



2016 SUMMER NEWSLETTER

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SUPREME COURT

Halo and Stryker - Supreme Court Rejects Federal Circuit's Test for Awarding Treble Damages

On June 13, 2016, the U.S. Supreme Court ("Supreme Court") issued its decision in *Halo Electronics, Inc. v. Pulse Electronics, Inc.*, and *Stryker Corp. v. Zimmer, Inc.* (collectively the "Stryker case"), which rejected the United States Court of Appeals for the Federal Circuit's ("Federal Circuit") two-part test for awarding enhanced damage awards adopted in *In re Seagate Technology, LLC* ("Seagate"), 497 F.3d 1360.

35 U.S.C. §284 provides for patent infringement cases that "the court may increase the damages up to three times the amount found or assessed." However, the statute itself does not provide which considerations the courts should take into account when making that decision. In 2007, the Federal Circuit held in its Seagate decision, that in order to sustain a finding of enhanced damages, a patentee must satisfy a two step test to show that the infringer willfully infringed its patent. First, the Federal Circuit stated that a "patentee must show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent." Second, the Federal Circuit's test also required the patentee to show by clear and convincing evidence that the risk of infringement "was either known or so obvious that it should have been known to the accused infringer."

In analyzing the Federal Circuit's rule, the Supreme Court first looked to the history of enhanced damages in patent law. From this historical review, the Supreme Court found that enhanced damages under the act were designed to be a punitive or vindictive remedy for egregious behavior. Specifically, the Supreme Court noted that the enhanced damages provision was designed to apply to those instances of "willful or bad faith infringement."

The Supreme Court then held that, because enhanced damages should be applied punitively for egregious behavior, the Federal Circuit's Seagate test was too limiting for two reasons. First, the Supreme Court noted that the Federal Circuit's inquiry as to the objective recklessness of the infringement excludes the "wanton pirate" who acts intentionally "for no purpose other than to steal the patentee's business." Second, the Supreme Court also took issue with the fact that under the Seagate test, "someone who plunders a patent—infringing it without any reason to suppose his conduct is arguably defensible—can nevertheless escape any comeuppance under 35 U.S.C. §284 solely on the strength of his attorney's ingenuity." As a result, it has been noted that one of the principle effects of the decision is to bar courts from considering legal defenses to enhanced damage claims not considered by the defendant at the time the defendant elected to infringe.

SUPREME COURT

Halo and Stryker - Supreme Court Rejects Federal Circuit's Test for Awarding Treble Damages (cont'd.)

In keeping with the Supreme Court's 2014 Octane Fitness decision, which struck down a two step test for determining when district courts should award attorney's fees, the Supreme Court similarly characterized the Federal Circuit's Seagate test as "inelastic" and "rigid." Rather than using the Federal Circuit's language of "willfull infringement" or "objective recklessness," the Supreme Court characterized those instances wherein enhanced damages should be awarded as "egregious cases typified by willful misconduct." Moreover, the Supreme Court also rejected the Seagate test's requirement of clear and convincing evidence as the plaintiff's burden of proof for this showing. The Supreme Court explained this decision, writing that a preponderance of the evidence standard is the norm for patent litigation and that nothing in the statute suggested a higher standard.

Central to the Supreme Court's opinion was the importance of the district courts retaining their discretion to determine whether to award enhanced damages, which even went so far as to note that such "egregious conduct" need not even be sufficient to require a finding of enhanced damages. Rather "courts should continue to take into account the particular circumstances of each case in deciding whether to award damages, and in what amount." Consistent with this heavy emphasis placed on district court discretion, the Supreme Court further rejected the Seagate test's framework for appellate review, which reviewed objective recklessness finding's *de novo*, subjective knowledge for substantial evidence, and the decision on whether to award damages for abuse of discretion. Instead, the Supreme Court held that the enhanced damages question should be reviewed solely for abuse of discretion.

Supreme Court Justice Breyer concurred in the Supreme Court's opinion and was joined by Justices Kennedy and Alito. While agreeing with the majority's holding in rejecting the Seagate test, Justice Breyer cautioned that the decision as to whether to award enhanced damages could not solely be satisfied by a showing that the infringer had knowledge of the patent or that the infringer failed to obtain legal counsel. Further, Justice Breyer stressed that district courts should balance their decision on whether to award enhanced damages with the purposes of the patent laws. Mainly, the Justice noted that if treble damages are granted beyond those cases of egregious misconduct, patents could come to reach beyond their lawful scope and thereby frustrate innovation.



SUPREME COURT

Cuozzo Speed Technologies, LLC. v. Lee - Two Different Standards of Review for Parallel Tracks

On September 16, 2012, Garmin International, Inc. (“Garmin”) petitioned the United States Patent and Trademark Office’s (“USPTO”) Patent Trial and Appeal Board (“PTAB”) for an inter partes review (“IPR”) with regards to claims 10, 14, and 17 of Cuozzo Speed Technologies, LLC’s (“Cuozzo”) U.S. Patent No. 6,778,074 (“’074”). Patent ‘074 involves the display of the applicable speed limit and the speed of the user.

The PTAB found claims 10, 14, and 17 to be obvious and denied Cuozzo’s motion to amend claims. Cuozzo’s amendment to claim 10 was rejected under 35 U.S.C. §112 (a) for lack of written description. Additionally, all three substitutions were rejected for improperly enlarging the scope of the claim. Cuozzo appealed the PTAB’s decision to the United States Court of Appeals for the Federal Circuit (“Federal Circuit”).

Cuozzo advanced several issues on appeal to the Federal Circuit. First, that the IPR was improperly raised for claims 10 and 14, claiming that the petitioner did not identify “the grounds on which the challenge to each claim is based” as required by 35 U.S.C. §312(a)(3). Next, Cuozzo challenged the issue that a USPTO decision to institute an IPR is not appealable. Furthermore, Cuozzo also challenged the standard by which claims are constructed. The Federal Circuit held that it lacked jurisdiction to review the decision by the PTAB to institute an IPR. Judge Dyke cited 35 U.S.C. §314(d), explaining that the Federal Circuit was prohibited from reviewing the decision to institute an IPR. Additionally, the Federal Circuit held that the standard for claim construction in an IPR is broadest reasonable interpretation, citing 35 U.S.C. §316(a)(2) which gives authority to the USPTO to adopt the standard in a regulation.

