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Changing Times: Changing Demands

*The Honorable Richard Linn*

I would like to thank the SMU Dedman School of Law for the invitation to speak before you today. I am delighted to be here and to share with you some thoughts about the changing face of intellectual-property law and the work of the Federal Circuit.

We hear a lot about change these days: change in our economy, global climate change, change in the Middle East, and profound change in our patent laws. This last discussion of change recently culminated in significant legislative reform of our patent statutes. This is not surprising. Over the past thirty years, the business world shifted most of America’s corporate assets from hard assets to intellectual property—particularly patents. This has placed greater importance on patent law and the role of the patent system in stimulating innovation, and it has resulted in a vigorous re-examination of virtually every aspect of our patent system. Even before the recent passage of the Leahy-Smith America Invents Act, the winds of change were sweeping across the intellectual-property landscape. Several decisions of the Supreme Court and the Federal Circuit—particularly over the past five years—have brought about fundamental changes in almost every aspect of patent practice. In my opinion, the practice of patent law has undergone more significant changes in the past five years than in any time since the formation of


2. See Alan Greenspan, Chairman, Remarks at the Stanford Institute for Economic Policy Research Economic Summit: Intellectual Property Rights (Feb. 27, 2004), available at http://www.federalreserve.gov/boarddocs/speeches/2004/200402272/default.htm (“In recent decades . . . the fraction of the total output of our economy that is essentially conceptual rather than physical has been rising. This trend has, of necessity, shifted the emphasis in asset valuation from physical property to intellectual property and to the legal rights that inhere in intellectual property.”).


4. See Leahy-Smith America Invents Act.

the Federal Circuit nearly thirty years ago. For example, in any infringement case, from the patentee’s side on regularly sees issues dealing with injunctive relief, damages, willfulness, and attorneys’ fees. From the accused infringer’s side, one typically sees issues of anticipation, enablement, obviousness, indefiniteness, written description, and inequitable conduct. In virtually every one of these areas, there have been significant decisions with profound effects over the past five years.

For example, this past January in Uniloc v. Microsoft, the Federal Circuit did away with the so-called 25% rule of thumb on damages. The premise of that rule of thumb was that in every hypothetical reasonable-royalty negotiation, regardless of how important or unimportant the patent might be, and regardless of whether the patent covers the entire product or just a small part, the parties would begin their negotiations with the assumption that an accused infringer would be willing to pay the patentee an amount equal to 25% of all anticipated profits as a reasonable royalty. In our ruling, we held the 25% rule, as a general rule of thumb, was fundamentally flawed under the Supreme Court’s Daubert standard because it bore no relation to the facts and circumstances of a particular case and was, therefore, inadmissible as a matter of law. This means that plaintiffs in patent suits now have to prove facts that actually support the value of their inventions to justify damage requests predicated on a reasonable-royalty theory.

8. See KSR, 550 U.S. at 415; MedImmune, 549 U.S. at 137; eBay, 547 U.S. at 394; Microsoft, 550 U.S. at 446–47; Uniloc, 632 F.3d at 1315; Therasense, 649 F.3d at 1291; Ass’n for Molecular Pathology, 653 F.3d at 1350.
9. Uniloc, 632 F.3d at 1292.
10. Id. at 1315.
12. Daubert v. Merrell Dow Pharms., Inc., 509 U.S. 579, 597 (1993) (“General acceptance is not a necessary precondition to the admissibility of scientific evidence under the Federal Rules of Evidence, but the Rules of Evidence—especially Rule 702—do assign to the trial judge the task of ensuring that an expert’s testimony both rests on a reliable foundation and is relevant to the task at hand.”).
13. Uniloc, 632 F.3d at 1315.
14. See id.
In *Therasense, Inc. v. Beckton, Dickinson and Co.*,¹⁵ in May, the Federal Circuit court sitting en banc clarified the law on inequitable conduct.¹⁶ Before *Therasense* was decided, in virtually every case, accused infringers would comb the patentees’ files and the record of proceedings in the Patent Office to see if they could find any evidence that information possessed by applicants or their attorneys was withheld from the examiner.¹⁷ If such evidence was found, it was argued that the withholding of that information was a deliberate attempt to mislead the examiner and, thus, was inequitable conduct—a kind of unclean hands.¹⁸ While the odds of establishing inequitable conduct were not high,¹⁹ the reward if such a defense succeeded was enormous.²⁰ A finding of inequitable conduct rendered the entire patent unenforceable, not just the specific claims.²¹ The reward was so great and the assertion of the defense was so widespread that it was frequently referred to in articles and even judicial opinions as a “plague.”²²

