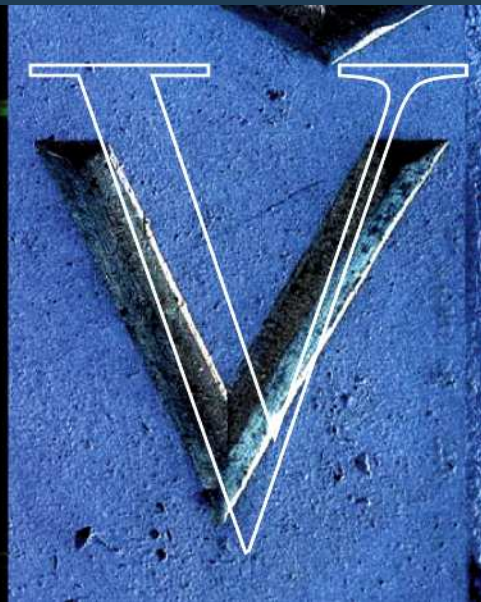
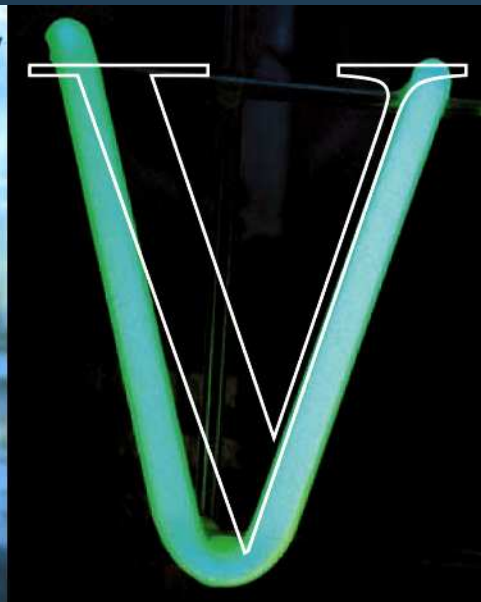
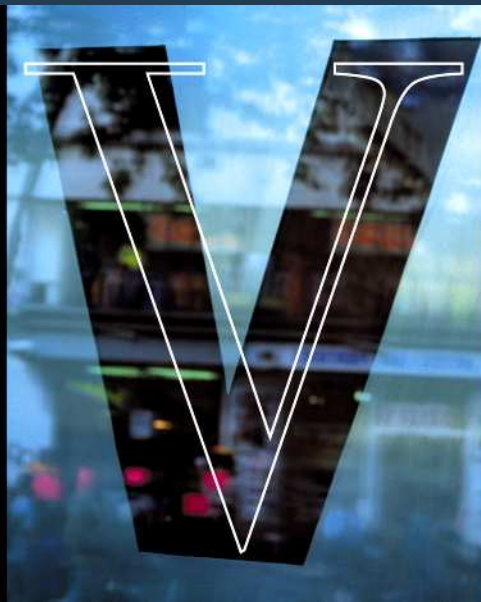
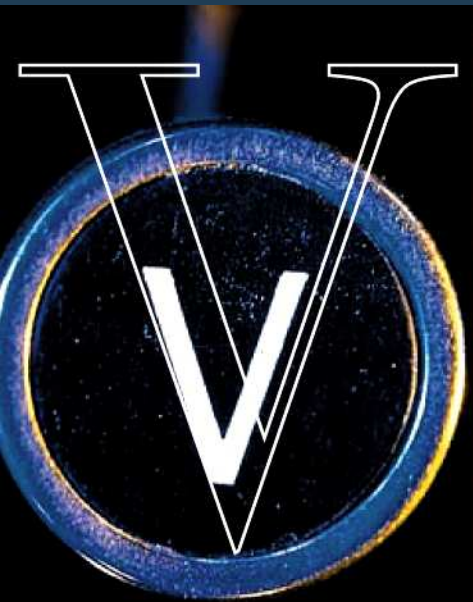


# CURRENT TRENDS IN IP LAW

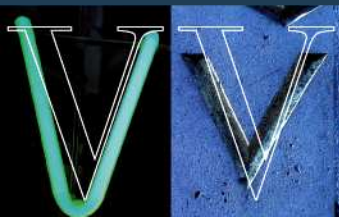
Venable's Intellectual Property Symposium

September 10, 2014



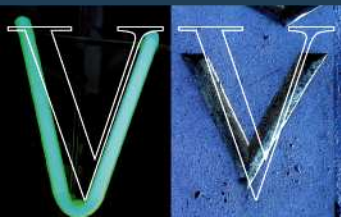
# Panel Topics

- Trends in Patent Law
  - Supreme Court Decisions
    - Narrowing Patent Rights
    - Expanding the Availability of Attorneys' Fees
  - Territorial Limits on U.S. Patents
- Trends in Copyright Law
  - Fair Use Pendulum
  - Increase in Copyright Registrations
- Trends in Trademark Law
  - Crowdsourcing
  - Plain Packaging
  - Trademark Bullying
  - *Fluid Trademarks*
  - Indigenous Rights



# Panelists

- **Vicki Margolis**
  - Associate General Counsel Litigation, Kimberly-Clark Corporation
- **Elizabeth Winston**
  - Associate Professor of Law at The Catholic University of America, Columbus School of Law
- **Ralph A. Dengler**
  - Partner, IP Litigation Group, Venable
- **Janet Satterthwaite**
  - Partner, Trademark Group, Venable
- **Meaghan Kent**
  - Associate, IP Litigation Group, Venable



# TRENDS IN PATENT LAW

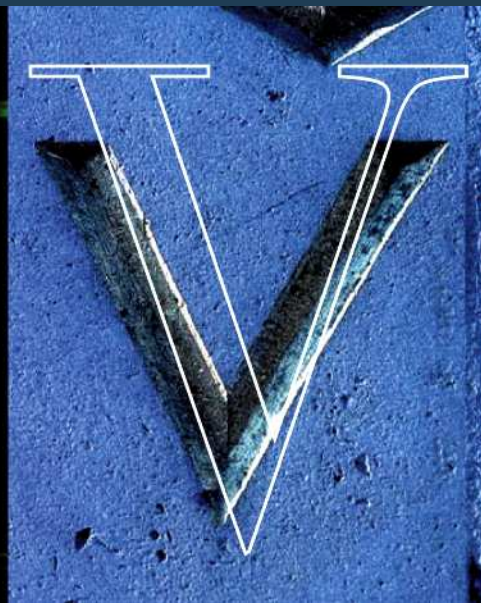
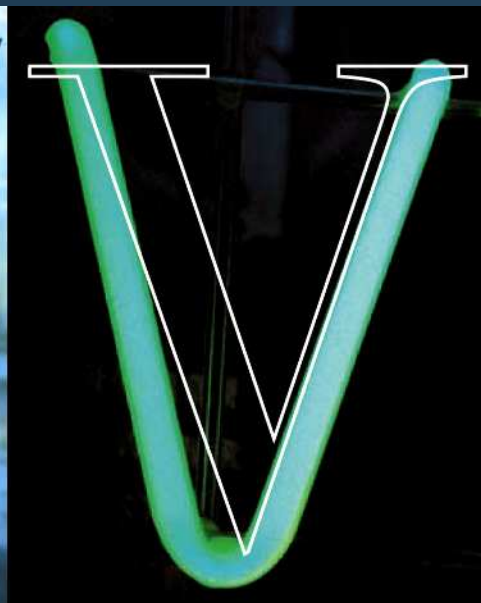
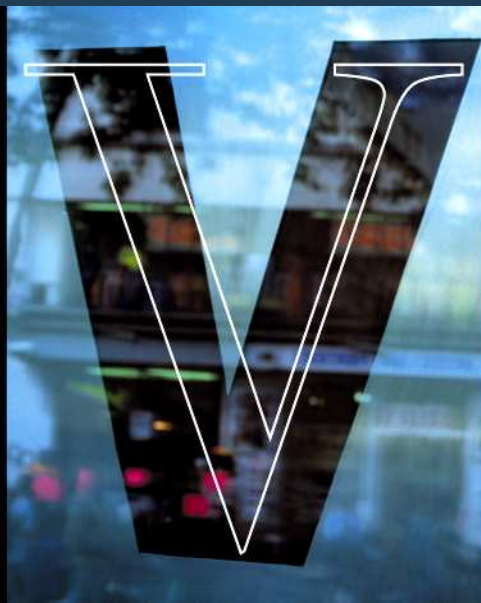
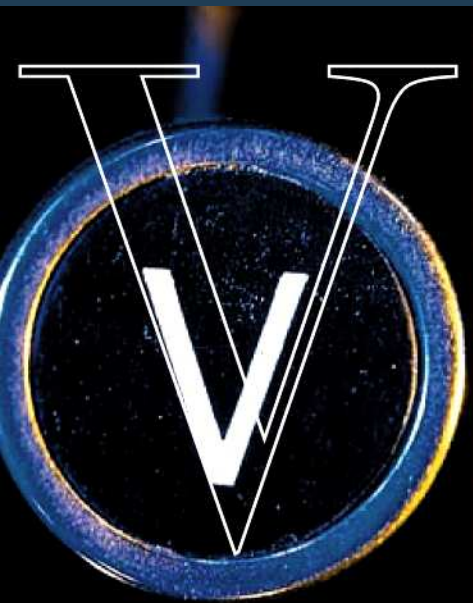
## Supreme Court Decisions

*Narrowing Patent Rights*  
*Increasing Availability of Fees*

Ralph A. Dengler

Partner, IP Litigation Group, Venable

[radengler@Venable.com](mailto:radengler@Venable.com)

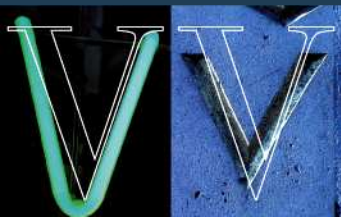


# Narrowing Patent Rights

The End of Software Patents? Not quite.

***Alice Corp. v. CLS Bank Int'l*, 134 S. Ct. 2347 (2014)**

- Patent claims that are drawn to abstract ideas and that merely require generic computer implementation of those ideas are not patent eligible.
  - Court did not “delimit the precise contours” of the abstract ideas category of ineligibility under § 101.
  - But, cautioned against eligibility of computer-implemented claims that “depend simply on the draftsman’s art.”
  - Reinforces ability to assert § 101 challenges.



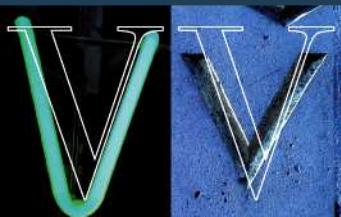


# Narrowing Patent Rights

## Indefiniteness

### ***Nautilus v. Biosig Instr.*, 134 S. Ct. 2120 (2014)**

- Court rejected CAFC's "insolubly ambiguous" test for determining indefiniteness under § 112.
- New standard: A patent is invalid for indefiniteness if its claims, read in light of the specification and the prosecution history, fail to inform a POSA with "reasonable certainty" about the scope of the invention.
  - Raises timing issue of determining indefiniteness versus claim construction.

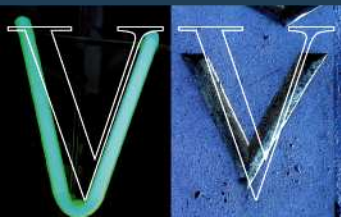


# Narrowing Patent Rights

## Enforcement of Multipart/step Patents

### ***Limelight Networks v. Akamai*, 134 S. Ct. 2111 (2014)**

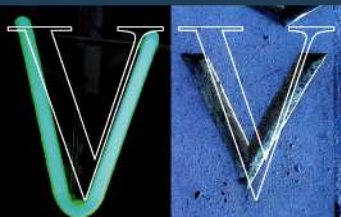
- A defendant cannot be liable for inducing infringement of a patent under 35 U.S.C. § 271(b) when no one has directly infringed the patent under § 271(a).
  - Limits the ability of patent holders to protect technologies where more than one actor performs steps, unless there is an agency relationship or direction and control among the joint actors, per *Muniauction*.



# Recovering Attorneys' Fees

## *Octane v. ICON*, 134 S. Ct. 1749 (2014)

- Court rejected as “overly rigid” CAFC’s standard for awarding “exceptional case” attorneys’ fees under § 285 only where litigation-related misconduct is found; or the litigation was both “brought in subjective bad faith” and “objectively baseless.”
- New standard: A case presenting either subjective bad faith or exceptionally meritless claims may warrant a fee award.
  - Reinforces the exception to the “American rule” against fee shifting that is inherent in a court’s powers.

