

## Which IP Issues Ducked The Radar In 2015?



*Law360, New York (December 22, 2015, 9:42 PM ET)* -- With 2015 nearly over, and the legal press grappling with the biggest and most impactful intellectual property developments of the year, we asked our panel of IP experts what everyone might have missed.

**Question:** What was a significant development in IP law that flew under the radar in 2015?

### **Mark A. Klapow, Crowell & Moring LLP**

In 2015, the IP bar focused on developments in patent law, including major Federal Circuit decisions and further refinements to the increasingly popular inter partes review process. The prospect of another round of patent reform also made headlines, but — oddly — arguably more important legislative developments impacting trade secret law flew under the radar. The Senate's Defend Trade Secrets Act of 2015 and parallel proposals in the House would create a federal civil cause of action for trade secret misappropriation under the Economic Espionage Act. As proposed, those laws would invest federal courts with jurisdiction over many larger trade secret cases in an effort to modernize and promote uniform and reliable national standards. Recognizing the speed with which trade secrets can be taken across international boundaries in the information age, these proposals contain a unique provision for ex parte seizures under certain circumstances. The proposals continued to gather momentum and support in 2015, and hearings to date suggest that lawmakers may be reaching a consensus. Further movement on this front should be expected in 2016.

### **Robert Stoll, Drinker Biddle & Reath LLP**

The quiet implementation of antitrust policies in countries like China and South Korea that would require U.S. leaders in industry to cheaply license their portfolios to domestic competitors in those countries is an issue that has not garnered the attention it should have this year. By usurping control of what has been a government-independent process, foreign regulators are attempting to advantage domestic companies by compelling low cost licenses of intellectual property that was developed and implemented independent of a standard-setting organization. The perversion of antitrust laws in this manner by taking patent rights from foreign corporations, spurred by inaccurate rhetoric that patents do not add value, corrupts the international patent system and may lead to broader trade problems. Companies that are operating in these countries need to voice their concerns with both the U.S. government and those countries embarking on this wayward path. The U.S. government needs to directly engage these countries to assure that the playing field is level because this type of abuse of intellectual property rights can have dire consequences both at home and abroad.

### **Andrew W. Stroud, Hanson Bridgett LLP**

One of the significant IP law issues that has flown under the radar this year is the proposed changes to the governance of the Internet Corporation for Assigned Names and Numbers. The National Telecommunications and Information Association (NTIA) has a contract with ICANN to perform Internet Assigned Numbers Authority (IANA) functions for ICANN. The Obama administration has instituted an "IANA transition" so that U.S. oversight of this function through ICANN will be curtailed. ICANN will become a more independent and self-regulated body as a result. The move has generated much discussion and numerous working groups within ICANN designed to determine the future of Internet governance and oversight. The issue has also become a political football with Congress now becoming involved. One of the strengths of the development of the Internet to date has been the relative lack of national and international political involvement. While the administration may have meant well by trying to transition the United States out of its role as an Internet overseer, I am concerned that the proposed IANA transition will have the opposite effect and Internet governance will become politicized, especially in an election year. I think this may well become a critical issue to all Internet users in 2016 and beyond.

### **Patricia Martone, Law Office of Patricia A. Martone PC**

The patent law development which may not be under the radar but needs more high priority attention is the impact of the Mayo and Alice decisions, both in the courts and the USPTO. The rules articulated in those cases to determine if patent claims are directed to patentable subject matter have proven to be difficult to apply in a consistent and understandable matter. Further, in litigation, this complex issue can now inexplicably be decided on an early motion to dismiss based on nothing but the patent and lawyer's argument, even though in many cases the part 2 analysis of identifying an inventive step, overlaps with the obviousness analysis which everyone agrees requires claim construction and where expert testimony is key. The situation in the USPTO is no better. BSA, The Software Alliance, representing more than 100 software companies that collectively invest billions of dollars in R&D, sent an Oct. 28, 2015, letter to Under Secretary Michelle Lee pointing out the need for greater clarity and consistency in the application of Alice during the examination of software patent applications. Solving this problem will be difficult. But finding a solution is critical to key American technology and life sciences industries.

