

#### PATENT LAW YEAR IN REVIEW

With The Close Of An Active 2007, What Does 2008 Hold?

JANUARY 17, 2008



#### PATENT LAW YEAR IN REVIEW

With The Close Of An Active 2007, What Does 2008 Hold?

#### Agenda

I. The Supreme Court Leaves Its Mark in 2007

--- 15 minute break ---

II. The Federal Circuit Weighs in on Patent Licensing

III. What's Coming up in 2008

--- 15 minute break ---

IV. Patent Reform and Rule Changes – What's in Store

V. Reconsidering What Is Patentable Subject Matter

--- 15 minute break ---

VI. Reexamination Trends

VII. Ethics Issues in Patent Law

Disclaimer:

\*\* The contents of this publication are not intended and cannot be considered as legal advice or opinion.

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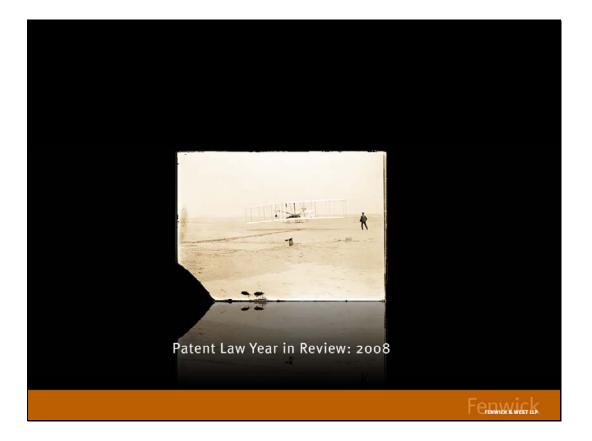
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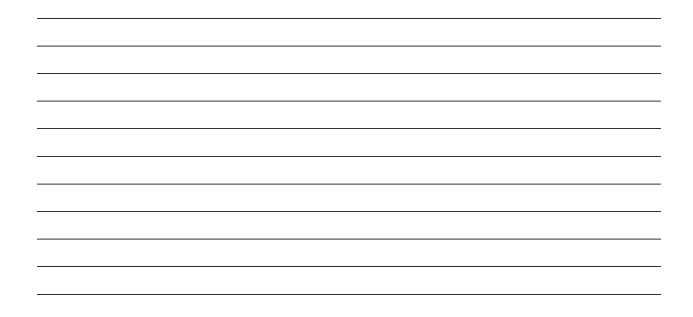
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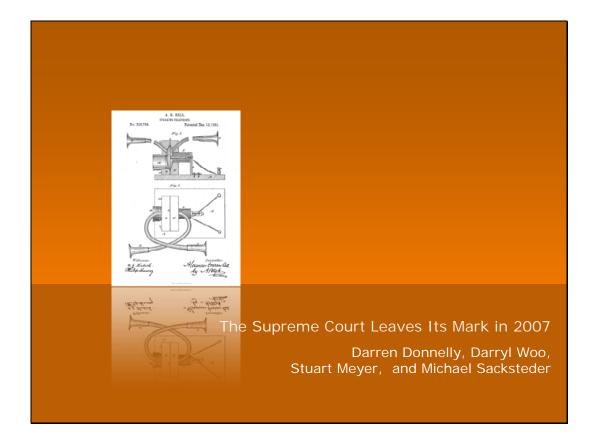












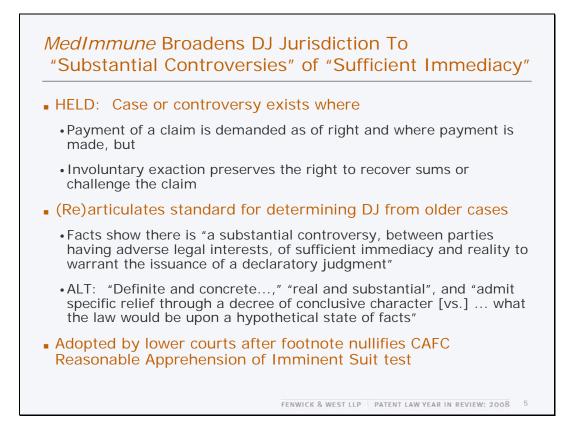




# MedImmune — Non-defaulting Licensee Can Challenge Licensed Patent Licensor alleged key product (80% of sales) was royaltybearing under newly-issued patent Licensee sought DJ of non-infringement and invalidity Royalties paid "under protest" No DJ jurisdiction under existing CAFC authorities Termination of license required under *Gen-Probe v. Vysis*Application of Reasonable Apprehension Suit test Supreme Court reverses and overrules CAFC cases In other contexts, plaintiff need not first expose itself to liability On these facts, there is a substantial case or controversy

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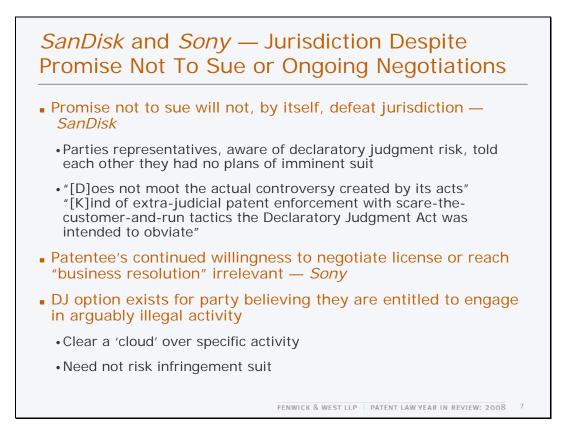




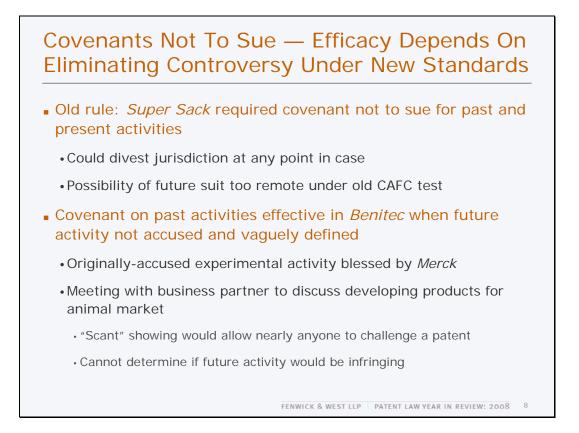
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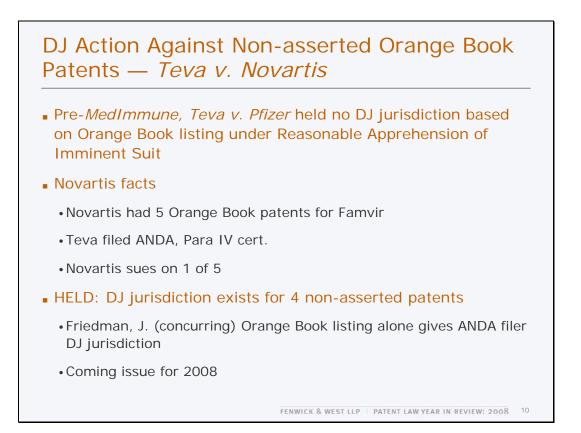






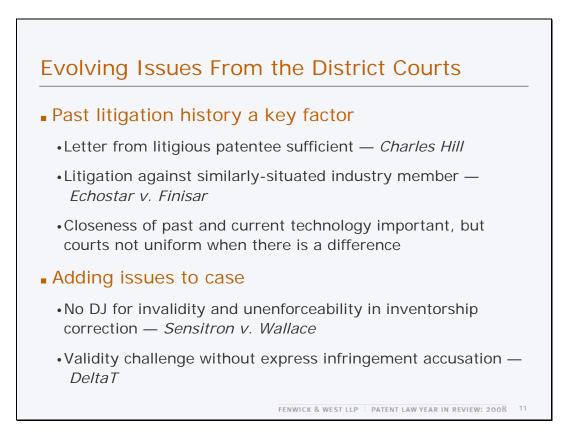
#### Covenants Not To Sue — Efficacy Depends On Eliminating Controversy Under New Standards

- District courts looking to residual controversy
- Covenant ineffective
  - Limited to DJ plaintiff and indemnified customers W.S. Packaging
    - Not to all customers; patentee using tactic
  - Limited to installations at particular sites FieldTurf
    - · Inadequate because other locations still potentially in controversy
  - Limited to 1 asserted claim after discovery Lear Auto.
    - Inadequate because complaint/DJ broader; late in case
- Covenant effective
  - Covenant on valid claims of patent undergoing reissue Pfizer v. Ranbaxy
  - Covenant for first Para IV cert. ANDA filer Merck v. Apotex
  - Covenant on non-asserted Orange Book patents Janssen Pharms v. Apotex
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## Licensing Responses — Procedural and Monetary Filing (but not service) of complaint to open licensing negotiation Now common approach Negotiate terms by litigation will proceed, in necessary Contractual agreement — SanDisk footnote Examine clauses addressing termination, limiting challenge under Lear and related cases Dispute resolution mechanism Multiple opportunities to avoid DJ action

- Provide notice and bases for substantive challenges
- Arbitration of validity between parties see 35 U.S.C. § 294.
- Forum selection for licensee challenges

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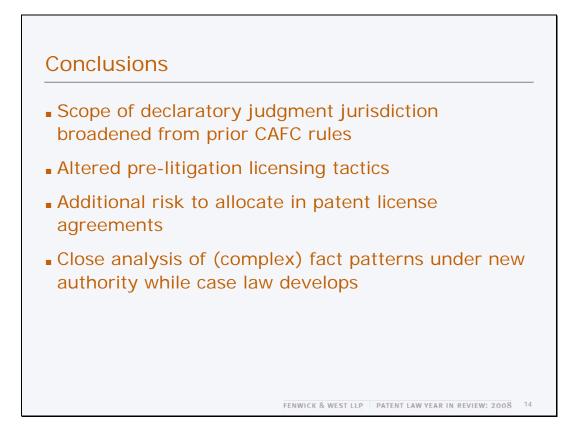
### Licensing Responses — Procedural and Monetary

#### Monetary

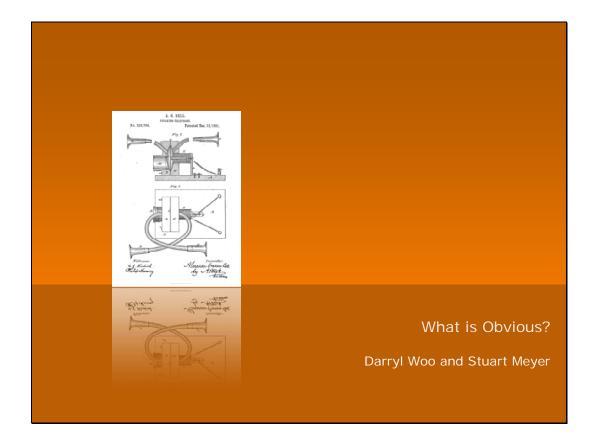
- •Up-front payment, and royalty accelerations
- •Non-refundable royalties
- •Flat rate for bundled rights
- •Penalties for unsuccessful challenge
  - ·Fees, costs, other expenses of challenge
  - Increased royalty rate
- Royalty obligation exists until final resolution

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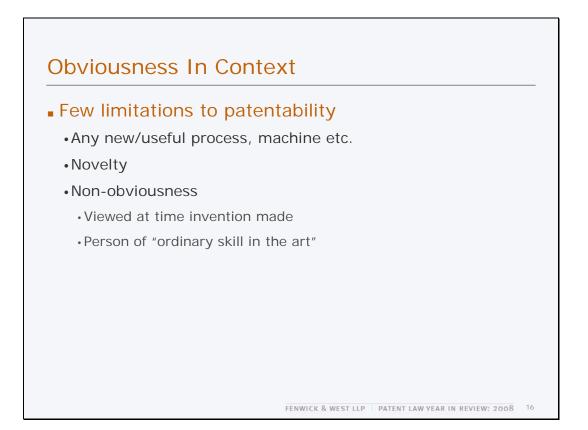




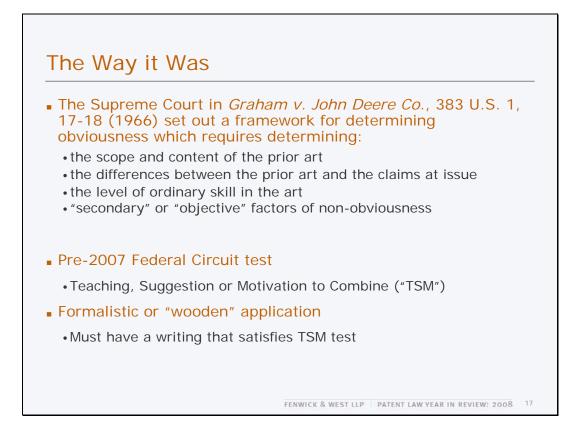




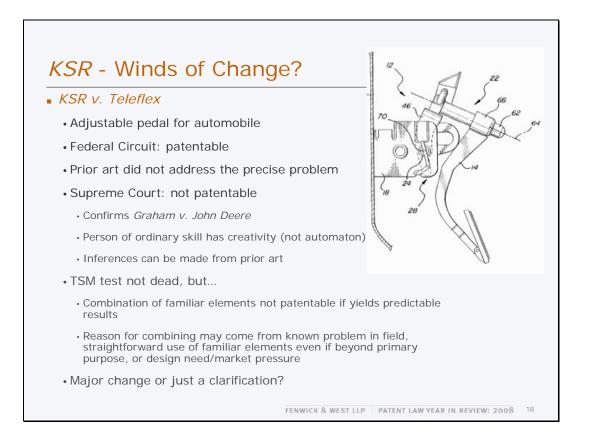


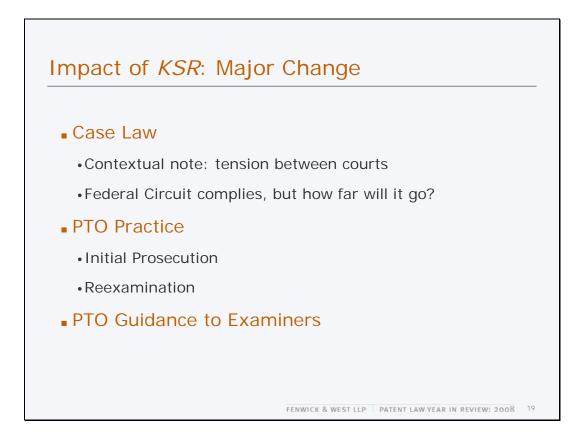






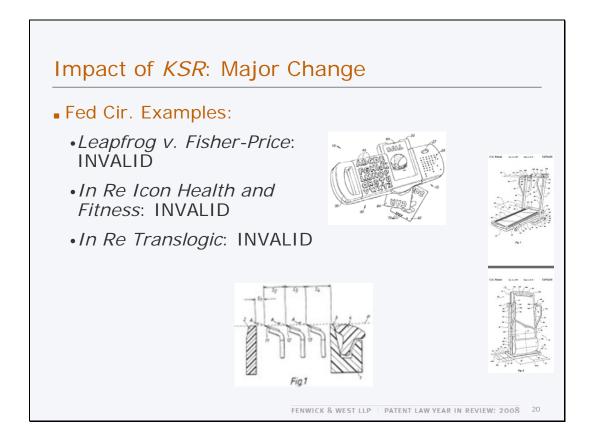








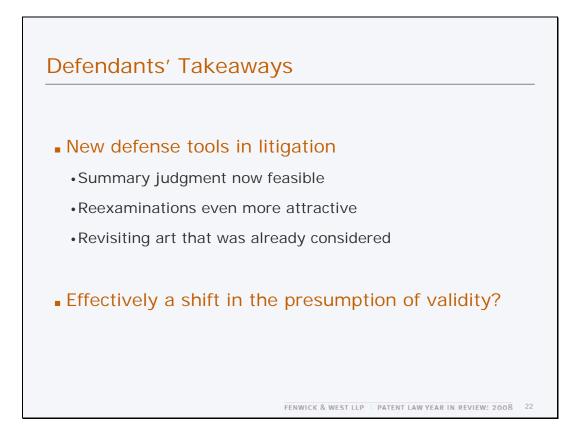




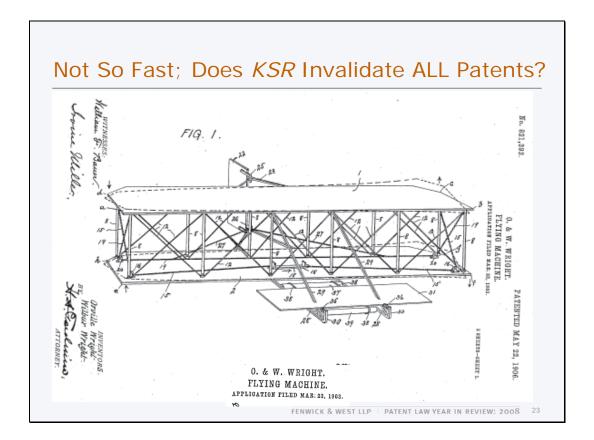


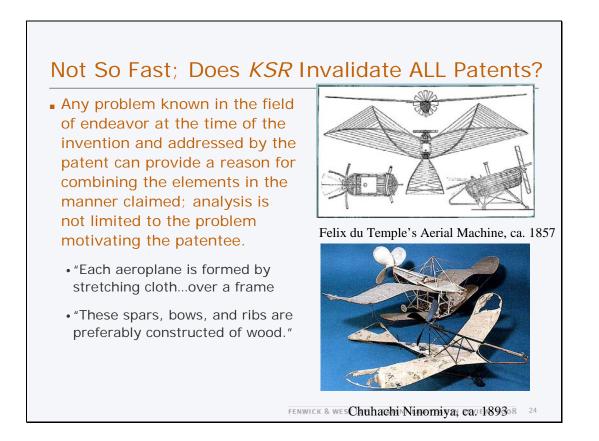
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Impact of KSR: Major Change		
Bio/Pharma application:		
<ul> <li>Takeda Chem. Indus. v. Alphapharm (valid: not obvious - unexpected results, teaching away - invention a new drug compound that is structurally similar to prior art compounds not obvious) KSR did not abandon TSM test</li> </ul>		
But no industry-specific limitation on KSR		
<ul> <li>Aventis Pharma Deutschland GmbH v. Lupin (invalid: obviousness affirmed)</li> </ul>		
<ul> <li>PharmaStem Therapeutics v. Viacell (invalid: combination yields no more than predictable result; specification trumps expert testimony for expectation of success.</li> </ul>		
<ul> <li>Pfizer (3/22/07 – pre-KSR) - routine optimization - only 53 different FDA approved salts possible</li> </ul>		
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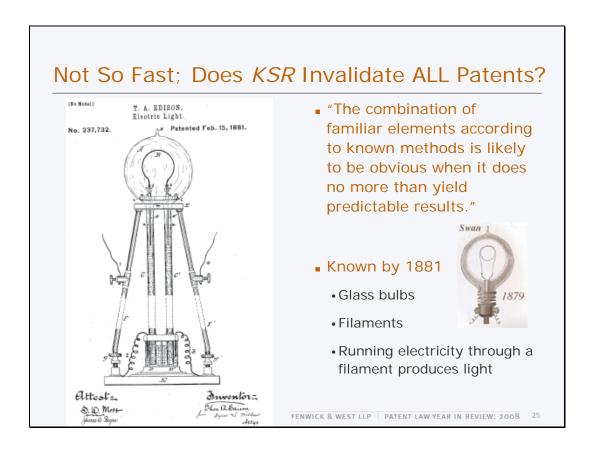








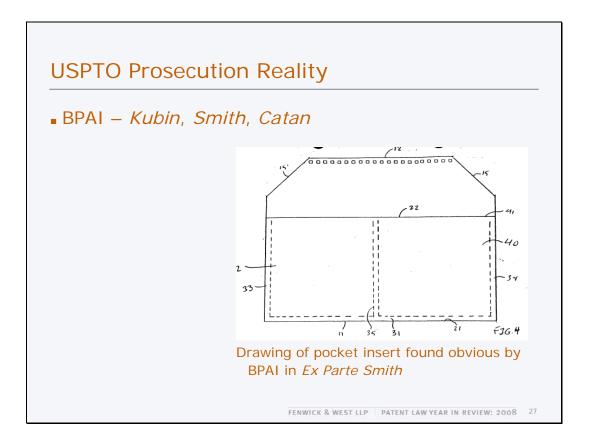




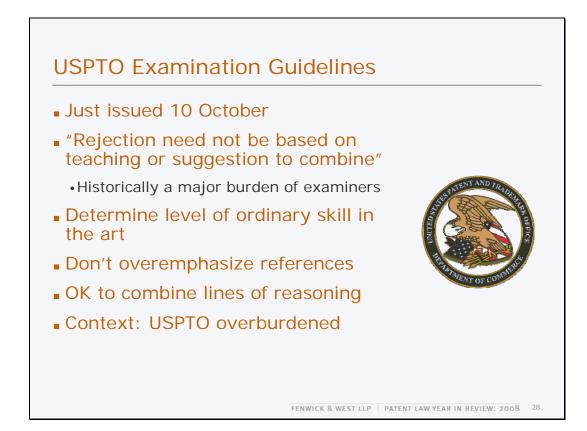


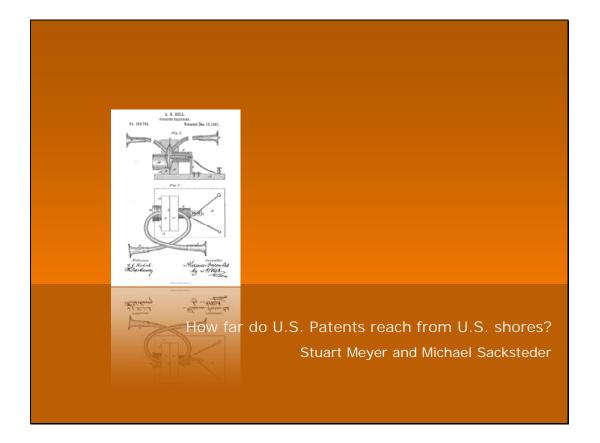






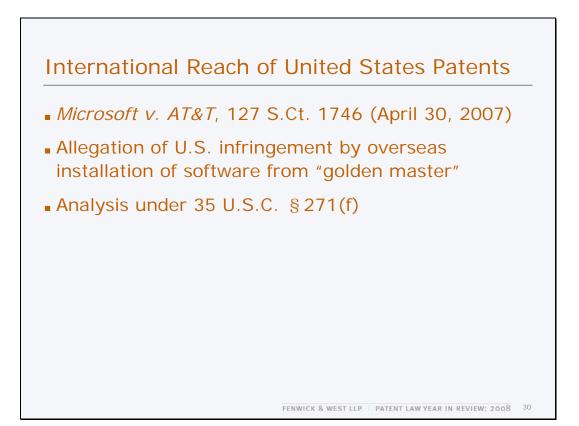


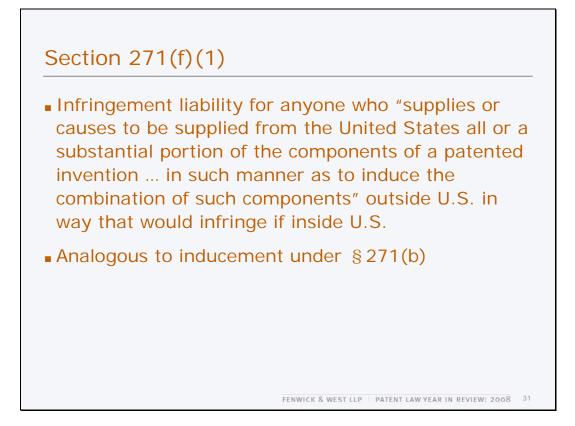


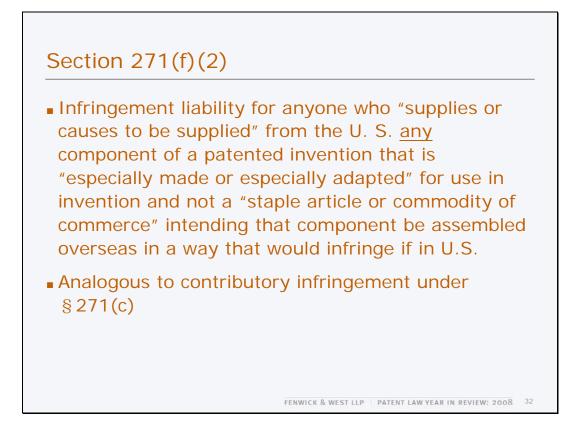




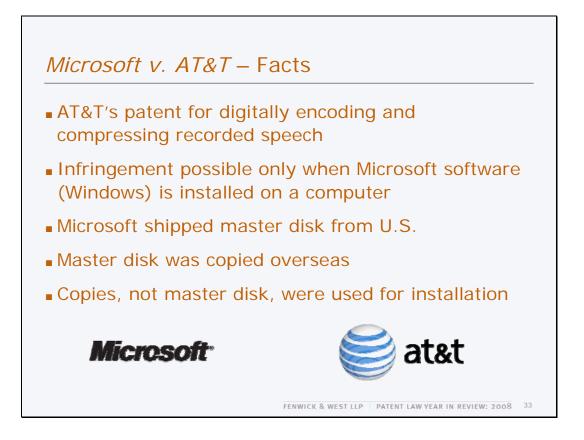






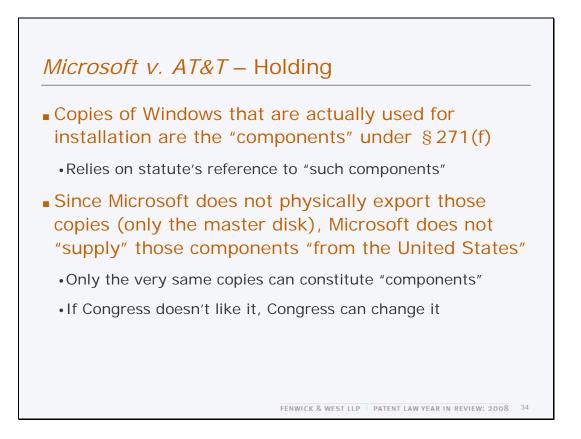






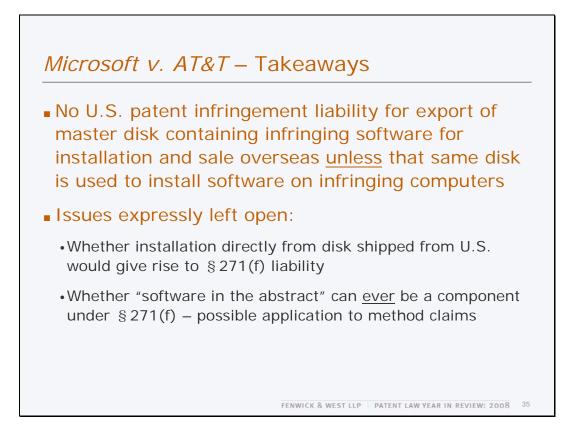


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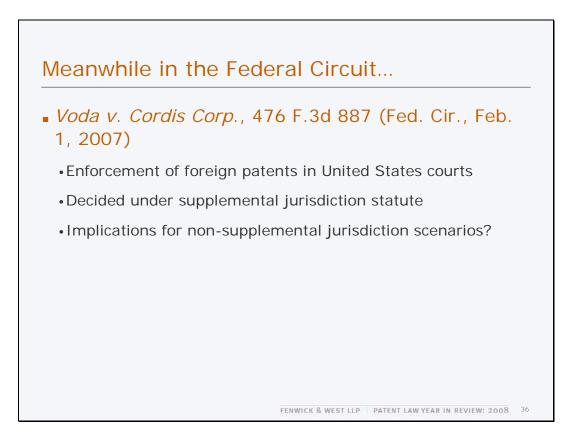




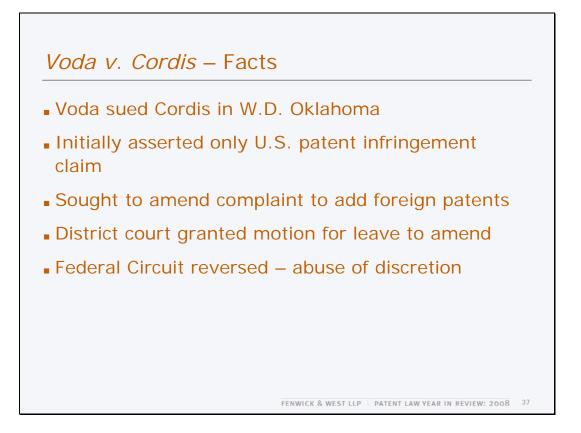




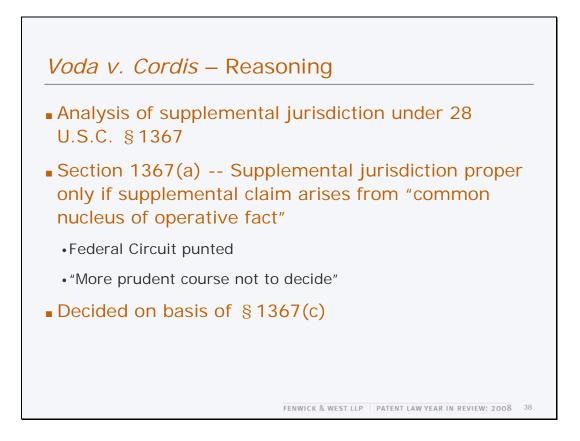






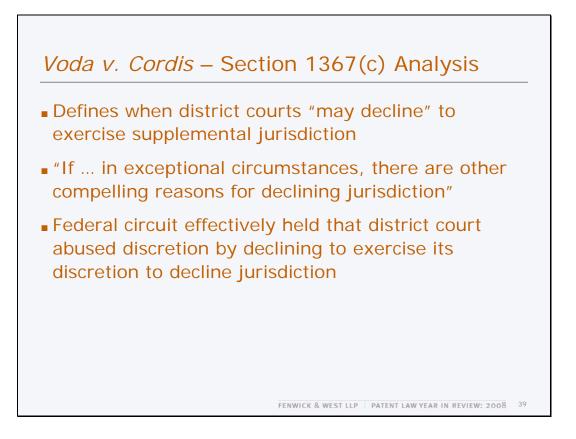




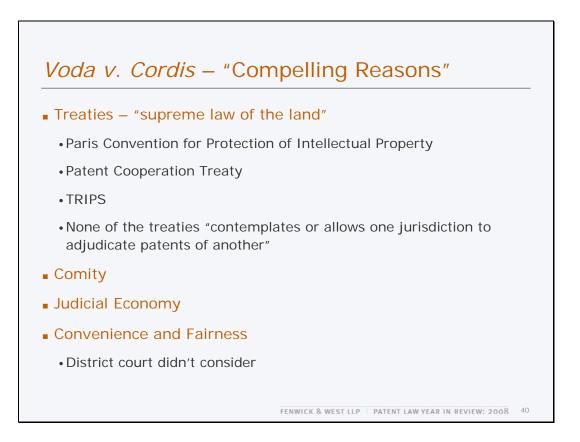






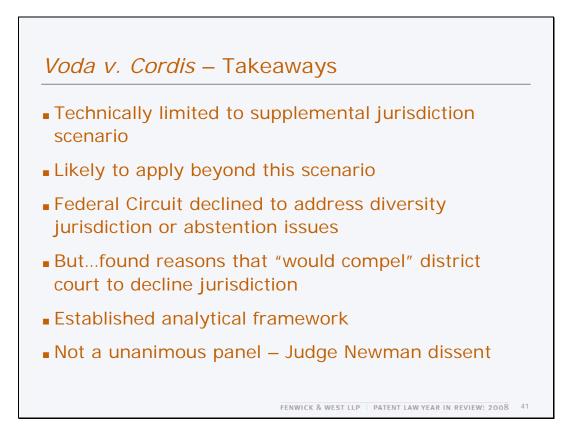




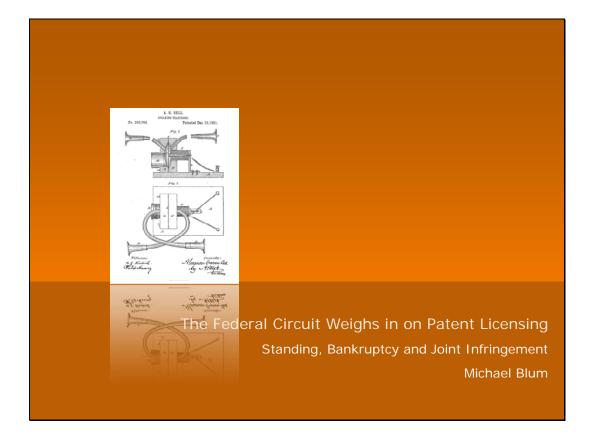






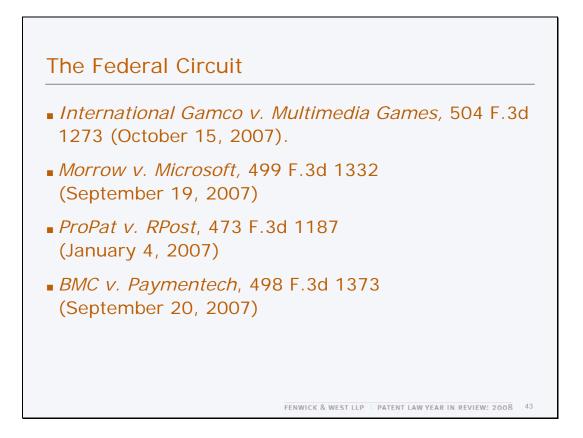




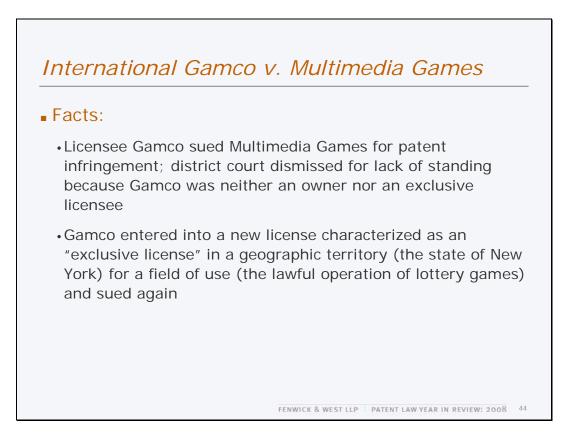




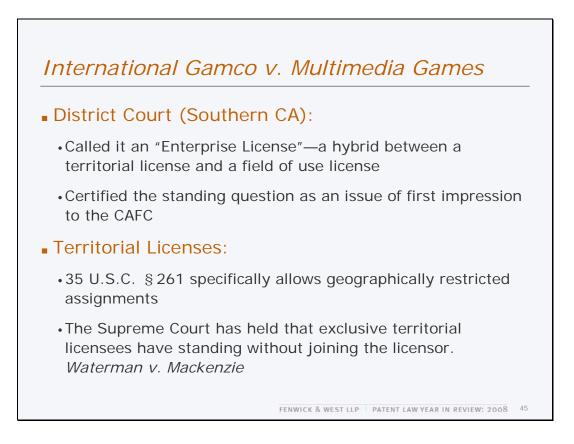










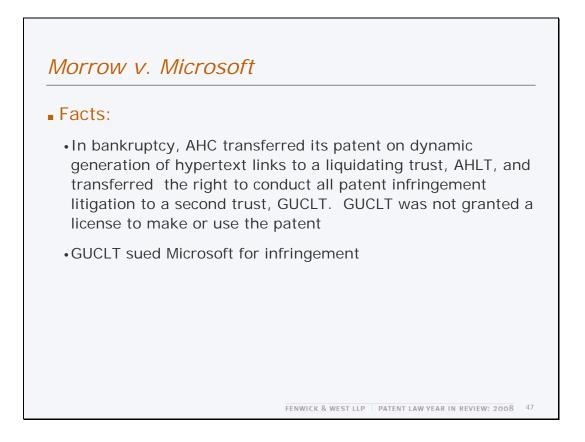




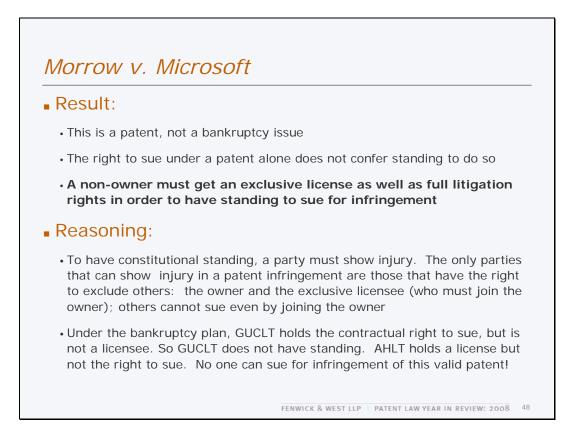




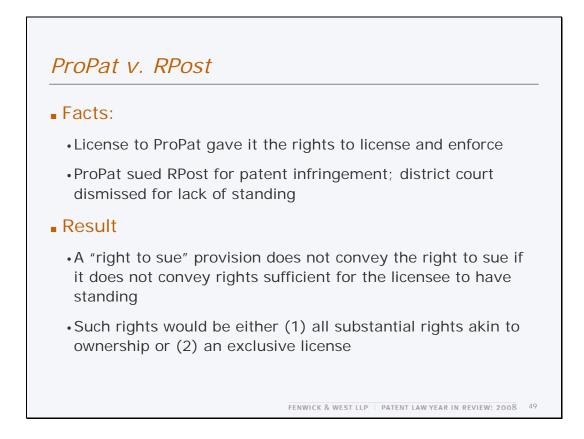
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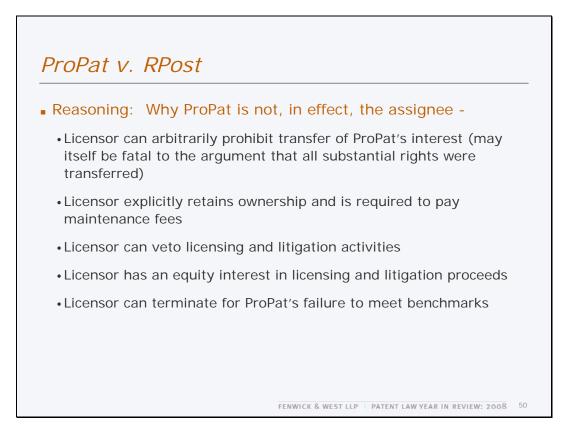








