



# 2015 SPRING NEWSLETTER

## TABLE OF CONTENTS

### Supreme Court

1. [Supreme Court Issues CVSG Order in \*Oracle v. Google\*](#)
2. [Supreme Court Differentiates “Ultimate Question” of the Claim Construction and “Resolution of Subsidiary Factual Matters” in \*Teva Pharmaceuticals USA, Inc. v. Sandoz, Inc.\*](#)
3. [Supreme Court Reviews Patent Licensing in \*Kimble v. Marvel Enterprises\*](#)

### Federal Circuit

1. [Federal Circuit Says the Issue of Patentable Subject Matter Can Quickly be Decided on Motion to Dismiss in \*Ultramercial, Inc. v. Hulu, LLC\*](#)
2. [En Banc Federal Circuit Review of ITC Exclusion Order Based on Induced Infringement in \*Suprema v. International Trade Commission\*](#)
3. [Federal Circuit Sides with USPTO on First PTAB Appeal in \*In re Cuozzo Speed Technologies, LLC\*](#)
4. [Nautilus on Remand to Federal Circuit in \*Biosig Instruments, Inc. v. Nautilus, Inc.\*](#)

### USPTO

1. [USPTO Provides 8 Examples of Abstract Idea Analysis for Patent Eligible Subject Matter](#)
2. [Strategic Claim Drafting: Considerations for Potential Reduction of Pendency & Cost of Patent Prosecution by J. Randall Beckers & Elias V. Vargas](#)

### Patent Law

1. [United States Congress Proposes Patent Reform \(Again\)](#)

### Trademark Law

1. [United States & Japan Join 62 Other Jurisdictions in Hague System Membership for International Registration of Industrial Designs](#)
2. [Federal Circuit Clarifies That Service Mark “Use in Commerce” Requires More Than Mere Advertising in \*Couture v. Playdom, Inc.\*](#)

### Firm News

1. [StaaS & Halsey LLP Ranked in Top 20 U.S. Patent Firms for 2014](#)
2. [StaaS & Halsey’s Partner Recognized for 2015 UAB Excellence in Business Top 25](#)
3. [Spring Season in Washington, D.C.](#)



## SUPREME COURT

### SUPREME COURT ISSUES CVSG ORDER IN *ORACLE v. GOOGLE*

On January 12, 2015, the Supreme Court of the United States (“Supreme Court”) invited the U.S. Solicitor General to file a brief expressing the United States’ views on the copyright infringement case between Oracle and Google. The invitation means the Supreme Court is progressing closer to potentially hearing the case. The order was in response to Google’s petition for a writ of certiorari to review the decision by the U.S. Court of Appeals for the Federal Circuit (“Federal Circuit”). In part, the Federal Circuit held that the declaring code, structure, sequence, and organization of Oracle’s Java application programming interfaces (“APIs”) are copyright protected. Therefore, unless done in fair use, Google is liable for infringement from using a portion of Oracle’s API code in its Android mobile phone operating system.

If certiorari is granted, the Supreme Court may review whether a system or method of operation in a program is precluded from copyright protection; a question that Google contends should be answered in the affirmative. Related to the question is whether an API’s interoperability usage may be a factor in determining copyrightability. While the U.S. District Court held that interoperability did preclude copyright protection, the Federal Circuit stated that it was only an affirmative defense of fair use.

Regardless of the outcome, *Oracle v. Google* is likely to help shape the boundaries of software copyright protection and fair use, especially concerning APIs. However, it remains in contention whether greater or lesser copyright protection is better for the software industry.



United States Supreme Court in Summer



## SUPREME COURT

### SUPREME COURT DIFFERENTIATES “ULTIMATE QUESTION” OF THE CLAIM CONSTRUCTION AND “RESOLUTION OF SUBSIDIARY FACTUAL MATTERS” IN *TEVA PHARMACEUTICALS USA, INC. v. SANDOZ, INC.*

On January 20, 2015, the Supreme Court of the United States (“Supreme Court”) held that an appellate court should use a “clear error” standard of review, and not a *de novo* standard, when reviewing a U.S. district court’s “resolution of subsidiary factual matters” in the construction of a patent claim.

Sandoz, Inc. (“Sandoz”) and other generic drug producers submitted Abbreviated New Drug Applications (“ANDAs”) to the U.S. Food and Drug Administration (“FDA”) to produce generic versions of a drug patented by Teva Pharmaceuticals USA, Inc. (“Teva”). Teva sued Sandoz at the United States District Court for the Southern District of New York (“District Court”) for patent infringement. Sandoz argued that the phrase “molecular weight of 5 to 9 kilodaltons” was indefinite because the term “molecular weight” has multiple definitions (1) weight of most prevalent form, (2) simple mean, and (3) weighted average mean. The U.S. district court did not agree and held Teva’s patent valid. The United States Court of Appeals for the Federal Circuit (“Federal Circuit”) reversed the district court decision. In its review, the Federal Circuit reviewed the district court decision *de novo* (meaning the Federal Circuit will decide the issues without reference to the legal conclusions or assumptions made by the previous court that heard the case) and did not account for the district court’s fact findings. Teva appealed.

The Supreme Court held that the Federal Circuit must apply a “clear error” and not *de novo* review standards when reviewing a lower court’s “resolution of subsidiary factual matters” under the Federal Rule of Civil Procedure 52(a)(6). The Supreme Court explained that there is a difference between “ultimate question of the proper construction of patent” and “resolution of subsidiary factual matters.” More specifically, while the construction of patent claim language is an “ultimate question” for the judges at least when the words in those instruments are used in their ordinary meaning, courts may also have to resolve “subsidiary factual disputes” when conducting “evidentiary underpinnings” and “credibility judgments about the witness.” While the appellate court may review the “ultimate construction of a claim” by the district court judge *de novo*, a trial court’s resolution of “subsidiary factual matters” made while interpreting patent claims before making the decision on the ultimate interpretation should be reviewed for clear error, according to the Supreme Court.

