



CARSTENS & CAHOON, LLP

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Winds of Change: Patent Reform in 2011

Patent Litigation in the Eastern District of Texas

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Historical Perspective: Patent Law

- In 500 BC, the Greek city of Sybaris held an annual culinary competition. The winner was given the exclusive right to prepare his dish for one year.



- In 1474, the Republic of Venice issued a decree that new and inventive devices had to be communicated to the Republic in order to obtain legal protection against potential infringers.



Historical Perspective: Patent Law

- In England, the 1624 Statute of Monopolies revoked all previous Crown issued patents and limited patents to “projects of new inventions”.



Patent Laws in the United States

- In the Federalist Papers No. 43, James Madison argued that the needs of the inventor for protection from infringement coincided with the public's interest in the advancement of technology.
- The Patent Act of 1790 was the third act passed by the first Congress. Applications were originally examined by Secretary of State Thomas Jefferson among others.
- Major changes occurred in 1793, 1836 and again in 1870.
- The current act is the Patent Act of 1952.



Why Revise It?

- The patent laws have evolved since the earliest of times to address “malfunctions,” under-inclusion of subject matter, lack of standards, and unintended consequences.
- In 1999, the last major revision was implemented – adding, among other changes, “provisional” patent applications, and changes in duration of rights.
- From 2005 to 2009, three consecutive US Congressional sessions have debated a patent reform act that would shift the US to a first-to-file rule, limit damages for patent violations and provide alternative methods of defeating invalid patents.



Why Revise It?

- For the past 30 years, there has also been a strong motivation to “harmonize” patent rights and procedures around the world.
- As companies extend their reach into foreign markets, a need arose to have predictable, consistent IP rights.
- Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) established minimum standards for patent rights.
- Membership in the World Trade Organization (WTO) is dependent upon adoption and implementation of TRIPS.



S. 23 and H.R. 1249

- The Senate passed its bill S.23 in March by a vote of 95-5
- The House has a similar bill HR 1249 that should up for vote by the full House in mid-June.
- The bills differ in subtle ways – but there are nearly-identical provisions in both bills that will be in the final legislation.
- Generally, the changes will become effective one year after signing, unless otherwise indicated.



Major Change #1: First to File Adopted

What happens if someone else thought of your invention later in time, but got his application on file at the Patent and Trademark Office (PTO)?

- “First to File” v. “First to Invent”
- Under our existing laws, a patent is awarded to the person who can prove he is the first to conceive of an invention and then use “due diligence” to reduce it to practice and file the application for patent.
- Interference proceedings are trials to determine who was the first to conceive.
- Under the proposed bills, the first one to get an application on file wins.



Major Change #2: Prior user defense expanded in 35 U.S.C. § 273

What happens if your company created a new process, chose not to file for a patent, and then a competitor developed the same process and did patent it?

- Under existing US patent laws, “prior use” was not a defense against a charge of infringement – except in the case of business method patents
- Under the proposed bills, the prior user defense would be expanded to all subject matter.



Major Change #3: Post-Grant Opposition

If a competitor obtains a patent that you consider to be invalid, what are your options?

- Under the existing law, you can request a “reexamination” for violation of § 102 (novelty) or §103 (nonobviousness).
- Or you could file a Declaratory Judgment Action for invalidity IF there was a case or controversy.
- Under the proposed bills, a new post grant opposition can be filed within 9 months of grant (Senate) or 12 months (House).
- The opposition can be based on the patent’s failure to meet any of the requirements for patentability.



Major Change #3: Post-Grant Opposition

- The petition must identify the real party in interest.
- The petitioner will be estopped from challenging the validity of a claim during later litigation if he could have raised the same challenge in a post grant opposition.
- Once a civil action is filed, an opposition cannot be filed.
- If an opposition is filed, any later filed civil action is stayed.



Major Change #4: False Marking Claims

What if the product marked is not covered by the patent?

- If you receive a patent, you are required to mark your product with the patent number.
- A civil action can be brought against you by any third party (read “troll”).
- To curtail this practice, the plaintiff must now show a competitive injury caused by the alleged false marking.



Practical Advice: Speed!!

- The first-to-file rule is a truly fundamental change. The only way to respond is:
 - expedite the creation of invention disclosures by your employees/researchers;
 - expedite the review of new concepts within your company.
 - expedite the filing of patent applications on those disclosures



Practical Advice: Know Your Enemy

- Review your competitor's patent portfolio at least every six months.
- This will allow you to benefit of the post grant opposition period.
- An opposition should be a more cost effective method of weeding out invalid patents than reexaminations or DJ actions.



Practical Advice: Document processes

- Identify the key proprietary processes used in your business that are not subject to patent protection
- This includes both business and manufacturing processes.
- This will allow you to benefit of the expanded prior user defense.



Practical Advice: Get Expert Advice

Questions?