### **Jeff Van Hoosear, Knobbe Martens Olson & Bear LLP**

The Oracle v. Google case on the copyrightability of application programming interfaces. An API is a set of programming instructions for a software-to-software interface. This case has flown under the radar (despite the players involved) because it is a copyright case and because it is hard to assess the impact it may have. The primary issue is whether Oracle can claim copyright protection for its Java APIs, and, if so, whether Google's Android OS infringes. Google used the same names and functionality as the Java APIs in order for developers to write Android programs. Without using the Java APIs, such software programs could not communicate with each other. At the district court, Judge William Alsup ruled that APIs are not subject to copyright. Oracle appealed the ruling and the Federal Circuit reversed finding that the Java APIs are copyrightable. It did however leave the door open to a fair use defense. Google petitioned the Supreme Court for review, but it was denied in June 2015. The case will now return to Judge Alsup for a trial on Google's fair use defense. Fair use is a complex issue and giving copyright protection for software features that may block the interoperability of subsequent software means developers must be much more cautious about using APIs.

### **Mark Duell, Honda Patents & Technologies North America LLC**

The most significant development in IP law that flew under the radar was that the patent reform that once appeared to be on a fast track in Congress has quietly stalled under the weight of competing interests and proposals. While the Judicial Conference moved to combat the problem of nonpracticing entities, Congress made no progress in passing venue, discovery and attorney-fee reforms. One sticking point appears to be the PTAB and post-grant proceedings. However in all of the arguments made about the PTAB acting as a so-called "patent death squad," I have yet to see any evidence that the PTAB is invalidating what should otherwise be valid claims. That leads to the second most significant development that is under the radar. For all of the bluster and hand-wringing, the PTAB is doing the job the America Invents Acts intended, and it is doing it well.

#### **Steven Wong, The Home Depot Inc.**

An issue that has flown under the radar in 2015 is the continued development of the law regarding the use of trademarks as keywords in the e-commerce context. In July, the Ninth Circuit in *Multi Time Machine Inc. v. Amazon.com* vacated the district court's grant of summary judgment on likelihood of confusion in favor of defendant Amazon on plaintiff MTM's initial interest confusion theory, holding that factual issues precluded the grant of summary judgment. In an unusual move, the Ninth Circuit reversed itself in October, affirming the grant of summary judgment. In reversing itself, the Ninth Circuit conveyed an understanding of the growing sophistication of Internet users with respect to how they search for products on e-commerce websites and how such e-commerce websites display product listings resulting from a search. The Ninth Circuit found that even without an explicit statement that a website does not contain products under a particular trademark, consumers would not be confused as long as the alternative products are clearly labeled. It will be interesting to see how this area of law continues to develop through 2016.

#### **Michael P. Sandonato, Fitzpatrick Cella Harper & Scinto**

The U.S. Supreme Court's October 2015 decisions to grant certiorari in *Halo Electronics v. Pulse Electronics* and *Stryker v. Zimmer* generated less buzz than I would have expected. These cases involve the question of enhanced damages under 35 U.S.C. §284, and in particular whether the Federal Circuit is correct in allowing enhanced damages only where the patentee can establish willfulness under what the cert questions call a "rigid, two-part test." The backstory here lies in the Supreme Court's 2014 decisions in *Octane Fitness v. Icon Health Fitness* and *Highmark v. Allcare Health Management*, which relaxed the standards for recovering attorney fees, including among other things by abrogating a two-part test that is considered to be the "same as" or "analogous" to (in the words of the Halo and Stryker cert questions) the current test for willfulness and enhanced damages. Proving willful infringement has been something of a tough row to hoe in the past several years, and if the Supreme Court were to bring the framework for enhanced damages more in line with the current, considerably more flexible framework for attorney fees, we could see a bit of a shift in the balance of power between patent owners and accused infringers.