Based on the reasoning, the Supreme Court held that a federal appellate court could overturn its lower court’s factual matters only when the lower court’s “resolution of factual matters” was found to be “clearly erroneous.” Federal Rules of Civil Procedure allows no exception, and the case at issue is not an outstanding exception to the rule.

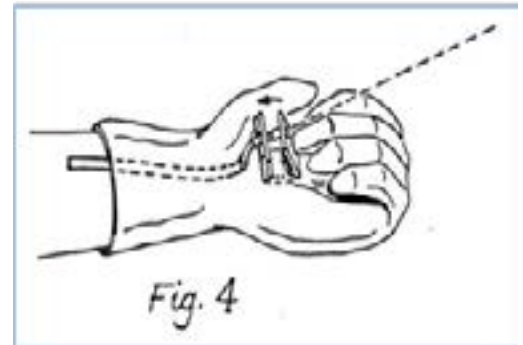


## SUPREME COURT

### SUPREME COURT REVIEWS PATENT LICENSING IN *KIMBLE v. MARVEL ENTERPRISES*

The Supreme Court of the United States (“Supreme Court”) heard oral arguments in *Kimble v. Marvel Enterprises* in March and is expected to issue its opinion within a few months. The Justices split on whether or not to overturn the fifty-year-old precedent *Brulotte v. Thys*. The Brulotte rule is a *per se* prohibition on royalty base payments for post-expiration use of the patented invention. Economists and patent scholars have strongly condemned the 1960’s Brulotte decision for its improper understanding of market forces, patent-monopoly power, and that risk shifting license agreements are potentially pro-competition and pro-innovation. Moreover, risk shifting license agreements where the licensee elongates the time frame for the royalty base, and in return gets a decreased royalty rate could be optimal for numerous business situations.

The dispute has nothing to do with Thor or any of the other Marvel comic-book characters – instead it centers on petitioner Kimble’s invention of a Spider-man web-blasting device. Kimble approached Marvel in the early 1990’s with the invention. Marvel had declined to do anything with the idea. However, several years later Marvel decided to incorporate the invention into some of its products. Kimble brought a breach of contract and patent infringement suit in 2001. Kimble and Marvel settled the case. In the settlement agreement, neither party addressed how nor even if the royalty payments would change when the patent expired.



In 2006, Marvel licensed the toy web-blaster to Hasbro, Inc., which caused another disagreement between Kimble and Marvel. Specifically, what, if any, royalty payments was Kimble entitled to under the settlement agreement. Kimble then filed suit in 2008, claiming that royalty payments were due as long as Marvel received revenue from web-blaster sales. Kimble even argued that the royalty payments were due after the patent expired. Marvel countered that Brulotte barred post-expiration royalty payments – especially so when the royalty-base rate, or anything else in the license agreement, indicates no change due to the expiration of the patent. The U.S. District Court agreed with Marvel – dismissing Kimble’s breach of contract claim. In 2013, the U.S. Court of Appeals for the Ninth Circuit affirmed, albeit reluctantly. It noted that it was bound to following the Supreme Court’s precedent, but also stated: “We acknowledge that the Brulotte rule is counterintuitive and its rationale is arguably unconvincing.” Kimble sought review in the Supreme Court – who granted certiorari last winter.

Intellectual Property commentators have varied predictions for how the Supreme Court will decide. It seems likely that the *pro se* rule of Brulotte will be thrown out because of its heavy focus on an economic harm rationale. Anti-trust law has strongly moved away from *pro se* rules since the 1960’s, in favor of a rule of reason analysis. Therefore, an updated rule for patent licensing would enable some version of post-expiration licensing. The issue then is: What type of post-expiration license royalty is acceptable and what rule determines? Commentators say the harder prediction is what the Supreme Court will put in Brulotte’s place.

We will report the Supreme Court decision when it issues this summer.



## FEDERAL CIRCUIT

### FEDERAL CIRCUIT SAYS THE ISSUE OF PATENTABLE SUBJECT MATTER CAN QUICKLY BE DECIDED ON MOTION TO DISMISS IN *ULTRAMERCIAL, INC. v. HULU, LLC.*

On November 14, 2014, the U.S. Court of Appeals for the Federal Circuit (“Federal Circuit”) affirmed the decision of the United States District Court for Central District of California (“District Court”) in favor of Hulu, LLC. (“Hulu”), noting that the District Court properly granted the motion to dismiss when Ultramercial’s patent was invalid for claiming an abstract idea that is not transformed into a patent eligible, specific application, even when “merely novel or non-routine components” are added.

Ultramercial, Inc. and Ultramercial, LLC (collectively “Ultramercial”) are the owners of the patent at issue, which claim a distributing method of copyrighted media over the Internet. Ultramercial sued Hulu, YouTube, LLC, and WildTangent alleging that their methods of distributing media infringed their patent at issue. The defendants filed a pre-answer motion to dismiss under Federal Rule 12(b)(6), and the District Court granted the defendants’ motion without formally construing the claims.