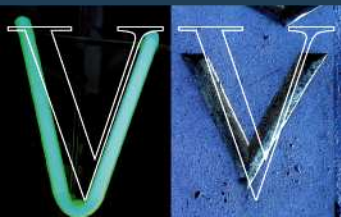




# Recovering Attorneys' Fees

## *Highmark v. Allcare*, 134 S. Ct. 1744 (2014)

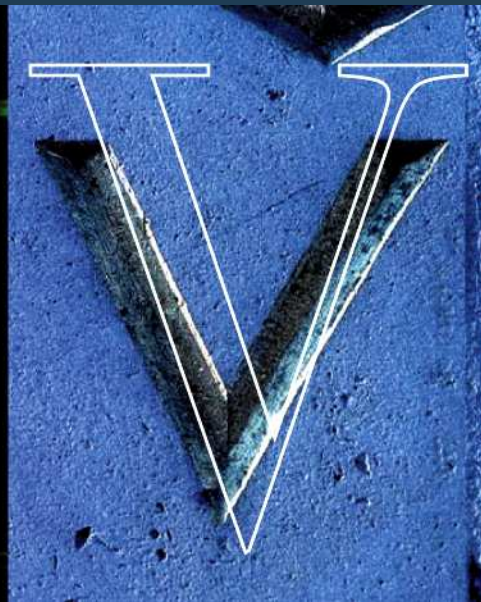
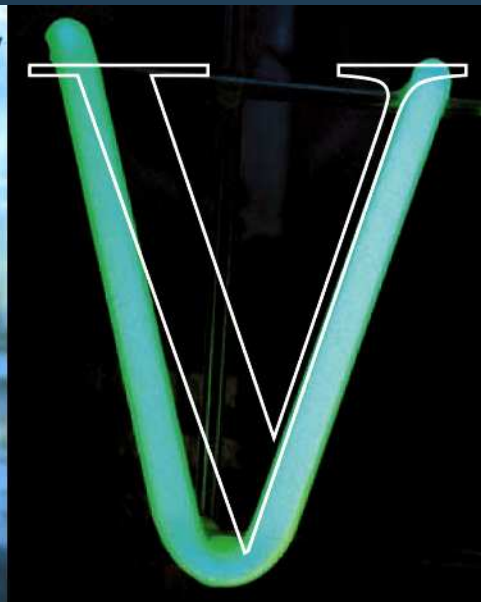
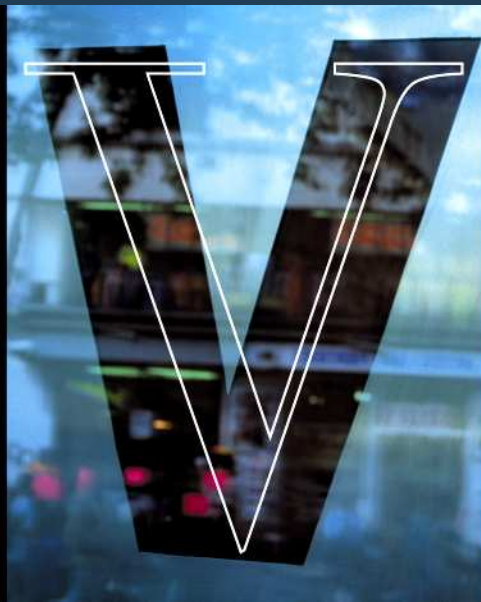
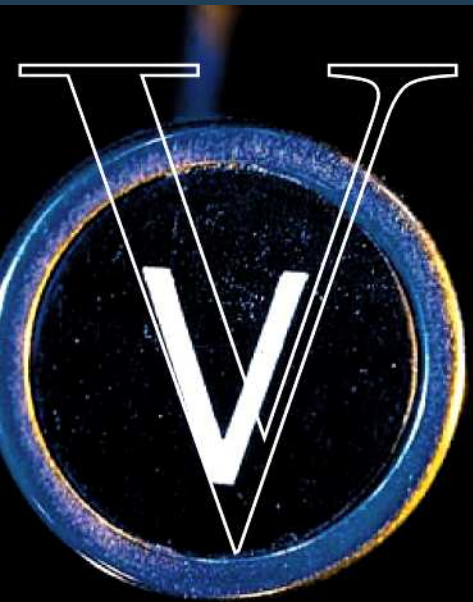
- An appellate court should review all aspects of a district court's exceptional case determination under 35 U.S.C. § 285 for abuse of discretion.
  - Recognizes that district court “is better positioned” to decide whether a case is exceptional or not, and whether fee shifting is appropriate.



# TRENDS IN PATENT LAW

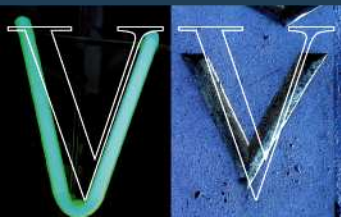
## The Territorial Limits of United States Patent Law

Professor Elizabeth Winston  
The Catholic University of America  
Columbus School of Law  
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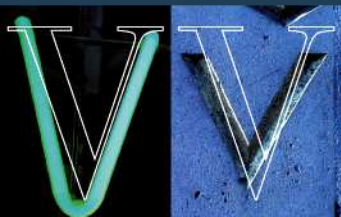
# The Patent Code

- Except as otherwise provided in this title, whoever without authority makes, uses, offers to sell, or sells any patented invention, ***within the United States*** or imports ***into the United States*** any patented invention during the term of the patent therefor, infringes the patent.
  - 35 U.S.C. § 271(a)
- The terms “United States” and “this country” mean the United States of America, its territories and possessions.
  - 35 U.S.C. § 100(c)



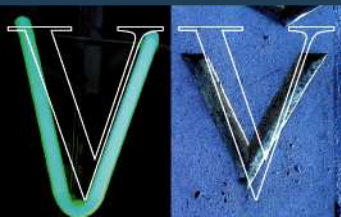
# What are the boundaries?

- “Neither is it plausible that...anyone...would commonly refer to U.S. territories as the United States. In addition to the U.S. Virgin Islands, U.S. territories include the Northern Mariana Islands, Guam, Puerto Rico, Midway Islands, and American Samoa. The Northern Mariana Islands consist of 14 islands situated in the western Pacific just east of the Philippines and are as far away from the west coast of the United States as Cairo, Egypt, is from Washington, D.C. Guam is south of the Northern Mariana Islands and just east of the Philippines. It is west of the International Dateline and is therefore one day ahead of the United States. Midway Islands are more than 1,000 miles from the Hawaiian Islands. American Samoa is located in the South Pacific roughly in the middle of a triangle drawn between the Hawaiian Islands, New Zealand and Tahiti. I doubt that anyone would consider traveling to these U.S. territories to be travel “inside the United States.”
  - U.S. v. Courtney, 240 F.2upp 2d 1038, 1048 (W.D. Mo. 2002).



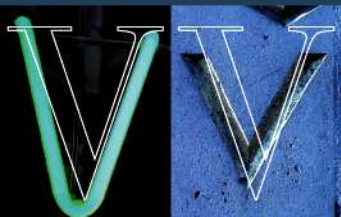
# At Sea

- The United Nations Convention on the Law of the Sea, “Law of the Sea,” sets forth much of the world’s understanding of the boundaries of sovereignty by nations over their adjacent seas. The United States is a signatory to UNCLOS, but Congress has never ratified the treaty, and so within the United States the treaty remains advisory in nature
  - Territorial Seas -- The first 12 nautical miles off the coast of the United States are within the United States.
  - The Contiguous Zone is contiguous to the Territorial Sea and extends no farther than 24 miles off the coast of the United States. This is not within the United States.
  - The Exclusive Economic Zone extends no more than 200 nautical miles from the United States coastline. This is not within the United States.
  - The “high seas” – are territory over which no one member State can exercise sovereignty. The high seas are not within the United States.
  - The Continental Shelf comprises the seabed and subsoil of the submarine areas belonging to the United States. The Continental Shelf is within the United States.



# The Law of the Flag

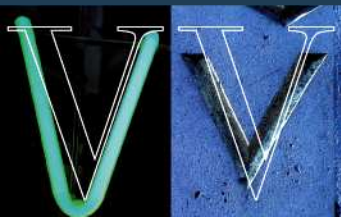
- “A ship which bears a nation's flag is to be treated as a part of the territory of that nation. A ship is a kind of floating island.”
  - Patterson v. Eudora, 190 U.S. 169, 176 (1903).
- A United States flagged ship, regardless of its berth, port or location on the high seas, is under the territorial sovereignty of the United States and within the United States patent boundaries.
- Absent a clear statement of congressional intent, general statutes may not apply to foreign-flag vessels insofar as they regulate matters that involve only the internal order and discipline of the vessel, rather than the peace of the port.
  - Spector v. Norwegian Cruise Line, Ltd., 545 U.S. 119, 126 (2005).





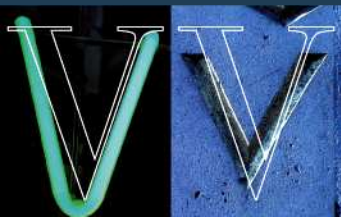
# In the Air

- “The United States Government has exclusive sovereignty of airspace of the United States.”
  - 49 U.S.C. § 40103 (2006).
- “Outer space, including the moon and other celestial bodies, is not subject to national appropriation by claim of sovereignty, by means of use or occupation, or by any other means.”
  - Treaty on Principles Governing the Activities of States in the Exploration and Use of Outer Space, Including the Moon and Other Celestial Bodies, art. I, Jan. 27, 1967, 18 U.S.T. 1810, 610 U.N.T.S. 2015



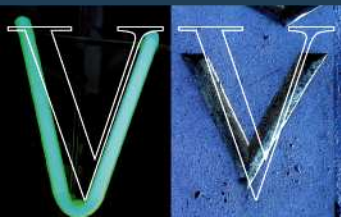
# On Land

- In order to infringe a patent the invention must be practiced within “the United States, its territories and possessions.”
  - 35 U.S.C. § 100(c); 35 U.S.C. § 271.
- The territories of the United States include Puerto Rico; the United States Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands.
- The Arctic Region is encompassed to the extent described under the law of the sea above, while the Antarctic Region is the subject of a treaty suspending all claims to territorial sovereignty.
- United States embassies are within the United States patent boundaries.



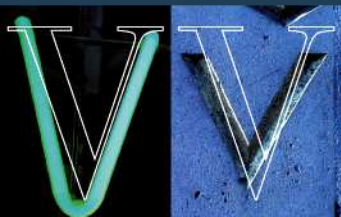
# Temporary Presence Exception

- The use of any invention in any vessel, aircraft or vehicle of any country which affords similar privileges to vessels, aircraft, or vehicles of the United States, entering the United States temporarily or accidentally, shall not constitute infringement of any patent, if the invention is used exclusively for the needs of the vessel, aircraft, or vehicle and is not offered for sale or sold in or used for the manufacture of anything to be sold in or exported from the United States
  - 35 U.S.C. § 272



# What law applies?

- In 2004, test pilot Mike Melvill flew the rocket plane SpaceShipOne more than 100 kilometers above California, achieving weightlessness and earning the first pair of commercial astronaut's wings from the Federal Aviation Administration.
- A patent infringement suit is brought over a method of surveying the ocean floor.
- A patented collision avoidance system for drones allows drones to autonomously avoid collisions in air, without touching the ground.
- An astronaut releases a video in which uses a patented method on the International Space Station as he floats from segment to segment on the International Space Station.
- A foreign flagged ship contains a water-based data center as described in Google's Patent No. 7,525,207.
- GlobalSantaFe Development Driller I is a mobile off shore drilling unit ("MODU") based in the Gulf of Mexico within the United States' EEZ. Development Driller I was built in Singapore, initially leased by a Cayman Islands company, and is operated by a Swiss company under a Panamanian flag.
- An employee in the American embassy in Azerbaijan practices a patented method without authorization.
- Information is uploaded to a server in Pakistan and downloaded in the United States. A U.S. Patent covers the method of uploading the information to a server and downloading it in the United States.



# TRENDS IN COPYRIGHT LAW

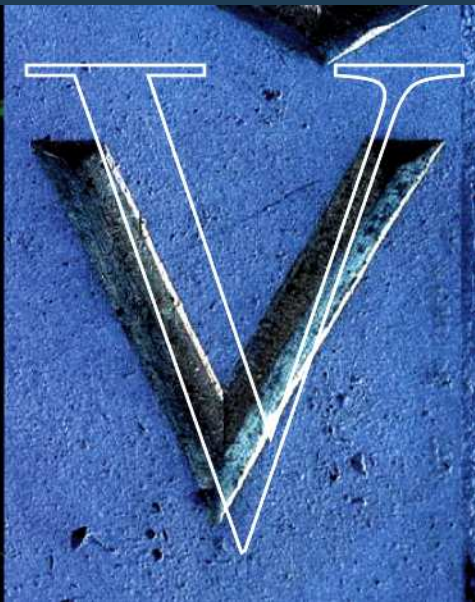
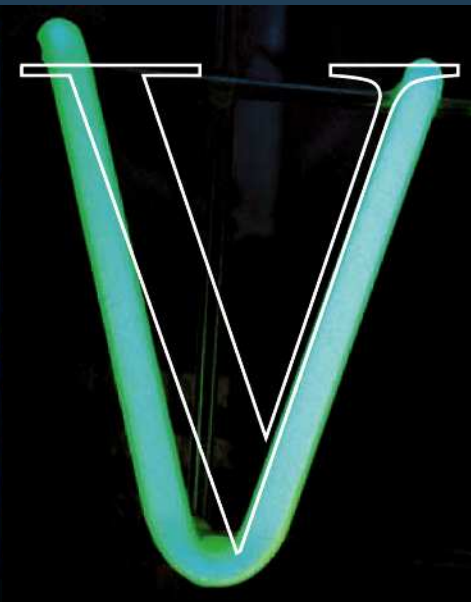
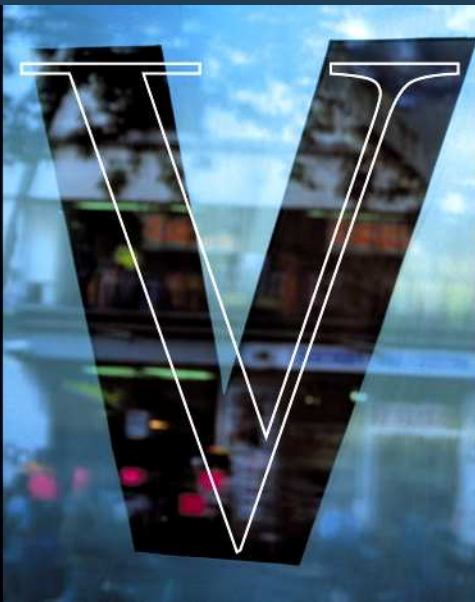
The Fair Use Pendulum

Increase in Copyright Registrations

Meaghan Kent

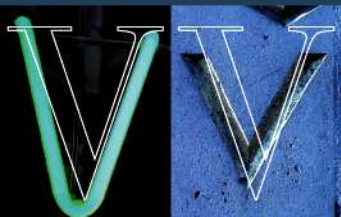
Associate, IP Litigation, Venable

[mhkent@Venable.com](mailto:mhkent@Venable.com)



# The Fair Use Pendulum

- 17 U.S.C. § 107 – Fair Use
  - criticism, comment, parody, research
  - “the factors to be considered shall include—
    1. the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
      - Is the work “transformative”?
    2. the nature of the copyrighted work;
    3. the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
    4. the effect of the use upon the potential market for or value of the copyrighted work.





