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FURTHER AFFIANT SAYETH NOT...

By: Sara Centioni-Kanos

While the basic requirements to patentability remain the same - novelty, usefulness and non-obviousness, the current policies and examining guidelines of the United States Patent and Trademark Office (PTO) have provided new and significant hurdles to a would-be patentee. This is especially true as to the requirement that an invention be non-obvious over prior art teachings.

Following the Supreme Court decision in *KSR Int'l Co. v. Teleflex, Inc.*, 127 S.Ct. 1727 (2007), the PTO revised its guidelines and training materials for determining obviousness under 35 U.S.C. §103. Most notably, applicants can no longer simply rely on a lack of teaching, suggestion or motivation to combine prior art teachings in making a case that the claimed invention is non-obvious.

In *KSR*, the Supreme Court held that the issue of obviousness should not be resolved in an overly rigid or formalistic manner by patent examiners. Thus, the TSM test, which provides that a claimed invention is obvious when there is a *teaching, suggestion or motivation* to combine in the prior art teachings, is only one of a number of valid rationales that can be used to support a conclusion of obviousness.

As a result of this decision, the TSM test, which was once an effective tool in overcoming obviousness rejections to patent applications, has been at best eroded, and at worst eviscerated. Although the TSM test

is still available to examiners as a rationale, there is no requirement that a teaching, suggestion or motivation be present to support a combination of prior art teachings. And, considering these teachings can be drawn from nearly eight million issued U.S. Patents, published patent applications, foreign-filed patents and other publications, as well as information posted from an ever-increasing number of websites, a new patent applicant faces quite a daunting task in proving an invention is non-obvious.

Not surprisingly, many applicants are turning with newfound fervor to the use of affidavits or declarations under Rule 37 CFR §1.132 (132 Affidavit) of objective evidence to bolster their case that the claimed invention is non-obvious. Patent examiners are required to evaluate objective evidence relating to the issue of obviousness, which is often referred to as making “secondary considerations.” Manual of Patent Examining Procedure (MPEP) §2141. Examples of the types of evidence proper for introduction by a 132 Affidavit include: unexpected results, commercial success, long-felt need and failure of others, inoperability of references, skepticism of experts, and copying.

In theory, these affidavits make good sense. An applicant should be given an opportunity to showcase the unique aspects of an invention with more than just a patent specification. After all, the circumstances surrounding the inspiration, conception and reduction to practice of the invention tell a more complete story. Before employing this seemingly attractive, but optional, tool, however, an applicant should carefully evaluate the quality of information and level of commitment required for a 132 Affidavit to effectively traverse an obviousness rejection.

Although the USPTO has not yet posted statistics on this specific issue, it is likely that the number of patents issued solely on the basis of a 132 Affidavit, even a well prepared one, is relatively low. Whether the low success rate for 132 Affidavits is a result of the practical difficulties

in satisfying the rule's requirements, the great discretion left to the patent examiner in determining the persuasive value of the evidence, or of PTO training policies and attitudes generally disfavoring this practice is unknown.

An applicant should at least be aware of the obvious pitfalls before submitting such an affidavit. As to the type of evidence that is afforded weight by an examiner, an applicant must avoid presenting mere allegations or conclusory statements. The greatest weight is given to evidence of facts, which most commonly include comparative test data to show unexpected results or inoperability of a reference, sales figures to show commercial success, and articles, publications, and declarations by one of ordinary skill in the art to show long-felt needs and failures of others. These facts must demonstrate a nexus between the claimed invention and the secondary consideration.

Regarding the different types of evidence, if an applicant intends to make a case for unexpected results of the claimed invention as compared to the prior art, the evidence must show that the results are really unexpected. What is **really** unexpected? This is the true challenge facing the applicant. In addition to satisfying the basic requirements of this type of affidavit, the applicant must show that the unexpected results were due to the claimed features, and that the results were actually unexpected and of statistical and practical significance. Showing synergism of the claimed features, for example, is not enough unless the synergism was truly unexpected. Similarly, a showing that the invention enhances the results of the prior art is not sufficient, unless the result was unexpected, non-obvious and directly related to the claimed features.

