



2015 FALL NEWSLETTER

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SUPREME COURT

Supreme Court to Review Willful Infringement Test in

Stryker v. Zimmer and Halo v. Pulse

On October 19, 2015, the Supreme Court of the United States (“Supreme Court”) granted two petitions for a writ of certiorari to review two decisions of the United States Court of Appeals for the Federal Circuit (“Federal Circuit”). In both petitions, *Halo Electronics v. Pulse Electronics & Stryker Corporation v. Zimmer, Inc.*, the patent owner is challenging a rigid rule created by the Federal Circuit on enhanced damages for willful infringement.

In 2007, the *en banc* Federal Circuit decided *In re Seagate Technology*. *In re Seagate* interpreted 35 U.S.C. § 284, which states in part “in either event the court may increase the damages up to three times the amount found or assessed.” The Federal Circuit’s reading required the patent owner to prove willful infringement to award up to triple damages. In turn, willfulness, the Federal Circuit said, is shown when there was an objectively high likelihood that the infringer’s actions constituted infringement and that the likelihood was either known or so obvious that it should have been known to the accused infringer.

Commentators indicate that the Supreme Court will likely replace the willfulness test. First, many characterize the Federal Circuit willfulness test as disconnected from the statute. Second, the Supreme Court has already replaced a similar Federal Circuit test - 35 U.S.C. § 285 Attorney Fees. In *Octane Fitness v. Icon Health and Fitness*, 572 U.S. ___ (2014), the Supreme Court interpreted 35 U.S.C. § 285, which states: “the court in exceptional cases may award reasonable attorney fees to the prevailing party.” The Supreme Court held that § 285 merely required that the case be “exceptional” - meaning “uncommon,” rare,” or “not ordinary” to grant attorney fees to the prevailing party; rather than the rigid rule the Federal Circuit promulgated. Otherwise, the Supreme Court indicated that the issue is one of discretion for the district court to decide.

Applying this recent decision to this sibling statute, commentators believe that the Supreme Court will give federal District Courts discretion to increase damage awards within a more flexible framework. What remains to be determined is what framework the Supreme Court will provide for District Courts to apply in their discretion.



FEDERAL CIRCUIT

THE AKAMAI V. LIMELIGHT DIRECT INFRINGEMENT DISPUTE COMES TO AN END

On November 16, 2015, a panel of the U.S. Court of Appeals for the Federal Circuit (“Federal Circuit”) rejected all of Limelight’s residual arguments and remanded the case back to the district court to reinstate the jury verdict of direct infringement by Limelight and the \$45 million award to Akamai. This decision marks the near-end of a ten year long legal dispute between Akamai and Limelight that has quite a colorful history. Below is a summary:

2006 to 2008 - Akamai sued Limelight, the jury found infringement and awarded \$45 million in damages, the district court granted judgment of non-infringement under 35 U.S.C. § 271(a) after a jury trial [no liability for Limelight];

2010 - Federal Circuit panel affirmed the district court under 271(a) [no liability for Limelight];

2012 - Federal Circuit, *en banc*, reversed and held that 271(b) [inducement] is appropriate [Limelight is liable];

2014 – U.S. Supreme Court reversed the 2012 Federal Circuit *en banc* decision, 271(b) requires underlying direct infringement of 271(a), indicated 271(a) may need revisiting [no liability for Limelight];

2015 May - Federal Circuit, on remand, found no direct infringement under 271(a), Akamai appealed for *en banc* review under 271(a) [no liability for Limelight];

2015 August - Federal Circuit granted *en banc* petition and Federal Circuit, *en banc*, found direct infringement under 271(a) [Limelight is liable]; and

2015 November - Federal Circuit, on remand, ordered the district court to reinstate the jury verdict and damages award [Limelight is liable];

Although the dispute may be coming to a close, it will continue to remain relevant due to its direct infringement precedent. In the 2015 Summer Newsletter, Staas & Halsey LLP reported that the Federal Circuit, in the *en banc* decision, expanded its direct infringement framework for determining whether an entity may be held liable for another’s performance of method steps of a claimed method. Simply stated, the Federal Circuit determines direct infringement by considering “whether all method steps can be attributed to a single entity.” Specifically, an entity is liable under 37 U.S.C. 271(a) when the entity (1) “directs or controls other’s performance,” or (2) “where the acts form a joint enterprise.” The Federal Circuit further stated that “direction or control” can be found when an entity “conditions participation in an activity or receipt of a benefit upon performance of a step or steps of a patented method and establishes the manner or timing of that performance” for another actor.