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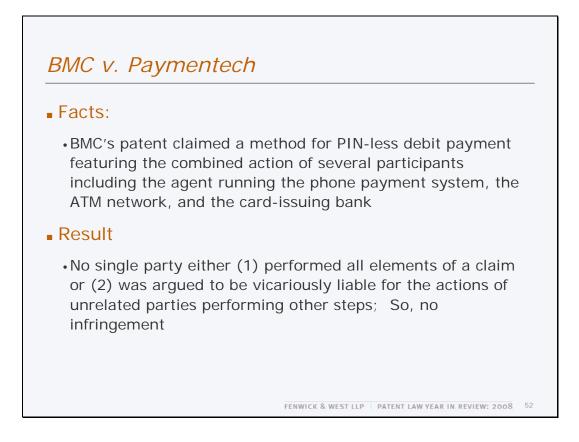




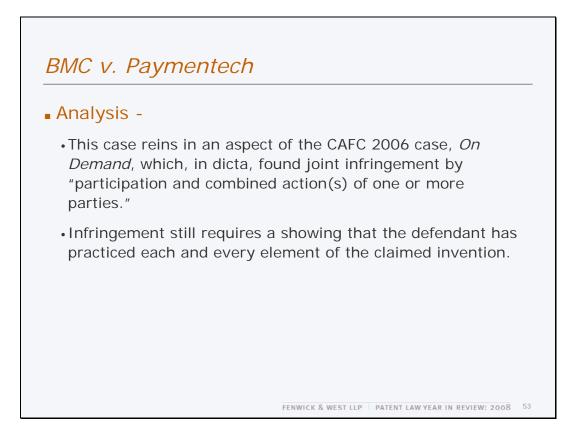




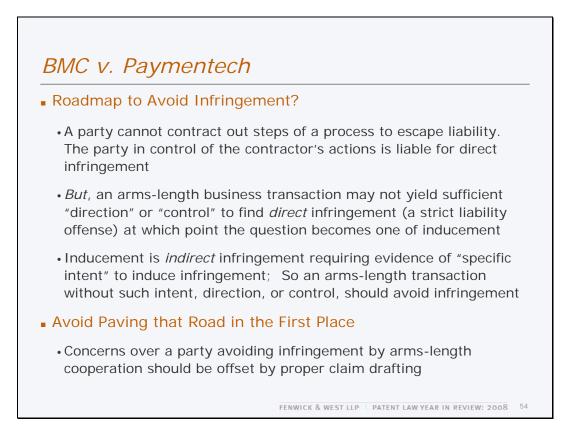






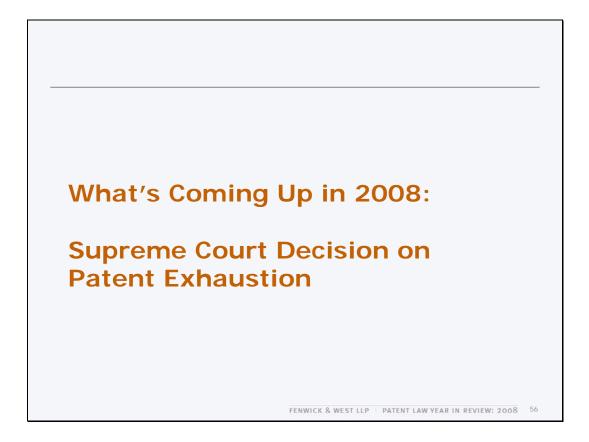


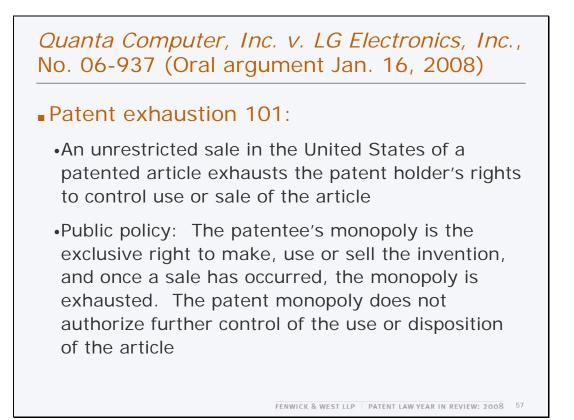


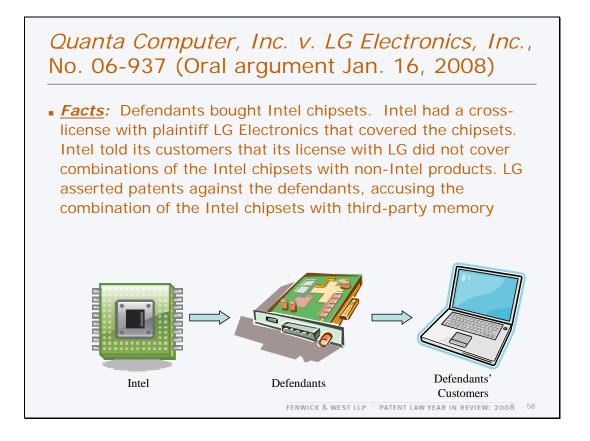






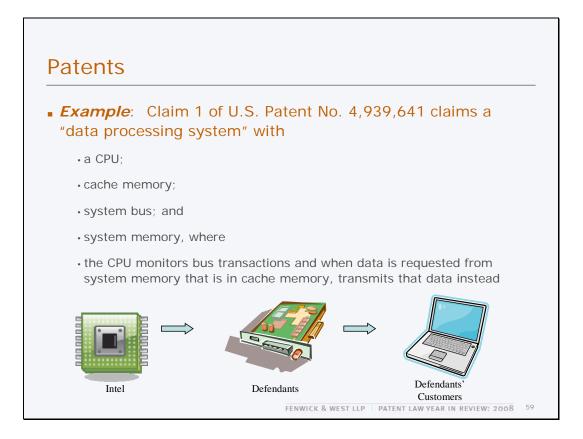




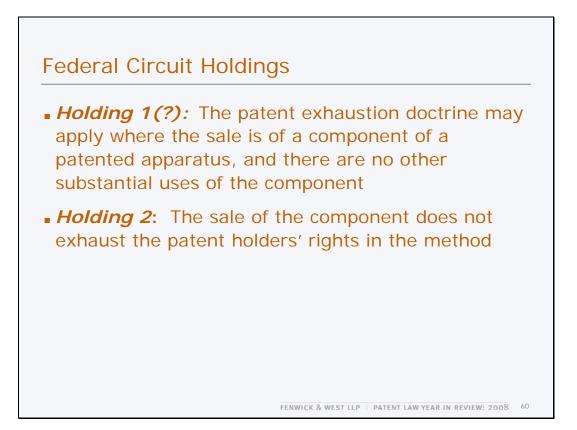




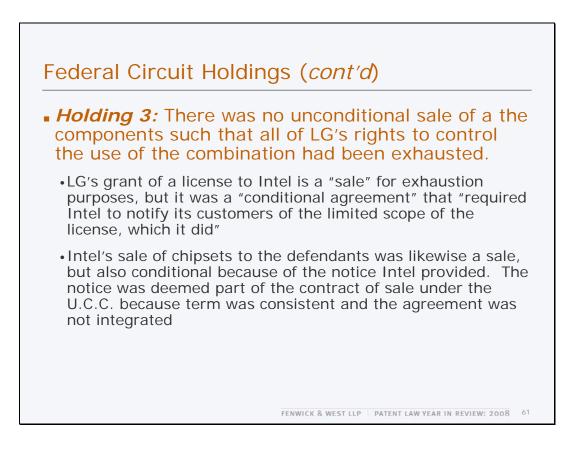


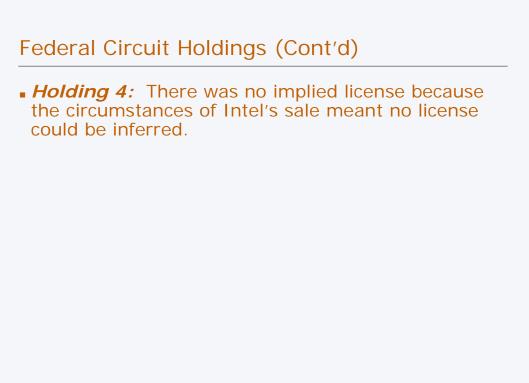






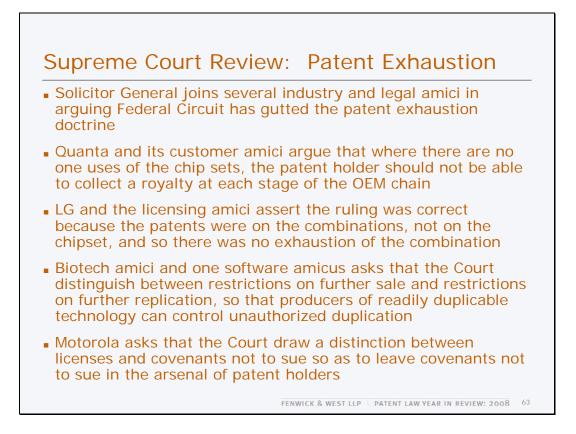




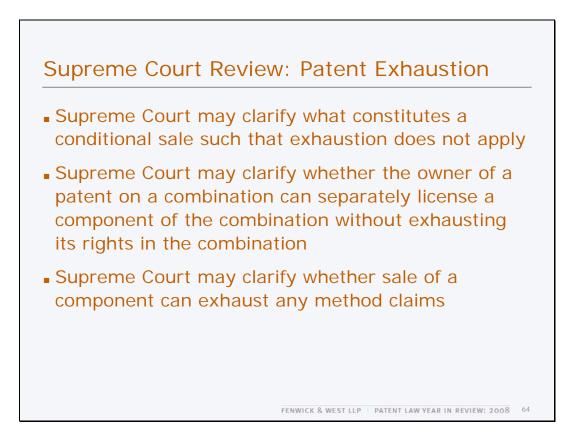


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# Federal Circuit *En Banc* Review in *Egyptian Goddess*

- The Prior Rule: A design patent is infringed if "...in the eye of the ordinary observer, giving such attention as a purchaser usually gives, the two designs are substantially the same..." Gorham Co. v. White, 81 U.S. 511, 528 (1871)
- The Prior Federal Circuit Gloss: No matter how similar the accused device is, it "must appropriate the novelty in the patented device which distinguishes it from the prior art." Litton Sys., Inc. v. Whirlpool Corp., 728 F.2d 1423, 1443 (Fed. Cir. 1984)

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Prior art

FIG. 1

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## Federal Circuit *En Banc* Review in *Egyptian Goddess* • *The new rule from the* Egyptian Goddess panel: "For a combination of individually known

- **panel**: "For a combination of individually known design elements to constitute a point of novelty, the combination must be a non-trivial advance over the prior art." 2006-1562 at 5 (Aug. 29, 2007).
- *The panel's reasoning*: "if the standard is akin to anticipation then a combination with even the most trivial difference would meet the standard." *Id.* at n.3.
- The result: No point of novelty in overall design of hollow four sided nail buffer with exposed corners and raised buffer pads, where prior art contained three sided nail buffer with raised pads and four sided nail buffers. Only point of novelty was in putting pads on only three of the four sides, which was not a feature found in the accused product.



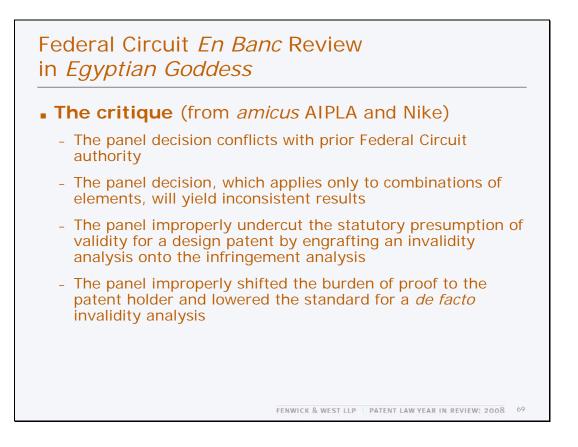
# Federal Circuit *En Banc* Review in *Egyptian Goddess*

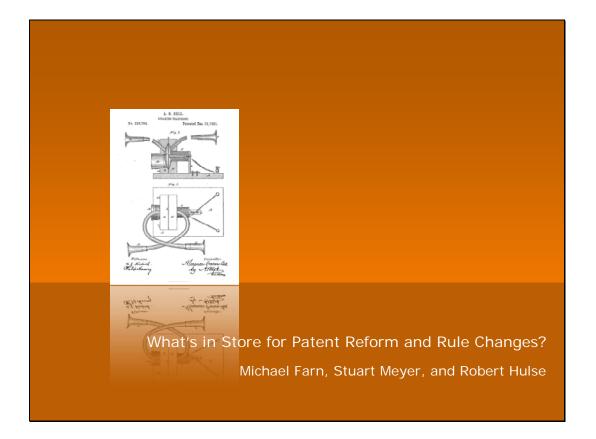
### The issues for decision:

- should the point of novelty test be applied at all?
- can there be more than one point of novelty?
- can the overall appearance of a design be a point of novelty?
- can ornamentally integrated features be divisible to map a point of novelty to the accused device?
- should the standard for novelty be anticipation, or nonobviousness?
- should the burden be on the patent holder to prove the point of novelty, or is this really an invalidity defense subject to a defense burden?
- what is the role of claim construction in design patent cases?

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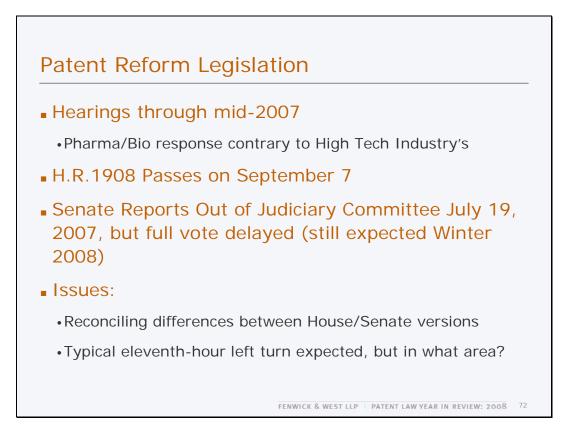




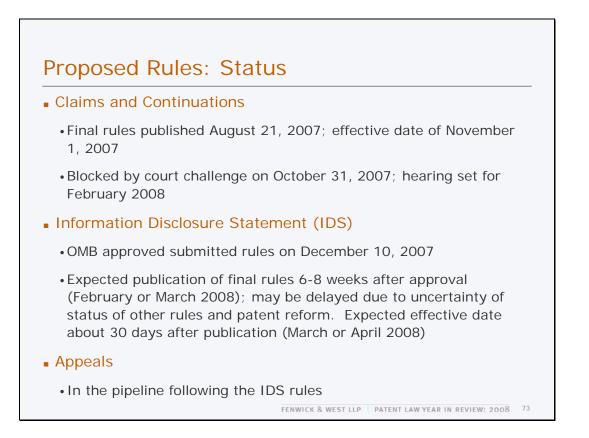






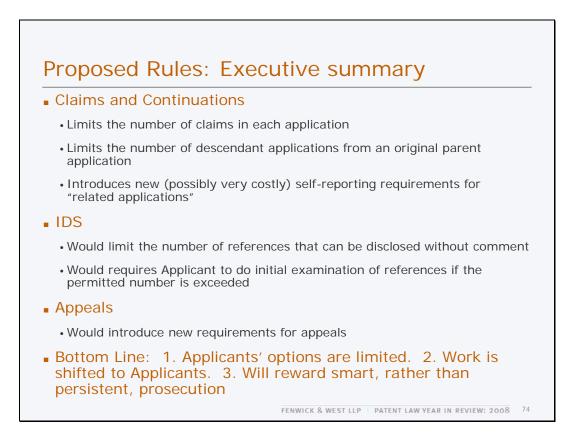




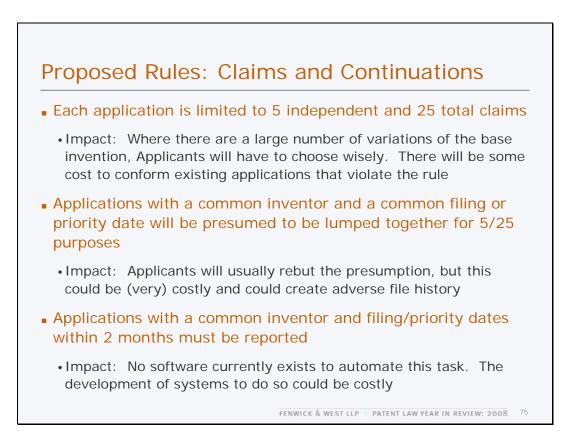




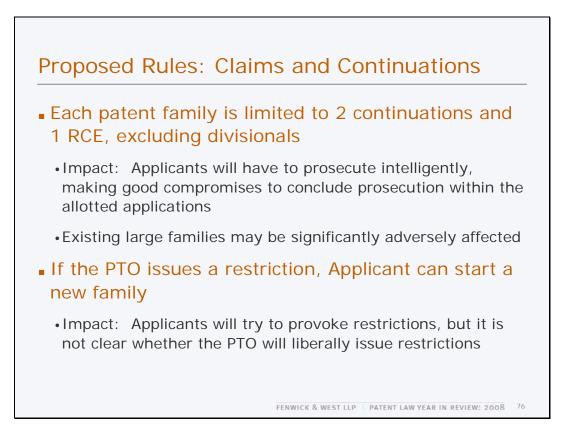




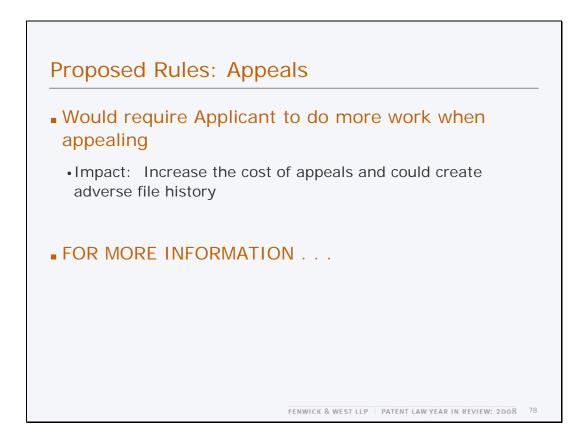


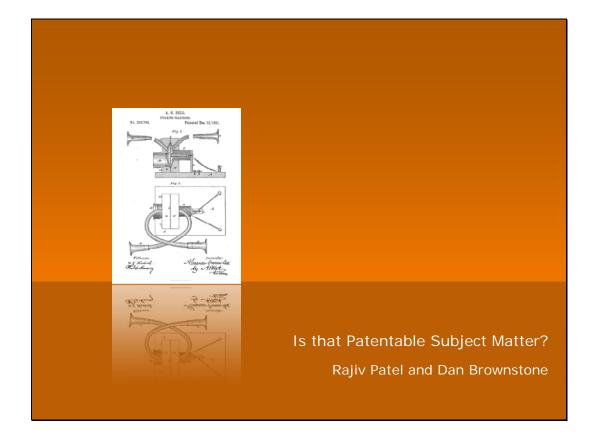




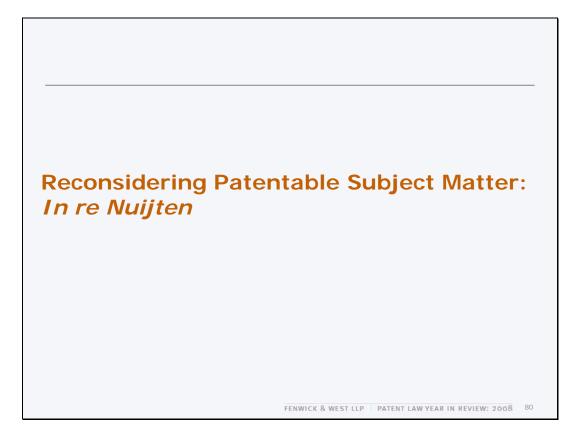


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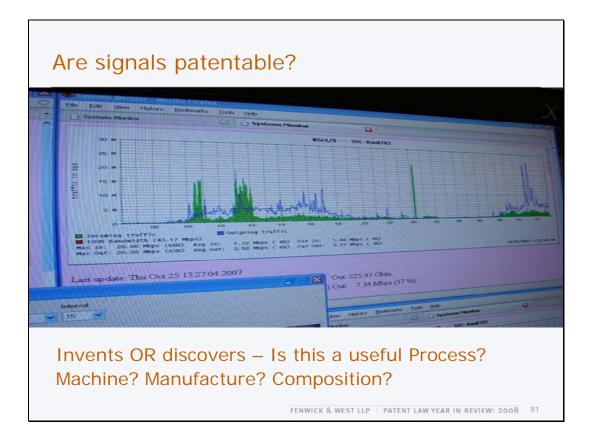












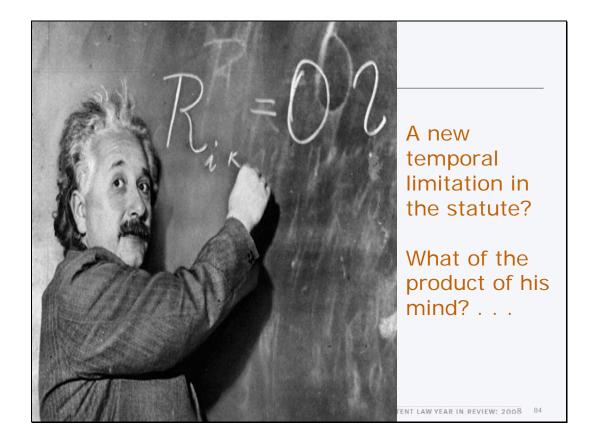


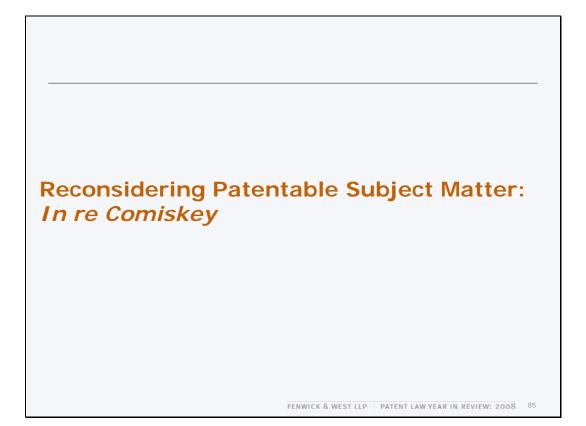
Signal Not Statutory Subject Matter "Nuijten and the PTO agree that the claims include **physical but transitory** forms of signal transmission such as radio broadcasts, electrical signals through a wire, and light pulses through a fiber-optic cable, so long as those transmissions convey information encoded in the manner disclosed and claimed by Nuijten. We hold that such transitory embodiments are **not** directed to statutory subject matter"

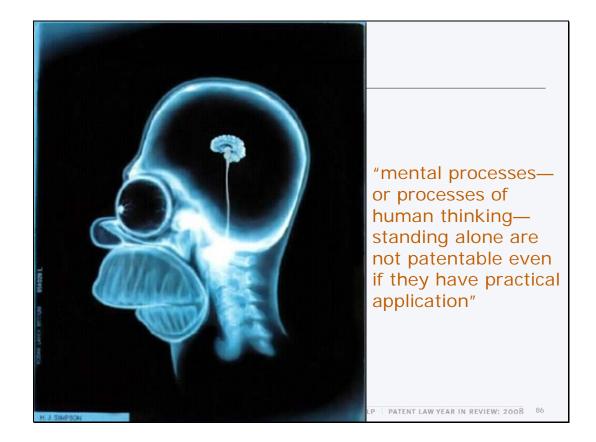
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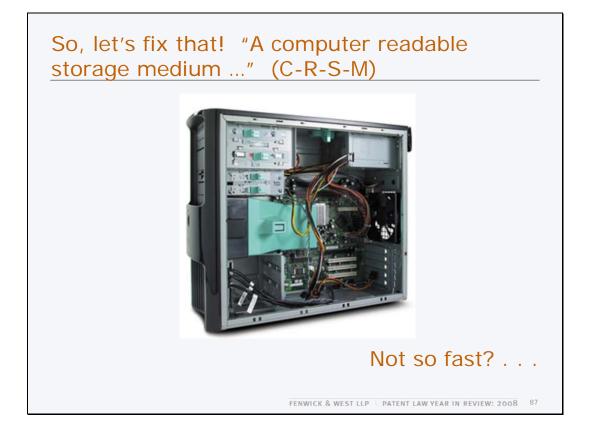