After a few reversals of the case and the Alice Corp. holding by the Supreme Court of the United States (“Supreme Court”), the Federal Circuit affirmed the District’s Court’s grant of the motion to dismiss. In its reasoning, the Federal Circuit applied the two parts test discussed in *Alice Corp. v. CLS Bank Int’l*: [1] Courts must first decide whether a patent at issue is directed to a patent-ineligible, abstract idea. [2] If so, courts must evaluate whether the claim’s elements transform the abstract idea into a specific, “inventive” application to be patent eligible. Applying the first step, the Federal Circuit held that the claims at issue were directed to an abstract idea and noted that a mere addition of “novel or non-routine components to the claimed idea” does not change the abstract idea to something concrete. Applying the second step, the Federal Circuit held that there was no inventive transformation of the abstract idea in the claim language because the claim language “simply instruct[s] the practitioner to implement the abstract idea with routine, conventional activity.” The Federal Circuit added that claiming the use of the Internet and “manipulations of ‘public or private legal obligations or relationships, business risks, or other such abstractions. . .’” are not sufficient transformation of the abstract idea to patent eligible applications.

In its decision, the Federal Circuit also allowed a defending party to file a motion to dismiss on the issue of patentable subject matter. This allows a defending party to challenge the patent at issue for patent ineligible subject matter shortly after the patent infringement suit is brought, which may significantly reduce the litigation costs in discovery and for a Markman hearing for claim construction. On the other hand, there remains a possible question whether quickly invalidating a patent claim without formally constructing the scope of the claim language will be an acceptable exception, although the Federal Circuit reasoned that the claim construction is not necessary when “a claim that is directed to an abstract idea does not move into § 101 eligibility territory by ‘merely requir[ing] generic computer implementation.’” *Id.* at 713 (quoting *Alice Corp. v. CLS Bank Int’l*, 134 S. Ct. 2347, 2357 (2014)).

## FEDERAL CIRCUIT

### EN BANC FEDERAL CIRCUIT REVIEW OF ITC EXCLUSION ORDER BASED ON INDUCED INFRINGEMENT IN *SUPREMA v. INTERNATIONAL TRADE COMMISSION*

The U.S. International Trade Commission (“ITC”), while it applies patent law often, derives its power from the Tariff Act, 19 U.S.C. § 1337. Section 337 is a trade statute, designed to protect United States economic and business interests from unfair trade practices. One of those unfair trade practices is defined under 19 U.S.C. 1337(a) (1) (B) as: “The importation into the United States ...of **articles that infringe** a valid and enforceable United States patent.”

On May 13, 2015, the *en banc* United States Court of Appeals for the Federal Circuit (“Federal Circuit”) sat to determine whether the ITC can rely on 35 U.S.C. 271(b) to support an exclusion order. The technology at issue relates to biometrics, specifically fingerprint scanners. Cross Match (patentee) asserted in its ITC complaint that Suprema (Korean manufacturer) induced infringement by Mentalix (U.S. buyer of Suprema’s product). The ITC found that Suprema’s fingerprint scanner was incapable of directly infringing Cross Match’s patent when imported into the United States without any software. The ITC also found that Mentalix used Suprema’s product with its software in a way that directly infringed Cross Match’s patent. Further, the ITC found that Suprema was willfully blind to Cross Match’s patent and of Mentalix’s activities – the requisite intent for 271(b) culpability. Lastly, the ITC determined that it could exclude Suprema’s products from importation because of Suprema’s 271(b) culpability, even though the direct infringement occurred after the product entered the United States. The ITC then issued an exclusion order that would bar any further importation of Suprema’s products and it issued a cease and desist order to Mentalix from selling Suprema’s products with its software package.

Suprema and Mentalix appealed to the Federal Circuit, and in late 2013 the Federal Circuit (sitting in the usual 3-member panel) reversed the ITC. That panel determined that the ITC cannot exercise its exclusion power under a theory of induced infringement without an article that directly infringes. The panel looked to the statute for the meaning of “articles that infringe.” The majority of the panel determined that it was unambiguous that Congress meant for the ITC to only have power to exclude articles under 271(a)’s direct infringement or 271(c)’s contributory infringement.

Cross Match appealed to the whole Federal Circuit that, in turn, granted review *en banc*, vacated the panel decision, and led to this month’s oral arguments. The Federal Circuit judges split on what issues were worrisome:

- (1) Is the statute ambiguous?
- (2) If not – what is the meaning of articles that infringe?
- (3) If so – was the ITC rule reasonable under the Chevron doctrine?

In either event, the judges could not agree on which interpretation was correct. Some judges were worried about creating an exception for products that almost practice the invention but would be able to circumvent ITC regulation at the border, while other judges were worried about blocking importation of literal non-infringing products.

The Federal Circuit is expected to issue its *en banc* decision in 4-6 months.



## FEDERAL CIRCUIT

### FEDERAL CIRCUIT SIDES WITH USPTO ON FIRST PTAB APPEAL IN *IN RE CUOZZO SPEED TECHNOLOGIES, LLC.*

On February 4, 2015, the U.S. Court of Appeals for the Federal Circuit (“Federal Circuit”) issued its opinion *In re Cuozzo Speed Technologies, LLC*, the first appeal of a U.S. Patent and Trademark Office (“USPTO”) *Inter Partes* Review (“IPR”) final decision. Affirming for the USPTO, the Federal Circuit held that (1) the court is precluded from reviewing any decision to institute IPR, and (2) the USPTO Patent Trial and Appeal Board (“PTAB”) may apply the broadest reasonable interpretation standard in IPR proceedings.

Following a petition by Garmin International, Inc. and Garmin USA, Inc. (collectively, “Garmin”), the USPTO instituted an IPR for multiple claims in a patent assigned to Cuozzo Speed Technologies (“Cuozzo”). The IPR proceedings concluded with the PTAB issuing a final decision, stating the claims were obvious, and denying Cuozzo’s motion to amend. Cuozzo responded by appealing to the Federal Circuit, arguing that (1) the IPR proceedings were improperly instituted because the USPTO relied on prior art not identified in Garmin’s petition for IPR, and (2) the USPTO lacked authority to apply the broadest reasonable interpretation standard in IPR proceedings due to the American Invents Act (“AIA”).

