

# IP NEWSLETTER

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## EN BANC FEDERAL CIRCUIT ABANDONS “STRONG” PRESUMPTION THAT A LIMITATION IS NOT SUBJECT TO 35 U.S.C. § 112, PARAGRAPH 6

By [Richard S.J. Hung](#) and [Ryan J. Gatzemeyer](#)



On June 16, 2015, the Federal Circuit revisited its prior precedent regarding when a claim limitation is subject to 35 U.S.C. § 112, paragraph 6. In *Williamson v. Citrix Online, LLC*, No. 13-1130 (“*Citrix*”),<sup>1</sup> the *en banc* court held that the absence of the word “means” gives rise only to a rebuttable presumption—not a “strong” presumption—that Section 112, paragraph 6 does not apply to the limitation.

## BACKGROUND

Section 112, paragraph 6<sup>2</sup> allows a patentee to recite a claim limitation as a “means or step for performing a specified function,” but “without the recital of structure, material, or acts in support thereof.” Claim limitations drafted in this format, known as “means-plus-function” limitations, are “construed to cover the corresponding structure, materials, or acts described in the specification and equivalents thereof.”<sup>3</sup> If the specification fails to disclose sufficient structure for performing the corresponding function of a means-plus-function limitation, the claim is invalid as indefinite under 35 U.S.C. § 112, paragraph 2.<sup>4</sup>

Under prior Federal Circuit precedent, the absence of the term “means” gave rise to a “strong” presumption that Section 112, paragraph 6 does not apply.<sup>5</sup> Overcoming this presumption required a “showing that the limitation essentially [was] devoid of anything that [could] be construed as structure.”<sup>6</sup>

## THE ORIGINAL PANEL DECISION

*Citrix* involved U.S. Patent No. 6,155,840, which concerns a method and system for conducting distributed learning over a computer network. Asserted claim 8 of the ’840 patent recites the following “distributed learning control module” limitation:

*a distributed learning control module for receiving communications transmitted between the presenter*

continued on page 2

and the audience member computer systems and for relaying the communications to an intended receiving computer system and for coordinating the operation of the streaming data module.

In a November 5, 2014 decision, a three-judge Federal Circuit panel held that this limitation was not subject to Section 112, paragraph 6.<sup>7</sup> Relying on its prior precedent and reversing the district court, the panel reasoned that appellees had failed to rebut the “strong” presumption that the “module” limitation was not a means-plus-function limitation, due to its absence of the word “means.”<sup>8</sup>

## THE *EN BANC CITRIX* DECISION

On June 16, 2015, the Federal Circuit withdrew its prior opinion and issued a new decision in the case. In the *en banc* portion of its new opinion, the appellate court “abandon[ed] [its precedent] characterizing as ‘strong’ the presumption that a limitation lacking the word ‘means’ is not subject to § 112, para. 6.”<sup>9</sup> The court explained that the strong presumption is “unwarranted, is uncertain in meaning and application,” and “has resulted in a proliferation of functional claiming untethered to § 112, para. 6 and free of the strictures set forth in the statute.”<sup>10</sup>

The *en banc* court “expressly overruled” both its prior characterization of the presumption as “strong” and “the strict requirement of ‘a showing that the limitation essentially is devoid of anything that can be construed as structure.’”<sup>11</sup>

Returning to much older precedent, the Federal Circuit held that the “standard is whether the words of the claim are understood by persons of ordinary skill in the art to have a sufficiently definite meaning as the name for structure.”<sup>12</sup> The court explained that, if the word “means” is absent from the claim limitation, “the presumption can be overcome and § 112, para. 6 will apply if the challenger demonstrates that the claim term fails to ‘recite sufficiently definite structure’ or else recites ‘function without reciting sufficient structure for performing that function.’”<sup>13</sup> The court did not disturb the converse presumption that inclusion of the word “means” creates a presumption that Section 112, paragraph 6 applies.<sup>14</sup>

Applying this new standard, the panel held that the “distributed learning control module” limitation failed to recite sufficiently definite structure, such that the presumption against means-plus-function language claiming was rebutted.<sup>15</sup> In arriving at this conclusion, the panel described “module” as a “well-known nonce

word that can operate as a substitute for ‘means’ in the context of § 112, para. 6.”<sup>16</sup> The panel further found nothing in the specification or prosecution history suggesting that “distributed learning control module” identified a sufficiently definite structure, and it also determined that the patentee’s expert testimony was unpersuasive.<sup>17</sup>

Because the “module” limitation was subject to Section 112, paragraph 6, but the specification failed to disclose structure corresponding to the recited function, the panel held that claim 8 was invalid as indefinite<sup>18</sup> and affirmed the district court’s related grant of summary judgment. Concluding that the district court had incorrectly construed the “graphical display” limitations of other claims, however, the panel vacated the district court’s judgment of non-infringement of other claims and remanded the case for further proceedings.

## CONCURRENCE AND DISSENT

Judge Reyna concurred-in-part and dissented-in-part. He agreed that the “distributed learning control module” limitation was a means-plus-function limitation and indefinite, but disagreed that the majority had correctly construed the “graphical display” limitations of the other claims.<sup>19</sup> Judge Reyna also suggested that the court “revisit [its] judicially-created § 112, para. 6 presumptions.”<sup>20</sup>

Judge Newman dissented, viewing the signal “means for” as “clear” and “clearly understood.”<sup>21</sup> In her view, “it is the applicant’s choice during prosecution whether or not to invoke paragraph 6, and the court’s job is to hold the patentee to his or her choice.”<sup>22</sup> Judge Newman predicted that the majority’s decision would result in “additional uncertainty of the patent grant, confusion in its interpretation, invitation to litigation, and disincentive to patent-based innovation.”<sup>23</sup> She also remarked that, under the majority’s opinion, “no one will know whether a patentee intended means-plus-function claiming until this court tells us.”<sup>24</sup>

## PRACTICAL IMPLICATIONS

By abandoning the “heightened burden” arising under the former “strong presumption” standard, the Federal Circuit has made it easier for defendants to demonstrate that limitations with “nonce” words like “module” should be construed under Section 112, paragraph 6. And because means-plus-function limitations are construed to cover the corresponding structure disclosed in the specification for performing the recited function and equivalents, the court’s opinion makes it easier for defendants to argue non-infringement or invalidity. Specifically, if a limitation is deemed a means-plus-

function limitation, the defendant can argue that its accused product differs from the corresponding structure disclosed in the specification. Alternatively, if insufficient structure is disclosed, the defendant can argue that the claim is indefinite.

