

Legal Updates & News

Bulletins

Intellectual Property Quarterly Newsletter

May 2007

IP Quarterly Newsletter – Spring 2007



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Editor's Note

[William Kuhne](#)

Intellectual property law is in a period of rapid evolution. In the past year, we have learned (among other things) that injunctive relief does not follow as a matter of course from a finding of patent infringement; that an alleged infringer need not fear an imminent infringement suit to file its own complaint for declaratory relief; and that patents should not be presumed to confer market power on patentees. This evolution promises to continue. In fact, on April 30, the Supreme Court issued its long-anticipated ruling in *KSR* on the obviousness standard and also decided in *AT&T v. Microsoft* that the exportation of software object code does not incur liability under the patent statute. In addition to assessing what is left of its “teaching, suggestion, or motivation” test for combining references to establish invalidity for obviousness in the wake of *KSR*, the Federal Circuit will soon be deciding the scope of waiver of the attorney-client privilege and work-product protection stemming from reliance on an opinion of counsel and whether a potential infringer has an affirmative duty to determine if it infringes a known patent. As a complement to our instant updates on ground-shaking developments (such as the Supreme Court's recent decisions), we hope that you find Morrison & Foerster's Intellectual Property Quarterly Newsletter helpful in keeping you grounded in the shifting sands of patent jurisprudence.

In this, the inaugural edition of our Intellectual Property Quarterly Newsletter, we discuss the Federal Circuit's resolution of its own internal conflict regarding the mental state necessary to induce patent infringement; the revived vitality of the inequitable conduct defense; and whether U.S. courts may take jurisdiction over claims on foreign patents.

Federal Circuit Goes for it on Fourth Down – Decides That Inducement Under § 271(b) Requires Specific Intent to Cause Direct Infringement

By [Martin Noonan](#)

After “punting” on the issue in a series of decisions, [\[fn1\]](#) the Federal Circuit recently clarified the “mens rea” required for inducement of infringement under 35 U.S.C. § 271(b). In *DSU Medical Corp. v. JMS Co. Ltd.*, 471 F.3d 1293 (Fed. Cir. 2006), the Federal Circuit held *en banc* that the intent required for inducement is to cause another to infringe the patent – not merely the intent to cause the acts that happen to constitute infringement:

- “[T]he intent requirement for inducement requires more than just intent to cause the acts that produce direct infringement. Beyond that threshold knowledge, the inducer must have an affirmative intent to cause direct infringement.” *DSU*, 471 F.3d at 1306 (*en banc*).
- “[I]nducement requires evidence of culpable conduct, directed to encouraging another’s infringement, not merely that the inducer had knowledge of the direct infringer’s activities.” *Id.* (*en banc*) (citing *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 125 S. Ct. 2764, 2780 (2005) and *Manville Sales Corp. v. Paramount Systems, Inc.*, 917 F.2d 544, 553 (Fed. Cir. 1990)).

The full text of this article is available at:
<http://www.mofo.com/news/updates/files/12326.html>

The Resurgence of Inequitable Conduct as a Defense to Patent Infringement (The Special Care Required When Submitting Affidavits to the PTO)

For over a decade, the inequitable conduct defense to patent infringement has been regarded as a somewhat disfavored defense. Indeed, nearly 20 years ago, the Federal Circuit expressed its distaste for the assertion of the defense in nearly every patent infringement suit, and issued an opinion that served to curtail a district court’s discretion to find inequitable conduct. Where the basis of an inequitable conduct allegation was false statements or omissions made in affidavits submitted to the United States Patent and Trademark Office (“PTO”), however, district courts were afforded somewhat broader discretion to find that inequitable conduct had occurred.

The full text of this article is available at:
<http://www.mofo.com/news/updates/files/12328.html>

Jurisdiction Over Foreign Patents: A Costly Dilemma for Patent Owners?

By [Parisa Jorjani](#)

Should U.S. courts decide claims for infringement of foreign patents? After 13 years of silence on this issue, the Federal Circuit recently held in *Voda v. Cordis Corp.* that a district court abused its discretion by allowing the patentee to add infringement claims based on foreign patents.

