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US Patent Law – 2017 Update

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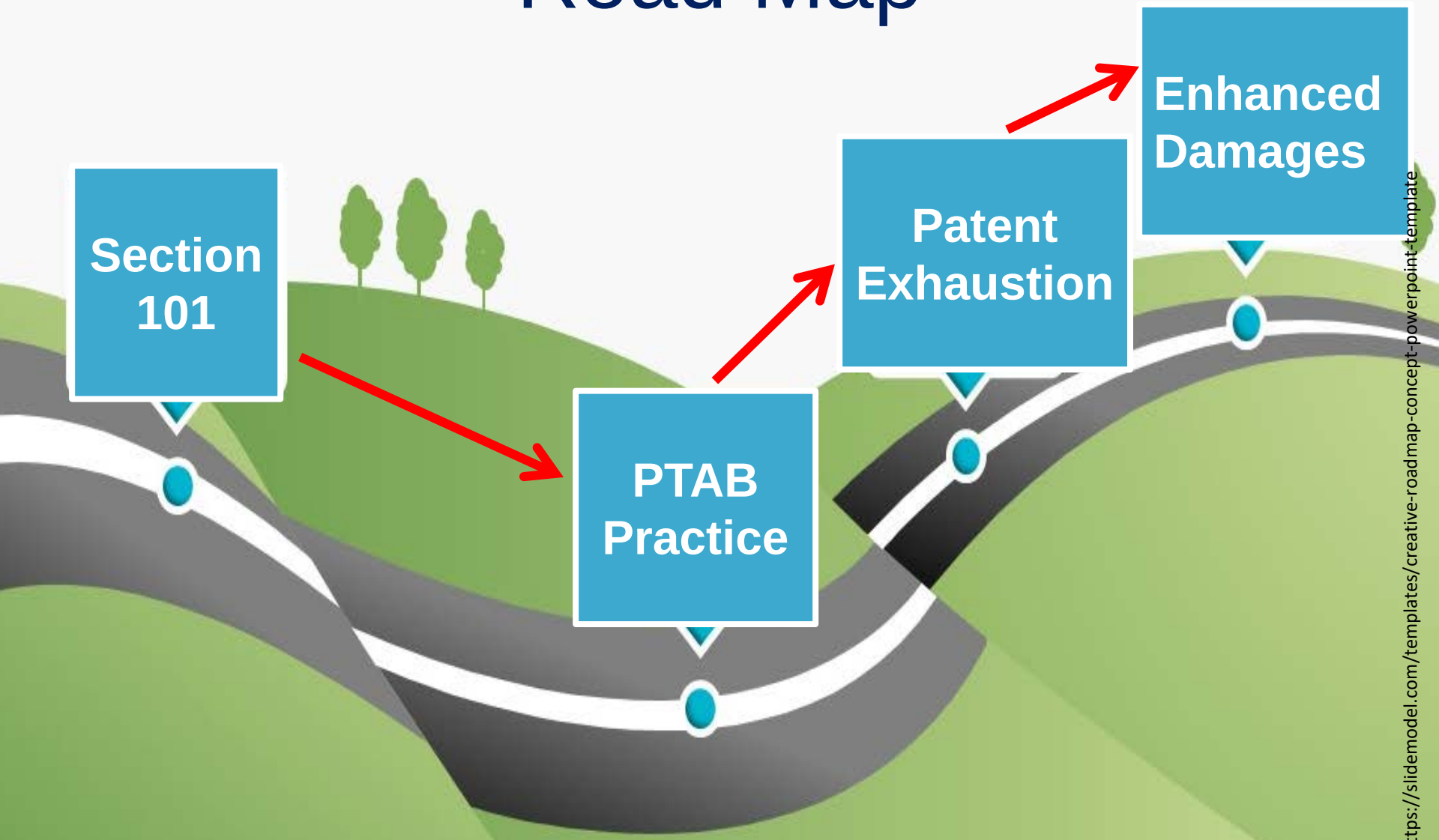
Road Map



1. Section 101 Update

http://www.lcpatents.eu/en/our_services/freedom-to-operate_patentability
http://www.ipwatchdog.com

35 U.S.C Sec. 101

"Whoever invents or discovers any new and **useful process, machine, manufacture or composition of matter**, or any new and useful improvement thereof, may obtain a **patent** thereof, subject to the conditions and requirements of this title."