Under this expanded framework, the Federal Circuit held that Limelight is liable for direct infringement, and the damage award established by the jury should be reinstated. As noted in the 2015 Summer Newsletter, this appears to be good news for patent owners because the ruling enables patent claim drafters not to worry about who performs the given steps as long as the process falls within the “direction or control” of an alleged infringer.

FEDERAL CIRCUIT

Federal Circuit says ITC Jurisdiction Does Not Include Digital Transmissions into the United States in *ClearCorrect v. ITC & Align Technology*

On November 10, 2015, the U.S. Court of Appeals for the Federal Circuit (“Federal Circuit”) issued its opinion in *ClearCorrect v. ITC & Align Technology*, 2014-1527 (Fed. Cir. 2015). The Federal Circuit ruled that the U.S. International Trade Commission (“ITC”) does not have authority over digital transmission into the United States because digital transmissions are not “articles” under 19 U.S.C. § 1337.

The Tariff Act of 1930 provides the ITC with authority to remedy unfair acts that involve “importation into the United States of ... articles that infringe a valid and enforceable U.S. patent.” 19 U.S.C. § 1337 (a). Align Technology (“Align”), the company that made and markets Invisalign, owns several patents on methods for creating the individual clear braces for each patient. In general, the patents cover: (1) scanning a patient’s mouth and making a 3D model of the tooth alignment; (2) digitally arranging the 3D model so that the teeth create a new tooth alignment; (3) creating intermediate 3D models for tooth positions from the initial tooth alignment to new tooth alignment; and (4) 3D printing the clear braces for each intermediate tooth alignment for each patient. Align filed a complaint with the ITC that ClearCorrect Pakistan illegally imported “articles that infringe” Align’s patents by sending digital files from ClearCorrect Pakistan to a ClearCorrect U.S. server in the United States where ClearCorrect U.S. then 3D prints braces.

The ITC received numerous public comments during its investigation. For example, some copyright owner associations filed comments supporting the ITC’s authority to address this type of infringement; whereas, others filed comments opposing the ITC’s authority over digital dataset transmissions on the internet. The ITC found that it had the authority to remedy unfair trade acts, which included “importation of” digital datasets by transmission over the internet. In particular, the ITC found that “articles” were not limited to tangible, material objects; rather, “articles” were broad enough to cover digital transmissions because the Tariff Act concerns itself with “unfair trade acts.” In this case, ClearCorrect Pakistan practiced “unfair trade acts” when it contributed to ClearCorrect U.S.’s infringement by providing the digital datasets to practice the patented methods.

The Federal Circuit held that the ITC did not interpret the word “articles” correctly. First, the majority held that dictionary definitions limit the word “article” to material objects. Second, the structure of the Tariff Act indicates that “articles” must be material objects. For instance, an exclusion order tells the Customs and Border Protection (“CBE”) agency to ban any infringing object from entering a U.S. port; this makes no sense in the Internet context because the CBE has no control over what crosses the border over the Internet.



