The IP Legal Browser

The Newsletter of the FBA's Intellectual Property Law Section — Fall 2011

Message From the Chair: A Report from the 2011 FBA Annual Meeting and Convention

By Jack Schecter

The Federal Bar Association held its Annual Meeting and Convention in Chicago from Sept. 8–10, 2011, and the Intellectual Property Section was well represented. I was joined in Chicago by our treasurer, Alexa Lewis, our secretary, Ben Stern, and the chair of our Patent Law Committee, Kelly Farnan.

Thursday evening, in addition to a Federal Civil Litigation Section Happy Hour, we attended a reception at Chicago's Shedd Aquarium. Friday was filled with CLEs and FBA meetings—including a get together of Intellectual Property Section members, where we brainstormed on initiatives for the section in the coming year. The day's activities were rounded out with an excellent guided boat tour of Chicago's architecture followed by a reception at the Art Institute of Chicago.

On Saturday, in addition to the meeting of the FBA sections and divisions leaders and the National Council Meeting, we attended the annual awards luncheon. I'm happy to report that the Intellectual Property Section received some much-deserved recognition in the form of a Meritorious Newsletter Recognition Award for our newsletter, *The IP Legal Browser*. Congratulations to our editor-in-chief, Brian Bialas, and his assistant editor, Stephanie Garfield, on a job well done! Following Saturday night's Presidential Installation Banquet for the Federal Bar Association's new president, Fern C. Bomchill, it was time to head to O'Hare for the trip home.

In addition to raising the profile of the Intellectual

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The IP Legal Browser

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In This Issue

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A Possible Solution? Reworking and Reintroducing the Proposed Orphan Works Act of 2008 in the Wake of the Rejection of the Google Books Settlement

By Stephanie Garfield

Introduction

Since the 1960s, Congress has twice significantly expanded the length of the copyright term. This has exacerbated the problem of orphan works, or works which are protected by copyright but whose copyright owners cannot be identified or located, by giving these works automatic copyright protection. In particular, the 1976 Copyright Act, by extending the copyright term to life of the author plus fifty years and eliminating the requirement that an author renew his copyright registration in the 28th year of the term, worsened this problem by reducing the public records relating to copyright ownership. Accordingly, a potential user of an orphan work often has no way of determining whether a work has fallen into the public domain, and he or she must assume the risk of strict liability should the owner later appear and file an infringement lawsuit.

A solution to the orphan works problem is long overdue. However, Judge Denny Chin's recent decision in *The Authors Guild v. Google*,[1] in which he rejected a proposed settlement that would have given Google a "de facto monopoly" over orphan works as a result of its digital library initiative, indicates that it is unlikely that judges will allow litigants to construct frameworks for the use of and payment for orphan works in the future. Judge Chin concluded that the appropriate mechanism for addressing the orphan works problem is legislative action.[2] The Orphan Works Act of 2008 (H.R. 5899), a proposed amendment to the Copyright Act that has not been enacted, would have protected a user of a copyrighted work who was unable to locate the owner after a reasonably diligent search. While several of its provisions may need to be revised, this amendment is a promising step towards reasonable orphan works legislation.

I. The Rejection of the Google Books Amended Settlement Agreement

In 2004, Google launched Google Book Search, an ambitious project that aimed to create a universal digital library and bookstore of every book ever published.[3] Without first obtaining permission from the copyright holders, Google entered into agreements with several major university libraries under which the libraries permitted Google to scan and digitize their book collections in exchange for electronic copies of the scanned collections.[4] Since then, Google has scanned more than 12 million books, with orphans comprising approximately a fifth of the works in Google's digital library.[5] Google Book Search users are able to search its digital books archive and view "snippets" from these books.[6] In 2005, groups representing authors and publishers filed a copyright infringement class action lawsuit against Google, alleging that Google's scanning of books and display of snippets for online searching constituted copyright infringement.[7]

After two years of negotiations, the parties entered into a settlement agreement in 2008 and filed an Amended Settlement Agreement (ASA) in the latter half of 2009.[8] The ASA, if approved, would have permitted Google to digitize millions of copyrighted works by (1) continuing to digitize books and inserts, (2) selling subscriptions to an electronic books database, (3) selling online access to individual books, (4) selling advertising on pages from books, and (5) making certain other prescribed uses.[9] Google would pay copyright holders 63% of the revenue earned from all uses of the works.[10]

Notably, the ASA provided that if copyright holders did not want Google to digitize their works, they would have to affirmatively "opt out" of the settlement.[11] In rejecting the ASA, Judge Chin stated that this opt-out provision gave Google "the ability to expropriate the rights of copyright owners who have not agreed to transfer those rights."[12] He indicated that class members who neglect to opt out of the class "are deemed to have released their rights even as to future infringing conduct."[13] In other words, the ASA released Google from liability for both past unauthorized copying and gave it significant *future* commercial rights to digital books without first requiring it to obtain the consent of copyright holders.[14] Judge Chin concluded that "the ASA would give Google a significant advantage over competitors, rewarding it for engaging in wholesale copying of copyrighted works without permission, while releasing claims well beyond those presented in this case."[15]

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Integral to Judge Chin's ruling was the fact that the ASA would have permitted Google to assume control over the rights to orphan works by merely "striving" to find the copyright holder.[16] If the owner could not be located, Google could then digitize the work without the owner's permission, and the copyright holder would no longer have any right to challenge later acts of infringement. Orphan works would be included in a Books Rights Registry and governed by an Unclaimed Works Fiduciary.[17] The registry and the fiduciary, ostensibly on an independent basis, would have represented the interests of the rights holders of orphan works by determining who had a claim to such works, as well as determining the compensation of rights holders for the use of copyrighted materials if they appeared "after reasonable search efforts" had occurred.[18] Google would maintain an escrow fund for authors who could not be located if they ever came forward.[19]

Judge Chin was troubled that the ASA allowed Google to define what constituted a reasonable effort to locate the copyright owner, concluding "the questions of who should be entrusted with guardianship over orphan books, under what terms, and with what safeguards are matters more appropriately decided by Congress rather than through an agreement among private, self-interested parties."[20] While Judge Chin left the door open for further revision of the ASA by suggesting that it would be acceptable if it required rights holders to opt in to the agreement rather than requiring them to opt out, Google rejected this idea in the past because this change would omit millions of orphan works from the agreement and greatly reduce the value of its digital library.[21]

II. Re-examining the Orphan Works Act

Judge Chin's ruling indicates that private parties will not be permitted to acquire the rights to orphan works through a settlement agreement and that legislative action is needed. On Jan. 26, 2005, the U.S. Copyright Office issued a Notice of Inquiry soliciting recommendations from all interested parties on how to best address the issues presented by orphan works.[22] After holding three days of roundtable discussions and meeting with several private organizations, the Copyright Office synthesized the more than 850 written responses it received and produced its Report on Orphan Works on Jan. 31, 2006.[23] This report provided the foundation for the two versions of orphan works legislation proposed by the Senate and the House in 2008.[24] While the House never voted on its bill, the Orphan Works Act should be regarded as a positive first step in addressing the orphan works problem.