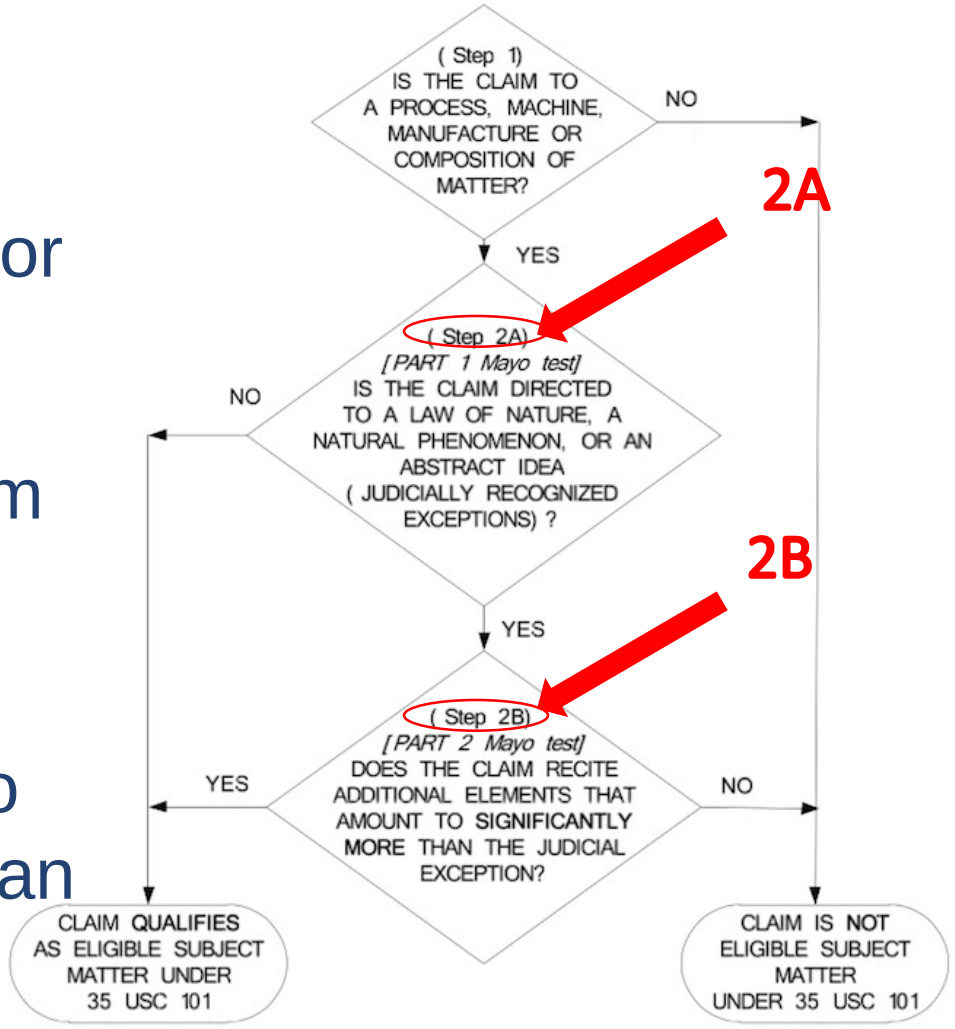
Exceptions :

Laws of nature, natural phenomena, and abstract ideas

Alice Two-Part test

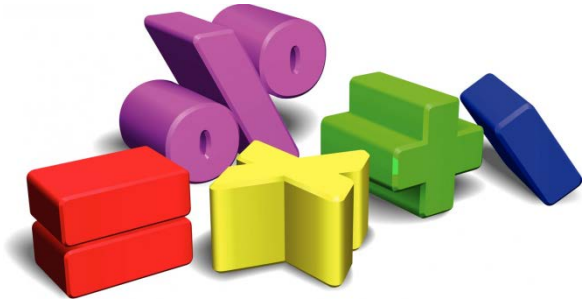
- **Step 1**: Is the claim directed to a process, machine, manufacture, or composition of matter?

