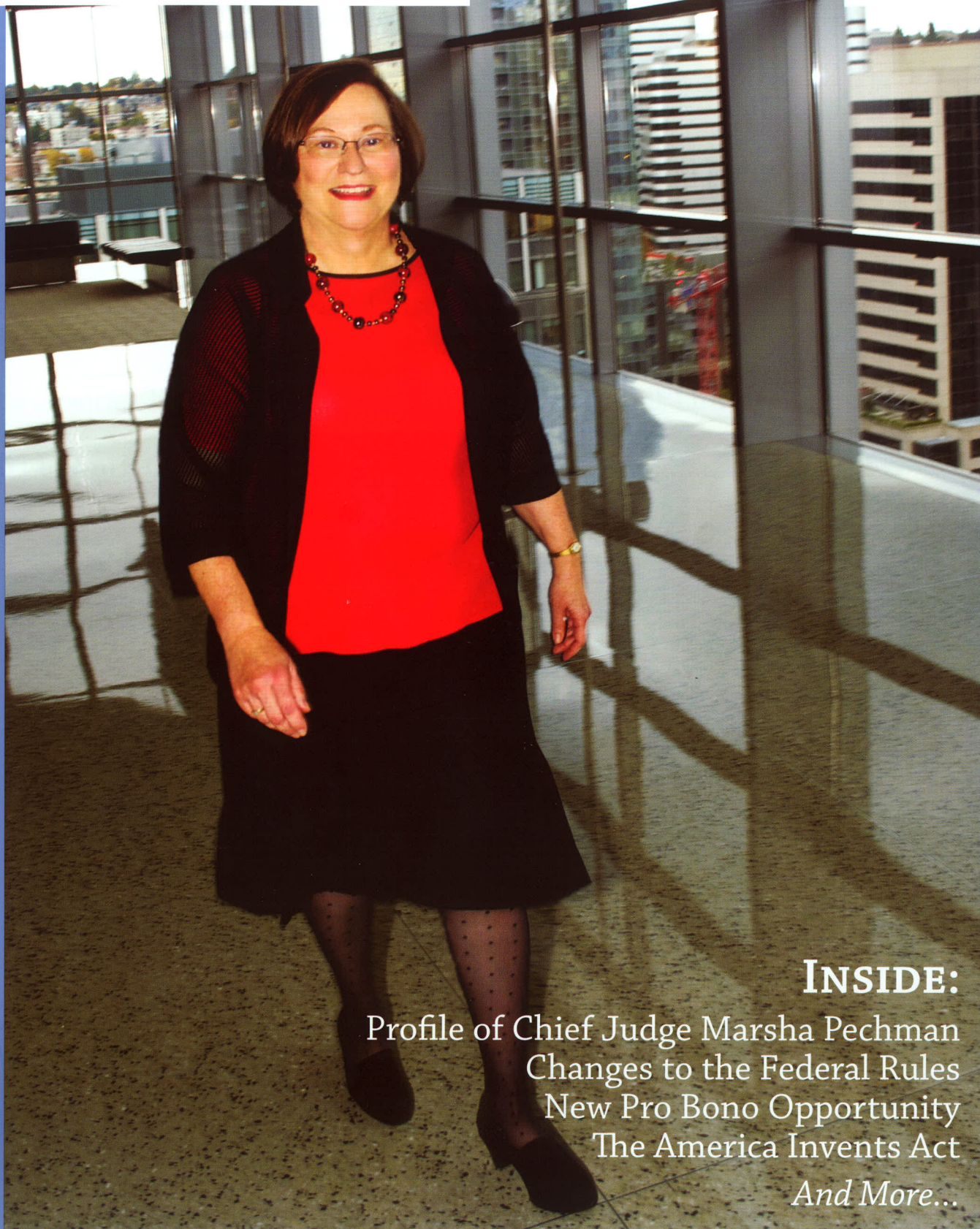




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On the Cover:

Chief Judge Pechman at the United States
Courthouse in Seattle.

