

# INTRODUCTION TO INTELLECTUAL PROPERTY LAW

---

**L. Clint Crosby**  
**Baker, Donelson, Bearman,**  
**Caldwell & Berkowitz, PC**

April 14, 2011

---

# PATENTS



# What is a Patent?

---

What is a Patent?

- Set of exclusive rights granted to an inventor for a fixed period of time in exchange for the regulated, public disclosure of the invention
- Limited property right

U.S. Const. Article I, Section 8, Clause 8  
17 U.S.C. § 101 *et seq.*

# What is a Patent?

---



- “Contract” between inventor and public
- Inventor teaches invention to public
- Public grants inventor a limited monopoly

# Scope of the Monopoly

---



- Limited in time
- Limited geographically
- "Exclusionary Rights"

# Exclusionary Rights

---



- Can **prevent** others from
  - Making
  - Using
  - Selling
  - Offering to sell
  - Importing

# Obtaining a Patent

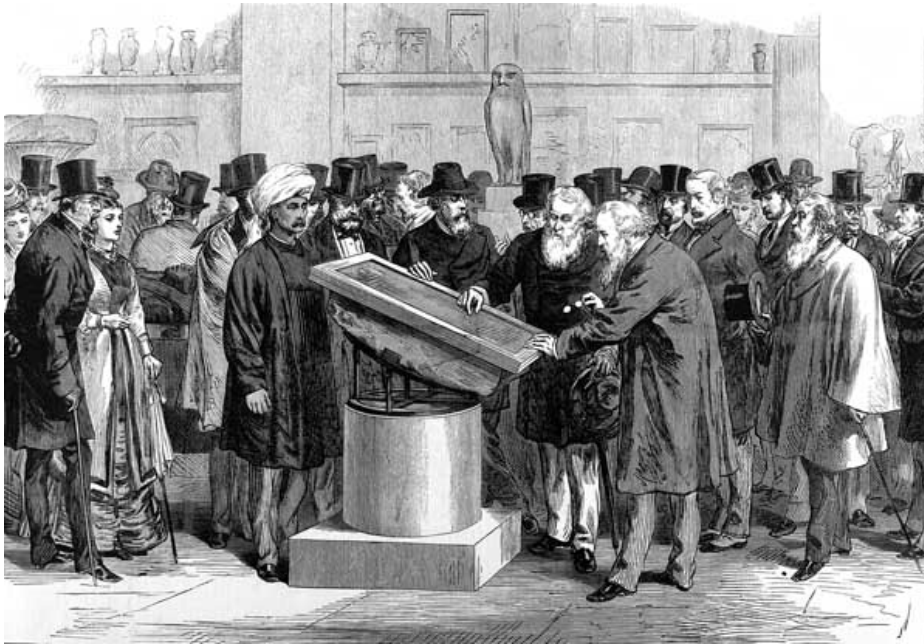
---





# Structure of a Patent

---



## Specification

- Detailed description of the Invention
- Teach others how to make and use the invention
- Set forth the best mode for practicing the invention (US only)



# Structure of a Patent

---



## Claims

- Set forth the “metes and bounds” of the invention
- Limits exclusionary rights

# Types of Patents

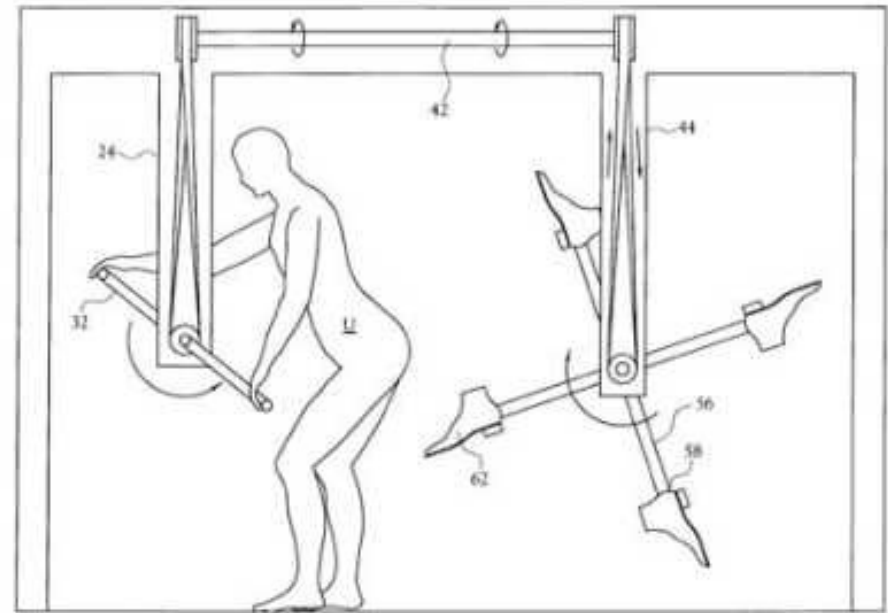
---

- Utility – protects a useful article, the way it works or is used
- Design – protects the ornamental (non-functional) appearance of an article, way it looks
- Plant – protects certain types of plants

# Utility Patent Requirements

---

- Patentable Subject Matter
- Utility (i.e., useful)
- Novelty (i.e., new)
- Not obvious



# Utility Patents – Subject Matter

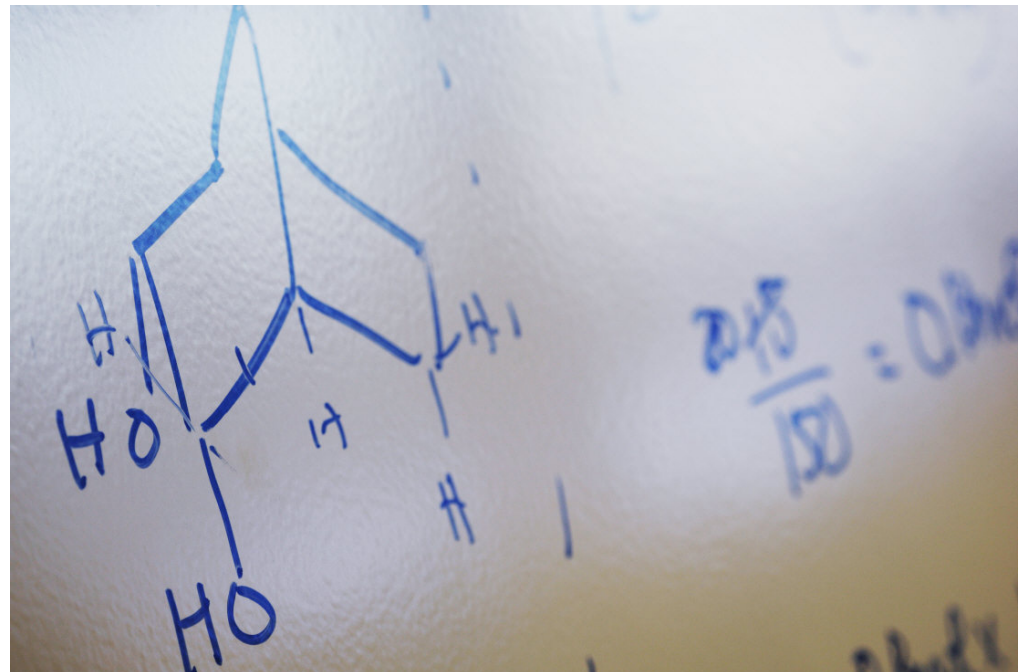
---

- Machine – concrete thing, consisting of parts or of certain devices and combinations of devices
- Manufacture (Article of Manufacture) – production of articles for use from raw or prepared materials by giving to these materials new forms, qualities, properties or combinations, whether by hand labor or by machinery
- Composition of Matter – composition of two or more substances; chemical compounds; gas, fluid, powder or solid
- Process – act, or a series of acts, performed upon the subject-matter to be transformed and reduced to a different state or thing; methods

# Patentable Subject Matter

---

- CANNOT obtain a patent for:
  - scientific truths, laws of nature
  - mathematical expressions
  - algorithms
  - abstract ideas
  - physical phenomena



# Prior Art

---



Inventor is charged with all knowledge that was publically available at the time of invention