Threshold Requirements

The Orphan Works Act provided that, if a user has performed a good faith, "reasonably diligent search" for the copyright owner but is still unable to locate him or her, the user should reap the benefit of limitations on the remedies that a copyright owner could enforce against him if the owner appeared later and sued for infringement.[25] The addition of § 514(b)(2)(A) to the Copyright Act would define the "reasonably diligent" search requirement:

> In determining whether a search is diligent ... a court shall consider whether (I) the actions taken in performing that search are reasonable and appropriate under the facts relevant to that search, including whether the infringer took actions based on facts uncovered by the search itself; (II) the infringer employed the applicable best practices maintained by the Register of Copyrights[;] ... and (III) the infringer performed the search before using the work and at a time that was reasonably proximate to the commencement of the infringement.[26]

The Register of Copyrights, in maintaining the statement of best practices for conducting a search, could consider any materials and standards that it found may be relevant to whether the search constituted a diligent effort.[27] If the user fulfilled the "reasonably diligent" search requirements but was still unable to locate the copyright owner, the work would qualify for orphan work protection.

The Orphan Works Act included a second requirement that the user of an orphan work provide "reasonable attribution" to the author and copyright owner of the work.[28] The Register of Copyrights was required to create and maintain an archive retaining Notice of Use filings, which specified: (1) the type of work being used, (2) a description of the work, (3) a summary of the search conducted, (4) the owner, author, recognized title, and other identifying element of the work if the infringer was reasonably certain of this information, (5) a certification that the infringer performed a qualifying search in good faith, (6) the name of the infringer, and (7) how the work will be used.[29] The attribution requirement would provide notice to authors and copyright holders that their work was being used and facilitate voluntary agreements involving the work's use.[30]

Limitations on Remedies

If the user demonstrated that his search was reasonably diligent and provided reasonable attribution to the author and copyright owner, the Orphan Works Act would have limited the remedies in an infringement action in two ways.[31] First, with regard to claims for monetary relief, the act stated that "an award for monetary damages (including actual damages, statutory damages, costs or attorney's fees) may not be made other than an order requiring the infringer to pay reasonable compensation ... for the use of the infringed work."[32] The reasonable compensation limitation would approximate the amount the user would have paid to the owner if the user had negotiated a reasonable license before the infringing use began.[33] The Orphan Works Act also provided a safe harbor provision for infringing nonprofits, educational institutions, libraries, archives, or public broadcasting entities barring them from having to pay reasonable compensation as long as they proved by a preponderance of the evidence that they had engaged in noncommercial educational, religious, or charitable uses, and ceased any infringing activity promptly upon notice.[34] Second, with regard to injunctive relief, the act

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would prevent copyright owners from obtaining full injunctive relief if the user had transformed the orphan work into a derivative work; the user would be allowed to continue to exploit that derivative work if he or she paid reasonable compensation to the owner.[35] Full injunctive relief would still be available if the user simply reproduced an orphan work, but courts would account for and accommodate any interest of the user that might be harmed by injunctive relief due to his reliance on this section of the Act in making the infringing use.[36]

The Orphan Works Act sparked considerable debate as to whether it struck the proper balance between the interests of copyright owners and copyright users. The bill furthered the purpose of the Copyright Act by "[e]xpanding the cultural commons, easing access to and use of a wealth of historical works that are presently locked away from public view."[37] Limiting the remedy to the reasonable compensation that would presumably have resulted had the user negotiated a license with the copyright owner before the use occurred would reduce the exposure of good faith users.[38]

However, the bill suffered from a number of shortcomings. An opposition led by legal scholar Lawrence Lessig criticized the "reasonably diligent" search requirement, likening this standard to "mush" that would unfairly threaten copyright holders' ownership of their work.[39] In addition, some copyright owners argued that their inability to recover statutory damages and obtain injunctive relief would reduce their leverage against orphan works users and give these users a "license to steal." Finally, the bill was criticized as not adequately representing the interests of visual artists because it is common for an artist's work to be published without credit lines; the broad provisions of the bill could effectively orphan the work product of working artists.[40] Additionally, as a practical matter, visual artists would have been required to subsidize registries and register all of the images they wished to protect, with every image not contained in the registries possibly being considered an orphan.[41]

Conclusion

Judge Chin's rejection of the proposed settlement in *The Authors Guild* highlights the urgent need for orphan works legislation. While the Orphan Works Act was a promising first step, should a version of this bill be reintroduced, legislators should consider the concerns raised by copyright owners and the users of orphan works. ❑

Endnotes

[1]770 F. Supp. 2d 666 (S.D.N.Y. 2011).
[2]*Id.* at 677.
[3]*Id.* at 670.
[4]*Id.*
[5]*Id.*; *Judge Rejects Google Books Settlement*, Newsl. on Intell. Freedom, May 1, 2011, at 2.
[6]*The Authors Guild*, 770 F.Supp. 2d , at 670-71.
[7]*Id.* at 678.
[8]*Id.* at 671.
[9]*Id.*
[10]*Id.*
[11]*Id.* at 672.
[12]*The Authors Guild*, 770 F.Supp. 2d at 680.
[13]*Id.* at 681.
[14]*Id.*
[15]*Id.* at 669.
[16]*Id.* at 684 n.17.
[17]*Id.* at 671-72.
[18]*The Authors Guild*, 770 F.Supp. 2d at 671.
[19]*Id.* at 672.
[20]*Id.* at 677.
[21]*Judge Rejects Google Books Settlement*, *supra* note 5, at 3.
[22]Orphan Works, 70 Fed. Reg. 3739, 3739 (Jan. 26, 2005).
[23]U.S. Copyright Office, Report on Orphan Works: A Report of the Register of Copyrights 32 (2006), *available at* www.copyright.gov/orphan/orphan-report-full.pdf.
[24]The Senate passed a version of the bill known as the Shawn Bentley Orphan Works Act of 2008 (S. 2913) by unanimous consent. While it was referred to the House Committee on the Judiciary, it was ultimately never approved.
[25]Orphan Works Act of 2008, H.R. 5889, 110th Cong. § 514(b)(2)(A) (2008).
[26]*Id.*
[27]*Id.* at § 514(b)(2)(B).
[28]*Id.*
[29]*Id.*
[30]U.S. Copyright Office, *supra* note 23, at 10-11.
[31]H.R. 5889 § 514(c)(1)(B).
[32]*Id.*
[33]U.S. Copyright Office, *supra* note 23, at 12.
[34]H.R. 5889 § 514(c)(1)(B).
[35]*Id.*
[36]*Id.*
[37]Corynne McSherry, *Release the Orphan Works!*, Elec. Frontier Found., May 16, 2008, www.eff.org/deeplinks/2008/05/release-orphan-works.
[38]Letter by Marybeth Peters, Register of Copyrights, *The Importance of Orphan Works Legislation* (Sept. 25, 2008) (on file with U.S. Copyright Office), *available at* www.copyright.gov/orphan/.
[39]Lessig Blog, www.lessig.org/blog/2007/02/copyright_policy_orphan_works.html (Feb. 1, 2007, 15:34 EST).
[40]Illustrators' Partnership Orphan Works Blog, ipaorphanworks.blogspot.com/ (April 30, 2008, 11:50 EST).
[41]*Id.*