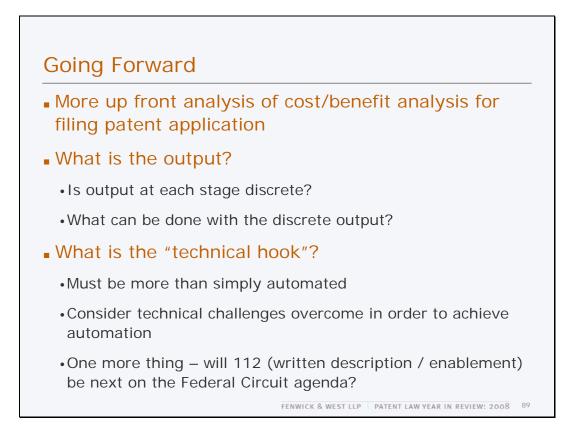


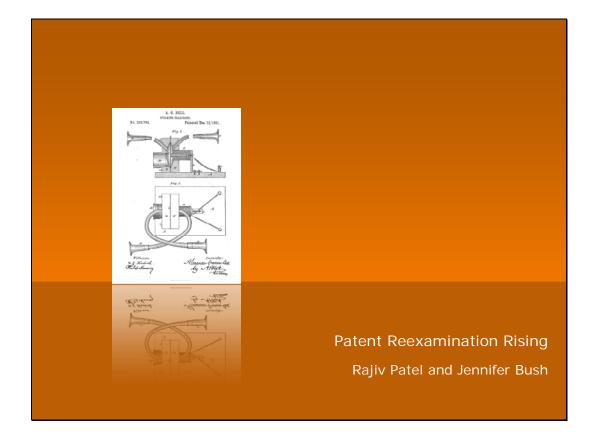




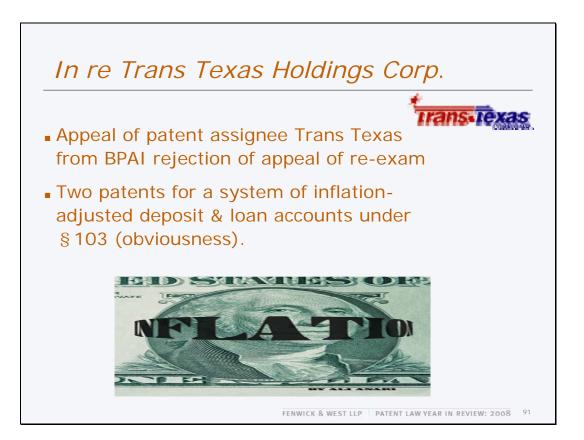


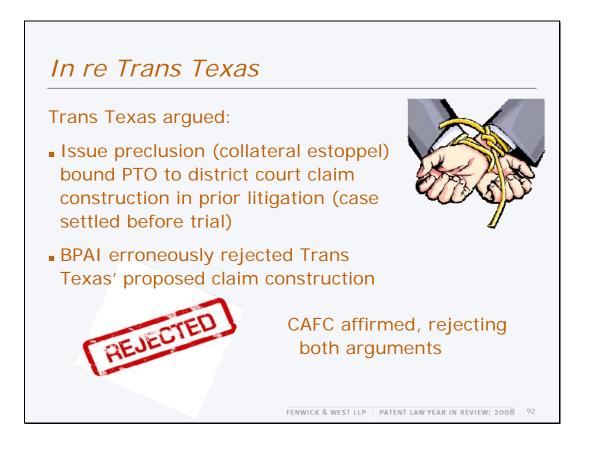




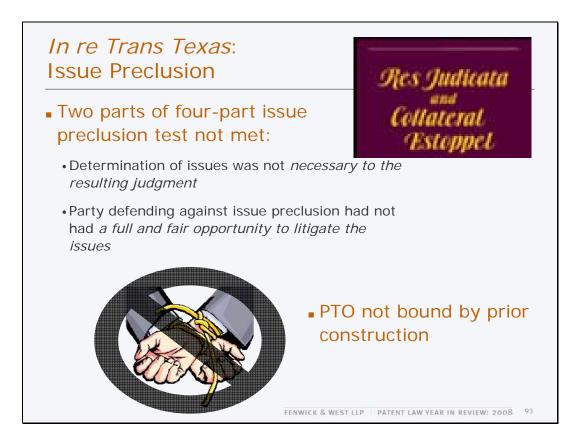


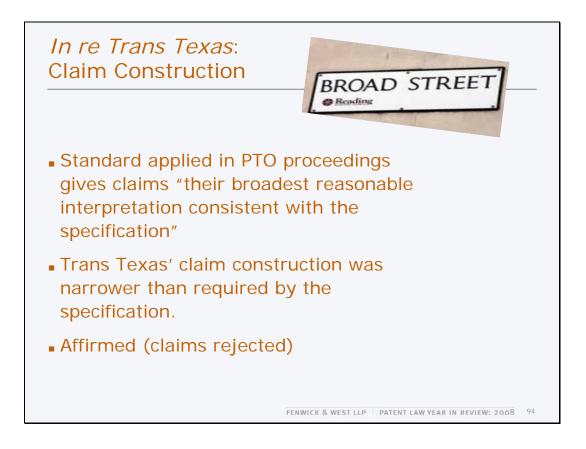




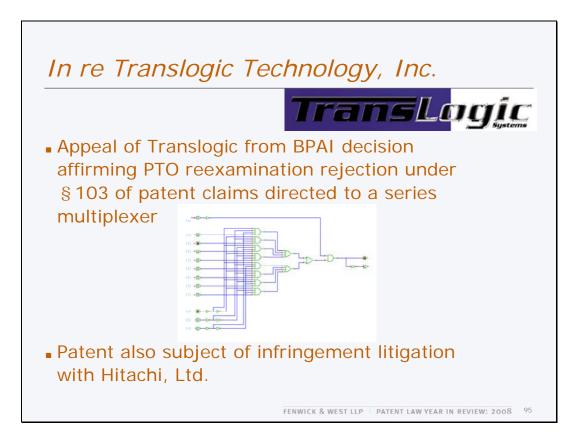




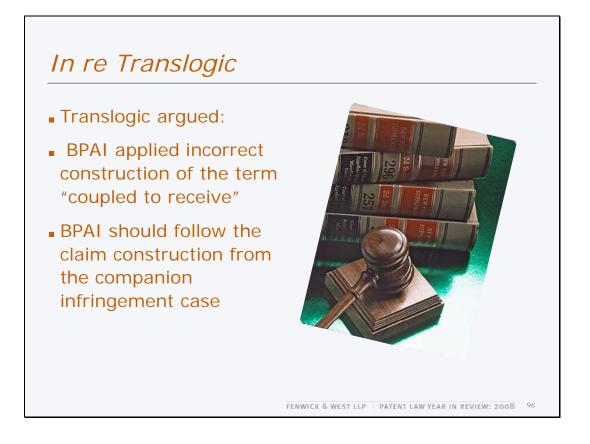


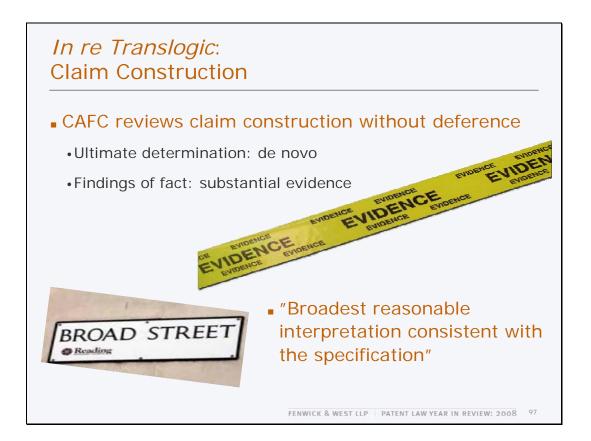




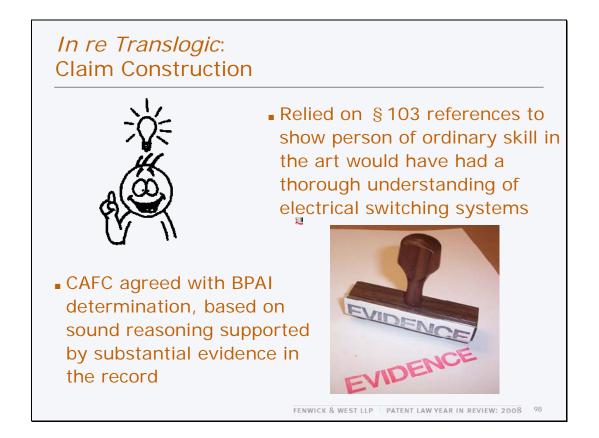


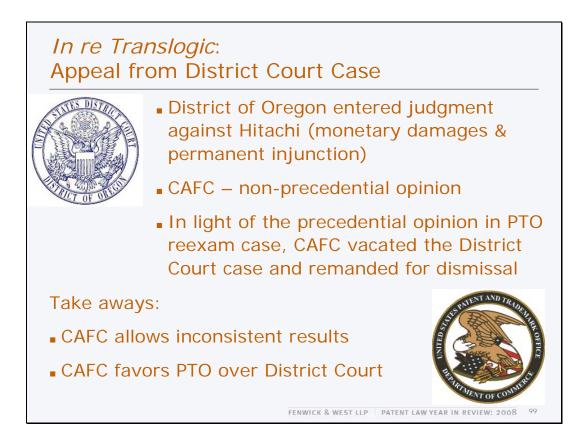








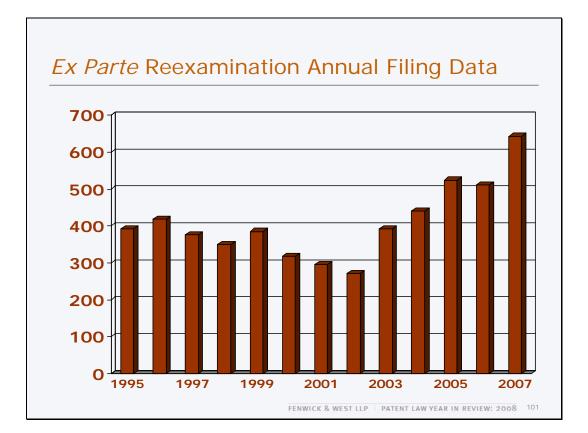


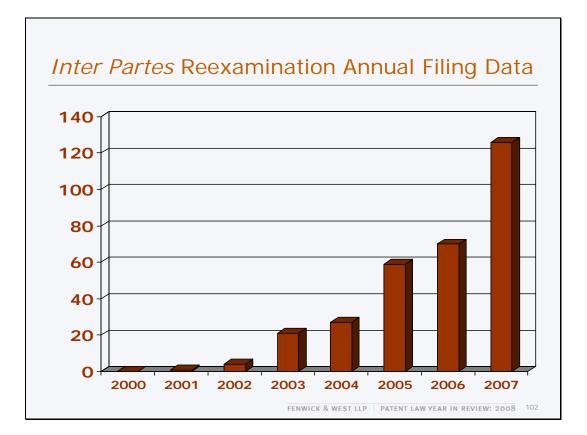


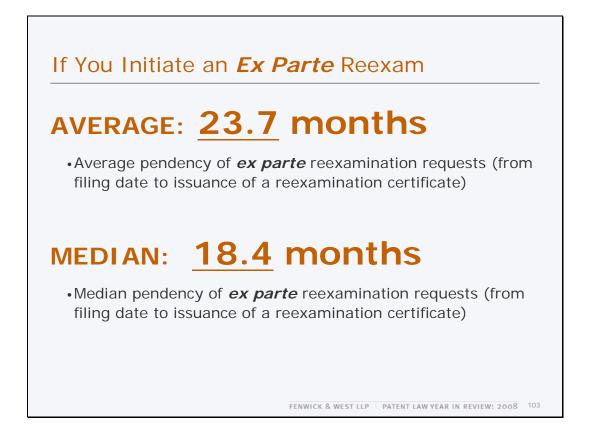


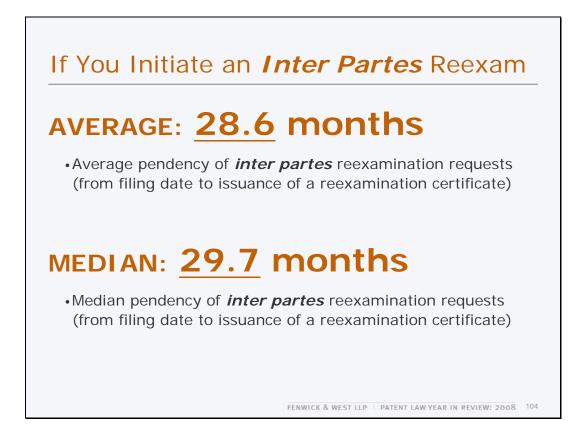










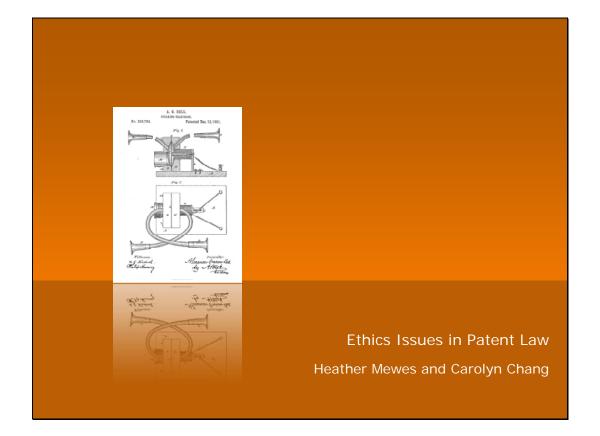




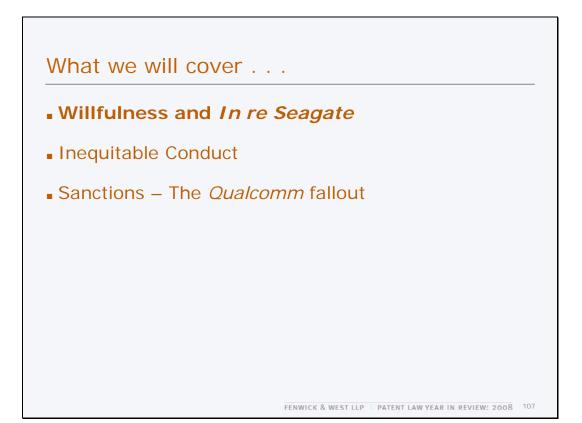
- Both *ex parte* and *inter partes* reexamination are gaining momentum as viable alternatives to challenge patents
- Opportunity to have claims "right sized" in view of KSR
- Increasing interplay between reexam and litigation Critical to have team approach with both prosecution counsel and litigation counsel
- Concern still exists over collateral estoppel issues with inter partes reexam, but additional concern is preclusion for *ex parte* reexam

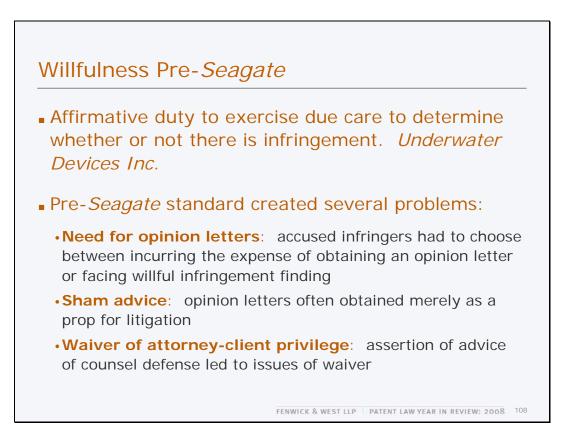
• At trial E.D. Tex. bars issues already before the USPTO

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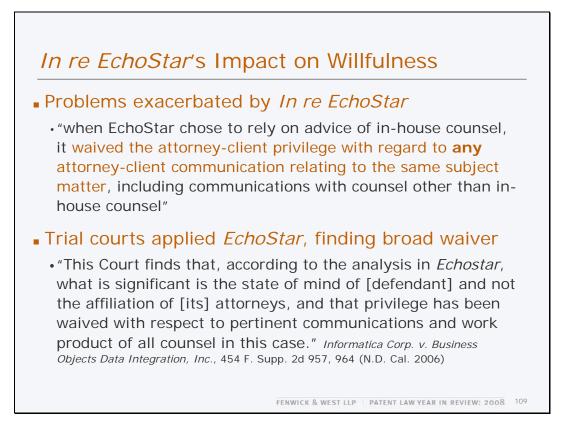


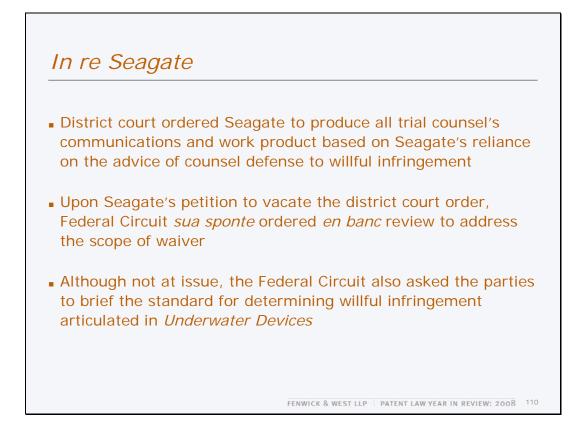




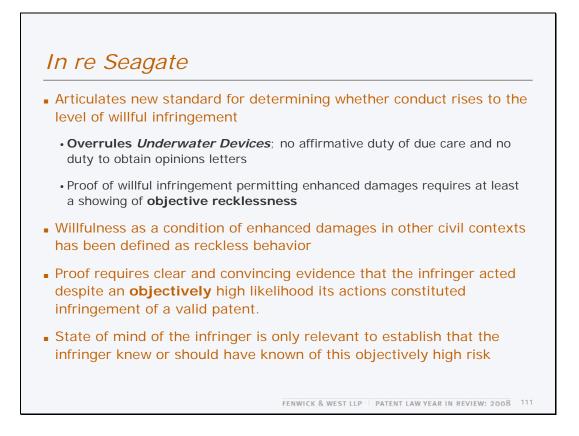






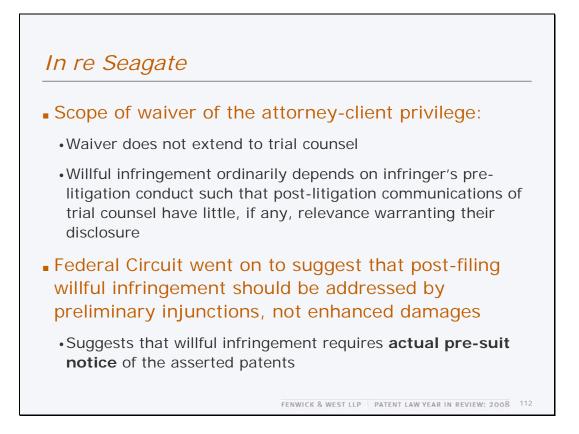


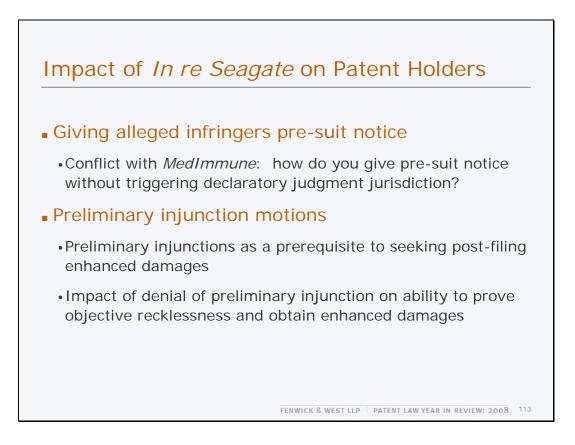




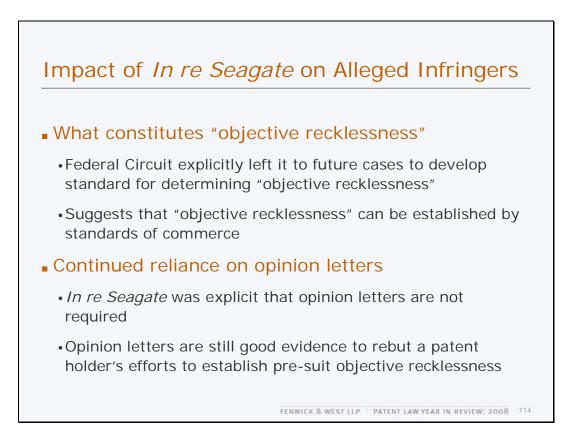


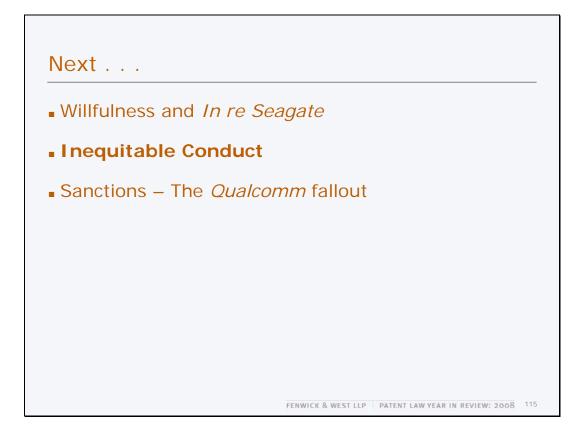


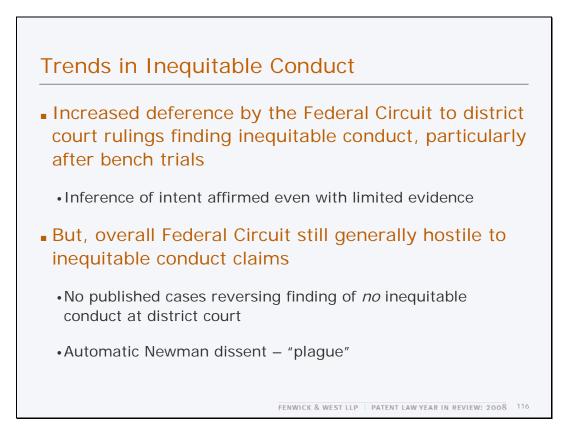




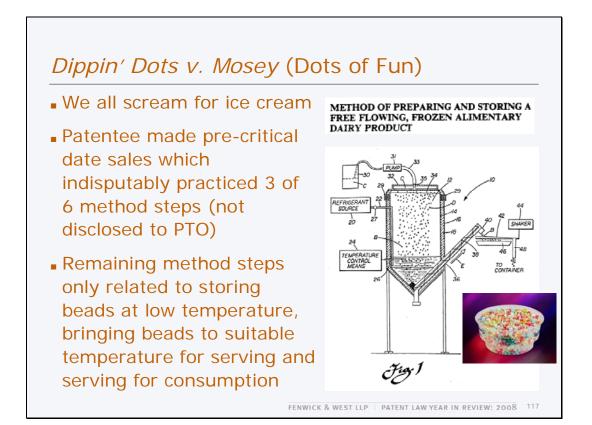




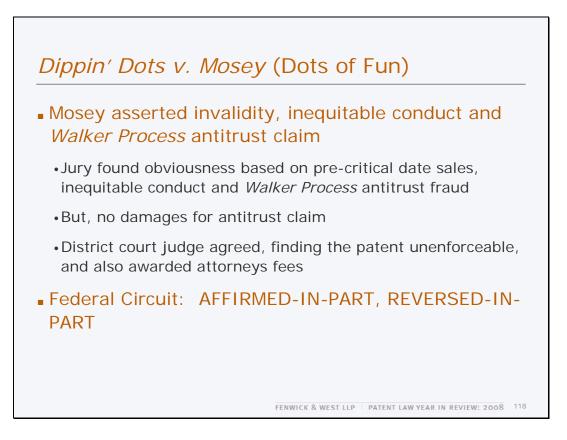


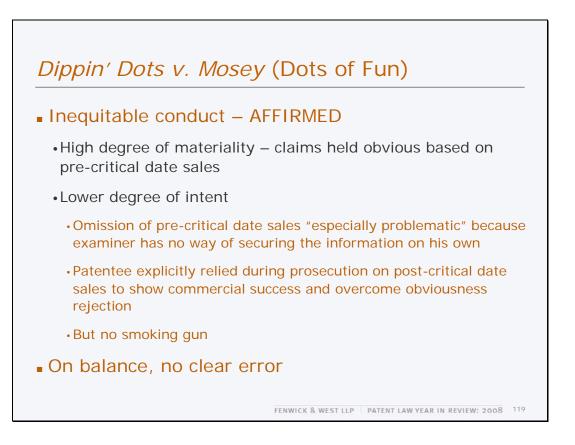






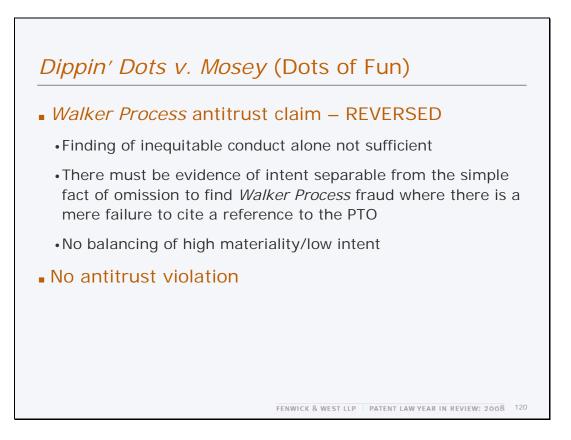


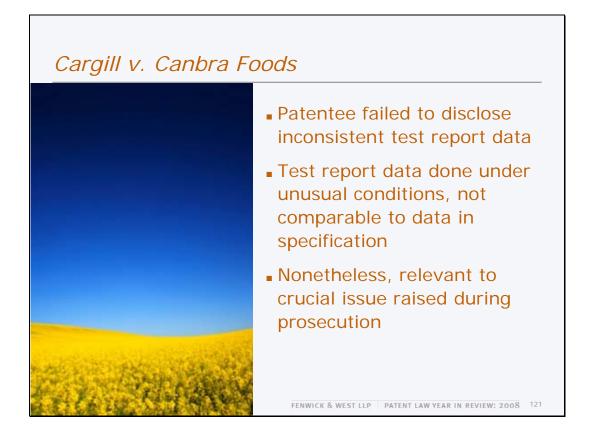


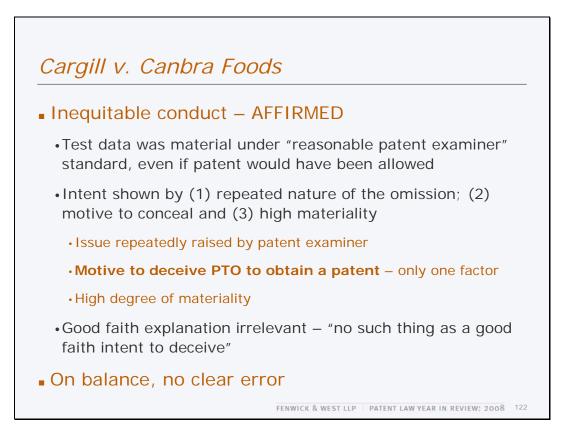


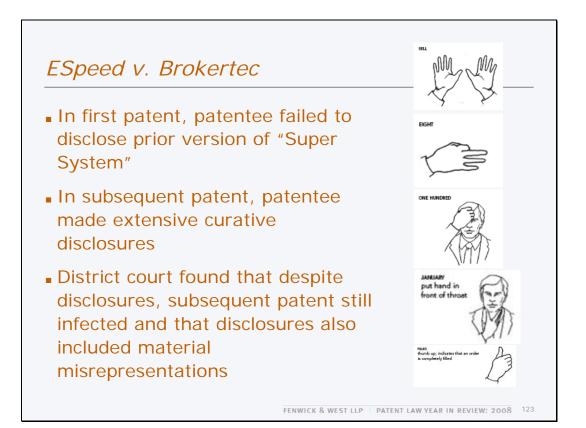




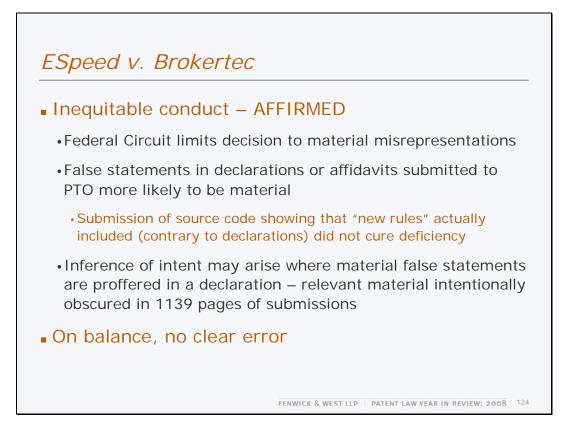


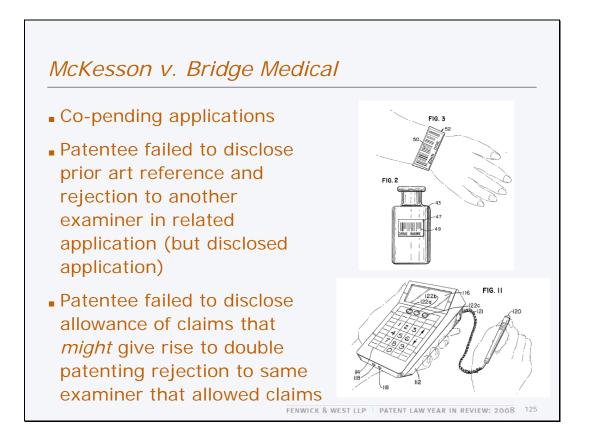




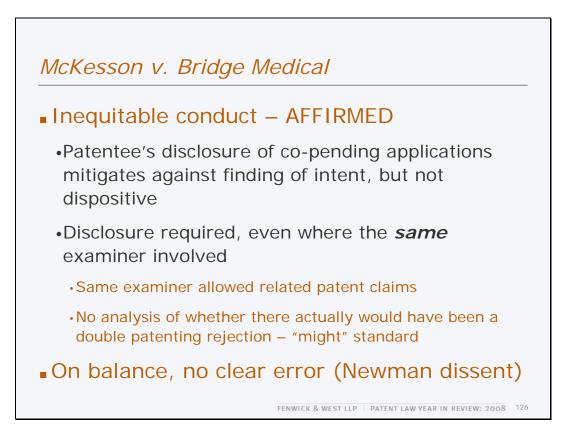


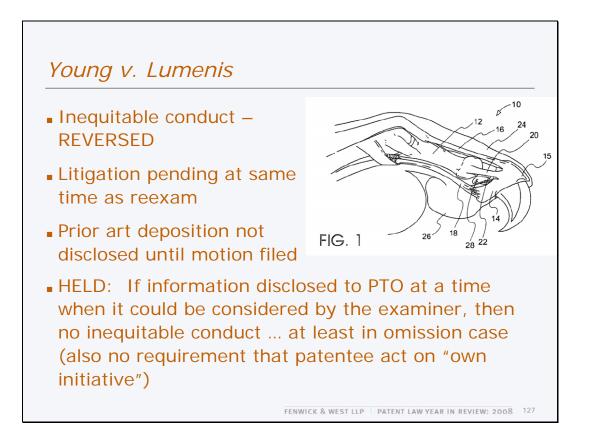


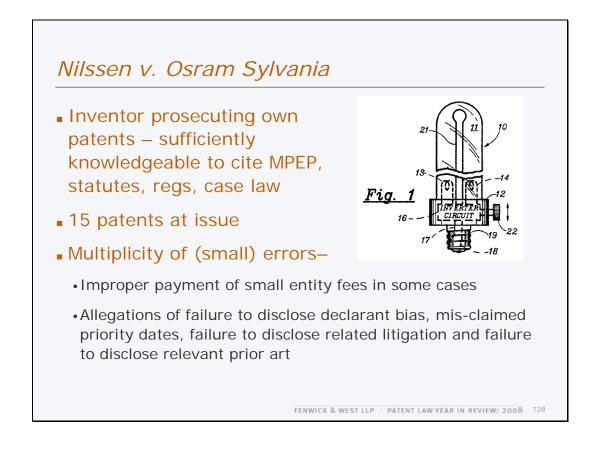




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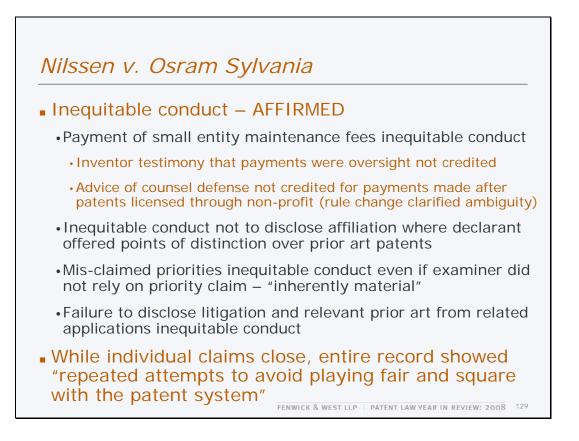


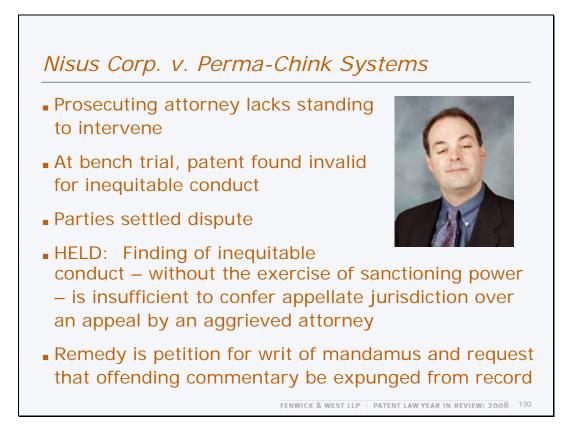


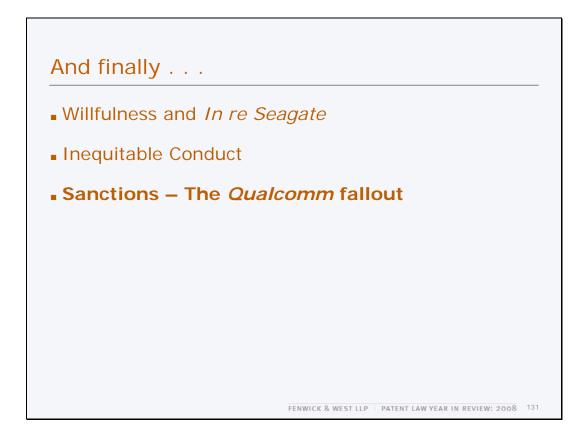


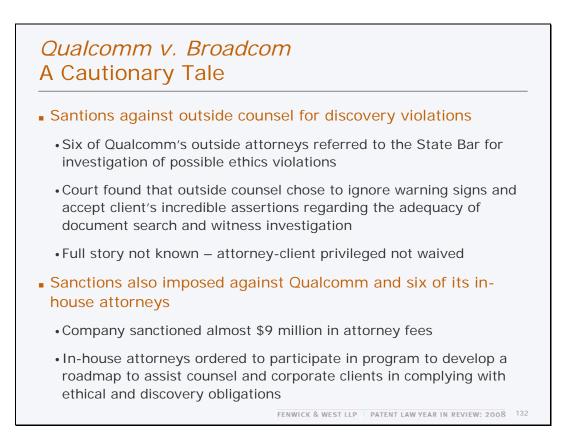




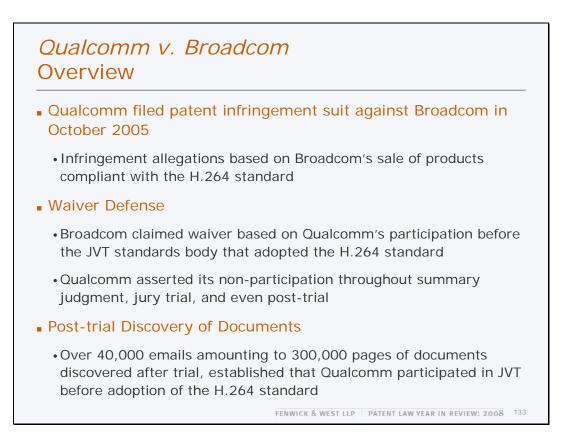




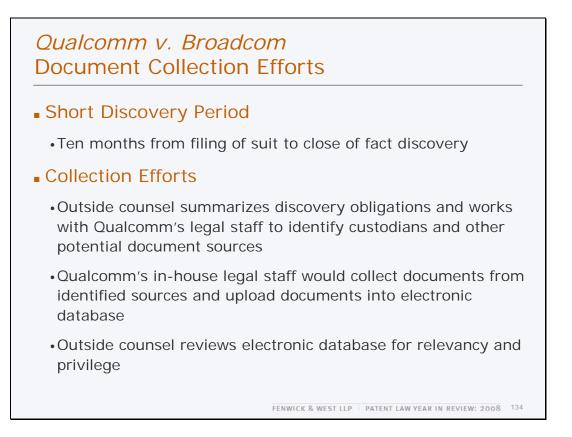




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# Qualcomm v. Broadcom The Warning Signs Depositions · Less than two months before close of discovery Qualcomm locates server with 400,000 pages of documents regarding JVT participation in late 2003 • Qualcomm 30(b)(6) witness testifies that Qualcomm had no participation in JVT (contrary to documents) • New 30(b)(6) witness is offered who testifies to involvement in JVT in late 2003 - after H.264 standard had already been adopted - but testifies that Qualcomm had no participation in JVT in 2002 • Documents used by Broadcom in deposition showed that Qualcomm employee Raveendran was listed on JVT member email distribution list "avc\_ce" in 2002 Witnesses Preparation • Deposition witnesses aver they were not shown their email during preparation • During trial preparation of Raveendran, outside counsel searched her laptop for "avc\_ce" and discovered 21 emails sent to her that were not previously collected or produced by Qualcomm FENWICK & WEST LLP | PATENT LAW YEAR IN REVIEW: 2008 135

# *Qualcomm v. Broadcom* What Went Wrong?

- Court Found Counsel Failed to Investigate Further
  - •Counsel taken to task for not searching for additional documents after being put on notice by discovery of 21 emails
- Court Found Counsel Made Arguments Despite Warnings
  - •Counsel taken to task for arguing non-participation to the Court despite discovery of 21 emails
  - •Court found that Counsel argued no emails sent to Qualcomm employees on "avc\_ce" list – even after discovery of the 21 emails (possible miscommunication)
  - •Counsel taken to task for arguing post-trial that the 21 emails were not sufficient to establish participation without having conducted further investigation

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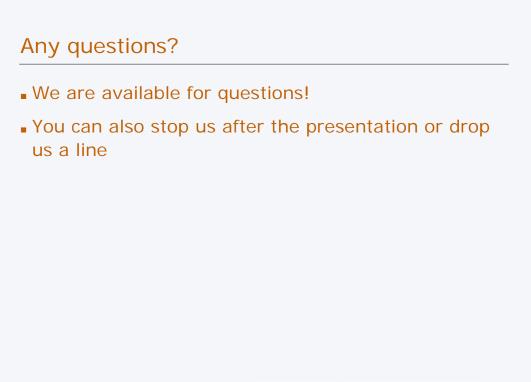
# Qualcomm v. Broadcom Lessons Learned Diligence • Court found uncompelling counsel's arguments that there was only a few months from entry of a protective order to the close of discovery • Court rejected argument that Broadcom failed to move to compel discovery on document request • Court rejected argument distinguishing between active involvement and passive receipt of materials from a mirror server Flexibility/Adaptability • Must be willing to adapt to developments in litigation and conduct further document collections as required • Must be willing to thoroughly interview in house personnel • Strategy of offering 30(B)(6) witness who is minimally prepared backfired in this case FENWICK & WEST LLP | PATENT LAW YEAR IN REVIEW: 2008 137

# *Qualcomm v. Broadcom* Lessons Learned

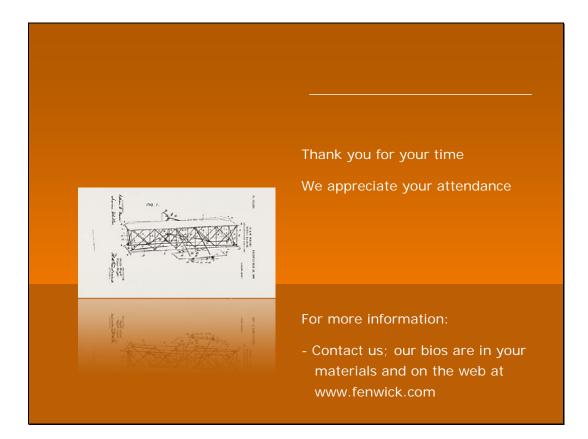
# Individual Responsibility

- Outside counsel has a duty, independent of the one to their clients, to comply with discovery obligations
- •Associates, even junior associates, have a duty independent of the one to their firms, to comply with discovery obligations
- In-house counsel are viewed as in a unique position with unlimited access to sources of responsive information

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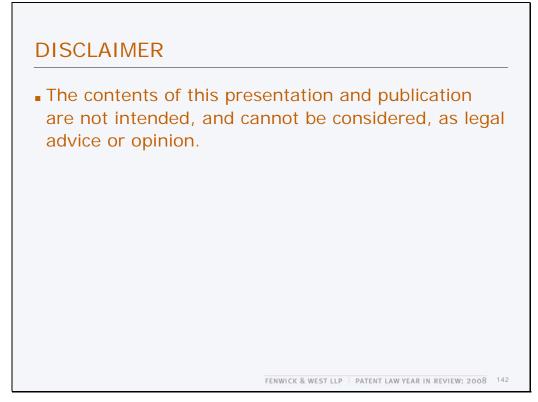


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## Tab 2

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With The Close Of An Active 2007, What Does 2008 Hold?

### Authorities cited in section on MedImmune

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### Authorities cited in section on *KSR* and Obviousness

Aventis Pharm. v. Lupin, 499 F.3d 1293 (Fed. Cir. 2007) Graham v. John Deere, 383 U.S. 1 (1966) In re Icon Health and Fitness, 496 F.3d 1374 (Fed. Cir. 2007) In re Translogic, 504 F.3d 1249 (Fed. Cir. 2007) KSR v. Teleflex, 127 S.Ct. 1727 (2007) Leapfrog v. Fisher Price, 485 F.3d 1157 (Fed. Cir. 2007) Pfizer v. Apotex 480 F.3d 1348 (Fed Cir. 2007) PharmaStem Therapeutics v. Viacell, 491 F.3d 1342 (Fed. Cir. 2007)

Takeda Chem. Indus. v. Alphapharm, 492 F.3d 1350 (Fed. Cir. 2007) PATENT LAtto // www.jdsupa.com/post/document/jewenaspy?fid=7f26d9b9-53ae-4857-b643-f087bb1e7008

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# Authorities cited in "How far do U.S. Patents reach from U.S. shores?"