For patent applicants, by contrast, *Citrix* will require careful thinking in the coming months as to how to best craft claims, draft specifications, and prosecute applications to avoid unintended means-plus-function treatment. For example, applicants will need to consider whether a limitation may be characterized as “nonce” terms subject to Section 112, paragraph 6.

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1 *Williamson v. Citrix Online, LLC*, No. 13-1130, slip op. at 16 (Fed. Cir. June 16, 2015).

2 With the passage of the America Invents Act, paragraph 6 has been relabeled paragraph (f).

3 Section 112, para. 6.

4 *See Aristocrat Techs. Austral. Pty Ltd. v. Int'l Game Tech.*, 521 F.3d 1328, 1338 (Fed. Cir. 2008).

5 *See, e.g., Lighting World, Inc. v. Birchwood Lighting, Inc.*, 382 F.3d 1354, 1358 (Fed. Cir. 2004); *Inventio AG v. ThyssenKrupp Elevator Americas Corp.*, 649 F.3d 1350, 1358 (Fed. Cir. 2011); *Apple Inc. v. Motorola, Inc.*, 757 F.3d 1286, 1297 (Fed. Cir. 2014).

6 *Flo Healthcare Solutions, LLC v. Kappos*, 697 F.3d 1367, 1374 (Fed. Cir. 2012).

7 *See Williamson v. Citrix Online, LLC*, 770 F.3d 1371 (Fed. Cir. 2014).

8 *Id.* at 1380.

9 *Citrix*, No. 13-1130, slip op. at 15.

10 *Id.*

11 *Id.* at 15-16 (quoting *Flo Healthcare Solutions*, 697 F.3d at 1374).

12 *Id.* at 16 (citing *Greenberg v. Ethicon Endo-Surgery, Inc.*, 91 F.3d 1580, 1583 (Fed. Cir. 1996)).

13 *Id.* (quoting *Watts v. XL Sys., Inc.*, 232 F.3d 877, 880 (Fed. Cir. 2000)).

14 *See id.*

15 *See id.* at 20.

16 *Id.* at 17.

17 *Id.* at 18-19.

18 *Id.* at 25.

19 *See Citrix*, concurrence at 2, 5.

20 *Id.* at 8.

21 *Citrix*, dissent at 4.

22 *Id.*

23 *Id.* at 2

24 *Id.*

## COMING IN HOT!

We'd like to extend our congratulations to our colleagues on recent awards and recognitions:

- *Legal 500 US 2015* named more than 25 MoFo attorneys as recommended in copyright, patent prosecution: utility and design, patent licensing and transactional, trademarks: litigation, patent litigation: full coverage, technology: outsourcing, patent litigation: International Trade Commission, and technology: transactions.
- The *Daily Journal*, California's largest legal news provider, named five MoFo partners to its annual list of California's top intellectual property lawyers.
- The *National Law Journal* named MoFo to its fourth annual Intellectual Property Hot List.
- MoFo partner **Rachel Krevans** was named to the *National Law Journal's* inaugural list of Outstanding Women Lawyers.
- **Paul Goldstein**, Of Counsel in MoFo's San Francisco office, was one of five individuals selected in 2015 to join *Intellectual Asset Management's* IP Hall of Fame.

# SUPREME COURT REJECTS BELIEF OF INVALIDITY DEFENSE FOR INDUCEMENT IN *COMMIL V. CISCO*

By [Kirk A. Sigmon](#), [Scott F. Llewellyn](#), and [Joseph R. Palmore](#)



On May 26, 2015, the Supreme Court held in *Commil USA, LLC v. Cisco Systems, Inc.*, No. 13-896 (“Commil”), that a good-faith belief that an asserted patent is invalid is not a defense to inducement of infringement of that patent. “[A] belief as to invalidity cannot negate the scienter required for induced infringement.”<sup>1</sup>

## INDUCED INFRINGEMENT

A party that induces infringement by another is liable for that infringement.<sup>2</sup> Inducement occurs when the defendant “knowingly induce[s] infringement and possess[es] specific intent to encourage [another party’s direct] infringement.”<sup>3</sup> Accordingly, to induce infringement, a defendant must both (i) know of the patent in question and (ii) know the induced acts infringe that patent.<sup>4</sup>

## COMMIL IN THE LOWER COURTS

In *Commil*, Commil sued Cisco, alleging infringement of patents relating to wireless networks. At trial, Cisco argued it should not be liable for inducing its customers’ infringement because it believed in good faith that Commil’s patents were invalid. The Eastern District of Texas disagreed with Cisco, but the Federal Circuit reversed, ruling that “evidence of an accused inducer’s good-faith belief of invalidity may negate the requisite intent for induced infringement.”<sup>5</sup>

## THE SUPREME COURT’S RULING

In an opinion by Justice Kennedy, the Supreme Court reversed the Federal Circuit. The Court held that a good-faith belief in patent invalidity is not a defense to induced infringement: “[B]elief regarding validity cannot negate the scienter required for [induced infringement].”<sup>6</sup> The Court noted that in *Global-Tech Appliances, Inc. v. SEB SA*, 563 U.S. \_\_\_ (2011), it had

held that to induce infringement, a defendant must both know of the patent in question and know that “the induced acts constitute patent infringement.”<sup>7</sup> In *Commil*, the Court rejected the argument advanced by Commil and the solicitor general that *Global-Tech* “should be read as holding that only knowledge of the patent is required for induced infringement.”<sup>8</sup> The Court instead reaffirmed *Global-Tech*’s “clear” rule that a defendant may not be liable for inducement absent “proof the defendant knew the acts were infringing.”<sup>9</sup>