Inducement of Infringement Requires Knowledge of the Infringed Patent: *Global-Tech Appliances Inc. v. SEB S.A.*

By Jason J. Rawnsley

It is well established that liability for direct infringement does not depend on the knowledge or intent of the infringer, but that indirect infringement under 35 U.S.C. § 271(c) requires that the accused infringer have knowledge of the infringed patent. In *Global-Tech Appliances Inc. v. SEB S.A.*,[1] the U.S. Supreme Court held in a 8-1 decision that, like § 271(c), liability for inducement of infringement under 35 U.S.C. § 271(b) requires actual knowledge of the infringed patent, though willful blindness suffices to show actual knowledge. By adopting the willful blindness standard, the Supreme Court in *Global-Tech* may make it more difficult to prove inducement of infringement, thereby providing a margin of comfort to defendants who have not taken steps to avoid learning whether a patent covers a given product.

Petitioner Pentalpha Enterprises Ltd., a home appliances manufacturer based in Hong Kong and a wholly owned subsidiary of Global-Tech Appliances Inc., copied the design of a successful deep fryer invented by SEB S.A. Though it hired an attorney to perform a right-to-use study, Pentalpha never informed him that it had copied the design from SEB's fryer, and the attorney never came upon SEB's patent for the fryer in his study. Pentalpha then sold these fryers to a number of other companies who resold them in the United States, each under its own trademark. When SEB discovered the infringement, it brought suit against one of the resellers and ultimately sued Pentalpha for direct infringement and inducement of infringement, securing a favorable verdict on both claims.

The Court of Appeals for the Federal Circuit affirmed the inducement of infringement judgment on the basis that Pentalpha deliberately disregarded a known risk of infringement. Pentalpha had argued that § 271(b) instead requires actual knowledge of the infringed patent. The SEB fryer whose design it copied was purchased in Hong Kong and thus did not bear any U.S. patent markings; not until SEB sued one of the companies reselling the Pentalpha fryers in the United States did Pentalpha claim to have learned of the patent. The Supreme Court granted certiorari to determine whether § 271(b) requires a party to have actual knowledge of the patent whose infringement it is alleged to have induced.

Intent to Induce Infringement

On its face, the text of § 271(b)—"Whoever actively induces infringement of a patent shall be liable as an infringer"—did not answer this question, though the Court found that the use of the word "induce" entailed intention in some form. But this posed a further question: does this section require a party to have induced the *act* that may happen to constitute infringement, regardless of whether the party is aware that the act will constitute infringement, or need the party specifically intend to induce the *infringement* itself? The Court concluded that the text was ambiguous.

Nor did earlier case law provide a clear answer. Before the Patent Act of 1952, claims for what have since been codified in separate sections of the U.S. Code as inducement of infringement (§ 271(b)) and the sale of a component of a patented invention (§ 271(c)) would both have been brought as a claim for "contributory infringement." Instead of answering the question, a review of pre-1952 contributory infringement cases involving claims over the sale of a part used in an infringing product revealed that this ambiguity has been longstanding. Courts reached different conclusions on whether a defendant merely had to contribute to the act constituting infringement, or do so with knowledge that infringement would result from its act.

With the pre-1952 case law inconclusive, the Court turned its attention to *Aro Manufacturing Co. v. Convertible Top Replacement Co.*,[2] a case decided after the enactment of the Patent Act of 1952. There, the Court also faced the question of whether knowledge that a patent would be infringed was necessary to impose liability, but interpreted § 271(c) rather than § 271(b): the phrase "knowing the same to be especially made or especially adapted for use in an infringement" in § 271(c) could mean that the statute imposed liabil-

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ity for the mere performance of the act, or that the defendant must have knowledge that its act would result in the infringement of a patent. In what the Court here described as a "badly fractured decision," the majority in *Aro* narrowly concluded that to impose liability under § 271(c) an alleged infringer must have knowledge of the patent.

Though the Court acknowledged that both sides in *Aro* had strong arguments, it proceeded to interpret § 271(b) in light of *Aro*'s holding, to which the Court attributed a "special force" by virtue of *stare decisis*, and which has remained undisturbed by subsequent congressional action. Accordingly, because of the established interpretation of § 271(c) and the common root of § 271(b) and (c) in contributory infringement, the Court held that induced infringement requires knowledge that the acts induced will result in the infringement of a patent—a holding that has the added benefit of consistency among both forms of statutory indirect infringement.

Willful Blindness Is Equivalent to Actual Knowledge

Though Pentalpha prevailed on its interpretation of § 271(b), the Court nevertheless affirmed the appellate court's decision, since Pentalpha's "willful blindness" to the risk of infringement was the equivalent of actual knowledge for the purpose of the statute. In criminal law, the Court explained, the doctrine of willful blindness provides that "defendants cannot escape the reach of [criminal] statutes by deliberately shielding themselves from clear evidence of critical facts that are strongly suggested by the circumstances." The acceptance of this doctrine is widespread and longstanding, according to the Court—the Model Penal Code, a previous Supreme Court decision[3] and all but one of the federal appellate courts with criminal jurisdiction have recognized that willful blindness amounts to actual knowledge. This broad consensus was sufficient reason to apply it in the civil context of induced infringement under § 271(b).

In surveying appellate decisions that applied the doctrine, the Court found agreement as to the doctrine's two basic components: the subjective belief that there is a high probability that a fact exists, and the occurrence of deliberate actions to avoid learning the fact. These elements differentiated willful blindness from mere recklessness and negligence, ensuring that parties could not be held liable if they just knew or should have known of a substantial and unjustified risk of infringement. The Court explained that the Federal Circuit's standard for inducement of infringement—deliberate indifference to a known risk—was no substitute for actual knowledge insofar as "deliberate indifference" does not require "active efforts" to blind oneself to a fact, and a "known risk" is simply too low a probability.