In agreeing with the respondent, the USPTO, the Federal Circuit held that 35 U.S.C. § 314(d) prohibits review of any decision to institute an IPR, including after final IPR decisions. First, the Federal Circuit cited *St. Jude v. Volcano Corp.* in which § 314(d) was held to bar review of decisions to institute an IPR, prior to final IPR decisions.<sup>1</sup> Next, the Federal Circuit stated that the language of § 314(d), in declaring IPR decisions as “final” and “non-appealable,” cannot be reasonably interpreted to allow review after final IPR decisions. Additionally, because § 319 and § 141(c) already bar review prior to final IPR decisions, the Federal Circuit noted that § 314(d) must bar review after final IPR decisions to avoid statutory redundancy. The Federal Circuit did not address whether an IPR review may ever be sought by mandamus after the PTAB’s final decision. However, in the present case, mandamus was inappropriate because there was no “clear and indisputable right that precludes institution of the IPR proceedings.” The Federal Circuit said it was not clear whether stating the invalidity of a dependent claim in Garmin’s petition necessarily implicates the invalidity of all other claims it depends on.

Furthermore, the Federal Circuit agreed with the USPTO that the broadest reasonable interpretation standard was appropriate in IPR proceedings. Because the AIA statute does not mention or indicate any change to claim construction standards, the Federal Circuit stated that Congress implicitly adopted the standard previously used by the USPTO, the broadest reasonable interpretation standard. Additionally, the standard was extended to use in IPRs because IPRs are not materially different from other USPTO proceedings. The Federal Circuit explained that IPRs provide patent owners the opportunity to amend, like other USPTO proceedings, and are similarly adjudicatory in nature to Interference proceedings. Even if Congress did not adopt the broadest reasonable interpretation standard, the Federal Circuit held that the USPTO had rule making authority under the AIA provision, § 316. By using the Chevron framework, the Federal Circuit affirmed the USPTO’s authority to determine the IPR claim construction standard.<sup>2</sup>

Implications from Cuozzo include the PTAB’s final authority to initiate IPR proceedings without appeal to the Federal Circuit. Additionally, the broadest reasonable interpretation standard remains appropriate to PTAB proceedings on the grounds that it is allowed by congressional intent and the USPTO’s rule making authority. However, the question remains whether mandamus may be available to challenge decisions to implement IPR in some circumstances.

<sup>1</sup> *Jude Med., Cardiology Div., Inc. v. Volcano Corp.*, 749 F.3d 1373, 1375-76 (Fed. Cir. 2014)

<sup>2</sup> *Chevron, U.S.A. v. Natural Res. Def. Council, Inc.*, 467 U.S. 837, 842 (1984)



## FEDERAL CIRCUIT

### NAUTILUS ON REMAND TO FEDERAL CIRCUIT IN *BIO SIG INSTRUMENTS, INC. v. NAUTILUS, INC.*

Last summer, Staas & Halsey LLP reported that the Supreme Court of the United States (“Supreme Court”) had issued its opinion in the *Biosig Instruments, Inc. v. Nautilus, Inc.* patent case. In that opinion, the Supreme Court rejected the prevailing United States Court of Appeals for the Federal Circuit (“Federal Circuit”) standard for definiteness. 35 U.S.C. § 112 (b) (AIA, ¶2 for pre-AIA) mandates that a patent must “conclude with one or more **claims particularly pointing out and distinctly claiming** the subject matter which the applicant regards as [the] invention.” Formerly, the legal catch-phrase was whether the patent claim terms were not “amenable to construction” or that they were “insolubly ambiguous.”

#### The Supreme Court Ruling:

The Supreme Court determined that either the standard was too low or that the catch-phrases could seriously mislead lower courts in determining what level of specificity was required by § 112. Therefore, the Supreme Court announced a new standard. Patent claims are invalid for indefiniteness “if its claims, read in light of the specification delineating the patent, and the prosecution history, fail to inform, with reasonable certainty, those skilled in the art about the scope of the invention.” The Supreme Court then vacated and remanded the case back to the Federal Circuit for a rehearing to apply the new rule.

#### On Remand:

On April 27, 2015, after hearing the case on remand from the Supreme Court, the Federal Circuit has issued its decision interpreting the new standard. The Federal Circuit did not answer whether the Supreme Court had increased the level of precision required of patentees. It did, however, offer this nautical explanation: “The [Supreme] Court accordingly has modified the standard by which lower courts examine allegedly ambiguous claims; we now steer by the bright star of reasonable certainty, rather than the unreliable compass of insoluble ambiguity.” The Federal Circuit made clear that the new standard focuses on **reasonable certainty**. Further, the Federal Circuit discussed how a panel of its members and Judge Bryson (sitting by designation in Texas) had little problems applying the new reasonable certainty test. In both instances, the Federal Court integrated prior Federal Circuit case law. Lastly, as explained below, the Federal Circuit found that the claims were not invalid because they did “not run afoul ‘of the innovation-discouraging zone of uncertainty’ against which the Supreme Court has warned.”