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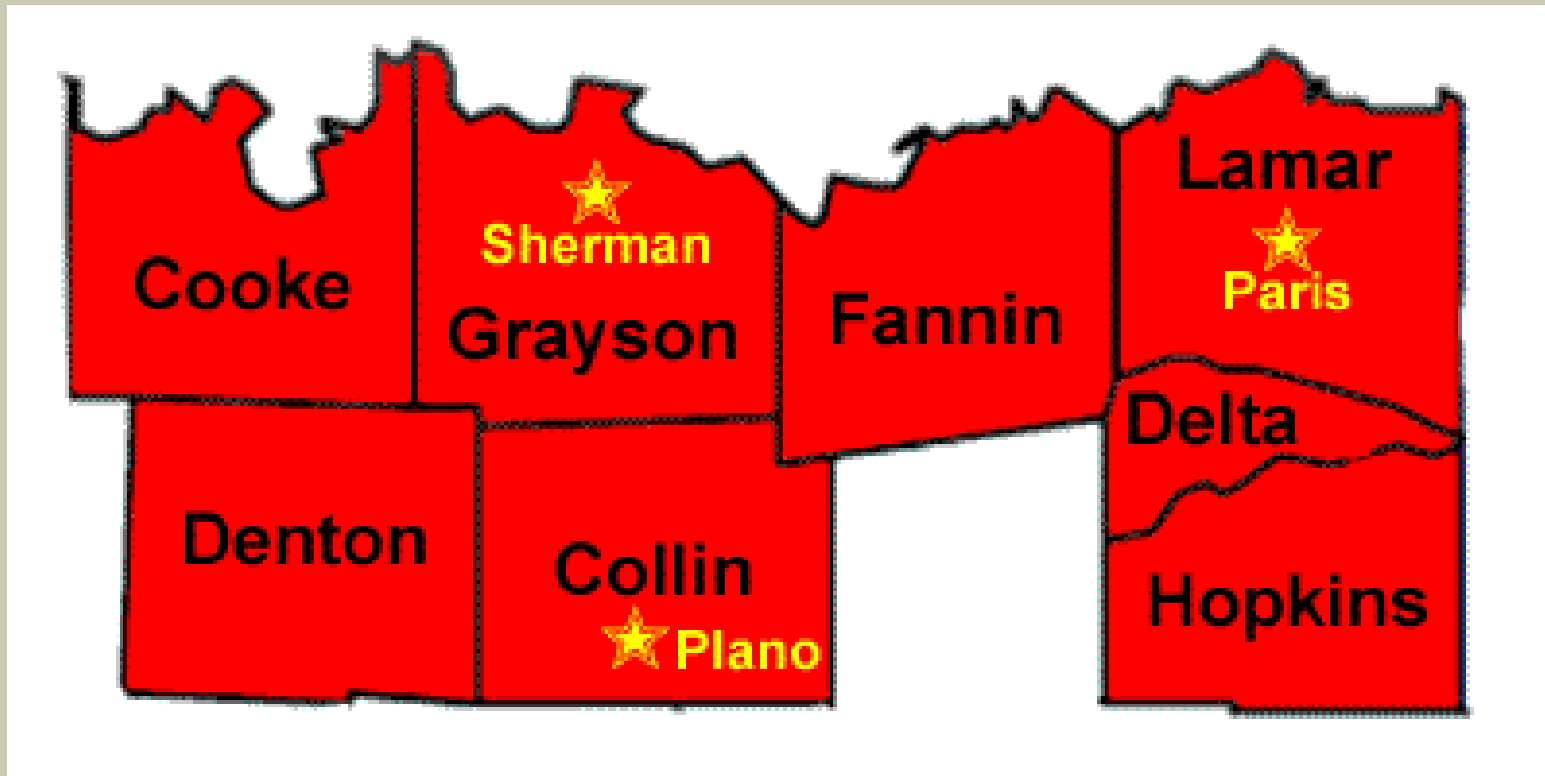
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The Hotbed of Patent Litigation



Sherman Division



Reasons for Popularity

- Plaintiff-friendly venue



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- Plaintiff-friendly venue
 - Jurors respect property rights



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 - Jurors respect property rights
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 - Experienced judges
 - Short time to trial



Popularity Breeds Contempt

- Attempted Legislative Reform



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- Attempted Legislative Reform
 - Venue