On June 20, 2016, the United States Supreme Court (“Supreme Court”) held the PTAB did not exceed its statutory authority in instituting an IPR on claims 10 and 14, for which no challenge had been raised. The Supreme Court cited the statute saying that the decisions are “final and nonappealable.” Furthermore the Supreme Court said, “A contrary holding would undercut one important congressional objective, namely, giving the patent office significant power to revisit and revise earlier patent grants.”

SUPREME COURT

Cuozzo Speed Technologies, LLC. v. Lee (cont'd.)

The Supreme Court also responded to the issue of which standard of claim construction, broadest reasonable interpretation or ordinary meaning, should be used in an IPR. The Supreme Court upheld the PTAB's decision to use broadest reasonable interpretation, which deviates from the standard of claim construction that is used by the United States District Courts ("District Court"). The Supreme Court held that, "the regulation represents a reasonable exercise of the rulemaking authority that [The United States] Congress delegated to the [United States] patent office."

The question of whether judicial review exists for decisions of initiating IPR proceedings is important because the decision insulates the USPTO from any review of its interpretation of 35 U.S.C. §312. Essentially, the USPTO has unreviewable discretion to institute IPRs, even when the petitions do not meet the minimal statutory threshold.

The standard used for claim construction in IPRs determines the bounds of a claim's limitations and in some cases its validity. Currently, a District Court relies on an ordinary meaning standard, while the PTAB uses the broadest reasonable interpretation standard. This is significant because the District Court and the PTAB provide parallel routes for litigation of patent validity. With the broadest reasonable interpretation standard remaining the standard in IPRs, many petitioners may choose to forego the District Court in favor of the broader standard of review.





SUPREME COURT

***Kirtsaeng v. Wiley & Sons Inc.* - Supreme Court Offers Guidance on Awarding Attorney's fees in Copyright Disputes**

On June 16, 2016, the United States Supreme Court ("Supreme Court") issued its decision in *Kirtsaeng v. John Wiley & Sons Inc.*, which instructs district courts to weigh the "objective reasonableness" of a litigant's claim in determining whether to award attorney's fees under Section 505 of the U.S. Copyright Act. Nevertheless, the Supreme Court also simultaneously cautioned district courts against placing too much emphasis on the objective reasonableness question and explicitly rejected treating such a showing as creating a presumption against attorney's fees.

This was the second time the Supreme Court was hearing the dispute between these parties. The first was with regard to the underlying copyright infringement dispute between John Wiley & Sons, Inc. ("Wiley") and Supap Kirtsaeng ("Kirtsaeng"). Wiley, an American textbook publisher manufactured and sold similar copies of its textbooks in Thailand at a much lower price than they were sold in the United States. Kirtsaeng, aware of this fact, purchased copies of the cheaper textbooks in Thailand and then shipped them to the United States, where he would then be able to sell them for a profit. The original suit prompted the question of whether the "first-sale doctrine," which allows lawful owners of books to resell those books without running afoul of copyright laws, applied when those books were manufactured in another country.

The Supreme Court decided the initial case 6 to 3 in favor of Kirtsaeng, holding that the "first-sale" doctrine does apply to books manufactured overseas. On remand, Kirtsaeng made a motion for attorney's fees which the U.S. District Court ("District Court") denied, noting that "the imposition of a fee award against a copyright holder with an objectively reasonable litigation position will generally not promote the purposes of the Copyright Act." After the U.S. Court of Appeals for the Second Circuit ("Second Circuit") affirmed the District Court's ruling, the case once again made its way back to the Supreme Court. This time, the issue facing the Supreme Court was whether the objective reasonableness of a litigant's claim should be given substantial weight by a district court in determining whether to grant attorney's fees in copyright disputes.

17 U.S.C. §505 ("§505") provides that a district court "may also award a reasonable attorney's fee to the prevailing party" as a remedy for copyright infringement. Previous Supreme Court precedent had stated that, while this provision was intended as a broad grant of discretion to district courts, that discretion itself does have limits.



SUPREME COURT

***Kirtsaeng v. Wiley & Sons Inc.*- Supreme Court Offers Guidance on Awarding Attorney's fees in Copyright Disputes (cont'd.)**

For instance, the Supreme Court had previously provided a list of “non-exclusive factors” for district courts to consider when deciding whether to award attorney’s fees. This list included factors such as frivolousness, motivation, and objective unreasonableness of a losing party’s legal position. Less clear however, was how heavily district courts should weigh certain factors in exercising their discretion. Wiley argued before the Supreme Court that district courts should weigh the “objective reasonableness of a litigant’s position more heavily.” Conversely, Kirtsaeng argued that district courts should weigh the “precedence value” of the litigation more heavily. In other words, Kirtsaeng’s argument was that, the more valuable any litigation was in clarifying the law, the more likely a district court should award the winning party attorney’s fees in that litigation.

The Supreme Court began its analysis noting that copyright law, in general, seeks to strike a balance between encouraging author’s creations while also enabling others to build on that work. Therefore, the Supreme Court reasoned that §505 must aim to encourage lawsuits that further that broad purpose. When weighed against this objective, the Supreme Court found that Wiley’s argument, that the objective reasonableness of a litigant’s position should be weighed heavily in determining whether to award attorney’s fees, was consistent with §505. This was because weighing the objective reasonableness of a litigating party’s position in determining whether to award attorney’s fees encourages parties with strong positions to stand their ground while also discouraging parties with weak positions from prolonging needless litigation. Conversely, the Supreme Court noted that Kirtsaeng’s proposal would not produce any similar benefits. In so finding, the Supreme Court reasoned that, while fee awards would raise the stakes in valuable precedent clarifying litigation, it would not necessarily increase the incentive on parties to litigate such cases to completion.

Nevertheless, while the Supreme Court accepted Wiley’s position that district courts should apply a substantial weight to the objective reasonableness of a losing party’s position when deciding whether to award attorney’s fees, it also noted that such weight should never be treated as dispositive on its own or as even creating a presumption one way or the other. Instead, district courts still must give “due consideration to all other circumstances relevant to granting fees.” In noting this point, the Supreme Court was responding to language used by the Second Circuit and several of the lower courts within that Circuit, which the Supreme Court characterized as weighing objective reasonableness too heavily. For that reason, the Supreme Court vacated and remanded the lower court’s rulings. Further, the Supreme Court cautioned that sending the case back was not to suggest that the district court should reach a different conclusion. Rather, the Supreme Court vacated and remanded the attorney’s fees judgement to ensure that “that the court will evaluate the motion consistent with the analysis we have set out—giving substantial weight to the reasonableness of Wiley’s litigating position, but also taking into account all other relevant factors.”