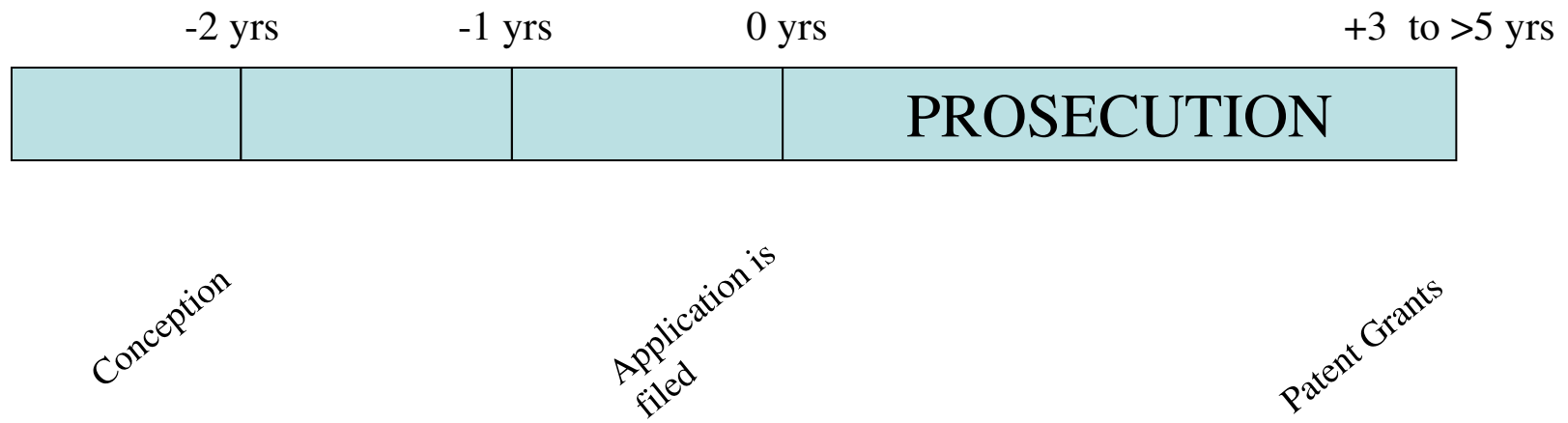


PUBLICATION OF YOUR INVENTION COULD  
PRECLUDE A PATENT!!!



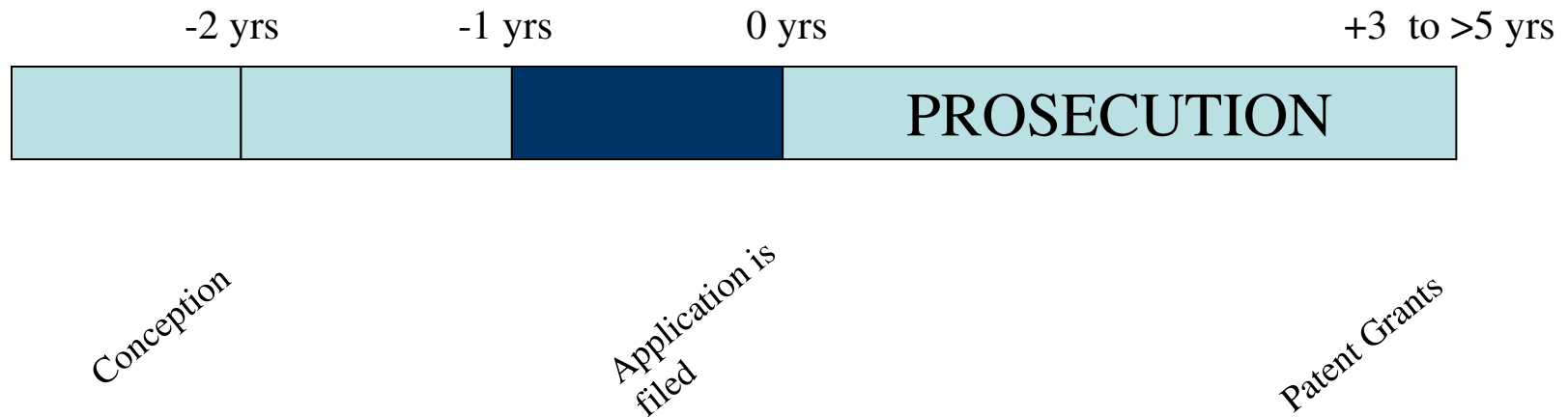
# Timeline

---



## Less than one year before filing

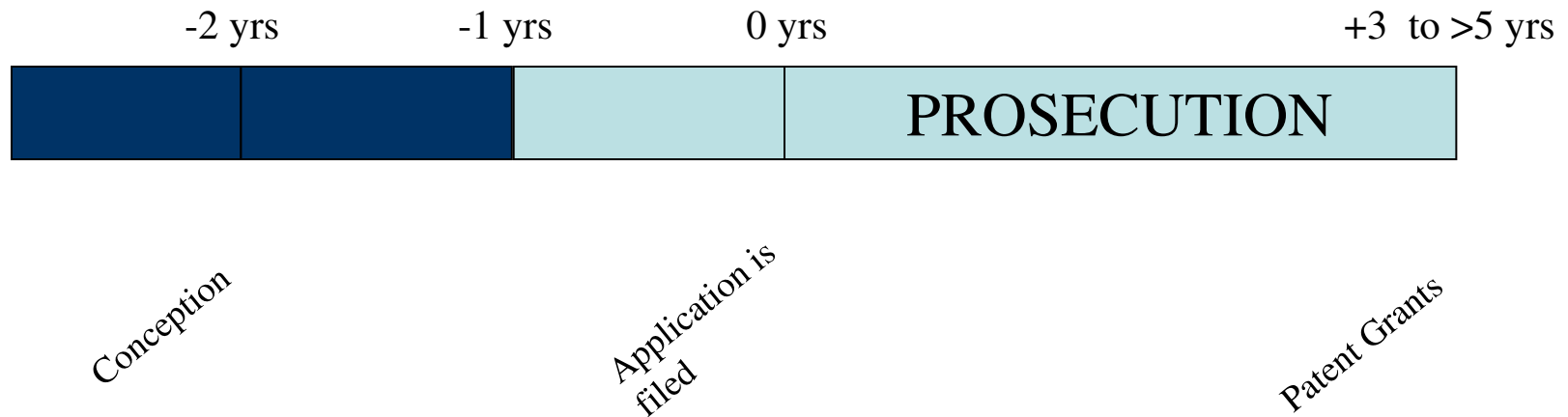
---



- Patents and printed publications of others
- US and Foreign; English and non-English
- Can "swear behind"
- Typically does not include the inventor's own art (US only)

# More than one year before filing

---



- Patents or printed publications (US or foreign)
- On sale
- Includes publications, patents, and sale offers by the inventor
- Cannot swear behind

# Novelty

---



Invention lacks novelty when a single prior art reference:

- discloses each and every element of a claim
- arranged in the same way as the claim

# Non-Obvious

---



One or more prior art references combine to render invention obvious

Person of ordinary skill in the art

# Ownership

---

- In U.S., only individuals can apply for a patent (not corporations, similar entities)
- Inventors can assign the patent to any entity
- Each inventor owns full rights to invention without an obligation to the other inventors
- *Get obligation to assign IP rights in employment agreement!*

# Provisional Patent

---

- Lower cost, quick alternative
- No claims required
- No particular format
- Provides earlier effective filing date, permits use of “patent pending” status
- Not examined, does not issue into a patent
- Must file full utility application within one year



# Costs of obtaining patents

---



- Novelty: \$2,000\*
- Drafting: \$12,000\*
- Amendments: \$3,200\*
- Appeals: \$4500-\$8500\*

## **Total**

**\$15,000 to >\$100,000!!!**

# Costs of enforcing patents

---



## Through Discovery:

- \$350K (<\$1M at risk)
- \$1.5M (\$1-\$25M at risk)
- \$3M (>\$25M at risk)

## Through Trial:

- \$650K (<\$1M at risk)
- \$2.5M (\$1-\$25M at risk)
- \$5.5M (>\$25M at risk)