By this measure, the Court concluded that a jury could reasonably have found that Pentalpha willfully blinded itself to the high probability that the companies to whom it sold its fryers for resale in the United States would infringe SEB's patent. Pentalpha knew that its fryers would be sold in the U.S. market, yet it copied the design of an SEB fryer purchased in Hong Kong with the awareness that the fryer would not carry the markings of any U.S. patents that covered the product. Nor did Pentalpha tell the lawyer whom it had hired to provide a right-to-use opinion the crucial fact that its design was copied from another company's fryer. For these reasons, the Court affirmed the judgment below.

Without proof that defendants accused of inducement of infringement had actual knowledge of the allegedly infringed patent, plaintiffs must now satisfy a stricter standard to establish liability. Though it remains to be seen whether the actual knowledge requirement will result in fewer inducement of infringement verdicts, the immediate, practical lesson of *Global-Tech* lies in Pentalpha's having lost despite convincing the Court to reject the Federal Circuit's standard: companies that commission right-to-use opinions must not withhold relevant information from the attorneys conducting the study. ❑

Endnotes

[1]131 S. Ct. 2060 (2011).
[2]377 U.S. 476 (1964).
[3]*Spurr v. United States*, 174 U.S. 728 (1899).

Eon-Net v. Flagstar: A New Standard for Sanctioning "Patent Trolls" and Their Counsel?

By Jack Schecter

Simultaneously feared and loathed by most major companies and the general public, nonpracticing entities (NPEs) bringing patent infringement lawsuits are commonly referred to as "patent trolls" and are held out by many as an example of a broken patent system. Setting aside the merits of these characterizations and arguments, NPEs have generally found refuge in the courts, where their "trollish" nature has largely been ignored and the law has held them to the same standards as any other patent litigant. A recent Federal Circuit case, however, *Eon-Net LP v. Flagstar Bancorp*, may suggest a new standard for assessing sanctions and awarding attorney's fees against unsuccessful NPEs and their lawyers.[1]

Eon-Net is a Cayman Island limited partnership formed by three inventors solely for the purpose of enforcing their patents. After being transferred from the District of New Jersey, Eon-Net found itself bringing its infringement claim against Flagstar in 2005 in the Western District of Washington.[2] Eon-Net asserted that Flagstar's website, which allowed its customers to submit loan applications and related information online using HTML forms, infringed Eon-Net's patents claiming an "information processing system for inputting information from a document or file on a computer into at least one application program …"[3]

Shortly after Eon-Net filed the complaint, Flagstar moved for summary judgment of non-infringement and for Rule 11 sanctions. In support of its summary judgment motion, Flagstar argued that its accused products were licensed. Regarding the Rule 11 sanctions motion, Flagstar argued that Eon-Net had failed to perform an adequate pre-filing investigation and that its infringement claims were baseless.

Although Eon-Net successfully argued that Flagstar's license covered only a subset of the accused products, the district court entered summary judgment of noninfringement anyway. Without a hearing or any briefing on claim construction, the court based its decision on its own finding that the claims of the asserted patents were limited to the processing of hard copy documents, and Flagstar's HTML forms clearly fell outside the scope of the claims.[4] Thereafter, the court scheduled oral arguments on Flagstar's Rule 11 sanctions motion, found in favor of Flagstar, and assessed sanctions of $141,984.70 against Eon-Net's counsel and his law firm, an amount equal to Flagstar's attorneys' fees.

Not surprisingly, Eon-Net appealed and the Federal Circuit vacated and remanded, holding that it was error for the district court to grant summary judgment of non-infringement *sua sponte* without a full claim construction analysis, including a consideration of Eon-Net's claim construction arguments.[5] The Federal Circuit also reversed the Rule 11 sanctions order, holding that all of the district court's bases for awarding sanctions were tied to its conclusion that the Eon-Net patent claims could not possibly cover online web applications. The Federal Circuit held that the district court's assessment of the evidence was clearly erroneous and noted that it was undisputed that Eon-Net's counsel had, in fact, examined Flagstar's website and, based on his experience, concluded that it worked in a manner that infringed the asserted patents. The court also pointed out that the specification of the asserted patents was not without support for Eon-Net's infringement position.

Unfortunately for Eon-Net, its victory would prove to be short lived and costly. On remand, the parties briefed and argued their claim construction positions, and the district court again found that no reasonable construction of the asserted patents could support Eon-Net's argument that the scope of those patents extended beyond systems for processing information from hard copy documents.[6] Following this claim construction ruling, Eon-Net stipulated to non-infringement of the asserted claims and filed a notice of appeal. Following the stipulation and judgment of non-infringement, Flagstar moved for attorneys' fees and costs. The court found the case to be exceptional under 35 U.S.C. § 285 on the independent bases that Eon-Net had engaged in litigation misconduct and that Eon-Net's patent infringement claims were objectively baseless and filed in bad faith. The court then ordered Eon-Net to pay Flagstar $489,150.48 for expenses incurred litigating the case following remand. Not done yet,

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it also reinstated the earlier Rule 11 sanctions in the amount of $141,984.70 against Eon-Net's counsel and his firm.

Armed with the Federal Circuit's earlier decision vacating and remanding the previous summary judgment and Rule 11 sanctions orders, Eon-Net again appealed. This time around, however, Eon-Net found no succor with the Federal Circuit. In considering the district court's claim construction, the Federal Circuit panel, comprised of Circuit Judges Lourie, Mayer and O'Malley, held that the specification "[u]nequivocally compelled the constructions adopted by the district court."[7] Despite the fact that the "hard copy document" did not appear as a limitation in the claims themselves, the court held that this was not an instance of importing limitations from the patents' specification because the specification repeatedly defined "the invention" as a system for processing hard copy documents and included over 100 references to "hard copy documents." Dismissing the contrary portions of its prior order as dicta, the court rejected Eon-Net's arguments that a figure in the specification and related text supported its position that the ordinary meaning of "document or file," including electronic or web-based documents or files, should be adopted.[8] Nor was the court swayed by Eon-Net's argument that its claim construction position was adopted by the USPTO when it issued related patents based on an identical specification but expressly claiming a system for processing information from a "file" or "document" that is not derived from "scanning a hard copy document."

Finding no error with the claim construction, the Federal Circuit turned to the award of attorneys' fees and costs based on the district court's exceptional case finding and its order reinstating the Rule 11 sanctions that had been previously vacated.

In upholding the award of attorneys' fees and costs under § 285, the Federal Circuit first pointed to the numerous instances of litigation misconduct identified by the district court, including Eon-Net's destruction of relevant documents, failure to implement a document retention plan, failure to engage in claim construction in good faith, and overall cavalier and disrespectful attitude toward the justice system. Of course, the court could have stopped there, affirming the exceptional case determination on the basis of Eon-Net's litigation misconduct alone.