The Court, however, rejected Cisco’s argument that, by analogy, there should be no inducement liability when the defendant believes in good faith that the patent was invalid. The Court’s decision rested on the “axiom . . . that infringement and invalidity are separate matters under patent law.”<sup>10</sup> Non-infringement and invalidity are two separate defenses in the Patent Act, and defendants are free to raise either or both of them.<sup>11</sup> According to the Court, a defense to inducement liability based on a good-faith belief in invalidity would “conflate the issues of infringement and validity.”<sup>12</sup> While the Court noted that, if a patent were to be found invalid, there would be “no patent to be infringed,” the “orderly administration of the patent system” was supported by the bifurcation of infringement and validity.<sup>13</sup>

The Court also noted that the good-faith belief of invalidity defense would “undermine” the presumption of validity embodied in 35 U.S.C. § 282(a).<sup>14</sup> According to the Court, “if invalidity were a defense to induced infringement, the force of [the presumption of validity] would be lessened to a drastic degree, for a defendant could prevail if he proved he reasonably believed the patent invalid.”<sup>15</sup>

The Court also discussed a number of practical considerations in support of its holding. The Court noted that accused inducers who believe a patent to be invalid already have “various proper ways to obtain a ruling to that effect,” including declaratory judgment actions, *inter partes* review, *ex parte* reexamination requests, and assertion of the defense of invalidity.<sup>16</sup> The Court also expressed concern regarding the practicality of litigating a defendant’s state of mind, which could “render litigation more burdensome for everyone involved.”<sup>17</sup>

The Court’s decision also contains a frank discussion of frivolous cases. The Court noted that “an industry has developed . . . [where] [s]ome companies . . . use patents as a sword to go after money, even when their claims are frivolous.”<sup>18</sup> While the Court acknowledged that *Commil* was not such a case, it found it “necessary and proper” to address frivolous cases because they “can impose a ‘harmful tax on innovation.’”<sup>19</sup> The Court stressed that “district courts have the authority and responsibility

to ensure frivolous cases are dissuaded.”<sup>20</sup> Methods of penalizing frivolous suits recommended by the Court included attorney sanctions and award of attorneys’ fees in exceptional cases.

Justice Scalia, joined by Chief Justice Roberts, dissented, writing that “[i]t follows, as night the day, that only valid patents can be infringed. To talk of infringing an invalid patent is to talk nonsense.”<sup>21</sup> Justice Scalia further wrote that “anyone with a good-faith belief in a patent’s invalidity necessarily believes the patent *cannot* be infringed . . . it is impossible for anyone who believes that a patent cannot be infringed to induce actions that he *knows* will infringe it.”<sup>22</sup> Justice Scalia criticized the majority’s reliance on practical considerations, noting that it was not the Court’s job to “*create* a defense” but rather to merely interpret the Patent Act.<sup>23</sup> Justice Scalia did note, however, that “if the desirability of the rule we adopt were a proper consideration,” it was “by no means clear” that the majority’s ruling was preferable given that it “increases the *in terrorem* power of patent trolls.”<sup>24</sup>

## RAMIFICATIONS

Before *Commil*, some potential inducers may have relied on a good-faith belief in invalidity as potential protection against a claim of inducement. Now, accused infringers may be forced to select more formal methods - such as *inter partes* review - to challenge the validity of patents they believe they may infringe.

The Court’s decision may also raise questions regarding liability for willful-infringement. As currently framed, the willful infringement inquiry considers, in part, the defendant’s knowledge that it proceeded “despite an objectively high likelihood that its actions constituted infringement of a *valid* patent.”<sup>25</sup> The inclusion of the word suggests that a good-faith belief of invalidity should remain a defense to willful infringement under the current standard. It is unclear, however, whether this standard might be held to conflict with the *Commil* Court’s distinction between validity and infringement for purposes of inducement.

The *Commil* decision is also interesting for the Court’s open discussion of frivolous cases, even though *Commil* itself did not present the concerns the Court sought to address. In discussing methods by which lower courts can deter frivolous cases, the Court cited its ruling in *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. \_\_\_ (2014), where it granted lower courts significantly broader authority to make parties (particularly those bringing baseless claims) pay for the other parties’ legal fees.<sup>26</sup> This discussion, while *dicta*, may further encourage lower courts to penalize parties for bringing frivolous lawsuits by making them liable for attorneys’ fees.