---

**They Patented That??**

# Method of Swinging on a Swing

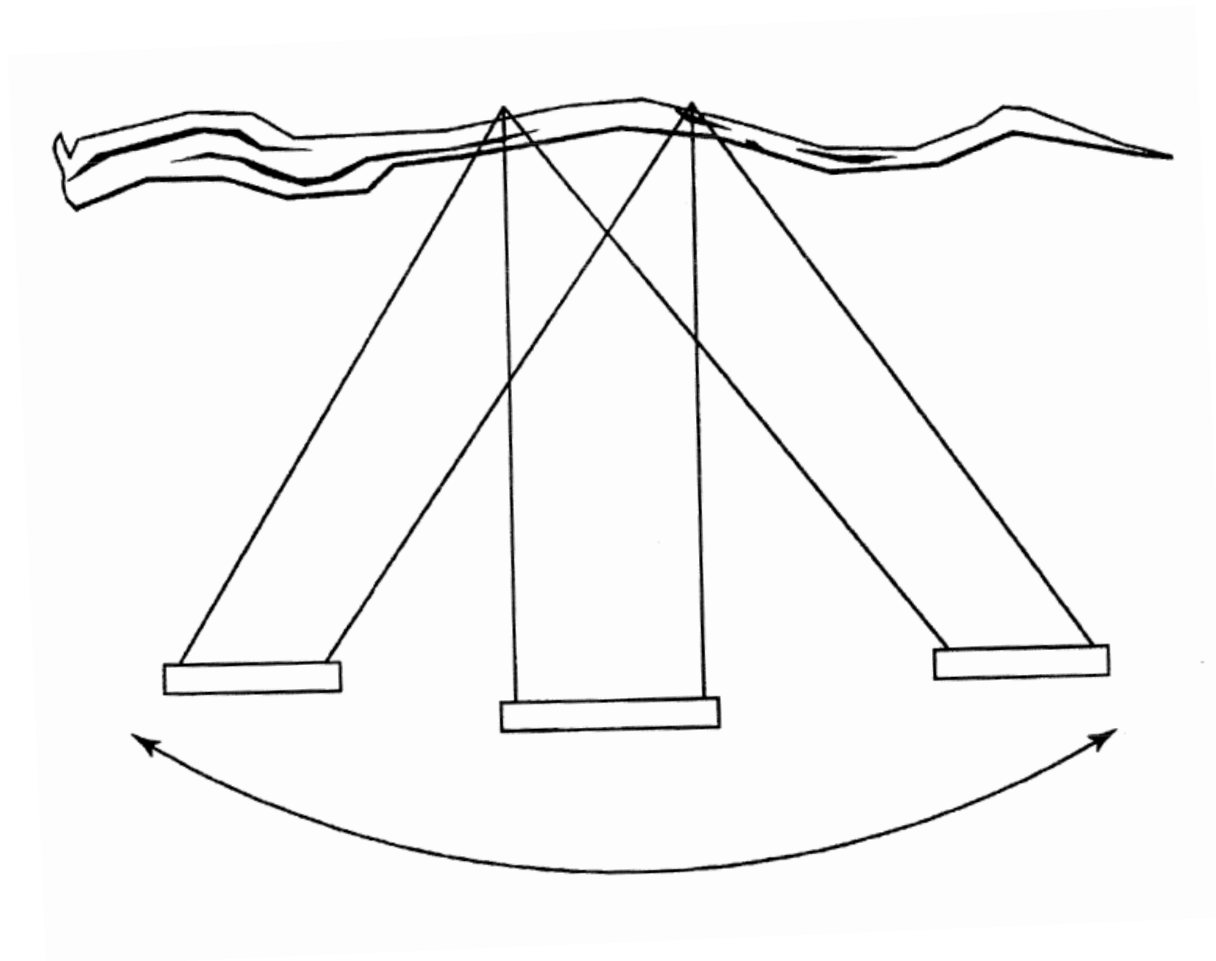
---

Olson, US 6,368,227 (Apr. 9, 2002)

*A method of swing[ing] on a swing is disclosed, in which a user positioned on a standard swing suspended by two chains from a substantially horizontal tree branch induces side to side motion by pulling alternately on one chain and then the other.*

**US 6,368,227**

---



# System and Method for Providing Reservations for Restroom Use

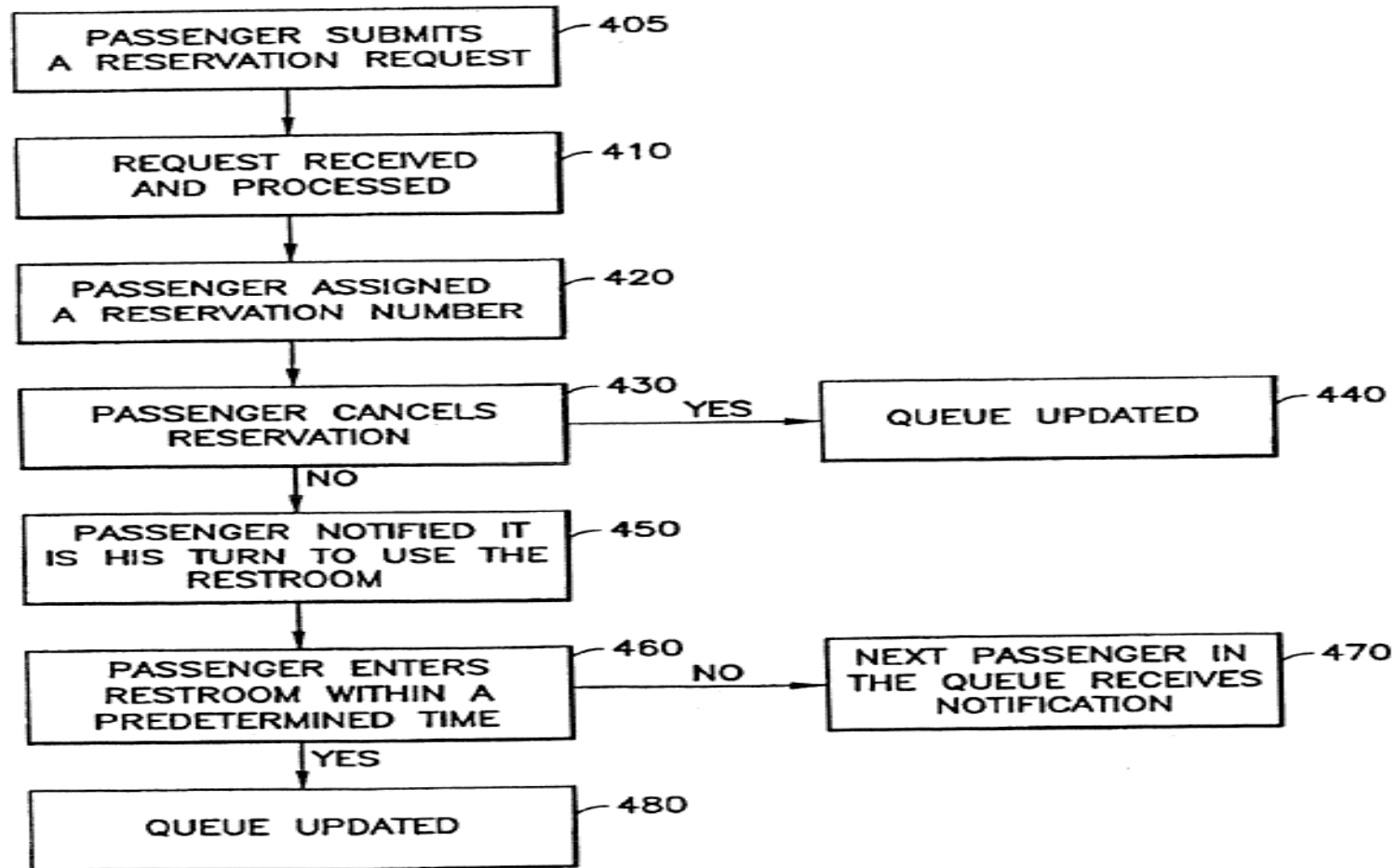
---

Boies, et al., US 6,329,919 (Dec. 11, 2001)

*In one embodiment, a passenger on an airplane may submit a reservation request to the system for restroom use. The reservation system determines when the request can be accommodated and notifies the passenger when a restroom becomes available.*