A basic principle of U.S. patent law is that it does not have extraterritorial effect; that is, patents granted in the U.S. may not be enforced abroad. Similarly, with limited exceptions, U.S. patent law does not restrict activities performed outside U.S. borders. An inventor seeking protection for an invention both in the U.S. and abroad will need to procure patents both in the U.S. and in every country in which he seeks protection. While it is possible to file international applications forming the basis of such patents (for example, PCT and EPC

applications), there are no provisions for “international” patents. <http://www.jdsupra.com/post/documentViewer.aspx?fid=87775616-bd5e-420d-98bc-252fd38669f1>

The full text of this article is available at:

<http://www.mofo.com/news/updates/files/12330.html>

eBay Scorecard

By [Angela Rella](#)

On May 15, 2006, the Supreme Court changed the landscape of patent cases by striking down the Federal Circuit’s long-standing rule that courts will issue permanent injunctions against patent infringement absent exceptional circumstances and holding that “the traditional four-factor framework that governs the award of injunctive relief” applies to patent cases. *eBay Inc. v. MercExchange, L.L.C.*, 126 S. Ct. 1837, 1841 (2006) (“*eBay*”). The Supreme Court stated that “the decision whether to grant or deny injunctive relief rests within the equitable discretion of the district courts, and that such discretion must be exercised consistent with the traditional principles of equity, in patent disputes no less than in other cases governed by such standards.” *Id.* This “*eBay* Scorecard” tracks the application of such discretion by the district courts from May 15, 2006 through March 31, 2007. We hope that you find it helpful

| | Plaintiff Practices Invention? | | Infringing Use Limited to Minor Component? | | Injunction Would Cause Public Harm? | |
|-----------------------------|-----------------------------------|----|---|----|--|----|
| | Yes | No | Yes | No | Yes | No |
| Injunctions Granted (18) | 13 | 0 | 0 | 2 | 0 | 12 |
| Injunctions Denied (6) | 0 | 4 | 2 | 2 | 3 | 0 |

News & Notes on Reexaminations

By [Robert Saltzberg](#) and [David Yang](#)

News & Notes on Reexaminations will be a recurring section of the Intellectual Property Quarterly Newsletter. We start this section with an introduction to Reexaminations

Patent Reexamination: A Threat to the Patentee

The average legal fees for patent litigation run approximately \$4.5M, but at times can reach \$15M or more^[fn1]. A company can also expect to spend substantial internal resources defending a patent case, including the time of executives and key technologists. Patent reexamination offers a relatively inexpensive leveraging tactic that may delay or force settlement of patent litigation.

Reexamination is a procedure offered by the U.S. Patent & Trademark Office (“USPTO”) to revisit the patentability of an issued U.S. patent. The USPTO permits reexamination in view of a “substantial new question of patentability” raised by prior art that was either not known or not fully considered by the USPTO during the patent application process. Such prior art generally comprises patents or printed publications, but admissions by the patentee may also be considered.

Either the patentee or a third party may ask the USPTO to reexamine an issued patent. Once a request for reexamination is granted (which can take up to three months), the entire reexamination process takes approximately two to three years to conclude.

Reexaminations are conducted by a special unit within the USPTO – the Central Reexamination Unit (“CRU”), which was established in 2005. The CRU is a group of senior patent examiners who are dedicated to reexamination. Previously, reexaminations were conducted by the examiner who originally examined the application leading to the patent. This arrangement led to far fewer patent claims being cancelled or amended than the new procedure. Because of the apparently more aggressive stance of the CRU, reexamination has recently found favor in the eyes of patent litigators.

Under appropriate circumstances, the use of patent reexamination, either in parallel or in lieu of patent litigation, can play a valuable role in the overall defense strategy of an accused infringer.

First, a grant of patent reexamination may be used to stay a cash-draining patent lawsuit, if the grant of reexamination takes place sufficiently early during the course of litigation.

Second, patent reexamination provides fewer legal hurdles than litigation in challenging patent validity. Patents are presumed valid in district courts, and can be declared invalid only upon a showing of clear and convincing evidence – a relatively high standard. In contrast, the USPTO, during reexamination, generally provides no presumption of validity, and only requires a preponderance of evidence to show invalidity. Moreover, a court is much more likely to adopt a narrower interpretation of the patent claims than the USPTO, which must adopt the “broadest reasonable interpretation,” – an interpretation that renders the claims more vulnerable to the prior art.