# The Fair Use Pendulum

## Art Receiving Wider “Fair Use” Exception

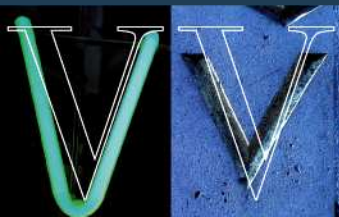
- *Prince v. Cariou*, 714 F. 3d 694 (2d Cir. 2013)



Image from *Yes Rasta* (A-780)



Image from *Yes Rasta* (A-773)



# The Fair Use Pendulum

## Art Receiving Wider “Fair Use” Exception

- “alter the original with new expression, meaning or message”



Richard Prince *Back to the Garden* (2008) (A-780)



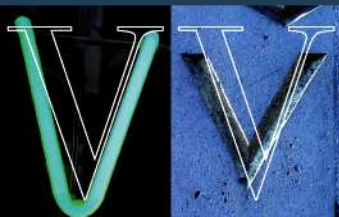
Richard Prince *The Ocean Club* (2008) (A-777)



Richard Prince *Canal Zone* (2008) (A-775)



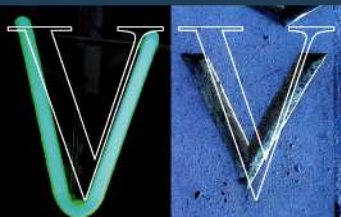
Richard Prince *Meditation* (2008) (A-774)



# The Fair Use Pendulum

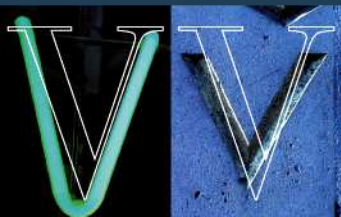
## Technology Receiving Wider “Fair Use” Exception

- *Authors Guild, Inc. v. Google, Inc.*, (SDNY 11/14/13)
  - 20 million books scanned
  - The SDNY found Google Books to be a fair use, finding there were numerous benefits to the program, and the use is “highly transformative”
  - On appeal to the Second Circuit
- *Authors Guild, Inc. v. HathiTrust*, (2d Cir. 6/10/14)
  - SDNY found it to be a fair use; 2d Circuit agreed
  - The Second Circuit ruled that HathiTrust’s book scanning and text searchable database was a fair use, calling it “a quintessentially transformative use”
- “adds something new, with further purpose or different character, altering the first with new expression, meaning or message”



# Caution About Fair Use

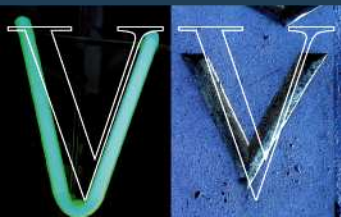
- Still only a defense
  - Subjective, case-by-case basis, with no bright line rules
  - Other courts going the other way on appropriation art
- Depends on the industry
  - Music sampling remains an established industry
  - Tiny samples of songs – even just a couple of words, are required to be licensed



# Increased Registration

## Prediction of a Trend to Come

- I. Registration before infringement is beneficial
  - Statutory damages and attorneys' fees
- II. The Supreme Court says registration (not just application) required for litigation
  - *Petrella v. MGM*, 134 S.Ct. 1962 (2014)
- III. Useful in the DMCA take-down context
  - Not required for take-down; but if infringer submits a counter notification, ISP required to reinstate materials in 10-14 business days unless owner files suit
- IV. Software, website protection
  - Given limits on software patents, increased consideration of copyright protection





# Registration for Litigation

## ■ *Petrella v. MGM*, 134 S.Ct. 1962 (2014)

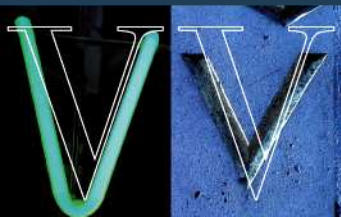
(*Raging Bull* – Robert De Niro, Martin Scorsese)

### – Laches

- Laches does not bar suit for copyright violations occurring within the three year statute of limitations period. Confirmed that damages are limited to three years back

### – Registration vs. Application

- Courts have been divided over whether the registration requirement requires an actual certification or if an application would be sufficient. Supreme Court suggests that certification must issue before a suit can commence
  - “both the **certificate** and the original work must be on file with the Copyright Office before a copyright owner can sue for infringement.”
- Register of Copyrights, Maria Pallante, took this position in a recent speech





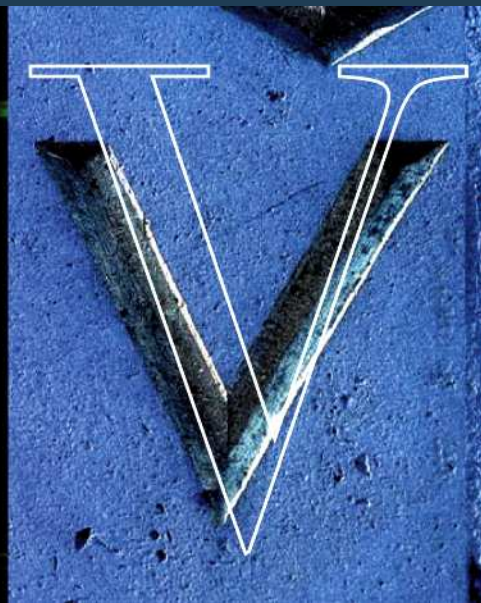
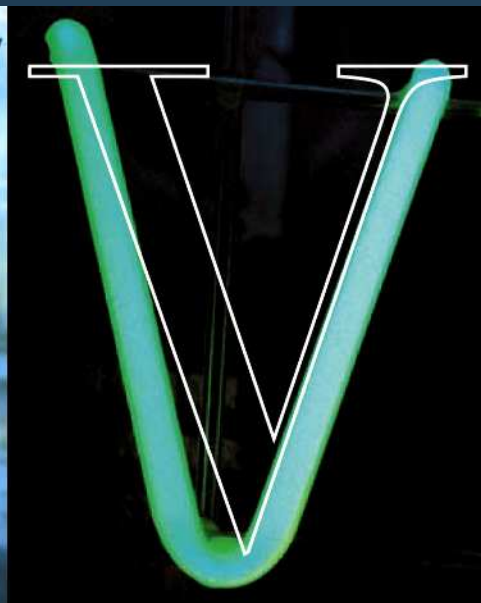
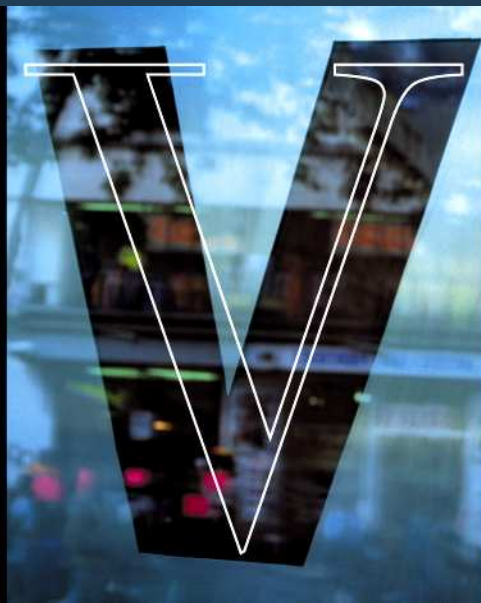
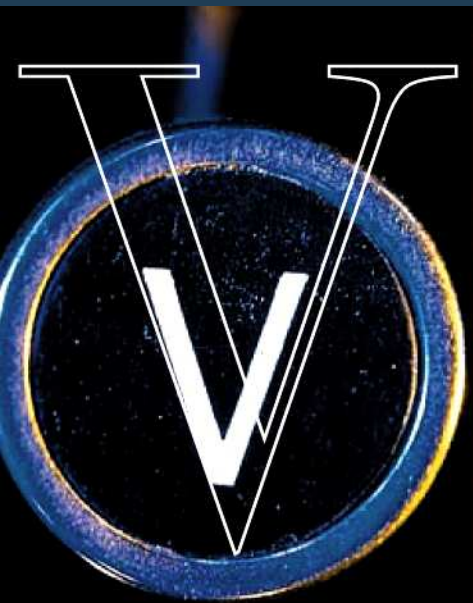
# TRENDS IN TRADEMARK LAW

Crowdsourcing  
Trademark and Regulation: Plain Packaging  
Trademark Bullying  
*Fluid Trademarks*  
Indigenous Rights

Janet Satterthwaite

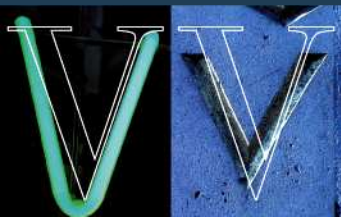
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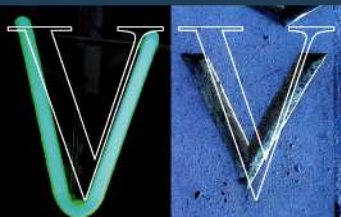
## Social Media: Brands are Interactive

- With the exception of plain packaging, all these trends derive from social media in one way or another.
  - Crowdsourcing
  - Trademark Bullying
  - *Fluid Trademarks*
  - Indigenous Rights



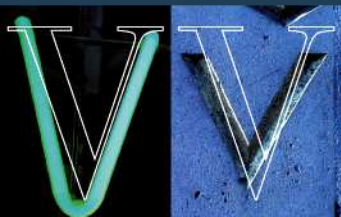
# Crowdsourcing of Trademarks

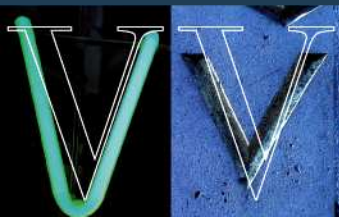
- A new way to connect to consumers via social media
- In social media, brand owners no longer control the message. The message of advertising is now a conversation.



# DEWMOCRACY, FanDEWmonium

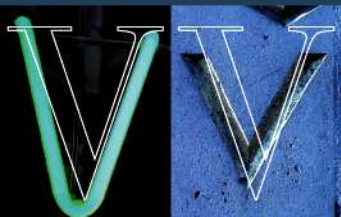
- Mountain Dew used social media to promote a contest for users to test and vote on three new flavors of the soft drink: WHITE OUT, DISTORTION, and TYPHOON. Fans were chosen based on video submissions and were shipped samples. The three flavors were released from April to June 2010, and consumers could vote.





# Dub the Dew—Sometimes it Backfires

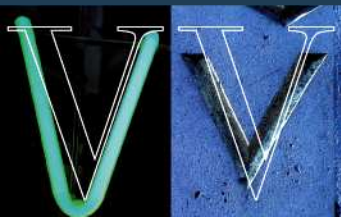
- In August 2012, [Villa Enterprises](#) held a promotion known as *Dub the Dew*, where users were asked to submit and vote on name ideas for a green apple flavor of Mountain Dew. The promotion was infamously hijacked by users, particularly those originating from [Reddit](#) and the [image board 4chan](#), who submitted and upvoted entries such as "Diabeetus", "Fapple", numerous variations of "Gushing Granny", and "[Hitler](#) did nothing wrong". Although the promotion was not directly connected to Mountain Dew, a representative from the company did offer to "help clean up" the site. (Source: Wikipedia)





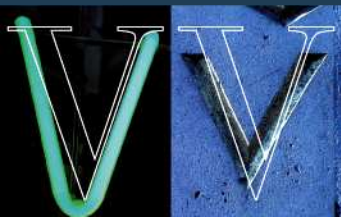
## More Backfires

- A consumer goods company in Europe launched a crowdsourcing campaign to design a new label for a household cleaning product. The campaign attracted numerous good designs, but the community pranked the company by voting in favor of a label that said “tastes like chicken.”
- The company chose a less popular bottle and suffered social media backlash.



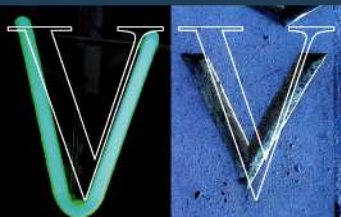
## Legal Issues: Are you making a contract with your public? Did you follow contest rules? Whose rules?

- Keep your promises—make nonsense exclusions and trademark clearance rules clear.
- Keep the brand core with good guidelines.



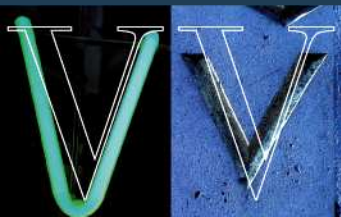
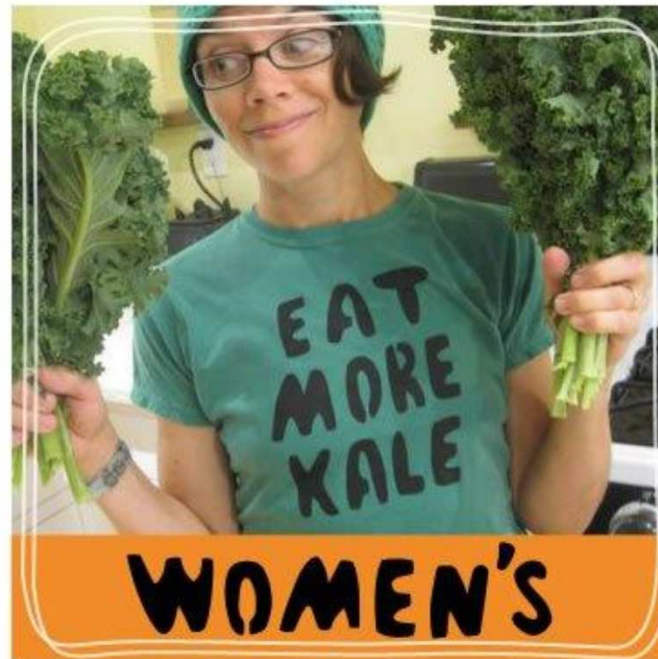
# Trademark Bullying

- When brands overreach and social media goes viral

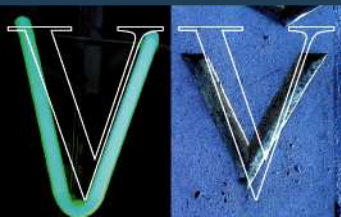


# EAT MORE KALE

- Vermont Artist designs a T-shirt that says  
EAT MORE KALE

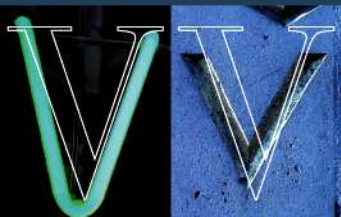


And here comes Chik-Fil-A.