Biosig’s invention is to an improved heart-rate monitor, where the user holds onto a bar that has sensors to register electrical signals from muscles. Prior art heart-rate monitors used with exercise equipment were often inaccurate in measuring the electrical signals for each heartbeat generated (electrocardiograph or ECG signals). Other *electrical signals (electromyogram or EMG signals) generated by a user’s skeletal muscles were the primary cause of inaccuracy. The EMG signals mask ECG signals. Biosig’s invention solves the problem of masking interference by filtering out the EMG signals. Filtering was accomplished by recognizing that EMG signals from both the right and left hand have the same polarity, whereas ECG signals from each hand are opposite the other.*



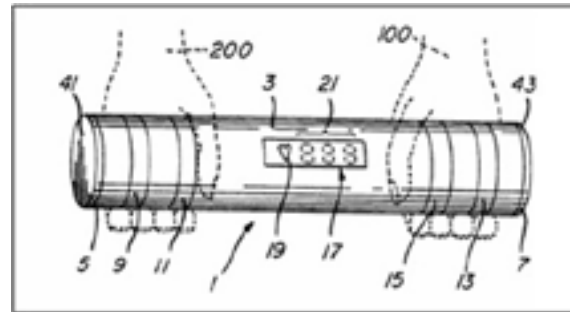


FEDERAL CIRCUIT

NAUTILUS ON REMAND Con't.

At issue was whether or not the term “spaced relationship” was indefinite. The Federal Circuit determined that the term **spaced relationship**, informed by the claims, the specification, the prosecution history, and extrinsic evidence, was reasonably certain to inform those skilled in the art. First, the Federal Circuit found that the spaced relationship was constrained by the whereby clause – the spacing was dictated by what relative location would ensure EMG signal cancellation. Second, the Federal Circuit found that the specification and prosecution history supported the claim limitation. The patentee had filed affidavits during reexamination prosecution detailing how one skilled in the art would use several parameters to determine the size, location, and material for a given exercise machine.

For example, the spaced relationship for an exercise bike would be different than what the spaced relationship a treadmill would require. The Federal Circuit noted that breadth alone cannot make a claim term indefinite. In this case, the claim term had well-understood limits. The **spaced relationship** of the electrodes could not be so close together as to touch (making one node). Nor could the electrodes be farther apart than the human hand (the person’s hand must be in contact with both electrodes at the same time). Therefore, the Federal Circuit found that the claim was not indefinite under § 112.



Patent No. 5,337,753, Figure 1

Claim 1 is representative:

- (a) A heart rate monitor for use by a user in association with exercise apparatus and/or exercise procedures, comprising: an elongate member; said elongate member comprising a first half and a second half;
- (b) electronic circuitry including a difference amplifier having a first input terminal of a first polarity and a second input terminal of a second polarity opposite to said first polarity;
- (c) a first live electrode and a first common electrode mounted on said first half **in spaced relationship** with each other;
- (d) a second live electrode and a second common electrode mounted on said second half **in spaced relationship** with each other;
- (e) said first and second common electrodes being connected to each other and to a point of common potential;
- (f) whereby [EMG signals on the electrodes are cancelled out].



## USPTO

### USPTO PROVIDES 8 EXAMPLES OF ABSTRACT IDEA ANALYSIS FOR PATENT ELIGIBLE SUBJECT MATTER

On December 16, 2014, the United States Patent and Trademark Office (“USPTO”) issued the “2014 Interim Guidance on Patent Subject Matter Eligibility” (“Guidance”) in light of decisions by the U.S. Supreme Court (“Supreme Court”), including *Mayo*, *Myriad*, and *Alice Corp.* The USPTO also issued Examples on January 27, 2015. There are eight (8) examples of USPTO’s interpretation of subject matter eligibility under 35 U.S.C. 101 with regard to evaluating whether a patent application claim is directed to an abstract idea.

The Supreme Court decision in *Alice Corp vs. CLS Bank*, issued on June 19, 2014, invalidated a computerized method of managing risk in financial trading. The US PTO Examples provide fact patterns tracking recent court cases after the Supreme Court *Alice Corp* decision, with claims that are indicated as patent eligible and ineligible.

The USPTO Guidance and Examples should aid Examiners as well as Applicants in determining whether a patent application could be directed to an abstract idea in light of these recent court decisions. The USPTO also provides examples analyzing claims reciting or involving laws of nature, natural phenomena and/or natural products.

Applicants may consider referencing the USPTO Guidance and Examples when drafting patent application claims as well as during prosecution of pending patent applications, with the caveat that recent court decisions continue to change the landscape of patent eligible subject matter.



United States Patent and Trademark Office in the summer.

