

Challenges Ahead

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I would like to thank the AIPLA for the invitation to speak before you today. I am truly honored to speak before the AIPLA, an organization I have belonged to since the late 60's. I see in the audience many of my friends and former colleagues of the patent bar. I feel very much at home here, and it is nice to be asked to speak before this distinguished group.

Before I begin, I would like to take a moment to personally recognize someone who has played a unique role in the progress of the U.S. patent system for over 40 years, someone who has led this organization for the past decade and a half, someone who has been a special friend to so many of us, and someone who is now moving on to a well deserved retirement-Mike Kirk. Please join me in a round of applause to show our appreciation for Mike and all that he has done.

We all know that Mike has done some very special things for the AIPLA. But the best thing he did was to bring his wife, Mary Catherine, into our AIPLA family. I think she, too, deserves to be recognized for all she has done.

One measure of a leader is the caliber of the person selected to replace him. And here again, the AIPLA has risen to the challenge of Mike Kirk's departure in selecting one of the few members of our profession who has the character, knowledge, and recognized leadership skills to honor Mike's legacy of accomplishment. That person is, of course, Q. Todd Dickenson, and I think he deserves a vote of confidence with a round of applause.

The program lists my topic as "Challenges Ahead." I selected that topic intentionally to give me lots of latitude in what I might say. If that phrase was a limitation in a patent claim, the meaning would be hard to discern with specificity and no doubt would generate considerable litigation. In a way, it's the perfect topic. So, what is it that I am going to talk about?

John Whealan yesterday focused on recent history and ended with a few comments on the future. Instead, I will focus on some of the challenges I see for the future and will begin with a few comments on the changes of the recent past.

We hear a lot about change these days. Change in our economy, global climate change, and of course, change in our government. Change has been in the air for some time. It seems like the only thing we have heard, or seen, or read in the media for the past 20 months or so has been about change. And intellectual property law has been no stranger to it in the past few years. While one can debate the extent of the changes and the reasons

underlying them, there is no question that the rights of patentees have been impacted in one way or the other by a number of recent decisions. And while the pace of change may slow down at least for a while, the fallout of all of this change will directly impact all of us. This is evident, for example, from an examination of three key decisions: KSR v. Teleflex, dealing with the test for obviousness; eBay v. MercExchange, dealing with the test for injunctive relief; and In re Seagate, dealing with the standard applicable to prove willful infringement. There have been others, such as MedImmune v. Genentech, which made it easier to challenge patents in declaratory judgment actions, and DSU v. JMS, requiring proof of specific intent for induced infringement, but I will limit my remarks to the holdings and possible implications of KSR , eBay, and Seagate.

In KSR, the Supreme Court reviewed the test for obviousness under 35 U.S.C. § 103. The Supreme Court began by emphasizing that its 1966 decision in Graham v. John Deere informed the obviousness inquiry. It went on to reject what it perceived to be a rigid approach taken by our court in applying the teaching, suggestion and motivation test. The Supreme Court observed that "when it first established the requirement of demonstrating a teaching, suggestion, or motivation to combine known elements in order to show that the combination is obvious, the Court of Customs and Patent Appeals captured a helpful insight." It then noted, however, that helpful

insights need not become rigid and mandatory formulas, and “when a court transforms a general principle into a rigid rule that limits the obviousness inquiry, as the Court of Appeals did here, it errs.”

The Supreme Court summed up its position on obviousness in observing that what is important is to use common sense and to identify a reason that would have prompted a person of ordinary skill in the relevant field to combine the elements in the way the claimed new invention does. It added that any need or problem known in the field of endeavor at the time of invention and addressed by the patent can provide a reason for combining the elements in the manner claimed.

The court also made some interesting observations on the propriety of summary judgment on issues of obviousness. The court said that “where, as here, the content of the prior art, the scope of the patent claim, and the level of ordinary skill in the art are not in material dispute, and the obviousness of the claim is apparent in light of these factors, summary judgment is appropriate.” “The obviousness of the claim is apparent in light of these factors?” What does that mean? Does this mean obviousness is sort of like obscenity—you know it when you see it? I’m not sure what it means, but I am sure someone is going to ask me for an answer to that question in a brief in the not too distant future.

The net result of KSR is that defendants may have a renewed interest in raising and pressing obviousness contentions, despite the high "clear and convincing" standard that applies to validity challenges. They can now argue that "reasons" and common sense support a conclusion that the claimed invention doesn't pass muster even when application of a teaching, suggestion, and motivation test might otherwise have failed. It also means that patentees will have to be more prepared to gather up evidence to show secondary considerations as a way to overcome expected challenges from accused infringers. Finally, the Supreme Court's comments about summary judgment will mean that patentees will have to start thinking about how to assist courts in answering questions about what the Supreme Court's comments on summary judgment meant as to the way obviousness issues should be presented to juries, if at all. For example, is it still proper for a district court to present the ultimate question of obviousness to the jury or is the district court required to decide obviousness as a matter of law in every case, leaving only the factual underpinnings for the jury? No matter how all this is sorted out, KSR makes evident that patentees are likely to face more challenges based on section 103. We are already seeing this in recent cases filed with our court.

