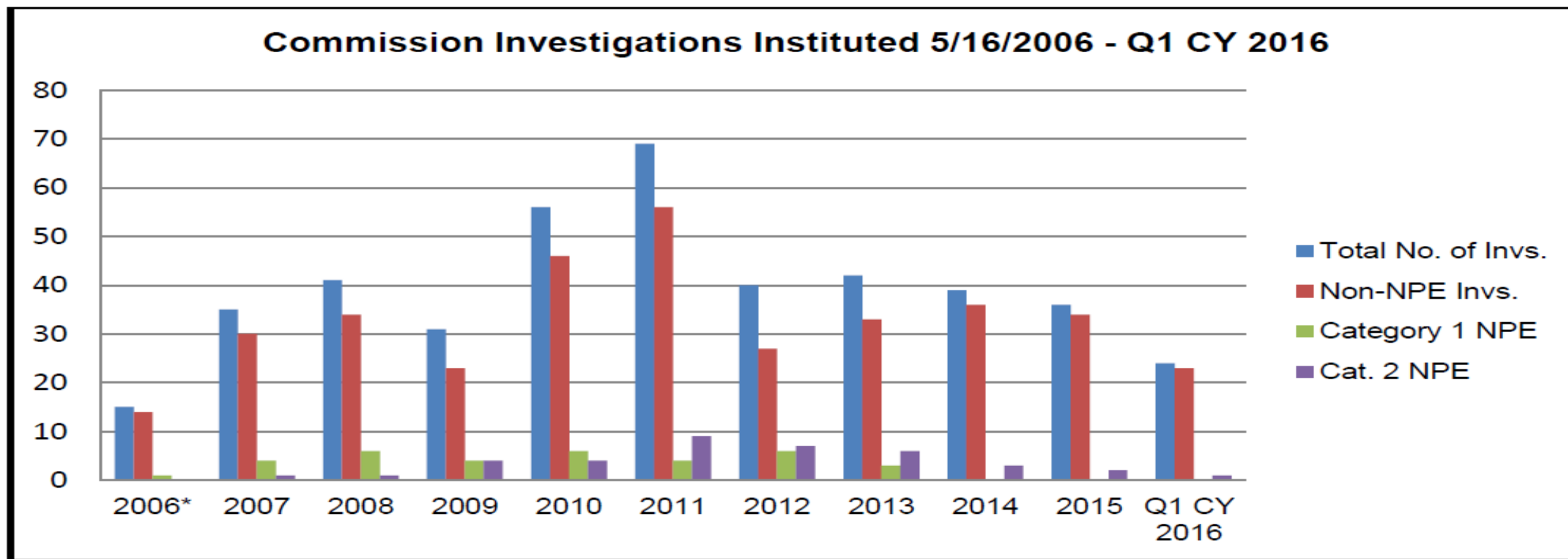
Source : USITC

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:

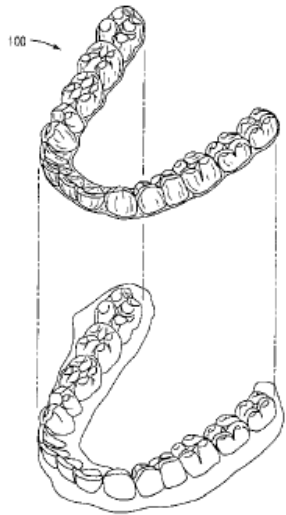
- 1. ClearCorrect Operating, LLC, et al., v. ITC, No. 2014-1527 (Fed. Cir. Nov. 10, 2015)*
- 2. DeLorme Publishing Co., Inc. et al., v. ITC, No. 2014-1572 (Fed. Cir. Nov. 12, 2015)*