A case for commercial success is also challenging in that an applicant must show the invention has received broad acceptance in the marketplace because of the claimed features rather than any unclaimed feature or some other extraneous factor. Merely showing that there was commercial success of an article, which embodied the invention, for example, is not sufficient. *Ex parte Remark*, 15 USPQ2d

1498 (Bd. Pat. App. & Inter 1990). Additionally, the sales evidence itself can be challenging to obtain, as it requires a showing of market share in addition to the sales figures for the invention. Ironically, factors such as heavy promotion or advertisement, brand name recognition, recent changes in technology and consumer demand adversely affect the persuasiveness of an applicant's commercial success-based affidavit while they positively affect the commercial success of an invention.

In making a case for long-felt need and failure of others, an applicant should be careful not to assert that the need was first recognized by the applicant. The long-felt need must have been a persistent one that was recognized by those of ordinary skill in the art other than applicant, who stands most to gain by such evidence. Once this is established, the applicant must show that the invention does in fact satisfy the need.

To demonstrate the inoperability of references, and in particular a U.S. patent, the applicant has a heavy burden of proof. Because each patent is presumed to be valid and operable, these arguments are treated with considerable skepticism. MPEP §716.07. Merely showing that one of ordinary skill would be unable to obtain a desired result if certain teachings are combined is insufficient. The applicant must show that even if certain adaptations and experiments were made by one with a true interest in succeeding, the result would be undesirable. *In re Michalek*, 162 F.2d 229 (CCPA 1947). The challenge to the applicant, therefore, is in adequately determining and presenting "adaptations" and substitutions to the prior art that would still result in an inoperable solution.

While the skepticism of experts constitutes strong evidence of non-obviousness, this type of evidence is challenging to obtain by the applicant. *Environmental Designs, Ltd. v. Union Oil Co. of Cal.*, 713 F.2d 693 (Fed. Cir. 1983). Moreover, any expert providing opinions on the subject should have no interest in the outcome of the case. Factual evidence is generally preferred to opinion testimony by an expert.

Finally, when presenting evidence of copying, an applicant should be careful to show that the copying was not attributable to factors other than the desirability of the claimed invention, including a lack of concern for the patent property, or a contempt for the patentee's ability to enforce the patent. *Cable Electric Products, Inc. v. Genmark, Inc.*, 770 F.2d 1015 (Fed. Cir. 1985). Understandably, this type of evidence is difficult to obtain without a moderate level of investigation as to the motives of the alleged copiers. This may require the initiation of a lawsuit against the copying party, which is typically not possible unless and until a patent issues. Under these circumstances, this type of affidavit may be best left on reserve for instances such as during the reexamination of a prior issued patent, rather than during the prosecution of a new application.

To be given appropriate weight, therefore, the content of a 132 Affidavit should be carefully considered and strategically presented. Assuming an applicant, with the assistance of an able patent attorney, is not afraid to roll up his or her sleeves and make the appropriate, if not *Herculean*, effort to submit a 132 Affidavit, this tool can be valuable in securing patent rights.

Even if just to tip the scales in favor of a finding of patentability, a 132 Affidavit is still worth a shot. However, an applicant should first and foremost be prepared to defend the invention on the face of the specification, because the determination of patentability is ultimately a judgment call by the patent examiner based on a consideration of the entire record.



WIPING OUT PATENT INFRINGEMENT DAMAGES – THE REEXAMINATION STRATEGY

By: Amy Allen Hinson

Patent infringement damages frequently begin to accrue against a defendant even prior to any actual knowledge of a patentee's patent or potential infringement claim. A third party

reexamination of a United States patent can eliminate these potentially bankrupting damages and therefore is often a very effective defensive strategy in patent infringement litigation.

The Patent Laws, specifically 35 U.S.C. 287, allow patentees to recoup patent damages from a potentially infringing defendant when the patentee begins to appropriately mark its product with a valid patent number. Damages can therefore begin to accrue without any actual knowledge of infringement or of the existence of the patent infringed. If infringement is found against a patent infringement defendant, these damages can result in years of lost profits or reasonable royalties to the patentee. Frequently, past damages are so crippling to a defendant that bankruptcy and/or dissolution results.