SUPREME COURT

***Life Tech Corp. v. Promega Corp.* - Inducement Liability Does Not Require a 3rd Party**

On June 27, 2016, the Supreme Court of the United States (“Supreme Court”) granted certiorari in *Life Technologies Corp., et al., v. Promega Corp.* to consider whether the U.S. Court of Appeals for the Federal Circuit (“Federal Circuit”) erred in holding that supplying a single, commodity component of a multi-component invention from the United States is an infringing act under 35 U.S.C. § 271(f)(1), exposing the manufacturer to liability for all worldwide sales.

At issue in the case were five patents that claimed methods and kits for identifying DNA. Specifically, the claims regarding multiplex amplification of STR loci. Promega owned four of the patents and licensed the fifth. In 2006, Promega entered a non-exclusive licensing agreement with a subsidiary of Life Tech. Shortly thereafter, Promega brought an infringement suit alleging that Life Tech was selling kits covered under Promega’s patents but not under the license agreement. Life Tech argued that the license agreement allowed them use of all of the patents involved. Additionally, Life Tech filed counter claims that the patents were invalid.

35 U.S.C. §271(f)(1) states:

Whoever without authority supplies or causes to be supplied in or from the United States all or a substantial portion of the components of a patented invention, where such components are uncombined in whole or in part, in such manner as to actively induce the combination of such components outside of the United States in a manner that would infringe the patent if such combination occurred within the United States, shall be liable as an infringer. (emphasis added)

The jury of the U.S. District Court for the Western District of Wisconsin (“District Court”) found that Life Tech’s exportation of the single component from the United States met the threshold requirement of “all or a substantial portion of the components” to invoke the cause of action in 35 U.S.C. §271(f)(1). However, the District Court granted Life Tech’s motion for judgment as a matter of law, finding that Promega had insufficient evidence to reasonably support its case.

The Federal Circuit agreed with the jury and reversed the District Court’s ruling. The Federal Circuit held that “to actively induce the combination” does not require the involvement of a third party. Chief Judge Prost argued in the dissent that the Supreme Court has twice held that “inducement liability requires a third party.”

This case is particularly relevant for companies that distribute and manufacture in and out of the United States because the quantity or size of the component are immaterial, if the patent owner can show that the component is essential. This is significant because according to the Federal Circuit’s interpretation in this case, the patent owner can argue that every component that is covered by the claims is essential.

LEGISLATION

Patents for Humanity Program Improvement Act Passes U.S. Senate

On May 26, 2016, U.S. Senate Bill 1402 the Patents for Humanity Improvement Act (“S.1402”) passed in the U.S. Senate without amendment by unanimous consent. S.1402 was initially introduced in the Senate Judiciary Committee by Senator Patrick Leahy (D-Vt) along with co-sponsor Senator Charles Grassley (R-La).

The Patents for Humanity Program currently awards about 10 acceleration certificates per year to fast track either patent applications or ex parte patent reexamination hearings at the U.S. Patent and Trademark Office (“USPTO”) based on recognition of the patented technology’s underlying humanitarian benefits. For ex parte examination hearings, the acceleration means that the USPTO will aim for a timeline of six months from “certificate redemption to final disposition.” If the acceleration certificate is redeemed with respect to a patent application, the USPTO’s goal will be a final disposition in 12 months. To receive the acceleration certificate, inventors must apply to the program for consideration by a group of independent judges chosen from outside the USPTO.

The Patents for Humanity Improvement Act would allow for recipients of the accelerated certificate to transfer the award to third parties. Thus, recipients of the certificate would be able to forego use of the acceleration credit for their humanitarian invention and instead trade the credit to a more interested party. Senator Leahy argued that making the certificates transferable would increase the incentive for small businesses and independent inventors to develop humanitarian technologies, by allowing them to receive a cash benefit from the purchaser of the certificate.

Several intellectual property organizations, however, have expressed concerns that permitting the sale of such certificates could produce negative unintended consequences. The Intellectual Property Owners Association (“IPO”), for example, argued that allowing the certificates to be alienable would fast track applications for large companies, for technologies unrelated to the humanitarian inventions in the first place. Further, the IPO argued that this would be to the detriment of small businesses and start-ups who would consequently be subject to longer prosecution periods while their spots in line are cut in front of by the highest bidder.

After passing the Senate, S.1402 has since moved to the U.S. House of Representatives where it will need to pass with a majority vote and then avoid a Presidential veto in order to become law.

LEGISLATION

Trade Protection Not Troll Protection Act Introduced in the U.S. House of Representatives

On March 22, 2016, U.S. Representative Tony Cardenas (D-Ca) and U.S. Representative Blake Farenthold (R-Tx) introduced the Trade Protection Not Troll Protection Act (H.R.4829) in the U.S. House of Representatives. H.R. 4829 would amend the Tariff Act of 1930 with the goal of preventing Patent Assertion Entities (“P.A.E.”) from filing complaints with the U.S. International Trade Commission (“I.T.C.”) to block allegedly infringing foreign products from being imported into the United States.

The Tariff Act of 1930 provides that any U.S. patent holder may file a complaint with the I.T.C. to block the import of an allegedly infringing product where “an industry in the United States, relating to the articles protected by patent...exists or is in the process of being established.” The Tariff Act further specifies that an “industry” will exist where there is “...substantial investment in its exploitation, including engineering, research and development, or licensing...with respect to the articles protected by the patent...” Therefore currently, under subparagraph (C), P.A.E.s may bring a complaint to the I.T.C. to block the import of allegedly infringing goods by showing an industry exists for their patented article through licensing activities alone.

H.R. 4829 would remove the term “licensing” from subparagraph (C) of the Tariff Act and add a new subparagraph specifying that there must be “substantial investment in licensing activities that leads to the adoption and development of articles that incorporate the patent...” Representatives Cardenas and Farenthold have argued that this provision would require P.A.E.s to have a vested interest in developing the patented technology in order to file complaints with the I.T.C.

A similar proposal by Representatives Cardenas and Farenthold was introduced in 2014. That proposal failed to get off the ground after the I.T.C. issued a report showing that P.A.E. complaints filed with the commission was not on the rise but rather, actually remained relatively unchanged in recent years. Nevertheless, the proposal has received the support of major U.S. technology companies such as Apple, Google, and Hewlett Packard.