# US 6,329,919

---





# US 6,329,919

---

PASSENGER IDENTIFIER (SEAT NUMBER)	TIME RESERVATION REQUEST RECEIVED	FIRST CLASS PASSENGER	PRICE OF TICKET PAID	FREQUENT FLYER STATUS	RESERVATION NUMBER ASSIGNED	ORDER IN THE QUEUE
2B	2:10 PM	YES	\$1600	YES	22	1
12A	2:08 PM	NO	\$300	NO	24	3
27G	2:09 PM	NO	\$600	YES	23	2

FIG.3B

# Thrust Powered Golf Club

---

Joshi, et al., US 5,971,864 (Oct. 26, 1999)

*Pressurized fluid from a fluid pump enters the club through the handle assembly and exits out through a fluid nozzle at the back of the club head. . . .Due to the added thrust force, the club head velocity is greater than it would be without any assist, causing the ball to be impelled further down the fairway and/or teaching the golfer to swing faster.*

# US 5,971,864

---

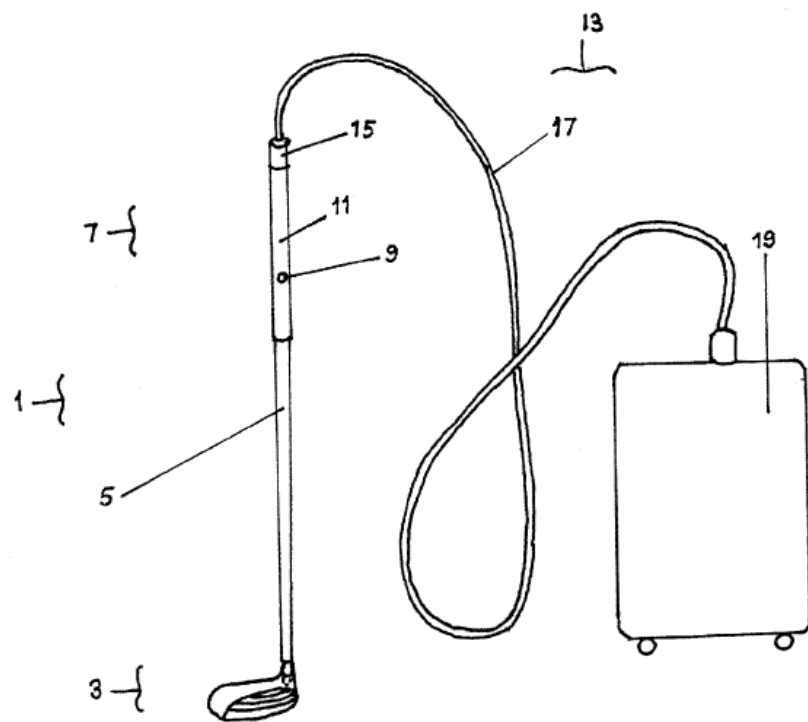
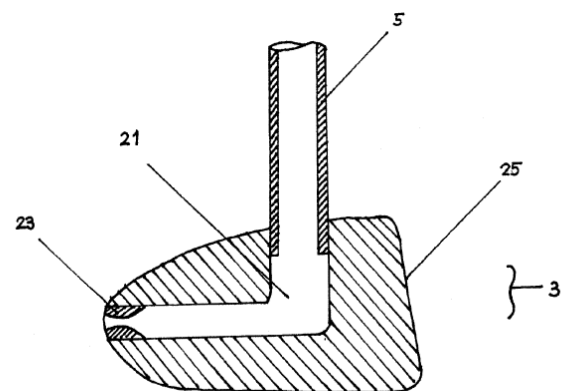


FIG. 1



## Fishing Lure

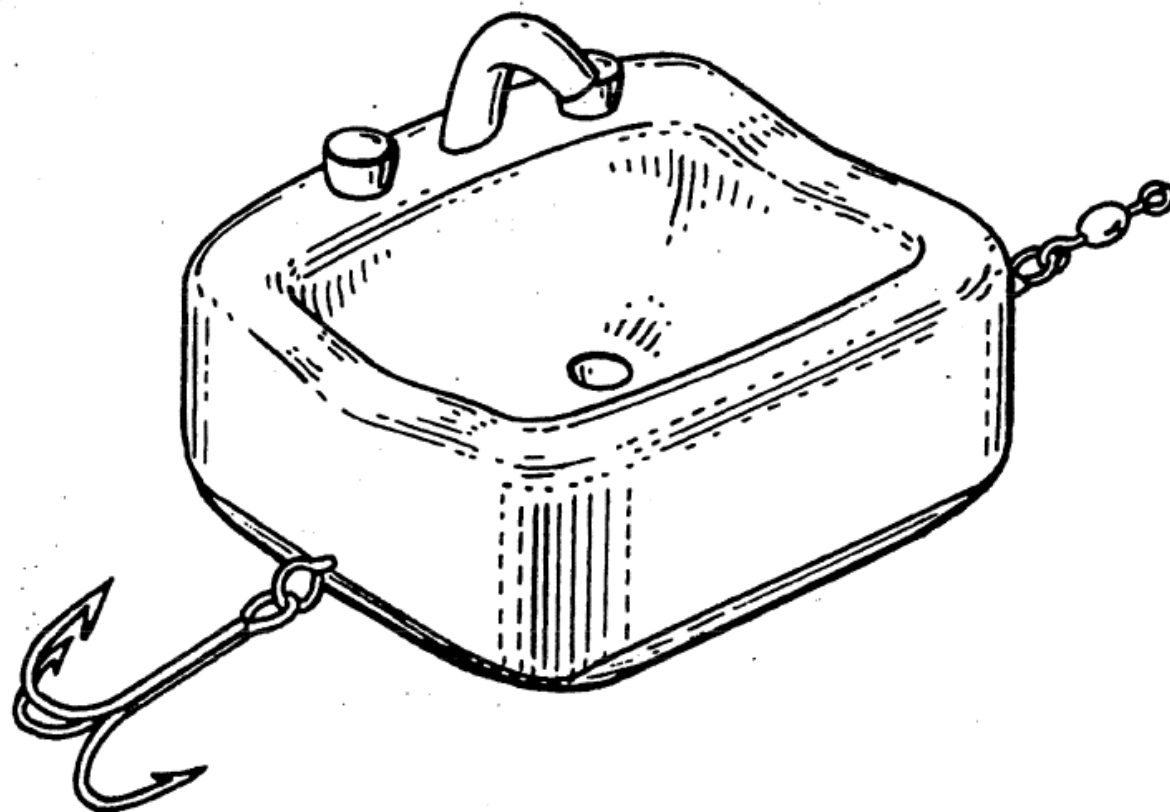
---

Schaaf, US D274,350 (Jun. 19, 1984)

*The ornamental design for a fishing lure, as shown.*

**US D274,350**

---



# Smoking Cessation Lighter and Method

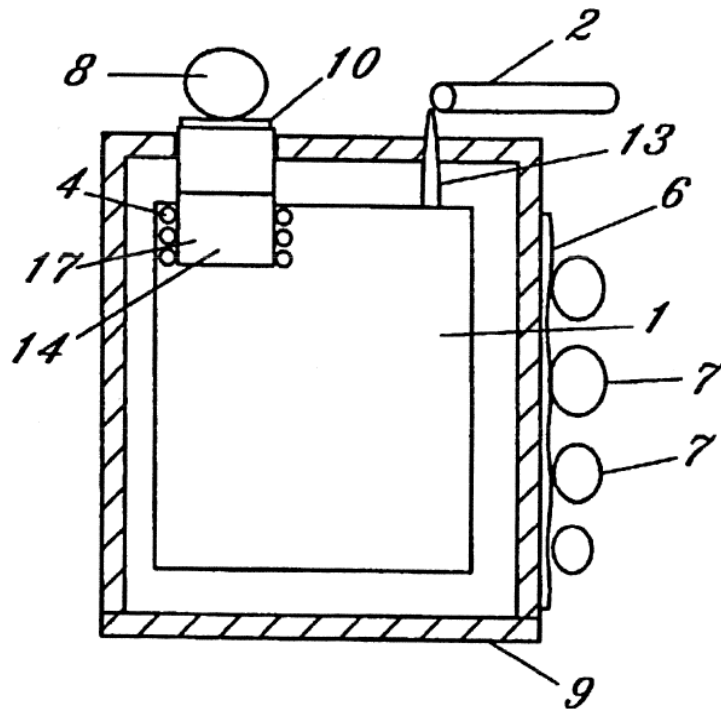
---

Blum, US 5,871,518 (Feb. 16, 1999)