#### **Kenneth R. Adamo, Kirkland & Ellis LLP**

The new "proportional" discovery standard effective Dec. 1, 2015, through amendment of FRCivP 26 (b)(1) (relocating and refining former Rule 26 (b)(2)(C)). Relevance and "proportional[ity] to the needs of the case" now demarcate allowable federal court discovery. While amended Rule 26(b)(1) contains a list of six considerations/criteria to be weighed in interpreting what is "proportional," neither the rules nor the advisory committee defined the term, nor provided any further guidance other than supposition that old Rule 26(b)(2)(C) decisions, of which there were precious few, and the relationship between the old and new judging considerations/criteria, would make new "proportionality" simple to define. The

reality may well be that the advisory committee missed an opportunity to not have to heavily rely on trial court decisions, which take time and may conflict with each other, to get "proportionality" in its new driving role off to a running start. While some attention has been paid to getting ahead of determining how to do "proportionality" (see, eg., Hon. Eliz. La Porte et al., "A Practical Guide to Achieving Proportionality Under New Federal Rule of Civil Procedure 26," 9 Fed. Cts. L. Rev. 19, 47-50 (2015)), more could and probably should have been done to prepare this now critical ground.

**Christine E. Lehman, Finnegan Henderson Farabow Garrett & Dunner LLP**

A 2015 Federal Circuit decision with little fanfare, *DeLorme v. ITC*, illustrates the power of U.S. International Trade Commission consent orders for complainants (and risks to respondents). The respondent, DeLorme, ended an ITC case by agreeing to a consent order not to import or sell after importation infringing products until the expiration, invalidation and/or unenforceability of the asserted patent. DeLorme was soon found in violation of the consent order and civil penalties were imposed. But DeLorme then invalidated the relevant claims in a declaratory judgment action in the Eastern District of Virginia. DeLorme appealed the ITC's civil penalties for violation of a patent that was held invalid. But the Federal Circuit affirmed the civil penalties, holding DeLorme to the letter of the consent order — which was essentially a contract. That contract required compliance of the consent order until a nonreviewable and final decision on invalidity. This decision shows the powerful reach of a consent order, and the risk respondents take by using a consent order to end an ITC case. A respondent cannot challenge patent validity in an enforcement action. And to challenge validity in another forum, even one of the fastest in the country, will be of little help.

**Richard Baker, New England Intellectual Property LLC**

The most underreported IP development in 2015 is Capitol Hill's attitude reversal regarding patent rights. For half a decade, infringers dominated intellectual property debate, vilifying patent owners and keeping inventors from telling their side. In 2015, things changed when inventor Paul Morinville spent retirement funds to travel to Washington for door-to-door meetings with House and Senate staffers. He demonstrated how patent reform hurt inventors and innovation. Morinville pointed to a crash in secondary patent sales as the beginning of the end of American innovation, leaving a bleak technology future. As his effort progressed, other inventors joined him, in Washington and in the press, publishing articles on the huge loss of patent values due to AIA legislation. As 2015 draws to an end, support for further patent reform has waned as politicians realize the role patents play in creating a strong economy and that the AIA may have gone too far.

**Richard Z. Lehv, Fross Zelnick Lehrman & Zissu PC**

For decades, a prevailing plaintiff in a trademark case could assume that it would be awarded a permanent injunction, based on having shown a likelihood of confusion between its mark and the defendant's mark. But in 2006, the U.S. Supreme Court decided *eBay v. MercExchange*, 547 U.S. 388 (2006), a patent decision, which held that a prevailing plaintiff was not automatically entitled to a permanent injunction, and that evidence of irreparable harm would be required. After *eBay*, lower courts were uncertain whether it applied in the trademark context. Although good arguments can be made that irreparable harm should continue be presumed from a finding of likelihood of confusion, the Supreme Court had not decided the issue. When a petition for certiorari was filed in *Herb Reed Enterprises LLC v. Florida Entertainment Management Inc.*, 736 F.3d 1239 (9th Cir. 2013), the issue was on everyone's radar. Sadly, the Supreme Court did not resolve the issue, for it denied certiorari on Oct. 6, 2014. Since then, this issue has dropped beneath the radar, but courts continue to struggle with it

daily. Some hold that irreparable harm must be proved, while others hold that it is presumed. No consistent rule has emerged.