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28 U.S.C. §1367 28 U.S.C. §1367(a) 28 U.S.C. §1367(c) 35 U.S.C. §271(b) 35 U.S.C. §271(c) 35 U.S.C. §271(f) 35 U.S.C. §271(f)(1) 35 U.S.C. §271(f)(2) PATENT LAtto//www.jdsupta.com/post/documentViewenaspy3fid=7f26d9b9-53ae-4857-b643-f087bb1e7008

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ProPat v. RPost, 473 F.3d 1187 (Fed. Cir. 2007)
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35 U.S.C. §261

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### Authorities cited in "What's Coming Up in 2008?"

- Egyptian Goddess v. Swisa, 498 F.3d 1354 (Fed. Cir. 2007), *rehearing en banc, vacated,* 2007 U.S. App. Lexis 27456(Fed. Cir. Nov. 26, 2007)
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- Litton Sys., Inc. v. Whirlpool Corp., 728 F.2d 1423, 1443 (Fed. Cir. 1984)
- Quanta Computer v. LG Electronics, 453 F.3d 1364 (Fed. Cir. 2006) cert. granted Quanta Computer, Inc. v. LG Elecs., Inc., 128 S. Ct. 28, 168 L. Ed. 2d 805 2007 U.S. LEXIS 9068 (U.S., 2007)

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H.R. 1908 S. 1145 Fed. Reg. Vol. 72, No. 161, pp. 46715-46843 PATENT LAtto //www.ideupta.com/post/document/iewenaspy?fid=7f26d9b9-53ae-4857-b643-f087bb1e7008

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35 U.S.C. §101

### Authorities cited in "Patent Reexamination Rising"

In Re Trans Texas Holdings Corp., 498 F.3d 1290 (Fed. Cir. 2007) In Re Translogic Technology, Inc., 504 F.3d 1249 (Fed. Cir. 2007)

35 U.S.C. §301 et seq.; 35 U.S.C. §311 et seq.

PATENT LAtto // www.ideuga.com/post/document/iewenaspy?fid=7f26d9b9-53ae-4857-b643-f087bb1e7008

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### Authorities cited in "Ethics Issues in Patent Law"

Cargill v. Canbra Foods, 476 F.3d 1359 (Fed. Cir. 2007) Dippin' Dots v. Mosey, 476 F.3d 1337 (Fed. Cir. 2007) ESpeed v. Brokertec, 480 F.3d 1129 (Fed. Cir. 2007) In re EchoStar Comm. Corp., 448 F.3d 1294 (Fed. Cir. 2006) In re Seagate Tech., 497 F.3d 1360 (Fed. Cir. 2007) Informatica Corp. v. Bus. Objects Data Integration, Inc., 454 F. Supp. 2d 957, 964 (N.D. Cal. 2006) McKesson v. Bridge Medical, 487 F.3d 897 (Fed. Cir. 2007) MedImmune v. Genentech, 127 S. Ct. 764 (2007) Nilssen v. Osram Sylvania, 504 F.3d 1223 (Fed. Cir. 2007) Nisus Corp. v. Perma-Chink Systems, 497 F.3d 1316 (Fed. Cir. 2007) Qualcomm v. Broadcom, 2007 U.S. Dist. Lexis 91236 (S.D. Cal., Dec. 7, 2007) Qualcomm v. Broadcom, 2008 U.S. Dist. Lexis 911 (S.D. Cal., Jan. 7, 2008) Underwater Devices v. Morrison-Knudsen, 717 F.2d 1380 (Fed. Cir. 1983) Walker Process v. Food Machinery & Chem. Corp., 382 U.S. 172 (1965) Young v. Lumenis, 492 F.3d 1336 (Fed. Cir. 2007)

## Tab 3

## LG Electronics, Inc. v. Bizcom Electronics, Inc. v. Bizcom

Guidance on Extending a Patent Holder's Rights to Reach DownstreamParties Who Assemble Components into a Patented Combination

## FENWICK & WEST LLP

In LG Electronics, Inc. v. Bizcom Electronics, Inc., 453 F.3d 1364 (Fed. Cir. 2006), the Federal Circuit held that a license to a patent covering a combination of elements, that authorized the licensee to sell components of the invention, but disclaimed a downstream license or implied license to the licensees' customers to practice the combination, constituted a conditional sale, thus defeating the application of the patent exhaustion doctrine. It further held that a downstream point of sale notice that no implied license was conveyed similarly defeated the first sale doctrine. In addition, it held that no implied license could be found on those facts. As a result, the patent holder could assert its patent claims against parties who were authorized purchasers of components of its invention, for infringement when they assembled the resulting combination. This decision provides the clearest guidance to date on how a patent holder whose patents cover a combination of components can extend its rights to reach downstream parties who assemble those components into the patented combination. This article discusses this case on the context of preexisting authority on patent exhaustion and implied license, and highlights some of the considerations associated with drafting agreements to avoid patent exhaustion and implied:

#### Patent Exhaustion

During the course of licensing or selling the invention, or components of it, a patentee can surrender its exclusive rights. One way a patent owner can surrender its rights is to make an unconditional and authorized sale of a patented article in the United States. This is called the "patent exhaustion" or "first sale" doctrine. Once an unconditional and authorized sale has been made, the purchaser can use, sell, or dispose of the article as it wishes, and the patent owner can reap no further benefit from it, either from that purchaser or one downstream from the purchaser. Jazz Photo Corp. v. International *Trade Commission*, 264 F.3d 1094, 1105 (Fed. Cir. 2001).

While often discussed in terms of a "sale," the patent exhaustion doctrine also applies to the disposition of a product under a license. United States v. Masonite Corp., 316 U.S. 265, 277-78 (1942); *LG Electronics*, 453 F.3d at 1370.

#### The Scope of Exhaustion

The earliest cases applied the patent exhaustion doctrine to the sale of patented articles. E.g., Adams v. Burke, 84 U.S. 453 (1873); Keeler v. Standard Folding Bed Co., 157 U.S. 659 (1895). The doctrine is also applied when the patentee or licensee makes an unrestricted sale of an article embodying the "essential elements" of a patent claim. United States v. Univis Lens Co., 316 U.S. 241, 251 (1942) (sale of lens blanks that "embodies essential features of [the] patented invention" and "destined the article to be finished... in conformity [with] the patent."). In LG Electronics, the Federal Circuit applied the patent exhaustion analysis where there had been a license or sale of microprocessors for use in the patented combinations. 453 F.3d at 1369-70.

#### **Contracting Around Exhaustion**

A patentee can contract around the patent exhaustion doctrine by placing conditions on the sale or license. Mallinckrodt v. Medipart, Inc., 976 F.2d 700, 703 (Fed. Cir. 1992). To be valid a condition must comply with contract laws and not violate anti-trust laws, the patent misuse doctrine, or other laws governing competitive conduct. Id. at 703, 709; B. Braun Medical, Inc. v. Abbott Laboratories, 124 F.3d 1419, 1426 (Fed. Cir. 1997). As a general rule, courts will uphold a valid condition imposed by the patentee and agreed to by the purchaser or licensee. Mallinckrodt, 976 F.2d at 703.

Whether express or implied, whether a condition exists is governed by ordinary principles of state contract law. Mallinckrodt, 976 F.2d at 709 (establishing principle); LG *Electronics*, 453 F.3d at 1370 (applying New York law).

For example, in *Mallinckrodt*, the patentee labeled its patented medical device as "SINGLE USE ONLY" and instructed hospitals who purchased the devices to dispose of the device after use. 976 F.2d at 702. The Federal Circuit held that if the sale of the device was validly conditioned under the law governing sales and licenses, and if the condition on reuse was within the scope of the patent grant or otherwise justified, then violation of the restriction could be remedied by action for patent infringement. Id. at 709.

Subsequent cases have held that to be valid, a condition http://www.Additionalcimits.ofeExhaustion?fid=7f26d9b9-53ae-4857-b643-f087bb1e7008 must convey "contractual significance" and not merely the patentee's intent or wishes. *Hewlett Packard Co. v. Repeat-O-Type Stencil Mfg. Corp.*, 123 F.3d 1445, 1453 (Fed. Cir. 1997) (printer manual instructing users to discard used print cartridges did not create enforceable condition); Kendall Co. v. Progressive Medical Technology, Inc., 85 F.3d 1570, 1576 (Fed. Cir. 1996) (single use only instruction on product literature not condition of sale); Jazz Photo, 264 F.3d at 1108 (package instructions did not create condition on reuse).

While not a patent case, Arizona Cartridge Remanufacturers Ass'n v. Lexmark Int'l, Inc.,, 421 F.3d 981 (9th Cir. 2005), addresses what creates an enforceable restriction. Lexmark sold printer cartridges with a notice on the cartridge packages that consumers could receive an upfront discount if they agreed to return used cartridges to Lexmark. Id. at 983. The Ninth Circuit discussed the guidance the Federal Circuit provided in Mallinckrodt. Id. at 986-87. It then explained that under California contract law, a "contract for the sale of goods may be made in any manner sufficient to show agreement, including conduct by both parties which recognizes the existence of such a contract." Id. at 987. The Ninth Circuit held that a contract that included these terms was made, because a consumer could read the terms and decide whether to accept them by participating in the discount program. Id.

One aspect of the *LG Electronics* decision confirms that the Federal Circuit will conduct a similar analysis. Prior to the litigation, LG and Intel entered into a license under the patents in suit. *LG Elecs.*, *Inc. v. Asustek Computer*, Inc., 248 F.Supp.2d 912, 914 (N.D. Cal. 2003). The LG-Intel License expressly disclaimed any license to Intel customers who combine Intel products covered by the LG-Intel License with non-Intel products. Id. Before purchasing the Intel parts that were asserted to be a component of the patented combination, the defendants received a letter notice from Intel that the LG-Intel License "does not extend, expressly or by implication to any product that you may make by combining an Intel product with any non-Intel product." Id. The Federal Circuit concluded that the chip set sales by Intel were conditional, citing New York Uniform Commercial Code section 2-202 (which it concluded allowed contracts to be supplemented by consistent additional terms unless the writing is intended to be complete and exclusive). LG *Electronics*, 453 F.3d at 1370.

There are some additional limits to the exhaustion doctrine. First, a license or sale only invokes the exhaustion doctrine if it occurs in the United States. Jazz Photo, 264 F.3d at 1105 (limiting first sales under the exhaustion doctrine to those occurring within the United States). Second, the Federal Circuit has held that the patent exhaustion doctrine does not apply to method claims. Bandag, Inc. v. Al Bolser's Tire Stores, Inc., 750 F.2d 903, 924 (Fed. Cir. 1984); LG Electronics, 453 F.3d at 1370.

#### Summary

Based on the present state of the law on patent exhaustion, the following guiding principles are important to keep in mind in drafting licenses and other contracts:

- the exhaustion doctrine applies only to license or sale in the United States;
- exhaustion can occur at any step in the chain of commercial transactions that takes place in the United States;
- a patent holder licensing its rights can avoid exhaustion via a license with appropriate scope of use restrictions;
- a patent holder selling a patented product or portion of a patented combination can avoid exhaustion by making use restrictions part of the contract of sale (as determined by the applicable body of state law); and
- even if exhaustion of apparatus claims has occurred, there will be no exhaustion of method claims.

#### **Implied License** The Scope of the Implied License Doctrine

A patentee can also grant an implied license through its actions. The Federal Circuit has applied the implied license doctrine to the sale of a component used in a patented system or combination. E.g., Anton/Bauer, Inc. v. PAG, Ltd., 329 F.3d 1343 (Fed. Cir. 2003). In addition, while as discussed above the Federal Circuit has concluded that a patentee cannot exhaust its rights in a method patent by license or sale, the Federal Circuit has applied the implied license doctrine to the sale of equipment used to practice a patented method. *Bandaq*, 750 F.2d 903; Met-Coil Sys. Corp. v. Korners Unlimited, Inc., 803 F.2d 684 (Fed. Cir. 1986).

The Federal Circuit has applied a two-part test to determine whether an implied license exists. In order to succeed on an implied license defense, the alleged infringer must show that the purchased article does not have a reasonable non-infringing use; and that the circumstances of the sale plainly indicate that the grant of a license should be inferred. *Bandag*, 750 F.2d at 925; *Met-Coil*, 803 F.2d at 686.

The Federal Circuit has broadly interpreted what constitutes a reasonable noninfringing use. For example, in *Bandag*, the defendant purchased unpatented equipment from a terminated franchisee of the patentee and then used it to practice a patented method. 750 F.2d at 925. While the equipment was specially designed to practice the patented method, the court identified the following non-infringing uses of it: reselling the equipment, modifying it, or using after the patent expired 18 months later. *Id*. The court thus held that no implied license had occurred as a result of the sale of the equipment. *Id.; see also Glass Equipment Development v. Beaten, Inc.*, 174 F.3d 1337, 1343 (Fed. Cir. 1999).

Additionally, the alleged infringer must also establish that the circumstances of the sale plainly indicate that the grant of a license should be inferred. *Met-Coil*, 803 F.2d at 687; *Bandag*, 750 F.2d at 925. In making this determination, courts rely on principles of equitable estoppel and focus on conduct at the time of the sale. *Id*. This element is satisfied if the alleged infringer shows that the patentee's actions lead him to believe that a license existed and in reliance he or she practiced the patent. *Id*.

An unconditional sale of a product with no non-infringing uses will "plainly indicate" that an implied license should be inferred. *Met-Coil*, 803 F.2d at 687; *Anton/Bauer*, 329 F.3d at 1351-52 (unrestricted sale of one half of patented battery connector). Similarly, the unconditional sale of a "machine" useful only in performing a patented process or producing a patented product establishes a *prima facie* case of an implied license. *Met-Coil*, 803 F.2d at 687.

In cases where an implied license is found, the court must also determine the scope of the license. *Carborundum Co. v. Molten Metal Equipment Innovations, Inc.*, 72 F.3d 872, 878 (Fed. Cir. 1995. This determination is based on "what the parties reasonably intended as to the scope of the implied license" based on the circumstances of the sale. *Id*. In *LG Electronics*, the Federal Circuit noted that "[r]egardless of any noninfringing uses" no license could be implied because of Intel's express disclaimer to defendants. 453 F.3d at 1369. Specifically, Intel had informed each of the defendants that Intel's license agreement with LG did not extend to "any of defendants' products made by combining an Intel product with non-Intel products." *Id*. The court found this notice sufficient to prevent an implied license. *Id*.

#### Summary

Based on the present state of the law on implied license, the following principles are important in drafting licenses and other contracts:

- An implied license can occur via an unrestricted sale of a component for use in a patented apparatus or combination, or of equipment used to practice a patented method;
- An unrestricted sale giving rise to an implied license can occur at each stage in a chain of commercial transactions; and
- An implied license can be avoided by an effective disclaimer that is in fact delivered, not just to the immediate contracting party, but to those downstream from it.

Charlene Morrow is a partner in the Silicon Valley office of Fenwick & West LLP, where she handles trials and appeals in patent and other intellectual property cases. Karen Server is a litigation associate at the firm.

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## Tab 4

## Legal Strategies for Dealing with Patent Trolls

BY STUART MEYER

Ferwick & west LLP.

#### Introduction

In the late 1950s, a New Jersey engineer named Jerome Lemelson left his job at a smelting plant and embarked on a career as an independent inventor. For the next 40 years, he finessed the U.S. patent system in a manner that had never been done before, even by such notables as Thomas Edison. Lemelson thought up inventions that he never had any intention of putting into practice himself, filed patent applications on those inventions, and then waited. He waited for the corresponding industries to develop in areas close to his patent applications, and then he subtly revised and nudged those applications to have more direct impact on the technologies being produced in those industries. At the time, U.S. patent applications were maintained in secrecy until they issued, Lemelson's patent applications became known as "submarine" patents, since they suddenly surfaced for the public to see only after industry had made huge investments in the patented technologies. While there is nothing illegal about the techniques Lemelson used, some of his applications were intentionally kept underground and pending for so many decades that one court held the resulting patent to be unenforceable. Nonetheless, Lemelson was granted over 600 patents in his lifetime on technologies ranging from bar code scanners to cancer detection (which he applied for as he was dying of cancer). To get some idea of the scale of licensing fees that Lemelson generated, the Lemelson Foundation, financed through such fees, has reportedly made contributions on the order of hundreds of millions of dollars to charitable programs related to innovation and entrepreneurship.

Lemelson's success in working within, or manipulating (depending on your viewpoint), the patent system did not go unnoticed. Not only did Congress revise the patent law to minimize the possibility of submarine patents, but other private parties sought to emulate Lemelson's model. In the 1980s and 1990s, a number of companies arose whose primary purpose was to acquire patents and identify licensing targets. The rise of such companies was fueled by plaintiff-side patent litigators, and some companies were even founded by such lawyers.

At some point, the pejorative term "troll" was applied to a patent owner who had no plans to actually produce a patented invention, but was simply in business to extract licensing fees or infringement damages from companies that did actually put such inventions to use. Originally, "troll" was used as a noun, *i.e.*, the lurking demon in hiding waiting for a victim to pass nearby. Later uses began to include the less pejorative verb tense, i.e., fishing by systematically navigating through waters where the desired fish are known to live. Indeed, United States Supreme Court Justice Anthony Kennedy reportedly asked during oral argument in the eBay v. MercExchange case, "Is the troll the scary thing under the bridge or a fishing technique?" Indeed, both the negative connotations and the confusion over the intent of the term have led many to suggest that the term "troll" be abandoned in this context.

Whatever you call them, patent holders who are not industry competitors but simply get patents to monetize their rights against would-be infringers pose unique challenges for companies in a wide range of industries. Presented below are suggestions for identifying their goals, techniques and weaknesses, and implementing strategies in response.

#### **Taxonomy of a Patent Troll**

Patents are unlike many legal rights because they are entirely "negative" in nature—a patent holder is only given the right to exclude other people from practicing the claimed invention. Thus, if someone invents a frontwheel drive bicycle, the patent they get will only prevent other people from making, using or selling such a bicycle. The patent will give no positive right for the patent owner to build such a bicycle. Indeed, other people may have patents on bicycle tires, seats, handlebars and the like, so the inventor of the front wheel drive bicycle may not be legally allowed to create such a device. The quid pro quo of patent protection looks to balance http://www.Contrasts/with:Traditional Competitor:Litigation/857-b643-f087bb1e7008 the benefit the public gets from learning about the invention through a detailed patent specification against the benefit the patentee gets from a limited-time monopoly over that invention. In the U.S., the balance has not traditionally required the patent owner to commercialize the invention. In other jurisdictions, such as the UK and Australia, there is a requirement that the invention be "worked" by the patent owner, lest others gain certain rights to the invention (e.g., compulsory licensing). The U.S. does, in fact, have the notion of compulsory licensing in portions of its copyright law, but not in patents.

The law does not even require than an invention ever have been built to qualify for patent protection. A wellwritten description in an patent specification serves as "constructive reduction to practice" and is equivalent to actually producing the physical embodiment of the invention.

Thus, U.S. law permits so-called "paper patents" to be obtained, i.e., patents for inventions that exist only on paper. U.S. law also permits patentees to exclude others from making, using or selling a patented invention.

The creation of a nurturing environment for a "patent industry" is completed by the fact that under U.S. law, patents are freely transferable. Thus, a small inventor with hopes of selling an invention to IBM, Motorola or General Motors can do so if they can negotiate agreeable terms; if not, the inventor can sell the patent rights to a patent holding company.

These conditions have made it possible for companies to be formed for no other purpose than filing patent applications, or looking for patents to buy, that might be asserted at some later time against players in the corresponding industries. Indeed, some of the legislative activity over the past few years has dealt with whether the patent law should be amended to prevent "inventing" patents" and only permit "patenting inventions." See, *e.g.*, testimony of Joel Poppen of Micron Technologies before the Senate Judiciary Committee's "Perspectives on Patents" hearings, April 25, 2005, at http://judiciary. senate.gov/testimony.cfm?id=1475&wit\_id=4231

Many larger companies have developed an approach to managing patent litigation that comes from decades of experience in being sued, or suing, industry competitors. Typically, one company owns a patent on a process or a product feature, and another begins doing something that arguably infringes the patent. When competitors sue one another for patent infringement, they often have additional concerns that go far beyond just the patent. There may be claims or counterclaims that one misappropriated trade secrets from the other, that employees were improperly solicited, that there was unfair competition, or that one of the companies is violating antitrust law through its activities. The defendant often fires back from its own patent portfolio, so that each side is accused of infringing the other's patent rights. The litigation begins to take on a life of its own, and for that reason many companies will settle their patent differences relatively quickly, and often with a cross-license.

Where competitors cannot settle, it may be because one that feels it has the dominant position wants to use it to completely stop the other from using the patented technology, or even further, wants to put the other company out of business.

Sometimes, when one company is significantly larger than the other, it will think that a patent war is best won through attrition, and may intentionally escalate a patent battle to ensure that the litigation process grows to a size that the adversary cannot sustain the fight.

A patent holding company, on the other hand, has very different interests. The last thing it wants to do is put the alleged infringer out of business. The patent holder's goal in this circumstance is simply to maximize its revenue from the patent. Generally, that means making sure each licensee continues to do a great deal of business in the patented technology while paying a significant, though not exorbitant, royalty. Such thinking often leads patent holders to want to go after the entire industry at once, so that each company views the demand as a patent "tax" on the entire industry, as opposed to a demand targeted to just one company, does not confer any competitor with an advantage over the others.

The threat of an injunction remains a viable tool for papehttp://www.dockrinerofochamperty/and/maintenancestorsaches5Mos8-f087bb1e7008 patent holders, but it is primarily as a means by which to get the alleged infringer's attention, rather than as an ultimate goal. The only real advantage an inunction would provide to a troll comes from the benefit that licensed companies get vis-à-vis the holdouts. It bears mention that recent case law, e.g., eBay Inc. v. MercExchange, L.L.C., 126 S.Ct. 1837 (2006), as well as proposed legislation, may potentially reduce a patent troll's ability to effectively threaten an injunction by limiting the circumstances under which an injunction can issue for patent infringement.

The defenses that are available to be used against paper patent holders overlap with those against competitor patent holders, but there are significant differences. While the standard defenses of non-infringement, invalidity, unenforceability and the like are found to be universal regardless of the status of the patent holder, the importance of these is very different depending on the type of plaintiff. For instance, a company that produces a product will still be able to produce that product even if its patent is found invalid, but a company whose raison d'etre is patent enforcement could be scuttled by a finding that its portfolio is invalid or unenforceable.

In addition, a company that does not actually invent, but instead collects the patents of others, may have vulnerabilities that the typical patent holder does not. One, of course, is the sympathy of the judge and jury. While the tale of an inventor's efforts can be quite compelling, such as Edison's famous "one percent inspiration, ninety-nine percent perspiration" quote, there is little endearing about the notion that people think up ideas without any effort to bring the invention to the world, but solely to tax the people who do.

Paper patent holders can sometimes be attacked on grounds that are quite uncommon in traditional patent litigation. For example, Refac is a patent holding company that existed before the term "troll" was used for patent litigation. Refac brought suit against Lotus Development, Microsoft and others in 1989 claiming infringement of a patent. Refac's interest in the patent came via an agreement under which Refac took rights in the patent in exchange an obligation to sue at least two defendants within a month of the agreement. Refac brought its suit in New York, and defendants reached back to the ancient

intellectual property attorneys recall champerty and maintenance only from law school, if at all. New York happens to have a champerty statute, which provides in relevant part that no party can buy an assignment of any claim "with the intent and for the purpose of bringing an action or proceeding thereon." The judge characterized the Refac agreement as "nothing but a hunting licensewhich is champertous and therefore void." Refac International, Ltd. v. Lotus Development Corp., 131 F.R.D. 56, 57 (S.D.N.Y. 1990). After fixing this issue, Refac pursued the litigation further only to have the patent found unenforceable due to inequitable conduct before the Patent and Trademark Office. Refac International, Ltd. v. Lotus Development Corp., 81 F.3d 1576 (Fed. Cir. 1996).

#### **Typical Strategies of Trolls**

Competitors who bring suit for patent infringement generally have some larger business goal in mind. Whether it is reducing "copycat" features, maintaining an image of innovation or otherwise, competitors bring suit in response to certain business conditions. Trolls, on the other hand, carefully look for their targets and generally analyze factors ranging from profitability to ease of infringement proof. Modern demand letters from trolls include a great deal more detail about the target's allegedly infringing technology than one sees from a competitor. The initial letter may include detailed claim charts, recitation of product success, and the like to show the target that the patent holder has done its homework before sending the demand, and to show that the patent holder is serious.

Paper patent holders can adopt either the carrot or the stick approach in their demands. Some merely provide an informational letter setting forth the general applicability of the patent and leaving it for the recipient to connect the dots that suggest infringement. Other letters are true demands, unqualifiedly asserting that there is infringement and setting quick timetables for response. In practice, it appears there is little correlation between the tone of the letter and whether the patent owner promptly brings suit. Some "polite" letters that seem benign get followed up quickly with a filed complaint, while some very harsh letters are not followed up at all. It is therefore foolish to adopt a strategy based solely on the tone of a demand letter.

In patent litigation, it can be extremely important for the http://www.tainlyalaterpoEromundefendant/s?perspective3iteis350mer3-f087bb1e7008 patent owner to get at least one, if not several, initial licensees. Industry acquiescence to a patent holder's claim can be used as evidence of non-obviousness to defend against an invalidity defense, and more importantly there is a psychological barrier that makes it much more difficult to attract initial licensees than to have people simply follow suit where a number of industry players have taken a license.

Initial licenses are also important to patent holding companies because the revenues from those licenses are often used to fund the war chest, permitting more expensive and more difficult battles to be undertaken than might be possible at early stages.

While most patent litigation among competitors continues to be prosecuted by lawyers working under the traditional "fees for hours" method, it is far more common to see contingency-fee arrangements for enforcement of paper patents. A contingent-fee lawyer is far more interested in minimizing her investment in time for a decent settlement than in making a large investment in time to bet on a larger reward. Strategies should be chosen with this in mind.

Some patent trolls and their attorneys have become expert at pricing patent licenses just at the threshold of pain for potential defendants. A patentee pricing a license too low leaves money on the table, but one pricing too high puts the patent at risk and generates expense by having to actually litigate a case. Thus, typical patent troll license fees are negotiated to just around the nuisance value of the litigation, *i.e.*, the expected fully loaded cost of suit. Savvy defendants use a probability analysis that factors in cost of actually litigating the case (*i.e.*, paying lawyers, experts and the like and taking time away from employees' normal activities), the likely probabilities of an outright win, a typical loss and a "worst case" loss and the dollars associated with each, as well as a deterrence amount to prevent future trolls from having an incentive to bring a claim.

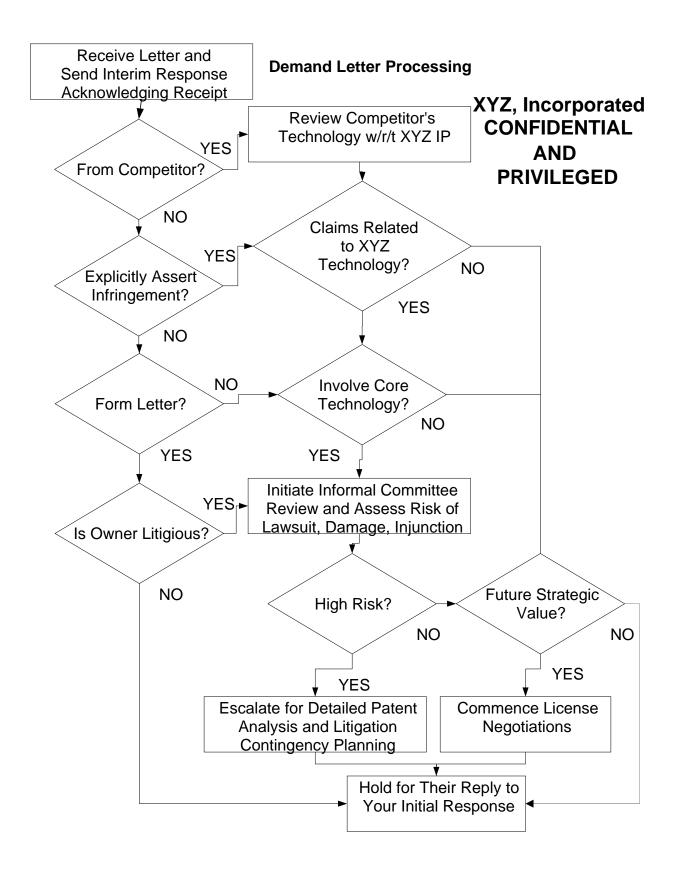
The "tax on the industry" factor mentioned previously is very important in troll-generated cases. From the plaintiff's perspective, an industry-wide approach provides incentives for companies to settle early, at potentially attractive rates, to avoid being mired in litigation uncertimes easier to make a payment that is considered an industry-wide cost of doing business, than to make one targeted against only a subset of the competitors.

Of course, an industry-wide approach can, and often does, lead to competitors joining forces in a joint defense effort, yet in many industries such alliances are fragile. Some companies end up settling out early, and the remainder have different approaches to the litigation. Those with better non-infringement positions, for example, will want a narrow claim construction while those who think an invalidity showing is their best option will want a broader construction that might include prior art.

#### **Countermeasures to Prevent or Short-Circuit Litigation**

Companies can take a number of steps to reduce their exposure to patent trolls. A primary strategy is to take a methodical, unemotional approach to demand letters. One approach is to generate an algorithm for processing demand letters that implements the company's overall philosophy toward third party patents. An example is illustrated on the following page. Of course, different companies have different philosophies, so a company may reasonably choose very different steps than those illustrated below. The main point, though, is that the company should think in advance about how it will react to third party patent demands, so that they can be addressed in the normal course of business without causing undue disruption.

Below are examples of responses that might be used along with such a flow chart:



#### **TEMPLATE ONE**

#### (FOR IMMEDIATE RESPONSE ONCE LETTER ARRIVES)

Re: U.S. Patent No. 7,\_\_\_\_,

Dear \_\_\_:

This letter is in response to your correspondence of [DATE] concerning the above-referenced patent.

As a leading technology innovator with a significant intellectual property portfolio of its own, XYZ takes all assertions of third party intellectual property rights seriously. Accordingly, we shall undertake a review of the referenced patent with respect to XYZ's current and proposed products and operations. Upon completion of such review, we will contact you if XYZ has any interest in discussing a license to the referenced patent.

In the meantime, should you have any specific basis for believing that XYZ requires such a license, please provide us with the details so that we may better understand your position. Kindly include, at a minimum, (a) an elementby-element claim chart explaining how you think any pertinent claim(s) of the patent are met by each XYZ product or operation, if any; (b) any and all information relating to ownership, scope, validity and enforceability of this patent, including without limitation the prosecution file history of this patent, any related applications, and any judicial claim construction pertaining to this patent; and (c) any prior licenses you have negotiated with respect to this patent as well as any form of license you now propose.

Sincerely, General Counsel

#### **TEMPLATE TWO**

(FOR RESPONSE ONCE COMPANY REVIEW INDICATES NO INTEREST)

Re: U.S. Patent No. 7,\_\_\_\_,\_\_\_

#### Dear \_\_\_:

This letter is in response to your correspondence of [DATE] concerning the above-referenced patent.

XYZ has reviewed the above-referenced patent and determined that it has no current interest in exploring a license thereto. We shall, of course, contact you should XYZ become interested in such a license at some future time.

Sincerely, General Counsel

A company can make it standard procedure to respond http://www.)While these thoughts may be good at engent size geoda at engent size ge immediately to a demand letter, stating that the company would like further information about the patent and its prosecution history, and that the company will then get back to the patent holder should it be interested in a license. An advantage of this approach is that it resets expectations on both sides. The company feels as though it is no longer operating under the schedule dictated by the original demand letter, and the patentee now has at least some obligation to provide the requested information. The patentee is not legally obligated to provide this information, but if there are several potential defendants, the patentee is less likely to aim its guns first at the one that is earnestly looking for more information for its analysis.

Most of the defendant-side strategies are dictated by the common sense goal of not wanting to be the "pioneer" defending against the claims of the patent. The first defendant has a number of hurdles to undertake that subsequent defendants do not need to do, or will at least find easier to do. For example, a second- or third-round defendant can legitimately request all prior art identified by earlier defendants, thus potentially saving hundreds of thousands of dollars of research. By the time of the second or third lawsuit on a patent, the typical patentee will have painted itself at least somewhat into a corner on any number of issues, ranging from claim scope to damages. As is generally the case in litigation, reducing the "wiggle room" of an adversary is advantageous.

Accordingly, it is important to avoid rushing to judgment in response to a demand letter. Some demands are not followed up by the patent owners, and become sleeping dogs that ought not be kicked. Knee-jerk responses also tend to be harsh responses that can sometimes inflame the patent holder. In practice, a number of potential defendants have become actual defendants because they thumbed their noses at a patent holder and disparaged the general right of the patent holder to enforce its patent.

Indeed, many potential defendants get tied up in an emotional response to a demand from a patent troll. More than one chief executive has been heard to lament the injustice of someone who is not bringing technology to the world putting roadblocks in front of those who do. efforts for patent law reform, they should not form the basis of a litigation strategy. By focusing on economics instead of some principle as to what patent law should be, many disputes can be resolved at far lower cost and far less pain.

As in any other adversarial situation, a good solution often comes from putting yourself in the other person's shoes. Many patent holders will agree to a low-effort solution that gives them some reasonable benefit without requiring too much work to get there. In some instances, it can be as easy as including in a letter not only that the company does not believe a license is required because it does not use an element claimed in the patent, but also a statement that if the company ever does decide to use such technology, it will revisit its interest in potentially taking a license. More often, the solution will involve acknowledging that there is a dispute about whether the patent actually covers the company's technology, but nevertheless offering a one-time payment to resolve the matter rather than litigate it. Other creative solutions arise from time to time. For instance, a company might take a license that has terms that change depending on whether the patent holder asserts its rights more broadly through the industry. In other words, the company might accept a larger royalty if competitors are paying it as well. Each situation is different, but creativity here can save a tremendous amount of litigation expense and distraction.

It can often be very helpful to work with counsel who already have experience with the patent holder and know what it is that motivates the patent holder. Knowing in advance that a particular patent holder is agreeable to a certain form of settlement can be extremely valuable.

#### Myths and Misunderstandings

Patent licensing and litigation are more dynamic than static; industry approaches evolve over time and what is unthinkable one decade becomes the norm the next. As a result, even those who have had significant past experience in dealing with patent trolls may harbor some misconceptions about today's best practices. Listed below are a few issues that bear mention.