*A lighter for tobacco products suppresses the urge to smoke by operant conditioning.*

# US 5,871,518

---



*It delivers a shock to the user's hand when the lighter is extinguished.... The anticipation of the shock will negate the anticipation of the relief the drugs in the smoke provide. In yet another embodiment... a pin pricks the user at the time of activation of the lighter.*



# **Wearable Device For Feeding and Observing Birds and Other Flying Animals**

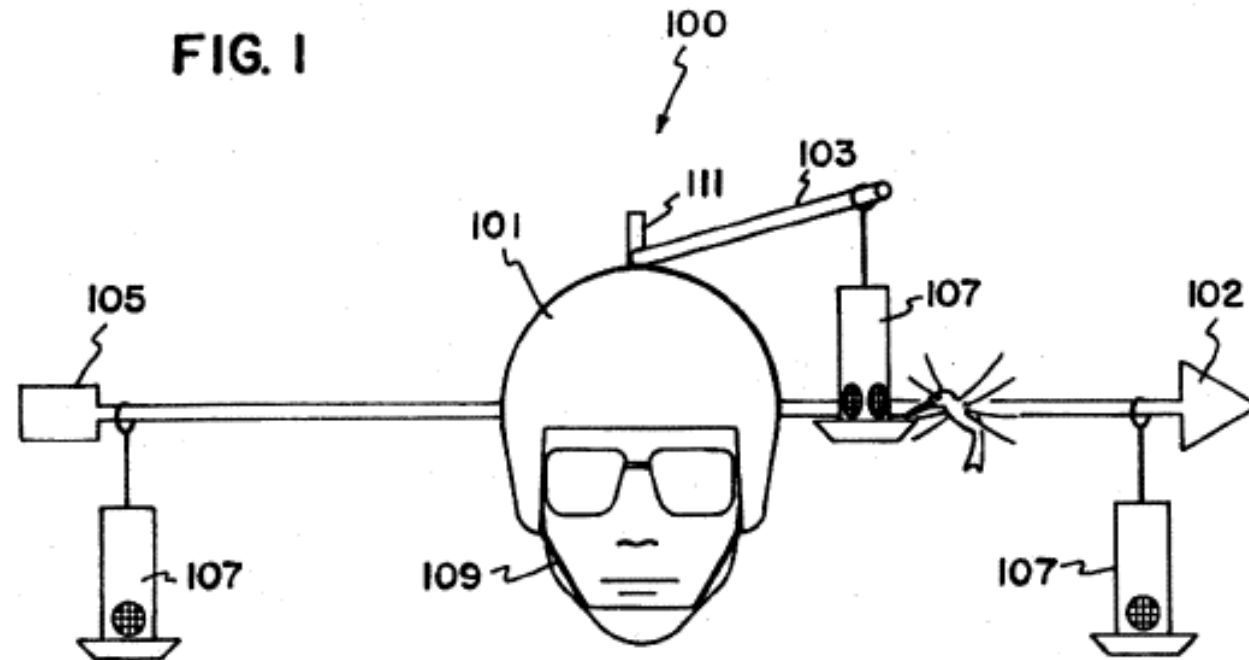
---

Leslie, US 5,996,127 (Dec. 7, 1999)

*The device may comprise a helmet with three poles mounted on it and extending outward from the helmet, and a feeder hanging from each of the poles.*

# US 5,996,127

---

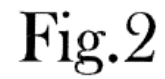


*For example, the poles may be attached to the hat by bolts going through the hat. Optionally, a pole may enter the helmet from one side and exit on the other side, whereby a single pole will extend in two directions from the hat.*

# **User-operated Amusement Apparatus for Kicking the User's Buttocks**

---

Armstrong, US 6,293,874 (Sep. 25, 2001)



---

**TRADE SECRETS**



# Trade Secrets Defined

---



Any collection of information that:

- derives independent economic value from not being generally known; and
- would be valuable to others if disclosed; and
- subject to "reasonable" efforts to maintain its secrecy.

*O.C.G.A. § 10-1-760 et seq.*

## What is a Trade Secret?

---

- Trade secret protection is available for valuable information that is not entitled to protection pursuant to other intellectual property regimes.
- Trade secret protection is of unlimited duration if the secret remains confidential.

# Trade Secret Misappropriation

---



## Elements

- the existence of a trade secret;
- misappropriation of the trade secret by the defendant; and
- resulting detriment to the plaintiff



# Misappropriation

---



- Obtained through “improper means”
- Disclosed trade secret to another without authorization

## Improper Means

---

- “Improper means” are means such as theft, bribery, misrepresentation, inducement of a breach of confidence, trespass, or other deliberate acts taken for the purpose of gaining access to the information of another by means such as electronic, photographic, telescopic, or other aids to enhance normal human perception, where the trade secret owner reasonably should expect privacy.

# Misappropriation is not . . .

---



- Reverse engineering
- Independent development
- “Innocent acquisition”

## **How Is a Trade Secret Protected? – Liability for Misappropriation**

---

- Actual or threatened misappropriation of trade secrets may be enjoined.
- Damages may also be recovered for the actual loss caused by the misappropriation and any unjust enrichment caused by the misappropriation that is not taken into account by actual damages.
- An award of exemplary damages up to double any award of damages may be awarded for willful and malicious misappropriation.
- Attorney's fees may be awarded to the prevailing party if a claim of misappropriation is made in bad faith, a motion to terminate an injunction is made or resisted in bad faith, or willful or malicious misappropriation exists.
- Misappropriation of trade secrets is a criminal offense in some states, including Georgia, and is punishable by criminal penalties pursuant to the federal Economic Espionage Act of 1996 ("EEA").

# Trade Secret Protection: Internal Procedures and Considerations for Employers

---

The holder of a trade secret has an affirmative duty to guard and protect the information from disclosure through reasonable efforts.

In addition to protecting its own trade secrets, companies should also be vigilant regarding the trade secrets of others so as to avoid potential liability for misappropriation

# The Inevitable Disclosure Doctrine

---

- In certain circumstances, a former employee who had access to trade secrets takes a new job with a competitor, and the duties involved in such new employment render disclosure or use of the former employer's trade secrets inevitable. Pursuant to the inevitable disclosure doctrine, courts may enjoin a former employee's employment with a competitor – even in the absence of a non-competition agreement – or to place restrictions on the employee's new employment to minimize the possibility of disclosure.
- Courts are divided as to the viability of this theory, which is contrary to public policies favoring employee mobility. Courts within the Seventh Circuit have accepted it, while courts in California, Maryland, Minnesota, and New York have rejected it.
- *Essex Group, Inc. v. Southwire Co.*, 269 Ga. 553 (1998).

---

# **PATENT LITIGATION**

A solid red horizontal line with an arrowhead pointing to the right, passing through the text "PATENT LITIGATION".

# Responses to demand or cease and desist letter

---

- Deny infringement
- Deny validity
- Design around
- Seek license



## **Actions after demand letter**

---

- Holding letter
- Obtain and study file from U.S. Patent and Trademark Office
- Develop understanding of accused device
- Evaluate whether claims read on accused device
- Prior art searches to locate relevant prior art
- Opinion letter as to non-infringement / invalidity

# Litigation issues

---

- Ownership of patent
- Infringement
- Presumption of validity
- No element of intent or copying required
- Read claims on accused device

## Litigation issues (*continued*)

---

- Defenses
  - Non-infringement
  - Invalidity
    - Anticipation
    - Obviousness
    - Unenforceability

# Analysis of the patent

---

- Study file for the patent
- Track amendments to claims
- Understand arguments distinguishing claims from prior art

# Evaluate infringement

---

- Literal
- Equivalent

# Equivalent Element

---

Substantially the same

- Function
- Way
- Result

## Limits on Equivalents

---

*Festo Corp. v. Shoketsu*, 344 F.3d 1359 (Fed. Cir. 2003)

- Narrowing
- Relating to patentability
- Scope of subject matter given up by amendment
- Rebut presumption of surrendering all subject matter between original and amended limitation