The court finally decided that it was time to revisit the issue en banc.²³ In the *Therasense* decision, the court established a heightened but-for test for materiality, which said that the failure to submit to the examiner a prior-art reference was not material and thus could not support a holding of inequitable conduct unless a patent would not have been allowed “but for” the withholding, or unless there was other evidence of affirmative egregious misconduct.²⁴ Patentees no longer need to waste time, money, and risk having their patents declared unenforceable based on inconsequential mistakes or actions that in the past had been trumped up in litigation as intentional attempts to mislead the examiner.²⁵ I dare say that the plague of inequitable conduct has been eradicated.

¹⁶. *Id.* at 1291–1293.
¹⁸. See *id.* at 1333–34.
¹⁹. *Id.* at 1357.
²⁰. *Id.* at 1332.
²¹. *Id.*
²². See, e.g., *Burlington Indus., Inc. v. Dayco Corp.*, 849 F.2d 1418, 1422 (Fed. Cir. 1988) (“We add one final word: the habit of charging inequitable conduct in almost every major patent case has become an absolute plague.”); see also Nolan-Stevaux, *Inequitable Conduct Claims in the 21st Century: Combating the Plague*, 20 Berkeley Tech. L.J. 147, 155 n.55 (2005) (listing authorities).
²⁴. *Id.* at 1291–93.
²⁵. See *id.*
At the end of July, in Association for Molecular Pathology—commonly referred to as the Myriad case—the court decided the patent eligibility of isolated DNA gene sequences. The district judge in this case ruled that the patents, which cover isolated DNA fragments as well as methods for comparing a patient’s gene sequence with a normal sequence, were invalid because the DNA-composition claims covered a product of nature, and the method claims covered an abstract mental step. This ruling made the headlines of every major newspaper in the country and opened a furious debate over where to draw the line in deciding the patent eligibility of gene-related inventions at the heart of the biotech industry. At the end of July, the Federal Circuit, in a two-to-one decision, held that all but one of Myriad Genetics, Inc.’s (Myriad) method claims were invalid, but it reversed the district court and held some of the isolated DNA-gene-sequence claims to be patent eligible. The decision prompted separate opinions from each of the three judges on the panel. Judge Lourie found the isolated gene sequence recited in those claims patent eligible because it was a distinct chemical moiety not found in nature. Judge Moore also concluded that it was a distinct chemical, placing emphasis on how much more useful the sequence was after being isolated. Further, Judge Moore also emphasized longstanding United States Patent and Trademark Office practice and legislative history to conclude that it would be wrong to upset settled industry expectations in the absence of clear guidance from Congress. In contrast, Judge Bryson, the dissenting judge, felt that Myriad’s claims to isolated gene sequences were no more patent eligible than leaves snapped from a tree. It is likely that the parties will seek review at the Supreme Court, so keep your eyes open for news on this case.

27. Id. at 1350.
28. Id. at 1342.
30. Ass’n for Molecular Pathology, 653 F.3d at 1334.
31. Id. at 1333.
32. Id. at 1351–53.
33. Id. at 1364–66 (Moore, J., concurring in part).
34. Id. at 1366–73 (Moore, J., concurring in part).
35. Ass’n for Molecular Pathology, 653 F.3d at 1377 (Bryson, J., dissenting) (“[E]xtracting a gene is akin to snapping a leaf from a tree.”).
In November 2011, the Federal Circuit is scheduled to rehear en banc two joint-infringement cases (Akamai\textsuperscript{36} and McKesson\textsuperscript{37}) to answer the question of whether infringement can be found when separate entities each perform separate steps of a method claim, and under what circumstances, if any, each of the parties involved would be liable for infringement.\textsuperscript{38} A typical method claim in which this issue is presented is a claim directed to an Internet-based process having steps performed by a service provider as well as steps performed by a customer or user.\textsuperscript{39}

These changes have come about due to a more thorough re-examination by the Federal Circuit of some of its earlier precedents, and because of a more robust interest on the part of the Supreme Court in the decisions of the Federal Circuit in patent cases.\textsuperscript{40} The Federal Circuit’s review was prompted, in part, by a heightened sophistication of the patent bar and by recognition that perhaps some of the bolder decisions from the earlier days of the court are no longer appropriate given today’s economic conditions.\textsuperscript{41} Undoubtedly, the current economic downturn has also played a part in causing greater awareness in the patent system, which is critical to the nation’s economic and technological growth.\textsuperscript{42}