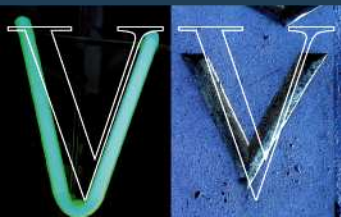
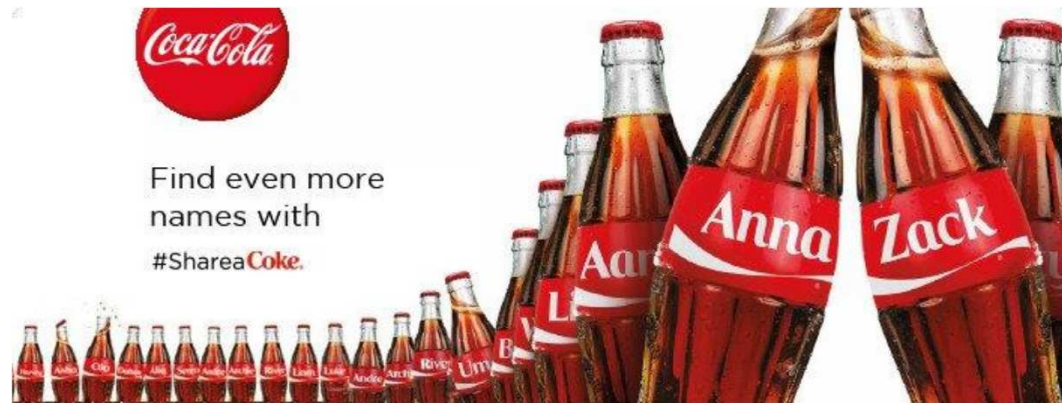
# Backlash!

- Anderson Cooper
- New York Times
- Huffington Post
- Social Media: Change.org petition
- Artist's Documentary goes viral
- [https://d2pq0u4uni88oo.cloudfront.net/projects/76082/video-80706-h264\\_high.mp4](https://d2pq0u4uni88oo.cloudfront.net/projects/76082/video-80706-h264_high.mp4)



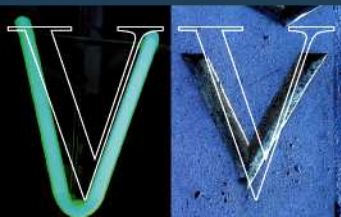


# Fluid Trademarks- Not Just the Google Doodle



## Brands Embracing Social Media/ Mobile Lifestyle

Bond NYC: The QR code is the trademark.



# Adapting to Social Media:

## National Parks & Conservation Association

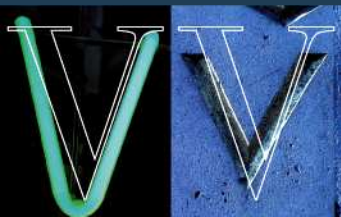


[www.npca.org](http://www.npca.org)

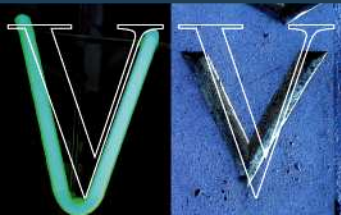
Previous Mark



New Mark

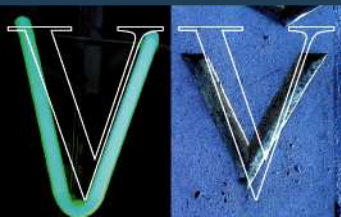


## Channel 4



# Fluid Trademarks: Legal Issues

- How do you register a fluid trademark?
- How does a fluid trademark relate to the registered rights?
- How do you refresh a trademark while maintaining legal continuity?
- Works best with strong brands.



# Trademarks and Indigenous Rights

WASHINGTON REDSKINS

*The Redskins*



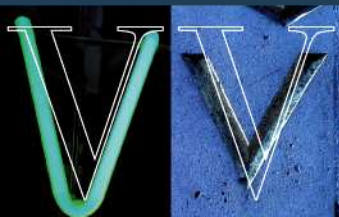
REDSKINETTES

REDSKINS

**WASHINGTON**



**REDSKINS**





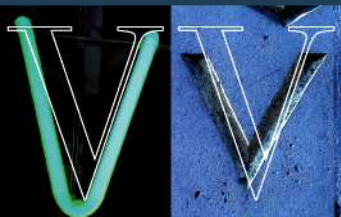
## Legal Effect:

Tempest in a Teapot. Will not have any effect on whether the team must change its name.

## Social Effect:

### Viral

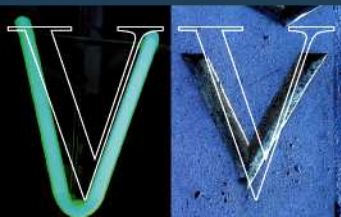
1. University of Minnesota—don't use name or sell logo merchandise when playing Vikings in our stadium.
2. Washington Post—banned by Editorial Board
3. ESPN-Employee choice



# Trademark Rights and Government Regulation: PLAIN PACKAGING Australia

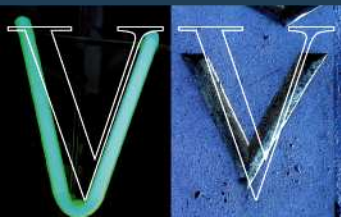


Australian Government Department of Health



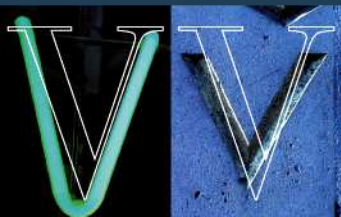
## Legal Issues: What about the brands?

- Regardless of policy on smoking, trademark owners and lawyers question whether it is ok for the Government to forbid brand owners from using the brands they've spent decades building to identify their products. If trademarks are also part consumer protection, does the consumer need to be able to see the logo and trade dress on the package?

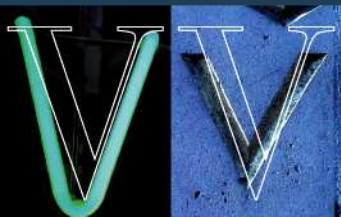


## Other Countries Following Suit

- In April 2014, the UK announced it would be adopting regulations for plain packaging



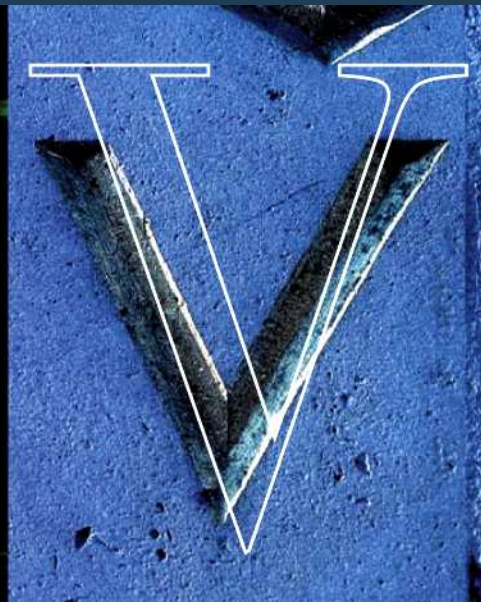
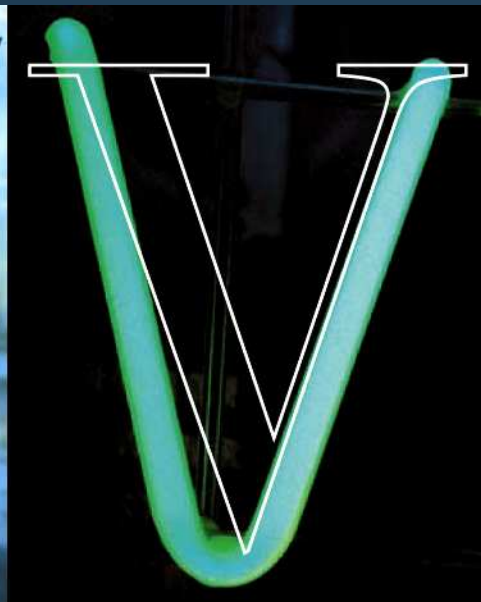
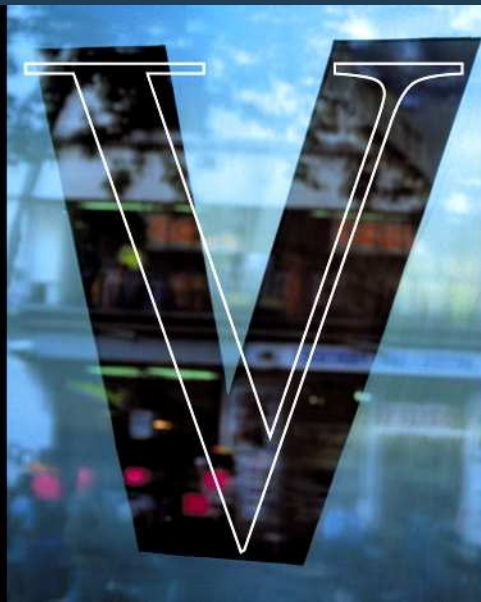
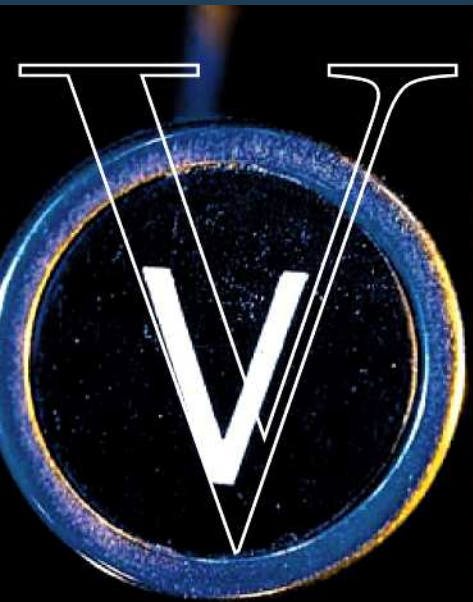
Questions?



# HOW TO SETTLE A CASE FAVORABLY

Venable's Intellectual Property Symposium

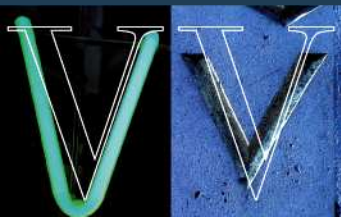
September 10, 2014





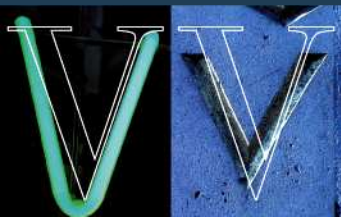
# Panel Topics

- Settling Patent Litigation
  - Non-Practicing Entities
  - Settlement Leverage points
  - Power of Post-Grant Review
- Settling ANDA Litigation
  - ANDA Litigation and Statistics
  - Settlement Scenarios
  - Antitrust Considerations
- Documentation Considerations
  - Structure
  - Scope
  - Licensing terms
  - Release
  - Enforcement



# Panelists

- **Ken Cappel**
  - Global IP Counsel, Amneal Pharmaceuticals
- **Chris Copeland**
  - IP Counsel, M&T Bank
- **Nora Garrote**
  - Partner, IP Transactions Group, Venable
- **Frank Gasparo**
  - Partner, IP Litigation Group, Venable
- **Tamany Vinson Bentz**
  - Counsel, IP Litigation Group, Venable



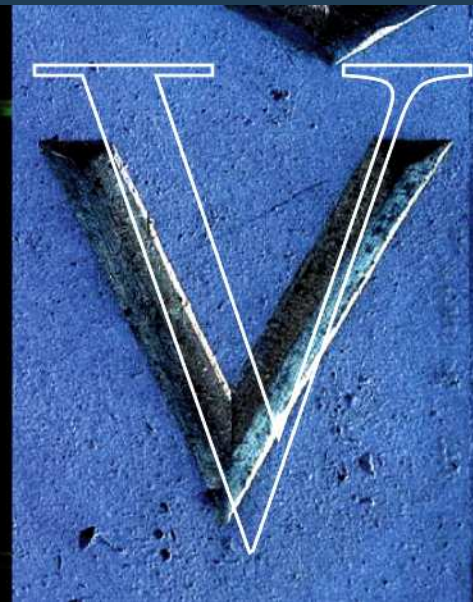
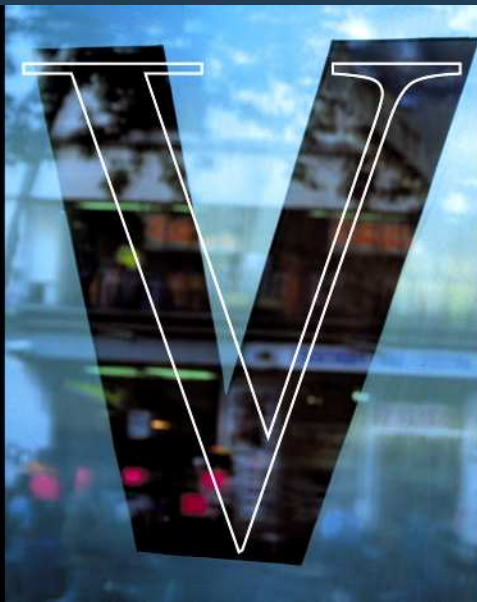


## “How to Settle a Patent Litigation Favorably” In-House and Outside Counsel Perspectives

FRANK M. GASPARO, VENABLE

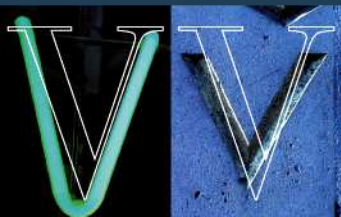
CHRISTOPHER COPELAND, M&T BANK\*

\*Views expressed in this presentation do not necessarily represent those of M&T Bank



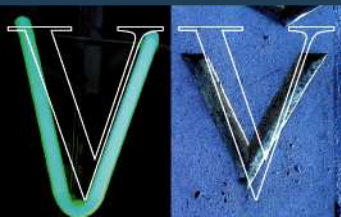
# Agenda

- Non-Practicing Entities
  - Statistics
  - Congress, States and Industry
- Settlement Leverage Points
  - Pleading Stage: *Alice*, *Limelight*
  - (Mini-) *Markman*
  - Fee Shifting: *Octane*, *Highmark*
  - Sanctions
- Power of Post Grant Review
  - IPR Timeline
  - Statistics
  - Stays