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)*

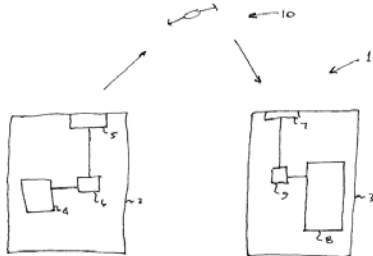
- **Practitioner's Tip(s):**

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

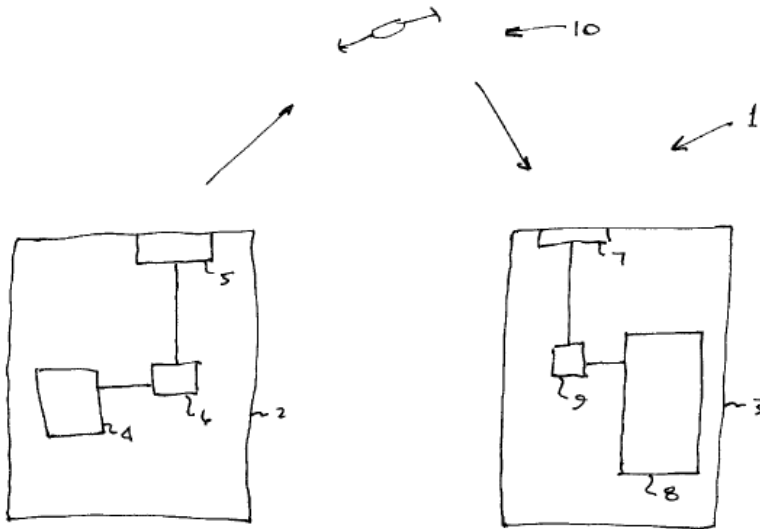
- BriarTek, IP (“BriarTek”) filed a complaint alleging a violation of 19 U.S.C. 1337 (“Section 337”) against DeLorme Publishing Company Inc. and DeLorme InReach LLC (collectively, “DeLorme”), based on their patent US7,991,380 (the “380 patent”).
- The Commission instituted the Section 337 investigation 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

Software Invention: Subject Matter Eligibility



THOMAS JOONWOO HONG, ESQ.