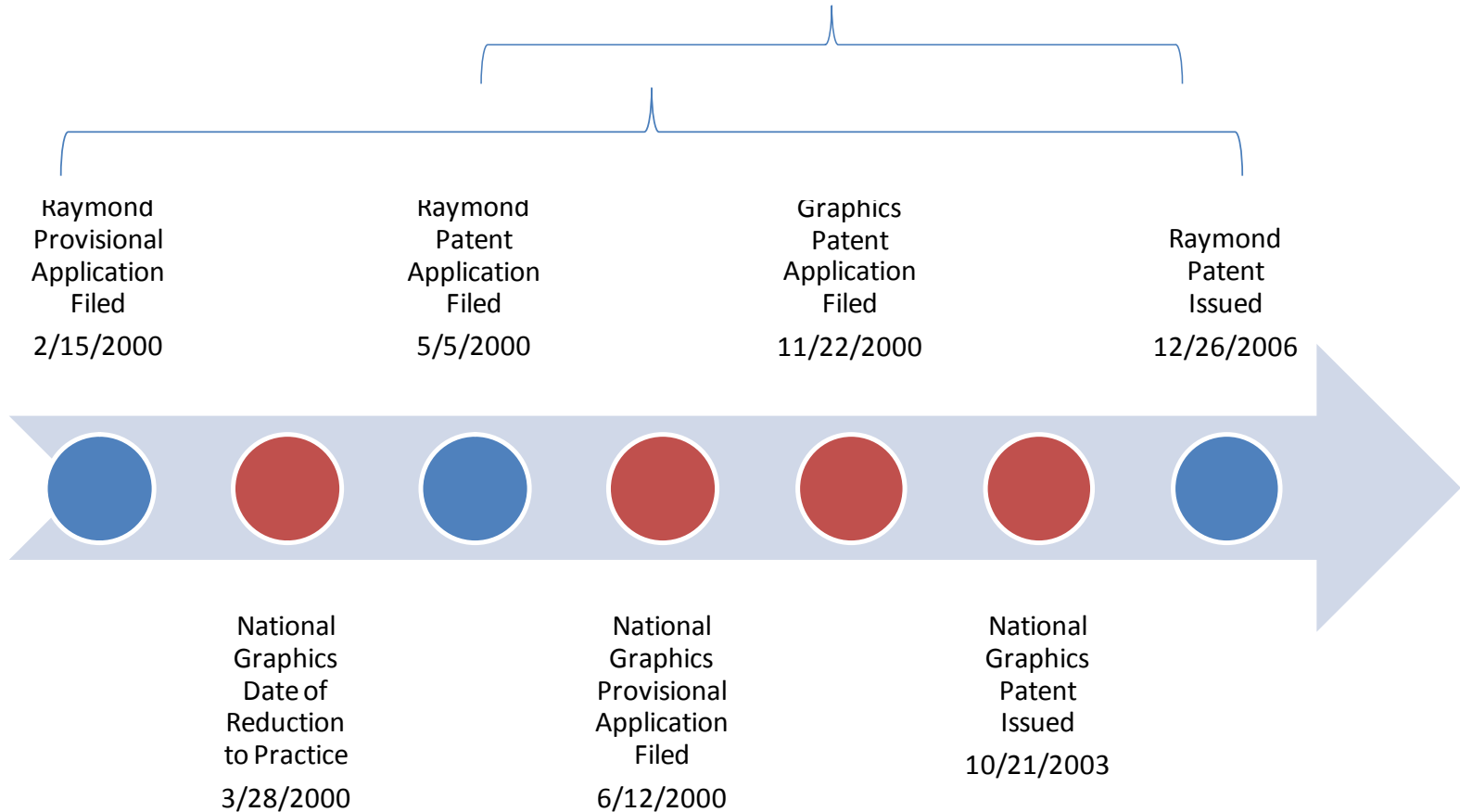
FEDERAL CIRCUIT

Prior Art Effect of Provisional in *Dynamic Drinkware v. National Graphics*

On September 4, 2015, the U.S. Court of Appeals for the Federal Circuit (“Federal Circuit”) issued its opinion in *Dynamic Drinkware v. National Graphics*, 2015-1214 (2015). The Federal Circuit clarified when a U.S. Patent or non-provisional application’s effective prior art date is changed by claiming priority to a U.S. provisional application.

National Graphics (“National”) owns U.S. Patent 6,635,196 (‘196 patent), which is directed to making molded plastic articles bearing a lenticular image. Dynamic Drinkware (“Dynamic”) petitioned the U.S. Patent and Trademark Office Patent Trial and Appeal Board (“PTAB”) in an *inter partes* review claiming that the ‘196 patent was anticipated by U.S. Patent 7,153,555 (Raymond Patent). Below is a timeline for reference:

What is the 102(e) Date of the Raymond Patent?





FEDERAL CIRCUIT

Prior Art Effect of Provisional in *Dynamic Drinkware v. National Graphics* cont'd.

The PTAB found that National Graphics was entitled to its reduction to practice date on March 28, 2000. The PTAB also found that Dynamic did not show that the Raymond Patent was entitled to its provisional application filing date of February 15, 2000. Therefore, the PTAB held that Dynamic did not prove by a preponderance of the evidence that the '196 patent was invalid as anticipated by the Raymond Patent.

The Federal Circuit affirmed the PTAB's decision. It held that a U.S. provisional application can move a U.S. patent's prior art date back to the provisional filing date if the provisional application properly provides pre-AIA 35 U.S.C. § 112, first paragraph, support to the claims of the U.S. patent such that the U.S. patent would be entitled to claim priority to the provisional application. In this case, the Federal Circuit affirmed the PTAB because Dynamic **only** showed that the provisional application contained the same disclosure as the '196 patent's claims. Instead, the Federal Circuit noted that Dynamic was required to show anticipation of the claims **and** that the claims of the Raymond patent were entitled its provisional's filing date.