- **Step 2**: Whether a claim that is directed to
- **(a)** a judicial exception recites additional elements that amount to
- **(b)** significantly more than the exception.



Examples of Abstract Ideas

1. Fundamental economic practices
2. Certain methods of organizing human activities
3. An idea ‘of itself’
4. Mathematical relationships/formulas



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https://img.washingtonpost.com/rf/image_1484w/2010-2019/WashingtonPost/2014/04/04/Production/Health/Images/bigstock--D-Math-Symbols-Or-Signs-5284508.jpg?t=20170517

Examples of Inventive Concept

1. Improvements to another technology or technical field;
2. Improvements to the functioning of the computer itself;
3. Applying the judicial exception with, or by use of, a particular machine;
4. Effecting a transformation or reduction of a particular article to a different state or thing;
5. Adding a specific limitation other than what is well-understood, routine and conventional in the field, or adding unconventional steps that confine the claim to a particular useful application;
6. Other meaningful limitations beyond generally linking the use of the judicial exception to a particular technological environment.

Enfish, LLC v. Microsoft Corp. et al., 822 F.3d 1327 (Fed. Cir. 2016)

Claims	Step 2A
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.	"In this case, however, the plain focus of the claims is on an improvement to computer functionality itself, not on economic or other tasks for which a computer is used in its ordinary capacity. […] Here, the claims are not simply directed to *any* form of storing tabular data, but instead are specifically directed to a *self-referential* table for a computer database. […] The specification also teaches that the self-referential table functions differently than conventional database structures." The court noted that the invention improves upon prior art information search and retrieval systems by employing a flexible, self-referential table to store data.

Enfish, LLC v. Microsoft Corp. et al., 822 F.3d 1327 (Fed. Cir. 2016)

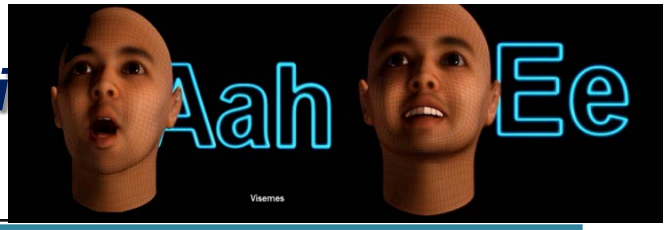
Holdings:

- Invention's ability to run on a general-purpose computer does not doom the claims.
- The improvement not defined by reference to "physical" components does not doom the claims.

  > "Much of the advancement made in computer technology consists of improvements to software that, by their very nature, may not be defined by particular physical features but rather by logical structures and processes."

- This is not an addition or deletion to general-purpose computer components rooted in fundamental economic practice or mathematical equation. RATHER the claims are directed to a specific implementation of a solution to a problem in the software arts.

McRO, Inc. v. Bandai Namco Games Ameri Inc., 837 F.3d 1299 (Fed. Cir. 2016)



Claims	Step 2A
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 generating a **final stream** of output morph weight **sets at a desired frame rate**[…]; 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.**	• Federal Circuit found the claimed method **patent eligible under step 2A**. • In the case, the court held that "the claimed methods used specific rules to set morph weighs and transition parameters between phonemes." Its specific structure of claimed rules prevent broad preemption of all rules-based means. • McRO provides an **alternate process** for automatic lip synchronization and facial expression.  *McRo, Inc.*

Bascom Global Internet Services, Inc. v. AT&T Mobility LLC, 827 F.3d 1341 (Fed. Cir. 2016)

BASCOM Built for Learning

at&t Mobility

Claim	Step 2b
"a system for filtering Internet content, [where the] filtering system is located on a **remote ISP** server that associates each network account with (1) one or more filtering schemes and (2) at least one set of filtering elements from a **plurality of sets** of filtering elements, thereby allowing **individual network accounts** to customize the filtering of Internet traffic associated with the account."	• Although ""Filtering content on the Internet" is an abstract idea (long-standing, well-known method of organizing human behavior), the claims contain an "inventive concept" in the "**ordered combination of claim limitations."** • Patent describes an inventive concept of **"installation of a filtering tool at a specific location, remote from the end-users, with customizable filtering features specific to each end user,"** • The specific limitations were sufficient to establish inventive concept. Non-conventional and non-generic arrangement of known, conventional pieces can qualify as inventive concept.