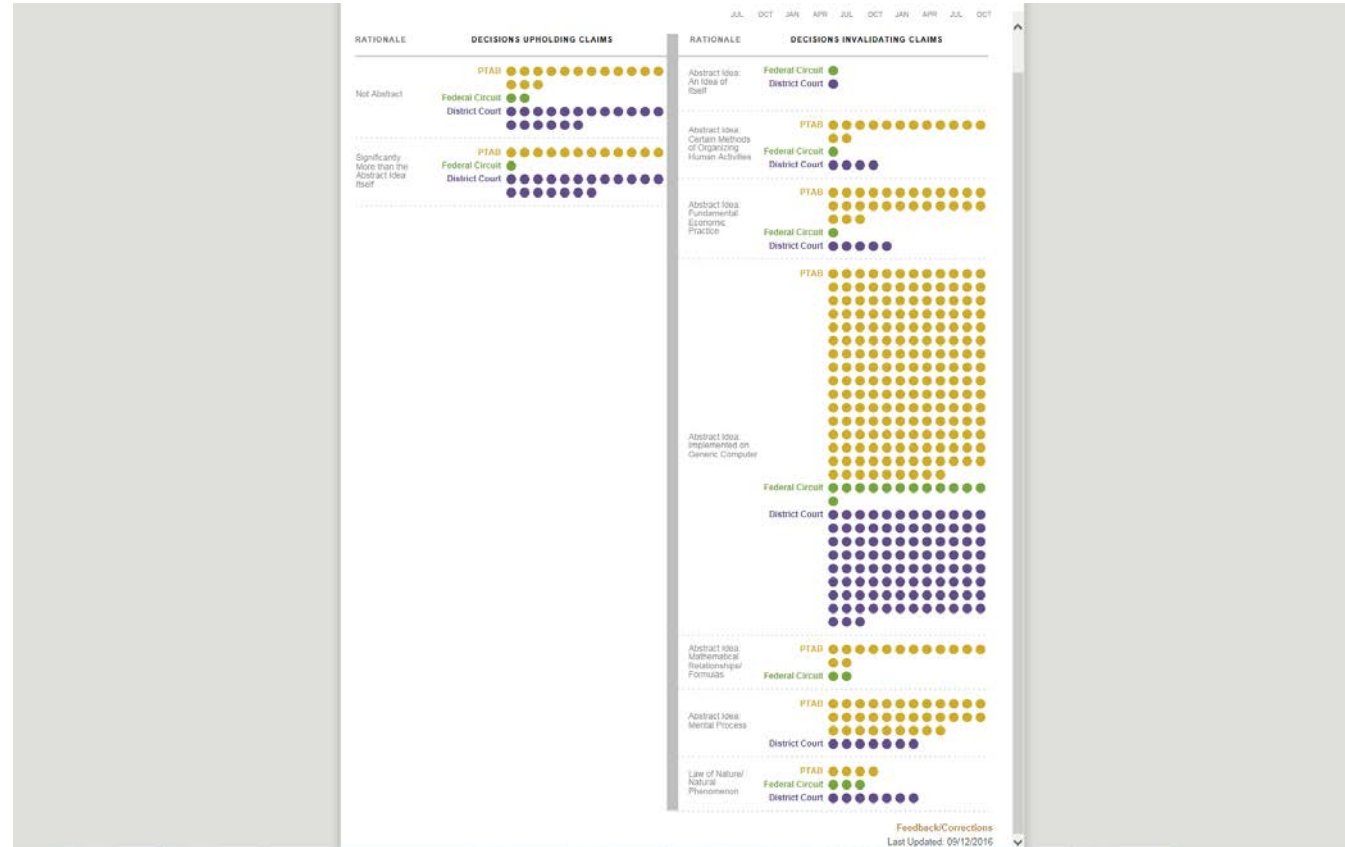
CHIEF OPERATING OFFICER,
KOREAN-AMERICAN INTELLECTUAL PROPERTY BAR ASSOCIATION

PATENT EXAMINER, UNITED STATES PATENT AND TRADEMARK OFFICE

DISCLAIMER

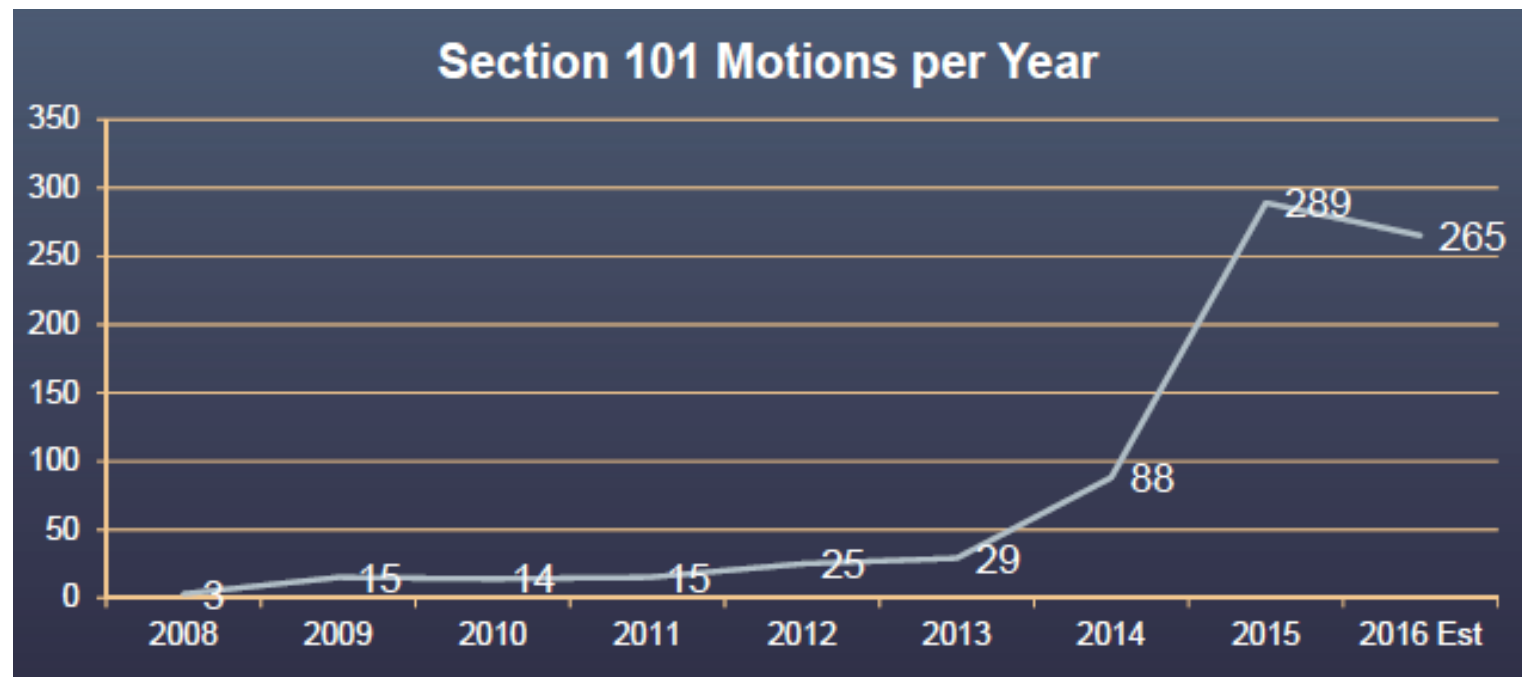
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Post-Alice Patent Eligibility Court Decisions