First, predicting who will get sued, when, and by which patentee is nearly as difficult as predicting next month's reputations for short fuses, and such information should be factored in to any analysis. However, there are many variables at work, such as other cases that the patentee or the patentee's counsel are already handling, the short term financial needs that they have, the prior art that another potential defendant may have just disclosed, and the like. Crystal ball-gazing should be recognized as iust that.

Second, you can never predict what seemingly absurd arguments opposing counsel may be able to make with a straight face, nor which ones might actually be more compelling than you and your client might want to believe. This is particularly true of claim construction, where despite Supreme Court assertions that claim language is not a "nose of wax" to be twisted as desired, litigants will often create marvelous arguments as to why a particular word means something that you may not believe it to mean at all.

Third, it has become dangerous to consider Federal Circuit precedent, even long-standing precedent, to be settled law. To give just one example, in the past year the Supreme Court has significantly clarified, if not altered, common understanding about what parties have standing to sue and what level of threat is required before a declaratory judgment action can be brought. See MedImmune v. Genentech, no. 05-608 (January 9, 2007) and SanDisk v. ST Microelectronics, \_\_\_\_\_F.3d \_\_\_\_ (Fed. Cir. 2007). Even ancient concepts such as champerty and maintenance can rise from the grave to serve as a defense, as the Refac v. Lotus case discussed above illustrates.

There has never been as good a time as now to employ creativity, whether negotiating licenses or arguing a point in a brief. The Supreme Court has shown more willingness now than at any time in the past 40 years to revisit patent issues, and creative licensing is becoming the norm. For example, a company concerned about "death by a thousand cuts" from multiple trolls can successfully negotiate cumulative royalty caps, so that its royalty to the first patent holder gets reduced as it takes licenses from other patent holders, thus effectively capping its royalty at some level that lets it maintain a reasonable profit. There are very few approaches that are out of bounds in modern licensing negotiations.

capabilities please contact Stuart Meyer at 650.335.7286 or smeyer@fenwick.com.

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Tab 5

### U.S. Patent Law 2007: The Courts Swimg with esupra.com/post/documentViewer.aspx?fid=7f26d9b9-53ae-4857-b643-f087bb1e7008 Pendulum

BY CAROLYN CHANG, HEATHER N. MEWES, LIWEN MAH, CHARLENE MORROW, RAJIV P. PATEL, MICHAEL J. SACKSTEDER AND SAINA SHAMILOV



Many practitioners will remember 2007 as the year the pendulum swung in U.S. patent law in a variety of key areas. The tempo for this swing was begun by the Supreme Court within the first couple of weeks of the year and has continued throughout the year. The outline below gives an overview of some key cases and their particular impact on different areas of patent law.

#### Licensees and Potential Licensees Armed to Challenge Patents

#### Medimmune, Inc. v. Genentech, Inc., 549 U.S. (2007) – An patent licensee can sue to declare the licensed patent non-infringed or invalid

A Supreme Court decision early in the year shook the foundations of patent licensing and technology transfer, altering the balance of power between patent holders and their licensees. In *MedImmune v. Genentech*, the high court effectively paved the way for more frequent patent challenges that could disadvantage small companies and universities. While the new rule places substantially more risk on licensors' shoulders, patent holders may employ a variety of strategies to mitigate the uncertainty created by the Supreme Court decision.

In this case, MedImmune licensed patents and patent applications from Genentech and paid royalties for those patents that it used. When a new patent application issued as a patent, Genentech requested royalties on use of that patent. MedImmune believed the patent was not infringed and was invalid. It paid royalties under protest and filed a lawsuit against Genentech under the Declaratory Judgment Act, in which it asked the court to determine that the patent was not infringed, was not enforceable, and was invalid. The district court dismissed the complaint and the Federal Circuit Court of Appeals, which hears all appeals involving patents, affirmed in view of its prior decision in *GenProbe v. Vysis*.

Prior to the *MedImmune* decision, it was relatively difficult to challenge a patent outside the context of an infringement suit. Courts refused to consider issuing a declaration that a patent was invalid, or that a particular product did not infringe, unless the party seeking the declaratory judgment had a "reasonable apprehension of imminent suit." In effect, affected parties could not challenge a patent until they reasonably feared that the patent holder was about to sue them. In *GenProbe* the Federal Circuit ruled that a licensee under a patent cannot have a reasonable fear of suit as long as it has not breached the license agreement. Thus, patent licensees effectively were barred from challenging a licensed patent. This rule presented patent licensees with a choice: pay license fees, even for seemingly dubious patents, or face expensive and risky litigation. The option of licensing a patent under protest while seeking a declaration of invalidity or noninfringement, which many alleged infringers would have preferred, was not available.

In *MedImmune*, however, the Supreme Court ruled that it was inappropriate to force licensees to risk the harsh consequences of an infringement suit in order to ask a court to invalidate a patent. In footnote 11 of the decision, the Supreme Court criticized the Federal Circuit's "reasonable apprehension of imminent suit" test, and ruled that federal courts may hear a challenge to a patent from a licensee in good standing.

The *MedImmune* decision, in effect, denies "patent peace" to licensors, by permitting licensees to challenge a patent while risking nothing more than continuing to pay license fees. This represents a major shift in bargaining leverage from patent holders to patent licensees.

#### SanDisk Corp. v. STMicroelectronics, Inc. \_\_\_\_F.3d \_\_\_ (Fed. Cir. 2007) and Teva Pharmaceuticals USA, Inc. v. Novartis Pharmaceuticals Corp. et al., \_\_\_\_F.3d \_\_\_ (Fed. Cir. 2007)

Since the Supreme Court's early 2007 ruling, *MedImmune* has continued to change the legal climate as lower courts wrestle with its implications. Some early lower court decisions interpreting the decision ruled that *MedImmune* applied only to the relatively narrow situation of a licensee challenging the licensed patent.

The Federal Circuit revisited the matter in *SanDisk v. STMicroelectronics* and *Teva v. Novartis.* In the *SanDisk* case, Sandisk filed a declaratory judgment action against ST Microelectronics while the parties had engaged in licensing negotiations, even through counsel for ST Microelectronics noted they did not intend to sue SanDisk for infringement. In Teva, Novartis filed five patents in the Food & Drug Adminstration ("FDA") Orange Book noting that a claim for

patent infringement could be brought against the sale ofittp://www.finadly.compatent.clicens.orwmaypeomsides.dived.against the sale ofittp://www.finadly.compatent.clicens.orwmaypeomsides.dived.against the sale ofittp://www.finadly.compatent.clicens.orwmaypeomsides.dived.against the sale of the generic famciclovir. Thereafter, Teva filed with the FDA to make the generic drug and in its application it listed the patents as either not infringed or invalid. Teva brought a declaratory action against Novartis and the Federal Circuit allowed the claim and under 35 U.S.C. §271(e) the act of filing an ANDA created a definite and concrete actual controversy between the parties. In both cases, the Federal Circuit pointed to footnote 11 of the MedImmune decision and concluded that the Supreme Court had rejected the "reasonable apprehension of imminent suit" test in its entirety. The Federal Circuit's interpretation of MedImmune, therefore, makes it even easier to challenge a patent's breadth or validity; anyone who can show that a controversy exists between the parties regarding the patent can seek a declaration of invalidity or noninfringement.

#### The Impact of Medimmune and its Progeny

The post-MedImmune environment presents an acute challenge for small companies and universities. These organizations generally have limited funds to fight patent lawsuits, and therefore, may face stepped-up legal attacks on their patents. Some licensing strategies, however, can help to minimize those risks, although none are quick fixes, and their effectiveness will vary depending on the relative bargaining power of the parties involved.

Perhaps the best way to minimize the likelihood of a declaratory judgment suit is to manage the licensee's incentives, aligning the licensee's interests with the licensor's whenever possible. One of the simplest ways to manage the licensee's incentives is to draft the agreement to include negative consequences for a challenge by the licensee. One straightforward option would be a termination clause, allowing the licensor to terminate the license agreement if the licensee files a suit challenging the licensed patent.

Another alternative would be a clause that raises the royalty rate in the event of a patent challenge by the licensee. This approach provides useful incentives for the licensee, but may not provide much protection for the licensor. If the licensee successfully challenges the patent, the licensor has only gained increased royalties for the duration of the suit while losing future revenue from the license, or even losing the entire patent.

A liquidated damages clause may better protect the licensor, while disincentivizing a suit from the licensee. Such a clause would require the licensee to pay a substantial sum upon challenging the licensed patent, costing the licensee a significant amount while compensating the licensor for the lost revenue and risk to the patent.

forbidding the licensee from challenging the licensed patent. Licensors have avoided such "no-challenge" clauses in the past based on the view that such clauses may be difficult to enforce on public policy grounds. However, the Supreme Court in MedImmune noted specifically that nothing in the license agreement prohibited MedImmune from challenging Genentech's patent, thus, suggesting that the Court may view such clauses favorably in the future.

A licensor also may take measures to anticipate and mitigate any harm done by a declaratory judgment suit. One simple way to do this is to shift the payments due on a license forward, requiring most or all of the license payments early in the license term. This means that even if a declaratory judgment suit is successful, the licensor has already reaped much of the benefit it expected. This approach can be useful for other reasons as well. Because the licensee has already paid most of what it expects to, it has less incentive to challenge the patent. For the same reason, it improves the licensor's position at trial, by reducing the amount at stake going forward. Of course, many of these strategies may not suit the business realities facing a particular licensor. Emerging technology or life sciences companies, for example, often do not have the luxury of choosing its potential licensees.

MedImmune changed the playing field for patent licensing in important ways. These changes have shifted risk to licensors and have increased negotiation leverage for licensees. However, licensors can do a great deal to protect themselves by drafting their license agreements thoughtfully and by seeking to align their licensees' interests with their own. In this sense, MedImmune parallels other recent court rulings and new patent office rules that also threaten to erode patent protection. While large, well-funded patent holders may be able to limit those risks by altering the terms of future licenses, there remains a strong possibility that the new legal environment could limit the ability of smaller companies and universities to make full use of their intellectual property, potentially even jeopardizing the pace of innovation.

#### Pulling Back the Throttle on the Test for Obviousness

#### KSR International Co. v. Teleflex Inc. et al., 550 U.S. (2007)

Next up for Supreme Court was the issue of obviousness. Specifically, the Court stated that "the results of ordinary innovation are not the subject of exclusive rights under the patent laws." The Court did not entirely reject the test most commonly used to determine obviousness, the Federal Circuit's "teaching, suggestion, or motivation" test, but rather criticized the formalistic and rigid application of this test by

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the Federal Circuit saying that this test "might stifle, rathenttp://www.juonder.tordetermine.whether.tisprewarareascortfor.org/skille@87bb1e7008 than promote, the progress of the useful arts." in the art to combine known elements in a manner claimed by

Teleflex is an exclusive licensee of a patent on an adjustable electronic pedal system. This system combines an electronic sensor with an automobile gas pedal for transmitting the pedal's position to a computer controlling the throttle in the vehicle's engine. Teleflex accused KSR of infringing the patent when KSR added an electronic sensor to one of its previously designed automobile gas pedals. KSR counterattacked, alleging that the asserted patent claim was an obvious combination of known elements. The district court agreed with KSR and granted summary judgment of invalidity. The Federal Circuit, however, ruled that because the prior art references did not address the precise problem that the Teleflex patent was trying to solve, there was no teaching, suggestion or motivation to combine these references, and therefore vacated the summary judgment. The Supreme Court reversed and reinstated the summary judgment.

Section 103 prohibits issuance of a patent when "the differences between subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains." In its prior decision in *Graham v*. John Deere Co. of Kansas City, the Supreme Court established an objective framework for applying section 103 requiring: (1) determination of the scope and content of the prior art; (2) identification of any differences between the prior art and the claims at issue; (3) determination of the level of ordinary skill in the pertinent art; and (4) review of any relevant secondary considerations, such as commercial success, long felt but unresolved needs and failure of others. In subsequent cases, the Federal Circuit developed its "teaching, suggestion, or motivation" test to ensure a uniform and consistent approach to obviousness. Under this test, a patent claim is obvious only if there is "some motivation or suggestion to combine the prior art teachings" that can be found in the prior art itself, in the nature of the problem, or the knowledge of a person of ordinary skill in the art.

While acknowledging that a patent composed of several elements is not proved obvious merely by demonstrating that each of its elements was independently known in the prior art, the Court ruled that any teaching, suggestion or motivation does not need to be explicit and courts can take into account the inferences and creative steps that a person of ordinary skill in the art may employ. "A person of ordinary skill is also a person of ordinary creativity, not an automaton." in the art to combine known elements in a manner claimed by the patent, according to the Court, the interrelated teachings of prior art references, the effects of known demands in the marketplace, and the background knowledge possessed by a person of ordinary skill in the art must be analyzed. The Court stated that the combination of familiar elements according to known methods is likely to be obvious when it does no more than yield predictable results, and further indicated that any of the following may provide a "reason" for combining these known elements: (1) a need or problem known in the field of endeavor at the time of invention and addressed by the patent; (2) an obvious use of familiar elements beyond their primary purposes; or (3) a design need or market pressure to solve a problem.

Thus, the Supreme Court has embraced a more expansive and flexible approach to obviousness. In particular, where new works have already been created and shared, further progress "is expected in the normal course," and hence ordinary innovation is deemed "obvious." This approach is likely to impact both prosecution and litigation practice and may make obviousness a more robust defense to patent infringement in certain circumstances. This is particularly relevant to the hardware and software industries, where patents frequently claim combinations of known techniques and elements.

## *Leapfrog Enterprises, Inc. v. Fisher-Price, Inc. et al.,* 485 F.3d 1157 (Fed. Cir. 2007)

The Federal Circuit, in one of its first decisions since the Supreme Court's decision in *KSR*, affirmed a lower court decision of invalidity of Leapfrog's U.S. Patent No. 5,813,861 ('861 patent) based on obviousness.

The '861 patent claimed an electrical device allowing a child to choose a particular depicted letter and receiving a recorded response of the phoneme of the selected letter. Fisher-Price's accused device was its PowerTouch product, an interactive book designed to help children learn to read.

The mechanical predecessor to LeapFrog's LeapPad (which the patentee's product based on the patent) was called a Bevan device, a mechanical toy that taught reading based on the association of letters with their phonetic sounds that used buttons hooked up to a phonograph. The Federal Circuit held that the prior art and the holder's patent both taught a device for teaching reading based on the association of letters with their phonemic sounds, and the patent merely updated the prior art device with modern electronics that were common by the time of the alleged invention.

#### In Re Icon Health and Fitness, Inc., F.3d , No. 06-1573, http://www.ydbipha.con/yoourtiteuroldt/velem.ends?fwith2000bschangesin.bthsef087bb1e7008 2007 U.S. App. LEXIS 18244 (Fed. Cir., August 1, 2007) respective functions and which yield predictable results."

In this case, the Federal Circuit affirmed the U.S. Patent and Trademark Office Board of Patent Appeals and Interferences (the "Board") decision holding patentee's reexamined claims to be invalid because of obviousness. In this case, the disputed claims of U.S. Patent No. 5,676,624 were for equipping an exercise treadmill with a folding base allowing the base to swivel into an upright storage position, including a gas spring "to assist in stably retaining" the tread base in the upright storage position.

The Board upheld a decision of obviousness during reexamination because of the combination of an advertisement by another company and U.S. Patent No. 4,370,766 ('766 patent). The patent holder appealed the Board's decision, arguing that its design used a gas spring that was not obvious under the '766 patent or the advertisement. The Federal Circuit found no error in the Board's factual findings or legal conclusions. The '766 patent disclosed two types of mechanisms that satisfied the patent holder's gas spring limitation, and did not indicate the undesirability or unsuitability of either mechanism for the patent holder's purpose. On the contrary, one skilled in the art would have looked to the '766 patent and the advertisement and found a reason to combine them, and forming that combination produced a device meeting all of the patent holder's claim limitations.

#### In re Kubin, Appeal 1007-0819, (B.P.A.I., May 31, 2007); In re Smith, Appeal 2007-1925, (B.P.A.I., June 25, 2007), and In re Catan, Appeal 2007-0820, (B.P.A.I., July 3, 2007)

In three cases of relatively quick succession, the U.S. Patent and Trademark Office Board of Patent Appeals and Interferences took its cue directly from the Supreme Court decision in *KSR* to address the question of obviousness in the context of examination of patent applications that were in prosecution before the U.S. Patent and Trademark Office.

In the first of the three decisions, *Kubin*, the court in this biotechnology application noted that the combination proposed by the examiner in rejecting claims would have been "obvious to try" based the teachings of the references and a how one or ordinary skill in the art would view the reference. This approach was one previously rejected by the Federal Circuit, but now was considered available by the BPAI in view of KSR.

In the next decision, *Smith*, the BPAI affirmed an examination rejection of a patent application for a pocket insert of a book. The Board determined that the claims "were combinations

respective functions and which yield predictable results." Further, the BPAI noted that "the modifications necessary to effect the combination[s] are uniquely challenging or difficult for one of ordinary skill in the art."

In the last decision of this trilogy, *Catan*, the BPAI affirmed a rejection of a device that used bio-authentication data to authorize credit card transactions over network. A first prior art reference used a personal identification number (PIN) to authorize a transaction and a second prior art reference used a voiceprint rather than a PIN. A third reference taught that bio-authentication data was known in the art to be more secure than a PIN. Thus, the BPAI concluded that when a claim recites "'a structure already known in the prior art that is altered by the mere substitution of one element for another known in the field, the combination must do more than yield a predictable result.' In that regard, Appellant has provided no evidence that [doing one thing for another] yields an unexpected result or was beyond the skill of one having ordinary skill in the art."

#### The Impact of KSR and the new Obviousness landscape

The impact of *KSR* cannot be overstated. Defendants are now armed with a less rigid test for attacking patents based on obviousness, but the cost of doing so could be high. For example, the Graham factors may require expensive experts to prepare and present reports on who exactly is one of skill in the art. However, with the ability to challenge patents more broadly becoming an available tool, defendants may take alternative strategies to challenge patents that could prove just as attractive, such as patent reexaminations.

## Limiting the Reach of U.S. Patents Outside of the U.S. – *Microsoft Corp. v. AT&T Corp.*, 550 U.S. (2007)

The same day that the Supreme Court decided *KSR*, the court also decided *Microsoft Corp. v. AT&T Corp.* In this case, the Court was deciding the issue of whether under 35 U.S.C §271(f) Microsoft's act of supplying master versions ("gold master") of its Windows software for copying and installation on computers abroad, was an infringement when such computers with Windows software would have infringed if they had been made, used, sold or offered for sale in the United States.

The Court held that Microsoft did not subject itself to liability for infringement in such instances. The decision limits the extraterritorial effect of section 271(f) with respect to software components of product inventions. However, the Court explicitly reserved decision on the application of section 271(f) to software components of process or method patents.

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In the case at issue, AT&T held a patent on an apparatus for digitally encoding and compressing recorded speech. Microsoft was found to infringe through installation of its Windows software on a computer, rendering it capable of performing as the apparatus covered by AT&T's patent. In addition to licensing Windows to computer manufacturers in the United States who install the software onto the computers they sell, Microsoft also sends computer manufacturers outside the United States a master version of Windows, either on disk or via electronic transmission. From the master version, the copies of Windows are made for installation on computers sold to users abroad. Microsoft denied any liability for copies of Windows installed on foreign-manufactured computers that were replicated from the master versions of Windows it sent outside the United States.

Although the general rule under United States patent law is that no infringement occurs when a patented product is made and sold in another country, section 271(f) is an exception. It can impose liability for patent infringement when a party supplies from the United States the components of a patented invention for combination abroad. AT&T argued that by providing manufacturers outside the United States with a master copy of Windows, Microsoft supplied "components" of AT&T's patented apparatus for combination into computers Microsoft countered this contention by sold abroad. arguing that intangible, unincorporated software cannot be a "component" of a patented invention as required by section 271(f). Both the district court and the Federal Circuit rejected Microsoft's position and held Microsoft liable for the copies of the Windows software installed on computers abroad under section 271(f).

In reviewing the lower courts' decisions, the Supreme Court first addressed whether the Windows software qualifies as a "component" of a physical apparatus under section 271(f). The Supreme Court concluded that section 271(f) applies only to "components" that can be "combined" to form the patented invention. It reasoned that software in the abstract, without a physical embodiment, is not combinable and thus does not constitute a "component" of a patented apparatus. The Supreme Court, however, explicitly reserved the issue of whether its holding applies to method patents, noting that "if an intangible method or process ... qualifies as a 'patented invention' under § 271(f) ... the combinable components of that invention might be intangible as well." As AT&T's patent is directed to an apparatus, not an intangible method or process, the Supreme Court held that only physical copies of the Windows software, not Windows in the abstract, qualifies as a "component" for the purposes of section 271(f) liability.

case turned on the fact that the actual software installed on the foreign-made computers to form the patented products was not the physical master versions of Windows supplied by Microsoft, but copies made from the masters. Thus, the Supreme Court held that the foreign-made copies of the U.S.-developed software installed in the foreign computers did not constitute "components" of the patented invention supplied from the U.S. under section 271(f). In so holding, the Supreme Court rejected the Federal Circuit's reasoning that for software components, the act of copying is subsumed in the act of supplying because copies are easily, inexpensively, and swiftly generated. The Court noted that the text of section 271(f) gives no guidance for judicial determination as to when replication abroad is properly considered "suppl[y] ... from the United States" and further relied on the presumption against extraterritoriality of U.S. laws in rejecting the Federal Circuit's position. The Court emphasized that foreign law alone, not United States law, currently governs the manufacture and sale of components of patented inventions in foreign countries.

#### The impact of Microsoft v. AT&T

To the extent that its holding can be seen as a "loophole" for software makers to avoid infringement of a United States patent by making copies abroad, the Supreme Court explained that Congress, not the Court, is responsible for addressing any such loophole. The Supreme Court has expressed its reluctance to dynamically interpret section 271(f) to address advances in technology, particularly the software industry, and expand the extraterritorial effect of section 271(f). Unless Congress acts, software makers may continue to develop software in the United States and supply this software for use outside the United States without being subject to patent liability. Whether extraterritorial protection for the use of software to practice process or method patent claims will be similarly limited remains to be seen. The issues that arose in Microsoft with respect to the software industry may arise in other industries as well. The Supreme Court's opinion may be instructive on how section 271(f) will be interpreted in the context of biotechnology, for example, where biological materials (e.g., genes or cell lines) can be manufactured in the United States and sent abroad for replication and incorporation into organisms in an infringing manner.

## Re-defining What is Willfulness and the Scope of Waiver – In re Seagate Technology, LLC, \_\_\_\_ F.3d \_\_\_ (Fed. Cir. 2007)

On August 20, 2007, the Federal Circuit, sitting *en banc*, articulated a new standard for willful infringement: patentees must show at least objective recklessness. The Federal

Circuit also addressed the scope of waiver when an alleged the //www the Federal of a contract of the scope of waiver when an alleged the //www the Federal of a contract of the scope of waiver when an alleged the //www the Federal of a contract of the scope of waiver when an alleged the scope of the sco infringer relies on advice of counsel as a defense to willful infringement.

#### The Standard for Willfulness Is Raised

With this decision, the Federal Circuit overruled its longstanding precedents requiring that an alleged infringer exercise an affirmative duty of due care before engaging in potentially infringing activity. This affirmative duty had been interpreted in many cases to require a formal opinion letter from patent counsel. In Seagate, the Federal Circuit makes clear that opinion letters are not required. The Federal Circuit's new standard – essentially going from a negligencelike "due care" standard to "objective recklessness" - is likely to impact greatly the availability of enhanced damages for patentees, as a finding of willful infringement is a key factor in this determination.

With respect to the facts of the case, Seagate had obtained three opinion letters from patent counsel. It elected to rely on advice of counsel as a defense to a willful infringement allegation, and accordingly disclosed all three letters, and waived any privilege with respect to its opinion counsel's communications and work product. The district court, however, held that Seagate's reliance on the advice of counsel defense waived the attorney-client privilege and work product protections with respect to trial counsel as well, and ordered Seagate to produce all of its trial counsel's communications and work product. Seagate petitioned the Federal Circuit for a writ of mandamus directing the district court to vacate its orders. The Federal Circuit sua sponte ordered en banc review of Seagate's petition to address whether waiver resulting from assertion of the advice of counsel defense in this context extends to trial counsel.

In so doing, the Federal Circuit reached beyond the waiver issue implicated by Seagate's petition to directly address and revisit the underlying willful infringement standard. The previous standard set forth in Underwater Devices Inc. v. Morrison-Knudsen Co., 717 F.2d 1380, 1389-90 (Fed. Cir. 1983), held that where a potential infringer has actual notice of another's patent rights, it has an affirmative duty to exercise due care to determine whether it infringes. This duty included the duty to obtain competent legal advice from counsel before initiating any possible infringing activity. This was, in effect, a negligence standard.

In Seagate, the Federal Circuit noted that since its decision in Underwater Devices, willfulness as a condition of enhanced damages has been defined as reckless behavior in both the copyright context and in other civil contexts. In particular,

that concluded that "willful" includes "reckless behavior" in addressing willfulness as a statutory condition of civil liability for punitive damages.

Consistent with such precedent, the Federal Circuit held that proof of willful infringement permitting enhanced damages requires at least a showing of objective recklessness, overruling the standard set forth in Underwater Devices. The Federal Circuit previously signaled movement in this direction. In Knorr-Bremse Systeme Fuer Nutzfahreuge GmbH v. Dana Corp., 383 F.3d 1337, 1345-46 (Fed. Cir. 2004) (en banc), the Federal Circuit held that an accused infringer's failure to obtain legal advice does not give rise to an adverse inference with respect to willfulness.

In abandoning the affirmative duty of due care in *Seagate*, the Federal Circuit reemphasized that there is no affirmative obligation to obtain the opinion of counsel. Instead, to establish willful infringement, a patent holder must show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent. The state of mind of the accused infringer is relevant only to establish that the accused infringer knew or should have known of this objectively high risk of infringement.

#### The Scope of Waiver When Relying on Advice of Counsel

The Federal Circuit also addressed the scope of waiver when an alleged infringer relies on advice of counsel as a defense to willful infringement. The Federal Circuit held that where an alleged infringer does rely on an opinion letter, the waiver of the attorney-client privilege and work product immunity will not normally extend to trial counsel.

Specifically, the Federal Circuit addressed the scope of waiver of the attorney-client privilege resulting from assertion of an advice of counsel defense in response to a claim of willful infringement. In light of the new willfulness standard, the Federal Circuit concluded that the different functions of trial and opinion counsel advised against extending waiver to trial counsel. While opinion counsel provides objective assessments for business decisions, trial counsel focuses on litigation strategy in an adversarial process.

The Federal Circuit further recognized that willfulness ordinarily depends on an infringer's pre-litigation conduct, noting that a patent holder must have a basis for a claim of willful infringement at the time the complaint is filed. Because willfulness depends on an infringer's pre-litigation conduct, the post-litigation communications of trial counsel have little, if any, relevance warranting their disclosure. The

Federal Circuit reasoned that post-filing willful infringement isttp://www.Reathinking.Ratentable.Subject/Matter26daces.Nuijten7-b643-f087bb1e7008 adequately addressed by motions for preliminary injunction, stating that a patentee who does not attempt to stop an accused infringer's activities with a preliminary injunction should not be allowed to accrue enhanced damages based solely on the infringer's post-filing conduct. The Federal Circuit went on to conclude that if a patentee cannot secure a preliminary injunction, it is likely the infringement did not rise to the level of recklessness required to recover enhanced damages for willful infringement.

Applying the same rationale, the Federal Circuit also held that reliance on the advice of opinion counsel does not waive trial counsel's work product protections. The Federal Circuit explained that trial counsel's mental processes enjoy the utmost protection from disclosure, and the scope of waiver should take into account this heightened protection. The Federal Circuit thus concluded that the general principles of work product protection remain in force with respect to trial counsel; a party may obtain discovery of work product upon a sufficient showing of need and hardship, bearing in mind that a higher burden must be met to obtain work product pertaining to mental processes. The Federal Circuit noted that trial courts remain free to exercise their discretion to extend waiver of both the attorney-client privilege and work product protection to trial counsel in unique circumstances, such as those in which the party or counsel engages in "chicanery." The Federal Circuit did not address whether any waiver extends to communications and work product of inhouse counsel.

#### The Impact of In re Seagate

One significant impact of In re Seagate is the difficulty that a patentee may have in showing whether an alleged infringer's conduct rises to the level of objective recklessness, thus curtailing the opportunity for treble damages. The Federal Circuit's opinion in *Seagate* provides clarity on the scope of the waiver of the attorney-client privilege and work product protections when asserting an advice of counsel defense. The new objective recklessness standard for willful infringement announced by the Federal Circuit may lessen the need for obtaining opinions of counsel, and reduce complications arising from the corresponding privilege and work product waivers when such opinions are obtained and relied upon. Patent holders may be more likely to move for preliminary injunctions in an attempt to seek enhanced damages based on post-filing willful infringement.

F.3d \_\_ (Fed. Cir. 2007) and In re Comiskey, \_\_ F.3d \_\_ (Fed. Cir. 2007)

More recently, the Federal Circuit has turned its attention to patentable subject matter. Two recent cases decided on September 20, 2007, addressed the issue of whether a signal was patentable subject matter and whether business methods requiring only human thinking was patentable subject matter.

#### In re Nuijten

In this case, the Federal Circuit determined the issue of whether a signal is patentable subject matter and concluded that a "transitory, propagating signal [] is not a 'process, machine, manufacture, or composition of matter.' The court reasoned that "[t]hose four categories define the explicit scope and reach of subject matter patentable under [the patent statute]" such that "a signal cannot be patentable subject matter."

Nuijten's patent application disclosed "a technique for reducing distortion induced by the introduction of 'watermarks' into signals [] by further modifying the watermarked signal in a way that partially compensates for distortion introduced by the watermark." Nuijten included claims to a process for embedding supplemental data in a signal, which were allowed. However, Nuijten also included claims to a signal with embedded supplemental data that were rejected as nonstatutory subject matter. These claims were appealed to the Board of Patent Appeals and Interferences, which affirmed the examiner's rejection. Nuijten then appealed to the Federal Circuit.

The Federal Circuit noted that the claims on appeal "covered transitory electrical and electromagnetic signals propagated through some medium, such as wires, air, or a vacuum." The court noted that such signals were not encompassed by any of the four statutory patentable subject matter categories: process, machine, manufacture, or composition of matter. The claimed signal was not a process because a process must "cover an act or series of acts and Nuijten's signal claims do not". The claimed signal was not a machine because a "propagating electromagnetic signal is not a 'machine" because it is not a mechanical "device" or "part". Nor is the claimed signal an article of manufacture because they "do not comprise some tangible article or commodity." Finally, the claimed signal is not a composition of matter because based on the Supreme Court definition of a composition of matter a signal comprising a fluctuation in electrical potential or in electromagnetic fields is not a 'chemical union,' nor a gas, fluid, powder, or solid."

Judge Lin, wrote an opinion concurring-in-part and dissentinghttp://www.Mone-aimportantbyuthesee-wases-xbegint2koi9signife-a85ullbaci087bb1e7008 in-part. In his view the claimed signal contemplated "some physical carrier of information" that required "some input 'material' - whether a pulse of energy or a stone tablet." Under an expansive sense of patentable subject matter per the Supreme Court decision in Diamond v. Chakrabarty, 447 U.S. 303 (1980), the resulting signal would be an article of manufacture.

#### In re Comiskey

In this case, the Federal Circuit concluded that the present patent statute does not allow patent for particular business systems that depend entirely on the use of mental processes. The court established that "the application of human intelligence to the solution of practical problems is not in and of itself patentable."

Comiskey's patent application was a method and system for mandatory arbitration involving legal documents, such as wills and contracts. Claim 1 was a method claim for mandatory arbitration resolution regarding one or more unilateral documents, which recited a series of process steps. The recited steps involved actions, but required no machine, e.g., a computer, and did not describe a process of manufacture or a process for alteration of a composition of matter. The claims recited only use of mental processes to resolve a legal dispute, and thus, were not patentable. In contrast, claim 17 was a system claim included components that could use a computer, such as functional modules and a database. The court stated that when "an unpatentable mental process is combined with a machine, the combination may produce patentable subject matter." Hence, claims 17 and 46 were found to be patentable subject matter. However, the court noted that these claims also may be obvious when the claims merely add a modern general purpose computer to otherwise unpatentable mental processes.

#### Impact of In re Nuijten and In re Comiskey

In view of the Federal Circuit decision in this *Nuijten*, patent applicants may not be able to claim signals, but still may claim aspects of the signals within other statutory classes such as processes and articles of manufacture (e.g., a disk). As for Comiskey, on the one hand this case provides that recitation of a structure such as a microprocessor may be sufficient to establish patentable subject matter. However, in determining nonobviousness a court (or an examiner) could first evaluate whether the there is patentable subject matter because a portion of the invention that constitutes nonobvious subject matter may be now be considered obvious.

of patentable subject matter. The dissent by Judge Lin may foretell whether the Federal Circuit is heading down a path in which ultimately the Supreme Court may need to weigh in. In view of Diamond v. Chakrabarty being a 5 to 4 decision, it could be interesting to see whether the Supreme Court would further confirm, clarify, or set aside their prior decision in Diamond v. Chakrabarty.

#### Conclusion – and What is Ahead

The year 2007 was indeed a watershed year in terms of major patent decisions and their impact on existing patents and pending patent applications. Moreover, with the Supreme Court granting certiorari in the Quanta Computer, Inc. v. LG Electronics, Inc. case, 2008 already is expected to start out with bang. In the *Quanta* case, the Supreme Court will consider the issue of patent exhaustion, and more particularly, whether patent holders can receive royalties from various companies as the product moves its way through the manufacturing chain.

#### The editor and authors

This summary article of significant 2007 patent law cases was edited by Rajiv P. Patel, Partner, Fenwick & West LLP and includes works authored by the following attorneys: Carolyn Chang, Associate, Heather N. Mewes, Partner, Liwen Mah, Associate, Charlene Morrow, Partner, Rajiv P. Patel, Partner, Michael J. Sacksteder, Partner, Saina Shamilov, Associate.

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Tab 6

# Patent Alert: http://www.jdsupra.com/post/documentViewer.aspx?fid=7f26d9b9-53ae-4857-b643-f087bb1e7008 New Rules for U.S. Patent Applications

August 21, 2007

BY ROBERT HULSE, DANIEL R. BROWNSTONE, MICHAEL W. FARN AND JOHN T. MCNELIS

Earlier today, the United States Patent and Trademark Office (USPTO) published new rules for patent prosecution. The rules take effect on November 1, 2007, with some having retroactive effect. The new rules cover three general areas: 1) continuation practice, which allows an applicant to obtain additional patent protection for an invention by filing additional daughter applications within a patent family; 2) divisional practice, which allows an applicant to request patent protection for multiple different ideas disclosed in the same application; and 3) the examination of claims by the USPTO. The new rules represent a major shift in procedure, and different strategies will have to be adopted for developing patent portfolios.

Because some of these rules apply retroactively to patent applications that are already pending, it may be advisable to take certain actions before they go into effect on November 1<sup>st</sup>.