FEDERAL CIRCUIT

Applicant's Mistake Due to Changed Scientific Understanding is Correctable in *Cubist Pharmaceuticals, Inc. v. Hospira, Inc.*

On November 12, 2015, the U.S. Court of Appeals for the Federal Circuit (“Federal Circuit”) affirmed the ruling of the district court that in *Cubist Pharmaceuticals, Inc.* (“Cubist”) v. *Hospira, Inc.* (“Hospira”), Hospira infringed upon Cubist’s RE39,071 patent (“the ‘071 patent”) directed to an antibiotic compound named ‘LY146032’. In doing so, the Federal Circuit held that the United States Patent and Trademark Office (“USPTO”) correctly issued a certificate of correction on the ‘071 patent.

Prior to litigation, Cubist successfully obtained a certificate of correction on the ‘071 patent that corrected a chemical structure diagram for the claimed ‘LY146032’ compound that was intended to be daptomycin. Originally, the diagram mistakenly identified a compound other than daptomycin by displaying one of the stereoisomers as ‘L’ rather than ‘D’. Cubist made the mistake due to a previous understanding held by researchers that the daptomycin stereochemistry included the ‘L’ stereoisomer. A different understanding of the stereochemistry eventually emerged, and in response, Cubist corrected its original error.

Hospira argued that the certificate of correction was inappropriate because it broadened the scope of the original claims by changing the claimed compound. As such, the changes failed to meet the “of minor character” language provided in the certificate of correction requirements. The Federal Circuit disagreed, stating that Hospira failed to establish the original claims were directed to a compound other than daptomycin for at least three reasons. First, the specification teaches that ‘LY146032’ is produced through a specific fermentation process that necessarily results in daptomycin. In addition, evidence suggests that other methods must be used to produce the compound with the ‘L’ stereoisomer. Second, the name ‘LY146032’ was used by another company to refer to daptomycin. Lastly, researchers originally believed daptomycin to contain the ‘L’ stereoisomer and, although Cubist was mistaken about the compound structure, the combined evidence suggests that Cubist possessed daptomycin. As such, the Federal Circuit held that the certificate of correction was appropriate because it did not broaden the scope of the original claims.

This case demonstrates that errors greater than mere typographical errors may be corrected by a certificate of correction. However, changes must not “materially affect the scope or meaning of the patent.” See USPTO MPEP 1481. As shown in this case, providing a detailed specification can help prove that corrections have no material effect on patent scope or meaning even when scientific understanding underlying the invention changes.



USPTO

USPTO TRENDS: FISCAL YEAR 2015 v. FISCAL YEAR 2014

Patent Application & Issued Patent Trends:

Patent		2014	2015	Δ%
Filings	Total UPR	582,203	580,327	-0.32%
	UPR w/o RCE	407,137	411,733	1.13%
	RCE	175,066	168,594	-3.70%
	Design	36,254	37,735	4.09%
Issued	Total	330,058	323,438	-2.01%
	UPR	305,605	297,985	-2.49%
	Design	24,453	25,453	4.09%

Average Application pendency to first Office Action: 2014: 18.4 months
2015: 17.3 months

Post -Grant Proceeding Trends:

Inter Partes Review		
	FY2014	FY2015
Filed	1310	1737
Instituted	557	801
Joinders	15	116
Not Instituted	193	426
Transitional Program for Covered Business Method		
	FY2014	FY2015
Filed	177	149
Instituted	91	91
Joinders	1	10
Not Instituted	30	43
Post Grant Review		
	FY2014	FY2015
Filed	2	11
Instituted	0	3
Not Instituted	0	0

Trademark Trends:

	2014	2015	Δ%
Filings	455,017	503,889	10.74%
Registration	279,282	282,091	1.01%

USPTO fiscal year: October 1 through September 30. UPR: Utility, Plant, and Reissue applications and issued patents; UPR includes Request for Continued Examinations (RCEs) filings unless otherwise noted.



FIRM NEWS

Staas & Halsey LLP Welcomes New Firm Attorney Derek H. Campbell



Staas & Halsey LLP is pleased to welcome and present its newest attorney, Derek H. Campbell. Mr. Campbell has a Computer Science degree (B.S.) from Denison University, Ohio. He also has a law degree (J.D.) from DePaul University College of Law, Chicago, Illinois. Mr. Campbell is admitted to practice in Illinois, Georgia, and before the USPTO.