### **Mark L. Hogge, Dentons**

The Federal Circuit's decision in a 3D printing case from the International Trade Commission is an important one that flew largely under the radar in 2015. In fact, the case, *ClearCorrect Operating LLC, et al. v. International Trade Commission* (Fed. Cir. Nov. 15, 2015), is still without a WestLaw cite. In this case, the bottom line is that the statutory term "articles" as used in Section 337 was construed by the court to mean "physical things" and not digital data. Here it involved three-dimensional models of patient's teeth, in which data is printed by 3D printers into physical models of teeth, e.g. Invisalign. The ITC has previously excluded ASICs, such as chips storing the roving code data for garage door openers, where it was the data in the chips that was the business end of the infringement, with the chip being a mere vessel for the data. The court's decision was a battle of dictionary definitions, with the result being that the data being imported must be in something physical for the ITC to have jurisdiction.

### **Aaron Cooper, Covington & Burling LLP**

The pendency rate for patent applications at the USPTO continued to improve in 2015. While most of the patent headlines surrounding patent policy have been about subject matter eligibility and enforceability, the timely grant of a patent is often crucial to commercializing an invention. In 2015, the time it took for an applicant to receive a first office action — and the time to issuance — both declined a modest, but significant amount. Director Lee, who was confirmed as director in March, has done an excellent job prioritizing both a reduction in the application backlog and improvement of the clarity and quality of claims issued. While there is still more work to be done, the emphasis and initial results continue an important trend in the right direction.

### **Herbert D. Hart III, McAndrews Held & Malloy**

Receiving little, if any, notice is the growing tendency of the Patent Trial and Appeal Board to abandon its adjudicatory function in AIA trials in favor of adopting what is essentially an examining function. One need not exhaustively review the board's decisions to find many that stray far from the statutory framework for AIA trials concerning the burden of proof of unpatentability. Too often, the board's opinions read less like evaluations of the evidence and arguments presented by the parties than they resemble rejections of claims issued during the deliberately replaced inter partes re-examination procedure. The AIA places the burden of persuasion squarely on the petitioner, and it provides that a trial is to be instituted and a decision rendered only on enumerated grounds raised by the evidence and argument presented in the petition. Indeed, under the time constraints of AIA trials, there is no opportunity for the patent owner to present evidence or argument on new issues injected by the board, not the petitioner. It is not the board's place — nor indeed is it empowered — to fill any gaps it might see in the petitioner's case by drawing its own conclusions from the references. Potentially more troubling is the reluctance of the Federal Circuit to force the board to rigorously apply the statutory burden of persuasion and to refrain from blessing the board's decisions by an unduly free application of the "substantial evidence" standard of review, as we saw this past week in *Merck & Cie v. Gnosis SPA*, No. 2014-1779.

### **T. Spence Chubb, Law Office of T. Spence Chubb**

Many occasional practitioners of Section 337 litigation may be surprised to learn the ITC has come on strong this year and is again one of the most popular forums for resolving IP (primarily patent)

disputes. While it is true that in 2011 the infusion of parties and claims during the smartphone wars had pumped up the ITC's 337 docket to unprecedented size and that that inflation has largely dissipated, the caseload remains at elevated levels. Indeed, complaint filings have significantly increased in recent months, demonstrating a newfound interest in IP holders for litigating their claims at the ITC. These complaints are directed to diverse technologies beyond the communication devices that have become a commission mainstay. Other signs of revitalization during 2015 included two prominent Federal Circuit decisions. In *Suprema*, the en banc court reopened the ITC's doors to numerous method patents, seemingly closed after the panel decision. *ClearCorrect*, although limiting the commission's jurisdiction over electronic transmissions, may itself be headed en banc; regardless, it has raised the commission's profile and stimulated debate over 337's future role in Internet commerce. Finally, the commission has dusted off its rulemaking authority and proposed dynamic new rules designed to improve Section 337 proceedings.