- 1 *Commil USA, LLC v. Cisco Systems, Inc.*, 575 U.S., slip op. at 11 (2015).
- 2 35 U.S.C. § 271(b).
- 3 *DSU Med. Corp. v. JMS Co.*, 471 F.3d 1293, 1306 (Fed. Cir. 2006).
- 4 *Global-Tech Appliances, Inc. v. SEB SA*, 563 U.S., slip op. at 10 (2011).
- 5 *Commil USA, LLC v. Cisco Systems, Inc.*, 720 F.3d 1361, 1368-69 (Fed. Cir. 2013).
- 6 *Commil*, 575 U.S., slip op. at 9.
- 7 *Commil*, 575 U.S., slip op. at 5 (quoting *Global-Tech Appliances, Inc. v. SEB SA*, 563 U.S., slip op. at 10 (2011)). *Global-Tech mirrors Aro Mfg. Co. v. Convertible Top Replacement Co.*, which held that contributory infringement requires knowledge of the patent-in-suit and knowledge of patent infringement. *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 488 (1964).
- 8 *Commil*, 575 U.S., slip op. at 6.
- 9 *Commil*, 575 U.S., slip op. at 9.
- 10 *Id.*, slip op. at 10, citing *Pandrol USA, LP v. Airboss R. Prods., Inc.*, 320 F.3d 1354, 1365 (Fed. Cir. 2003).
- 11 35 U.S.C. §§ 282(b)(1), (2); *Cardinal Chemical Co. v. Morton Int’l, Inc.*, 508 U.S. 83, 98 (1993).
- 12 *Id.*, slip op. at 10.
- 13 *Id.*, slip op. at 11.
- 14 *Id.*, slip op. at 10-11.
- 15 *Id.*
- 16 *Id.*, slip op. at 12.
- 17 *Id.*
- 18 *Id.*, slip op. at 13 (quotations and citations omitted).
- 19 *Id.*, slip op. at 14, citing L. Greisman, PREPARED STATEMENT OF THE FEDERAL TRADE COMMISSION ON DISCUSSION DRAFT OF PATENT DEMAND LETTER LEGISLATION BEFORE THE SUBCOMMITTEE ON COMMERCE, MANUFACTURING, AND TRADE OF THE HOUSE COMMITTEE ON ENERGY AND COMMERCE 2 (2014).
- 20 *Commil*, 575 U.S., slip op. at 14.
- 21 *Id.*, slip op. at 1 (Scalia, J., dissenting).
- 22 *Id.*, slip op. at 1-2 (Scalia, J., dissenting).
- 23 *Id.*, slip op. at 3 (Scalia, J., dissenting).
- 24 *Id.*
- 25 *In re Seagate Tech.*, 497 F.3d 1360, 1371 (Fed. Cir. 2007).
- 26 *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S., slip op. at 7-8 (2014).

# PATENT TRIAL AND APPEAL BOARD GRANTS RARE MOTION TO AMEND CLAIMS IN *INTER PARTES* REVIEW

By [Esther Kim](#) and [Matthew I. Kreeger](#)



On June 5, 2015, a three-judge panel at the Patent Trial and Appeal Board (PTAB), granted a motion to amend in an *inter partes* review (IPR)

proceeding, ruling that the patentee Neste Oil Oyj (“Neste”) could amend the claims of U.S. Patent No. 8,278,492 (the “492 patent”), and that the new claims were patentable.

## BACKGROUND

On November 22, 2013, REG Synthetic Fuels, LLC (REG) filed an IPR petition challenging claims 1-24 of the Neste ’492 patent, on the grounds that the claims were unpatentable over prior art. The Neste patent is directed to a process for the manufacture of diesel range hydrocarbons from bio oils and fats, commonly called “biodiesel.” In particular, the Neste patent discloses a two-step process in which a feed stream of biological origin, diluted with a hydrocarbon, is first hydrodeoxygenated, and then isomerized. One pathway used in this process includes spiking the feed stream with sulfur at specified concentrations.

## MOTION TO AMEND

After the PTAB instituted trial, Neste filed a Patent Owner Response to the Petition, as well as a contingent motion to amend to present new substitute claims. In an IPR, a patent owner has the right to file a motion seeking to add new substitute claims. The rationale is that, in response to a prior art showing, the patent owner can propose a new claim that is also supported by the patent specification but includes additional limitations that render the claim patentable. Unlike the prior *inter partes* reexamination, where amendments were made as of right, a patent owner must file a motion in an IPR to propose such an amendment. The patent owner must prove that: (1) the amendment is responsive to a ground of unpatentability involved in the trial; (2) the amendment does not enlarge the scope of the claims of the patent or introduce new matter; (3) the amendment contains only a reasonable number of substitute claims; (4) the proposed substitute claims are fully supported

by the original disclosure of the patent; and (5) the proposed substitute claims are patentable in light of the prior art.

Patent owners have filed numerous motions to amend claims, but very few have been granted to date. In general, the PTAB has found that patent owners have failed to meet their burden of demonstrating that the proposed substitute claims are patentable in view of all possible prior art. Of the hundreds of motions to amend to date, only a handful of attempts to add substitute claims have been granted.

## NESTE MET ITS BURDEN ON ITS MOTION TO AMEND

In the Neste IPR, although the PTAB found that the petitioner had met its burden of proving by a preponderance of the evidence that all the claims (i.e., claims 1-24) of the Neste patent were obvious over the prior art, the PTAB also found that Neste had met its burden on its motion to amend the patent to add proposed substitute claims 25-28, and granted the motion to amend. The new claims added a new limitation not found in the original claims, specifying the range of sulfur concentration used in the claimed process to 5000-8000 w-ppm.

The PTAB found that the original claims of the Neste patent were invalid as they specified sulfur ranges that were disclosed in the prior art. Specifically, the PTAB found that the prior art had disclosed sulfur ranges up to 4431 w-ppm. The proposed substitute claims, by contrast, specified a sulfur range well outside the range found in the art. In particular, the PTAB found that the prior art taught that the beneficial effects of sulfur concentration plateaued at 2000 w-ppm and that a person of ordinary skill in the art would have had no reason to optimize the sulfur concentration to 2.5 to 4 times the amount taught by the prior art as useful.

In urging the panel to deny the motion to amend, the petitioner argued that Neste had failed to address all relevant prior art known to it, citing *ScentAir Tech. Inc. v. Prolitec Inc.*, a June 2014 PTAB ruling. The PTAB found, however, that unlike the *ScentAir* case, the prior art cited by REG did not disclose the newly added limitation in Neste’s proposed substitute claims. Accordingly, the PTAB found that Neste had carried its burden of demonstrating that the new claims were patentable over the prior art of record.

## OUTLOOK FOR AMENDING CLAIMS IN AIA REVIEWS

The general difficulty of amending claims in AIA reviews is an issue that has recently caught the attention of Congress. In March 2015, Senator Christopher Coons of

Delaware introduced the STRONG Patents Act of 2015, which, among other things, would make it much easier to amend patents in AIA reviews. Also in March 2015, U.S. Patent and Trademark Office Director Michelle Lee noted that the Patent Office was considering new rules aimed at making it easier to amend claims in IPR proceedings.