Before attending law school, Mr. Campbell spent over seven years in the computer industry during which he worked as a software engineer and a network administrator. While a software engineer, Mr. Campbell worked in the fields of VOIP (Voice Over IP) and printer software. He then transitioned into becoming an IT consultant and network administrator, eventually working with and managing all aspects of computer networks.

During law school, Mr. Campbell interned at a patent prosecution firm in Silicon Valley, and also in the IP department of a Fortune 500 company.

Since graduating from law school in 2010, Mr. Campbell was with a Chicago-based law firm and has worked directly with inventors and clients ranging in size from solo inventors to large international corporations. He has experience working with all aspects of patent prosecution, from managing brainstorming sessions to identifying patentable ideas, to conducting disclosure meetings, to preparing patent applications, to preparing office action responses and appeal briefs, and to helping manage the prosecution of a patent portfolio with hundreds of pending applications.

Mr. Campbell also has experience reviewing patent license and patent sale agreements, and performing patent litigation support, including preliminary claim construction, prosecution file history review, and review of District Court orders in other cases involving the patent(s) at issue. Mr. Campbell has also participated in several mediations for IP cases that were pending in federal court.



FIRM NEWS

Staas & Halsey LLP Welcomes New Patent Technical Advisor Raph Y. Kim



Staas & Halsey LLP is pleased to welcome and present new Patent Technical Advisor, Raph Y. Kim. Mr. Kim has Bachelor of Science and Master of Science degrees in Chemical Engineering from The John Hopkins University and a law degree (J.D.) from American University. He presently is a candidate for a Master of Science degree in Electrical Engineering from John Hopkins.

Mr. Kim worked as a law clerk with Staas & Halsey in 2015. Prior to joining Staas and Halsey LLP, Mr. Kim worked for a major global chemical company where he handled various regulatory matters on chemical trading while traveling 20 countries. He was also a technical consultant for an IP law firm in Alexandria, Virginia, and clerked at Kim and Chang, one of the largest law firms in South Korea.

While at law school, Mr. Kim joined the Intellectual Property Law Clinic. As a student at the clinic, Mr. Kim worked with a few major non-profit organizations and other start-up business entrepreneurs on various patent, trademark, and copyright issues. Mr. Kim also authored and submitted a comment on behalf of a client to the rule-making process of the USPTO on Patent Quality.

While earning his chemical engineering degree, Mr. Kim conducted research at the Biomedical Engineering Department of Johns Hopkins University and Johns Hopkins Hospital. There, Mr. Kim designed and fabricated silicon chips for biomedical applications, including micro-fluidic chips controlling fluid momentums and concentration gradients in micro-scale and chips with various nano-scale patterns to control human stem cells. Mr. Kim also gained extensive experience in optical imaging, molecular biology, biochemical assays, and micro/nano technology for biological applications. His research work entitled "*Biomaterials and Lab on a Chip*" was published in major scientific journals. Due to his publication, Mr. Kim was named as one of the Researchers with Significant Scientific Findings by BRIC of Postech in Korea.



FIRM NEWS



FALL SEASON IN WASHINGTON, D.C.

Fall has breezed into Washington, D.C. with less than cold temperatures. The weather has been relatively mild for this time of the season encouraging tourists and residents alike to partake of all the events and activities around the area. As always, tourists flock to the museums such as the National Museum of Natural History, the Smithsonian Castle, the National Air and Space Museum, or the National Gallery of Art. For those interested in viewing the fall foliage, sightseeing in and around the Tidal Basin, Rock Creek Park, the National Arboretum, Kenilworth Park and Aquatic Gardens, Tudor Place, Theodore Roosevelt Island and the C&O Canal National is just the ticket. This is the time of the season for “Taste of D.C.”, a celebration for foodies everywhere; or “D.C. Brews”, a taste of local breweries from around the area and from abroad.

For those interested in fall sports, American Football season started with residents cheering on the Washington Redskins. The Washington Wizards Basketball team starts a new season with the hopes of winning the NBA Championship for 2016. On the ice, the Washington Nationals Hockey team hopes to score its way to the Stanley Cup finals. And as always, there is a wide variety of walking, biking, running, and even segway tours around the National Capital Area.

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