Takeaways

1. In general, to survive *Alice*, Petitioner shall emphasize in the specification the "technical" aspect of the claims, i.e.,
    1) the problem must be technical and not economical, organizational, or purely mathematical;
    2) the solution must be technical, rather than administrative or organizational;
    3) the means must be technical, i.e., explain in technical detail *how* and *why* the solution solves the problem;
2. Draft claims to cover multiple *specific* embodiments, and include technical details showing how the elements interact with one another, and steps taken in the claimed solution.

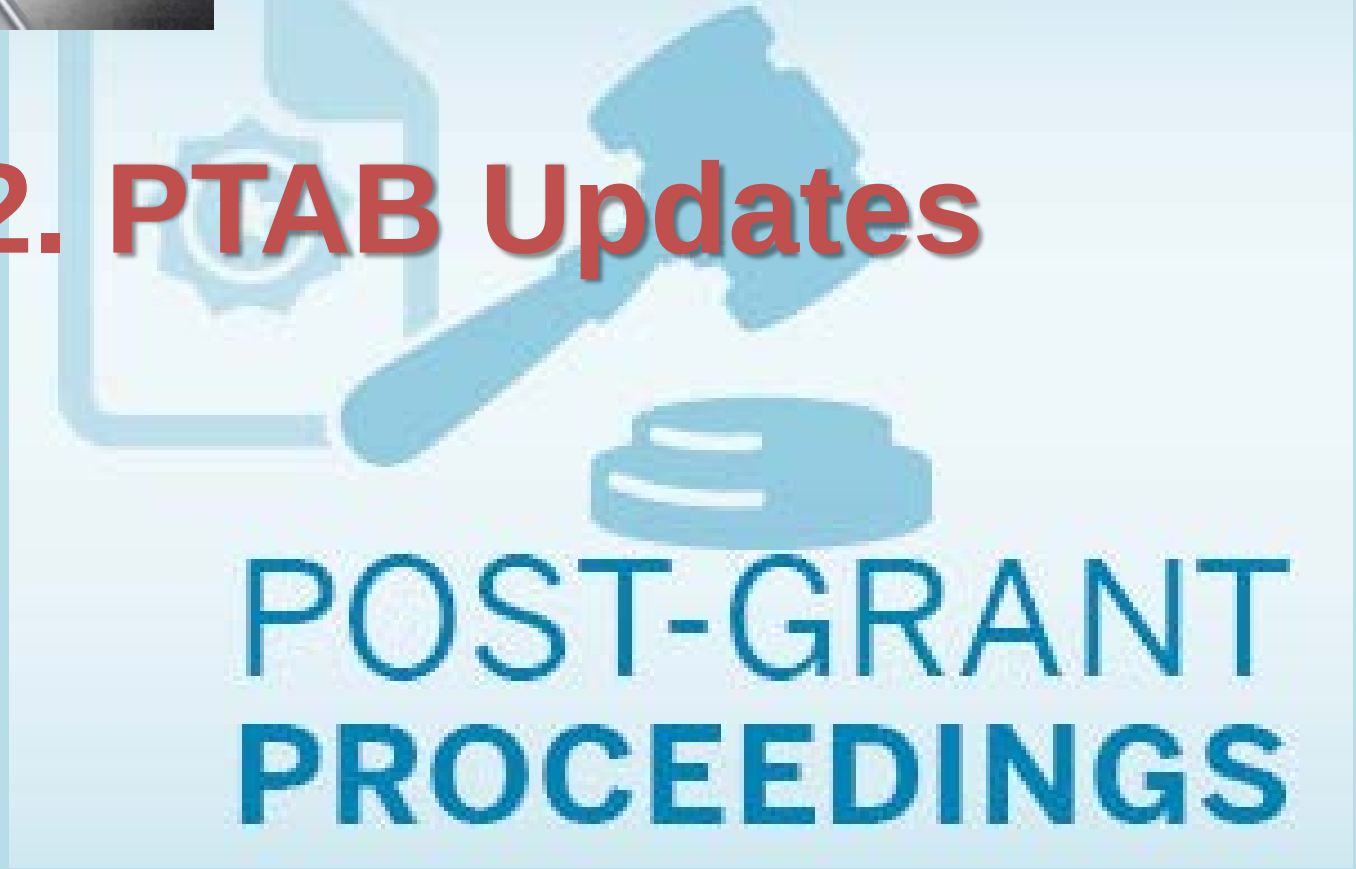
Takeaways - Continued

3. To survive *Alice* under Step 2A, emphasize
    1) improvement to functioning of a computer
    2) improvement to other technological process
    3) solution rooted in computer technology;

4. To survive *Alice* under Step 2B, emphasize
    1) 1 – 3 above
    2) when ***viewed as a combination*** the recited elements provide a "nonconventional and non-generic way to solve the identified technical problem.

http://www.ipwatchdog.com

2. PTAB Updates



https://www.ptabtrialinsights.com

Claim Amendment

35 U. S. C. §316

(a)Regulations.—The Director shall prescribe regulations: […](9) setting forth standards and procedures for allowing the patent owner to move to amend the patent under subsection (d) to […]propose a reasonable number of substitute claims […]

(d) Amendment of the Patent.

(1)In general.—During an *inter partes* review instituted under this chapter, the patent owner **may** file 1 motion to amend the patent in 1 or more of the following ways:

(A) Cancel any challenged patent claim.

(B) For each challenged claim, propose a reasonable number of substitute claims.

(e) Evidentiary Standards.— In an *inter partes* review instituted under this chapter, the petitioner shall have the burden of proving a proposition of unpatentability by a preponderance of the evidence.

In re Aqua Products, 833 F.3d 1335 (Fed. Cir. 2016)

Aquaproducts.co.uk