Instead, the Federal Circuit went on to review and affirm the district court's finding that Eon-Net had filed objectively baseless litigation in bad faith. Despite having previously pointed to possible support for Eon-Net's claim construction position in its order vacating summary judgment of non-infringement, the court gave short shrift to Eon-Net's argument on appeal that even if its claim construction position was ultimately wrong, it was not baseless or frivolous. The court simply reiterated its holding that any comments in its prior opinion suggesting support for Eon-Net's arguments were dicta and, in any event, that prior opinion had expressly left open the possibility that after a full claim construction analysis, Eon-Net's claim construction position could be found to be wholly without merit.

The court then went on to provide extensive commentary on the district court's determination that Eon-Net had filed its lawsuit in bad faith and for an improper purpose. The court reviewed the record and found support for the finding of bad faith based largely on what the district court referred to as "indicia of extortion," namely the filing of over 100 nearly identical complaints against a diverse group of defendants, each followed by a demand for quick settlement at a price far lower than the cost to defend the litigation.[9] The court noted that those low settlement offers led nearly all of Eon-Net's targets to settle rather than litigate, effectively ensuring that Eon-Net's baseless infringement allegations would remain unexposed and allowing Eon-Net to continue to collect additional nuisance value settlements.

In addition, the court emphasized the asymmetric nature of the case, pointing to the fact that as an NPE, Eon-Net had the ability to impose disproportionate discovery costs on Flagstar. The court also noted that Eon-Net could impose these costs while simultaneously risking very little itself since, as an NPE not engaged in any real business activities, Eon-Net was generally immune to counterclaims for patent infringement, antitrust or unfair competition.

Finally, the court briefly turned to the re-imposition of the previously vacated Rule 11 sanctions, affirming the district court's ruling on the basis that Eon-Net's claims, predicated on a clearly erroneous claim construction position, were legally baseless, and Eon-Net's counsel's prefiling investigation was inadequate since it involved the application of that clearly erroneous claim construction position to the accused Flagstar web pages.

The Federal Circuit's decision in *Eon-Net v. Flagstar* was based on a highly specific set of facts. Still, certain aspects of the opinion suggest a new standard for assessing whether an unsuccessful patent infringement lawsuit filed by an NPE gives rise to Rule 11 sanctions or an award of attorney's fees and costs under 35 U.S.C. § 285.

Much of the ruling that Eon-Net should be sanctioned and Flagstar awarded its costs and fees was predicated on a finding that Eon-Net's claim construction position was baseless. Yet, while Eon-Net's claim construction position had significant and perhaps insurmountable problems, the Federal Circuit itself had previously suggested it had some support. After all, where Eon-Net was content to rely on the plain and ordinary meaning of the claim terms, it was Flagstar that proffered a special definition of the claim terms "file or document" which would exclude electronic or web-based files or documents. While Eon-Net's position did not carry the day, would it have been found to be frivolous if Eon-Net were not an NPE?

The notion that a new standard may be emerging for sanctioning "patent trolls" is further supported by the "indicia of extortion" that the district court and the Federal Circuit used to support the determination that Eon-Net filed its lawsuit in bad faith and for an improper purpose. In practice, filing

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Judicial Interview: Judge Arthur Gajarsa, U.S. Court of Appeals for the Federal Circuit

Conducted by Scott Moriarity

Judge Arthur J. Gajarsa received his J.D. from Georgetown University Law Center in 1967. His career demonstrates a lengthy commitment to public service: After working as an examiner for the U.S. Patent and Trademark Office, he clerked for Judge Joseph McGarraghy on the U.S. District Court for the District of Columbia and also served as an attorney at the Department of Defense and the Bureau of Indian Affairs. Judge Gajarsa was appointed to the U.S. Court of Appeals for the Federal Circuit by President Bill Clinton in 1997 and assumed senior status on July 31, 2011.

IP Browser: In high-stakes patent infringement cases, an appeal is often a foregone conclusion. What can counsel do before the district court to better prepare for an appeal? Are there practices you'd like to encourage?

Judge Gajarsa: One of the aspects that might be worthwhile for many of our trial lawyers would be to have a lawyer well versed in appeals attend the trial. I know this is a very expensive proposition, because you certainly do not want to pay additional legal fees, but it might be worthwhile to identify the issues as they arise.

What we often find, in some of our cases, is that our appellants' opening briefs tend to be over-expansive. We have had a number of briefs that raised twelve or thirteen issues alleging errors in the court below. Doing a shotgun approach is not a winning appeal. For me, a winning appeal is one that focuses on reversible errors. Not just errors, but reversible errors, in view of the standard of review which the court applies.

For an appeals court to reverse a trial court on matters that are an abuse of discretion, that is a very difficult uphill battle. … You have to look at the legal issues. Sometimes when you are trying a case, and in the heat of battle, you may not see the issues that are appealable issues. So having an appellate lawyer to consult during the trial is helpful.

IP Browser: Some complain that district courts are not particularly well-equipped to handle the complexities of patent infringement litigation. For example, some patent reform proposals place patent litigation in more specialized forums, such as a specialty court or the PTO for expanded patent reexamination. How do you think district courts are currently handling patent infringement litigation? What's your view of shifting that litigation to a different forum?

Judge Gajarsa: I think the district courts themselves are being selected by attorneys well-versed in patent law. Knowledgeable lawyers are not going to bring an action in a district where the district court judges are not well-versed in patent law. We know there are a number of district courts that have a large number of patent cases: the Eastern District of Texas, the District of Delaware, the Northern District of Illinois, the Central and Northern Districts of California. …

I do not believe that setting up specialized courts is necessary. I think the five district courts that I have mentioned—five or ten of the top 15 patent courts—they handle patent cases very well. What I am saying is there is a self-selection process where practitioners know where to go with their cases, because of the expertise that judges have developed in their district. And they do an excellent job of handling patent cases.

IP Browser: On a related point, recent Supreme Court cases have warned against "formalism." In recent cases—*Bilski, KSR, MedImmune*—the Court rejected standards that had long developed in the Federal Circuit. Some have criticized the Court for making these standards too vague, increasing district courts' difficulty in managing patent infringement cases. How do you think district courts should approach this change?

Judge Gajarsa: We all have to follow the Supreme Court precedent, obviously. I think there is a dialectic tension between what the Federal Circuit has been trying to undertake in unifying and rationalizing the patent law on a national basis as compared to the Supreme Court, which espouses more flexibility in the standards. It is obviously easier to apply a bright-line test rather than a flexible standard. Anytime you have a flexible standard, applying the standard between district court to district court is different.