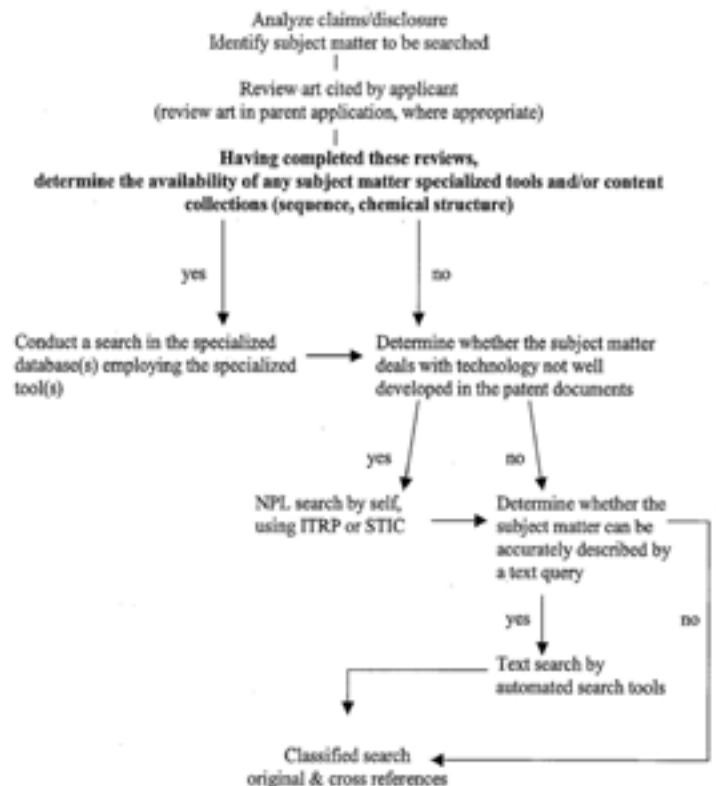
USPTO

STRATEGIC CLAIM DRAFTING: CONSIDERATIONS FOR POTENTIAL REDUCTION OF PENDENCY & COST OF PATENT PROSECUTION

A patent is not enforceable until it is issued and the patent application is prosecuted during the potentially enforceable period. As a result, a reduction in application pendency can increase the value of a patent by effectively increasing the enforceability period. Patents are also expensive to obtain and a reduction in pendency may also reduce costs.

Strategic claim drafting may improve the likelihood that an Examiner will conduct a thorough prior art search during a first Office Action on the merits of an application, so that pendency can be reduced. A thorough first Office Action search may decrease the probability that an Examiner will find additional relevant prior art following a response, resulting in either an allowance or a Final Action that may be appealed. Therefore, strategic claim drafting may save attorney time, reduce pendency and save costs while reducing a need for continued examination.

MPEP section 904 governs the material, scope and execution of a prior art search conducted by an Examiner. Specifically, an Examiner “after having obtained a thorough understanding of the invention disclosed and claimed in [a] nonprovisional application, then searches the prior art as disclosed in patents and other published documents, i.e. nonpatent literature (NPL).” An Examiner’s analysis of the claims requires the broadest reasonable interpretation consistent with the specification and encompasses variant embodiments within the scope of the claims, equivalents and analogous arts (*In re Morris*, 127 F. 3d 1048, 44 USPQ 2d 1023 (Fed. Cir. 1997); MPEP 904.01(a)-(c)). Furthermore, in planning a prior art search, an Examiner must (a) identify the field of search; (b) select the proper tool(s) to perform the search; and (c) determine the appropriate search strategy for each search tool selected (MPEP 904.02, General Search Guidelines). MPEP 904.02(b) illustrates an example search decision tree process an Examiner may undertake as follows:



However, Examiners may not always adhere to the MPEP search guidelines resulting in additional relevant prior art being cited after a response to a first Office Action. Instead, because of workload and other considerations, many Examiners may only search the prior art based on the independent claims using independent claim “buzzwords” or “keywords” while ignoring or paying less attention to the inventive concepts and the subject matter dependent claims.



## USPTO

### STRATEGIC CLAIM DRAFTING Con't.

The objective of strategic claim drafting is to try and encourage an Examiner to conduct a thorough prior art search during a first Office Action through a plurality of independent claims of broad, intermediate and narrow scope. A scope or search, that when updated subsequent to a response, may result in finding no additional relevant prior art.

A broad independent claim can produce a wide field of search and provide all prior art relevant to the broadest aspects of the inventive subject matter. Such a broad independent claim is designed to elicit prior art completely addressing the broad scope of the subject matter. It likely will produce art relevant to intermediate claims. Strategically, once a broad scope of prior art has been elicited, the broad claim can be cancelled in response to a first Office Action. The effect of cancelling the broad independent claim may engender an environment of cooperation, resulting in a cooperative and responsive Office and predisposing an Examiner to a helpful and non-confrontational examination.

A narrow independent claim may produce a focused and deep search by providing detailed search criteria, e.g. the color of an invention. The deep search may uncover all prior art relevant to the most detailed aspects of the inventive subject matter. Such a narrow claim may also be allowed. Such an allowance has the potential to turn the dialog with the Examiner from one about whether anything is patentable to one about what is patentable. Increased specificity may effectively render the narrow independent claim unenforceable but it may also strategically be cancelled during prosecution.

Two or more independent claims of intermediate scope are also recommended. These claims may be designed to cover the specifics of an actual product. The two or more intermediate claims may produce search information including all prior art relevant to the core of the invention and the actual desired scope of the claims.

Thus, the broad and narrow independent claims force an Examiner to conduct an extensive and exhaustive search whereby a subsequent search should uncover very little, if any, prior art. The intermediate claims can then be amended as needed based on a "closed universe" of the search results. This may remove the need for a costly and time consuming Request for Continued Examination (RCE). This may also reduce the pendency from a final resolution of the use of patentability.

In some cases, the broad independent claim may be followed by two sequentially and significantly more narrow dependent claims to encourage to Examiner to focus on particular prior art which may result in an allowance with a very broad independent claim. In addition, it may be beneficial to draft a new broader or narrower claim, during prosecution as applicable, providing additional coverage for the invention which may cause the Examiner to adjust his or her interpretation of the pending claims in light of the new claim and shift his or her focus to more important features of the invention.

Hence, strategic claim drafting may save time and resources while reducing subsequent non-final Office Action rejections, requests for continued examination and pendency.

Please note that this article is not intended to be a recommendation but rather an attempt to suggest ways to think more deeply about a very important aspect of patent application preparation, claim drafting.



## PATENT LAW

### UNITED STATES CONGRESS PROPOSES PATENT REFORM (AGAIN)

Representative Goodlatte (R – VA) reintroduced his patent reform bill: the Innovation Act<sup>1</sup> on February 5, 2015. The previous version successfully passed the U.S. House of Representatives in 2013, before it stalled in the U.S. Senate. Commentators predict that the outlook for this legislative reform is not whether it will pass, but what scope the resulting reform takes on.