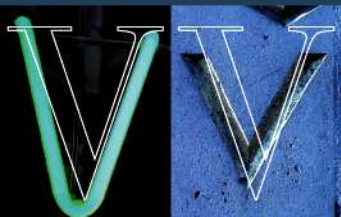
# Non-Practicing Entities

- What is a Non-Practicing Entity (NPE)?
  - Entity with a business model to monetize a patent covering subject matter it does *not* intend on commercializing



## Some NPE Statistics, from *2014 Patent Litigation Study* published by PriceWaterhouseCoopers

- In 2013, NPEs filed 67% of all new patent infringement cases, compared to 28% in 2009
- Only 20% of identified decisions in 2013 involved NPE patent holders
  - Much higher tendency for NPE-filed cases to be settled or dismissed
- Overall success rates in patent cases:
  - 25% for NPEs vs. 35% for practicing entities
    - NPEs lack success at summary judgment
    - ~67% for both NPEs and practicing entities are successful at trial
- Over the last 4 years, damages awards for NPEs were more than triple than for practicing entities



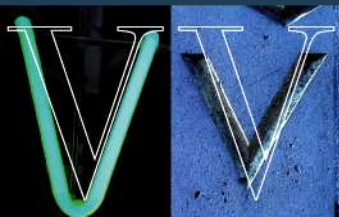


# NPE Decisions Are Concentrated In Certain Districts

Chart 9b. District courts with most identified decisions with NPE as patent holder: 1995-2013

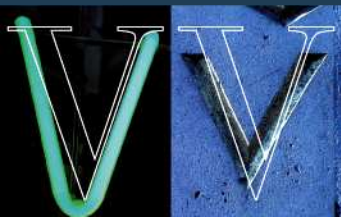
District	Decisions involving NPEs	Total identified decisions	NPE % of total decisions	NPE success rate
Texas Eastern	50	136	37%	46%
Illinois Northern	33	136	24%	15%
New York Southern	31	132	23%	13%
California Northern	28	149	19%	14%
Delaware	23	196	12%	35%
California Central	15	84	18%	33%
Massachusetts	14	77	18%	36%
Florida Southern	13	40	33%	15%
Pennsylvania Eastern	11	35	31%	18%
Minnesota	10	48	21%	40%
Texas Southern	10	47	21%	10%
DC	10	23	43%	0%
Texas Northern	9	35	26%	56%
US Court of Federal Claims	8	20	40%	13%
Virginia Eastern	8	47	17%	25%
Florida Middle	8	35	23%	63%
Colorado	7	24	29%	43%
Pennsylvania Western	6	17	35%	67%
Maryland	6	17	35%	0%
Michigan Eastern	6	39	15%	0%
New Jersey	6	87	7%	17%
<b>All identified decisions</b>	<b>403</b>	<b>1,965</b>	<b>20%</b>	<b>25%</b>

Includes districts with more than 5 identified decisions involving an NPE as the patent holder.



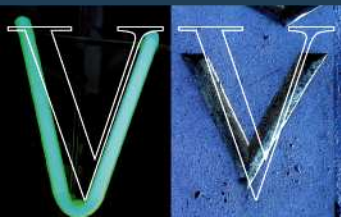
# Proposed Bills in Congress

- Saving High-Tech Innovators from Egregious Legal Disputes Act of 2013, H.R. 845 (“Shield Act”)
- Transparency in Assertion of Patents Act, S.2049
- Innovation Act, H.R. 3309
- Patent Transparency and Improvements Act of 2013, S. 1720 (“Leahy-Lee Bill”)
- Patent Litigation and Innovation Act of 2013, H.R. 2639
- Patent Abuse Reduction Act of 2013, S. 1013
- Patent Litigation Integrity Act of 2013, S. 1612



## Congress cont'd

- May 2014: Leahy-Lee Bill dies in the Senate
  - Senator Leahy (D-Vt.), Chairman, Senate Judiciary Committee, On Patent Legislation posted on his website on May 21, 2014:
    - “Unfortunately, there has been no agreement on how to combat the scourge of patent trolls on our economy without burdening the companies and universities who rely on the patent system everyday to protect their inventions.”
    - “Because there is not sufficient support behind any comprehensive deal, I am taking the patent bill off the Senate Judiciary Committee agenda.”



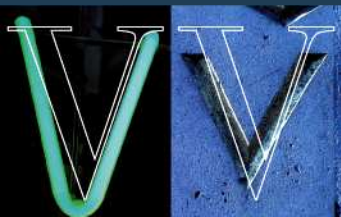
# AIA

## ■ Joinder

- Pre-AIA: NPE could file a suit against numerous defendants with nothing in common
- AIA: Claims against defendants must arise out of “the same transaction, occurrence, or series of transactions, or occurrences. . . .” and requires questions of fact common to all defendants

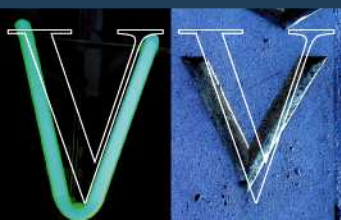
## ■ Prior Use Defense

- Pre-AIA: Only applied to business method patents
- AIA: Broadened defense; a party may defend a patent infringement suit by establishing it commercially used, in good faith, a process, machine, manufacture, or composition of matter that is asserted to infringe the patent at least 1 year before the effective filing date of the claimed invention, or the date on which the claimed invention was disclosed to the public (whichever is earlier).



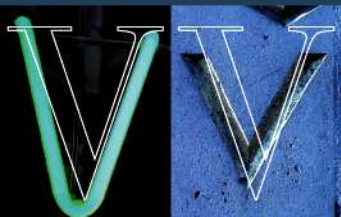
# States

- 15 states have signed anti-troll bills into law (Alabama, Georgia, Idaho, Louisiana, Maine, Maryland, Missouri, Oklahoma, Oregon, South Dakota, Tennessee, Utah, Vermont, Virginia and Wisconsin)
- Vermont
  - *Vermont v. MPHJ Tech. Inv., LLC*, No. 282-5-13 (Vt. Super. Ct., Aug. 28, 2014): Court refused to dismiss Vermont Attorney General's consumer protection suit against MPHJ, finding that MPHJ's minimum contacts with the state and the suit's citizen protection were enough to establish jurisdiction.
- Nebraska
  - *Activision TV, Inc. v. Bruning*, No. 8:13CV215 (D. Neb. Sept. 2, 2014): Court found that the state's attorney general had violated their choice of attorneys' rights; Court entered a limited injunction.



# Industry Groups

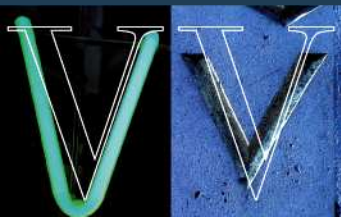
- Innovation Alliance: Sent a letter on March 4, 2014 to the Senate Committee on Commerce, Science and Transportation
- BSA Trade Group: Sent a letter on Jan. 30, 2014 to the leadership of the Senate Judiciary Committee about “covered business method” review at the USPTO



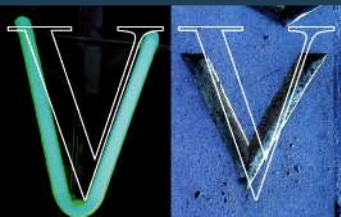


## Industry Groups

- Conversant's Stand Up to Demand program (July 2014): An educational and advocacy campaign designed to help small and mid-size businesses identify and respond to demand letters
- License Effective On Triggering Event (LOT) Agreement (July 2014): Companies obtain a license effective upon the transfer of patents by other participants to non-participants

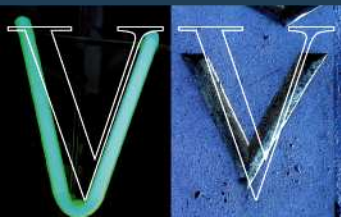


# SETTLEMENT LEVERAGE POINTS



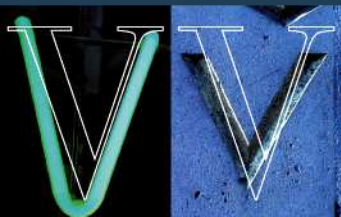
## Pleading Stage – Motion to Dismiss Under 35 U.S.C. § 101 - *Alice*

- *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, No. 13-298, 134 S. Ct. 2347 (June 19, 2014)
  - Supreme Court unanimously held that Alice's claims are unpatentable under 35 U.S.C. § 101 because they were drawn to an abstract idea
  - Two-part framework, adapted from *Mayo Collaborative Servs., Inc. v. Prometheus Inc.*:
    - 1) Determine if claim is directed toward an abstract idea and
    - 2) Determine if claim contains an “inventive concept” sufficient to transform the abstract idea into a patent-eligible application



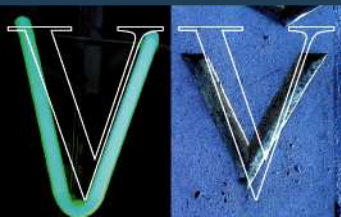
# Pleading Stage – Motion to Dismiss Under 35 U.S.C. § 101 – Post-Alice

- buySAFE, Inc. v. Google, Inc., 2014 WL 4337771 (Fed. Cir. Sept. 3, 2014): Federal Circuit affirmed District Court’s ruling that asserted claims are invalid under 35 U.S.C. § 101.
  - District court concluded that the patent “describes a well-known, and widely understood concept of a third party guarantee of a sales transaction-and then applied the concept using conventional computer technology and the Internet.”
  - It was noted that the claimed computer is only for processing, which is a basic function of any general purpose computer
  - Claims did not require specific programming and are not tied to any particular machine



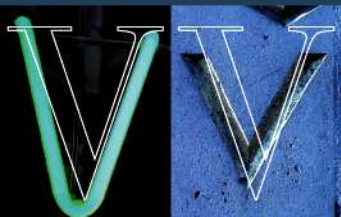
# Pleading Stage – Motion to Dismiss Under 35 U.S.C. § 101 – Post-*Alice*

- *Data Distrib. Techs., LLC v. Brer Affiliates, Inc.*, 2014 U.S. Dist. LEXIS 115543 (D.N.J. Aug. 19, 2014) (Simandle, Chief U.S.D.J.): Court denied the Motion to Dismiss because Defendants did not show by clear and convincing evidence that no plausible construction of the patent-at-issue will satisfy the *Alice* test for patentability; Defendants cannot satisfy part 2 of the *Alice* test by citing to the patent's figures; Court did hold that the patent is directed to an abstract issue of maintaining a database and updating users about new information.
- *Genetic Techs. v. Lab. Corp. of Am. Holdings*, 2014 U.S. Dist. LEXIS 122780 (D. Del. Sept. 3, 2014): Court recommended that motion to dismiss be granted as claim 1 of the '342 is not eligible for patent protection under § 101.



# Pleading Stage – Motion to Dismiss Under 35 U.S.C. § 101 – Post-Alice – PTAB

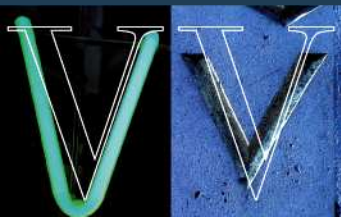
- *CRS Adv. Techs., Inc. v. Frontline Techs., Inc.*, CBM2012-00005, Jan. 21, 2014:
  - PTAB held that the challenged claims are unpatentable under 35 U.S.C. § 101 because the claims are directed to concepts for taking the preexisting process of substitute fulfillment and implementing it in a networked computing environment; this is abstract and therefore unpatentable
- Frontline appealed PTAB decision to the Federal Circuit
  - Federal Circuit stayed case pending Federal Circuit's final disposition of *Versata Dev. Grp. v. SAP Am., Inc.*, No. 2014-1194
  - Oral argument in *Versata* is scheduled for Oct. 8





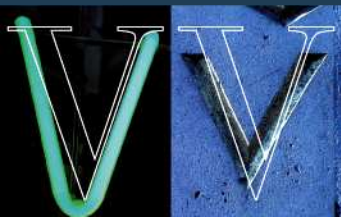
# Motion to Dismiss Under 35 U.S.C. § 271(b) – *Limelight v. Akamai*

- *Limelight Networks, Inc. v. Akamai Techs., Inc.*, 134 S. Ct. 2111 (2014)
  - Supreme Court unanimously held that a defendant may not be liable for inducing infringement under 35 U.S.C. § 271(b), unless one party has committed direct infringement under 35 U.S.C. § 271(a).
  - A would-be infringer might evade liability by dividing performance of a method patent's steps with another party that it does not direct or control (result of *Muniauction*), but that does not justify altering the rules of inducing liability



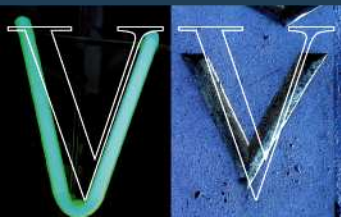
# Motion to Dismiss Under 35 U.S.C. § 271(b) – Post - *Limelight*

- *In re Katz*, No. 07-1816 (C.D. Cal. Aug. 6, 2014): Court grants summary judgment on the issue of inducing infringement under § 271(b).
- *Convolve, Inc. v. Compaq Computer Corp.*, 2014 U.S. Dist. LEXIS 99927 (S.D.N.Y. July 11, 2014): Court grants defendant's motion for summary judgment of non-infringement as to all asserted claims because Plaintiff is unable to prove direct infringement and therefore Plaintiff's allegations of indirect, or induced infringement must also fail.
- *Grecia v. Vudu, Inc.*, No. C-14-1220 EMC (N.D. Cal.) Aug. 29, 2014: Court grants Defendant's motion to dismiss for inducement because Plaintiff's claim cannot be sustained without an adequate showing of direct infringement



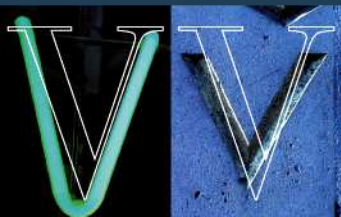
## Motion to Dismiss – Joint Infringement

- Joint infringement can only exist “if one part exercises control or direction over the entire process such that every step is attributable to the controlling party, i.e., the mastermind.”  
*Muniauction, Inc. v. Thomson Corp.*, 532 F.3d 1318, 1329 (Fed. Cir. 2008).
- And direction or control will only arise where there is “an agency relationship or other contractual obligation to perform the steps.” See e.g., *Encap LLC v. Oldcastle Retail, Inc.*, 2012 U.S. Dist. LEXIS 69587, at \*14-15 (E.D. Wis. May 18, 2012).