Reexamination is a proceeding before the United States Patent and Trademark Office that allows a third party to reopen prosecution of a patent based on prior art that creates a substantial new question of patentability. Prior art submitted in a reexamination is limited to patents and printed publications. A reexamination based on prior art that was previously cited by or to or considered by the Office does not necessarily preclude the existence of a substantial new question of patentability¹; however, prior art that was never previously considered or cited by or to the Office typically provides a more certain path for the Office to find that a substantial new question of patentability exists.²

The intent of a reexamination procedure "is to 'start over' in the PTO . . . and to reexamine the [original] claims, and to examine new or amended claims, as they would have been considered if they had been originally examined in light of all the prior art of record in the reexamination proceeding."³ During reexamination, the patent office frequently rejects the originally issued patent claims over the prior art. Patent owners may amend the patent claims or add new claims, as long as they do not broaden the scope of the original claims.⁴ At the conclusion of the reexamination proceeding, the Office issues a Reexamination Certificate canceling any

claims determined to be unpatentable, confirming any patentable claims, and incorporating any amended or new claims.⁵

A patent infringement defendant has two goals in a reexamination proceeding – elimination of past damages and preclusion of potential future damages. The Federal Circuit and Patent Laws are clear that if a patentee's claims are cancelled or amended during a reexamination, any past infringement liability and associated damages related to those improper claims prior to the issuance of a reexamination certificate are eliminated.⁶ Thus patent infringement defendants who may have infringed the original claims are relieved from paying the often bankrupting damages from liability occurring during the period before the claims were validated.

Because the elimination of potential future damages are also important in reexamination proceedings, the reexamination strategy is not always the same for every patent infringement defendant and the art cited may differ depending on a defendant's particular product. A patent infringement defendant thus must be acutely aware of the potential amendments to the claims during reexamination and include prior art that strategically blocks a patentee from amending the claims to continue to cover its particular product. Ultimately a patent infringement defendant is unconcerned with the issuance of a reexamination certificate whereby the claims no longer cover that defendant's product. It is however difficult to anticipate the direction of the patentee and the Office so an allowed claim that continues to cover a defendant's product may be cured by the filing of a second reexamination request. If filed early enough, this second request will likely be merged into the first request without a reexamination certificate ever issuing to restart the clock on damages.

Besides eliminating accumulating damages, reexaminations are also often beneficial in (1) persuading a Court to reevaluate its earlier claim construction ruling, because the intrinsic record has changed, and (2) obtaining a finding by the Court that the defendant's infringement was not willful and its defenses were not

objectively reckless.

Whether the goal is to eliminate past damages or future damages or foreclose the entire litigation process, seeking a reexamination of a potentially infringed patent should be a consideration in every patent infringement litigation.



¹ See 35 U.S.C. § 303(a).

² Between 1981 and 2009, approximately 92% of all reexamination requests were granted. See http://www.usp.o.gov/patents/stats/EP_quarterly_report_December_31,_2009.pdf.

³ *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1427 (Fed. Cir. 1988).

⁴ See 35 U.S.C. § 305.

⁵ See 35 U.S.C. § 307.

⁶ See 35 U.S.C. § 307; *Bloom Engineering Co. v. North American Manufacturing, Co., Inc.*, 129 F.3d 1247, 1249 (Fed. Cir. 1997).

MEDIATION AND ASYMMETRIC MIS-INFORMATION

By: Michael A. Mann

George has a car for sale; Martha is looking for a car to buy. The Blue Book value of that make and model of car is between \$7000 and \$7500 depending on condition. They agree on a price of \$7250.

This is a simple example of symmetric information; both parties have the same information about the value of the car. However, information held by the parties to a negotiation does not have to be symmetric and usually it is not. Most always, at least one of the parties knows something of which the other party is unaware. In the example above, George may know something about the car's condition that makes George more anxious to sell it but would make Martha less willing to buy the car if she knew it. Or there may be a reason known to Martha but not to George that makes her need to buy a car more urgent and thus she is less interested in taking the time to shop around for a lower price. These are examples of asymmetric information.

But what if Martha does not realize that the car is a more expensive model and thinks instead that it is a less valuable model,

or if George has forgotten to consider his car's low mileage and optional equipment in determining the Blue Book value? These are examples of asymmetric *misinformation*.