## EUROPE'S NEW UNITARY PATENT AND UNIFIED PATENT COURT SYSTEM

By [Rufus Pichler](#) and [Otis Littlefield](#)



Preparations for Europe's new "Unitary Patent" and the pan-European Unified Patent Court system are in full swing.

Spain's second legal challenge to the new system has been dismissed by the European Court of Justice and it is likely that the system will go live by 2017.

Patentees and applicants—and their counsel—need to be familiar with the new system that will reshape Europe's patent landscape. Important strategic planning for patent prosecution, litigation and licensing strategies needs to take place well in advance to avoid being caught flat-footed when the system is officially up and running.

### EUROPEAN PATENT CONVENTION AND ITS SHORTCOMINGS

The European Patent Convention of 1973, in effect since 1977, and the establishment of the European Patent Office (EPO) was a major step toward facilitating patent protection in Europe. The system allows for patents to be granted on a single application for up to 38 countries, based on a centralized search and examination procedure handled by the EPO. However, once granted, this "classic" European patent results in a bundle of national patents that are independent from each other. They can be interpreted differently, have to be enforced separately and may be invalidated on a country-by-country basis. In addition, individual countries require validation, and in many cases translations, for their respective national sticks of the European patent bundle to be effective.

Because of these shortcomings, attempts have been made over the years to establish unitary patent protection across Europe. The latest attempt to create a European Community patent began in 1998, but discussions broke down in 2010 over language and translation issues.

### UNITARY PATENT PACKAGE

This led to an alternative proposal supported by 25 of the then-27 European Union member states, all except Spain and Italy, which ultimately resulted in the so-called "Unitary Patent Package." The package consists of two EU regulations (Nos. 1257/2012 and 1260/2012) creating the "European Patent with unitary effect" and related translation agreements, and the Agreement on a Unified Patent Court (UPCA). The entire package will become effective once 13 participating member states, including at least France, Germany and the U.K., have ratified the UPCA. So far, six member states, including France, have done so.

### UNITARY PATENT AND UNIFIED PATENT COURT

The Unitary Patent has equal and unitary effect in all participating member states that have ratified the UPCA at the time of the grant. It is treated as a single patent, not a bundle of national patents, and can be transferred, invalidated and renewed only in its entirety. No national validation is required. The Unified Patent Court (UPC) has exclusive jurisdiction over Unitary Patents, including infringement and invalidity proceedings. The UPC also has jurisdiction over "classic" European bundle patents, but there is an opt-out right for existing European patents and those that issue prior to the end of a seven-year transition period. During that transition period there will be parallel jurisdiction of national courts for classic European patents, even if they have not been opted out of the system.

The key difference is that the UPC's decisions will always affect all sticks of the classic European patent bundle, while national courts' jurisdiction is limited to their own national stick. In the UPC, patentees can bring centralized enforcement actions for all covered countries, but they also face an "all or nothing" invalidity risk.

It is important for patentees to understand their entire existing European patent portfolio will be subject to the UPC's centralized jurisdiction—and the all or nothing invalidity risk—by default unless the patentee proactively opts out.

## A FRAGMENTED PATENT LANDSCAPE

The Unitary Patent package will not result in a simpler, more uniform patent regime in Europe. To the contrary, the patent landscape will become more fragmented, with a host of patent prosecution options, opt-out possibilities, and parallel or competing jurisdictions of national courts and the UPC.

Unitary Patent protection itself is optional and will coexist with classic European patents as well as national patents issued by national patent offices instead of the EPO. The EPO pre-grant process will remain unchanged and application, search, examination and grant procedures will be the same for classic European patents and Unitary Patents.

Once granted, the patentee can choose to do nothing, in which case the grant will result in a classic European bundle patent, or file a request for unitary effect. This request has to be filed within a month of the European patent grant being published. Upon registration of the unitary effect, the granted patent will become a “European Patent with unitary effect.” However, unitary effect extends only to those countries that participate in the system and have ratified the UPCA at the time. This will inevitably result in a mix of Unitary Patent rights in some countries and classic national sticks of a smaller European patent bundle in other countries.

Currently 38 countries are part of the European Patent Convention: the 28 European Union member states plus 10 others. The 10 non-EU countries cannot participate in the Unitary Patent system. Out of the 28 EU countries, Spain and Croatia do not participate in the Unitary Patent or the UPC regime, Italy does not participate in the Unitary Patent regime but has ratified the UPCA, and Poland participates in the Unitary Patent regime but not the UPCA. That means the Unitary Patent regime will not become effective for Poland. Moreover, the Unitary Patent system will become effective at different times in different participating countries. It will initially be effective for the first 13 participants that have ratified the UPCA—as long as France, Germany and the U.K. are among them. The number will grow as additional countries ratify the UPCA.

As such, electing unitary effect may, in the early stages of the system, result in a Unitary Patent for 13 countries subject to the jurisdiction of the UPC, and classic national European Patents in up to 25 other

countries which are not subject to UPC jurisdiction, except in Italy. In addition, patent applicants can choose to file nationally and avoid the UPC system altogether. And they can take a strategic mix-and-match approach choosing between Unitary Patents, classic European Patents and national patents—as well as UPC jurisdiction or national courts for their classic European patents—on a case-by-case basis, employing different strategies for continuations, improvements or other inventions covering closely related subject matter.

## UPC JURISDICTION AND OPT-OUT

Once established, the UPC has jurisdiction not only over Unitary Patents, but also over all classic European patents, whether pre-existing or granted in the future. The benefit is centralized enforcement as opposed to multiple national infringement actions, but the price is that an invalidity finding will automatically apply to the entire bundle. This could be a significant risk for patentees and may lead many to make use of the opt-out right. The opt-out possibility exists for all classic European patents that have issued or are applied for before the end of the seven-year transitional period.

Whether to opt out is a key strategic consideration that patentees should be thinking about now. The opt-out can be declared until the end of the transition period, but the patentee is precluded from opting out once a UPC action has been initiated—including a centralized invalidity action initiated by a third party. On the other hand, a declared opt-out can be withdrawn, but only until an action in a national court has been initiated. The potential benefit of centralized enforcement will have to be weighed against the all or nothing invalidity risk.