In eBay, the Supreme Court rejected the categorical grant of injunctive relief in patent cases and held that in those cases, just as in other cases, a

plaintiff seeking a permanent injunction must demonstrate that it has suffered irreparable injury; that remedies available at law are inadequate; that the balance of hardships warrants injunctive relief; and that the public interest would not be disserved by a permanent injunction. What the Supreme Court did not tell us is what happens after infringement is found and a court determines that the equitable remedy of a permanent injunction is not warranted. This is already presenting patentees and the courts with interesting new challenges. eBay also leaves open the question of whether there remains a rebuttable presumption of irreparable harm in patent cases. The bottom line for patentees is that they, like all other plaintiffs, will have to tow the line and be prepared to make a convincing showing on each of the four equitable factors. This will present new challenges, particularly to non-practicing patentees and alters some of the leverage patentees assumed they enjoyed before the eBay decision.

In re Seagate presented our court with the opportunity to pick up where Knorr-Bremse left off and to reconsider the question of the duty of due care owed to patentees and the standard for determining when infringement is willful and subject to treble damages. The case came to us on a motion for a writ of mandamus seeking to overturn an order from a district court that would have given the patentee's counsel virtually unfettered access to all attorney-client communications and work-product of the accused infringer. That order

stemmed from the patentee's assertion of willful infringement and the accused infringer's good faith reliance on the advice of counsel. Because of the abuses we perceived in the routine allegation of willful infringement and the tension it produced between assertion by the accused infringer of the attorney-client privilege and reliance on the advice of counsel, we overruled the duty of due care standard set out in Underwater Devices and held that proof of willful infringement, permitting enhanced damages, requires at least a showing of objective recklessness. Because we abandoned the affirmative duty of due care, we also remarked that in the context of willful infringement, there is no affirmative obligation to obtain an opinion of counsel.

Following Seagate, it can be anticipated that there will be continuing debate over application of the objectively reckless standard and the parameters of willful infringement. The one thing that is no longer in debate, however, is that patentees can no longer bank on a determination of willfulness and enhanced damages merely because infringement was found against an accused who had prior notice of the patent.

The net result of all of these decisions is that patentees are likely to have to confront more obviousness challenges, patentees are less likely to obtain enhanced damage awards based on willfulness, and patentees will be more challenged to obtain injunctive relief than just a few years ago. These

cases thus will cause patentees to reassess their strategies and to revalue their patent portfolios.

But patentees are not only struggling to cope with recent decisions of the Supreme Court and the Federal Circuit. Patentees continue to suffer needlessly from self-inflicted wounds. These are the walking wounded, who regularly report to the MASH units-the district courts-for help. And if they don't get the help they need at the district court MASH unit, they come to the general hospital-the Federal Circuit, to cure all that ails them.

What self-inflicted wounds am I talking about? There are two in particular that I want to highlight. The first relates to the continuing propensity of patentees, particularly in the electrical and mechanical arts, to disclose in their applications only one embodiment of the invention, while arguing that the claims cover something broader than the one disclosed embodiment might suggest. I have no idea why so many patentees continue to limit the number of embodiments disclosed when, in so many cases we hear, the entire controversy is about the scope of a claim supported only by a single disclosed embodiment. Patentees who desire broad coverage and only disclose a single embodiment are shooting themselves in the foot.

Scientists and engineers are familiar with the concept that an area cannot be defined by a single point or even two points. To define an area requires at least three points. It is surprising, then, that patent attorneys, who

are trained both in the law and in science or engineering, often forget this three-point concept in drafting patent applications. Careful prosecutors follow a general rule and include in patent specifications not merely one embodiment of an invention, but multiple embodiments to better illustrate the full area of the discovery embraced by the claims. This is a sound practice that helps to inform the public of the proper scope of the claims and avoids uncertainty and interpretive disputes. The uncertainty of single embodiment specifications has brought us a steady stream of cases, and I urge all of you not to shoot yourselves or your clients in the foot by disclosing only one embodiment, particularly in mechanical and electrical cases.

The second example of a self-inflicted wound is the continuing practice of adding terminology to claims, particularly after an interview, to place the claims in condition for allowance without explaining the reason for the change or pointing out where in the specification support for the added language can be found. Again, in case after case before our court, we are called upon to construe the scope of claim language which appears nowhere else but in the claims. Without any support in the written description, we are left to infer meaning from parts of the specification that often do not directly relate to the limitation in question or from the prosecution history of events leading up to the amendment. These are often poor guides for interpretation and frequently lead to protracted and costly litigation, not to mention unpredictable

outcomes. Here again, the wound is self-inflicted and patentees are well advised to avoid shooting themselves in the foot by leaving the meaning of critical limitations to unguided inference.