**Barry J. Schindler, Greenberg Traurig LLP**

The significant development in patent law that flew under the radar in 2015 is the increased importance of PTAB decisions in patent prosecution. In *Merck & Cie v. Gnosis SPA*, the Federal Circuit confirmed the "substantial evidence" standard for review of the factual determinations of the PTAB. Accordingly, the Federal Circuit has affirmed about 90 percent of the PTAB's decisions in post-grant proceedings. Thus, it is important to review PTAB decisions closely, in light of the strong deference to the PTAB. In the first IPR decision involving biopharmaceutical patents — *BioMarin Pharm. Inc. v. Genzyme Therapeutic Prods. LP* — the PTAB applied the lower standards of "broadest reasonable interpretation" for claim construction and "preponderance of the evidence" to assess claim validity and held patents directed to methods of treating muscle disease were invalid as obvious. In *BioMarin*, the PTAB invalidated the claims because they failed to include the specific location, organs, tissue or disease. Thus, based on *BioMarin*, it is particularly important in biopharmaceutical applications to draft narrow claim limitations such as specific organ or tissue, specific form of disease, and quantify the reduction of the results in the patient.

**Robert M. Barrett, K&L Gates LLP**

We all know that the 2011 American Invents Act forever changed the landscape of patent law. Sometimes lost in all the other sweeping changes made by the act was the mandate: "[t]he Director shall work with and support intellectual property law associations across the country in the establishment of pro bono programs designed to assist financially under-resourced independent inventors and small businesses." Following up on this mandate, in 2014, President Obama issued an executive action calling on the USPTO to extend its patent pro bono programs to all 50 states. In 2015, this became a reality when the last five states, Alabama, Mississippi, Indiana, Florida and Illinois officially began patent pro bono programs. The USPTO patent pro bono program now provides free patent assistance to financially constrained inventors and small businesses across the U.S. These programs provide critical legal counsel hopefully before valuable rights are compromised or even extinguished. Moreover, these programs as well as Law School IP Clinics, such as the one I run at Chicago Kent School of Law, have helped transform the way we train law students for a rewarding career in patent law. And, from my standpoint, perhaps most importantly, these programs allow many of us to give back to a profession that has given us so much. Maybe the USPTO bringing its pro bono program to all 50 states in 2015 was not a "significant development" in IP law, but it is one of which we can all be proud.

**Dr. Scott Kamholz, Foley Hoag LLP**

Pharmaceutical patent IPR landed on the scene in a big way this year. We've seen the start of Kyle Bass's short-selling business model against big pharma. We've seen the PTAB endorse his use of IPR, though not always the merits of his challenges. We've seen proposals floated in Congress to exempt pharma patents from IPR. And, just a few days ago, we saw the Federal Circuit review the first pharma cases ever tried at the PTAB — Merck and South Alabama versus Gnosis — and affirm the PTAB just as it has in nearly every other IPR and CBM (disclaimer: as an administrative patent judge last year, I wrote three of the four PTAB decisions appealed from). Despite all the hype, consternation and excitement surrounding Mr. Bass's exploits, many people have failed to notice that pharma cases are handled at the PTAB much like all others. And despite fears that pharma patents would be especially vulnerable in the IPR process, the statistics show them surviving the process more often than patents in other technologies. In other words, it was the utter normality of pharma patent review at the PTAB that flew under the radar in 2015.

### **Barry S. Goldsmith, Miles & Stockbridge PC**

One development that has flown under the radar is the continuing reduction in patent litigation activity. Sure, there have been countless articles and analysis in IP Law360 and other periodicals discussing this decline, but what has flown under the radar is the true extent of the decline. The problem is the real data is hard to obtain. The most simple measurement of patent litigation activity is the number of patent litigation lawsuits filed. However, clear definitive data is not easily available due to, among other things, the recent AIA-spike. Other factors skewing the data include the relatively recent propensity of patent assertion entities to file lawsuits first and negotiate later. Even the most dour statistics discuss a 10-15 percent decline. However, the untold story is that the percentage decline in billable activity to outside law firms is likely substantially more because many of these patent litigations are ending early, due to early Alice-related motions and post-grant petitions leading to stays. This is why we are starting to see evidence of real distress among IP boutiques, who are the canary in the coal mine. GP firms that have ridden patent litigation up during the "bubble" also are likely feeling the pain, but are not inclined to publicize any negative information.

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