FEDERAL CIRCUIT

Indacon, Inc. v. Facebook: The Importance of the Specification and Prosecutorial History

On June 6, 2016, in the case of *Indacon, Inc. v. Facebook*, the United States Court of Appeals for the Federal Circuit (“Federal Circuit”) held that claim construction for the terms “alias,” “custom link,” “custom linking relationship,” and “link term” were limited to the definitions found in prosecution history and the application specification because these terms lacked an accepted meaning in the art.

In the U.S. District Court (“District Court”), Indacon alleged that Facebook infringed its patent directed towards a system and method for searching files in a database through the insertion of automatically generated hyperlinks. The District Court held that Facebook did not infringe the claims because a few key terms in the claim language have no plain or established meaning to one of ordinary skill in the art and, as such, cannot be construed broader than the disclosure in the application specification.

The Federal Circuit, upon determining that the ultimate construction of the claim is a question of law, proceeded with a *de novo* review and limited the review to intrinsic evidence. The Federal Circuit analyzed each term individually to determine the meaning that should be applied. Despite Indacon’s extrinsic examples encompassing a broader interpretation, the Federal Circuit reasoned that because the application specification gave the key terms a narrower definition, the broader extrinsic evidence would not be considered.

The Federal Circuit cited the case of *Irdeto Access, Inc. v. Echostar Satellite Corp.*, saying, “absent such an accepted meaning in the art, we construe a claim term only as broadly as provided for by the patent itself.” Additionally, the Federal Circuit looked to the prosecution history that provided additional support for the District Court’s construction of the important terms, citing the patentee using the narrower meaning of the claim language. Furthermore, the Federal Circuit argued, “the interested public has the right to rely on the inventor’s statements made during prosecution, without attempting to decipher whether the examiner relied on them, or how much weight they were given.”

This decision is significant because it shows the importance of the whole disclosure of the invention. This decision is further evidence that a court, absent an accepted meaning in an art, will limit claim language to the bounds described in the application specification and prosecutorial history as opposed to the standard used during prosecution of broadest reasonable interpretation.

FEDERAL CIRCUIT

***Synopsys, Inc. v. Mentor Graphics Corp.*: Federal Circuit Affirms PTAB’s Authority to Review Claims**

On September 26, 2012, in the case of *Synopsys, Inc. v. Mentor Graphics Corp.*, Synopsys, Inc. (“Synopsys”) filed a petition for an inter partes review (“IPR”) of twenty-nine claims of Mentor Graphics Corp.’s (“Mentor”) patent for locating coding errors in hardware and software. Synopsys alleged that the claims were anticipated or would have been obvious in light of U.S. Patent No. 6,132,109 (“Gregory”). After filing the petition for IPR, Synopsys acquired an entity which had been sued by Mentor more than one year prior. For this reason Mentor argued that Synopsys’ petition should be time barred. However, on February 22, 2013 the United States Patent Trial and Appeal Board (“PTAB”) instituted an IPR of Mentor’s patent.

The scope of the PTAB’s review had been narrowed to only include anticipation by Gregory. Additionally, the number of claims included in the review was reduced from 29 to 12. After an oral hearing, the PTAB found that three claims were anticipated by Gregory and denied Mentor’s motion to substitute amended claims. The PTAB reasoned that the motion was denied because Mentor failed to demonstrate general patentability over the prior art, including Gregory. Both parties appealed the PTAB’s decision. Synopsys argued that the PTAB erred by not finding two other claims to be anticipated by Gregory as well as not issuing a final decision regarding all of the claims raised in the IPR. Mentor challenged the PTAB’s refusal to admit the amended claims in addition to the PTAB’s holding that the petition was not time barred.

On February 10, 2016, the United States Court of Appeals for the Federal Circuit (“Federal Circuit”) affirmed the PTAB’s decision to not admit Mentor’s amended claims. The Federal Circuit found that Mentor, as the moving party, had “the burden to show entitlement to the relief requested” and did not show the amended claims to be patentable over the prior art. The Federal Circuit also refused to review the PTAB’s decision to find the IPR time barred, explaining that the decision to institute an IPR is not reviewable.

The Federal Circuit sustained the PTAB’s authority to review some but not all claims presented in a petition for an IPR. Noting that the United States Patent and Trademark Office (“USPTO”) has adopted a regulation, 37 C.F.R. § 42.108, allowing the PTAB to initiate an IPR “on all or some of the challenged claims,” the Federal Circuit stated that the “claim-by-claim approach” streamlines the operation of the USPTO making it better able to achieve a 1-year timeline for an IPR. Additionally, the Federal Circuit found that there was no “statutory requirement that the PTAB’s final decision addresses every claim raised in a petition for inter partes review,” citing only a requirement to “address claims as to which review was granted.”

The PTAB has the discretion of whether or not to institute an IPR based on “the reasonable likelihood that the petitioner would prevail with respect to at least one of the claims challenged.” The PTAB also has the discretion to limit the scope of the IPR to individual claims and methods of invalidity.

FEDERAL CIRCUIT

In re TLI Communications: Federal Circuit Distinguishes *Microsoft v. Enfish*

On May 17, 2016, the U.S. Court of Appeals for the Federal Circuit (“Federal Circuit”) issued its opinion in *In re TLI Communications*, which affirmed the U.S. District Court’s (“District Court”) ruling that a TLI Communications LLC (“TLI”) patent for a method of chronologically ordering digital photographs was not patentable subject matter under 35 U.S.C. §101. The Federal Circuit further clarified application step one of the Alice/Mayo framework which asks “are the claims directed to a patent-ineligible concept?”

The patent at issue in the case involved a method of taking photos on a mobile cell phone device, assigning “classification data” (such as a time stamp) to those photos, and then storing the photos with respect to that “classification data.”

The following is a representative claim:

17. A method for recording and administering digital images, comprising the steps of:

recording images using a digital pick up unit in a telephone unit, storing the images recorded by the digital pick up unit in a digital form as digital images, transmitting data including at least the digital images and classification information to a server, wherein said classification information is prescribable by a user of the telephone unit for allocation to the digital images, receiving the data by the server, extracting classification information which characterizes the digital images from the received data, and storing the digital images in the server, said step of storing taking into consideration the classification information.

The District Court held the patent invalid on §101 grounds, finding the claims directed to “the abstract idea of taking, organizing, classifying, and storing photographs.”

In affirming the District Court’s rejection, Judge Hughes, writing for the Federal Circuit, analyzed the patentability issue drawing on his opinion in *Microsoft v. Enfish*, which issued just five days earlier. That case held that a patent for a self referential database was not directed to an abstract concept because the self referential database structure improved the functioning and efficiency of the computer.