The message for those who regularly write and prosecute patent applications for clients is that while the swinging of the patent pendulum of court decisions is largely beyond any patentee's ability to alter, there are things that are entirely within your control, such as including multiple embodiments in patent applications to make broad construction of claim terms more likely and providing support or an explanation for claim terms added during prosecution. Those things you can control. And they will help your client avoid going through life as a walking wounded patentee.

I would like to turn now to some challenges I see for the PTO. With a new administration soon to occupy the White House, a change in leadership at the PTO can be expected within the next year. The new leaders at the PTO will face many difficult challenges. The past leadership has much to be proud of. Director Dudas successfully oversaw the completion of a modern new facility and the end to fee diversion. He and his colleagues have upgraded technology resources for examiners, have ramped up hiring, and have instituted comprehensive training programs, to name just a few of their many accomplishments. All of that is commendable.

But it seems to me that what is needed now goes beyond facilities or finances to the heart of the PTO's mission to thoroughly, carefully, and promptly examine the applications of those who seek the protection of patents and who rely on the effective operation of our patent system. With the solid foundation of the achievements of the current Director, the PTO now needs the leadership of those with intimate knowledge of patents and patent law. People who understand first-hand the problems faced by users of the system and who have the ability to comprehensively relate to the practicing bar. That leadership is best found in the ranks of experienced practitioners, many of whom are in this very room.

The next group of leaders at the PTO will need to be creative in finding new ways to improve not only productivity but quality as well. The number of new applications that are projected over the next several years is staggering. Technology will continue to get more complicated. And the demands of managing such a sizable organization will be rigorous. To keep pace will take bold new measures to improve efficiency and effectiveness of almost every aspect of PTO operations. That may entail cooperative efforts with other patent offices around the world to find ways to share search results. It may entail establishing a program of deferred examination to give applicants an opportunity to fully evaluate the need for patent protection before the office is called upon to conduct any examination. My point here is not to suggest

specific initiatives. It is not my place to tell the PTO how it should operate. I only cite these as examples of the kinds of things the new leadership of the PTO will need to seek out if it is to avoid getting buried in the avalanche of new applications looming on the horizon.

I know the PTO has engaged in a vigorous effort to hire and train new examiners. I have been privileged to speak at a graduation ceremony for an impressive class of new examiners from the PTO's new patent academy. But that's only half of the equation. It serves no real purpose to hire new examiners if an equal number of examiners—especially experienced examiners—resign. The PTO will need to go back to basics and creatively apply a new version of the Three R's we all learned as kids. The rule for how to treat examiners couldn't be simpler: Respect, Reward, and Retain. In this regard, it may be time for the PTO to develop new standards of examiner performance that mirror the standards of attorney performance used by law firms and corporate law departments. Just as attorney performance is not measured by billable hours alone, examiner performance measured principally by the number of disposals may not be the best approach. Counting disposals may be a raw indicator of performance but does not recognize the judgment, thoroughness, and legal skills provided by first-rate examiners and expected by the public.

Other patent offices around the world are involved not only in giving birth to patents but in assessing questions of validity raised over the life of a patent. That may explain why examiners in many countries are treated differently than U.S. examiners. It is not that U.S. examiners are less competent or any less dedicated. Far from it. But if the primary role of an examiner is limited to ex parte matters that end on the day the patent issues, there will understandably be a different interest on the part of the public in what examiners do and who they are than if they played an essential role in the determination of validity challenges throughout the life of the patent. One way U.S. examiners would have a greater opportunity to be recognized in much the same way as their counterparts in other countries is if the new leadership at the PTO decides to energize the current reexamination system to make it the attractive alternative to litigation it was originally intended to be. This would require a much expanded corps of experienced reexamination examiners and the implementation of streamlined procedures to accelerate the processing of all reexamination applications.

While it is evident that the PTO will face unprecedented challenges in the years ahead, the leaders and examiners I know are capable, dedicated, and clearly up to the task. I have every confidence that the PTO will meet the challenges ahead and will continue to be a model for the rest of the world.

Many have said that this is the golden age of intellectual property. In the years to come, we can expect to see significant advances in energy technology, green technology, nanotechnology, and a host of other things. The need for effective protection for the discoveries of tomorrow's scientists, engineers, and researchers will be greater than ever before. And the changing legal landscape and the pace of technological progress will present us all with new and difficult challenges. The challenges ahead are many, but we are all fortunate to have the chance to enjoy the opportunities and to confront the challenges the golden age of IP offers to each of us.

I have enjoyed being with you and thank you for your attention.