Photo by Craig Perry-Ollila.

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of the Western District of Washington. Comments and proposed articles should
be addressed to:*

Christopher G. Emch

Foster Pepper PLLC
1111 Third Avenue, Suite 3400
Seattle, WA 98101-3299
206.447.8904
emchc@foster.com

Alicia M. Feichtmeir

Foster Pepper PLLC
1111 Third Avenue, Suite 3400
Seattle, WA 98101-3299
206.447.8929
feica@foster.com

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THE AMERICA INVENTS ACT USHERS IN CHANGES TO PATENT LITIGATION

By Brian C. Park & Nathan C. Brunette

The recently enacted Leahy Smith America Invents Act (“AIA”), Pub. L. No. 112-29, 125 Stat. 284 (2011) represents the most significant patent law reform in more than five decades. The AIA implements a first-to-file patent system and a new post-grant review procedure which will dramatically change patent prosecution and post issuance practice before the United States Patent and Trademark Office (“PTO”). The AIA also ushers in an era of new strategies for, and obstacles to, patent enforcement in the courts. This article highlights several significant provisions that will alter patent litigation practice in the near term and in the years ahead as the provisions are applied and vetted in the federal judicial system.



The America Invents Act represents the most significant patent law reform in more than five decades, ushering in an era of new strategies for, and obstacles to, patent enforcement in the courts.

New Challenges for Multiple Party Joinder in Patent Litigation

Prior to enactment of the AIA, it had become common practice for a plaintiff to file one infringement suit against multiple defendants (oftentimes direct competitors of each other) in an effort to extract a royalty from an entire industry while benefiting from the economies of scale and reduced costs associated with managing a single case. This strategy was permissible under court rules. Section 19(d) of the AIA has changed the landscape, providing that in most patent infringement actions, accused infringers may be joined or have their claims consolidated for trial only if they are accused of infringing with respect to “the same accused product or process.” This new provision of the AIA, effective for all actions filed after President Obama

signed the AIA into law on September 16, 2011, will present a new set of obstacles to those plaintiffs seeking to pursue mass actions against large groups of defendants.

While this provision will certainly require some patent owners, in particular some non-practicing entities, to adopt new litigation tactics, it is not entirely clear that preventing joinder of multiple defendants will streamline patent litigation or make it less costly. In many cases, it will be difficult, time consuming, and expensive to litigate (especially prior to formal claim construction) the precise scope of each accused product or process and to sort out different infringement theories against different parties. This will be particularly true in cases involving multiple patent claims directed at the interacting contributions of multiple accused parties. For example, a number of pending patent infringement actions involving smart-phone technology name as defendants, *inter alia*, chip manufacturers, phone manufacturers, and network operators, whose various products and services interact with and are incorporated into one another in a complex web. (As Chief Judge Rader of the U.S. Court of Appeals for the Federal Circuit mentioned during his recent visit to the U.S.

District for the Western District of Washington, a single smart phone can embody hundreds, if not thousands, of patents.) Determining which parties may appropriately be joined may prove unwieldy and inefficient in such a case.

Professional False Patent Marking Plaintiffs Put Out of Business

Two significant changes in Section 16 of the AIA will put an end to the cottage industry of professional false marking plaintiffs that has grown out of the Federal Circuit’s decision in *Forest Group, Inc. v. Bon Tool Co.*, 590 F.3d 1295 (Fed. Cir. 2009). In *Forest Group*, the Federal Circuit interpreted the language of the false marking statute to allow the award of “up to \$500” for each item so marked, representing a departure from prior case law which had grouped falsely marked items by model, not unit, and awarded minimal damages based on those groupings (such as production runs). Once it was established that liability could include an award for each and every mismarked item, false marking cases proliferated, particularly in instances where companies failed to promptly remove marking for patents that had expired. Many of these claims have been brought by small entities whose sole business was to file and settle patent false marking claims on a