Procedural aspects are also relevant, as are the interests of licensees with enforcement rights which may or may not be aligned with those of the patentee. To make matters even more complicated, national courts have parallel jurisdiction over classic European patents during the seven-year transition period, even if they have not been opted out. The possibilities for strategic offensive, defensive and preemptive litigation are numerous. On the other hand, the UPC’s jurisdiction over Unitary Patents will be exclusive from day one. Electing unitary effect in the first place is, of course, optional.



## THE SIGNIFICANCE OF GERMAN LAW

The Unitary Patent will be treated, “as an object of property,” as a national patent of one of the participating member states. The following important aspects will be governed by national law: assignment of the patent, enforceability of licenses or covenants not to sue against an assignee and whether recordation is required, default rules regarding assignability of licenses and the ability to grant sublicenses, consent and accounting requirements between co-owners or the fate of licenses in bankruptcy.

The law on those issues is not harmonized across Europe and can vary widely. The “nationality” of the patent is determined by the principal place of business of the applicant as provided in the EPO patent application. In the case of joint applicants, the determination is based on the applicant listed first, so merely changing the order can have significant substantive consequences.

If the applicant does not have a principal place of business in a participating member state, German law applies by default. Commentators have observed that this could result in the application of German law for up to 80 percent of all Unitary Patents, based on historic EPO filing data. Patentees should consider the impact of the applicable national law when filing their EPO applications.

## NO TIME TO WASTE

Patent owners and licensees should already be thinking about important decisions they will need to make to be ready for the Unitary Patent and UPC system. Most urgently, they should develop an opt-out strategy and decide whether to exercise this right for all or some of their existing classic European patents so they are ready to register opt-outs during the expected sunrise period and eliminate the risk of early UPC challenges that will pre-empt the opt-out.

Owners also need to develop patent prosecution strategies to use the many patenting options—Unitary Patents, classic European patents and national patents—to their advantage and assess the cost impact. For any European patents that issue once the system is live, including currently pending EPO applications, there will only be a one-month window to elect unitary effect.

In licensing transactions, parties should address the Unitary Patent option and the opt-out

and other litigation choices when allocating prosecution and enforcement rights between the patentee and licensor and one or more licensees.

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## JAPANESE PATENT OPPOSITION SYSTEM

By [Chie Yakura](#)



2014 revision to Japan’s Patent Act introduces new method for challenging patent validity in an expeditious, cost-effective manner.

The 2014 revision of the Japanese Patent Act created an Opposition System to provide a simpler procedure for third parties to challenge patent validity and amended the scope of the existing Invalidation Trial System. This article provides an overview of the new Opposition System and explores the changes made to the Invalidation Trial System.

## CONVENTIONAL METHOD FOR CHALLENGING PATENT VALIDITY

Before the 2014 revision, Invalidation Trials provided the only means to challenge patent validity. Because Invalidation Trials could be requested by anyone at any time before the 2014 revision, issued patents remained in a prolonged state of validity limbo. Once Invalidation Trials began, the trials tended to place a heavy burden on the patentee and validity challenger by requiring the parties to present their case through oral proceedings.

Of course, a patent’s validity could become an issue in litigation. However, Japanese courts play a limited role with respect to patent validity. If a court determines that an Invalidation Trial would invalidate the patent-in-suit, the court can dismiss the patentee’s infringement claim but cannot invalidate the patent itself. The challenger would then need to take the patent-in-suit to Invalidation Trials to have it invalidated. Also, court proceedings usually take years to resolve.

Accordingly, Invalidation Trials and court proceedings did not offer the ideal avenue for parties seeking to challenge a patent in an expeditious, cost-effective manner.

## 2014 REVISION OF THE PATENT ACT

Multinational companies often seek to expand their patent portfolios by filing foreign patent applications that claim priority to a Japanese patent application. Under the pre-2014 Japanese Patent Act, these companies risked having the base Japanese patent invalidated after investing in filing for and maintaining family and counterpart patents. Therefore, companies called for a way to verify their patents' relative strengths early on in their terms.

As a result, the revised Patent Act was established in April 2014 and put into effect on April 1, 2015. The new Opposition System is available for patents published in the Patent Gazette on or after April 1, 2015.

## FILING OF OPPOSITION

Any person may file an Opposition by submitting a Notice of Opposition to the Commissioner of Japan Patent Office (JPO) within six months from the date the patent was published in a Patent Gazette (patents are published in Patent Gazettes a few months after the JPO registers the establishment of the patent rights). The Opposition must indicate the challenger's name and address, and therefore, cannot be filed anonymously. An Opposition costs less to file than an Invalidation Trial.

## OPPOSITION SYSTEM PROCEEDINGS

After an Opposition is filed, a copy of the Notice of Opposition is delivered to the patentee. Opposition System proceedings generally begin after the six-month filing period expires; however, the patentee may request the proceedings to begin sooner. The patentee need not file an answer or any paperwork in response to the Opposition.

Opposition System proceedings and Invalidation Trial proceedings are conducted by a panel of administrative law judges. But their similarities end there. Opposition System proceedings only involve the JPO and the patentee, and are generally decided on paper alone for the sake of simplification, mitigation of burden on the parties, and ease of use. In contrast, Invalidation Trial proceedings are adversarial in nature and involve both the patentee and challenger. Also, administrative law judges oversee oral proceedings rather than simply rely on the submitted paperwork. Given this difference, Opposition System proceedings are expected to cost significantly less than Invalidation Trial proceedings.

## NOTICE OF GROUNDS FOR REVOCATION AND SUBSEQUENT PROCEEDINGS

Under the Opposition System, if a panel finds that a patent should be revoked, it notifies the patentee of the grounds for revocation. The panel also gives the patentee an opportunity to submit a written opinion and to request correction of the specification, including the drawings and the claims, within a reasonable period. Permissible correction includes narrowing of the claim scope, fixing typographical errors, and clarifying ambiguous descriptions. A reasonable period ordinarily means 60 days but is extendable to 90 days for patentees residing outside of Japan.