FEDERAL CIRCUIT***In re TLI Communications: Federal Circuit Distinguishes *Microsoft v. Enfish* (cont'd.)***

Conversely, the Federal Circuit found TLI's claims were not directed to "a specific improvement in computer functionality" but rather were directed at the abstract concept of "categorizing pictures chronologically." Instead of "improving the functioning of a computer," the Federal Circuit characterized the claims as "directed to the use of conventional or generic technology in a nascent but well-known environment." The Federal Circuit found particularly relevant the fact that the structural components in the claim, such as the "telephone unit" or the "server," were described in "purely functional" terms. As a result, the Federal Circuit concluded that the claims were not directed to an improved telephone unit, an improved server, or even an improved way to attach classification data to digital photos.

In following Microsoft's application of step 1 of the Alice/Mayo framework, the Federal Circuit also stressed that it was not following any sort of categorical approach. Rather, the Federal Circuit argued, that attaching "classification data" to images to store them in an organized fashion "is a well-established, basic concept" sufficient to fall under Alice step 1."



FEDERAL CIRCUIT

***Bascom v. AT&T* - Federal Circuit Reverses Motion to Dismiss on §101**

On June 27, 2016, the U.S. Court of Appeals for the Federal Circuit (“Federal Circuit”) delivered its opinion in *Bascom Global Internet Services, Inc. v. AT&T Mobility LLC*, holding that the U.S. District Court for the Northern District of Texas (“District Court”) erred in granting a motion to dismiss Bascom’s infringement claim due to a finding of patent ineligibility under §101. Instead, the Federal Circuit found that, when construed in favor of Bascom, the claims added an inventive concept “found in the ordered combination of claim limitations that transform the abstract idea of filtering content into a particular, practical application of that abstract idea.”

Bascom brought suit against AT&T for infringement of its remotely customizable internet filtration patent. Bascom’s patent claimed a “content filtering system” operating through an Internet Service Provider (“ISP”) server and requiring login credentials from each end user. While filtration systems had been configured through ISP servers before, none had ever used the login capability to allow for individualized blocking for each end user.

The District Court granted AT&T’s motion to dismiss Bascom’s complaint under Rule 12(b) (6) of the Federal Rules of Civil Procedure for failure to state a claim upon which relief can be granted. Specifically, the District Court found that Bascom’s claims were invalid as a matter of law under §101 because they were “directed to the abstract idea of ‘filtering content’,” and because all of the functions and components recited in Bascom’s claims were well known generic computer components.

The Federal Circuit agreed with the District Court that, under Step 1 of the Alice/Mayo framework, Bascom’s claims were directed to the abstract idea of filtering internet content. The Federal Circuit then held, under Step 2 of the Alice/Mayo framework, that the Bascom patent did add an inventive concept to the abstract idea of filtering content on the internet through its “non-conventional and non-generic arrangement of known, conventional pieces.” Specifically, the Federal Circuit emphasized that the District Court was too reductive in its step 2 analysis, noting that “The District Court’s analysis in this case, however, looks similar to an obviousness analysis. . .” The Federal Circuit instead found that the inventive concept in Bascom’s claims was in placing a filtering tool, able to handle customizable filtering for end users, at one central location.

In reaching this conclusion, the Federal Circuit additionally compared Bascom’s claims to past cases where it found that the claims failed to add an inventive concept. Particularly, the Federal Circuit noted that the claims do not preempt all ways of filtering content on the internet but rather “they recite a specific, discrete implementation of the abstract idea of filtering content.”



FEDERAL CIRCUIT

Federal Circuit Finds Technique Using Law of Nature Patent Eligible

On July 5, 2016, the U.S. Court of Appeals for the Federal Circuit (“Federal Circuit”) issued its opinion in *Rapid Litigation Management, Ltd. v. Cellzdirect, Inc.*, holding that claims for an improved process of preserving certain liver cells were patent eligible under §101 because the end result of the “new and useful” process claimed produced a tangible result distinct from “those categories of inventions that are ‘directed to’ patent ineligible concepts.”

Celsis In vitro, the predecessor in interest of Rapid Litigation Management, Ltd., received patent U.S. 7,604,929 (“’929”) for its cryopreservation method for certain liver cells. Previously, the conventional wisdom was that, after the cells were frozen once and then thawed, they could not be refrozen and thus had to be used immediately or discarded. Celsis In vitro, however, discovered that, not only could they refreeze and thaw those surviving cells successfully, but that, after doing so, those initial surviving cells behaved as though they had only been refrozen and thawed once. The ’929 patent recited the steps of separating the surviving cells from a previously frozen and thawed group, recovering those cells, and refreezing them such that, after thawing, there would be a survival rate among the remaining cells of 70%. However, in a suit for infringement, the U.S. District Court for the Northern District of Illinois found that the claims were directed to the law of nature that the cells “are capable of surviving multiple freeze-thaw cycles” and that the claims merely applied a well-known freezing process upon making that discovery.

The Federal Circuit however disagreed, finding that the ’929 patent was not directed to a patent ineligible concept under Step 1 of the Alice/Mayo framework. In so finding, the Federal Circuit emphasized that the claims themselves were not directed towards the “observation or detection” of the physical ability of the cells to survive multiple freeze-thaw cycles. Instead, the claims were directed at a “new and improved technique” that made use of that discovery and produced a “tangible and useful result.”

The Federal Circuit found that the ’929 patent was different from other method claims that it had found ineligible in the past, noting specifically that for those patents, “the end result of the process, the essence of the whole, was a patent-ineligible concept.” For example, in *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, the Federal Circuit found that method claims “for detecting paternally inherited cfDNA in the blood or serum of a pregnant female” were directed to a natural phenomenon. This was because, as the Federal Circuit reasoned, the end result of the method claims in *Ariosa* was merely the identification of the location of the natural phenomenon and was therefore patent ineligible. The ’929 patent however, went beyond observation and identification of natural phenomenon because, rather than just identifying physical characteristics of the cells, it was directed at a more efficient way of preserving them.



FEDERAL CIRCUIT

Federal Circuit Finds On-Sale Bar Generally Requires Transfer of Title

On July 11, 2016, the U.S. Court of Appeals for the Federal Circuit (“Federal Circuit”) held in *The Medicines Company v. Hospira*, that a research company’s contracting with a manufacturer for the production and storage of its medicine while seeking FDA approval did not trigger the “on-sale bar” under Pre-AIA 35 U.S.C. §102(b) for a product-by-process patent.