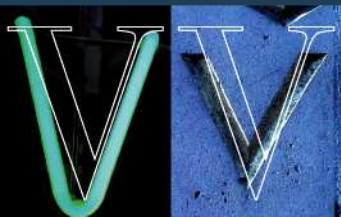


## Motion to Dismiss – Joint Infringement- Current State of Affairs

- Supreme Court remanded *Limelight Networks, Inc. v. Akamai Techs., Inc.* to the Federal Circuit to revisit the joint infringement issue if it chose to do so
- Oral argument on Aug. 18th
- Akamai argued that *Muniauction* does not apply to Limelight because Limelight has deep involvement with its customers

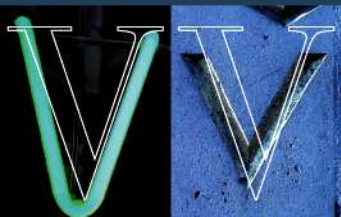


# THE MINI-*MARKMAN*



## Mini-*Markman*

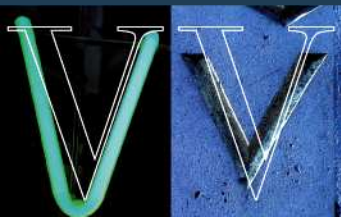
- Used by District Court Judge Davis and Magistrate Judge Love in the Eastern District of Texas and District Court Judge Kendall in the Northern District of Illinois
- *Parallel Networks v. Abercrombie & Fitch*, No. 10-111 (Love, J.)
  - Mini-*Markman* resulted in constructing three terms and permitting summary judgment of noninfringement as to 99/112 defendants





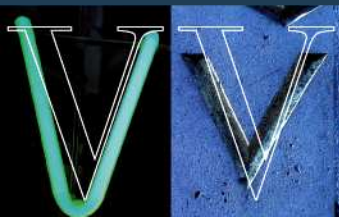
## Mini-*Markman*

- *Magna Carta Holdings, LLC v. Nextgen Healthcare Information Sys., Inc.*, 2012 U.S. Dist. LEXIS 31659 (N.D. Ill. Mar. 9, 2012) (Kendall, U.S.D.J.)
  - Judge Kendall construed a key term in this patent litigation – the Comparator Term – after the parties each acknowledged that the term’s construction would likely resolve the case.
  - A joint stipulation of dismissal was filed and entered by the Court six months after.

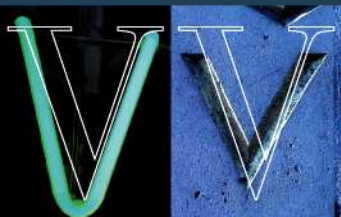


# Other Ways To Take Control of Patent Litigation

- Early summary judgment
- Early settlement or mediation
- Early 30(b)(6) deposition
- Early contentions

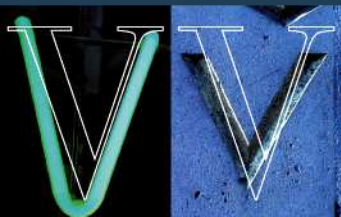


# **FEE SHIFTING UNDER 35 U.S.C. § 285**



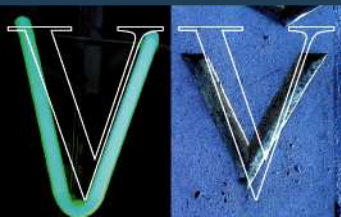
# Fee Shifting under 35 U.S.C. § 285 – *Octane* and *Highmark*

- Pre-*Octane*: Almost impossible to attain
  - 35 U.S.C. § 285: Authorizes district courts to award attorney’s fees to the “prevailing party” in “exceptional cases”
  - *Brooks Furniture Mfg., Inc. v. Dutailier Int’l, Inc.*: Federal Circuit held that a case is “exceptional” if it either involves “material inappropriate conduct” or is both “objectively baseless” and “brought in subjective bad faith.”
    - “[T]he underlying improper conduct . . . Must be established by clear and convincing evidence.”



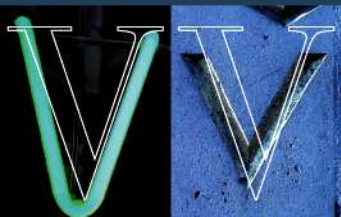
## Fee Shifting under 35 U.S.C. § 285 – *Octane* and *Highmark*

- *Octane*: Supreme Court reversed the Federal Circuit, overturning the *Brooks Furniture* analysis; directed District Courts to use their full discretion and consider the totality of the circumstances when evaluating an exceptional case; also discarded requirement that litigants establish entitlement to fees by clear and convincing evidence
- *Highmark*: Supreme Court vacated the Federal Circuit's judgment, holding that the Federal Circuit should review a district court's fee award under an abuse of discretion standard



## Fee Shifting under 35 U.S.C. § 285 – Post-*Octane* and Post-*Highmark*

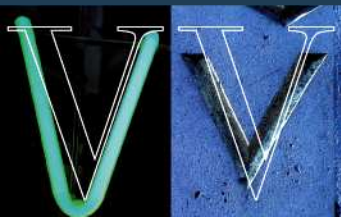
- *Charge Lion, LLC v. Linear Tech. Corp.*, No. 12-769 (E.D. Tex. Aug. 25, 2014): Court denied defendant's motion for attorneys' fees after plaintiff executed a covenant not to sue and dismissed its action.
- *Romag Fasteners, Inc. v. Fossil, Inc.*, No. 10-1827 (D. Conn. Aug. 14, 2014): Following a jury verdict of patent infringement liability and reasonable royalty damages of about \$65,000 against two defendants, the court granted plaintiff's motion for attorneys' fees





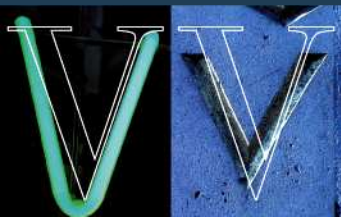
## Fee Shifting under 35 U.S.C. § 285 – Post-*Octane* and Post-*Highmark*

- *Lumen View Tech., LLC v. Findthebest.com, Inc.*, No. 13-3599 (S.D.N.Y. May 30, 2014): Court held that the case was exceptional and the Court exercised its discretion to award attorneys' fees and costs to Defendant. The fee shifting will "serve as an instrument of justice."
- *H-W Technology LC v. Overstock.com Inc.*, No. 12-00636, ECF No. 89 (N.D. Tex. Aug. 15, 2014): The magistrate judge recommended denying defendant's motion for attorneys' fees under 35 U.S.C. § 285 following summary judgment of invalidity because plaintiff's request that the district court correct obvious errors in the patent was not unreasonable.

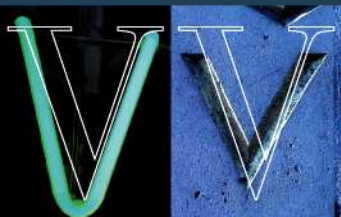


# Fee Shifting under 35 U.S.C. § 285 – Post-*Octane* and Post-*Highmark*

- *Gametek LLC v. Zynga, Inc.*, 2014 WL 4351414 (N.D. Cal. Sept. 2, 2014): Court denied Defendant's motion for attorneys fees because the Court could not characterize the case as “exceptional.”
  - Although Plaintiff's briefing on a prior 12(c) motion consisted of “granular parsing of the claimed steps” it did not rise to the level of frivolous argument or objective unreasonableness.
  - Defendants' allegations of plaintiff's course of conduct may suggest an “aggressive litigation strategy,” but do not demonstrate by a preponderance of the evidence that it was so exception to award fees.

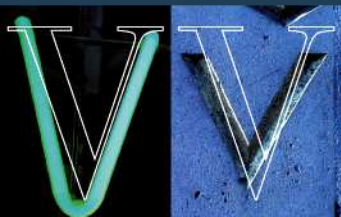


# **SANCTIONS UNDER 28 U.S.C. § 1927**



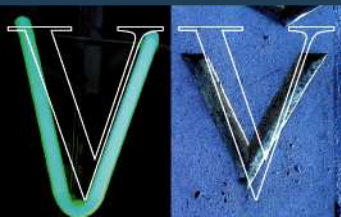
## Sanctions under 28 U.S.C. § 1927

- 28 U.S.C. § 1927: Any attorney or other person admitted to conduct cases in any court of the United States or Territory thereof who so multiplies the proceedings in any case unreasonably and vexatiously may be required by the court to satisfy personally the excess costs, expenses, and attorneys' fees reasonably incurred because of such conduct.



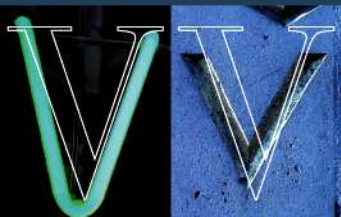
## Sanctions under 28 U.S.C. § 1927

- *H-W Technology LC v. Overstock.com Inc.*, No. 12-00636, ECF No. 89 (N.D. Tex. Aug. 15, 2014):  
Because Defendant has failed to meet its burden to establish that the proceedings were both unreasonable and vexatious, it would not be appropriate under § 1927 to shift the entire financial burden of the action's defense."
- *Kaneka Corp. v. Zhejiang Medicine*, No. 11-02389 (C.D. Cal.) May 23, 2014): Kaneka engaged in no vexatious conduct, bad faith conduct, or fraud that would necessitate sanctions under the Court's inherent power.

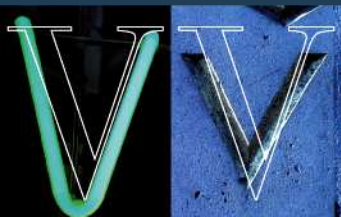


# Sanctions

- *Tesco Corp. v. Weatherford Int'l, Inc.*, No. H-08-2531 (S.D. Tex. Aug. 25, 2014): Court *sua sponte* dismissed plaintiff's infringement action with prejudice pursuant to the Court's inherent authority.
  - Post-trial discovery showed that plaintiff's counsel affirmatively misrepresented statements of key on-sale bar witnesses regarding important evidence disclosed during trial
  - "Awarding attorney's fees – even if they were to be paid by [plaintiff's] counsel alone – is insufficient. Such serious misrepresentations cannot be excused as simply the cost of doing business. Attorney's fees also may be appropriate, but such an affront to this Court, to the other parties, and to judicial integrity can only be answered with dismissal."