Statute	Patentee	PTAB
§316(d) – "patent owner **may** file 1 motion to amend the patent […]"	**Patentee's discretion** to amend claims	Patentee's discretion to move for amendment; **PTAB's discretion** to approve or deny motion to amend
§316(e) – "petitioner shall have the burden of proving a proposition of unpatentability […]"	**Petitioner's Burden** to prove unpatentability of claims on the petitioner	**Patentee's burden** to show patentability of each proposed substitute claim over the prior art.

http://www.bresslergroup.com/work/aqua-products-aquabot-breeze-xls/

In re Aqua Products, Inc.

Only 5% of motions to amend granted as of April 30, 2016

CAFC *en banc* hearing

1. When the patent owner moves to amend its claims under 35 U.S.C. § 316(d), may the PTO require the patent owner to bear the burden of persuasion, or a burden of production, regarding patentability of the amended claims as a condition of allowing them? Which burdens are permitted under 35 U.S.C. § 316(e)?
2. When the petitioner does not challenge the patentability of a proposed amended claim, or the Board thinks the challenge is inadequate, may the Board *sua sponte* raise patentability challenges to such a claim? If so, where would the burden of persuasion, or a burden of production, lie?

Claim Construction

Different legal standards:

1. PTAB - broadest reasonable interpretation (BRI) in light of the specification
2. District Court - "ordinary meaning . . . as understood by a person of skill in the art" under *Phillips v. AWH Corp.*

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Cuozzo Speed Technologies, LLC v. Lee, 579 U.S. (2016)

Issue: whether the PTO regulation requiring the Board to apply the BRI standard to for claim construction a reasonable exercise of the rulemaking authority granted to the PTO by statute?

35 U.S.C. §316(a)(4)

> "The Director shall prescribe regulations […] establishing and governing inter partes review under this chapter and the relationship of such review to other proceedings under this title."