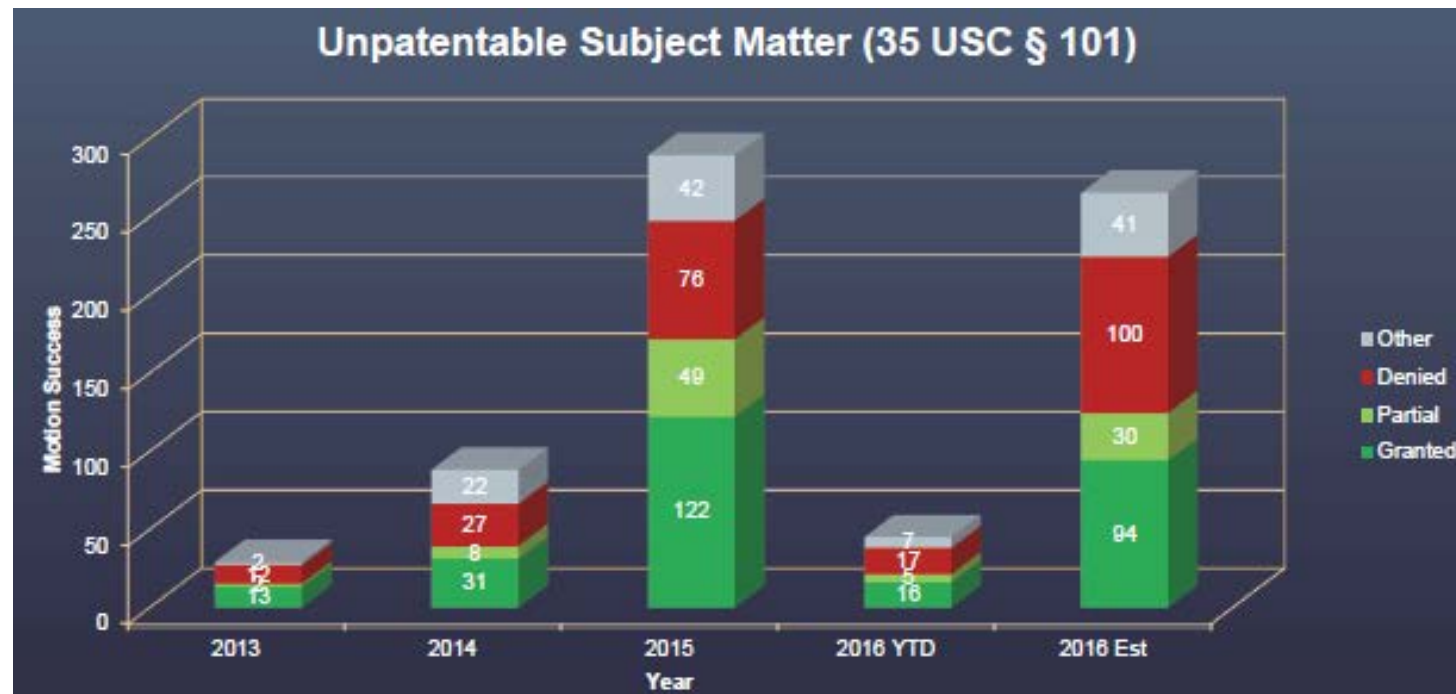
<https://www.fenwick.com/pages/post-alice.aspx>