The foregoing interview was conducted by ***Scott Moriarity****, an associate at Lockridge Grindall Nauen PLLP in Minneapolis, Minn. Moriarity is skilled in complex business litigation and has substantive experience in contracts, multidistrict litigation, intellectual property, labor and employment law, and antitrust and unfair competition. He is a former clerk of Magistrate Judge Jeanne Graham of the U.S. District Court for the District of Minnesota, Judge Wilhelmina Wright at the Minnesota Court of Appeals, and Judge Mark Wernick in Minnesota District Court. He is a cum laude graduate of the William Mitchell College of Law, where he was also an articles editor and contributor to the* William Mitchell Law Review. *He is currently an active member of the Federal Bar Association and recently served as editor of the* IP Legal Browser.

I think that the Federal Circuit has approached patent law in the same manner as the Supreme Court. Even with the *TSM* standard, which I believe was a flexible test, the common-sense standard that was established by the Supreme Court in *KSR* is totally flexible. Does that mean that relying on common sense which may differ from Person A to Person B, is a better approach? No, but that is the new Supreme Court test which has been established. The Federal Circuit has accepted the new approach and has applied it very well to existing cases.

With *Bilski*, the Supreme Court initially probably affirmed the Federal Circuit, but then they rethought their position and concluded that the machine or transformation test was too rigid. I should point out that the *Bilski* opinion, the original majority opinion, was probably the Stevens concurrence – however, in the back and forth discussions among the justices, he lost the majority and the Kennedy opinion gained that vote.

But do we have a rigid test on § 101? The machine or transformation test was not especially rigid. There is really no new test that came out of *Bilski* in my judgment. Whenever you interpret statutes we must follow the canons of construction. I think the § 101 statutory language is quite clear. …

IP Browser: This posture against formalism also has implications for the relationship between the Federal Circuit and the Supreme Court. In a 2006 law review article, you observed that the Supreme Court was becoming more involved in the development of patent law. Is this still the case, and if so, has it influenced your decisionmaking?

Judge Gajarsa: We are seeing a Supreme Court which is much more active, because they recognize the importance of the law that is within our jurisdiction. IP law at one time was not considered the forefront of the law. Today it has become one of the most active areas of the law. Protection of intellectual property is recognized as incentivizing innovation.

The Supreme Court probably did not appreciate what was happening in intellectual property, but once they recognized it, it started impacting their docket. This year they have taken eight cases, including cases from other areas of the Federal Circuit's jurisdiction. The totality of what they are seeing can be summarized by what Justice Scalia said about the *Festo* case. In his belief, *Festo* was one of the most important cases on the docket that particular term.

I think that interest in IP is continuing. The Supreme Court will probably continue to take IP cases like the *SEB* case and additional cases dealing with 271(b) and 271(c). Many of the cases which they do take are important in their perspective to make the patent law flexible where the Federal Circuit has become too rigid.

Do we feel like we are the Ninth Circuit yet? No, the Ninth Circuit has a much more active group of cases before the Supreme Court. There was one time where the Supreme Court reviewed twenty-nine cases from the Ninth Circuit and reversed it 28 times. … It is fascinating to watch.

The first 25 years of the Federal Circuit's existence vis-à-vis the Supreme Court could have been a honeymoon phase. The court has now become more mature and the Supreme Court has been more apt to review the decisions of the Federal Circuit. The other aspect is the number of en banc cases that we have. As [the Supreme Court] sees it, we have few circuit conflicts that they can take up. The conflicts we have, they might be procedural with other circuits, but on substantive law, our en banc decisions are like circuit splits.

We have to interpret our law based on Supreme Court precedent and Federal Circuit precedent. In some respects the Supreme Court felt that the Federal Circuit had gone too far in interpreting the law too favorably for patents. Maybe they wanted to bring it back to the center. They are recalibrating patent law. I also think that they need the work so they could be taking more of our cases in the future.

IP Browser: Of the 12 full-time judges on the Federal Circuit, two seats are currently vacant, pending confirmation of nominees by the Senate. As these seats are filled, how do you think the Federal Circuit will change, and why?

Judge Gajarsa: Presently we only have one opening. The next opening may be coming up later this year, and more will be coming after.

Judge Kathleen M. O'Malley is the first district court judge appointed to the Federal Circuit. We have had appointees from the Court of Federal Claims and the other specialty courts, but no district court judges. Some potential nominees from the district courts may not have wanted to move to Washington because of the residency requirement. But new appointees will not change the underlying jurisprudence. … Minor differences may arise, that is for sure, since in the next two years you may have half of the court's judges changing.

IP Browser: What areas of patent law do you see capturing the Federal Circuit's attention in the coming years? Do you think that patent litigation will increase or decrease?

Judge Gajarsa: I think you will have an increase in the biotech area. … The technology in that area is marvelous and it will be interesting to see how the court will allow patent protection to be provided in this area. I also think that overall you might have some differences in the parameters establishing intent, depending on how the Supreme Court ruling in the *SEB* case is applied.

The other areas are, I think, more along the lines of the patentability of business methods. More development of the *Bilski* kind of approach. And we shall probably see some changes and different approaches in the ANDA litigation area. Once the Supreme Court decides the *Stanford* case on the Bayh-Dole [Act] issue … I believe that the Supreme Court will continue to be active but will not be rebuilding in the area. Their opinions probably will be fewer than in the past years.

I think patent litigation will continue to be exciting and more extensive. What I also see is a trend towards arbitration, because of the cost of discovery and other aspects of litigation, more mediation and arbitration. If people can resolve their problems by a shorter route, quicker and less expensive, they're going to do it. ❑

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numerous lawsuits and demanding quick, low cost settlements is a business model and litigation strategy employed by scores of NPEs to sign up licensees, and almost every case brought by an NPE can be said to be asymmetric by its very nature. If these common approaches to patent enforcement by NPEs and the nature of an NPE patent infringement suit in and of itself can be characterized as "indicia of extortion" and used to support a finding of bad faith and improper purpose, many NPE lawsuits will be found to be exceptional under 35 U.S.C. § 285.

Ultimately, if the decision in *Eon-Net v. Flagstar* proves to be the start of a trend and not an outlier resulting from a set of particularly egregious facts, NPEs may face a new patent litigation landscape much closer to a "loser pays" system, and general counsel may be more willing to take a hard line the next time they are faced with shake-down patent infringement litigation filed by a run of the mill "patent troll." ❑

Endnotes

[1]*Eon-Net LP v. Flagstar Bancorp*, 2011 WL 3211512 (Fed. Cir., 2011).

[2]*Eon-Net, L.P. v. Flagstar Bancorp*, 2005 WL 3500793 (D.N.J., 2005).

[3]2011 WL 3211512 at *2.

[4]*Eon-Net, L.P. v. Flagstar Bancorp, Inc.*, 239 F.R.D. 609, 619 (W.D.Wash., 2006).