# Evaluation of Claims

---

- Scope of claims
  - Language in claims
  - Specification
  - File history amendments / arguments
  - “All limitations” rule
- Construe claims as they would be by those skilled in the art
- Other factors



# Prior Art

---

- Prior art cited in application but not relied upon by examiner
- Located in prior art search
- Information from persons involved at company

## Forum / Venue

---

- US District Court
- International Trade Commission
- Where defendant resides
- Where defendant has committed acts of infringement and regular and established place of business
- Against corporation, where corporation is subject to personal jurisdiction

# Appeal

---

## **Court of Appeals for the Federal Circuit**

- Exclusive appellate forum for patent infringement claims
- Unifying influence on substantive law
- Arguably more sophisticated and experienced judges
- Decisions provide predictability

# Remedies

---

- Injunctive relief
- Compensatory damages
  - Lost profits (but for infringement)
  - Reasonable royalty
- Attorneys fees (exceptional cases)
- Increased damages – willful infringement
  - Affirmative duty / actual notice - exercise due care to determine whether infringe
  - Competent opinion letter
- Prejudgment interest

---

# **PATENT MISMATCHING**



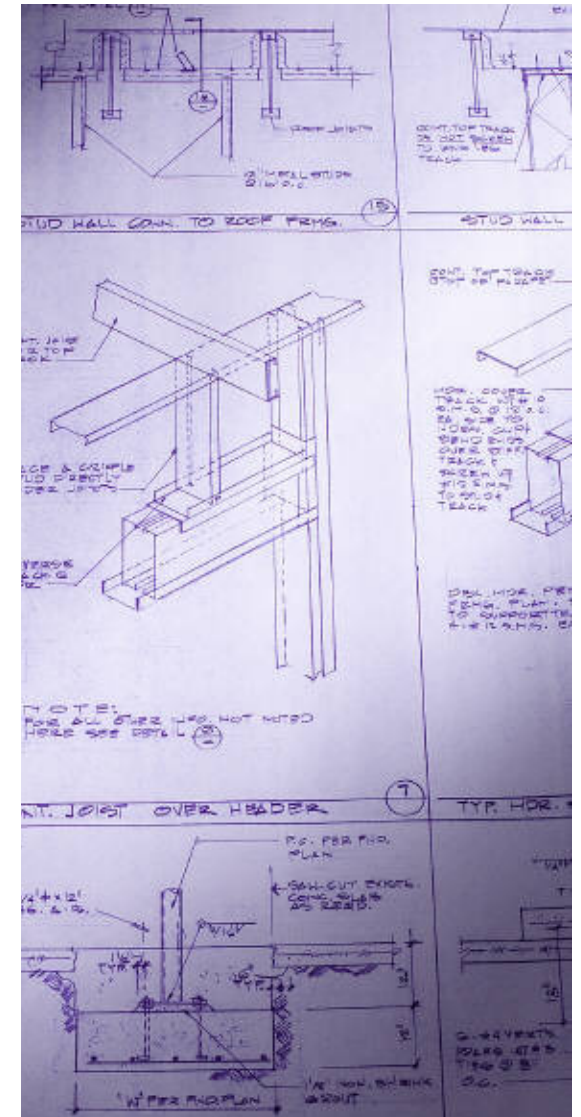
## ***The New Patent Trolls***

---



# Patent Marking

- “Pat. Pending” - pending patent application
- “Pat. No. X,XXX,XXX” – issued patent
- Mark product, labels, website



# Why Mark?

---

- Constructive notice
- Maximize possible damage period for infringement
- Deters competitors
- Adds credibility





# False Marking Statute

---

## **35 USC § 292. False marking**

(a) . . .Whoever marks upon, or affixes to, or uses in advertising in connection with any unpatented article, the word “patent” or any word or number importing that the same is patented, for the purpose of deceiving the public; or

Whoever marks upon, or affixes to, or uses in advertising in connection with any article, the words “patent applied for,” “patent pending,” or any word importing that an application for patent has been made, when no application for patent has been made, or if made, is not pending, for the purpose of deceiving the public—

Shall be fined not more than \$ 500 for every such offense.

## Recent Change

---

- *Qui tam* – anyone can bring, get one-half of penalty
- Old interpretation
  - single offense regardless of how many products were marked = \$500
- New interpretation
  - fine is per article, not per decision to mark
  - Fine = \$500 \* N
  - *The Forest Group, Inc. v. Bon Tool Co.* (Fed. Cir. 2009).

## Rapid Growth

---

2009 – 10 suits filed

2010 – 500+ suits filed



# Power of Multiplication

---

*Pequignot v. Solo Cup Co.*  
(Fed. Cir. 2010).

- Over 20 billion falsely-marked products sold
- Even at \$0.01 per article = \$20 million fine



# Standing

---

- *Qui tam* – “any person” can sue
- *Stauffer v. Brooks Bros.* – no harm to government or actual injury required; but you must plead and prove intent to deceive
- Legislative amendments: change to “any person who has suffered a competitive injury”

# Intent to Deceive Public

---

- “a state of mind arising when a party acts with sufficient knowledge that what it is saying is not so and consequently that the recipient of its saying will be misled into thinking that the statement is true.”
- *Civil or Criminal?*
  - if civil, preponderance of evidence
  - if criminal, beyond reasonable doubt



## Changed Circumstances

---

- Originally patented, but patent expired, invalidated, etc.
- Failure to change marking
- Rebuttable presumption of an intent to deceive?

## Conditional Language

---

- “may be covered by one or more patents”
- rejected by district court in *Solo Cup*



# Embodiment

---

- *What if the product marked may not be an embodiment of the patented invention?*
- Hold a Markman hearing?
- “Patent Marking Opinions”?

# Best Practices

---

- Patent Marking Audits
- Patent Marking Policy
- Avoid Marking with Long Lists of Patents that “May” Cover Article
- Advance Notice Expirations
- Consult Your Friendly Neighborhood Patent Attorney!



---

# **TRADEMARK LITIGATION**

# Protecting the Mark

---

- Common law rights
  - No registration necessary
  - Limited territory
  - No presumption of validity
- State registrations
  - Presumed valid
  - Additional remedies
  - Limited territory
- Federal registrations
  - Presumed valid
  - Additional remedies
  - Entire US



# Scope of Protection

---

- Prohibit others from using confusingly similar marks
- Damages resulting from wrongful use of confusingly similar mark
- Destruction of goods bearing infringing mark
- Attorneys' fees, costs, and "punitive damages" in extraordinary cases
- Injunctive relief



# Likelihood of confusion

---

In assessing whether use of a mark creates a likelihood of confusion as to affiliation or endorsement, courts consider a list of factors that tend to prove or to disprove that consumer confusion is likely.

- (1) the type of mark allegedly infringed;
- (2) the similarity between the two marks;
- (3) the similarity of the products or services;
- (4) the identity of retail outlets and purchasers;
- (5) the identity of the advertising media used;
- (6) the defendant's intent; and
- (7) any evidence of actual confusion.

# Trademark Infringement and the On-Line World

---



# Let's make some money ...

---





**But we don't need smokestacks or a factory ...**

---



**Or a warehouse ...**

---



**After all, it's the information age.**

---



# AdWords

---

- Advertisers purchase terms (or keywords)
- Keywords used as search term triggers appearance of advertiser's ad and website link on results page

---

Google is paid  
by advertisers based on  
access by searcher through  
advertiser's displayed link

# Keyword Suggestion Tool

---

- Google recommends to advertisers keywords to purchase
- Improve effectiveness of advertising by helping identify keywords related to particular area of commerce

## Furnace Repair Example

---

- Display advertisement and link whenever searcher launches a search for “furnace repair”
- Display advertisement and link whenever searcher launches a search using competitor’s name





Web [Images](#) [Maps](#) [News](#) [Video](#) [Gmail](#) [more ▾](#)



[Advanced Search](#)  
[Preferences](#)

Web [Maps](#)

Results 1 - 10 of about 841,000 for [furnace repair](#). (0.