37 CFR §42.100(b)

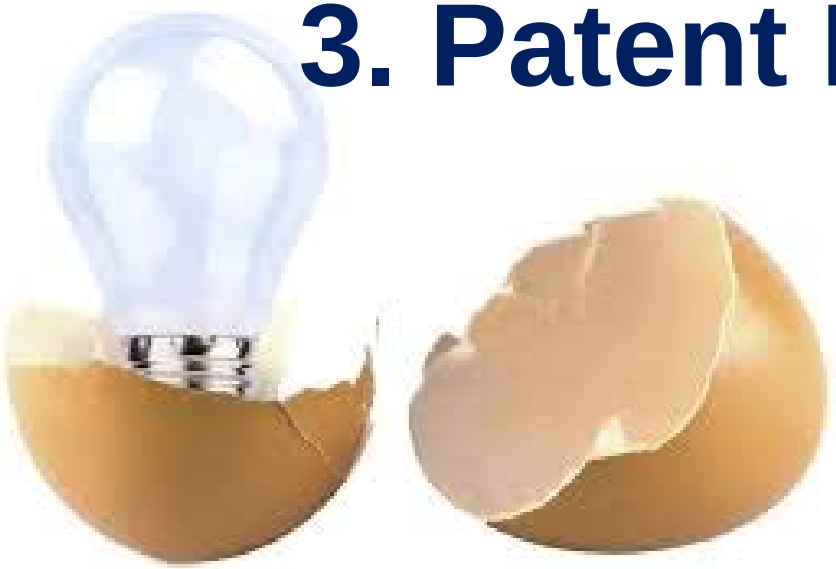
> "A claim in an unexpired patent that will not expire before a final written decision is issued shall be given its broadest reasonable construction in light of the specification of the patent in which it appears."

Cuozzo Speed Technologies, LLC v. Lee, 579 U.S. (2016)

Holding: The PTO regulation requiring PTAB to apply the BRI standard in IRO is a reasonable exercise of the rulemaking authority granted to the PTO by statute.

- PTO has used the BRI standard for more than 100 years in proceedings similar to IPR;
- there is an opportunity to amend the claims in IPR;
- the possibility of inconsistent results is inherent to Congress' regulatory design

3. Patent Exhaustion



www.Intarc Consulting Services .com
http://ocpatentlawyer.com/wp-content/uploads/2015/03/exhausted.jpg

Basis

35 U. S. C. §154(a)

A United States patent entitles the patent holder to "**exclude** others from making, using, offering for sale, or selling [its] invention throughout the United States or importing the invention into the United States."

Patent Exhaustion Doctrine (AKA First Sale Doctrine)

The **patent exhaustion** doctrine is a U.S. common law doctrine which provides that an authorized sale of a patented article gives the purchaser, or any subsequent owner, a right to use or resell that article.

Impression Prods., Inc. v. Lexmark Int'l, Inc.,

Background

1. Patentee Lexmark sold toner cartridges in the U.S. with express restriction of single use/no resale, and abroad.

   Restricted: low price; agreement with customer with limitation to one time use and return to Lexmark

   No-restricted: high price; no such restriction agreement

2. Impression acquired the cartridges from **Return Program and overseas**, and then **modified them for resale in the U.S.**

Issues

1) whether imposed post-sale restrictions can avoid presumptive exhaustion in a patented item, and
2) whether an authorized foreign sale exhausts US patent rights.

Decisions from District Court, Federal Circuit and Supreme Court

	Domestic product from Return program in US	Product sold Abroad
District court	**Exhausted** "[…] post-sale use restrictions do not prevent patent rights from being exhausted given that the initial sales were authorized and unrestricted."	**Not exhausted** "exhaustion doctrine did not apply to cartridges sold abroad because doctrine applicable only to copyrights based on precedent.
Federal circuit	**Not exhausted** a patentee may sell an item and retain the right to enforce, [...] **clearly communicated, lawful restrictions** on post-sale use or resale. Because Impression Products knew about Lexmark's restrictions and those restrictions did not violate any laws, Lexmark's sales did not exhaust its patent rights	**Not exhausted** patentee's decision to sell a product abroad did not terminate its ability to bring an infringement suit against a buyer that "import[ed] the article and [sold] . . . it in the United States."
Supreme Court Argued March 21, 2017 and decided May 30 2017	**Exhausted**	**Exhausted**

Supreme Court Holding

1. "[P]atent exhaustion is uniform and automatic. […] We conclude that a patentee's decision to sell a product exhausts all of its patent rights in that item, regardless of any restrictions the patentee purports to impose or the location of the sale… [R]estrictions and location are irrelevant; what matters is the patentee's decision to make a sale."