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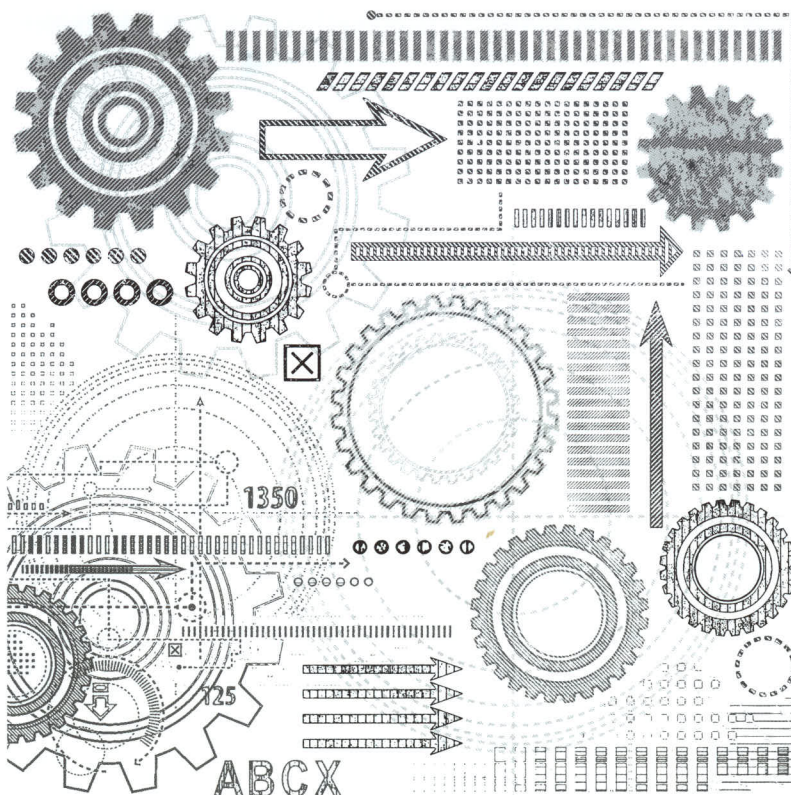
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qui tam basis to capitalize on the potentially vast damages available.

Section 16(b) of the AIA makes three changes to the existing false marking statute, effective immediately for all future *and pending* cases. These changes have effectively put professional false patent marking plaintiffs out of business. First, actions for the \$500 statutory penalty may now only be brought by the United States, not by private *qui tam* plaintiffs. Second, the AIA creates a new private civil action for false marking which can only be brought by a competitor injured in its business by unfair competition resulting from the alleged false marking, and which limits potential damages to the extent of the competitor's actual damages. Finally, the AIA creates a safe harbor exception under which marking the number of an expired patent that previously covered the product does not constitute false marking. These changes spell the end of the recent wave of patent false marking *qui tam* litigation—to the relief of many patent owners—while still providing a balanced measure of protection against unfair competition based on false patent markings that have resulted in competitive injury.

The AIA creates a new private civil action for false marking.

Section 16(a) of the AIA also changes marking standards, making it easier for patent owners, particularly owners of large patent portfolios, to comply with marking requirements through



the practice of “virtual marking.”

Under this practice, a patent owner may mark items by referring to a website that lists appropriate patent numbers, allowing easier management of a patent portfolio and updating of patent markings without changing the physical tools, dies, and labels applied to inventoried products.

Abrogation of the “Best Mode” Invalidity Defense in Litigation

Under Section 15 of the AIA, a patentee's failure to disclose the “best mode” of practicing an invention is no longer a ground for patent claim invalidation. While disclosure of the best mode of practicing the claimed invention remains a requirement for patentability under 35 U.S.C. § 112, this requirement will be policed only by the PTO, not the courts, in all litigation filed after enactment of the AIA.