The Medicines Company (“MedCo”) developed a new compounding process for one of its drug’s Angiomax, an anticoagulant. In late 2006, MedCo contracted with Ben Venue to manufacture three batches of the drug using the new compounding method. In August 2007, MedCo released its first batch of the drug from quarantine for sale. On July 27, 2008, MedCo filed a product-by-process patent on the drug. Pre-AIA §102(b) specifies that “A person shall be entitled to a patent unless... (b) the invention was ... on sale in this country, more than one year prior to the date of the application for patent in the United States.” As a result, the validity of the patent turned on the question of whether MedCo’s dealings with Ben Venue put the product “on-sale.”

The U.S. District Court for the District of Delaware (“District Court”) found that the invention was not the subject of a commercial offer for sale, but rather, that the dealings between MedCo and Ben Venue were for “contract manufacturing services.” On its first hearing however, the Federal Circuit disagreed, finding that the on-sale bar was triggered by the arrangement with Ben Venue because it was “commercial exploitation” and that, actual transfer of title was not necessary to find that the on-sale bar applies. The Federal Circuit later granted a rehearing *en banc* on the issue.

The *en banc* Federal Circuit panel unanimously reversed the initial panel’s decision and instead held “ that the mere sale of manufacturing services by a contract manufacturer to an inventor to create embodiments of a patented product for the inventor does not constitute a ‘commercial sale’ of the invention.” Further, the Federal Circuit advised that “to be ‘on sale’ under §102(b), a product must be the subject of a commercial sale or offer for sale, and that a commercial sale is one that bears the general hallmarks of a sale pursuant to Section 2-106 of the Uniform Commercial Code,” which defines a “sale” as “the passing of title from the seller to the buyer for a price.” While the Federal Circuit refused to create a bright line rule that transfer of title is necessary to find that a product was on-sale under §102(b), it nevertheless noted that “the absence of title transfer [is] significant because, in most instances, that fact indicates an absence of commercial marketing of the product by the inventor.”



FEDERAL CIRCUIT

***Immersion Corp. v. HTC Corp.* - Federal Circuit Solidifies USPTO's Interpretation of Continuation Deadline**

On June 21, 2016, the U.S. Court of Appeals for the Federal Circuit (“Federal Circuit”) reversed and remanded a Delaware District Court (“District Court”) decision in *Immersion Corp. v. HTC Corp.*, which held that a continuation of a prior application may not claim priority to the earlier filed application if it is filed on the same day that the earlier application issues.

35 U.S.C. §120 provides that, under certain conditions, a patent may claim an earlier date of priority to a previous application “if filed before the patenting...of the first application.” Immersion Corporation (“Immersion”) filed its continuing application on the same date that the application which it was claiming priority had issued. In reversing the District Court, the Federal Circuit held that the term “before” as used in the statute should be interpreted as including the day of.

The Federal Circuit found that the provision’s interpretative history heavily favored including same day filing’s within the meaning of before. The adoption of §120 in the 1952 Patent Act was intended to codify the law as it was up to that point. Therefore, the Federal Circuit found especially relevant the 1864 U.S. Supreme Court case of *Godfrey v. Eames* which held that “if a party choose to withdraw his application for a patent . . . intending at the time of such withdrawal to file a new petition, and he accordingly does so, the two petitions are to be considered as parts of the same transaction, and both as constituting one continuous application, within the meaning of the law.”

Further the U.S. Patent and Trademark Office (“USPTO”) has read “before”, as it is used in §120, to include same day filings. Since 1961, every edition of the USPTO’s Manual of Patent Examining Procedure has explicitly stated that same day filing’s of continuations are sufficient under §120. The Federal Circuit also noted that, because of this long history of interpretation, to reverse the USPTO’s interpretation now would disrupt the priority dates of “more than ten thousand patents.”

While the Federal Circuit conceded that it’s interpretation of “before” as used in §120 might not be the most natural reading of the text, it stressed that, in light of the pre-enactment and post-enactment history of the statute, that interpretation was consistent with “longstanding judicial and agency interpretation.” Nevertheless, commentators have noted that, because the interpretation seems to be at odds with the plain textual meaning of the statute, the Supreme Court is more likely to grant a petition for certiorari and therefore could end up having the final say on the matter.



USPTO

USPTO Issues Examiner Guidance Memo on *Enfish v. Microsoft* and *In re TLI Communications*

On May 19, 2016, Robert W. Bahr, the Deputy Commissioner for Patent Examination Policy, issued a guidance memorandum to the United States Patent and Trademark Office's ("USPTO") patent examiner's explaining the impact of the U.S. Court of Appeals for the Federal Circuit's ("Federal Circuit") decisions in *Enfish v. Microsoft* ("Enfish") and *In re TLI Communications* ("TLI"). The memo characterized the cases as providing "clarification on the inquiry for identifying abstract ideas."

The memo stressed that examiners should look to claims already found to be abstract when determining whether a claim is directed to an abstract idea under Step 1 of the *Alice/Mayo* test for subject matter patentability. Specifically, the memo noted that the *Enfish* case clarified that "[i]n particular, a claim directed to an improvement to computer-related technology (e.g., computer functionality) is likely not similar to claims that have previously been identified as abstract by the courts." Similarly, to determine whether the claims are directed to an improvement in computer functionality, the memo noted that the Federal Circuit looked to the application specification and that those improvements need not be "defined by reference to 'physical' component." Rather, the improvements, as detailed in the application specification, could be "defined by logical structures and processes."

The memo further stated that the claims involved in *TLI* provided an instructive contrast for examiners when determining whether a claim is directed to an improvement in computer related technology. Whereas the claims in *Enfish* were directed to more flexible and efficient data processing, the claims in *TLI* were instead "directed to the abstract idea of classifying and storing digital images in an organized manner."

USPTO

USPTO Introduces Post-Prosecution Pilot Program

On July 11, 2016, the U.S. Patent and Trademark Office (“USPTO”) announced a new Post-Prosecution Pilot Program (“P3”) as an option for applicants in response to a final rejection. P3 can be found in the Federal Register Notice at <https://www.federalregister.gov/articles/2016/07/11/2016-16423/post-prosecution-pilot-program>.

Previously, applicants who received a final rejection from the USPTO had the option of either appealing the decision to the Patent Trial and Appeal Board (“PTAB”) or filing a Request for Continued Examination (“RCE”). However, appealing a final rejection can generally be a costly and lengthy process and there are high USPTO fees associated with filing a RCE. Generally, most applicants must pay a \$1,200 fee for their first RCE and \$1,700 if they file a second RCE.