The increased interest of the Supreme Court in the patent system is apparent.\textsuperscript{43} In general, the Supreme Court grants only about 1\% of certiorari petitions it receives.\textsuperscript{44} But in the last five years, the Court granted nearly 5\%

\begin{thebibliography}{44}
\bibitem{Akamai} Akamai Techs., Inc. v. Limelight Networks, Inc., 629 F.3d 1311 (Fed. Cir. 2010) (vacated for rehearing en banc).
\bibitem{Lee1} \textit{Id.} at 231, 233.
\bibitem{Lee2} \textit{Id.} at 276.
\end{thebibliography}
of the certiorari petitions from the Federal Circuit—almost five times more than the average from other circuits. About one-third of those were patent cases. The pace of the Supreme Court’s engagement with patent cases is showing no sign of abatement as the Supreme Court has already ruled on three cases from the Federal Circuit during this past term alone. I think there are several reasons for this. First, there is no question that the Supreme Court fully appreciates the importance of IP to the nation’s economy. Second, the Supreme Court is reminding us that it, and not the Federal Circuit, has the final say and is giving us guidance that promoting uniformity in patent decisions does not mean creating patent-specific, bright-line rules outside the mainstream of federal law. Third, the patent bar has become more highly sophisticated in presenting issues to the Court, and Supreme Court clerks are more keenly aware of patent law and intellectual-property law in general.

While the Supreme Court’s recent patent opinions are generally viewed as swinging the patent pendulum away from patentees and towards accused infringers, a consistent theme of the Court’s opinions is the continual endorsement of past Supreme Court patent opinions and condemnation of patent-specific, bright-line rules in favor of flexible mainstream dogma. It is in this area where I find a fundamental difference in the approaches taken by

46. Id.
52. See, e.g., Bilski v. Kappos, 130 S. Ct. 3218 (2010) (rejecting the machine or transformation test as the exclusive test for patentability of methods).
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the Federal Circuit and the Supreme Court in deciding cases. The Federal Circuit deals with decisions affecting business leaders who are looking for clear answers and unambiguous guidance. Business people like bright-line rules. It is easier to make business decisions when the implications and consequences of those decisions are well known. We see this in the disputes that come before us day-in and day-out and in the regular exchanges we have with the patent bar, including with members in both private practice and in-house. The Supreme Court, on the other hand, deals with legal principles and the policy implications they engender. The Supreme Court is more accustomed to making general rules that can be applied on a case-by-case basis to the facts and circumstances as they arise. For the Supreme Court, bright-line rules are seldom endorsed. This difference in perspective may account for some of the recent differences in the decisions of the respective courts and gives me some reason to be concerned about future Supreme Court decisions that may overlook the importance of, and the need for, more specific guidance.


The significance of these changes to the business community is evident from an examination of three key decisions: KSR v. Teleflex, dealing with the
test for obviousness;\textsuperscript{62} eBay \textit{v. MercExchange}, dealing with the test for injunctive relief;\textsuperscript{63} and \textit{In re Seagate}, dealing with the standard applicable to prove willful infringement.\textsuperscript{64} I would like to briefly touch upon each of these cases. There are many other noteworthy cases—including several more recent decisions—but due to the limited time I have, I will restrict my remarks to the holdings and possible implications of these three cases because of their broad application and effect.

In \textit{KSR}, the Supreme Court reviewed the test for obviousness under 35 U.S.C. § 103.\textsuperscript{65} The Supreme Court rejected what it perceived to be a rigid approach previously taken by our court in applying the so-called “teaching, suggestion, and motivation test,” which was the standard by which obviousness was determined for at least a decade.\textsuperscript{66} The Supreme Court observed that “when it first established the requirement of demonstrating a teaching, suggestion, or motivation to combine known elements in order to show that the combination is obvious, the Court of Customs and Patent Appeals captured a helpful insight.”\textsuperscript{67} It then noted, however, that helpful insights need not become rigid and mandatory formulas, and “when a court transforms a general principle into a rigid rule that limits the obviousness inquiry, as the Court of Appeals did here, it errs.”\textsuperscript{68}

The Supreme Court summed up its position on obviousness in observing that what is important is to use common sense and to identify a \textit{reason} that would have prompted a person of ordinary skill in the relevant field to combine the elements in the way the claimed new invention does.\textsuperscript{69} It added that “any need or problem known in the field of endeavor at the time of invention and addressed by the patent can provide a reason for combining the elements in the manner claimed.”\textsuperscript{70}

The net result of \textit{KSR} is that defendants have a renewed interest in raising and pressing obviousness contentions despite the high “clear and con-
convincing” standard that applies to validity challenges. We are already seeing this in recent cases filed in our court.