Although the failure to disclose the best mode of practicing a claimed invention did not form the basis for an invalidity defense in all cases historically, the removal of this invalidity defense and

counterclaim will likely be significant in some cases. The best mode requirement, as a ground for proving invalidity of a patent claim, was a tool sometimes used by accused infringers to catch an over-eager inventor seeking to describe his or her invention as something more than what was disclosed in the patent application. Even when this invalidity defense was not successful, it provided a limited check on broad claim construction and self-serving inventor testimony about what was invented at the time a patent application was filed. It remains to be

seen what effect, if any, removal of this favored tool from the defense litigator's toolbox may have on the development of precedent as to the related doctrine of enablement, which remains available as a basis for holding a patent claim invalid. Unlike the best mode defense, the enablement doctrine merely requires that the patent disclose sufficient information to allow a person skilled in the relevant art to practice the claims without undue experimentation, and thus poses a lower bar to a patent applicant.

Second Chances to Disinfect Patents Tainted by the Risk of Inequitable Conduct Findings

Section 12 of the AIA creates a new patent prosecution procedure, “supplemental examination,” in which a patent owner may request that the PTO review an issued patent in light of art that was not previously submitted to the PTO. Use of this procedure immunizes the patent owner as to charges of inequitable

conduct with respect to omission of the references submitted on supplemental examination, if (1) inequitable conduct has not already been asserted in a pending lawsuit when the supplemental examination is requested, and (2) the patent owner awaits the conclusion of the supplemental examination (and any reexamination it triggers) before suing to enforce the patent. This new provision, which provides patent owners an opportunity to clean up possible inequitable conduct before enforcing a patent, becomes available one year after enactment of the AIA. Combined with the new restrictions on the inequitable conduct doctrine imposed by the Federal Circuit earlier this year in its *en banc* decision in *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276 (Fed. Cir. 2011), over time, this change is likely to reduce the importance of inequitable conduct as a recursive, strategic tool for accused infringers.

Absence of Advice of Counsel Cannot Be Used to Show Willful Infringement or Inducement

Section 17 of the AIA, which becomes effective on September 16, 2012, codifies the trend in caselaw that provides that the failure to either obtain (or present) the advice of counsel cannot be used to establish

willful patent infringement or inducement thereof. Typically, such opinions of counsel form the basis for defense contentions of patent non-infringement, invalidity, or unenforceability. The AIA confirms that the absence of such an opinion cannot give rise to an inference of willfulness. This provision may further reduce the incentive to come forward with an advice of counsel defense, at least in close cases, such as where the disclosure of privileged communications may be undesirable for tactical or privacy reasons. In terms of procedure, this substantive change to deemphasize the advice of counsel in the willfulness context may also decrease the number of cases in which the issue of willfulness is sought to be bifurcated from infringement.

Conclusion

The landscape of patent litigation continues to shift as the Federal Circuit, the Supreme Court and, most recently and significantly, Congress have continued to revise many critical areas of patent law. The implementation of the AIA is likely to encounter rigorous judicial interpretation, including in ways that are difficult to predict *a priori*; for example, in regard to the sea-changing first-to-file system that does not take effect until March 16,

2013. Undoubtedly, a number of significant decisions lie ahead as the courts develop a new body of case law analyzing and applying the numerous new provisions of the AIA. These shifting sands of patent law will provide opportunities for diligent and creative patent litigation counsel to address the new challenges embodied within the text of the AIA and to usher in the next age of United States patent jurisprudence.

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Brian C. Park is a patent/IP litigation partner in the Technology and Intellectual Property (TIP) group of Stoel Rives LLP. Nathan C. Brunette is a patent litigation associate in the TIP group. As former judicial clerks on the U.S. Court of Federal Claims and the U.S. Court of Appeals for the Federal Circuit, respectively, both Brian and Nathan have experience with patent litigation from the courts' perspective as well as that of civil litigants.

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