## Continuing Applications: Patent families are limited to two continuing applications and one RCE.

The number of continuing applications, which include continuation applications and continuation-in-part (CIP) applications, is effectively capped for each patent family. Continuing applications have traditionally been filed when patent coverage is desired beyond what the current patent family affords. Under the new rules, however, an applicant can in most cases file only two continuation or CIP applications and only a single request for continued examination (RCE) during the entire prosecution period of the entire family, absent a showing of certain circumstances. In addition, the USPTO can now merge related applications having similar claims, to prevent applicants from filing the same application multiple times to circumvent the continuation limit. Lastly, while a transitional rule will allow one additional continuation for those families already beyond the two-continuation maximum as of today's date (Aug. 21), the new rules



apply to varying degree to all families, regardless of the parent application's filing date, and will therefore have a retroactive effect on all currently pending applications.

Since the new rules limit your ability to file additional applications when the currently obtained patent coverage is not sufficient, it is more important than ever to focus claims on precisely what is most important to protect and to make good progress with every interaction with the USPTO. Failure to do so may result in inadequate patent coverage if the size of the patent family reaches its limit before adequate patent coverage is secured.

#### Divisional Applications: Divisionals claiming different ideas contained in a single application can be filed only when required by the USPTO.

Divisional applications are now permitted only in response to a USPTO restriction requirement. Divisional applications have traditionally been filed when an original application contains multiple different ideas, with a different divisional application filed to cover each different idea and without any limit on the number of divisional applications that can be filed. Under the new rules, follow-on applications protecting different ideas can be filed only when the examiner requires it, or if the applicant decides to voluntarily use some of his twocontinuation maximum for this purpose. Applicants will be able to propose a restriction requirement, but the decision is entirely that of the examiner.

Since the new rules covering divisional applications severely limit an applicant's ability to file additional applications to protect previously-unclaimed subject matter, it is more important than ever to include full claim sets covering all valuable patentable ideas in original applications, rather than filing applications with the intention of adding additional claims later to pursue additional subject matter. Failure to do so may result in an inability to later request patent coverage for originally unidentified concepts.

## Examination of Patent Claims: Applications are limited to five independent claims and twenty-five claims total.

The new rules also affect the way that claims are examined by the USPTO by effectively setting a maximum of 25 claims in each application, of which at most five may be independent claims. This maximum may be exceeded only by filing an "examination support document" that requires the applicant to provide a fairly detailed search and examination. However, this option will usually be undesirable because of the cost involved, and because it requires making admissions about the scope of the patent claims. Like the limits on continued examination, these rules have a retroactive effect, as they apply to any applications in which a first substantive Office Action has not been mailed as of November 1, 2007, regardless of when the application was originally filed. All such pending applications will have to be reviewed in order to either reduce the number of claims to 25 or to file an examination support document. Attempts to avoid the impact of this rule by filing multiple applications having similar disclosure but multiple claims are not likely to succeed, as the USPTO will, absent a credible explanation by the applicant, count all the claims as if they had been filed in a single application.

Coupled with the new rules that limit the number of examinations the USPTO will perform within any patent family, it is more important than ever to identify the most important concepts and sub-concepts for patent protection. Failure to do so may result in the USPTO focusing its limited number of examinations on the wrong concepts.

#### Conclusion

In view of these new rules, we recommend reviewing your patent portfolio with us to identify any actions that should be performed prior to November 1<sup>st</sup>. There is no single strategy or universal answer that is appropriate for all patent applicants. Accordingly, please contact us to discuss how we can adjust your patent strategy and goals to derive the most benefit in light of these new rules.

#### Top 5 Questions & Answers

#### Question: Is there anything different I need to do?

**Answer:** Most Likely. The new rules impose some new obligations on patent applicants, and they also prevent many actions that used to be common in the prosecution of applications. Whether you need to take any action right now depends on your particular patent strategy, the status of your applications, and other factors unique to you. After reviewing this memorandum and the questions below, you should contact your attorney to discuss your portfolio.

**Question:** How do the new rules affect patent applications that are currently undergoing examination?

**Answer:** The new rules have a retroactive effect, so any of your pending patent applications can be affected. In particular, the rules will limit your ability to pursue patent claims using a request for continued examination (RCE) or by filing a new continuation, continuation-in-part, or divisional application based on any currently pending application. Significantly, this may limit your ability to pursue additional claims for inventions that you have not already identified and claimed in your pending applications. There are many other possible effects on your current portfolio, and you should consult your attorney for more specific advice or to answer any questions you have about your patent applications.

**Question:** What proactive steps I should take with respect to filed patent applications that have not yet been examined?

**Answer:** The rules will limit your ability to pursue patent protection for any subject matter that you have described but not claimed in your patent applications. You should consider whether you wish to review your current portfolio to identify any valuable unclaimed subject matter, so that it can be added to a currently pending application, thus receiving an examination or restriction. In addition, for any application that has not yet received a first Office Action, you will need to either reduce the number of claims to meet the 25/5 limit or file an examination support document. Your attorney will work with you to help identify which, if any, claims should be canceled, amended, or kept intact.

**Question:** What should I do differently with respect to drafting and filing patent applications in the future?

**Answer:** The new rules significantly affect what we consider best practices in many areas of patent prosecution, including prior art searching, drafting patent claims, arguing to overcome rejections, and deciding how to protect a group of related inventions. The new rules reward intelligent, thoughtful prosecution of patent applications and penalize prosecution that defers patent strategy for a later time. It is more important than ever to identify a clear patent strategy up front and to pursue the patent claims more vigorously during prosecution. To avoid coming away from the USPTO with less protection than you deserve, some changes to consider include presenting more alternative arguments in responses to rejections, appealing final rejections more often, and considering more in-person examiner interviews.

#### Question: Will this impact my budget?

**Answer:** Yes, the patent office is shifting some of its work to the patent applicant. Accordingly the new rules will likely result in an increase in patent preparation and prosecution costs, but the actual impact will depend on a number of factors. Some changes that will particularly affect those with large patent portfolios include the requirements to analyze all pending applications to (i) bring them into compliance with the claim limitation rules and (ii) identify, for each pending application, all patents and patent applications that satisfy specific criteria, for which the patent office will presume that these identified patents/applications are all part of the same patent family. To overcome this presumption the applicant must file a document explaining how each of the claims in each of the identified patents/applications is patentably distinct. The new rules have changed what we consider best practices, as explained above; therefore, we anticipate that the costs for a particular round of examination will likely rise.

However, the new rules should also bring prosecution to an ultimate conclusion sooner, so the average number of rounds of examination for each application will likely go down, offsetting some of the other increases in cost. David L. Hayes, Partner, Chair, Intellectual Property Group, <u>dhayes@fenwick.com</u>, 415.875.2411

John T. McNelis, Partner, Chair, Patent Group, <u>jmcnelis@fenwick.com</u>, 650.335.7133

Rajiv P. Patel, Partner, Vice Chair, Patent Group, <u>rpatel@fenwick.com</u>, 650.335.7607

Michael W. Farn, Partner, Intellectual Property Group, <u>mfarn@fenwick.com</u>, 650.335.7823

Brian M. Hoffman, Partner, Intellectual Property Group, <u>bhoffman@fenwick.com</u>, 415.875.2484

Stuart P. Meyer, Partner, Intellectual Property Group, <a href="mailto:smeyer@fenwick.com">smeyer@fenwick.com</a>, 650.335.7286

Robert R. Sachs, Partner, Intellectual Property Group, <u>rsachs@fenwick.com</u>, 415.875.2410

Michael J. Shuster, Partner, Intellectual Property Group, <u>mshuster@fenwick.com</u>, 415.875.2413

Albert C. Smith, Partner, Intellectual Property Group, <u>asmith@fenwick.com</u>, 650.335.7296

Greg T. Sueoka, Partner, Intellectual Property Group, gsueoka@fenwick.com, 650.335.7194

Daniel R. Brownstone, Associate, Intellectual Property Group, <u>dbrownstone@fenwick.com</u>, 415.875.2358

Robert Hulse, Associate, Intellectual Property Group, <u>rhulse@fenwick.com</u>, 415.875.2444

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## http://www.jdsupra.com/post/documentViewer.aspx?fid=7f26d9b9-53ae-4857-b643-f087bb1e7008 Perspective: Patents, post-*MedImmune*

BY SERGIO GARCIA AND MICHAEL DAVIS-WILSON

Earlier this year, the Supreme Court shook the foundations of patent licensing and technology transfer, altering the balance of power between patent holders and their licensees and creating profound implications for the lifesciences industry. In *MedImmune v. Genentech*, the high court effectively paved the way for more frequent patent challenges that could disadvantage smaller companies and organizations.

For decades prior to the *MedImmune* decision, courts typically refused to allow a company that licensed a patent to challenge its validity unless that company had violated the license and faced an imminent lawsuit for infringing the patent. In *MedImmune*, however, the Supreme Court ruled that licensees shouldn't have to risk the harsh consequences of an infringement suit in order to ask a court to invalidate a patent. (Read the court's Jan. 9 decision in PDF form <u>here</u>.)

Now companies that license intellectual property are much freer to challenge patents, a development that has already begun to alter the playing field for patent holders and licensees alike. That's particularly true in industries such as biotechnology, where widely licensed patents that cover drug-production technologies are commonplace. Early indications based on lower court decisions also suggest that *MedImmune* may have made it easier to challenge patents in a broad variety of circumstances, not simply those in which a company wishes to avoid paying royalties by invalidating a licensed patent.

The post-*MedImmune* environment presents an acute challenge for small biotech companies and universities. These organizations generally have limited funds to fight patent lawsuits and might therefore face stepped-up legal attacks on their patents. Some licensing strategies, however, can help minimize those risks, although none are quick fixes, and their effectiveness will vary depending on the relative bargaining power of the parties involved.

IP holders, for instance, may seek to make patent lawsuits more expensive for licensees by requiring higher royalties, or even termination of the license, in the event of a

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challenge. In the latter case, of course, a challenge could once again expose the plaintiff to an infringement lawsuit, effectively restoring the pre-*MedImmune* status quo.

Patent holders might also seek to reduce the economic incentive to challenge a patent by "front-loading" payments — for instance, by requiring a lump-sum payment at the time of signing in lieu of a high royalty rate on potential future sales of products covered by the license. Finally, licensing companies may erect new roadblocks, such as making mandatory arbitration of any patent challenge a requirement of the initial license agreement.

Of course, many patent holders, especially emerging companies with limited resources, may not have the bargaining clout to insist on such terms. What's more, these strategies will only work for future licenses — current licenses will remain vulnerable to challenge under *MedImmune* unless they are renegotiated.

In many respects, *MedImmune* has substantially boosted the risks faced by patent holders while creating new leverage for licensees. In this sense, it parallels other recent court rulings and new patent-office rules that also threaten to erode patent protection. While well entrenched patent holders may be able to limit those risks by altering the terms of future licenses, there remains a strong possibility that the new legal environment could limit the ability of smaller companies and universities to make full use of their intellectual property, potentially even jeopardizing the pace of biomedical innovation.

Sergio Garcia is the Co-Chair of the Life Sciences Group and a partner in the Intellectual Property Group and the Corporate Group at <u>Fenwick & West</u>. He can be reached at <u>sgarcia@</u> fenwick.com.

Michael Davis-Wilson, a Fenwick & West summer associate, contributed to the preparation of this article.

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THIS UPDATE IS INTENDED BY FENWICK & WEST LLP TO SUMMARIZE RECENT DEVELOPMENTS IN THE LAW. IT IS NOT INTENDED, AND SHOULD NOT BE REGARDED, AS LEGAL ADVICE. READERS WHO HAVE PARTICULAR QUESTIONS ABOUT THESE ISSUES SHOULD SEEK ADVICE OF COUNSEL. Federal Circuit Again Addresses Jurisdiction @verww.jdsupra.com/post/documentViewer.aspx?fid=7f26d9b9-53ae-4857-b643=f087bb1e7008 Declaratory Judgment Claims and Confirms That a Patentee May Still Escape Declaratory Claims by Dismissing Its Claims and Granting a Covenant Not to Sue

The Federal Circuit recently held that the Supreme Court's *MedImmune* decision did not alter a patentee's ability to avoid declaratory judgment claims by dismissing its claims and issuing a covenant not to sue. *Benitec Australia, Ltd. v. Nucleonics, Inc.*, 2007 U.S. App. LEXIS 17299 (Fed. Cir. July 29, 2007).

The patentee, Benitec, sued Nucleonics for patent infringement for its development work relating to RNA-based disease therapy. Nucleonics later asserted declaratory counterclaims of invalidity and unenforceability. After the Supreme Court issued its decision in *Merck KGaA v. Integra Lifesciences I, Ltd.*, 545 U.S. 193 (2005), Benitec concluded that it no longer possessed viable infringement claims against Nucleonics and sought to dismiss its complaint, along with Nucleonics's declaratory counterclaims, without prejudice. The district court granted the dismissal.

Nucleonics challenged the dismissal on the grounds that Benitec's covenant not to sue failed to divest court of jurisdiction and, although its past and current work relating to the human application of RNAi was exempt from claims of infringement pursuant to 35 U.S.C. § 271(e)(1), it had taken steps to expand its business to animal RNAi products, which it contended was not exempt under 35 U.S.C. § 271(e)(1). In particular, Nucleonics had entered into discussions with another party regarding providing animal RNAi products and executed a non-disclosure agreement, which was a precursor to "detailed technical discussions." Nucleonics also submitted an uncontroverted declaration that its work and research relating to animal RNAi products would "commence shortly." During the appellate proceedings, Benitec granted Nucleonics a covenant not to sue for "patent infringement for any activities and/or products occurring on or before the date of dismissal."

The Federal Circuit upheld the dismissal of the declaratory counterclaims and confirmed that the doctrine set forth in *Super Sack Manufacturing Corp*. v. Chase Packaging Corp., 57 F.3d 1054 (Fed. Cir. 1995), and its progeny remains intact. Specifically, the Federal Circuit confirmed that a patentee's mid-suit grant of a covenant not to sue can divest a court of subject matter jurisdiction over declaratory judgment claims. It also noted that Fort James Corp. v. Solo Cup Co., 412 F.3d 1340, which held that a patentee's post-trial grant of a covenant not to sue failed to divest the court of jurisdiction, was an exception to the general rule and limited to when trial of the infringement issue has already occurred. The Federal Circuit also distinguished SanDisk Corp. v. STMicroelectronics NV, 480 F.3d 1372 (Fed. Cir. 2007), on the ground that the patentee there had merely made a statement regarding its intent not to sue, rather than a legally-binding promise.

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As to Nucleonics's plans with respect to animal RNAi products, the Federal Circuit held that Nucleonics failed to demonstrate that it had engaged in any "use" of a patented invention, thus it had not engaged in any "present activity" that could give rise to a claim of infringement. Accordingly, despite its intent to commence work shortly, Nucleonics's plans to engage in potentially-infringing activity in the future failed to meet the "immediacy and reality requirement" of *MedImmune*. The Court further held that Nucleonics failed to carry its burden to show jurisdiction because it did not submit sufficient information to evaluate whether Nucleonics's future work would be potentially infringing or whether the exemption of section 271(e)(1) would apply to that work.

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Supreme Court in *Medimmune* Opensut hew.jdsupra.com/post/documentViewer.aspx?fid=7f26d9b9-53ae-4857-b643-f087bb1e7008 Courthouse Doors to Licensees Who Challenge the Scope or Validity of Licensed Patents

BY LIWEN A. MAH

The Supreme Court has ruled that patent licensees do not need to breach their license agreements before seeking a declaratory judgment in federal court that the underlying patent is invalid, unenforceable, or not infringed. *MedImmune v. Genentech*, No. 05-608 (Jan. 9, 2007). The Court displayed its continued unwillingness to defer to the Federal Circuit and signaled a practical approach regarding challenges to patents. For patentees and licensees, *MedImmune* calls for extra care in drafting licensing agreements to clearly define licensees' rights to challenge the underlying patents.

### A controversy may exist even without threat of suit

In this case, Genentech asserted that a respiratory drug product from MedImmune infringed its patent. MedImmune denied liability but ultimately agreed to take a license from Genentech. Although MedImmune continued to pay royalties pursuant to its license agreement, it filed a declaratory judgment action arguing that Genentech was not entitled to royalties because the asserted patent was invalid, unenforceable, or not infringed.

Genentech moved to dismiss the lawsuit for lack of subject matter jurisdiction, since federal courts cannot issue advisory opinions and have jurisdiction only where there is an actual controversy and cannot issue advisory opinions. In prior cases with similar facts, the Federal Circuit had found no controversy existed because a licensee in good standing cannot have any reasonable apprehension of being sued for infringement by the patentee. Accordingly, the Federal Circuit dismissed MedImmune's challenge.

In an 8–1 decision, the Supreme Court ruled that an actual controversy existed. While MedImmune had contractually agreed to pay the royalties regardless of the patent's validity, the Court stated that agreeing to pay a royalty "until a patent claim has been held invalid



by a competent body" does not prevent a licensee from questioning the patent's validity.

Moreover, the Court noted that there was no legal or practical reason to require a licensee to breach the license agreement-exposing the licensee to liability or causing damages—before seeking a declaratory judgment regarding that license agreement. Previously, in Altvater v. Freeman, 319 U.S. 359 (1943), the Court had allowed patent licensees who had paid royalties "under protest" to seek a declaratory judgment about the patent's validity. Signing a license agreement under protest creates a controversy "where payment of a claim is demanded as of right and where payment is made, but where the involuntary or coercive nature of the exaction preserves the right to recover the sums paid or to challenge the legality of the claim." However, in the Federal Circuit case, the court distinguished Altvater as applicable only when the "involuntary or coercive nature" arises from an injunction or governmental compulsion.

Writing for the majority of the Court, Justice Scalia disagreed, stating that Altvater's facts did not require such a narrow rule. "The rule that a plaintiff must destroy a large building, bet the farm, or (as here) risk treble damages and the loss of 80 percent of its business, before seeking a declaration of its actively contested legal rights finds no support" in the Constitution's jurisdictional requirements for federal courts. This comment is particularly notable because Justice Scalia, who has authored some of the Court's major decisions on justiciability, has written that federal jurisdiction requires the existence of an injury to a legally protected interest that is not conjectural or hypothetical. In MedImmune, Justice Scalia stated that MedImmune's prospective injury was not merely conjectural or hypothetical, even though Genentech had never threatened to sue its licensee in the absence of a license agreement.

## Licensees now have more leverage, and patentees will http://www.Asus common in intellectual property cases athe 57-b643-f087bb1e7008 need to negotiate harder for covenants not to sue decision here raises new areas of uncertainty at the

As a result, patentees now have much less leverage over licensees who have not admitted the validity, enforceability, or infringement of the licensed patents. In his dissent, Justice Thomas argued that MedImmune entered into the license agreement and paid the royalties, and that the majority was thus wrong to interfere with "voluntarily accepted contractual obligations between private parties." Genentech argued that licensing is a voluntary agreement whereby a licensee gains immunity from infringement suits in exchange for royalties and a waiver of any right to challenge the underlying patent. Furthermore, the license agreement required MedImmune to pay royalties until a patent claim was held invalid by a competent body.

The majority, however, disagreed with these arguments and echoed the decision in *Lear, Inc. v. Adkins*, 395 U.S. 653 (1969). *Lear* held that a licensee is not estopped from challenging a patent despite an agreement to pay royalties until a patent is held invalid. The rationale of *Lear* is that public policy favors "full and free competition in the use of ideas," so licensees should have a prerogative to challenge a patent. After *MedImmune*, courts are unlikely to infer from a license agreement that a licensee has waived the right to sue over the scope or validity of the licensed patent.

Patentees thus should carefully consider whether to grant a license without an express covenant not to sue. Under the license in *MedImmune*, Genentech could not sue MedImmune for infringement so long as MedImmune paid its royalties and was in good standing. This gave MedImmune the option to decide when and where to challenge the patent in federal court. Because of this asymmetry in the ability to sue once a license is in place, a patentee may be better off initiating an infringement suit in lieu of licensing if infringement is believed to be present by the potential licensee. However, the higher costs associated with litigation are likely to play a major role in the feasibility of such a decision. Alternatively, a patentee might consider a more complex and robust licensing agreement.

decision here raises new areas of uncertainty at the same time as it resolves other issues. It appears that some time will be needed before we can determine the extent to which the right of private contract will be allowed to prevail over the doctrine supporting a licensee's right to challenge a patent. In addition, patent owners may pressure Congress to address the above-noted asymmetry.

Liwen A. Mah (415.875.2336, <u>lmah@fenwick.com</u>) is an associate in the Litigation Group of Fenwick & West LLP.

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## International Patent Strategy: Springboard to Going Global

BY RAJIV P. PATEL AND NEIL F. MALONEY

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#### Introduction

In today's global marketplace, patent protection continues to be an important part of a company's overall business and intellectual property strategy. However, protection provided by any one patent is limited to within the country in which it was granted. For example, a U.S. patent provides no protection against infringing activities that take place in Great Britain or Japan, or even just over the borders in Canada or Mexico. Thus, to secure patent rights in countries other than the U.S., the company must apply for and be granted patent protection within each particular country of interest. This article provides a basic overview of applying for patent protection outside the U.S. and strategies for determining which countries provide the most value for a particular business.

In reviewing the options below, keep in mind that an application filed in the U.S. may be filed outside the U.S. under certain conditions: (1) the subject matter of the patent application was not publicly disclosed prior to the U.S. filing; (2) the application is filed under a treaty between the U.S. and another country that recognizes the U.S. application filing date, i.e., the priority date.

### Evaluating Whether to Pursue Protection Outside the U.S.

In deciding whether to obtain patent protection outside the U.S., a company must consider a number of factors. As a preliminary matter, it is important to understand that most foreign filed applications will eventually be published in the U.S. and abroad. As such, a company will forfeit trade secret protection for the subject matter disclosed in a foreign filed application. If, however, the company affirmatively elects to only file in the U.S., it has the option of maintaining the secrecy of that subject matter until the application issues as a patent. Hence, a company should first decide if publication of the invention before any patent is granted is an acceptable consequence of filing the foreign application.

Next, the company must evaluate in which countries patent protection would likely provide value. Example inquiries for this evaluation include: (1) what countries will products embodying the invention likely be manufactured or sold?; (2) in what countries will other companies likely manufacture or sell competing products?; (3) in what countries will enforcement of patent rights be cost effective and practical? Note that a company's situation may vary by country. Nevertheless, generally foreign patent protection is sought in one or more of the following industrialized countries: Australia, Canada, China, India, Israel, Japan, Korea, Taiwan, and various countries in Europe, including Germany and Great Britain.

Once particular countries are considered for patent protection, the company must evaluate the costs of filing for protection in each country. These costs can be significant depending on factors such as filing fees in the selected countries and translations necessary in countries that do not conduct business in English. Thus, the company must perform a cost benefit analysis to determine what and where patent filings are justified. For ease of discussion, the cost estimates provided herein assume the filing is based on an earlier filed U.S. application.

### Pursuing Patent Protection Outside the U.S.

Once it is determined that patent protection outside the U.S. is desirable, there are a number of available options. The first option is to timely file a patent application directly in the patent office of each country where patent protection is desired. The second option is to file a patent application in a regional patent office. The third option is to file a patent application under the Patent Cooperation Treaty (PCT), to which the U.S. and most other industrialized countries are members. Each option and possible strategies are further described below.

Turning to the first option, in determining whether to file a http://www.atad.to.defergrayment.of/translationcegstscientistae.testion.tegstscientistae.testion.tegstscientistae.testion.tegstscientistae.testion.tegstscientistae.testion.tegstscientistae.testion.tegstscientistae.testion.testio patent application directly in the patent office of a selected country, a company should consider three factors: (1) certainty with respect to which countries patent protection is desired; (2) a willingness to forgo the option to seek protection in other countries at a later date; and (3) a willingness to pay the associated filing fees and language translation costs, where necessary. Average costs for directly filing an application in a national patent office range from about \$2,000 to \$12,000 per country. The wide range is due to filing fees, attorney fees, and translation costs where necessary. It is important to note these estimates do not include periodic costs to maintain the application and subsequent patent. These fees can range from a few hundred to several thousand dollars. For example, maintenance fees in Japan typically range from several hundred dollars in the first year of a patent term to several thousand dollars in the last year of the patent term.

The second foreign filing option, timely filing of an application directly in a regional patent office, offers economies of scale of examining the application within a single authoritative agency and thereafter formalizing protection in the member countries of the regional patent office. The most well known regional patent office is the European Patent Office (EPO) and its members include Finland, France, Germany, Great Britain, Italy, Sweden, and Spain, among others.

Filing in the EPO allows the company to submit one application designating any of the member countries of the European Patent Convention instead of filing a separate application in each of the desired national patent offices. The EPO conducts an examination of the application, which can take several years, and "grants" the patent. Thereafter, the company must "perfect" that grant in the specific member countries of the EPO in which they seek protection. Perfecting the patent grant usually entails paying administrative fees and translating the patent into the appropriate national language. Some countries only require translation of the claims, while others require translation of the entire patent.

From a strategy perspective, if the company is: (1) only interested in European countries: and (2) intends to file in three or more of those countries, then the company should generally file an EPO application designating those countries, rather than filing individual national applications. This allows the company to avoid multiple examination fees, granted. The cost of pursuing and obtaining an EPO patent grant and perfecting it in three countries typically runs about \$10,000-\$30,000, depending upon the selected countries, the application length, and the duration and extent of the prosecution. Again, as previously noted, these costs are exclusive of fees necessary for maintaining the patent application and patent on a periodic basis.

A third foreign filing option is timely filing of an application under the Patent Cooperation Treaty (PCT). Generally, all of the major industrialized countries are members of the PCT. However, a notable exception to PCT membership is Taiwan. Hence, patent protection in Taiwan only can be pursued through a direct national filing and not a PCT filing.

The primary advantages of a PCT application include delay having to make a decision on where to foreign file a patent application and defer payment of regional or national filing and translation fees. Generally, a company should consider filing a PCT application when any one of the following apply: (1) the company wants to preserve its patent rights in various countries or regions around the world, which are members of the PCT, while assessing the commercial potential of those markets and deferring costs of national or regional patent filings; (2) the company is uncertain of the countries in which patent protection is desired; (3) the company wants to assess the results of the U.S. prosecution before filing in other countries; and/or (4) the company wants to assess the commercial viability of the invention in the U.S. before filing in several countries.

The PCT process is broken into an "international" phase and a "national" phase. The international phase includes two sub-phases, referred to as "Chapter I" and "Chapter II", the procedures under which have recently changed for PCT applications filed as of January 1, 2004. Chapter I is required, and includes an international preliminary search for prior art. Prior art typically includes public documents that are prior to the priority date of the present application and that appear to disclose in whole or in part the invention of the application. The search is carried out by an international search authority (ISA), which is usually the United States Patent & Trademark Office (USPTO) or the EPO. The search is typically carried out within three to nine months of filing the PCT application, and a resulting search report is provided to the company.

The ISA establishes a written opinion based on the search http://www.Qnecstrategy.some.companies.pursurg/iscsimultaneous/iscsimult report. The opinion is a preliminary non-binding opinion as to the patentability of the claimed invention. If no Chapter II "demand" is filed, the written opinion is converted into an "international preliminary report on patentability" (IPRP-Ch.1), which has the same content as the ISA's written opinion. A company may respond to the written opinion, but without a filed demand, the company can only informally comment on the opinion.

If, on the other hand, a demand is filed, then Chapter II commences, where the "international patent examination authority" (IPEA) generally uses the ISA's written opinion as its initial opinion. Unlike Chapter I, the company can amend the application and formally argue against the written opinion. The IPEA may respond with further written opinions, at its discretion. The IPEA then issues a final "international preliminary report on patentability" (IPRP-Ch.2). This report is also a non-binding opinion as to the patentability of the claimed invention.

Filing an optional Chapter II demand allows the company to formally argue the merits of the PCT application before the IPEA. This may be desirable in order to obtain a favorable IPRP, which may facilitate smooth prosecution at the various national patent offices that show deference to the IPRP. A caveat here is that a few remaining countries still require a demand to be filed in order for the company to defer entry into the national phase. With no timely demand filed, the national phase for these few countries must be entered about 10 months sooner than other countries. Otherwise, the PCT application will go abandoned. However, this requirement for a Chapter II demand is not applicable to most major member PCT countries in which companies typically pursue protection.

The next phase in a PCT application is the national phase, which is 20 or 30 months from the earliest priority date for most countries. At this time the company must file the application in each region or country where protection is desired, as previously described. Each national patent office may use the PCT search results and/or conduct further searching. A binding examination is then conducted by that patent office, which may or may not provide results similar to the non-binding IPRP, depending on the various patentability requirements of that country and additional prior art that is found.

filing a U.S. patent application and a corresponding PCT application, in which they designate the USPTO as the ISA. Often, the examiner that is assigned to carry out the PCT search is also assigned to examine the U.S. application. Thus, if the PCT search report is favorable, then the examiner may be inclined to grant an early allowance of the U.S. application. Note, however, that this strategy is by no means a sure bet, and a less than favorable PCT search report can just as likely result in an early rejection of all claims. In any event, such strategy may jump start an early prosecution of the corresponding U.S. application, which would otherwise not be examined for two to three years.

Referring briefly to legal costs, the cost of filing a PCT application usually ranges from about \$2,000-\$6,000, depending upon which chosen ISA, the number of countries designated, and the number of pages in the application. In addition, the cost for filing a demand runs about \$1,000-\$3,000, depending upon the chosen IPEA.

### Conclusion

A company has various options for pursing patent protection outside the U.S. Pursuing and securing patent protection outside the U.S. can take on average three to eight years from the initial U.S. filing depending on factors such as the countries in which protection is sought and the legal requirements and procedures for pursing the application through issuance before each respective country patent office. In an increasingly global marketplace, companies with long-term vision must seriously evaluate whether patent protection outside the U.S. is a necessary element of their overall patent strategy. With the aide of patent counsel, a company can evaluate the cost-benefit analysis of patent protection outside of the U.S. and determine whether such protection is of value, based on business goals. Thereafter, the company can work with patent counsel to ensure strategic and timely filings of applications outside the U.S. based on their selected options.

For more information on developing and executing a global patent strategy contact Rajiv P. Patel at +1.650.335.7607 or <u>rpatel@fenwick.com</u>. Rajiv is a partner in the IP/Patent Group of Fenwick & West LLP, a Silicon Valley based high technology and biotechnology firm which global reach. Fenwick & West LLP is on the web at www.fenwick.com. Neil Maloney is patent counsel at St. Gobain Corporation in Worcester, Massachusetts,

## Injunctions After eBay v. MercExchange

BY VIRGINIA K. DEMARCHI

More than a year has passed since the U.S. Supreme Court's decision in eBay, Inc. v. MercExchange, LLC, 126 S. Ct. 1837 (2006). In *eBay*, a unanimous Court held that successful plaintiffs in patent infringement cases are not automatically entitled to a permanent injunction, and that "well-established principles of equity" require that patent holders satisfy the traditional four-factor test for obtaining an injunction - (i) irreparable injury, (ii) inadequacy of remedies at law, (iii) the balance of hardships favors an injunction, and (iv) the public interest would not be disserved by an injunction. The eBay decision rejected the Federal Circuit's long-standing rule that a permanent injunction should issue when a patent owner obtains a judgment of infringement, absent "exceptional circumstances" or, in "rare instances", to protect the public interest.

Predictions regarding the impact of *eBay* have generally forecast dramatic changes in the relief available in patent infringement lawsuits, particularly those brought by patent owners who do not practice the inventions they assert against others. How dramatic have the changes been? So far, the Federal Circuit has decided only two post-*eBay* appeals involving injunctions — both of them preliminary injunctions – providing only limited guidance. In one of these, Sanofi-Synthelabo v. Apotex, Inc., 470 F.3d 1368 (Fed. Cir. 2006), the Court affirmed a preliminary injunction based on irreparable harm arising from "irreversible price erosion, loss of good will, potential lay-offs of [the patent holder's] employees, and the discontinuance of clinical trials" for the patented compound, but conspicuously avoided addressing eBay directly. The other case, Abbott Labs. v. Andrx Pharmaceuticals, 452 F.3d 1331 (Fed. Cir. 2006), turned on the patent holder's failure to show a likelihood of success.

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Although the Federal Circuit has yet to apply the Supreme Court's directive in any post-*eBay* appeal from the grant or denial of a permanent injunction, the efforts of the federal district courts to interpret and apply *eBay* over the past year have yielded some discernible trends. As of July 1, 2007, district courts have considered whether a permanent injunction should issue in 30 publicly reported post-*eBay* cases. In 23 of those cases an injunction issued (including one by consent); in seven cases it did not. Once nearly automatic, permanent injunctions considered in the last year were denied approximately 23 percent of the time.

A critical factor in the district courts' determinations was whether the patent holder practiced its invention and engaged in commercial competition with the infringer. In all but one of the 23 cases in which an injunction issued, the parties were direct competitors. The sole exception, *Commonwealth Scientific & Industrial Research Organisation v. Buffalo Technology, Inc.*, No. 6:06-324, 2007 U.S. Dist. LEXIS 43832 (E.D. Tex. June 15, 2007), is the first — and so far only — example of a permanent injunction issued post*eBay* in favor of a patent holder that did not practice its own invention.

CSIRO, a scientific research organization of the Australian government, had offered to license its patented wireless LAN technology to a number of companies, including Buffalo, but none accepted its terms. In *eBay*, the Supreme Court suggested that "some patent holders such as university researchers or self-made inventors" might be able to satisfy the fourfactor test even though they "might reasonably prefer to license their patents, rather than undertake efforts to secure the financing necessary to bring their works to market themselves." The district court in CSIRO noted this suggestion, and after finding the patent valid and infringed by Buffalo, entered a permanent injunction. The court found irreparable harm arising from the fact that CSIRO's "reputation as a leading scientific research entity" would be damaged by continued unauthorized sale of infringing products, and further found that it would suffer the "harm of lost opportunities" if its research funds were diverted to support the costs of continued litigation against infringement. The court also found that damages or a compulsory license for future infringement would be inadequate because monetary relief alone could not account for the "negotiated business terms typically used by patent holders to control their inventions." The fact that CSIRO's patent covered a core feature of the technology, and not a minor component, also weighed in favor of an injunction.

A patent holder's commercial competition with the infringer was not, however, a sufficient condition for a permanent injunction. While in five of the seven post-*eBay* cases denying an injunction the patent holder either did not practice the invention or did not compete directly with the infringer (or both), in two of the seven cases, *Praxair, Inc. v. ATMI, Inc.*, 479 F. Supp. 2d 440 (D. Del. 2007) and *IMX, Inc. v. LendingTree LLC*, 469 F. Supp. 2d 203 (D. Del. 2007) — both decided by Judge Robinson — the injunction was denied even though the parties competed directly.