Over the past decade, the USPTO has implemented two pilot programs to allow applicants more options upon receiving a final rejection notice, the Pre-Appeal Brief Conference Pilot Program (“Pre-Appeal”) and the After Final Consideration Pilot Program 2.0 (“AFCP 2.0”). The Pre-Appeal program allows for a patent applicant, who has already filed a notice of appeal to the PTAB, to have its rejections formally reviewed by a panel of examiners. The AFCP 2.0 allows applicants to submit a response for consideration by the examiner after receiving a final rejection if they also included one amendment to one of their independent claims. According to the USPTO, P3 is intended to combine some of the best aspects of these two programs.

P3 is therefore the USPTO’s third after final pilot program and it involves two main components. First, P3 allows for an after final response to be submitted by applicants for consideration by a panel of examiners, including the examiner of record. One of the advantages of P3 is that, unlike the Pre-Appeal program, P3 does not require applicants to first file a notice of appeal before requesting that they have their rejection reviewed. The response may be no more than five (5) pages and may propose non-broadening amendments. Second, P3 also allows for a conference between the applicant and the panel of examiners, wherein the applicant will have 20 minutes for an oral presentation. This presentation may either be done in person or remotely via telephone or video conference. The opportunity to make oral arguments to the panel of examiners is unique to P3, as it is not present in the Pre-Appeal program or the AFCP 2.0 program. Therefore, another one of the advantages of P3 is that it allows applicants to make their arguments, in person, to the examiner of record and two new examiners, who will be coming to the case with fresh eyes. Also, during the oral presentation, applicants may not present any matters which are petitionable to the director of the USPTO under 37 CFR 1.181. For example, arguing that the final rejection was premature would be petitionable.



USPTO

USPTO Introduces Post-Prosecution Pilot Program (cont'd.)

After the applicant has presented in the conference, the applicant will be excused to await a decision from the panel as to whether the final rejection will be upheld, the application will be allowed, or prosecution on the application will be reopened. If the final rejection is upheld, the applicant will receive a notice from the panel indicating which particular rejections the panel is maintaining and summarizing its reasons for maintaining the rejection. Further, a request to participate in P3 will not affect the normal six-month statutory period for responding to a final rejection, unless the prosecution is reopened or the application is allowed.

To qualify for P3, a patent application “must contain an outstanding final rejection and be (i) an original utility non-provisional application (including continuing applications) filed under 35 U.S.C. 111(a) or (ii) an international utility application that has entered the national stage in compliance with 35 U.S.C. 371.” Therefore, continuation and divisional applications will be eligible for participation in P3, while design, plant, and reexamination applications will not be. Additionally, requests to participate in P3 must be submitted before submitting a notice of appeal, no later than two months from the mailing date of the final rejection, and must include a statement that the applicant will participate in the conference. Requests to participate in the program require that an applicant submit a transmittal form, which can be found on the USPTO website at <http://www.uspto.gov/sites/default/files/documents/sb0444.pdf>. There is no required USPTO fee for applicants to request participation in P3. Further, a P3 submission cannot be made if an applicant has already made an AFCP 2.0 request or a Request for Continued Examination (“RCE”). If an applicant does file a notice of appeal or a RCE while P3 is in progress, it will immediately end P3 proceedings.

According to the USPTO, the goals of the program are to reduce costly appeals to the PTAB and to reduce the number of RCEs. P3 is effective immediately, and will continue until (1) January 12, 2017 or until (2) 1,600 compliant requests have been received by the USPTO, whichever occurs first. Additionally, each individual technology center will cease participation in the program after they have received 200 compliant P3 requests. However, the USPTO may also extend P3 if it proves successful, as it has done in the past with the Pre-Appeal program and the AFCP 2.0 program.



TRADEMARK

USPTO Proposes New Rules Aimed at Increasing Accuracy in the Trademark Registry

On June 22, 2016, the United States Patent and Trademark Office (“USPTO”) issued a notice of proposed rulemaking in the Federal Register which would require randomly selected trademark owners to submit evidence showing their continued use of the mark in at least one additional type of good or service per class. 15 U.S.C. §1058 (“section 8”) specifies that, to avoid cancellation of a registered mark, a registrant must submit affidavits to the USPTO asserting that its mark is still in use in commerce every 10 years following the date of registration. The new rules would empower the USPTO to request submission of this additional evidence from “up to 10%” of trademark holders submitting these required affidavits for registration renewal. Specifically, selected trademark holders could be required to submit “exhibits, affidavits or declarations, and such additional specimens of use as may be reasonably necessary for the USPTO to ensure that the register accurately reflects marks that are in use.”

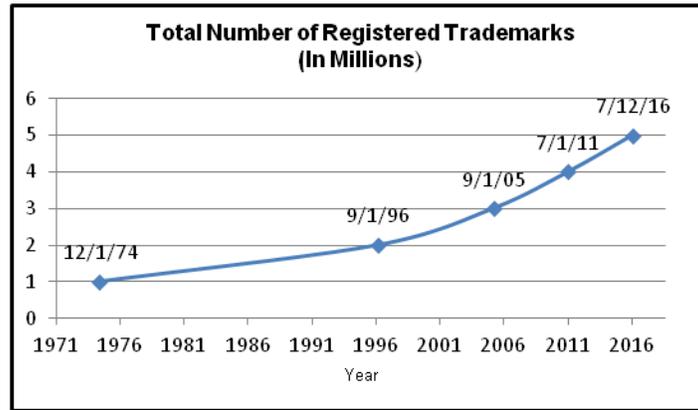
These proposed rules follow the “Post Registration Proof-of Use Pilot Program” announced by the USPTO in May of 2012 and concluded two years later. That program randomly selected 500 registrants who were submitting the required affidavits under section 8 to also submit proof of use for two additional goods and services claimed per class. At the conclusion of the pilot program, the USPTO found that 51% of the 500 randomly selected, were unable to produce the evidence of use for their selected claimed goods and services.

The new program proposed by the USPTO would increase these random audits to up to 10% of all annual section 8 affidavit submissions claiming multiple goods and services. The request for additional proof of use would take the form of an office action and the response would therefore be due six months from the office action’s issuance date. Notably however, unlike the pilot program, the USPTO’s notice of proposed rulemaking does not specify how many additional goods and services selected that registrants would be required to supply additional evidence for.