Popularity Breeds Contempt

- Attempted Legislative Reform
 - Venue
 - Damages



Popularity Breeds Contempt

- Judicial Reform by Federal Circuit

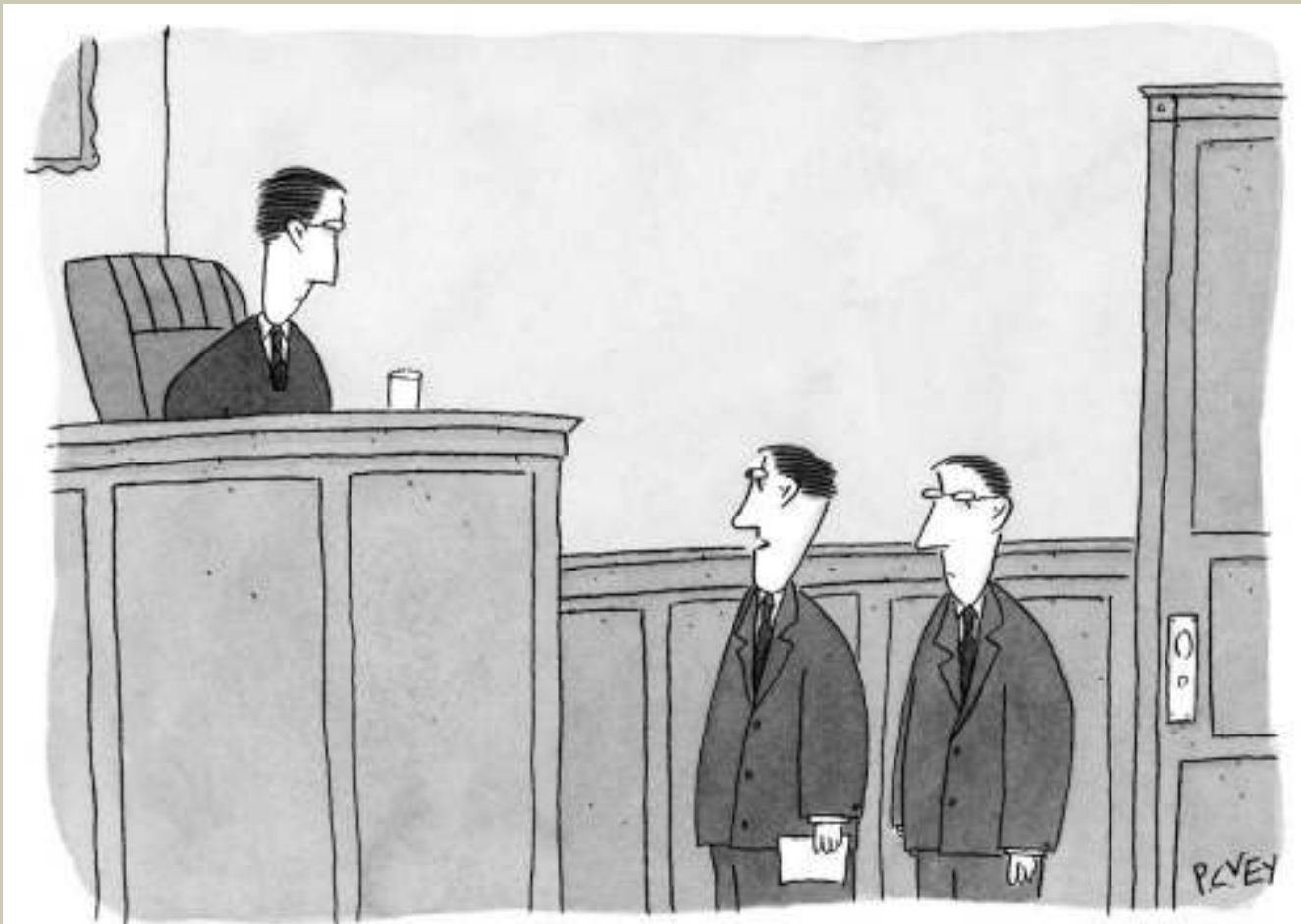


Popularity Breeds Contempt

- Judicial Reform by Federal Circuit
 - 2008 In Re Volkswagen/TS Tech



Popularity Breeds Contempt



*"We would like to request a change of venue to
an entirely different legal system."*



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 - 2009/10 Mandamus writs issued



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- Judicial Reform by Federal Circuit
 - 2008 In Re Volkswagen/TS Tech
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 - False marking pleading requirements
 - Rule 9 pleading requirements apply to false marking claim
 - Must plead the “who, what, when, where, and how”
 - Objective facts showing that defendant knew the marking to be false



Rising Popularity

- Rise in Cases Filed



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 - 250 cases filed in 2009



Rising Popularity

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 - 250 cases filed in 2009
 - 299 cases filed in 2010 (647 including false marking claims)



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- Rise in Number of Defendants



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 - Surges by more than 70% from 2009



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- Rise in Number of Defendants
 - Surges by more than 70% from 2009
 - Average of 13 defendants per suit
 - 66 cases named 20 or more defendants
 - Increase from 20% of nationwide defendants in 2008 to more than 25% in 2010



Recent Developments

- Re-thinking Case Management



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 - *Parallel Networks* (Judge Davis)



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 - Rifle shot claim construction



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 - *Adjustacam* (Judge Davis)
 - Limited discovery regarding damages



Recent Developments

- Re-thinking Case Management
 - *Parallel Networks* (Judge Davis)
 - Rifle shot claim construction
 - Opportunity for early summary judgment
 - *Adjustacam* (Judge Davis)
 - Limited discovery regarding pre-suit damages
 - Opportunity for early summary judgment



Recent Developments

- Re-thinking Case Management
 - *Texas Data* (Judge Ward)



Recent Developments

- Re-thinking Case Management
 - *Texas Data* (Judge Ward)
 - Settlement discussions may be good cause but even those extensions “may not continue eternally”



Recent Developments

- Misjoinder



Recent Developments

- Misjoinder
 - *Oasis Research* (Judge Mazzant)



Recent Developments

- Misjoinder
 - *Oasis Research* (Judge Mazzant)
 - Federal Circuit's *Eolas Tech* decision



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