The proposed bill changes or adds provisions to the Patent Act affecting litigation, post-grant proceedings, and pleading requirements. Goodlatte has commented that the changes are designed to ensure that fewer meritless lawsuits are filed or, if they are, the unreasonable party is punished. How does the Innovation Act attempt to complete these objectives?

- **Cost Shifting including Attorney Fees.** – The bill would award to prevailing parties the cost of litigation unless the position and conduct of the non-prevailing party were reasonably justified in law and fact. If the losing party is unable to pay, the court may make recovery available against a joined “interested party.”
- **Disclosure of Real Party-in-Interest.** – The bill would require disclosure to the court, the United States Patent and Trademark Office, and adverse parties in infringement suits to disclose the assignee, entity with right to sublicense or enforce patent, entity with financial interest in patent or plaintiff (ownership or control > 5%), and ultimate parent company.
- **Stays of Litigation Against End Users.** – Required where customer is sued along with or a separate action on the same patent is brought against the manufacturer
- **Heightened Pleading Standard for Patent Infringement.** – Requires pleading each asserted claim, alleging infringing product, and theory of how accused product infringes each claim limitation.
- **Post-Grant Review Correction.** – Eliminates “reasonably could have raised” estoppel for subsequent proceedings, so that petitioner-defendant may later argue items they did not raise in post-grant review at the U.S. Patent and Trademark Office (“USPTO”).
- **Inter Partes Review & Post Grant Review Correction.** – Requires the USPTO to use the district court claim construction.
- **Restructuring Discovery and Discovery Fee Shifting**
- **Codifies Doctrine of Double Patenting for First-Inventor-To-File patents.**

---

1 *Innovation Act, H.R. 9, 114th Cong., 1st Session*



## TRADEMARK LAW

### UNITED STATES & JAPAN JOIN 62 OTHER JURISDICTIONS IN HAGUE SYSTEM MEMBERSHIP FOR INTERNATIONAL REGISTRATION OF INDUSTRIAL DESIGNS

The United States and Japan have joined the Hague System for International Registration of Industrial Designs. The nations acceded by depositing official instruments at the World Intellectual Property Organization (“WIPO”) headquarters in Geneva. According to WIPO statistics for 2013:

- Applicants from the United States formed 8.2% of the world design applications,
- Applicants from Japan formed 4.7% of the world design applications,
- Design filings in the United States represented 3.8% of world design filings, and
- Design filings in Japan represent 4.7% of world design filings.

United States membership takes effect on May 13, 2015. Japan is expected to become a member around that date as well. Of note in the 62 other jurisdictions: the European Union (and most individual European Countries) and South Korea – with Canada, China, and Russia among countries considering membership.

In the United States, the Hague System was enacted on December 18, 2012 in the Patent Law Treaties Implementation Act of 2012 (“PLTIA”). The PLTIA amended the Patent Act to create a new international design application that entitles United States applicants to request design protection in the contracting states of the Hague Agreement. Likewise, applicants from other contracting states can designate the United States. Once in the United States Patent and Trademark Office (“USPTO”), the application will be examined as a standard design patent application. An important difference is that the patent term is changing from 14 years to 15 years. Further, for the first-time, provisional rights will accrue from the publication of the international design application and a substantially similar issued U.S. design patent that claims priority to that international design application.

Deputy Under Secretary for Commerce for Intellectual Property and Deputy Director of the USPTO Michelle K. Lee said, the “U.S. accession to the Geneva Act of the Hague Agreement will provide applicants with the opportunity for improved efficiencies and cost savings in protecting their innovative designs in the global economy.” This is possible by the single filing format – either in Geneva, Switzerland or at the USPTO. Moreover, international applications can claim up to 100 designs – although the USPTO will likely issue a restriction requirement in any entering applications with multiple designs.

Looking forward, Staas & Halsey LLP agrees completely with Deputy Director Lee - “We are extremely excited about joining the Hague Union and contributing to the continued expansion and development of the Hague system which facilitates protection of industrial designs in design registration and examination systems alike.” We will follow and report the issuance of the Final Rules governing USPTO processing and examination of international design applications.



## TRADEMARK LAW

### FEDERAL CIRCUIT CLARIFIES THAT SERVICE MARK “USE IN COMMERCE” REQUIRES MORE THAN MERE ADVERTISING IN *COUTURE v. PLAYDOM, INC.*

On March 2, 2015, the U.S. Court of Appeals for the Federal Circuit (“Federal Circuit”) affirmed the U.S. Patent and Trademark Office (“USPTO”) Trademark Trial and Appeal Board’s (“TTAB”) decision to cancel David Couture’s (“Couture”) “PLAYDOM” service mark registration, holding that mere advertising of the PLAYDOM name or mark does not constitute “use in Commerce”<sup>1</sup> and was therefore not sufficient for the grant of a U.S. service mark registration. The Federal Circuit stated that under Section 1(a) of the Lanham Act (the U.S. trademark statute), the “use in Commerce” requirement for service mark registration is only satisfied when a mark “is used or displayed in the sale or advertising of services *and* the services are **rendered** in commerce...” 15 U.S.C. § 1127 (emphasis added). Consequently, failing to satisfy this use requirement, as defined herein, prior to filing a use-based application in the USPTO can result in the voiding of the application and the cancellation of the resulting registration.