Statistically, the odds of successfully challenging patent validity are higher via patent reexamination than via patent litigation, especially in courts known to be patentee friendly (e.g., the Eastern District of Texas). Further, if a patent claim is amended during patent reexamination to overcome the prior art, then a court may limit the damages that may be collected by the patentee using the amended, reexamined patent. For these reasons, the filing of a reexamination request or the threat of filing may force the patentee to settle.

Finally, and perhaps most important to many companies, the cost of reexamining a patent is generally much less than the cost of patent litigation.

In closing, patent reexamination can be a viable alternative or supplement to litigating the validity of a patent. Although reexamination may not be appropriate in all circumstances, it should always be given full consideration any time a company finds itself defending against a patent assertion.

Footnotes

1 2005 American Intellectual Property Law Association Economic Survey.

After KSR: The Federal Circuit Finds Patent to be Child’s Play

The Supreme Court laid down the law of obviousness in *KSR International Co. v. Teleflex Inc.*, 550 U.S. ---, 2007 U.S. LEXIS 4745 (Apr. 30, 2007), and now it’s the Federal Circuit’s job to apply what’s left of its “teaching, suggestion, or motivation” (“TSM”) test for combining references. The CAFC began what will surely be an interesting process in *Leapfrog Enters. v. Fisher-Price, Inc.*, --- F.3d ----, 2007 U.S. App. LEXIS 10912 (Fed. Cir. May 9, 2007) by relying on *KSR* to affirm a judgment that a claimed invention directed to an educational “speak and spell” toy was invalid for obviousness.

In concluding that the district court had correctly found that the claim at issue would have been obvious in view of two prior art references and “the knowledge of one of ordinary skill in the art,” the Federal Circuit invoked *KSR*’s “common sense” approach: “An obviousness determination is not the result of a rigid formula disassociated from the consideration of the facts of a case. Indeed, the common sense of those skilled in the art demonstrates why some combinations would have been obvious where others would not.” *Leapfrog*, 2007 U.S. App. LEXIS 10912 at *9-10 (citing *KSR*).

Showing how flexible it can be under the *KSR* regime, the Federal Circuit was undeterred by the fact that the two prior art references did not disclose the “reader” required by the claim, finding that the district court did not err in relying upon the fact that “readers were well-known in the art at the time of the invention.” *Leapfrog*, 2007 U.S. App. LEXIS 10912 at *14. Again citing *KSR*, the *Leapfrog* panel noted that the patentee did not

present “evidence that the inclusion of a reader in this type of device was uniquely challenging or difficult for one of ordinary skill in the art.” *Id.* In other words, this invention was child’s play.

The *Leapfrog* decision would seem to imperil patents that merely accomplish with electronics what was previously done mechanically given the statement that “[a]ccommodating a prior art mechanical device . . . to modern electronics would have been reasonably obvious to one of ordinary skill in designing children’s learning devices.” *Id.* at *10. Presumably, the CAFC won’t stop at toys.

While *Leapfrog* presented the Federal Circuit with a timely opportunity to show the Supreme Court that it had read its decision and will apply *KSR*, the reality is that the affirmed judgment of obviousness was pre-*KSR* and was issued by the district court under the historically rigid TSM test. The real test will come when the Federal Circuit is confronted with cases in which a patent was adjudged not invalid for obviousness based on a combination of references. Only then will we start to see how low the bar for proving obviousness has dropped as a result of the Supreme Court’s decision.

Litigation News

The ITC practice, headed by Brian Busey in our Washington, D.C. office, took on two new cases in recent weeks. In the first case, *Certain DVD Players and Recorders and Certain Products Containing Same*, we represent complainants Toshiba Corporation and Toshiba America Consumer Products L.L.C. in a patent infringement investigation against 17 Chinese and related distributors and importers of DVD products. In the second patent infringement investigation, entitled *Certain Rechargeable Lithium-Ion Batteries, Components Thereof, and Products Containing Same*, we represent respondent Sanyo Electric Co. Ltd.