### Local [Furnace Repair](#)

[HVAC.networx.com/Furnace](#) Compare Local **Furnace** Specialists Free Estimates by Phone or Email

### [Triad Mechanical Co. Inc](#)

[www.TriadMechanical.com](#) North Atlanta AC & Heating Service. \$35 Service Call. Same Day Service

[+ Show map of 393 Swanson Dr., Lawrenceville, GA 30043](#)

Sponsored Links

Sponsored Links

Tip: Save time by hitting the return key instead of clicking on "search"

### [Troubleshooting a Gas \*\*Furnace\*\* - Furnace Repair](#)

Once in a while things don't work quite right and you need to troubleshoot a gas **furnace repair** or relight a standing pilot if it has one. ...

[homerepair.about.com/od/heatingcoolingrepair/ss/gas\\_furn\\_trblsh.htm](#) - 23k -

[Cached](#) - [Similar pages](#)

### [Electronic Ignition Gas \*\*Furnace\*\* - Overview and Repair](#)

Index: Overview and **Repair** of the Electronic Ignition **Furnace**. Overview of the Electronic Ignition Gas **Furnace**; Types of Electronic Ignition **Furnaces** ...

[homerepair.about.com/od/heatingcoolingrepair/ss/furn\\_electr\\_ign.htm](#) - 24k -

[Cached](#) - [Similar pages](#)

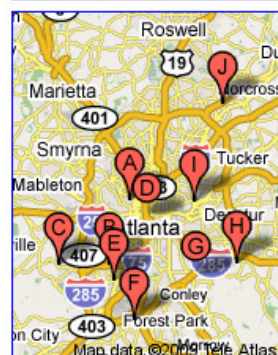
[More results from homerepair.about.com »](#)

### [Home Tips : \*\*Furnace\*\* Repairs & Care](#)

Free advice on **Furnace** Repairs & Care from leading home improvement and Home Problem Solver expert Don Vandervort. \*\*\*\*\*

[www.hometips.com/repair-fix/furnace-problems.html](#) - 40k - [Cached](#) - [Similar pages](#)

### [Local business results for \*\*furnace repair\*\* near Atlanta, GA - \[Change location\]\(#\)](#)



- A. [ocallaghan Heating and Air Conditioning](#) - [www.ocallaghanair.com](#) - (404) 577-6885 - [3 reviews](#)
- B. [Lanny Adams Appliance Service](#) - [www.lannyadamsappliance.net](#) - (404) 768-6390 - [2 reviews](#)
- C. [roadrunner HVAC Filter Change Service](#) - [www.roadrunnerhm.com](#) - (404) 362-7755 - [More](#)
- D. [Moncrief Heating & Air Conditioning Inc: Decatur Service & Sales](#) - [www.moncriefair.com](#) - (404) 284-1985 - [More](#)
- E. [Ray Lange's Heating & Air Conditioning](#) - [maps.google.com](#) - (404) 768-2140 - [More](#)
- F. [Mike Land Heating & Air Conditioning Co](#) - [maps.google.com](#) - (404) 209-8115 - [More](#)
- G. [E & W Heating & Air](#) - [yellowpages.livedeal.com](#) - (678) 614-4887 - [More](#)
- H. [Air Quality Solutions Hvac and Duct cleaning](#) - [air-qualitysolutions.com](#) - (404) 550-8945 - [More](#)
- I. [American Energy Heating & Air, LLC](#) - [maps.google.com](#) - (678) 887-8522 - [1 review](#)
- J. [Aamp Appliance Repair](#) - [www.repairpros911.com](#) - (770) 263-9194 - [More](#)

[More results near Atlanta, GA »](#)

### [Heating & \*\*Furnace\*\* Service](#)

Atlanta's Most Trusted Heating Pros  
Serving Atlanta for over 43 Years!

[www.Coolray.com](#)  
Atlanta, GA

### [Furnace repair](#)

Find Five-Star Rated **Furnace** Pros  
Backed By Our Service Guarantee!

[www.ServiceMagic.com](#)

### [Furnace Repair](#)

We Provide You with Money Saving  
Solutions to Lower Your Energy Cost  
[Atlanta.Kudzu.com/AladdinInsulation](#)  
Atlanta, GA

### [Furnace Repair](#)

Keep Home and Office Comfortable.  
Sales, Install & Emergency **Repair**.  
[metromechanicalhvac1.com](#)  
Atlanta, GA

### [Standard Heating & AC](#)

Family owned, licensed in your city  
Fast & professional service -- 24/7  
[www.StandardHeating.com](#)

### [All Quality Heating Air](#)

2029 Pernoshal Ct. 100-A  
Dunwoody, GA 30338  
[www.allqualityair.com](#)  
2029 Pernoshal CT, Dunwoody, GA

### [Estes Heating & Air](#)

Atlanta's Trusted HVAC Experts  
Since 1949. Call For 24/7 Service.  
[www.EstesAir.com](#)  
Atlanta, GA

### [Furnace Repair](#)

Request a Heating Installation and





Web [Images](#) [Maps](#) [News](#) [Video](#) [Gmail](#) [more ▾](#)



[Advanced Search](#)  
[Preferences](#)

Web

Results 1 - 10 of about 43,000

### [Coolray Heating & Air](#)

[www.Coolray.com](#) Serving Metro Atlanta Over 43 Years Consumers' Choice Award Winner!

### [Marietta Air Conditioning](#)

[MechanicsAir.com](#) Free Service Call with Repairs. Same Day Service, Call Now.

### [Heating & Cooling Experts](#)

[www.reliableairatlanta.com](#) Get Comfortable With Reliable Heating & Air. Since 1978. Call Now

Sponsored Links

Sponsore

### [Excellence A/C & Htg](#)

Serving Gwinnett, Forsyth & N F  
Call today 678-546-0877 24/7  
[excellenceac.com](#)  
Atlanta, GA

Tip: Save time by hitting the return key instead of clicking on "search"

### [Atlanta Heating & Air Conditioning | Atlanta Plumbing Pros - Mr ...](#)

**Coolray** & Mr. Plumber have been serving the Atlanta area for over 43 years with expert service in heating, air conditioning, plumbing, septic, ...

[www.coolray.com/](#) - 31k - [Cached](#) - [Similar pages](#)

[Contact Us](#)

[Air Conditioning Repairs](#)

[Online Savings](#)

[Humidifiers](#)

[More results from coolray.com »](#)

### [Contact Us - Coolray](#)

**Coolray** & Mr. Plumber have been serving the Atlanta area for over 43 years with expert service in heating, air conditioning, plumbing, septic, ...

[www.coolray.com/contact\\_us/](#) - 32k - [Cached](#) - [Similar pages](#)

### [CoolRay](#)

Open Source Raytracer with a scene description language that provides constructs for programming like loops and functions. Its written in C++ and runs on ...

[www.coolray.org/](#) - 18k - [Cached](#) - [Similar pages](#)

### [COOL RAY aka MAYOR COOLMAN aka GOVERNOR SICKLAND on MySpace Music ...](#)

MySpace Music profile for **COOL RAY** aka MAYOR COOLMAN aka GOVERNOR SICKLAND.  
Download **COOL RAY** aka MAYOR COOLMAN aka GOVERNOR SICKLAND Hip Hop // music ...

[www.myspace.com/coolrayworld](#) - 130k - [Cached](#) - [Similar pages](#)

### [Welcome To Cool Ray LLC](#)

For over 50 years **Cool Ray** has helped Ohio and Pennsylvania homeowners beautify their

## Current trends

---

- As of 3/3/11 Yahoo/Bing no longer investigate trademark keyword complaints; conforms to Google
- Use in commerce – use on goods or services; yes
- Internet users are sophisticated and not confused
- Fair Use – akin to generic products
- Functional Use – cataloging function; *Rosetta Stone v. Google* (E.D. VA 2010).
- *Network Automation v. Advanced Systems Concepts* (9<sup>th</sup> Cir. March 8, 2011).