2. However, clear resale restrictions in contracts between patent owners and their customers are enforceable under contract law.

Possible Ramifications

1. Higher product price, especially for goods sold abroad;
2. Shifting to trade secrets protection;
3. Renegotiation for international sales
4. Change from sale to licensing

4. Enhanced Damages

http://www.ipwatchdog.com

http://mcsmith.blogs.com/.a/6a00d83451ccc469e201b8d23b027b970c-pi

35 U.S. Code § 284 - Damages

"[…] the court may increase the damages up to three times the amount found or assessed. […] "

Supreme Court awards enhanced damages if infringement was "willful or in bad-faith."

Two-prong analysis for willful infringement

1) Patentee shall show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent", then
2) Patentee shall "also demonstrate that this objectively defined risk was either known or so obvious that it should have been known to the accused infringer."

Halo Elecs., Inc. v. Pulse Elecs., Inc., 136 S. Ct. 1923 (2016)

1)Halo and Pulse are both suppliers of electronic components

2)Halo sent Pulse 2 letters offering to license Halo's patents

3)Pulse ignored the letters and continued to sell

4)One Pulse engineer testified to spending about two hours reviewing the patents before concluding that the Halo patents were invalid based on prior Pulse product.

5)Another testified to being unaware that anyone in Pulse made a "conscious decision" to continue selling the allegedly infringing products.

6)Halo won Jury verdict of willful infringement against Pulse.

7)District and Federal Circuit: Not willful because reasonably relied on its invalidity defense at trial.

Halo Elecs., Inc. v. Pulse Elecs., Inc., 136 S. Ct. 1923 (2016)

The Supreme Court in *Halo* held that the *Seagate* test is inconsistent with § 284:

1)§ 284 "gives district courts the discretion to award enhanced damages … in egregious cases of misconduct beyond typical infringement."

2)rejected the clear and convincing standard of proof set forth in *Seagate* and endorsed preponderance of evidence standard*;*

3)rejected *Seagate's* requirement of "a finding of objective recklessness in every case before District Courts may award enhanced damages."

4)Confirmed "the culpability is generally measured against knowledge of the actor at the time of the challenged conduct."

Tips to Obtain Enhanced Damages

1. Focus on what the accused infringer did upon learning about the patent and an allegation of infringement.
2. Consider pursuing willfulness allegations if the accused infringer is a competitor who copied your patented products.
3. Consider marking your patented products to help show competitors had knowledge of your patents.
4. Consider arguing that infringement by a previously licensed entity (e.g., one who became unlicensed by failing to renew) suggests the infringement is egregious.

https://www.americanbar.org/publications/landslide/2016-17/march-april/halo_v_pulse_new_chapter_willfulness_and_enhanced_patent_damages.html

Tips to Avoid Enhanced Damages

Consider:

1) Obtaining written legal opinions especially if a solid defense is not readily apparent or if a design-around is contemplated.
2) Conducting patent clearance studies before introducing key products.
3) In response to demand letters, asking patentees for more detail and memorializing your non-infringement and invalidity bases, whether internally or in reply letters.
4) When infringement risks are high, turning to outside counsel for written opinions to bolster your internal analysis.

https://www.americanbar.org/publications/landslide/2016-17/march-april/halo_v_pulse_new_chapter_willfulness_and_enhanced_patent_damages.html

Tips to Avoid Enhanced Damages (Continued)

5) Before engaging in licensing negotiations, consider obtaining a written agreement with the patentee that licensing discussions cannot be considered as notice of infringement or evidence of egregious misconduct.
6) In the license agreement, consider including a provision that avoids the risk of enhanced damages in the event that you are sued on the licensed patent after the term of the agreement.
7) Consider arguing that an institution of your post-grant validity challenge before the PTAB based on an invalidity defense shows the reasonableness of the defense.
8) Consider presenting and preserving the argument that the patentee lacks a right to a jury trial on willfulness.

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http://www.allpilotunion.com/questions/

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