We represent Maxwell Technologies, Inc. in a patent infringement lawsuit against NessCap, Inc. involving ultracapacitor technology that is pending in the Southern District of California. On April 17, 2007, we obtained a preliminary injunction prohibiting NessCap from making, using, selling, or offering to sell its prismatic ultracapacitors in the United States while the litigation is pending. The Morrison & Foerster team includes David Doyle, Eric Acker, Dale Buxton, Katie Parker, and Brian Kramer.

We represented Autodesk in its trademark infringement lawsuit against the Open Design Alliance arising out of the ODA’s simulation of Autodesk’s “TrustedDWG” technology. After granting Autodesk’s requested TRO, the parties stipulated to a consent judgment that makes the TRO permanent. The Morrison & Foerster team included Michael Jacobs, Lynn Humphreys, and Cathy Stadecker.

Morrison & Foerster is Pleased to Announce the Election of Six New Partners to the Intellectual Property Practice

Jason A. Crotty

Jason Crotty is a partner in Morrison & Foerster’s San Francisco office, where his practice focuses on patent litigation. He has represented clients as both plaintiffs and defendants in district courts and on appeal in the U.S. Court of Appeals for the Federal Circuit. His litigation matters have involved technologies such as satellite television broadcast systems, semiconductor processing, and antibody engineering. Mr. Crotty received his B.A. from California Polytechnic State University, San Luis Obispo and his J.D. from the University of Michigan Law School.

Richard S. J. Hung

Richard Hung is a partner in Morrison & Foerster’s San Francisco office, where his practice focuses on intellectual property litigation. Since joining the firm in 2000, Mr. Hung’s litigation matters have involved technologies such as biometric authentication, digital rights management, polymer chemistry, programmable logic devices, and public key encryption. A registered patent attorney, Mr. Hung also advises clients on

strategic patent issues. Before joining the firm, Mr. Hung clerked for the Honorable Paul Michel of the Federal Circuit. Mr. Hung earned dual bachelor's degrees in electrical engineering and economics from Stanford University and his J.D. from Columbia Law School.

Richard C. Kim

Richard Kim is a partner in Morrison & Foerster's San Diego office, where his practice focuses on patent procurement and counseling, and intellectual property litigation. Mr. Kim has assisted clients, including start-ups and established corporations, in procuring patents and developing patent portfolio strategies in a variety of technologies, including: electronics, software, telecommunications, digital imaging, semiconductor manufacturing, analytical modeling, Internet-based business methods, video graphics processing, pharmacological screening, bioinformatics, and medical devices. Additionally, Mr. Kim has represented clients in the context of patent infringement, trademark infringement, and trade secret misappropriation lawsuits pending before state and federal courts. Mr. Kim received his B.S. in electrical engineering from the University of California at San Diego and his J.D. from the University of San Diego.

Glenn M. Kubota

Glenn Kubota is a partner in Morrison & Foerster's Los Angeles office where his practice specializes in patent prosecution, client counseling, due diligence, and litigation support for high technology clients. He has represented clients involved in storage area networks, mechanical devices, optical systems, broadband communications, premises telephonic gateways, cellular communications, video signal processing, interactive television, optical switching networks, Internet content delivery systems, scalable parallel processing systems, disk drives, resource provisioning management, medical devices, semiconductor wafer handling, cryptography, and electronic musical instruments. Mr. Kubota earned his B.S. in electrical engineering and his M.S. in computer engineering from the University of Southern California, and a J.D. from Loyola Law School.

Scott F. Llewellyn

Scott Llewellyn is a litigation partner in the Denver office of Morrison & Foerster. Mr. Llewellyn's practice focuses on patent disputes, and he has been a member of various patent trial teams in federal district court. Mr. Llewellyn obtained a B.A. from Yale University, *cum laude*, and a J.D., *cum laude*, from the University of Michigan Law School.

M. Andrew "Drew" Woodmansee

Drew Woodmansee is a partner in the San Diego office of Morrison & Foerster. Mr. Woodmansee is an intellectual property litigator focusing on patent litigation. He has litigated patent infringement matters involving technology related to the semiconductor, biotechnology, medical device, and telecommunications industries. Mr. Woodmansee was a key member of a team that tried three patent cases to verdict in 2005 and has been involved in patent infringement litigation before the International Trade Commission. Mr. Woodmansee received his B.A. degree in political science from the University of Notre Dame and his J.D. degree from the Notre Dame Law School.