---

**TRADEMARK**

**DECEPTION**

**ETHICAL ISSUES**

## ***In re Bose* – Background**

---

- Bose opposed Hexawave's application for HEXAWAVE in 2003
- Bose relied on its registrations for WAVE and ACOUSTIC WAVE – in addition to its common law rights

# The Fraud Allegation

---

- Hexawave filed a counter-claim alleging fraud by Bose
- Alleged that Bose made an untrue statement to the PTO when it renewed its WAVE registration

## Facts:

- Bose renewed WAVE for "audio tape recorders and players" (and other goods) in 2001
- Bose hadn't sold WAVE goods with tape recorders and players since the late 1990's

## The Fraud Allegation (*continued*)

---

- BUT: Bose continued to repair the WAVE tape player goods and transport them back to consumers since that time
- Bose believed this was valid "use in commerce"
- Bose General Counsel Sullivan testified that he believed the statements in his declaration supporting renewal were true

## The TTAB Decision

---

- Board found Bose's activities did not constitute use in commerce of WAVE for tape player goods (and unreasonable for Bose to believe that it did) DID NOT find any direct evidence of fraud or finding that Bose intended to deceive the PTO

## The TTAB Decision (*continued*)

---

- Nevertheless: Board applied *Medinol* standard Bose "knew or should have known" that its statement was false
- Relevant that Bose could point to no legal precedent that said its activities qualified as use in commerce
- Cancelled the WAVE registration



# The Federal Circuit Decision

---

- No fraud by Bose
- *Medinol* standard too low – not a negligence standard
- Fraud requires clear and convincing evidence of intent to deceive the PTO
- Intent can be shown through direct and/or indirect evidence
- In line with patent fraud standard
- Use in commerce? Assumed that Bose made a material false statement regarding use in commerce

## **Under *Bose* it now will be necessary to allege and prove:**

---

1. A knowingly false or misleading
2. Representation or omission
3. Of a material fact (or facts)
4. To induce an action
5. To the actors detriment FRCP 9(b) requires pleading of the fraud with particularity

## Reason for the Ruling

---

- An innocent act was branded “Fraud”
- The “Trademark Fraud” the Board found would not have been “Patent Fraud”
- On equitable ground a truly terrible case for “fraud”, terrible because:
  - Bose was aware of the problem and concluded in good faith that it had use
  - Its conclusion was reasonable under the law at the time
  - The case that may have established that the declaration was wrong was decided after the declaration was signed and filed


## Conclusions – *In re Bose*

---

- Justice was done in this case. Branding an innocent mistake as “fraud” was a bad thing
- Be very cautious regarding statements of use and only submit for goods/services actually in use in commerce

---

# **INEQUITABLE PATENT CONDUCT**



---

## **A patent applicant has a duty of candor to the Patent Office.**

*Therasense Inc. v. Becton, Dickinson and Co.*, 93 USPQ2d 1489, 1498 (Fed. Cir. 2010) (*en banc* review pending; 37 C.F.R. §1.56(a)–(b)).

---

If an applicant withholds material information from the Patent Office with the intent to affect the issuance of a patent, the applicant has engaged in inequitable conduct and the patent may be rendered unenforceable.

*Larson Mfg. Co. of South Dakota, Inc. v. Aluminart Products Ltd. And Chamberdoor Industries, Inc.*,  
559 F.3d 1317, 90 USPQ2d 1257, 1326 (Fed. Cir. 2009).

---

Inequitable conduct rendering a patent unenforceable arises when there is:

- evidence of affirmative misrepresentation of a material fact, or
- failure to disclose material information, or
- submission of false material information
- coupled with an intent to deceive.

*Dayco Products, Inc. v. Total Containment, Inc.*, 329 F.3d 1358, 1362, 66 USPQ2d 1801, 1805 (Fed. Cir. 2003); and *Kingsdown Medical Consultants, Ltd. v. Hollister, Inc.*, 863 F.2d 867, 872, 9 USPQ2d 1384 (Fed. Cir. 1988).



---

## When does the duty of candor apply?

The duty of candor extends through the patent's entire prosecution history.

*eSpeed Inc. v. BrokerTec USA LLC*, 79 USPQ2d 1258, 1268 (D. Del. 2006) (citing *Fox Indus., Inc. v. Structural Preservation Sys., Inc.*, 922 F.2d 801, 804, 17 USPQ2d 1579 (Fed. Cir. 1990)).

---

## Consequences of a finding of inequitable conduct:

- The entire patent is rendered unenforceable.
- A finding of inequitable conduct can support an award of attorney's fees at the conclusion of litigation.
- The case may be deemed exceptional.
- The district court retains jurisdiction to rule on attorney's fees and inequitable conduct even after a counterclaim for invalidity is dismissed or after a judgment of infringement is entered.

---

The elements of materiality and intent must be established by clear and convincing evidence.

*AstraZeneca Pharmaceuticals LP v. Teva Pharmaceuticals USA Inc.*, 92 USPQ2d 1481, 1483, 583 F.3d 766 (Fed. Cir. 2009).

---

# **What is Materiality?**

- 
- Any information that “a reasonable examiner would have considered important in deciding whether to allow the . . . application.”

37 C.F.R. § 1.56(a) (1991); *Fox Industries, Inc. v. Structural Pres. Systems, Inc.*, 922 F.2d 801, 803, 17 USPQ2d 1579, 1580 (Fed. Cir. 1990); and *Driscoll v. Cebalo*, 731 F.2d 878, 884, 221 USPQ 745, 750 (Fed. Cir. 1982).

- Need not be prior art in order to be material.

*Akron Polymer Container Corp. v. Exxel Container, Inc.*, 148 F.3d 1380, 1382, 47 USPQ2d 1533, 1534 (Fed. Cir. 1998).

---

In 1992, the Patent Office amended its rules to provide a different standard for materiality. The new rule provides:

---

37 CFR §1.56(b): Information is material to patentability when it is not cumulative to information already of record or being made of record in the application; and

- (1) It establishes, by itself or in combination with other information, a prima facie case of unpatentability of a claim; or
- (2) It refutes or is inconsistent with a position the applicant takes in:
  - (i) Opposing an argument of unpatentability relied on by the Office; or
  - (ii) Asserting an argument of patentability.

---

However:

The new rule “was not intended to constitute a significant substantive break in the previous standard.”

*Hoffman-La Roche, Inc. v. Promega Corp.*, 323 F.3d 1354, 1366 n.2, 66 USPQ2d 1385, 1395 n.2 (Fed. Cir. 2003).



---

In promulgating the new regulation, the Patent Office noted that:

“Section 1.56 has been amended to present a clearer and more objective definition of what information the Office considers material to patentability. The rules do not define fraud or inequitable conduct which have elements both of materiality and of intent.”

---

The Federal Circuit continued to apply the reasonable examiner standard for materiality after 1992.

See, e.g., *Brasseler, U.S.A. I., L.P. v. Stryker Sales Corp.*, 267 F.3d 1370, 1380, 60 USPQ2d 1482, 1488 (Fed. Cir. 2001).

and

*Symantec Corp. v. Computer Assocs. Int'l, Inc.*, 522 F.3d 1279, 1297 (Fed. Cir. 2008) (the materiality of a prior art reference turns on whether “a reasonable examiner would consider it important in deciding whether to allow the application to issue as a patent.”).

---

Do the courts interpret the duty of “candor and good faith” to require more than Patent Office rules require?

---

The MPEP sets forth PTO procedures; it is not a statement of law.

*Regents of the University of New Mexico v. Knight*, 321 F.3d 1111, 66 USPQ2d 1001, 1008 (Fed. Cir. 2003); *Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1180 n.10, 33 USPQ2d 1823, 1828 n.10 (Fed. Cir. 1995).

Inequitable conduct is a judicially created doctrine.

*See Digital Control Inc. v. The Charles Machine Works*, 437 F.3d 1309 (Fed. Cir. 2006) (noting that the “new” standard set out in the PTO regulations is more narrow than the older “reasonable examiner” standard).

---

## **A Few Things to Watch For**

- If you are a large entity, make sure you pay fees as a large entity.
- If you are a small entity but you license your technology to a large entity, you may need to pay fees as a large entity.
- If one of the inventors does not speak English, make sure you use a foreign language Declaration.
- Be sure the inventors are correctly named.
- Foreign language publications should be translated.

---

## **A Few More Things to (Maybe?) Watch For**

- Inform the Examiner of a Notice of Allowance in any related applications.
- Inform the Examiner of Office Actions in any related applications.
- Inform the Examiner of any inconsistent arguments in any related applications.
- Avoid filing Affidavits that characterize the prior art or that discuss what a POSITA would or would not understand.
- Cross-reference issued patents with your named inventors.

# INTRODUCTION TO INTELLECTUAL PROPERTY LAW

---

**L. Clint Crosby**  
**Baker, Donelson, Bearman,**  
**Caldwell & Berkowitz, PC**

April 14, 2011