If the patentee neither submits a written opinion nor requests correction, the panel renders a decision to revoke the patent (the "Decision to Revoke"). If the patentee submits a written opinion but does not request correction of the specification, the panel continues the proceedings without giving the challenger an opportunity to submit a written opinion. If the patentee requests correction, the challenger may submit a written opinion within a reasonable period (ordinarily 30 days but extendable to 50 days for challengers residing outside of Japan). If the panel decides that the corrections are appropriate based on the submitted written opinions, the panel uses the corrected specification for the remainder of the proceedings.

Then, if the panel concludes that the patent should be revoked, it issues a Notice of Grounds for Revocation to the patentee as a pre-notification of the Decision to Revoke. The panel again gives the patentee an opportunity to submit a written opinion and request correction of the specification within a reasonable period (ordinarily 60 days and extendable to 90 days for patentees residing outside of Japan). If the patentee requests correction, the challenger is generally given an opportunity to submit a written opinion again.

## DECISION ON OPPOSITION

After reviewing all of the submitted written opinions and request for correction, the panel will issue either a Decision to Maintain for valid patents or a Decision to Revoke for patents whose rights should be revoked. If a patentee receives a Decision to Revoke, the patentee may file an appeal to rescind such Decision with the Intellectual Property High Court within 30 days

(additional 90 days if the patentee resides outside of Japan) of the service of a copy of the Decision. In contrast, if the panel issues a Decision to Maintain, the challenger's only recourse is to file a request for an Invalidation Trial or, if the challenger is an alleged infringer, a declaratory action with a District Court, because the challenger may not file an appeal to rescind a Decision to Maintain.

## CHANGES TO INVALIDATION TRIALS

As described above, because anybody could request an Invalidation Trial at any time under the pre-2014 Japanese Patent Act, issued patents remained in a prolonged state of validity limbo. However, the newly established Opposition System, which allows any person to challenge patent validity, paved the way for a revision of the scope of the persons who can request an Invalidation Trial. As a result, the Japanese Patent Act was amended so that only an "interested party" may challenge patent validity through an Invalidation Trial.

An "interested party" is a person whose legal interests or legal status are or are likely to be directly affected by the existence of a patent right. Specifically, a person who practices, has practiced, or may practice in the future an invention that is identical to the invention claimed by the patent at issue is considered an "interested party."

Traditionally, defendants in a patent infringement lawsuit and recipients of demand letters have used the Invalidation Trial System as a countermeasure against the patentee. Such persons have the requisite interest, and therefore, may request an Invalidation Trial under the revised Japanese Patent Act as well. The 2014 revisions restricting the scope of persons who may challenge patent validity through an Invalidation Trial have no impact on these categories of potential challengers.

Accordingly, the establishment of the Opposition System has pros and cons for patentees. Patentees now have a way to assess their patents' strengths early on in the patents' life terms. At the same time, the Opposition System may in fact leave patentees in a more precarious position, as their patents will be put to the test twice—under the Opposition System and the Invalidity Trial System.

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# DISPARAGING TRADEMARKS AND FREE SPEECH: THE CASES OF THE REDSKINS AND THE SLANTS

By [Jennifer Lee Taylor](#) and [Sabrina Larson](#)



Section 2(a) of the Lanham Act states: a mark may be refused registration if it "[c]onsists of or comprises . . . matter which may disparage . . .

persons . . . or bring them into contempt, or disrepute." 15 U.S.C. § 1052(a). Whether a mark is disparaging is determined by a two-part test: (1) what the likely meaning is of the matter in question, considering both dictionary definitions and the manner in which the mark is used in the market; and (2) if the meaning is found to refer to identifiable persons, whether the meaning may be disparaging to a "substantial composite of the referenced group."<sup>1</sup>

Until recently, few people other than trademark attorneys ever paid much attention to this provision. That changed with two recent cases, both of which highlight the unresolved tension between the Lanham Act's prohibition on registration of disparaging trademarks and the First Amendment's right to free speech.

## THE REDSKINS (*BLACKHORSE V. PRO-FOOTBALL, INC.*)

In 1992, a group of Native Americans successfully petitioned to cancel trademark registrations owned by Pro-Football that included the term REDSKINS. Ultimately, a district court reversed the cancellation on the grounds of insufficient evidence of disparagement when the marks were registered, and laches. No appeal was filed.

In 2006, another group of plaintiffs tried again in *Blackhorse v. Pro-Football, Inc.* In 2014, the USPTO's Trademark Trial and Appeal Board (the "Board") cancelled six REDSKINS trademark registrations owned by Pro-Football on the ground they were disparaging to a significant proportion of Native Americans at the time of registration. Pro-Football appealed that decision to the Eastern District Court in Virginia, including among its arguments that the denial of registration infringes its First Amendment free

speech rights. Pro-Football provided notice to the U.S. attorney general of its intent to challenge the Lanham Act under the First Amendment, and the United States intervened in the matter to defend the constitutionality of the Lanham Act.

Cross-motions for summary judgment on the constitutionality of the Lanham Act were heard on June 23, 2015. The United States argues that the REDSKINS trademarks are not protected by the First Amendment.

Many commentators anticipate that the REDSKINS case will eventually be heard by the U.S. Supreme Court. In the meantime, however, a second case involving the Lanham Act's disparagement provision has been quietly wending its way through the USPTO. It might reach the U.S. Supreme Court first.

## THE SLANTS (*IN RE TAM*)

### The USPTO applications

In 2010, Simon Tam applied for the mark THE SLANTS for "entertainment, namely, live performances by a musical band." Mr. Tam is the founder of the Asian-American dance-rock band The Slants. The specimens submitted with his application were flyers for his band that include Asian-themed artwork. One of them includes the wording "Chinatown Dancerock" and pictures of the band members. The examining attorney found the mark to be disparaging to people of Asian descent and refused registration under Section 2(a).