§101 Motions per year



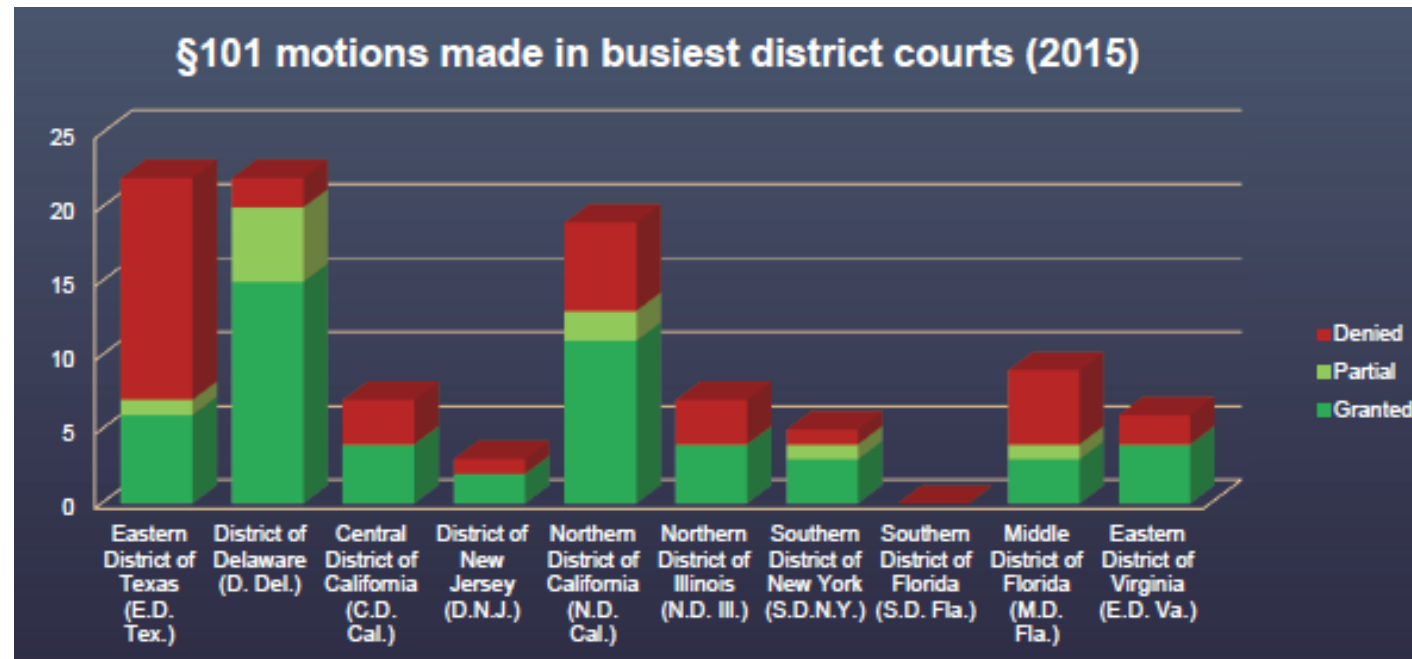
<http://www.pillsburylaw.com/siteFiles/Events/AliceMayoPresentation.pdf>

Success rate of §101 motions



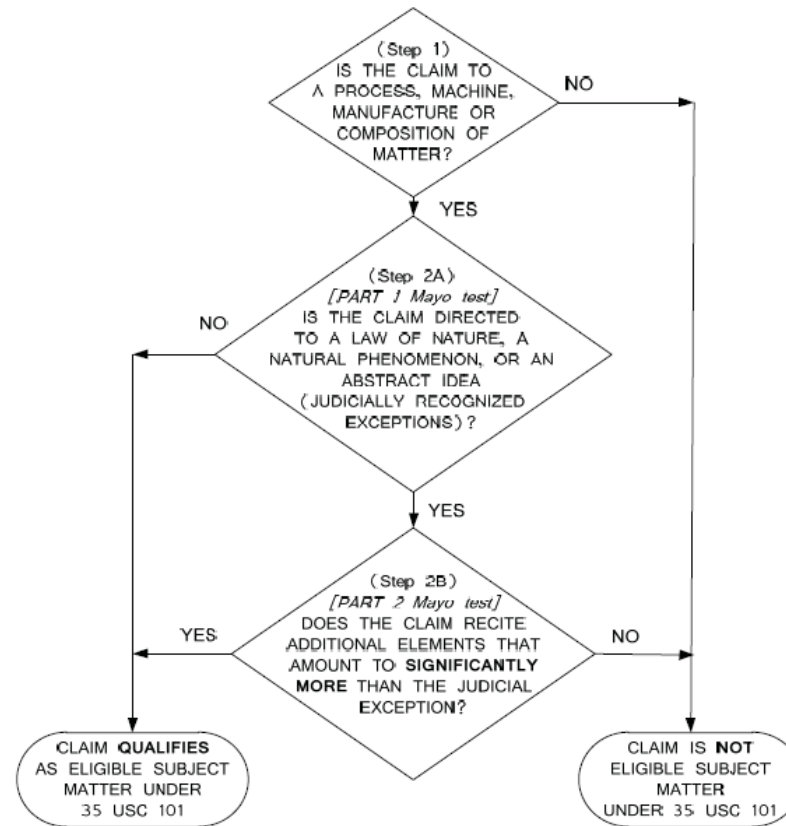
<http://www.pillsburylaw.com/siteFiles/Events/AliceMayoPresentation.pdf>