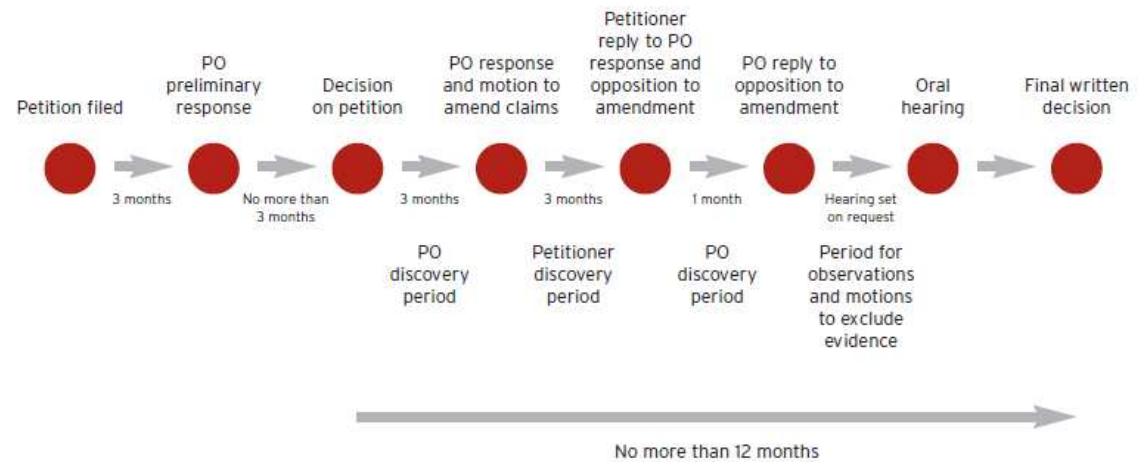
# THE POWER OF POST-GRANT REVIEW



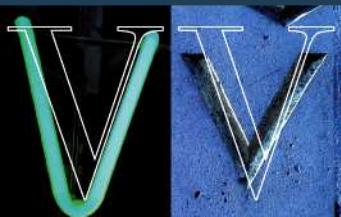


# IPR Timeline

## Trial timeline



Source: USPTO



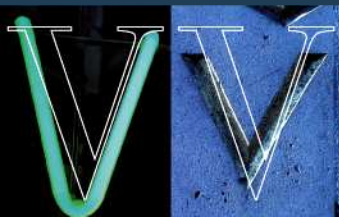
# IPR/CBM Statistics



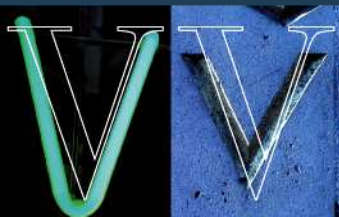
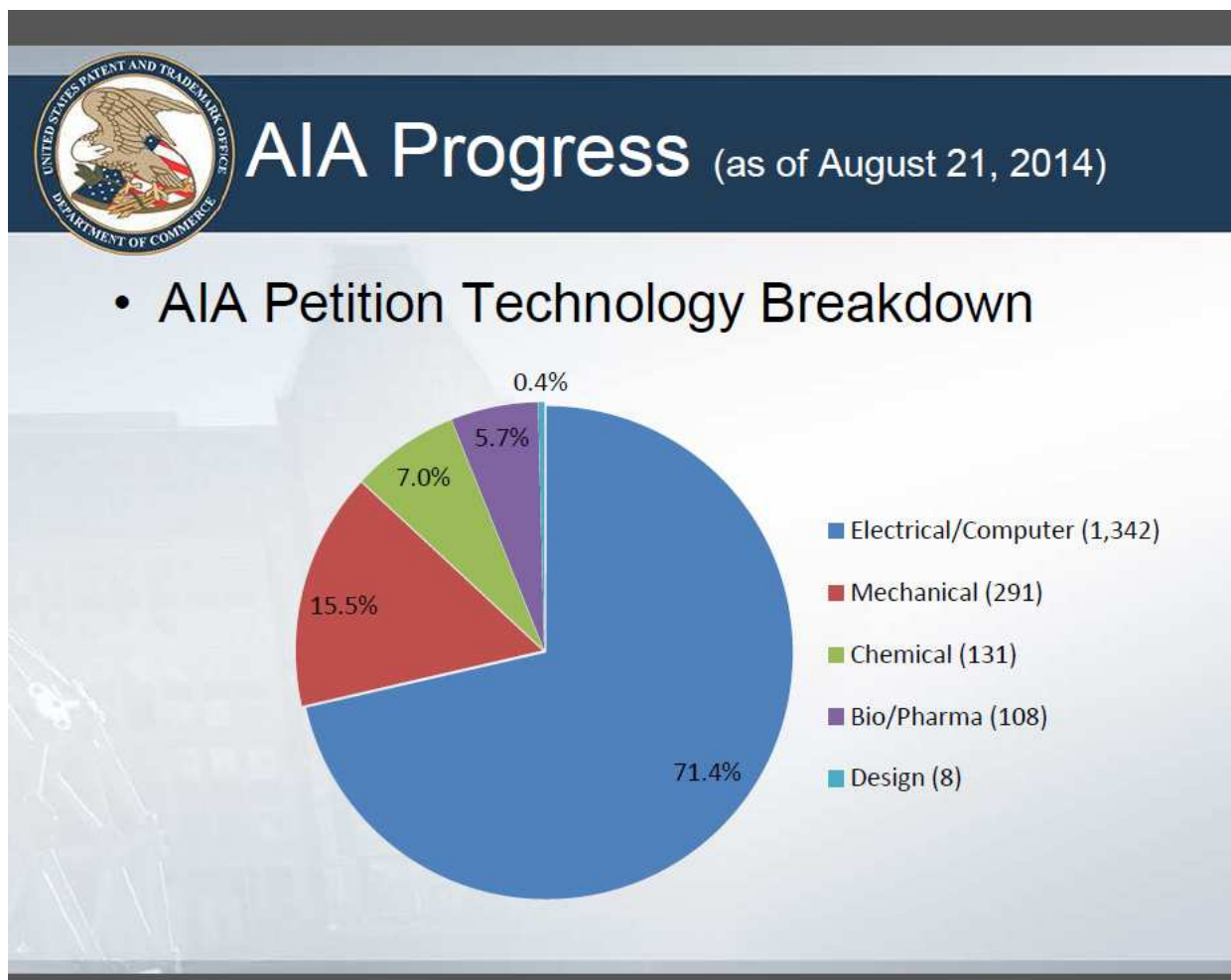
## AIA Progress (as of August 21, 2014)

- AIA Petition Dispositions

		Trials Instituted	Joinders	Percent Instituted	Denials	Total No. of Decisions on Institution
<b>IPR</b>	FY13	167	10 <sup>+</sup>	87%	26	203
	FY14	473	13 <sup>+</sup>	76%	155	641
<b>CBM</b>	FY13	14		82%	3	17
	FY14	70	1 <sup>+</sup>	74%	25	96
<b>DER</b>	FY14	-		0%	3	3



# IPR/CBM Statistics

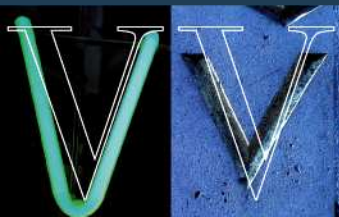
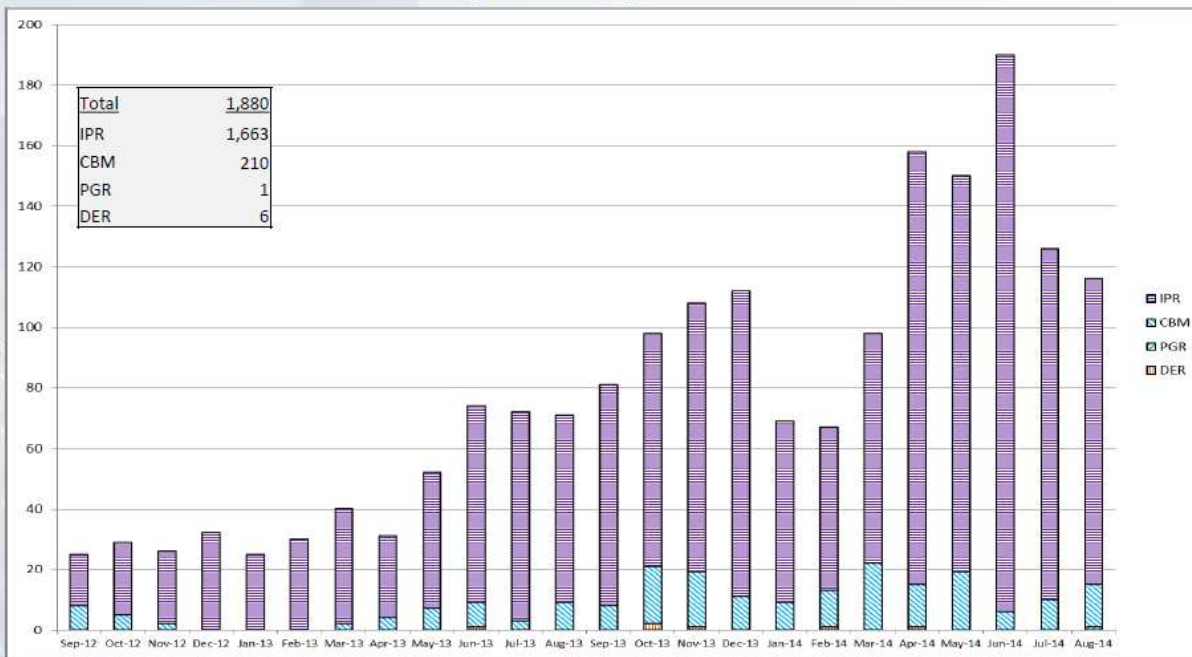


# IPR/CBM Statistics



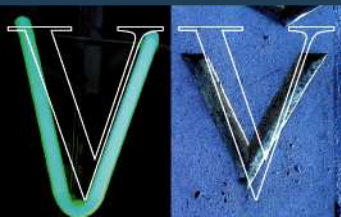
## AIA Progress (as of August 21, 2014)

### • AIA Monthly Filings



# Staying the District Court Case

- *VirtualAgility Inc. v. Salesforce.com, Inc.*, 2014 WL 3360806 (Fed. Cir. July 10, 2014): Federal Circuit reverses District Court's order denying motion to stay VirtualAgility's motion to stay pending post-grant review of the validity of VA's claims under the CBM program.
  - Court explains that three of the four factors weigh heavily in favor of a stay in this case: simplification of the issues and streamlining of the trial, whether discovery is complete and a trial date has been set, and reduction of the burden of litigation on the parties and the court. The undue prejudice factor, at best, weighs slightly in favor of denying a stay.



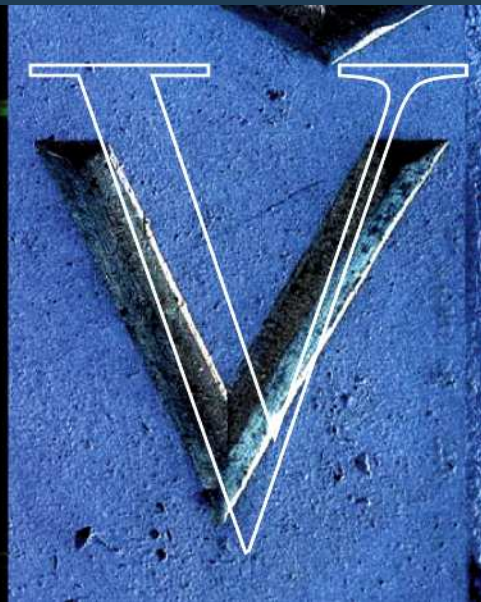
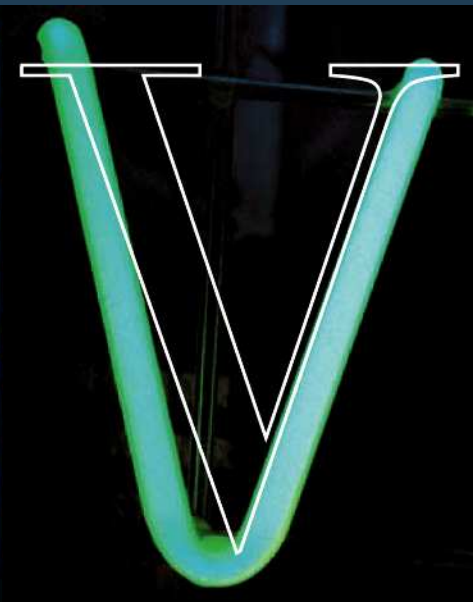
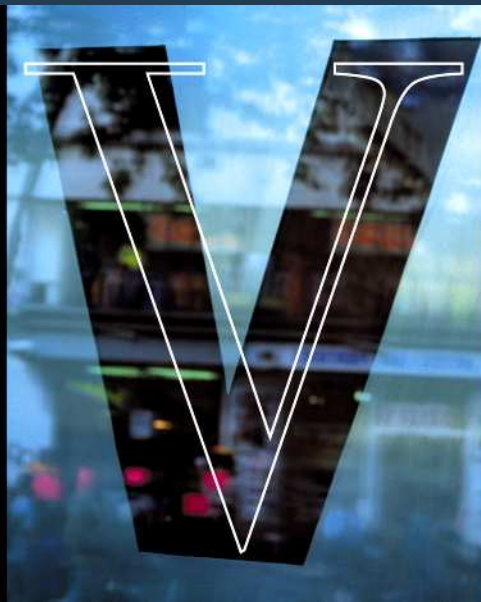
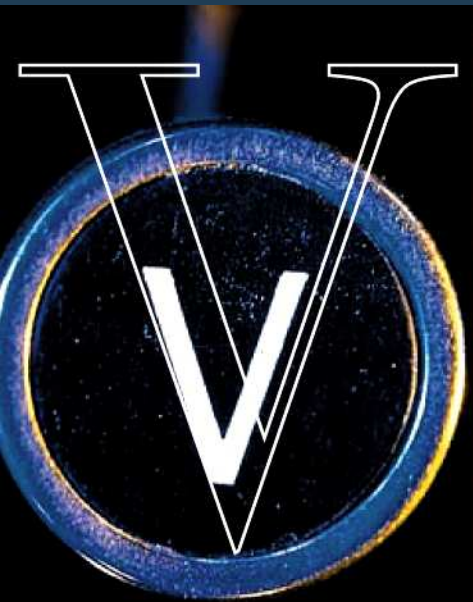




## “Considerations for Settling ANDA Litigation” In-House and Outside Counsel Perspectives

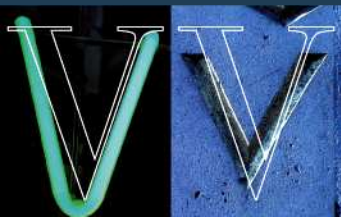
KENNETH CAPPEL, AMNEAL PHARMACEUTICALS

TAMANY VINSON BENTZ, VENABLE



# Topics for Discussion

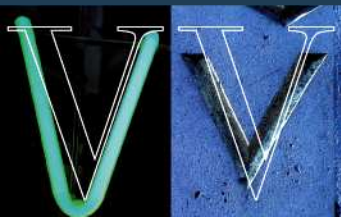
- What is ANDA litigation
- Recent ANDA Statistics
- Settlement Scenarios
- Anti-trust Considerations in Settlement





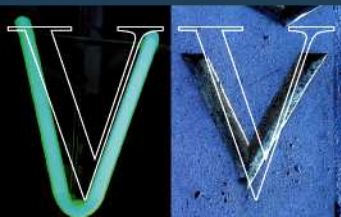
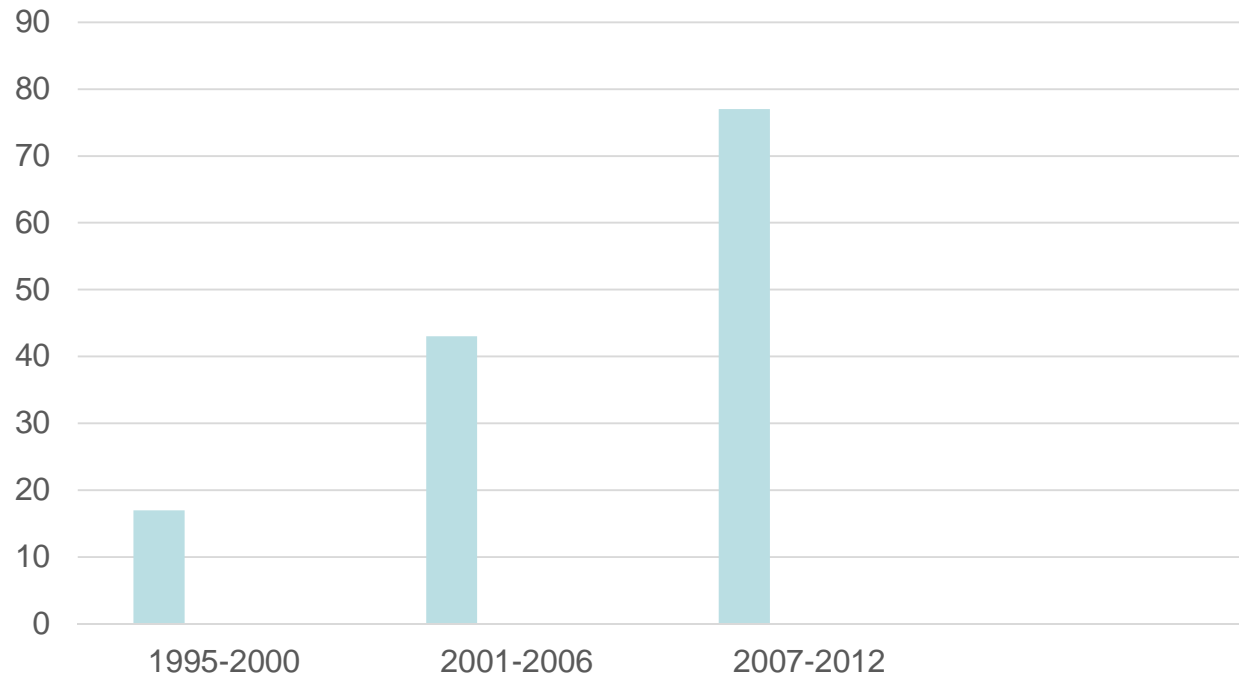
# What is ANDA Litigation