In mediation, two or more parties are interested in settling a dispute that has led to a law suit, and they have hired a neutral third party, a mediator, to mediate the dispute. As with any dispute, the parties likely have asymmetric information – and perhaps asymmetric misinformation. In mediation, the careful use of asymmetric information is in fact what drives the deal to a conclusion. Information changes each party's perception of the relative strength of its position. But the careful correction of misinformation also drives the deal, if

If the dispute involves intellectual property, one or both parties may have a misunderstanding as to the law. Intellectual property is a specialty not widely practiced. Yet because of the ubiquitousness of intellectual property, it can arise in common disputes. For example: Which restaurant owns a trade name? Or, does the homeowner who commissioned an architect to design a home own the copyrights in the house plans or are they owned by the architect who created them? Despite its ubiquitousness, most lawyers have never studied it and are unfamiliar with its principles.

Either the defendant or the plaintiff -- or both -- may be laboring under a misconception as to the law that applies. How does the existence of this asymmetric misinformation affect the mediation of the dispute?

Of course, either party may use its superior understanding of intellectual property law to affect the other party's view of the case, and thus, by making statements about the law perhaps backed up with case law, attempt to reduce the other party's expectations as to the outcome of the case if it proceeds to trial and thereby bring the other party to a position where it is willing to settle on more favorable terms.

The mediator does not and should not advocate for the party with superior knowledge nor should he convert mediation to arbitration in which he decides how the

law applies to the facts, but he can convey information as requested by either party to the other.

What if neither party is fully informed on an intellectual property legal issue and in fact is laboring under misinformation but the mediator is an intellectual property attorney? What can and what should the mediator do? He can and should ask questions of each side, privately, in separate sessions, to probe their respective understanding of their case. The questions from the mediator should be designed to urge the parties to reassess their positions and to get answers from external sources if need be. For example, the mediator may say, "That is an important point, perhaps a critical one to the other side's position. How solid is your authority for that position? Can you defend it with ample case law? Has it been thoroughly researched to the point where you are willing to rely on it given the potential costs of going forward?"

The mediator is not present as a legal authority but he does both sides an important service if he raises issues through questions that allow them to obtain answers from those that they should properly look to as authorities. Most importantly, the mediator needs to preserve his or her neutrality. By encouraging the parties to seek answers from their own authorities, each party can obtain the information needed to eliminate the misinformation. Each side will accept those corrections as correct even if the information is unfavorable, and the mediator remains neutral. In fact, the perception of the mediator as truly neutral may be enhanced by this process. The mediator has not tried to impose his or her views on either party but has played a role in helping them avoid a costly mistake.

The best time to become aware of asymmetric misinformation is before the mediation takes place. By asking the parties to submit confidential information to the mediator that includes their views on why the parties have not already settled and include in that request a question as to differences in the parties' views of the applicable law, the mediator can potentially spot an issue before mediation and ask relevant questions of the party that appears to be misinformed.

Maintaining neutrality is essential for the mediation process to be fair. However, for the process to work, the parties need to explore each other's positions and engage in an effort to alter their expectations of the costs of a trial and its outcome to the point where those expected costs overlap, at which point settlement is possible. When those expectations are based on misinformation, the parties need to realize that and eliminate it, replacing it with correct information. If the parties are not capable of doing that by their interchanges through the mediator, the mediator may need to make them aware of it by careful probing questions of their underlying legal premises but without departing from the role of the neutral.



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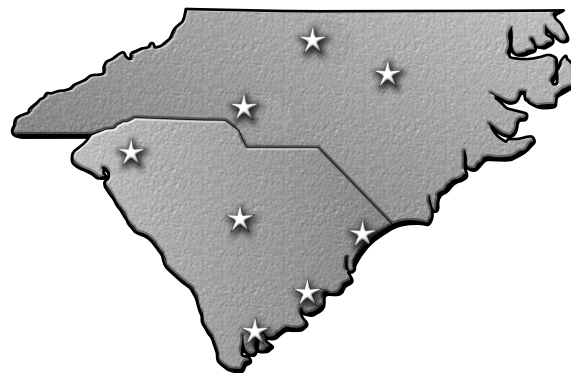
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