[5]*Eon-Net, L.P. v. Flagstar Bancorp, Inc.*, 249 Fed. Appx. 189 (Fed. Cir. 2007)

[6]*Eon-Net, L.P. v. Flagstar Bancorp, Inc.,* 2009 WL 691131 (W.D.Wash.).

[7]2011 WL 3211512 at *7.

[8]*See id.*

[9]*Id.* at *10.

Chair's Message continued from page 1

Property Section, the Annual Meeting presented a great opportunity to network with other FBA members throughout the country. I strongly encourage anyone who's interested to look into attending next year's meeting, scheduled for Sept. 19–20, 2012, in sunny San Diego, Calif. Please visit the San Diego Chapter's website for the meeting at www.sandiegofbaconvention.com, and feel free to contact this year's Intellectual Property Section attendees if you have any questions. ❑

At the FBA Annual Meeting and Convention—(left photo, l to r) Sara Schecter, Jack Schecter, Michael Zussman, Alexa Lewis at the Shedd Aquarium; (right photo, l to r) Jack Schecter and Ben Stern at the FBA Awards Luncheon.

The New U.S. First-To-File Patent System: A Litigator's Summary of the America Invents Act

By Ira Cohen

Introduction

According to official sources, the U.S. Patent & Trademark Office currently has a backlog of approximately 1.2 million pending cases. Moreover, there are about 700,000 applications that have not yet seen the light of review. It is against this formidable backdrop that Congress finally has enacted the America Invents Act, an ambitious overhaul to federal patent law involving the most dramatic and far-reaching changes in almost six decades.

The current cost of filing a patent application ranges from $7,000–10,000 and the average patent processing or examination time is about three years. In terms of litigation for alleged patent infringement, the cost of bringing a case to trial can run from the hundreds of thousands to the millions of dollars. All things considered, and with so much at stake, the world of patents can present a most inhospitable, and indeed hostile, terrain for the uninitiated and the economically challenged.

There can be little or no question that it will literally take years for the bench and bar, let alone the public, to fully absorb and digest all of the new patent law's changes. As inventors, companies, academics, and litigants attempt to navigate the perils and pitfalls of the new patent system, patent lawyers will need to keep their clients abreast of significant developments both at USPTO and in the federal court system.

The formal name of the new patent law is the Leahy-Smith America Invents Act, known as the America Invents Act (AIA). Albeit this legislation was signed into law on Sept. 16, 2011, the general effective date is eighteen months after it was signed into law; nevertheless, some provisions are effective sooner, as noted below. The official citation is H.R. 1249; see also Title 35, U.S. Code Sections 100 et seq.

Whom does the new law appear to favor?

Big business, corporations and well-heeled inventors. The first-to-file system appears to reward big enterprise, which possesses the financial wherewithal to file multiple patents and do so in a hurry.

Whom does the new law appear to hurt?

Small entrepreneurs, individual inventors, start-ups, and universities. Even the Patent Office does not fare very well under the new law. Why? Millions of dollars in user fees collected by the Patent Office will continue to be diverted away from the Patent Office. (This is not mere chickenfeed; in 2010, the number was $200 million and is expected to climb to $300 million this year.)

Patent Examination-Related Changes

(a) The Great Race to the Patent Office

(1) First to file now will win all patent rights, irrespective of whether he or she created or invented the subject matter first. In short, priority of invention is determined by the earliest filing in the Patent Office.[1]

(2) There is a limited one-year grace period pertaining to public disclosures made by the inventor.[2]

(b) Prior Art's Definition and Submission

(1) Section 102 now covers offers, sales, and uses anywhere in the world, not just the United States.

(2) A member of the public can now (anonymously) participate in the patent examination process, for a small fee, by timely submitting prior art or comments to the Patent Office.[3]

(c) Best Mode[4]

(1) While the "best mode" must be disclosed by the inventor, the Patent Office examiner must investigate and enforce.

(2) The new law removes "best mode" as an invalidity defense in terms of litigation.

(d) Priority Examination[5]

(1) There will be a fee-based priority examination program for original utility or plant patents, but it is limited to only $10,000 in any fiscal year.

(2) Cost: An additional $4,800 (over and above the usual filing, search and examination fees).

Ira Cohen *is a partner of Henkel & Cohen PA in Miami, Fla. His practice areas, over the last three decades, have included both litigation and transactional matters and reflect experience in intellectual property law. He is a member of the Florida and New York State Bars; at the federal appellate level, he is admitted to the Second, Seventh, Eleventh, and Federal Circuits and the U.S. Supreme Court. Cohen is a member of the Federal Bar Association and the International Trademark Association. A former Law Clerk to Hon. Harold J. Raby, U.S. magistrate judge for the Southern District of New York, Cohen earned an LL.M. from NYU School of Law. He is an adjunct professor at the University of Phoenix, where he teaches business law and U.S. constitutional law.*

(e) Interference Proceedings No More

Interference proceedings (used to prove a prior invention) are to be eliminated. They will be replaced with so-called "derivation proceedings." The purpose of a derivation proceeding will be to ascertain whether an inventor of the first-filed patent "derived" the claimed subject matter without the authorization of an inventor in a subsequently filed patent application.[6]

(f) Rapid Post Grant Review[7]

(1) The new law creates a post-grant review period and procedure. Essentially, this will consist of a nine month window, from the issuance date, during which time weak or "double" patents can be challenged.
(2) The effective date for the implementation of this type of review will be Sept. 16, 2012.
(3) In theory, this review is supposed to move faster than the current "re-examination" procedures, because any such petitions are supposed to be decided within one year of the patent's issuance, or 18 months (for special cases).
(4) Review can be requested by anyone (other than the patent owner), and will be decided by a newly created tribunal, namely, the Patent Trial and Appeal Board.

(g) Inter Partes Review[8]

(1) As mentioned above, there will be a newly created Patent Trial and Appeal Board (taking a page from the Trademark Trial and Appeal Board at the Patent Office).
(2) With an effective date of Sept. 16, 2012, the new *inter partes* review will no longer be conducted by the Patent Office Central Re-Exam Unit, which previously handled *inter partes* examinations.
(3) The *inter partes* review will take place following the conclusion of the post-grant review or nine months after patent issuance, whichever is later.
(4) There is a new, slightly higher standard for granting an *inter partes* review petition. The enhanced standard is that the director (i.e., the under secretary of commerce for intellectual property and director of the U.S. Patent and Trademark Office) must determine that there is a reasonable likelihood that the petitioner would prevail with respect to at least one of the claims challenged in the petition.
(5) The review must be completed within 12 months, or 18 months upon good cause shown. This is in contradistinction to the current re-examination procedures which generally take anywhere from three to four years.