The past year's worth of district court cases make clear that conclusory assertions of irreparable harm and inadequacy of monetary damages will no longer carry the day. The presumption of irreparable harm for a valid and infringed patent, previously enjoyed by patent holders, likely does not survive the *eBay* decision. *See, e.g., z4 Technologies, Inc. v. Microsoft Corp.*, 434 F. Supp. 2d 437 (E.D. Tex. 2006) (finding the presumption now inconsistent with *eBay*); *see also Sanofi-Synthelabo*, 470 F.3d at 1383 n.9 (pointedly avoiding the issue). In addition to the patent holder's practicing of its invention and engaging in commercial competition with the infringer, the following factors were found by the district courts to favor a permanent injunction: (i) no licensing of the invention by the patent holder and evidence of an unwillingness to do so, (ii) broad invention covering core technology, not a small feature of a larger product or process, (iii) infringement giving the defendant a significant advantage in the marketplace over non-infringing competitors, (iv) willful infringement by the defendant, (v) irreversible loss of market share for the patent holder due to infringement, (vi) harm to reputation, goodwill or intangible assets that cannot be readily compensated by money damages, (vii) difficulty of calculating damages for future infringement, frequently the case if the infringement is indirect, (viii) special need to control the invention's use, especially by means of non-monetary licensing terms, (ix) injunction unlikely to put infringer out of business, for example, because its business does not depend exclusively or primarily on infringing product or process, and (x) no competing public interest that trumps the interest in protecting intellectual property rights.

Conversely, infringers may argue that permanent injunctive relief is unwarranted where any of these factors has not been shown. In addition, district courts have denied an injunction where the infringer is, in fact, very successful in the marketplace, such that requiring a redesign or a recall of the infringing product would be excessively time-consuming and expensive, particularly where the infringing component is a small part of the technology at issue. See, e.g., z4 Technologies, Inc. v. Microsoft Corp., 434 F. Supp. 2d 437 (E.D. Tex. 2006) (where the infringement involved a component of Windows and Office); Paice LLC v. Toyota Motor Corp., No. 2:04-211, 2006 U.S. Dist. LEXIS 61600 (E.D. Tex. 2006) (where the infringement involved a component of hybrid car transmissions).

### http://www.jdsupra.com/post/documentViewer.aspx?fid=7f26d9b9-53ae-4857-b643-f087bb1e7008

In the absence of an injunction against continued infringement, the district courts have found that a patent holder may be compensated by a royalty on future infringing sales. Courts have generally assumed that the royalty assessed for past infringement is adequate compensation for future infringement. This royalty rate is typically calculated based on a "hypothetical negotiation" for the right to practice the invention that is assumed to take place between a willing licensor and a willing licensee. None of the post-*eBay* decisions has addressed whether a patent holder should be compensated for post-judgment infringement at a higher rate (or even a different rate), given that the continued infringement is now willful and continues only over the patent holder's objections.

The first case likely to be decided by the Federal Circuit will be the patent holder's appeal from the denial of a permanent injunction in *Paice LLC v. Toyota Motor Corp.*, which was argued in May 2007. The case raises a number of issues common to many of the post-*eBay* district court decisions, including the issue of adequate compensation for continued infringement when an injunction is denied.

Like most unsuccessful injunction-seekers, Paice did not practice its own invention and did not compete with Toyota. The invention was only a small component of Toyota's accused vehicles. Paice also had an active licensing program and had offered a license to Toyota following the jury's verdict. Because an injunction would not only disrupt Toyota's business but also that of its dealers and suppliers, the district court found that the balance of hardships weighed in Toyota's favor. The court acknowledged that an injunction would give Paice "a more impressive bargaining tool" with other potential licensees, but rejected Paice's claim that its licensing efforts had been or would be irreparably harmed by Toyota's infringement. Toyota was ordered to pay Paice a royalty of \$25 per vehicle for future infringing sales.

The cases before the Federal Circuit also present an opportunity for the Court to give more general guidance regarding the considerations that should govern application of the four-factor test in patent cases. The concurrences in the Supreme Court's eBay decision suggest possible forms this guidance might take. For example, Chief Justice Roberts' concurrence placed great importance on the patent holder's right to exclude others from unauthorized use of an invention, and suggested that historical practice, in which injunctive relief has been granted upon a finding of infringement in the vast majority of cases, should continue to guide decisions regarding appropriate relief. Conversely, Justice Kennedy's concurrence emphasized that application of the fourfactor test should be sensitive to recent trends in which companies use patents "primarily for obtaining license fees" and use the threat of an injunction for "undue leverage in negotiations," particularly where the patented invention is a small part of the infringing product or process. Until patent holders and accused infringers have clearer guidance, in whichever direction, about the availability of permanent injunctions, litigation and negotiation over patent rights will continue to be influenced by the uncertainty attending this powerful weapon.

Virginia DeMarchi is a partner with Fenwick & West LLP in Mountain View. Her practice focuses on patent and other intellectual property litigation.

For further information, please contact:

Virginia K. DeMarchi, Partner, Litigation Group vdemarchi@fenwick.com, 650.335.7967

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## KSR International Co. v. Teleflex Inc. -Ordinary Innovation is Obvious

CHARLENE M. MORROW, HEATHER N. MEWES, SAINA S. SHAMILOV

On April 30, the Supreme Court in KSR International v. Teleflex, announced that "the results of ordinary innovation are not the subject of exclusive rights under the patent laws." The Court was criticizing the Federal Circuit's "teaching, suggestion and motivation" test for determining whether a patent is obvious, finding that a formalistic and rigid approach to this test "might stifle, rather than promote, the progress of useful arts." The Court accordingly adopted a more flexible approach, asking whether an improvement is more than a predictable use of prior art elements according to their established functions.

Teleflex is an exclusive licensee of a patent on an adjustable electronic pedal system. This system combines an electronic sensor with an automobile gas pedal for transmitting the pedal's position to a computer controlling the throttle in the vehicle's engine. Teleflex accused KSR of infringing the patent when KSR added an electronic sensor to one of its previously designed automobile gas pedals. KSR counter-attacked, alleging that the asserted patent claim was an obvious combination of known elements. The district court agreed with KSR and granted summary judgment of invalidity. The Federal Circuit, however, ruled that because the prior art references did not address the precise problem that the Teleflex patent was trying to solve, there was no teaching, suggestion or motivation to combine these references, and therefore vacated the summary judgment. The Supreme Court reversed and reinstated the summary judgment.

Section 103 prohibits issuance of a patent when "the differences between subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains." In its prior decision in Graham v. John Deere Co. of Kansas City, the Supreme Court established an objective framework for applying section 103 requiring: (1) determination of the scope and content of the prior art; (2) identification of any differences between the prior art and the claims at issue; (3) determination of the level of ordinary skill in the pertinent art; and (4) review of any relevant secondary considerations, such as commercial success, long felt but unresolved needs and failure of

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others. In subsequent cases, the Federal Circuit developed its "teaching, suggestion, or motivation" test to ensure a uniform and consistent approach to obviousness. Under this test, a patent claim is obvious only if there is "some motivation or suggestion to combine the prior art teachings" that can be found in the prior art itself, in the nature of the problem, or the knowledge of a person of ordinary skill in the art.

In KSR, the Supreme Court did not entirely reject the "teaching, suggestion, or motivation" test, but rather criticized the formalistic and rigid application of this test by the Federal Circuit in this case. The Court acknowledged that a patent composed of several elements is not proved obvious merely by demonstrating that each of its elements was independently known in the prior art. But, the Court ruled that any teaching, suggestion or motivation does not need to be explicit and courts can take into account the inferences and creative steps that a person of ordinary skill in the art may employ: "A person of ordinary skill is also a person of ordinary creativity, not an automaton."

In order to determine whether there was a reason for one skilled in the art to combine known elements in a manner claimed by the patent, courts must analyze the interrelated teachings of prior art references, the effects of known demands in the marketplace, and the background knowledge possessed by a person of ordinary skill in the art. The Supreme Court stated that the combination of familiar elements according to known methods is likely to be obvious when it does no more than yield predictable results, and further indicated that any of the following may provide a "reason" for combining these known elements:

- a need or problem known in the field of endeavor at the time of invention and addressed by the patent;
- an obvious use of familiar elements beyond their primary purposes; or
- a design need or market pressure to solve a problem.

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The Court also rejected cases holding that a patent claim h cannot be proved obvious merely by showing that that the combination of elements was "obvious to try." Rather, it recognized that, under particular circumstances, the fact that a combination was obvious to try might show that it was also obvious.

Finally, while acknowledging that there is a risk of hindsight bias, the Court emphasized that this risk cannot and should not overwhelm common sense in making obviousness determinations – either in the PTO or in the courts.

Thus, the Supreme Court has embraced a more expansive and flexible approach to obviousness. In particular, where new works have already been created and shared, further progress "is expected in the normal course," and thus ordinary innovation is deemed "obvious." This approach is likely to impact both prosecution and litigation practice and may make obviousness a more robust defense to patent infringement in certain circumstances. This is particularly relevant to the hardware and software industries, where patents frequently claim combinations of known techniques and elements.

The opinion is at <u>http://www.supremecourtus.gov/</u> opinions/o6pdf/o4-1350.pdf.

For further information, please contact:

Charlene M. Morrow, Patent Litigation Partner <a href="mailto:cmorrow@fenwick.com">cmorrow@fenwick.com</a>, 650.335.7155

Heather N. Mewes, Patent Litigation Partner <u>hmewes@fenwick.com</u>, 415.875.2302

Saina S. Shamilov, Patent Litigation Associate <u>sshamilov@fenwick.com</u>, 650.335.7694

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## First Two Federal Circuit Post-KSR Obviousness Decisions Affirm Patients' Invalidity



In its first decisions to issue in the wake of the Supreme Court's *KSR Int'l Co. v. Teleflex Inc.* decision, 127 S.Ct. 1727 (2007), the Federal Circuit has affirmed two district court decisions of obviousness.

In one opinion, the Federal Circuit affirmed a district court's judgment that claim 25 of U.S. Patent 5,813,861 would have been obvious in light of two prior art references and the knowledge of one of ordinary skill in the art. *Leapfrog Enterprises, Inc. v. Fisher-Price, Inc.*, 2007 U.S. App. LEXIS 10912 (Fed. Cir. May 9, 2007)

Claim 25 of the Leapfrog '861 patent discloses a device that allows a child to select a letter in a word appearing in a book and then hear the corresponding phoneme of the letter. Leapfrog accused Fisher Price of infringement resulting from its "PowerTouch" toy. After affirming as to non-infringement, the court applied the recent *KSR* Supreme Court decision to the obviousness analysis. Citing *KSR* for the proposition that "[t]he combination of familiar elements according to known methods is likely to be obvious when it does no more than yield predictable results," the court pointed to two references and the level of skill in the art in affirming obviousness.

The court relied on the Bevan patent, 3,748,748, which discloses using mechanical devices (phonographic needles and a record) to produce the sound of single letters in the word and a Super Speak and Read ("SSR") device (Texas Instruments) that permits generation of the sound corresponding to the **first** letter of a word using only electronic means. Accordingly, the court agreed it would have been "obvious to combine the Bevan device with the SSR to update it using modern electronic components in order to gain the commonly understood benefits of such adaptation, such as decreased size, increased reliability, simplified operation, and reduced cost." Although the Bevan/SSR combination lacked one element of claim 25 (a reader), as the court noted that there was no evidence that adding a reader to the Bevan/SSR combination was "uniquely challenging or difficult" and thus did not represent "an unobvious step over the prior art."

In the other opinion, issued days after KSR, the Federal Circuit upheld a jury verdict finding the claims of U.S. Patent No. 6,403,865 invalid for obviousness. *Syngenta Seeds, Inc. v. Monsanto Co.*, 2007 U.S. App. LEXIS 10496 (Fed. Cir. May 3, 2007). The Syngenta '865 patent claims are directed to corn plants genetically altered with a synthetic "Bt" gene to produce an insecticide. Syngenta's version of the Bt gene, which is native to bacteria, is rich in nucleotides preferred by corn plants: guanine ("G") and cytosine ("C").

The Federal Circuit found sufficient evidence to support the jury's conclusion that a person of ordinary skill in the art would have found it obvious to try a modified corn gene having at a G+C content of at least 60 percent, based on a single prior art reference that taught methods for improving Bt expression and in light of the knowledge of skill in the art. The court also upheld the jury's finding of a reasonable expectation of success, rejecting Syngenta's argument that an "unexpected" degree of success resulted from the increase of G+C content to at least 60 percent.

Litigation Alert: In re Seagate Technology, LLC-Willful Infringement and the Scope of Waiver of the Attorney-Client Privilege and Work Product Doctrine

August 21, 2007

BY HEATHER N. MEWES AND CAROLYN CHANG

On August 20, 2007, the Federal Circuit, sitting en banc, articulated a new standard for willful infringement: patentees must show at least objective recklessness. The Federal Circuit thus overruled its long-standing precedents requiring that an alleged infringer exercise an affirmative duty of due care before engaging in potentially infringing activity. This affirmative duty had been interpreted in many cases to require a formal opinion letter from patent counsel. In *Seagate*, the Federal Circuit makes clear that opinion letters are not required. The Federal Circuit's new standard – essentially going from a negligence-like "due care" standard to "objective recklessness" – is likely to impact greatly the availability of enhanced damages for patentees, as a finding of willful infringement is a key factor in this determination.

The Federal Circuit also addressed the scope of waiver when an alleged infringer relies on advice of counsel as a defense to willful infringement. The Federal Circuit held that where an alleged infringer does rely on an opinion letter, the waiver of the attorney-client privilege and work product immunity will not normally extend to trial counsel.

The facts were these. Seagate had obtained three opinion letters from patent counsel. It elected to rely on advice of counsel as a defense to a willful infringement allegation, and accordingly disclosed all three letters, and waived any privilege with respect to its opinion counsel's communications and work product. The district court, however, held that Seagate's reliance on the advice of counsel defense waived the attorney-client privilege and work product protections with respect to *trial counsel* as well, and ordered Seagate to produce all of its trial counsel's communications and work product. Seagate petitioned the Federal Circuit for a writ of mandamus directing the district court to vacate its orders. The Federal Circuit *sua sponte* ordered *en banc* review of Seagate's petition to address whether waiver resulting

from assertion of the advice of counsel defense in this context extends to trial counsel.

In so doing, the Federal Circuit reached beyond the waiver issue implicated by Seagate's petition to directly address and revisit the underlying willful infringement standard. The previous standard set forth in *Underwater Devices Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1389-90 (Fed. Cir. 1983), held that where a potential infringer has actual notice of another's patent rights, it has an affirmative duty to exercise due care to determine whether it infringes. This duty included the duty to obtain competent legal advice from counsel before initiating any possible infringing activity. This was, in effect, a negligence standard.

In *Seagate*, the Federal Circuit noted that since its decision in *Underwater Devices*, willfulness as a condition of enhanced damages has been defined as reckless behavior in both the copyright context and in other civil contexts. In particular, the Federal Circuit relied on recent Supreme Court precedent that concluded that "willful" includes "reckless behavior" in addressing willfulness as a statutory condition of civil liability for punitive damages.

Consistent with such precedent, the Federal Circuit held that proof of willful infringement permitting enhanced damages requires at least a showing of objective recklessness, overruling the standard set forth in *Underwater Devices*. The Federal Circuit previously signaled movement in this direction. In *Knorr-Bremse Systeme Fuer Nutzfahreuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1345-46 (Fed. Cir. 2004) (en banc), the Federal Circuit held that an accused infringer's failure to obtain legal advice does not give rise to an adverse inference with respect to willfulness. In abandoning the affirmative duty of due care in *Seagate*, the Federal Circuit reemphasized that there is no affirmative obligation to obtain the opinion of counsel. Instead, to establish willful infringement, a patent holder must show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent. The state of mind of the accused infringer is relevant only to establish that the accused infringer knew or should have known of this objectively high risk of infringement.

The Federal Circuit next addressed the scope of waiver of the attorney-client privilege resulting from assertion of an advice of counsel defense in response to a claim of willful infringement. In light of the new willfulness standard, the Federal Circuit concluded that the different functions of trial and opinion counsel advised against extending waiver to trial counsel. While opinion counsel provides objective assessments for business decisions, trial counsel focuses on litigation strategy in an adversarial process.

The Federal Circuit further recognized that willfulness ordinarily depends on an infringer's pre-litigation conduct, noting that a patent holder must have a basis for a claim of willful infringement at the time the complaint is filed. Because willfulness depends on an infringer's pre-litigation conduct, the post-litigation communications of trial counsel have little, if any, relevance warranting their disclosure. The Federal Circuit reasoned that post-filing willful infringement is adequately addressed by motions for preliminary injunction, stating that a patentee who does not attempt to stop an accused infringer's activities with a preliminary injunction should not be allowed to accrue enhanced damages based solely on the infringer's post-filing conduct. The Federal Circuit went on to conclude that if a patentee cannot secure a preliminary injunction, it is likely the infringement did not rise to the level of recklessness required to recover enhanced damages for willful infringement.

Applying the same rationale, the Federal Circuit also held that reliance on the advice of opinion counsel does not waive trial counsel's work product protections. The Federal Circuit explained that trial counsel's mental processes enjoy the utmost protection from disclosure, and the scope of waiver should take into account this heightened protection. The Federal Circuit thus concluded that the general principles of work product protection remain in force with respect to trial counsel; a party may obtain discovery of work product upon a sufficient showing of need and hardship, bearing in mind that a higher burden must be met to obtain work product pertaining to mental processes. The Federal Circuit noted that trial courts remain free to exercise their discretion to extend waiver of both the attorney-client privilege and work product protection to trial counsel in unique circumstances, such as those in which the party or counsel engages in "chicanery." The Federal Circuit did not address whether any waiver extends to communications and work product of in-house counsel.

The Federal Circuit's opinion in *In re Seagate* provides clarity on the scope of the waiver of the attorneyclient privilege and work product protections when asserting an advice of counsel defense. Indeed, the new objective recklessness standard for willful infringement announced by the Federal Circuit may lessen the need for obtaining opinions of counsel, and reduce complications arising from the corresponding privilege and work product waivers when such opinions are obtained and relied upon. Patent holders may be more likely to move for preliminary injunctions in an attempt to seek enhanced damages based on post-filing willful infringement.

The opinion is available at <u>http://www.fedcir.gov/</u> opinions/M830.pdf.

For further information, please contact:

Heather N. Mewes, Patent Litigation Partner <u>hmewes@fenwick.com</u>, 415-875-2302

Carolyn Chang, Patent Litigation Associate <u>cchang@fenwick.com</u>, 650-335-7654

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## Litigation Alert

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Supreme Court Knocks Down Federal Circuit Rule and Allows Licensees to Challenge a Licensed Patent

JANUARY 10, 2007

Yesterday, the Supreme Court ruled in *MedImmune v. Genentech* that a patent licensee does not need to breach its license agreement before seeking a declaratory judgment in federal court that the underlying patent is invalid, unenforceable, or not infringed. This 8-1 decision reversed the Federal Circuit and established a new rule. This rule reduces patentees' leverage over existing licensees who have not admitted the validity, enforceability or infringement of the licensed patents, or otherwise waived their right to bring such challenges. It also emphasizes the importance of such terms in future licensing agreements.

In this case, Genentech asserted that a respiratory drug product from MedImmune infringed on its patent. MedImmune ultimately agreed to take a license from Genentech, although it denied liability. Moreover, MedImmune continued to pay royalties pursuant to its license agreement despite later filing a declaratory judgment action arguing that Genentech was not entitled to royalties because the asserted patent was invalid, unenforceable, or not infringed. Genentech moved to dismiss the lawsuit for lack of subject matter jurisdiction.

The issue decided by the Supreme Court was whether there was an "actual controversy" in light of the fact that MedImmune was a licensee in good standing with Genentech. Constitutionally, federal courts only have jurisdiction where there is an actual controversy, and cannot issue advisory opinions. In prior cases with similar facts, the Federal Circuit had found no controversy existed because a licensee in good standing cannot have any reasonable apprehension of being sued for infringement by the patentee. *See, e.g., Gen-Probe, Inc. v. Vysis, Inc.*, 359 F. 3d 1376, 1381 (2004).

The Supreme Court overturned these cases. Justice Scalia, who has authored several of the Court's major decisions on justiciability, wrote for the majority. He emphasized that the actual controversy is the contractual dispute regarding MedImmune's obligations under the licensing agreement. MedImmune argued that it owed no royalties under the license agreement unless the underlying patent was valid and covered MedImmune's drug. While MedImmune had contractually agreed to pay the royalties regardless of the patent's validity, the Court stated that agreeing to pay a royalty "until a patent claim has been held invalid by a competent body" does not prevent a licensee from questioning Ferwick & west LLP

the patent's validity. The Court also found that MedImmune's amended complaint sufficiently disputed that the patent covered the respiratory drug. Therefore, even though Genentech could not sue MedImmune for infringement while the license was in place, there was a sufficient controversy over whether MedImmune had to pay royalties.

The Court further decided that MedImmune did not first need to breach the license (which would give rise to a Genentech claim for damages or injunctive relief) before seeking declaratory relief about the parties' rights and duties under the license. In Altwater v. Freeman, 319 U.S. 359 (1943), the Court allowed patent licensees who had paid royalties "under protest," to seek a declaratory judgment about the patent's validity. Signing a license agreement under protest creates a controversy "where payment of a claim is demanded as of right and where payment is made, but where the involuntary or coercive nature of the exaction preserves the right to recover the sums paid or to challenge the legality of the claim." The Federal Circuit had distinguished Altwater as only applicable where the "involuntary or coercive nature" arises from an injunction or governmental compulsion. The Supreme Court, however, stated that Altwater's facts did not require such a narrow rule. "The rule that a plaintiff must destroy a large building, bet the farm, or (as here) risk treble damages and the loss of 80 percent of its business, before seeking a declaration of its actively contested legal rights finds no support" in the Constitution's jurisdictional requirements for federal courts.

The opinion is at <u>http://www.supremecourtus.gov/opinions/</u> <u>o6pdf/05-608.pdf</u>.

#### For further information, please contact:

Charlene M. Morrow, Litigation Partner <u>cmorrow@fenwick.com</u>, 650.335.7155

Heather H. Mewes, Litigation Partner hmewes@fenwick.com, 415.875.2302

Liwen A. Mah, Litigation Associate lmah@fenwick.com, 415.875.2336

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## PATENT LAW YEAR IN REVIEW

With The Close Of An Active 2007, What Does 2008 Hold?

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  - IX. Carolyn Chang
  - X. Robert Hulse

## **Darren E. Donnelly**

Partner

Litigation and Intellectual Property Groups

Phone: 650.335.7685

Fax: 650.938.52000

E-mail: ddonnelly@fenwick.com

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Patent Litigation

**Technology Litigation** 

http://www.jdsupra.com/post/documentViewer.aspx?fid=7f26d9b9-53ae-4857-b643-f087bb1e7008 **Darren E. Donnelly** is a partner in the Litigation and Intellectual Property Groups of Fenwick & West LLP, a law firm specializing in high technology matters. Mr. Donnelly practices out of the firm's Mountain View, California office. His practice focuses on patent and other intellectual property litigation and counseling with emphasis in technical computing, telecommunications, data management, and Internet technologies. The clients Mr. Donnelly has represented include:

- Amazon.com, Inc.
- Cognos, Inc.
- Cryptography Research, Inc.
- Electronic Arts
- Good Technology
- Informatica Corporation
- Intuit
- Netflix
- VIA Technologies, Inc.

Mr. Donnelly is admitted to practice before the United States Patent and Trademark Office. In addition to preparing and prosecuting patent applications in the U.S. and abroad, he has counseled companies on patent portfolio development and management, patent licensing strategies, and patent enforcement strategies.

Mr. Donnelly received undergraduate degrees from Stanford University in mathematical and computational science and economics. He received an M.S. from Stanford where his graduate work focused on the design of intelligent decision systems. He attended law school at Santa Clara University, graduating with a J.D. in 1997.

Heather N. Mewes

Partner

Litigation Group

Phone: 415.875.2302

Fax: 415.281.1350

E-mail: hmewes@fenwick.com

### **Emphasis**:

Patent Litigation

Appeals

http://www.jdsupra.com/post/documentViewer.aspx?fid=7f26d9b9-53ae-4857-b643-f087bb1e7008 **Heather N. Mewes** is a partner in the Litigation Group of Fenwick

& West LLP, a law firm specializing in high technology matters. Ms. Mewes' practice focuses on patent litigation and appeals. She has experience in a variety of technological fields, principally relating to bioscience and software technologies. Recently, Ms. Mewes served as counsel for Google, and obtained summary judgment of noninfringement in a patent lawsuit brought by Skyline Software Systems involving Google's three-dimensional mapping software, Google Earth. Ms. Mewes also served as trial and appellate counsel for O2 Micro in a trade secret and patent case in which the jury awarded O2 Micro \$12 million for the willful misappropriation of O2's trade secrets and found all asserted claims of its competitor's patents invalid and not infringed. The judgment in that case was affirmed on appeal. Among the clients Ms. Mewes has represented are:

- Abbott Laboratories
- Cepheid
- CooperVision, Inc.
- The Regents of the University of California
- Google
- Good Technology, Inc.
- O<sub>2</sub>Micro International Ltd.

Ms. Mewes is active in the San Francisco Bay Area Intellectual Property American Inn of Court and the Federal Circuit Bar Association.

Ms. Mewes clerked for the Honorable William C. Bryson, United States Court of Appeals for the Federal Circuit and is admitted to practice in that court, as well as all federal courts in California and the Eastern District of Texas.

Ms. Mewes received her J.D. from the University of California at Berkeley, Boalt Hall, *Order of the Coif.* Ms. Mewes received her B.S. in foreign service from Georgetown University, Phi Beta Kappa.

Ms. Mewes is a member of the State Bar of California.



Partner Intellectual Property (IP) Group

Phone: 650.335.7607 Fax: 650.938.5200

E-mail: rpatel@fenwick.com

Emphasis:

Patent Procurement

Prosecution

Counseling

Patent Disputes

Reexamination

Litigation

**IP/Patent Transactions** 

Due Diligence

Audits

http://www.jdsupra.com/post/documentViewer.aspx?fid=7f26d9b9-53ae-4857-b643-f087bb1e7008 **Rajiv P. Patel** is a partner in the Intellectual Property Group of Fenwick & West LLP. His practice includes patent procurement, disputes, and transactions.

In patent procurement matters, Mr. Patel has counseled prepared and prosecuted patents in a wide range of electrical, mechanical and software technologies. He has advised companies on strategic uses of patent reissue proceedings and has actively prosecuted such proceedings. He also has partaken in appeals before the Board of Patent Appeals and Interferences. In addition, Mr. Patel has developed and executed global patent strategies involving patent procurement in Europe, Canada, Australia, Japan, Korea, China, Taiwan, Brazil and India.

In patent dispute matters, Mr. Patel has partaken in patent reexamination and litigation proceedings in technology areas that include solid-state memories, electronic gaming, Internet technologies, and interactive television. Mr. Patel also actively counsels on patent reexamination and patent litigation crossover strategies.

In patent transaction matters he has been involved with negotiations of patent and intellectual property ("IP") licenses, and has led IP due diligence and audit matters for mergers & acquisitions, venture funding, initial public offerings, private equity financings, and securitizations.

Among the clients Mr. Patel has represented are:

Palm, Inc.

- Compuware Corporation
  - Logitech, Inc.
- Magma Design Automation, Inc.
- Plaxo, Inc.
- Canon Research Americas, Inc.

Mr. Patel has extensive experience in teaching on patent law topics. He was an Adjunct Professor of Law at the University of California, Hastings College of the Law where he taught a patents course for six years. Mr. Patel was a faculty member of Law Seminars International and The Continuing Education Bar of the State Bar of California. Presently, he is on the faculty of Practising Law Institute and chairs their program on Patent Reexamination and Litigation Crossover Proceedings. In addition, Mr. Patel has authored a number of articles in the field of patent law.

Mr. Patel received his Bachelor of Science (with high honors) in Electrical Engineering from Rutgers University (NJ). He received his Juris Doctor and Master of Intellectual Property from Franklin Pierce Law Center (NH). He is a member of the California Bar and is registered to practice before the U.S. Patent and Trademark Office.

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#### http://www.jdsupra.com/post/documentViewer.aspx?fid=7f26d9b9-53ae-4857-b643-f087bb1e7008 Highlighted Legal Experience:

## Patent Strategy and Portfolio Development

- Created patent strategy and developing patent portfolio for \$500 million plus product line for a peripherals company.
- Restructured existing portfolio of 100-plus patents for a devices company to align patent portfolio with re-directed business strategy.
- Created patent strategy and advised on patent portfolio for on-line auction company. Patent portfolio sold for over \$750,000.
- Sample Patents (Electronics/Electronic Design Automation):
  - U.S. Patent No. 7,058,907 Reduction of Cross-Talk Noise in VLSI Circuits
  - U.S. Patent No. 6,246,294 Supply Noise Immunity Low-Jitter Voltage-Controlled Oscillator Design
  - U.S. Patent No. 6,055,629 Predicting Branch Instructions in a Bunch Based on History Register Updated Once
  - U.S. Patent No. 6,052,033 Radio Frequency Amplifier System and Method
  - U.S. Patent No. 5,991,296 Crossbar Switch with Reduced Voltage Swing and No Internal Blocking Path
  - U.S. Patent No. 5,948,083 System and Method for Self-Adjusting Data Strobe
- Sample Patents (Consumer Electronics/Products):
  - U.S. Patent No. 6,813,372 Motion and Audio Detection Based Webcamming and Bandwidith Control
  - U.S. Patent No. 6,246,016 Optical Detection System, Device, and Method Utilizing Optical Matching
  - U.S. Patent No. 5,835,852 Integrated Electronic Communication Device and Clip
- Sample Patents (Computer Software):
  - U.S. Patent No. 6,389,405 Processing System for Identifying Relationships Between Concepts
  - U.S. Patent No. 6,275,622 Image Rotation System
  - U.S. Patent No. 5,995,955 System and Method for Expert System Analysis Using Quiescent and Parallel Reasoning and Set Structured Knowledge Representation

#### http://www.jdsupra.com/post/documentViewer.aspx?fid=7f26d9b9-53ae-4857-b643-f087bb1e7008 Highlighted Legal Experience:

## Patent and Intellectual Property Transactions

- Led intellectual property audit for Fortune 500 communication company's intellectual property in wireless technology and advised on intellectual property issues in context of tax framework.
- Led intellectual property audit for electronic gaming company and developed intellectual property management structure for company.
- Conducted numerous intellectual property due diligence for hightechnology investments by venture capital companies.
- Conducted numerous intellectual property due diligence on behalf of target companies or acquirer companies in high-technology merger and acquisition matters.

## **Patent Litigation**

- Reunion.com and GoodContacts Ltd. v. Plaxo, Inc. patent litigation involving updates of contact information.
- Akamai Technologies, Inc. v. Speedera Networks, Inc. patent litigation involving Internet content delivery services.
- Planet Bingo, LLC v. GameTech International, Inc. patent litigation involving casino style games on electronic devices.
- GameTech International, Inc. v. Bettina Corporation patent litigation involving electronic gaming.
- SanDisk Corporation v. Lexar Media, Inc. patent litigation involving flash memory consumer products.
- ICTV, Inc. v. Worldgate Communications, Inc. advised on patent litigation strategy in interactive television market.

## **Teaching Experience**

- Faculty Member for Practising Law Institute for "Advanced Patent Prosecution," "Fundamentals of Patent Prosecution," and "Patent Law for the Non-Specialist" courses (2002 to present).
- Course Chair for Practising Law Institute course on Reexamination and Patent Litigation Interplay (June 2006).
- ITechLaw India 2007, "Global Patent Prosecution Strategy" (February 2007).
- Adjunct Professor of Law at University of California, Hastings College of the Law (2001 to 2006).
- Faculty Member for Law Seminars International for "Defending Against Patent Infringement Claims" (2004).
- Course Instructor in "Laws and Emerging Technology" for O'Reilly Emerging Technologies Conference (April 2003).

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- Publications
  - International Patent Strategy", <u>www.fenwick.com</u>, 2006-2007.
  - "An Introduction to U.S. Patent Prosecution," Fundamentals of Patent Prosecution, Practicing Law Institute, 2005-2007.

http://www.jdsupra.com/post/documentViewer.aspx?fid=7f26d9b9-53ae-4857-b643-f087bb1e7008

- "Software Escrows as Part of an Intellectual Property Strategy," Computer Law Association First Asian Conference, Bangalore, India, 2005.
- "Underutilized Patent Reexaminations Can Improve Business Strategy," Daily Journal, Vol. 110, No. 75, April 19, 2004.
- "Software Outsourcing Offshore Business and Legal Issues Checklist," SHG Software 2004 Conference, 2004.
- "A Strategic Look at the Final Rejection," Advanced Patent Prosecution Workshop, Practising Law Institute, 2003 - 2006.
- "Think Value, Not Cheap, For Long-Term Success," Succeeding with New Realities, TiEcon 2003, Published by TiE Silicon Valley 2003.
- "The Intellectual Property Audit," Building and Enforcing Intellectual Property Value, An International Guide for the Boardroom 2003, Published by Globe White Page 2002.
- "Patent Portfolio Strategy for Start-Up Companies: A Primer," Patent Strategy and Management, Vol. 3, No. 7, Nov. 2002.
- "Potent Portfolio," Daily Journal, Vol. 106, No. 244, Dec. 15, 2000.
- "Own Idea," Daily Journal, Vol. 105, No. 10, Jan. 15, 1999.
- "Disclose Lite," Daily Journal, Vol. 103, No. 55, Mar. 21, 1997.

## **Organization and Community Participation**

- Charter Member, TiE Silicon Valley
- Board Member, International Technology Law Association
- Dean's Leadership Council for Franklin Pierce Law Center
- Dean's Committee for Rutgers University, School of Engineering
- American Intellectual Property Law Association



### **Michael Blum**

Partner Intellectual Property Group

Co-Chair Privacy and Information Security Group

Phone: 415.875.2468

Fax: 415.281.1350

E-mail: mblum@fenwick.com

### Emphasis:

Patent Prosecution Patent Litigation Support Intellectual Property Counseling Technology Transactions Privacy and Data Security http://www.jdsupra.com/post/documentViewer.aspx?fid=7f26d9b9-53ae-4857-b643-f087bb1e7008 **Michael Blum** is a partner in the Intellectual Property Group of Fenwick & West LLP, a law firm specializing in technology and life sciences matters. Mr. Blum is resident in the San Francisco office and his practice concentrates on structuring and negotiating relationships to turn technology and intellectual property into revenue.

Mr. Blum specializes in strategic patent counseling. He has considerable experience helping clients to develop, understand and wield their patent portfolios through audit and analysis, sale, acquisition, licensing, prosecution and litigation. He also negotiates multiple complex licensing, development, manufacturing, marketing, distribution and outsourcing relationships. In support of mergers and acquisitions, such as the \$4B acquisition of Netscreen by Juniper Networks, Mr. Blum focuses on the assessment, valuation and allocation of risk.

In addition, Mr. Blum heads the firm's transactional privacy and data security practice. He helps clients confront and manage the international risks associated with handling consumer and employee information. Mr. Blum recently presented on corporate privacy, data protection and security issues at the 24th annual Santa Clara Computer and High Tech Law Journal Symposium, "Privacy in the Information Age."