- NDA – New Drug Application
- Hatch-Waxman Act
  - Permits a generic manufacturer to file an ANDA
  - NDA Applicant must list in its NDA the number and expiration date of any patents directed at the pharmaceutical product
- ANDA stands for “Abbreviated New Drug Application”

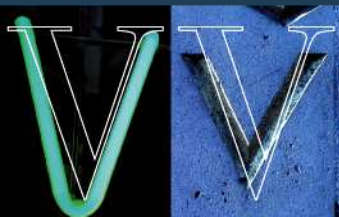
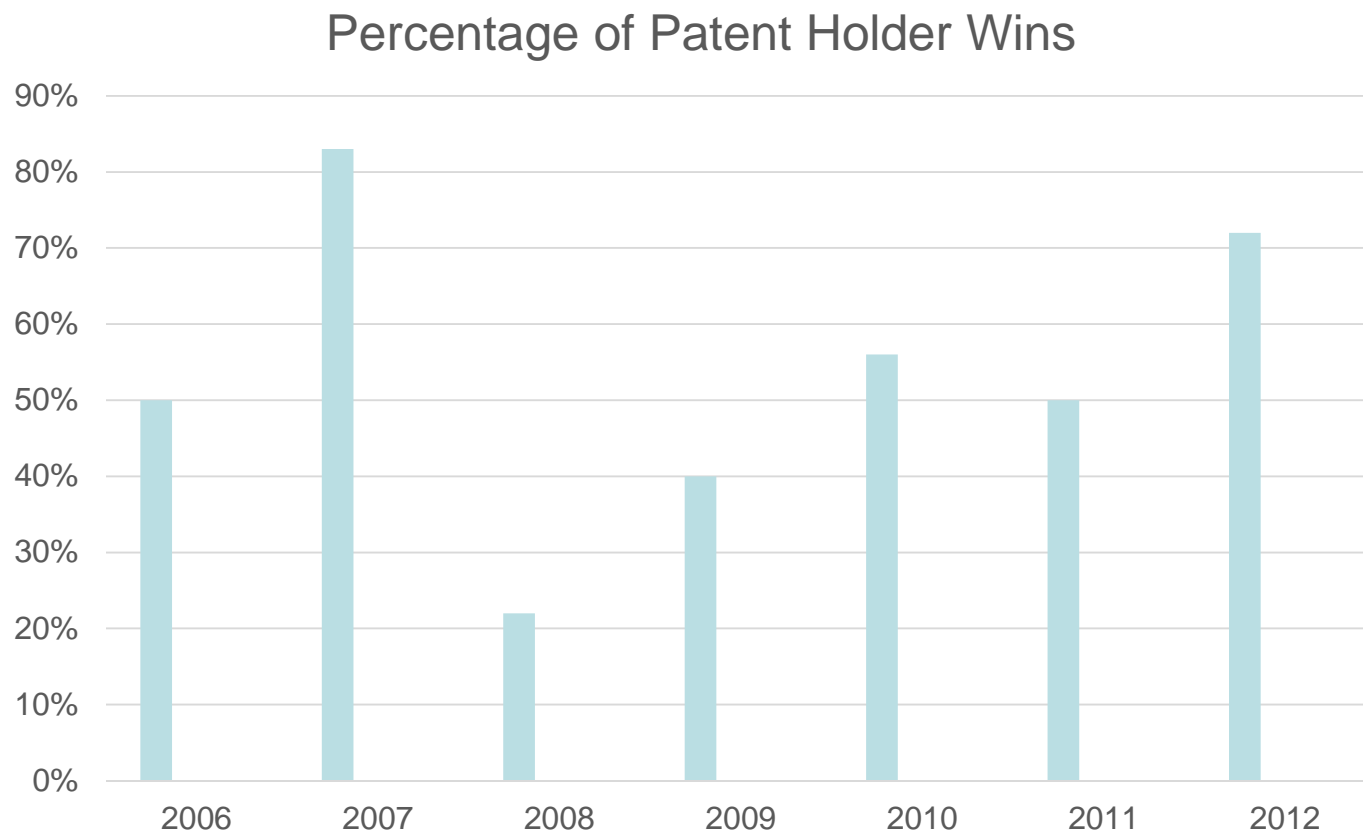


# ANDA STATISTICS

## ■ ANDA litigation on an upward trend

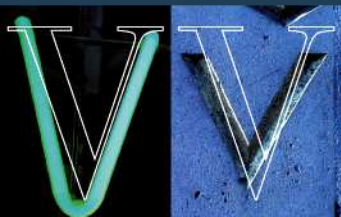


# ANDA STATISTICS



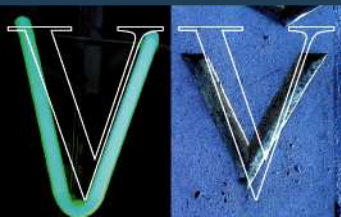
# What is ANDA Litigation

- Applicant must certify the ANDA application
- Types of Certification
  - Paragraph 1
  - Paragraph 2
  - Paragraph 3
  - Paragraph 4



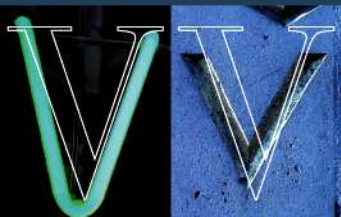
## What is ANDA Litigation: ¶ 4 Certification

- Applicant notifies patent holder and NDA holder of ANDA
- Patent/NDA holder has 45 days to file suit
- ANDA applicant can bring DJ action under 28 U.S.C. § 2201 if patent holder does not institute an action within 45 days

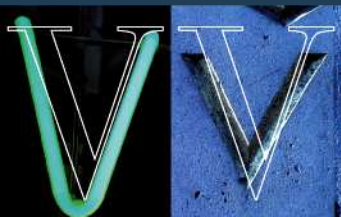


# What is ANDA Litigation

- 30-month stay is granted on ANDA application if suit filed
- If stay does not expire, then ANDA only granted if District Court decision is in favor of Applicant
- To incentivize generic drug makers to challenge Orange Book patents, there is a 180 day period of generic marketing exclusivity for the first ¶ 4 ANDA filer



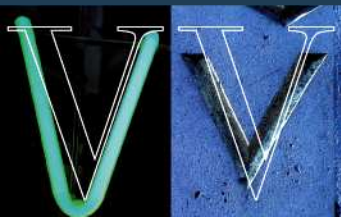
# SETTLEMENT





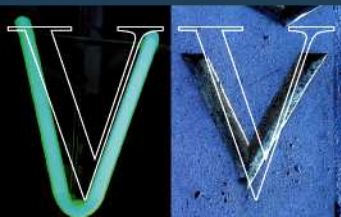
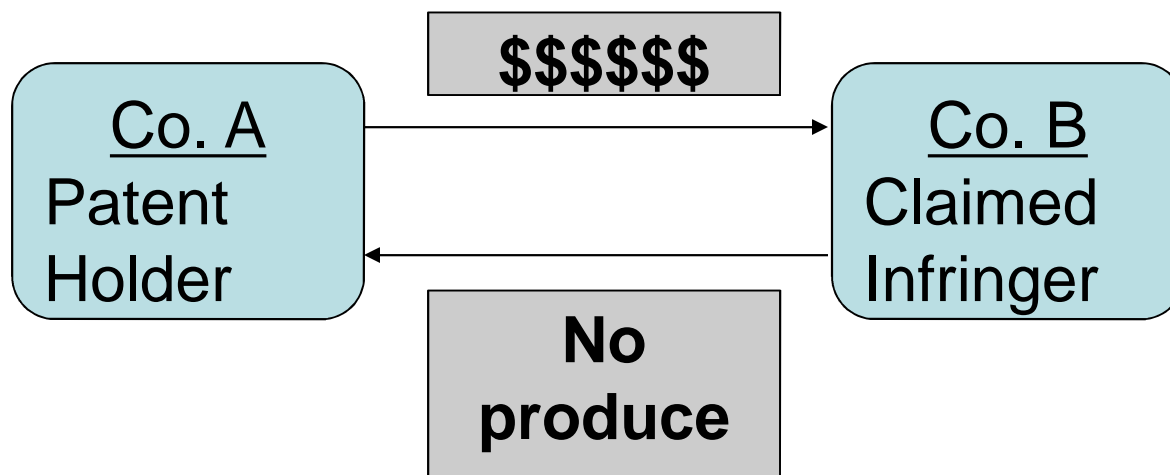
# Settlement: Possible Leverage Points

- Pre-suit
- Markman hearing
- Dispositive motions
- Pre or Post Trial
- IPR



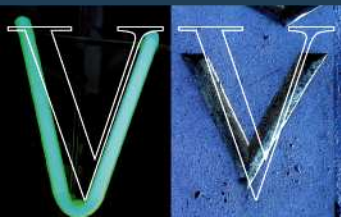
# Settlement

- Patent holder's dilemma
- Lead to “reverse payment settlements”



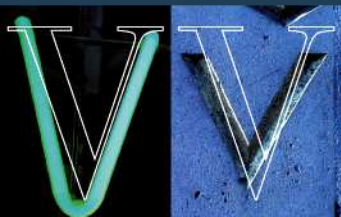
## Settlement: Anti-trust Issues

- Reverse settlements, while popular in ANDA cases, are considered by some to be problematic
- Purchasers: delaying generics to market means higher prices for medications
- Generic manufacturers: stifles competition because first filer can delay entry of all generics



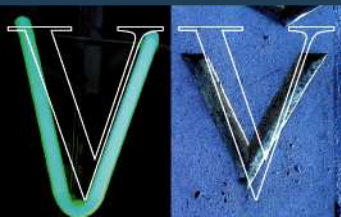
## Settlement: Anti-trust Issues

- *FTC v. Actavis*, 133 S. Ct. 2223 (March 25, 2013)
- Issue: Whether reverse payments are anti-competitive in violation of antitrust laws.
- Holding: Yes, when they are payments to delay competition or otherwise to limit the risk of competition.
- No reason holding is limited to ANDA cases – applies to any reverse payment settlement



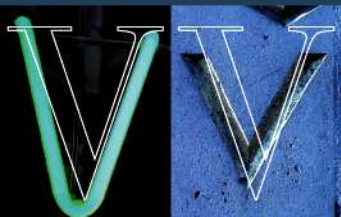
## Settlement: Anti-trust Issues

- Defendants in *Actavis* filed ANDAs for a generic drug modeled after AndroGel
- Parties settled in 2006
  - Actavis agreed not to bring generic to market until August 2015, which was 65 months before patent expired.
  - Actavis agreed to promote to urologists
- Patent holder paid millions to defendants as part of settlement



## Settlement: Anti-trust Issues

- FTC filed suit against parties to settlement
- FTC alleged parties unlawfully abandoned their patent challenges and refrained from launching low-cost generic alternatives to Androgel

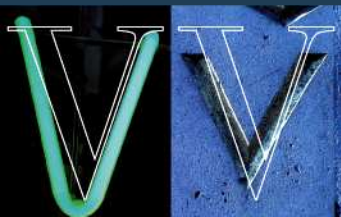


## Settlement: Anti-trust Issues

- Supreme Court applied traditional rule of reason test

“The payment may instead provide strong evidence that the patentee seeks to induce the generic challenger to abandon its claim with a share of its monopoly profits that would otherwise be lost in the competitive market.”

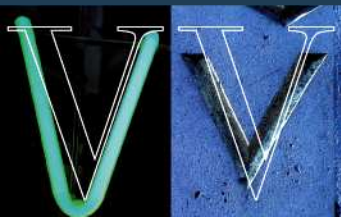
*Actavis, Inc.*, 133 S. Ct. at 2235.





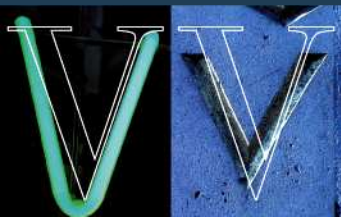
## Settlement: Anti-trust Issues

- Supreme Court's justifications for payment
  - Litigation expenses are, or could be incurred
  - Services offered by generic manufacturer
  - Other business deals
  - Early entry dates
  
- Not a clear standard – application and state of law is in flux



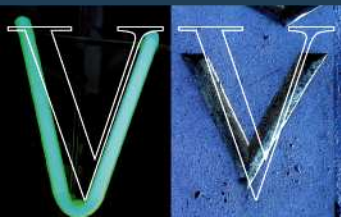
# Post Grant Review

- IPR – *Inter Partes* Review
- Low percentage are Bio/Pharma (5.7%)
- Lower standard for invalidity



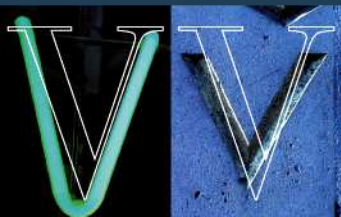
# Documentation Considerations

- This is a commercial contract
- Structure
  - License
  - Non-assertion covenant
  - Releases: general, specific, whole or partial, exclusions
  - No liability admission
  - Dismissal contingency
  - Payment and/or other consideration
  - Confidentiality
  - Warranties and legalities



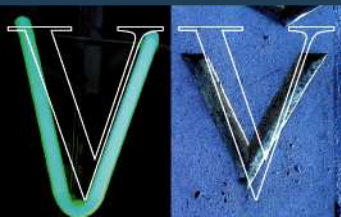
# Documentation Considerations

- Scope
  - Do you have the right contract parties?
  - Anticipate your business evolution and growth; transfer by plaintiff
  - What claims; patents; products/services
  - Who: Enterprise coverage; acquisitions or mergers; makers; channels; customers
  - Permitted disclosures



# Documentation Considerations

- Licensing terms
  - Don't create an implication that you are being granted more rights than the plaintiff has to grant
  - Refer to all the legal rights of the patent owner
  - Fully paid or ongoing
  - Sublicensing: use of contractors and affiliates vs. true sublicensing
  - Recordation requirements



# Documentation Considerations

- Release
  - Mutual or unilateral
  - Related parties as part of the license
  - Conform the scope of the license and the release
  - Right to challenge the validity of a patent
  - Check applicable state laws
- Enforcement
  - Don't create conditions to the settlement (“subject to...”)
  - Jurisdiction for settlement enforcement
  - Attorneys' fees