(b) Supplemental Examination[9]

(1) Analogous to the old *ex parte* re-examination procedures, there will be a new, supplemental examination procedure. This will allow a patentee to request the Patent Office to consider, reconsider, or correct any information relevant to the letters patent, at any time, following issuance.
(2) The primary purpose of this new procedure will be to afford an opportunity to patentees to resolve any allegations of inequitable conduct that may have arisen from the original patent prosecution.
(3) This procedure will become effective on Sept. 16, 2012, and will be applicable to any letters patent issued before, on, or after that date.

(i) "No Patent for you!"

Under the new law, no patents will be granted for any of the following:
(1) strategies for avoiding, deferring, or reducing tax liability[10]; or
(2) claims covering human organisms.

(j) *Patent Office Fees to be Increased[11]*

(1) All patent-related fees are scheduled to increase by 15 percent.
(2) All patent maintenance fees also are scheduled to rise by 15 percent.
(3) The new fees already are in effect, having started on Monday, Sept. 26, 2011.

(k) *Being Small has its Privileges: Micro-Entity Status[12]*

(1) Effective 60 days after the law is signed, *i.e.,* Nov. 15, 2011, certain individual inventors who qualify can choose "micro-entity" status.
(2) In order to qualify, one needs to have less than three times the national median income, be named on less than four patents, and not have assigned the patent to a business.
(3) The discount is substantial, amounting to 75 percent of Patent Office fees.

Patent Litigation-Related Changes

(a) Willful Infringement: What it is not

The AIA provides that a failure to seek advice of counsel (or the failure to introduce any such evidence) may not be utilized to prove willful infringement.[13] Effective Date: Sept. 16, 2012.

(b) Divide & Conquer: Multi-Defendant Actions Limited[14]

(1) The new law allows the joinder of multiple defendants in an action only in situations wherein the plaintiff's claims arise from the same set of transactions or occurrences.
(2) No joinder of unrelated defendants, or any consolidation of cases, will be allowed merely because the defendants are all alleged to have infringed the same patent(s).

(c) "Deceptive Intent" Requirement Removed from Statute

(1) The language regarding "deceptive intent," which related to certain omissions or commissions, in error, now has been deleted from Sections 116, 184, 185, 251, 253, 256, and 288.
(2) This change should, in theory at least, result in less litigation costs.

(d) Changes to the False-Marking Statute: Bad news for Patent Trolls![15]

(1) Lawsuits for false-marking (using a false, incorrect, or expired, cancelled, or abandoned patent number) may now only be filed by the federal government or by a third-party that has suffered an actual competitive injury by reason of the alleged false-marking.

(2) Moreover, under the AIA, there is a three-year grace period for patentees; during that period of time, they are immunized from false-marking lawsuits.

(3) This reprieve obviously will afford patentees time to re-label, remove, re-call, or otherwise dispose of current inventory with old or out-dated labels or packaging.

(e) Virtual Marking Comes to the Marketplace[16]

(1) "Virtual marking" is provided for under the new patent law.

(2) A product or product label must contain the company's website, along with the word "patent" or the term "pat."

(3) Such a statement on a product or the packaging thereof may properly direct the public to a website where the patent information is set forth.

(4) This procedure will be sufficient to provide the public with constructive notice, as well as to start the damages meter running.

(f) Sins of Inequitable Conduct can be Cleansed at the Patent Office

(1) Patentees, under the new law, will have an opportunity to cure potential allegations of inequitable conduct (*e.g.*, by reason of un-cited prior art).

(2) With two limited exceptions, the new law provides that a patent cannot be held unenforceable on the basis of such conduct, if the information is considered during the supplemental examination of the patent. (*See* Title 35, U.S. Code § 257(c)(1)).

(3) This new statutory language provides patentees with a means to cite to previously undisclosed prior art and probe the waters regarding same, all without assuming the burdens, costs, and risks of infringement litigation.

(g) Prior Commercial Use Defense[17]

(1) The party asserting this defense has the burden of proof and must be the commercial user.

(2) The standard is clear and convincing evidence.

(3) If the party raising this defense is found to be the infringer, and there was no reasonable basis for this defense, the court must deem the case "exceptional" for purposes of an attorneys' fees award.

(b) Jurisdictional Matters[18]

(1) The federal judicial code has been amended to reflect that no state court has jurisdiction over any claim for relief arising under any act of Congress relating to patents, plant variety protection, or copyrights.

(2) The term "state" encompasses, in addition to the 50 states, Washington, D.C., Puerto Rico, the U.S. Virgin Islands, American Samoa, Guam, and the Northern Mariana Islands.

Uspto Satellites

(1) In order to increase geographic diversity, increase outreach activities to patent filers and inventors, improve recruitment of patent examiners, improve quality of patent examinations, and decrease the number of pending applications, three or more new USPTO satellite offices have been authorized.[19]

(2) The first satellite office will be located in Detroit, Mich.[20]

A Litigator's Recommendations To Individuals & Small Inventors

(1) Go for the checkered flag! Make sure you are the first to file a patent application for the claimed patentable subject matter.

(2) Watch the clock! Inventors will need, more than ever, to carefully monitor deadlines and timing of submissions.

(3) In view of the potential multiple challenges to a patent's validity, the patentee's overall strategy must be logically and cautiously planned by a competent legal professional.

(4) Monitoring, policing, and enforcement efforts will need to be customized.

(5) "It's the Real Thing!" If a patent is neither necessary, nor desirable, follow in the time tested tradition of Coca-Cola and Kentucky Fried Chicken and keep the subject matter of the invention a trade secret (note: this does not work if reverse–engineering can be done).

(6) One can always turn to the so-called patent enforcement companies when the right circumstances will aid and assist an inventor in enforcing, or suing upon, his or her patent(s) (based upon a contingent fee arrangement, of course). ❑

Endnotes

[1]Title 35, U.S. Code §100.
[2]Title 35, U.S. Code §102.
[3]Title 35, U.S. Code §122.
[4]Title 35, U.S. Code §282.
[5]Title 35, U.S. Code §2(b)(2).
[6]Title 35 U.S. Code §§135, 146 and 291.
[7]Title 35, U.S. Code §§321-329.
[8]Title 35, U.S. Code §§311-319.
[9]Title 35, U.S. Code §257.
[10]Title 35, U.S. Code §§102, 103.
[11]Title 35, U.S. Code §41.
[12]Title 35, U.S. Code §123.
[13]Title 35, U.S. Code §298.
[14]Title 35, U.S. Code §299.
[15]Title 35, U.S. Code §292.
[16]Title 35, U.S. Code §287(a).
[17]Title 35, U.S. Code §273.
[18]Title 28, U.S. Code § 1338(a).
[19]AIA, §23.
[20]AIA, §24.