§101 Motions by jurisdictions



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

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, 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, I.a 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] Continuation 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	
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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					

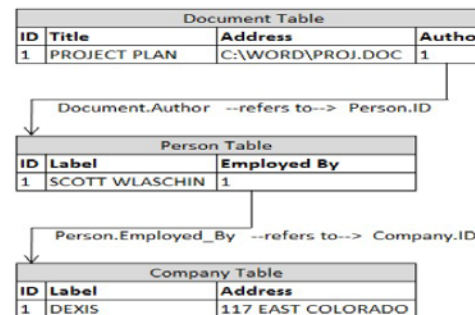
24. A data storage and retrieval system for a computer memory, comprising:
means for configuring said memory according to a logical table, said logical table including:

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.
 - ✓ Rejected the idea “that claims directed to software, as opposed to hardware, are inherently abstract.”
 - ✓ Step 2A of Alice test : determining 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.
 - ❖ Looking to the specification to determine advantages of the claimed implementation: specification teaches the self-referential table functions differently than conventional database structures. (*i.e.* increased flexibility, faster search times, and smaller memory requirements.)
 - ✓ **Database can be found to be patent eligible subject matter**

In re TLI Communications LLC (2016.5.17)

US0006038293A

United States Patent [19]

Mattes

[11] Patent Number: 6,038,295

[45] Date of Patent: Mar. 14, 2000

[54] APPARATUS AND METHOD FOR RECORDING, COMMUNICATING AND ADMINISTERING DIGITAL IMAGES

[75] Inventor: Heinz Mattes, Munich, Germany

[73] Assignee: Siemens Aktiengesellschaft, Munich, Germany

[21] Appl. No.: 08/877,488

[22] Filed: Jun. 17, 1997

[30] Foreign Application Priority Data

Jun. 17, 1996 [DE] Germany 196 204 128

[51] Int. Cl.⁷ H04M 11/00

[52] U.S. Cl. 379/93.28; 348/211; 704/270

[58] Field of Search 348/14-17, 211, 348/223, 232, 231, 7, 239, 522, 455/018-420, 379/88-89, 93.21, 93.25; 707/3-5, 10, 395/2.66; 704/270; 396/283

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Marktübersicht: Low-cost-Digitalkameras, Canon: Power-Shot 600, MACup Apr. 1996, pp. 100-101.

Primary Examiner—Paul Loomis
 Assistant Examiner—George Eng
 Attorney, Agent, or Firm—Hill & Simpson

[57] ABSTRACT

A communication system includes at least one telephone unit, a transmission system for communicating from the telephone unit, and a server for receiving information via the transmission system. The telephone unit includes a digital image pick up by which images are recorded, transmitted to the server, and stored in the server depending upon classification information which characterizes the digital images and which is associated with the digital image data. The classification information is determined by an analysis unit in the server.

26 Claims, 4 Drawing Sheets

17. A method for recording and administering digital images, comprising the steps of:
recording images using a digital pick up unit in a telephone unit,
storing the images recorded by the digital pick up unit in a digital form as digital images,
transmitting data including at least the digital images and classification information to a server, Wherein said classification information is prescribable by a user of the telephone unit for allocation to the digital images,
receiving the data by the server,
extracting classification information Which characterizes the digital images from the received data, and
storing the digital images in the server, said step of storing taking into consideration the classification information.

In re TLI Communications LLC (2016.5.17)

- **District Court** – found all the patent claims invalid under 35 U.S.C § 101 as being directed to an abstract idea
- **CAFC** – affirmed.
 - ✓ Step 2A of Alice test : whether the claims are directed to an improvement to computer functionality versus being directed to an abstract idea
 - ✓ focusing on the problem facing the inventor was in the background, and any technical details disclosed in the specification: mere “use” of well-known cell phone and server with purely functional claims instead of “improving” the “phone” or “server”;
 - ✓ the claims are directed to classifying and storing digital images in an organized manner → Abstract idea
 - ✓ Step 2B of Alice test : what is an inventive concept?
 - ❖ The limitations of the claims, taken individually, recite a generic computer, and network and Internet components, none of which is inventive by itself.

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

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