TRADEMARK

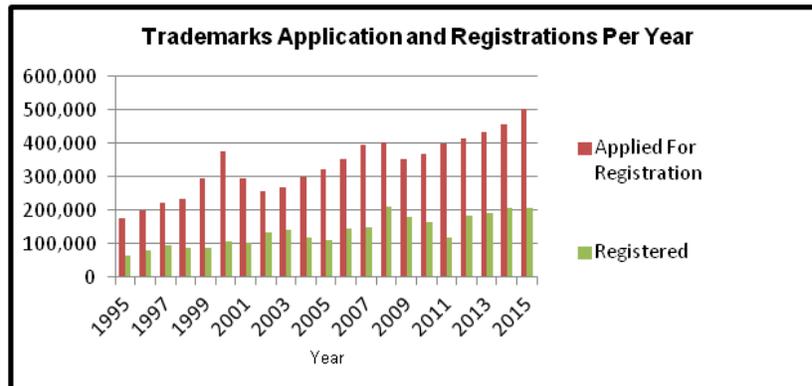
USPTO Issues Five Millionth Trademark Registration

On July 12, 2016, the U.S. Patent and Trademark Office (“USPTO”) issued the five millionth trademark registration. The issuance represents another milestone for the USPTO, which has registered trademarks at an increasing rate. The chart below highlights this increasing frequency. For example, while it took 20 years for the USPTO to go from 1 million registered trademarks to 2 million, in the next 20 years the USPTO has gone from 2 million to 5 million.



U.S.P.T.O. 2015 Performance and Accounting Report

The increase in the total number of registered trademarks follows the upward trend in the number of trademarks registered each year. As shown in the chart below, there were almost three times as many trademarks registered in the United States in 2015 as compared with 20 years earlier in 1995.



U.S.P.T.O. 2015 Performance and Accounting Report

FIRM NEWS**Staas & Halsey LLP Welcomes New Firm Attorney Alexander Slafkosky**

Staas & Halsey LLP is pleased to welcome its newest attorney (pending bar results), Alexander P. Slafkosky. Mr. Slafkosky has a Bachelor of Science in Engineering in Aerospace Engineering (B.S.) from the University of Maryland, College Park. He is a registered patent agent and holds a law degree (J.D.) from the University of Maryland, Francis King Carey School of Law. He is currently a member of the American Intellectual Property Law Association.

Mr. Slafkosky worked as a Law Clerk and a Summer Associate with Staas & Halsey since 2014. As a law clerk, Mr. Slafkosky was one of the key contributors to the firm's newsletters. He specializes in the preparation and prosecution of patent applications in the computer software, electrical engineering, and mechanical engineering fields. Prior to joining Staas & Halsey LLP, Mr. Slafkosky served as a Judicial Intern for the Honorable Paul A. Hackner, in the Anne Arundel Circuit Court.

As a student at the University of Maryland, College Park, Mr. Slafkosky served as Student Member for several competition teams. As a member of the RASC-AL Aerospace Concepts Competition Team, which focused on designing a multi-decade mission to explore and inhabit the lunar South Pole, he helped design the communications infrastructure and orbit selection for the lunar relay satellites. As a member of the RASC-AL Robo-Ops Competition Team, which focused on designing and building a remotely-controlled sample acquisition rover that could traverse different extraterrestrial environments, he helped design the robotic arm and control system to operate it. While at the university, he also served as a Student Research Assistant for the Alfred Gessow Rotorcraft Center, focusing on designing and validating propeller designs for micro air vehicles.



FIRM NEWS

SUMMER IN WASHINGTON, D.C.

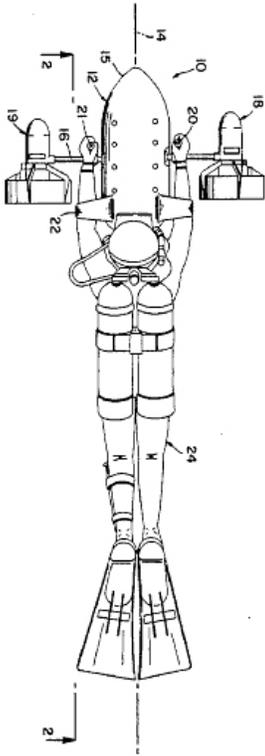


Welcome to the summer in Washington, D.C. Visiting our fair city at this time of the year means enjoying our museums which cater to all interests and ages. If you want to know how historic events changed the world, visit the Newseum, or perhaps James Bond is more your taste, then visit the Spy Museum where you can go on an actual spy mission. At the National Gallery of Art, you can view the Collection of artwork donated by Paul Mellon. He has donated various works of art including watercolors from Winslow Homer and Edouard Manet, paintings by Jean-Auguste-Dominique Ingres and Edgar Degas, a landscape by Vincent van Gogh, and a cubist painting by Pablo Picasso. If the poet Homer or Alexander the Great spark your interest, visit the National Geographic Museum and view their exhibit “The Greeks” spanning 5,000 years of Greek culture. And for those that want something a little different, Washington, D.C. has Madame Tussand’s Wax Museum. At this museum you can see all 44 U.S. Presidents and their wives, cultural icons such as Nelson Mandela and Marilyn Monroe or music and sports stars like Michael Jackson and Tiger Woods. And after a long day of walking our National Mall, you can sit on one of the many benches lining the mall or layout a blanket in one of the many parks in the area to rest or picnic or go to the many restaurants scattered around D.C.



FIRM NEWS

Celebrity Patent Inventor: James Francis Cameron



James Francis Cameron, Canadian born, is known to many as one of the most celebrated Hollywood directors of all time. His movies include international sensations such as *Alien*, *Terminator*, *The Abyss*, and *Titanic*. But the most famous of all his movies and the one that gave him an Academy Award for Best Picture, Best Editing and Best Director, is *Avatar*. Cameron, a truly gifted individual, is also known for his contributions to underwater filming and remote vehicle technologies. In 2012, he was the first person to do a solo descent to the bottom of the Mariana Trench in the *Deepsea Challenger* submersible.

In March 1991, Cameron along with his brother Michael, were granted U.S. Patent No. 4,996,938, an Apparatus for Propelling a User in an Underwater Environment. They developed this technology when filming his movie, *The Abyss*. He then used this technology to film parts of the movie *Titanic*. He later used it to film a documentary about the real *Titanic*. What this patented apparatus does is propel an individual, in this case a cameraman, through an underwater environment and provides support for the cameramen to position the hull assembly containing the camera equipment at the desired angular orientation for filming.

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