Prior to filing the application to register the “PLAYDOM” service mark in 2008 for his services of writing and production for motion picture film, television, and new media, Couture created a website under the “PlaydomInc.com” domain name which featured the domain name as a mark on that page but consisted of only the landing or home page and displayed a notice that the website is “under construction.” As such, the TTAB found that the website merely advertised “[Couture’s] readiness, willingness and ability to render his services but none of his services were actually “rendered” until 2010. Since the use in Commerce requirement was therefore not satisfied when Couture filed his service mark application in 2008, the TTAB considered Couture’s application void *ab initio* (Latin for “from the beginning”) and the registration canceled since it never should have issued. The Federal Circuit also upheld the TTAB’s refusal to permit Couture to amend its registration to allege use after 2010 since U.S. trademark law does not permit a basis for registration to be changed once the application has registered.

While the Federal Circuit’s holding that services must be rendered in addition to being advertised to constitute “use in Commerce” under U.S. trademark law was expected based upon some other TTAB and federal court cases, this case was the first opportunity for the leading U.S. federal court for intellectual property law, the Federal Circuit, to determine the threshold level of service mark usage necessary for a federal registration. There may still be some questions about the meaning of “rendering a service,” but the Federal Circuit has clearly stated that it requires more than merely advertising one’s willingness or capability for performing the service. As this case illustrates, determining if a mark is “in use” within the meaning of U.S. trademark law can be a tricky legal issue and mostly unique to the United States. Misunderstanding this legal issue could result in serious consequences, such as the loss of a registration for a mark or possibly even the loss of all rights in the mark. The attorneys in Staas & Halsey’s trademark group therefore encourage our clients and international associates to consult with us about any questions concerning the use of a mark under U.S. law.

<sup>1</sup> “Commerce” refers to U.S. Commerce which Congress may regulate which is limited to interstate commerce, commerce occurring in U.S. territories and commerce between the U.S. and any foreign nation.



## FIRM NEWS

### STAAS & HALSEY LLP RANKED IN TOP 20 U.S. PATENT FIRMS FOR 2014

Staas & Halsey LLP was recently ranked in the top 20 U.S. patent firms for 2014 by Intellectual Property Today magazine. For 10 consecutive years, the firm has been ranked in the top 20 law firms for patents throughout the United States. These rankings are consistent with the firm's ability to tailor our representation to fit our client's intellectual property (IP) needs. Our priority is to provide seamless service, technical understanding, and the IP legal solutions that are creative as well as effective.



Staas & Halsey LLP at 1201 New York Avenue, N.W.

### PARTNER RECOGNIZED FOR 2015 UAB EXCELLENCE IN BUSINESS TOP 25



The University of Birmingham National Alumni Society awarded the 2015 UAB Excellence in Business Top 25 to James Randall Beckers, a partner with the firm for more than 25 years. The University of Alabama, Birmingham annually recognizes the impact and success of top UAB Alumni and their businesses. UAB acknowledged Mr. Beckers for his many personal contributions and business achievements.

As a partner with Staas & Halsey LLP, Mr. Beckers' main focus is the intellectual property protection of computer technology for the firm's global clients. He works diligently to make Staas & Halsey LLP a top Washington, D.C. intellectual property law firm. We are proud Mr. Beckers is a Staas & Halsey LLP attorney who is known for his commitment and dedication to our clients and their intellectual property needs.





## FIRM NEWS

### SPRING SEASON IN WASHINGTON, D.C.



With spring comes the National Cherry Blossom Festival to the Washington, D.C. metropolitan area. Every year, Washington, D.C. hosts a number of events celebrating the grandeur and beauty of the Cherry Blossoms that line the shores of the Tidal Basin. The National Cherry Blossoms Festival was started to commemorate the gift of 3,000 cherry blossom trees given to Washington, D.C. in 1912 by Major Yukio Ozaki of Tokyo, Japan in honor of the friendship between the two countries.

This year's National Cherry Blossoms Festival events began on March 21, 2015 with the National Cherry Blossom Opening Ceremony at the Warner Theatre and ended with the Cherry Blossom Parade on April 11, 2015. In between, Washington, D.C. hosted the internationally famous Kite Festival, the 17th Annual Cherry Blossom Walk, and the 49th Annual Cherry Blossom Rugby Tournament.

Aside from all the National Cherry Blossom Festival events, Washington, D.C. hosted events such as the White House Easter Egg Roll, the Anacostia River Festival, and Earth Day celebration on the National Mall. From May 23 to May 25, the Washington, D.C. metro area celebrated Memorial Day with various events such as the National Memorial Day Concert, the Rolling Thunder Motorcycle Rally, the "Flags-in" ceremony at Arlington National Cemetery, and culminating with the National Memorial Day Parade on May 25, 2015.

Staas & Halsey LLP  
1201 New York Avenue, N.W.  
7th Floor  
Washington, D.C. 20005  
Telephone: 202.434.1500  
Email: [info@s-n-h.com](mailto:info@s-n-h.com)  
Fax: 202.434.1501  
[www.staasandhalsey.com](http://www.staasandhalsey.com)

This material has been prepared by Staas & Halsey LLP for informational purposes only and is not legal advice. Consult with an attorney for legal advice pertinent to your circumstances before relying on any information contained herein or obtained from any other source. You may feel free to forward this email intact to anyone you wish, but any alteration of this email and its distribution, for remuneration, without the express written permission of Staas & Halsey LLP, are prohibited. ©2012 Staas & Halsey LLP

Editor-In-Chief: David Pitcher

Contributors: J. Randall Beckers and Elias V. Vargas  
To Unsubscribe Please Email [unsubscribe@s-n-h.com](mailto:unsubscribe@s-n-h.com)

If you received this e-mail from someone other than us and would like to be added to our distribution list, please email [subscribe@s-n-h.com](mailto:subscribe@s-n-h.com)