In response, Mr. Tam argued that "[i]t is absolutely inconceivable that Applicant would seek to use a mark that disparaged Applicant's own ethnic background." He also argued that "the evidence is overwhelming that members of the referenced group do not find Applicant's use of Applicant's Mark to be disparaging." The examining attorney maintained the refusal. Mr. Tam failed to file an appeal brief and his application was deemed abandoned.

In 2011, Mr. Tam applied again to register THE SLANTS. This time, the flyers submitted as specimens did not show any Asian-themed artwork and did not include the wording "Chinatown Dancerock." Nevertheless, the same examining attorney refused registration, attaching 162 exhibits to support his claim that the likely meaning of the mark was a "negative term regarding the shape of the eyes of certain persons of Asian descent." The examining attorney stated that "it is an inherently offensive term" and that although the applicant may not find the mark offensive, the "applicant does not speak for the entire community of persons of

Asian descent and the evidence indicates that there is still a substantial composite of persons who find the term in the applied-for mark offensive."

In response, Mr. Tam argued that there was no basis within the four corners of the application to find that the likely meaning of the mark is disparaging. The examining attorney maintained the refusal.

### Appeal to the Trademark Trial and Appeal Board

Mr. Tam appealed to the Board, arguing that registration was improperly refused on the basis of his race. On September 26, 2013, the Board affirmed, finding the two-part test for disparagement to be met, focusing particularly on the manner in which the mark is used in the marketplace. The Board noted that the band promotes the likely meaning of the mark to be people of Asian descent, for example, by "displaying the wording 'THE SLANTS' next to a depiction of an Asian woman, utilizing rising sun imagery and using a stylized dragon image."

Mr. Tam's arguments to the Board focused on his belief that the USPTO refused his registration on the basis of his race. The Board, however, found that Mr. Tam did "not address the injury that use of THE SLANTS may cause to other members of the referenced group and instead focuse[d] on the asserted injury to himself." Finding that the referenced group's perception of the likely meaning of the mark would be disparagement, and that the record included evidence of members of the Asian community objecting to the term, the Board affirmed the refusal.

The last paragraph of the Board's decision briefly addressed the First Amendment, although Mr. Tam did not argue or mention the issue in his appeal. The Board emphasized that the refusal did not affect Mr. Tam's right to use the mark. With no conduct proscribed and no expression suppressed, the Board stated no free speech rights were abridged. The Board cited to *In re McGinley*, a 1981 Court of Customs and Patent Appeals decision that sets forth the rule that Section 2(a) does not violate the First Amendment because it does not suppress speech.<sup>2</sup>

### Appeal to the Federal Circuit

The Federal Circuit affirmed, in a decision authored by Judge Moore on April 20, 2015. The Federal Circuit agreed with the Board's reasoning regarding disparagement, and similarly to the Board, addressed the First Amendment implications in a

single paragraph. It found that there was no First Amendment violation, as dictated by *McGinley*.

Judge Moore, however, also wrote a separate 24-page statement with his “additional views” on the First Amendment issue, arguing that it is time for the Federal Circuit to revisit *McGinley*’s holding on the constitutionality of Section 2(a). Judge Moore considered each of the three requirements that are necessary to find a violation of the First Amendment:

*First, is the speech protected?* Judge Moore wrote that “it is unquestionably true that trademarks are protected speech under Supreme Court commercial speech jurisprudence.” Specifically with respect to THE SLANTS, Judge Moore noted that “[w]ith their lyrics, performances, and band name, Mr. Tam and The Slants weigh in on cultural and political discussions about race and society that are within the heartland of speech protected by the First Amendment.”

*Second, is there a government action that abridges speech?* Judge Moore wrote that while it is true that Mr. Tam can continue to use his trademark, refusal of federal trademark registration denies him important legal rights and benefits, both substantive and procedural. In particular, it denies him the ability to enforce and protect his mark against others’ use. Judge Moore asserted that this denial implicates the “unconstitutional conditions” doctrine, under which the government cannot deny access to a public benefit because of the recipient’s exercise of constitutionally protected speech. Judge Moore claimed that it is error that neither *McGinley* nor any subsequent decision analyzes Section 2(a) under the “unconstitutional conditions” doctrine.

*Third, is the abridgement unconstitutional?* Judge Moore noted that content-based regulations are presumptively invalid and a ban on disparaging marks is a content-based restriction. He further wrote that the refusal to register disparaging marks fails to satisfy the *Central Hudson* test,<sup>3</sup> which applies to content-based commercial speech.

## Rehearing

On April 27, 2015, the Federal Circuit *sua sponte* vacated the April 20 decision and ordered a rehearing *en banc*. The rehearing is limited to the question: Does the bar on registration of disparaging marks in 15 U.S.C. § 1052(a) violate the First Amendment? Pro Football recently filed an amicus brief on behalf of The Slants.

We can expect the Federal Circuit’s *en banc* decision later this year. In the meantime, we can also expect a decision from Virginia in the *Blackhorse* case. It seems likely that one of these cases will find its way to the Supreme Court to resolve the tension between the Lanham Act’s prohibition on disparaging marks and the First Amendment’s guarantee of free speech.

- 1 *In re Squaw Valley Dev. Co.*, 80 U.S.P.Q. 2d 1264, 1267-79 (TTAB 2006); *In re Geller*, 751 F.3d 1355 (Fed. Cir. 2014).
- 2 *In re McGinley*, 660 F.2d 481 (C.C.P.A. 1981).
- 3 *Cent. Hudson Gas & Elec. Corp. v. Pub. Serv. Comm’n*, 447 U.S. 557, 566 (1980).

## IN CASE YOU MISSED IT

**Webinar: *Inter Partes* Review Strategy and Trends in the Life Sciences Industry: Implications for Patent Prosecutors and Litigators. Recording of the webinar can be found [here](#).**

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