Mr. Blum serves clients in a broad range of industries including: semiconductor, telecommunications, networking, enterprise and consumer software, and the Internet. Among the companies he has represented are:

- Alibris
- Apple Inc.
- Arithmatica
- Barclays Global Investors
- BitTorrent, Inc.
- Glimmerglass Networks
- GUBA LLC

- ING.com
- Informatica
- Posit Science Corporation
- SECURUS Technologies, Inc.
- SuccessFactors, Inc.
- Ubicom, Inc.
- Wink Communications

Mr. Blum received his undergraduate education at the University of Michigan, graduating *magna cum laude* with a B.S.E. in computer engineering in 1993.

He then worked several years in management consulting as a technology and business analyst. Mr. Blum received his J.D. from Stanford Law School in 1999. While at Stanford, he co-founded the *Stanford Technology Law Review* and served as its first director of submissions. Upon graduation, he joined Fenwick & West. He is a member of both the California Bar and the U.S. Patent Bar.

FENWICK & WEST LLP

## **Michael Farn**

Partner

Intellectual Property Group

Phone: 650.335.7823

Fax: 650.938.5200

### E-mail: mfarn@fenwick.com

### Emphasis:

Patent Sales and Licensing

Patent Prosecution and Strategy

**Technology Licensing** 

Mergers and Acquisitions

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**Michael Farn** is a partner in the Intellectual Property Group at Fenwick & West LLP, a law firm specializing in high technology matters. Fenwick & West is headquartered in Mountain View, California, with offices in San Francisco, California. Mr. Farn's practice emphasizes the development of intellectual property assets for high technology corporations, with particular focus on building, acquiring and managing patent portfolios and licensing technology.

Mr. Farn has experience counseling clients in a variety of high technology industries, including optical devices, fiber optic networks, signal and image processing, Internet infrastructure, telecommunications and semiconductors. Among the clients he has represented are:

- AOptix Technologies, Inc.
- Cisco Systems
- Denali Software
- GE-InVision Technologies, Inc.
- VeriSign

Before embarking on his legal career, Mr. Farn was a member of the technical staff at M.I.T./Lincoln Laboratory from 1990 to 1994. There, his primary responsibilities were to invent new optical technologies and then transfer these technologies to private corporations for commercialization. He entered the legal field in part because the attorneys supporting Mr. Farn's activities as a scientist did not adequately understand the commercial world. There was and continues to be a significant need for legal specialists who can understand and solve problems from the client's point of view, who can explain legal concepts in ordinary English, and who can relate these concepts to actual commercial risk and reward.

Mr. Farn attended law school at Stanford University, graduating with distinction in 1997. He also received his graduate education at Stanford University as an NSF graduate fellow, receiving his Ph.D. in electrical engineering in 1990. Mr. Farn received his undergraduate degrees from Penn State, where he double majored in electrical engineering and mechanical engineering, graduating at the top of both classes. He is a member of both the California Bar and the U.S. Patent Bar.



## Stuart P. Meyer

Partner

Intellectual Property and Litigation Groups

Phone: 650.335.7286

Fax: 650.938.5200

E-mail: smeyer@fenwick.com

### Emphasis:

Patent, Copyright, Trade Secret Protection

Strategic Intellectual Property Planning

Intellectual Property Litigation

Intellectual Property Audits

Counseling in Related Areas

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**Stuart P. Meyer** is a partner in the Intellectual Property and Litigation Groups of Fenwick & West LLP, a law firm specializing in high technology matters. Mr. Meyer counsels clients on intellectual property matters, including technology-based litigation, performing strategic intellectual property planning and intellectual property audits for high technology companies, and securing patent, copyright, and other intellectual property rights. Mr. Meyer is a registered patent attorney and practices regularly before the U.S. Patent and Trademark Office.

Mr. Meyer's client portfolio includes a wide variety of high technology companies, from small start-ups to multinational public companies. Mr. Meyer has also represented other organizations prominent in high technology, such as the Massachusetts Institute of Technology, for which he served as counsel in litigation involving the so-called RSA encryption patent, considered to be fundamental to data privacy. Significant corporate clients he has represented include:

- A.C. Nielsen
- Apple Inc.
- Canon Research Americas, Inc.
- Cisco Systems, Inc.
- Compuware
- GE Healthcare
- Glaxo Wellcome
- Intuit Inc.
- Palm, Inc.
- Sun Microsystems, Inc.
- Symantec
- Texas Pacific Group

Mr. Meyer has been a guest lecturer on copyright law at the University of California's Boalt Hall School of Law. He has contributed to books and authored numerous articles on intellectual property law. He is frequently invited to lecture on this topic throughout the United States and abroad.

Mr. Meyer was an electrical engineer with an engineering consulting firm in the telecommunications area before entering law school. He received his B.S. in Electrical Engineering from Carnegie Mellon University, his M.S. in Electrical Engineering and Computer Science from Princeton University, and his J.D. from Yale Law School.

His affiliations include the International Technology Law Association, formerly the Computer Law Association (of which he is a past president); the American Intellectual Property Law Association; the Intellectual Property Owners Association; the American Bar Association Section on Patent, Trademark & Copyright Law; the Association for Computing Machinery; and the Institute of Electrical & Electronics Engineers.

## **Charlene M. Morrow**

Chair, Patent Litigation Group

Partner, Litigation and Intellectual Property Groups

Phone: 650.335.7155

Fax: 650.938.5200

E-mail: cmorrow@fenwick.com

### Emphasis:

Patent Litigation

Intellectual Property Litigation

http://www.jdsupra.com/post/documentViewer.aspx?fid=7f26d9b9-53ae-4857-b643-f087bb1e7008 **Charlene M. Morrow** is Chair of the firm's Patent Litigation Group, which has over 35 litigation members and also leverages the expertise of the firm's over 35 member Patent Group.

She has an active nation-wide trial practice representing software, semiconductor and medical device companies in a range of disputes, both on the plaintiff and defense side, including recent jury trial victories in California and Delaware.

Ms. Morrow's clients have included:

- Apple, Inc.
- Hewlett-Packard Company
- Macromedia, Inc.
- Macrovision Corporation
- O2Micro International Ltd.
- The Regents of the University of California

Ms. Morrow received her A.B., summa cum laude from the University of Southern California, *Phi Beta Kappa*, *Sigma Xi* and her J.D. from the University of California at Berkeley, Boalt Hall School of Law, where she was the Senior Notes and Comments Editor for the High Technology Law Journal, received the Prosser Prize in Computer Law, and was elected to the Order of the Coif.

Ms. Morrow is a member of the State Bar of California, admitted to practice in the courts of the State of California, in the Northern, Central and Eastern Districts of California, in the District of Arizona and in the Eastern District of Texas. She is also admitted to practice in the Ninth and Federal Circuit Courts of Appeal.

## **Software Representations**

Ms. Morrow has handled software patent cases involving a wide range of software techniques, including user interfaces, voice recognition interfaces, 2-D and 3-D graphics, digital rights management, Internet technologies, and other communications and networking technologies. She has also handled software copyright, trade secret, and contract disputes.

Ms. Morrow was lead trial counsel substituted in to defend Macromedia in a seven patent, two jurisdiction dispute between Adobe, Inc. and Macromedia. After back-to-back jury trials that resulted in a net

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damage award in favor of Macromedia, and while Macromedia's request for an injunction against Adobe Illustrator was pending, a resolution was reached.

Ms. Morrow was appellate counsel substituted in to handle an appeal for Apple of an adverse summary judgment ruling; the resulting reversal is reported at *Apple Computer, Inc. v. Articulate Sys. Inc.,* 234 F.3d 14 (Fed. Cir. 2000).

### **Semiconductor Representations**

Ms. Morrow has handled patent, trade secret and breach of contract cases involving semiconductor equipment, semiconductor process technologies, device design, integrated circuit design, and packaging.

Ms. Morrow substituted in to defend O2Micro, Inc. in a patent and trade secret dispute with Monolithic Power Systems, and was instrumental in obtaining a defense jury verdict that the patents asserted against 02Micro were both invalid and non-infringed. O2Micro also obtained a jury verdict of \$ 12 million on its trade secrets counterclaim. Both jury verdicts were affirmed on appeal in 2007.

Ms. Morrow was asked to defend start-up Scenix Semiconductor in a six patent case brought against it by Microchip Technologies. She obtained the withdrawal of four of the six patents, and defeated a preliminary injunction motion on the remaining two. The district court's claim construction and preliminary injunction decisions were affirmed on appeal, and the matter settled thereafter. *MicrochipTechnology, Inc. v. Scenix Semiconductor, Inc.*, 2000 U.S. App. LEXIS 14131 (2002).

In connection with her defense of client Information Storage Devices, who was sued by Atmel Corporation shortly before it went public, Ms. Morrow conducted the first *Markman* (claim construction) hearing held in the Northern District of California. She went on to obtain summary judgment of noninfringement of two of three patents, sanctions, and summary judgment of invalidity of the third patent on an issue of first impression. The latter ruling was reversed in part on appeal in *Atmel Corp. v. Information Storage Devices, Inc.*, 1998 U.S. Dist. LEXIS 17564 (Fed. Cir. 1999). The matter settled favorably following remand and renewal of ISD's motions.

# Medical Device Representations

Ms. Morrow has handled patent, trade secret and breach of warranty cases involving a variety of endoscopic and implantable technologies.

In 2007, Ms. Morrow was lead trial counsel for The Regents of the University of California in a bench trial on the original patent portfolio covering the Guglielmi detachable coils, used primarily in treating brain aneurysms. The matter settled on the first day of trial, in a manner very favorable to The Regents, after a series of favorable rulings on the defenses raised by defendant ev3.

# **Additional Information**

Following law school, Ms. Morrow clerked for the Honorable William W Schwarzer, United States District Court for the Northern District of California.

Ms. Morrow is AV-rated by Martindale-Hubbell. Ms. Morrow is one of four intellectual property litigators mentioned in "Crisis Management: 28 Experts to Call When All Hell Breaks Loose," *Corporate Legal Times* (Jan. 2003), and has been named as one of the "Best Lawyers in the Bay Area" by *Bay Area Lawyer* magazine.

Ms. Morrow is a President Emeritus of the San Francisco Bay Area Intellectual Property Inn of Court. Ms. Morrow has given presentations on patent litigation and trial skills to the American Bar Association, Intellectual Property and Litigation sections, and to the Practicing Law Institute. Recent publications by Ms. Morrow include: "*LG Electronics, Inc. v. Bizcom Electronics, Inc.*: Guidance on Extending Patent Rights to Reach Downstream Parties," *The Intellectual Property Strategist* (March 2007).

# Michael J. Sacksteder

Partner

Litigation Group

Phone: 415.875.2450

Fax: 415.281.1350

E-mail: msacksteder@fenwick.com

# Emphasis:

Patent Litigation

Intellectual Property Litigation

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**Michael J. Sacksteder** is a partner in the Litigation Group of Fenwick & West LLP, a law firm specializing in high technology matters. Mr. Sacksteder practices out of the firm's San Francisco office. Mr. Sacksteder's practice focuses primarily on patent litigation and other substantive areas of intellectual property law, including copyright, trade secret, trademark, and unfair competition.

Mr. Sacksteder has participated in a number of trials in United States District Court and has engaged in successful appellate practice before the United States Court of Appeals for the Federal Circuit. He has substantial experience in virtually all aspects of pretrial litigation, including claim construction in patent cases. He has also participated in various forms of alternative dispute resolution, including an innovative proceeding that permitted a client to resolve a complex patent dispute without litigation.

Mr. Sacksteder's experience encompasses a variety of technological fields, including computer graphics, mainframe software tools, wireless messaging systems, semiconductors, optical networks and nucleic acid microarrays. Representative clients include:

- Apple Inc.
- Asyst Technologies, Inc.
- Cisco Systems, Inc.
- Compuware Corporation
- Good Technology, Inc.
- Google Inc.
- Information Storage Devices, Inc.
- Jivan Biologics, Inc.

- KANA Software, Inc.
- Lexar Media, Inc.
- Macromedia, Inc.
- O<sub>2</sub>Micro International Ltd.
- Omniture, Inc.
- ONI Systems, Inc.
- Plaxo, Inc.
- Progress Software Corp.

Most recently, Mr. Sacksteder served as trial counsel for Asyst Technologies in the patent lawsuit *Asyst Tecchnologies v. Empak, et al.* The jury found Asyst's patent valid and infringed, and awarded Asyst \$74.7 million in lost profits damages for lost sales and price erosion. Also recently, Mr. Sacksteder served as trial counsel for  $O_2$ Micro in the trade secret and patent case  $O_2$ Micro v. Monolithic Power Systems. The jury awarded  $O_2$ Micro \$12 million for the willful misappropriation of  $O_2$ Micro's trade secrets and found that all asserted claims of Monolithic Power Systems' patents-in-suit were invalid and not infringed. Shortly before the  $O_2$ Micro trial, Mr. Sacksteder served as trial counsel for plaintiff Compuware Corporation in the trade secret, copyright and antitrust case *Compuware* v. *IBM.* That case was settled in Compuware's favor for \$400 million after being tried to a jury for five weeks.

Mr. Sacksteder received his J.D. *magna cum laude* from Northwestern University, where he was a member of the Order of the Coif. While in law school, Mr. Sacksteder was editor-in-chief of the Northwestern

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University Law Review and represented Northwestern in national moot court competitions. Mr. Sacksteder received a B.A. degree, with honors, from Indiana University. Prior to attending law school, Mr. Sacksteder worked as a television journalist.

Mr. Sacksteder is a member of the State Bar of California, and is active in the San Francisco Bay Area Intellectual Property American Inn of Court and the American Intellectual Property Law Association. He is admitted to practice in all state and federal courts in California, the United States District Courts for the Eastern District of Texas and the Eastern District of Michigan, and the United States Courts of Appeals for the Ninth Circuit and the Federal Circuit.



Darryl M. Woo

Chair, Litigation Group

Phone: 650.335.7139 Fax: 650.938.5200 E-mail: dwoo@fenwick.com

#### **Emphasis:**

Patent Litigation

Intellectual Property Litigation

http://www.jdsupra.com/post/documentViewer.aspx?fid=7f26d9b9-53ae-4857-b643-f087bb1e7008 **Darryl M. Woo** is chair of the Litigation Group of Fenwick & West LLP, a law firm specializing in high technology matters. Mr. Woo practices out of the firm's Mountain View, California headquarters and San Francisco office.

Mr. Woo has successfully tried numerous cases to verdict and concentrates his practice on patent litigation and other complex technology litigation, principally in the areas of semiconductors, information technology, life sciences and biotechnology. In January 2007, Mr. Woo, as lead counsel, obtained a \$74.7 million jury verdict in a patent case tried in the Northern District of California for client Asyst Technologies. He has appeared as lead counsel in patent litigation across the country, including federal district courts in Arizona, Delaware, Illinois, Massachusetts, Minnesota, Ohio, Pennsylvania, and Texas on technologies ranging from software to semiconductor fab equipment, voice over IP, fiber optic networking, bio assays, diagnostic tools, medical devices and recombinant DNA. He recently, for example, obtained a defense summary judgment in Boston for a client's product having more than 250 million users worldwide. In addition, he has represented a range of clients, including Napster, in copyright, trademark and trade dress infringement cases, trade secret and licensing disputes, unfair competition, trade libel, false advertising, and other complex litigation. Among the companies he has recently represented are:

- Agile Materials & Technologies, Inc.
- Asyst Technologies, Inc.
- Cepheid
- Cisco Systems, Inc.

- Google Inc.
- Handspring, Inc.
- Macromedia, Inc.
- Palm, Inc.

Mr. Woo has lectured often on trial practice techniques, patent and IP litigation strategy and other substantive law topics for the Practising Law Institute, the Continuing Education of the Bar - California, and other organizations. Mr. Woo was recently featured as a panelist for the Patent Litigation Roundtable, published in the July 2007 issue of *California Lawyer*. He is currently a member of the Board of Governors of the Association of Business Trial Lawyers, Northern California Chapter, was selected a "Super Lawyer" in Northern California for the past three years (2005-2007), and was named one of California's Top 100 Lawyers by the *Daily Journal* in 2007.

Mr. Woo is a member of the State Bar of California, the Bar Association of San Francisco, the American Bar Association, the American Intellectual Property Law Association and the Federal Circuit Bar Association. He is a life member of the Asian American Manufacturers Association and a member of the Mechanics Institute of San Francisco. He previously served as Vice President of Finance and later as inaugural chair of the IP section of the National Asian Pacific American Bar Association ("NAPABA"), and previously served on the board of directors of the Asian American Bar Association of the Greater Bay Area. He also serves or has served on the boards of directors of a number of charitable organizations, including Sunny Hills Children's Garden and St. Francis Memorial Hospital.

Mr. Woo is admitted to practice before all state and federal courts in California, the United States Courts of Appeals for the 9th and Federal Circuits, and the United States Supreme Court. Mr. Woo received his undergraduate education at the University of California at Berkeley, graduating with a bachelor's degree in biology in 1977. He attended law school at Georgetown University, graduating with a Juris Doctor degree in 1981. Prior to joining Fenwick & West LLP, Mr. Woo was a partner in the Palo Alto office of Cooley Godward LLP.

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#### http://www.jdsupra.com/post/documentViewer.aspx?fid=7f26d9b9-53ae-4857-b643-f087bb1e7008 Representative Engagements

Adobe Systems, Inc. v. Macromedia, Inc.: Mr. Woo represented Macromedia, Inc. as senior trial counsel in these multiple patent litigation matters in the District of Delaware and the Northern District of California. The cases collectively involved seven software patents related to graphical user interfaces and graphics software techniques, sound mixing and WYSIWYG web page creation and editing. Following a May 10, 2002 jury verdict of \$4.91 million in favor of client Macromedia in the Delaware case, the matter settled favorably.

Asyst Technologies, Inc. v. Jenoptik AG, et al.: Represented plaintiff as lead counsel with respect to patents directed to tracking of semiconductor wafers in a SMIF fab. After two appeals, obtained a \$74.7 million unanimous jury verdict in U.S. District Court, Northern District of California.

*CallWave, Inc. v. Web Telephony LLC:* Represented provider of enhanced, Voice over IP telecommunications services in patent litigation in the Central District of California. Obtained favorable settlement.

*The Procter & Gamble Co. v. The Clorox Company:* Represented defendant The Clorox Company in this litigation matter in the Southern District of Ohio involving patents directed to certain aspects of competing household products. The matter settled favorably.

*Entelos, Inc. v. Medical Science Systems:* Mr. Woo was lead counsel for the plaintiff in this inventorship dispute concerning patents directed to bioinformatics software concerning the prediction of the course of diseases and clinical trial outcomes. Through diligent pre-filing preparation and carefully planned strategy, the case settled favorably almost before it started.

*Idexx Labs v. Hansen Vet Immunology, Inc.:* Mr. Woo stepped in to take over the lead representation of this patent litigation matter in the Eastern District of California involving diagnostic technologies for the detection of feline immunodeficiency virus. Through refinement and development of existing and additional defenses, he obtained a favorable settlement of this matter on the eve of trial.

*MultiTech v. MediaRing.com, Inc.:* Mr. Woo was lead counsel for defendant MediaRing.com, Inc. in this case in the District of Minnesota involving patents directed to Voice over IP technology. He was able to obtain a settlement for this client on favorable terms prior to trial.

*NCR Corporation v. Handspring, Inc.:* Mr. Woo was lead counsel for defendant Handspring, Inc. in this patent litigation brought in the District of Delaware regarding patents asserted against various handheld computing products of the client. The court granted summary judgment for client Handspring, 217 F.Supp.491 (D.Del. 2002), later affirmed by the Federal Circuit.

**Nortel Networks v. Optical Networks, Inc.:** Represented defendant ONI Systems Corp. in a multiple patent case involving fiber-optic data networking. As a result of favorable claims construction rulings, the plaintiff dropped all but one of its five patents asserted against the client, and the case later settled favorably.

*P v. A Materials:* Obtained favorable settlement for client exceeding relief available at trial in patent litigation involving tunable integrated components for use in cell phones, radar and other mobile wireless applications.

Skyline Software, Inc. v. Google Inc.: Obtained summary judgment of noninfringement in District of Massachusetts patent case accusing popular Google Earth application, with its more than 250 million worldwide users.



# **Daniel R. Brownstone**

Senior Associate

Intellectual Property Group

Phone: 415.875.2358

Fax: 415.281.1350

E-mail: dbrownstone@fenwick.com

# Emphasis:

Strategic Counseling

Patent Prosecution

Intellectual Property Due Diligence

Patent Litigation

http://www.jdsupra.com/post/documentViewer.aspx?fid=7f26d9b9-53ae-4857-b643-f087bb1e7008 **Daniel R. Brownstone** is a senior associate in the Intellectual Property Group of Fenwick & West LLP. Mr. Brownstone is resident in the firm's San Francisco, California office. With an emphasis on patent strategic counseling and prosecution, Mr. Brownstone's practice also includes intellectual property due diligence and patent litigation.

Among the companies he has represented are:

- Apple Inc.
- Cisco Systems, Inc.
- Good Technology, Inc.
- Google, Inc.
- Harrah's Entertainment, Inc.
- Hewlett-Packard Company
- Intuit Inc.
- Isis Pharmaceuticals, Inc.
- Symantec Corporation

Mr. Brownstone received his undergraduate education at Duke University, graduating with an A.B. in computer science and economics. He received his J.D. from Washington University in St. Louis. Mr. Brownstone was a legal intern in the United States Senate, where he worked on the Judiciary Committee for Senator Russ Feingold.

Mr. Brownstone's combined backgrounds in computer science and economics give him a unique perspective on patent strategy. His practice emphasizes patent portfolio development based on identifying innovations that are economically strategic to the enterprise, and managing the creation of patent assets to maximize the value of those assets.

Mr. Brownstone is a member of the California Bar, the Federal Circuit Bar and the U.S. Patent Bar.



# Jennifer R. Bush

Associate

Intellectual Property Group

Phone: 650.335.7213

Fax: 650.938.5200

E-mail: jbush@fenwick.com

# Emphasis:

Patent Prosecution

Intellectual Property Counseling

Intellectual Property Due Diligence

Patent Litigation Support

**Jennifer R. Bush** is an associate in the Intellectual Property Group of Fenwick & West LLP, a law firm specializing in technology and life sciences matters. Fenwick & West is headquartered in Mountain View, California, with offices in San Francisco.

Ms. Bush's practice focuses on prosecuting patent applications in a wide range of technical fields, including computer software, Internet technologies, mobile asset tracking, and business methods. In the life sciences, Ms. Bush has patent prosecution experience in nucleic acid targeting, nanoparticles, immunoassays, ultrasound-mediated drug delivery, and medical devices. Her practice also involves intellectual property strategy and counseling. Ms. Bush has analyzed intellectual property issues for numerous due diligence and litigation matters.

The following are among the companies Ms. Bush has represented:

- Apple Inc.
- Google Inc.
- Informatica Corporation
- Omniture, Inc.
- Regents of the University of California
- Ricoh Innovations, Inc.
- Savi Technology (A Lockheed Martin Company)
- Symantec Corporation

Ms. Bush received her undergraduate education at the University of California, Santa Barbara, graduating with a B. A. in biological sciences and English (double major) in 1998. She attended law school at the Santa Clara University School of Law, graduating *cum laude*, *Order of the Coif*, with a J.D. and High-Technology Certificate in 2003. Ms. Bush was awarded the Mabie Award for Outstanding Graduate, Graduating Student of the Year, and she served as Editor-in-Chief of the Santa Clara Law *Review*.

She is a member of the State Bar of California and registered with the United States Patent and Trademark Office.

# **Publications:**

- Jennifer R. Bush, The Patent Prosecution Highway: A First Step for International Patent Harmonization?, Fenwick & West IP Bulletin (Fall 2006), at 3.
- Jennifer R. Bush, Closer View Sees Bumps in the Patent Prosecution Highway, Los Angeles Daily J., Sept. 19, 2006, at 9.
- Jennifer R. Bush, 'Phillips' May Decide Conflict in Patent Claim Construction, Los Angeles Daily J., December 20, 2004, at 7.
- Jennifer R. Johnson, Out of Context: Texas Digital, the Uncertainty of Language, and the Search for Ordinary Meaning, 44 IDEA 521 (2004).
- Jennifer R. Johnson, It's a Small World After All: Proposed Solutions for Global Antitrust in a System of National Laws, 1 Santa Clara J. of Int'l Law 118 (2003), available at http://www.scu.edu/scjil/archive/ v1\_JohnsonArticle.pdf
- Jennifer R. Johnson, *Employers Take Note*, State Bar of California Diversity Newsletter (Fall 2003).
- Jennifer R. Johnson & Ami Mudd DeCelle, Book Review: *The World Court in Action: Judging Among the Nations*, 43 Santa Clara L. Rev. 319 (2002), *reprinted in* UN 21 Newsletter (Oct. 2003).



Carolyn Chang

Litigation Group

Phone: 650.335.7654 Fax: 650.938.5200 E-mail: cchang@fenwick.com

# Emphasis:

Patent Litigation

http://www.jdsupra.com/post/documentViewer.aspx?fid=7f26d9b9-53ae-4857-b643-f087bb1e7008 **Carolyn Chang** is a senior associate in the Litigation Group of Fenwick & West LLP, a law firm specializing in technology & life sciences matters. Fenwick & West is headquartered in Mountain View, California, with an office in San Francisco. Ms. Chang's practice focuses on patent litigation. She has represented clients in various technology areas, including bioscience, software, and telecommunications hardware and software. Ms. Chang's representative clients include:

- Abbott Laboratories
- Google Inc.
- Informatica Corporation
- The Regents of the University of California

Ms. Chang received her J.D. from University of California, Hastings College of the Law, *cum laude*, in 2001 and was elected to the *Order of the Coif*. She received her B.A. in molecular cell biology and political science from University of California, Berkeley in 1998.

Ms. Chang is a member of the State Bar of California. She is admitted to practice in the federal courts in California and the United States Court of Appeals for the Federal Circuit.

**Robert A. Hulse** 

Associate Intellectual Property Group

Phone: 415.875.2444 Fax: 415.281.1350 E-mail: rhulse@fenwick.com

Emphasis:

Patent Prosecution

Intellectual Property Counseling Intellectual Property Due Diligence Patent Litigation

Robert A. Hulse is an associate in the Intellectual Property Group of Fenwick & West LLP, a law firm specializing in technology and life sciences matters. Mr. Hulse is resident in the firm's San Francisco, California office. His practice focuses on prosecuting patent applications in a wide range of fields. including electronics, technical computer software. telecommunications, audio/video media, electromechanical and medical devices, and business methods. His practice also involves intellectual property counseling, such as evaluating risks from third-party patents and assisting in efforts to design around those patents. Serving as an independent expert evaluator for a major patent pool, he has significant experience determining the essentiality of patented technology to a number of standards bodies' specifications. Mr. Hulse has also analyzed intellectual property issues for numerous due diligence and litigation matters.

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In addition to providing legal services for his clients, Mr. Hulse is an Adjunct Professor of Law at the University of California, Hastings College of the Law, where he teaches patent drafting and prosecution.

Before joining the firm, Mr. Hulse worked as a systems engineer at Hughes-Avicom International, where he designed in-flight entertainment systems for commercial aircraft.

Mr. Hulse was awarded his Juris Doctor from the University of California, Davis School of Law, where he served as the Senior Articles Editor of the U.C. Davis Law Review. His note, *Patentability of Computer Software After* State Street Bank & Trust Co. v. Signature Financial Group, Inc.: *Evisceration of the Subject Matter Requirement*, is published at 33 U.C. Davis. L. Rev. 491 (2000).

Mr. Hulse received a Master of Engineering from Harvey Mudd College, which awarded him a Harvey Mudd College Fellowship. Before receiving the Master of Engineering, he presented and defended his thesis, "Viscoelastic Analysis of a Thick-Walled Cylinder."

Mr. Hulse also received a Bachelor of Science from Harvey Mudd College, where he double-majored in engineering and in economics. The engineering major broadly encompassed the fields of mechanical, electrical, chemical, software, materials, and systems engineering, thus providing a background for patent practice in a broad range of technical fields. Mr. Hulse completed the economics major at Claremont-McKenna College, focusing primarily on financial markets, economic models, and business management.

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# Published Articles and Talks:

- Patent Law 2006: The Year Past and the Year Ahead, Fenwick & West, Jan. 19, 2006.
- Patel, Brownstone & Hulse, A Strategic Look at the Final Rejection, Advanced Patent Prosecution Workshop, Practicing Law Institute, No. G0-10A8, 2003-2005.
- Patel, Brownstone & Hulse, Understanding After Final and After Allowance Patent Practice, Fundamentals of Patent Prosecution, Practicing Law Institute, No. G0-01EV, 2003-2005.
- Patent Law 2004: Year in Review, Fenwick & West, Jan. 13, 2005.
- Robert Hulse, *Correct Inventorship Prevents Patent Appliction Headaches*, San Francisco Daily Journal, Oct. 8, 2004.
- Robert Hulse, Federal Circuit Applies On-Sale Bar in Case Involving Software, San Francisco Daily Journal, Sep. 15, 2003..
- What Any Entrepreneur Should Know About IP, Contracts, and Other Legal Issues, Harvey Mudd College Entrepreneurial Network Bi-Annual Entrepreneur's Conference, Apr. 6, 2002.
- Robert Hulse, Note, *Patentability of Computer Software After* State Street Bank & Trust Co. v. Signature Financial Group, Inc.: Evisceration of the Subject Matter Requirement, 33 U.C. Davis. L. Rev. 491 (2000).

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# **Firm Overview**

FENWICK & WEST LLP PROVIDES COMPREHENSIVE LEGAL SERVICES TO HIGH TECHNOLOGY AND LIFE SCIENCES COMPANIES OF NATIONAL AND INTERNATIONAL PROMINENCE. MORE THAN 250 ATTORNEYS OFFER CORPORATE, INTELLECTUAL PROPERTY, LITIGATION AND TAX SERVICES FROM OUR OFFICES IN MOUNTAIN VIEW AND SAN FRANCISCO, CALIFORNIA.

#### **Corporate Group**

We service high technology and life sciences companies, from early start-ups to mature public companies.

*Start-Up Companies*. We have represented hundreds of growth-oriented companies from inception through maturity. Our attorneys understand what it takes to start with only an idea, build a team, found a company, raise venture capital funding and grow a business. We have represented many of the nation's leading venture capital firms and do multiple deals each year with companies financed by these market leaders.

*Mergers and Acquisitions.* We are ranked by *MergerMarket* as one of the top five most active legal advisor in the U.S. for technology sector M&A. We understand the problems that arise in technology company acquisitions and focus our efforts on issues that are of the most value to the client. Our expertise spans the entire spectrum of high technology, from life sciences to semiconductors, and our lawyers are equally adept at small private company transactions and multi-billion dollar public transactions. Of particular importance to our high technology client base is the extraordinary acumen of our due diligence mergers and acquisitions teams in locating and documenting intellectual property holdings of buyers and sellers. For clients involved in larger deals, our antitrust lawyers are experienced in working with the Department of Justice and Federal Trade Commission in the pre-merger clearance process. We understand the many issues that can mean the difference between a successful transaction and a broken promise.

*Public Offerings and Securities Law Compliance*. Our extensive representation of emerging companies has given us substantial depth of experience in public offerings. In recent years, we have represented companies or investment banks in more than 100 initial public offerings, which, combined, have raised over \$7 billion dollars. We have helped our clients raise billions more in follow-on debt and equity offerings. Our counseling practice for technology companies regarding ongoing public securities law issues includes extensive Sarbanes-Oxley compliance and board or audit committee counseling.

*Strategic Alliances*. For many high technology companies, the path to financing and commercialization begins with their first collaboration or joint venture with an industry partner. These agreements can often make or break a young technology company.

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We help clients think through the business, intellectual property, tax and other legal issues that arise in their corporate partnering transactions and joint ventures.

*Executive Compensation.* As an integral part of the corporate practice, we counsel clients on a wide range of employee benefits and compensation matters. We assist companies in establishing and administering employee benefit arrangements. Our lawyers help define and structure stock or other equity plans and arrangements, as well as tax qualified and fringe benefit plans, that meet the companies' needs and comply with ever-changing regulatory requirements. In the context of public offerings and acquisitions, our attorneys handle the issues that regularly arise with equity plans or other employment benefit arrangements.

#### **Intellectual Property Group**

We deliver comprehensive, integrated advice regarding all aspects of intellectual property protection and exploitation. Fenwick & West has been consistently ranked as one of the top five West Coast firms in intellectual property litigation and protection for the past 10 years by Euromoney's *Managing Intellectual Property* publication. From providing sophisticated legal defense in precedent-setting lawsuits, to crafting unique license arrangements and implementing penetrating intellectual property audits, our intellectual property attorneys have pioneered and remain at the forefront of legal innovation. We are continually in sync with our clients' technological advances in order to protect their positions in this fiercely competitive marketplace.

The Intellectual Property Group is comprised of approximately 80 lawyers and other professionals. A significant number of the lawyers in the group and other practice groups in the Firm have technical degrees, including advanced degrees, and substantial industry work experience. More than 35 attorneys are licensed to practice before the U.S. Patent and Trademark Office. Our lawyers' technical skills and industry experience help us render sophisticated advice with respect to novel technologies and related intellectual property rights issues. Attorneys in the group have lectured and published widely on emerging issues raised by the development, application and commercialization of technology.

#### **Litigation Group**

Litigation is an unfortunate fact of life in business today. Our Litigation Group has the range of experience and critical mass to protect our clients' interests in virtually any type of dispute, large or small. We are experienced in all methods of alternative dispute resolution and find creative ways to resolve cases short

of trial. However, we are trial lawyers first and foremost; and the presence of our lawyers in a case signals to the other side that we are ready and willing to try the case aggressively and well, a message that itself often leads to a satisfactory settlement. While we have extensive litigation experience in a wide range of industries, we have exceptional depth and breadth in the areas of the law critical to our high technology clients. Those clients are leaders in such sectors as software and programming; Internet and entertainment; computer hardware; semiconductors and life sciences. We are regularly involved in significant cases involving intellectual property (patents, copyright, trademarks and trade secrets), employment disputes, corporate governance, securities, antitrust and general commercial litigation. In addition to civil litigation, our attorneys are experienced in representing clients in civil and criminal government investigations. Using a network of experienced local counsel, we routinely represent clients in cases throughout the United States. To support our lawyers, we have created a first-class litigation infrastructure of experienced legal assistants and computerized litigation support systems capable of handling everything from relatively small and simple cases to the largest and most complex "bet-the-company" mega-cases.

#### **Tax Group**

Fenwick & West has one of the nation's leading domestic and international tax practices. The Tax Group's unusually exciting and sophisticated practice stems from a client base that is represented in every geographic region of the United States, as well as a number of foreign countries, and has included approximately 100 Fortune 500 companies, 38 of which are in the Fortune 100. In recent surveys of 1,500 companies published in *International Tax Review*, Fenwick & West was selected as one of only seven First Tier tax advisors in the United States.

#### Fenwick & West Offices

801 California Street Mountain View, CA 94041 Tel: 650.988.8500

555 California Street, 12th Floor San Francisco, CA 94104 Tel: 415.875.2300

950 W. Bannock Street, Suite 850 Boise, ID 83702 Tel: 208.331.0700

www.fenwick.com



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