In eBay, the Supreme Court rejected the categorical grant of injunctive relief in patent cases and held that in those cases, just as in other cases, a plaintiff seeking a permanent injunction must demonstrate 1) that it has suffered irreparable injury; 2) that remedies available at law are inadequate; 3) that the balance of hardships warrants injunctive relief; and 4) that the public interest would not be disserved by a permanent injunction. What the Supreme Court did not tell us is what happens after infringement is found and a court determines that the equitable remedy of a permanent injunction is not warranted. This presented patentees and the courts with interesting challenges that we continue to address. The bottom line for patentees is that they, like all other plaintiffs, have to toe the line and be prepared to make a convincing showing on each of the four equitable factors, including irreparable harm. This presents difficult challenges, particularly to non-practicing patentees, and alters some of the leverage patentees assumed they enjoyed before the eBay decision.

In re Seagate Tech., LLC presented our court with the opportunity to reconsider the duty of due care owed to patentees and the standard for determining when infringement is willful and subject to treble damages. The case stemmed from the patentee’s assertion of willful infringement and the accused infringer’s good-faith reliance on the advice of counsel. Due to the abuses we perceived in the routine allegation of willful infringement, the tension it produced between assertion by the accused infringer of the attorney-client privilege, and the reliance on the advice of counsel, we eliminated the affirmative duty of due care and held that proof of willful infringement— which permits enhanced damages—requires at least a showing of objective recklessness. We also remarked that in the context of willful infringement, there is no affirmative obligation to obtain an opinion of counsel. Following Seagate, there continues to be some debate over the application of the objec-

74. See id.
75. See id.
76. In re Seagate Tech., LLC, 497 F.3d 1360, 1367 (Fed. Cir. 2007).
77. Id.
78. See id. at 1371.
79. See id.
tively reckless standard and the parameters of willful infringement. The one thing that is no longer in debate, however, is that patentees can no longer rely on a determination of willfulness and enhanced damages merely because infringement was found against an accused that had prior notice of the patent.

As a result of the preceding three cases, patentees will be likely to have to confront more obviousness challenges, will be more challenged to obtain injunctive relief, and will be less likely to obtain enhanced damage awards based on willfulness, as was common just a few years ago. Thus, these cases will cause patentees to reassess their strategies and to revalue their patent portfolios.

Patentees do not only struggle to cope with recent decisions of the Supreme Court and the Federal Circuit, but also continue to suffer needlessly from self-inflicted wounds. These are the walking wounded, who regularly report to the MASH units—the district courts—for help. If they do not get the help they need at the district court MASH unit, they come to the general hospital—the Federal Circuit—to cure all that ails them.

What self-inflicted wounds am I talking about? There are two in particular I want to highlight. The first relates to the continuing propensity of patentees—particularly in the electrical and mechanical arts—to disclose in their applications only one embodiment of the invention while arguing that the claims cover something broader than the one disclosed embodiment might suggest. Scientists and engineers are familiar with the concept that an area cannot be defined by a single point, or even two points. To define an area

81. See id.
84. See, e.g., Honeywell, 452 F.3d at 1318 (limiting the claim term “fuel injection system component” to a “fuel filter” when the written description indicates “that the fuel filter is not a preferred embodiment, but only an embodiment”); Chimie v. PPG Indus., 402 F.3d 1371, 1379–80 (Fed. Cir. 2005) (holding that it was not improper to define the terms “dust-free and non-dusting” based on the description in the preferred embodiment when that was “the only disclosure on the subject made in the patent”); Alloc, Inc. v. Int’l Trade Comm’n, 342 F.3d 1361, 1370 (Fed. Cir. 2003) (reading in a “play” limitation into a claim for laminate floor panels when “the patents do not show or suggest any systems without play”); Modine Mfg. Co. v. U.S. Int’l Trade Comm’n, 75 F.3d 1545, 1551 (1996), abrogated on other grounds by Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., 234 F.3d 558 (Fed. Cir. 2000) (limiting a claim element
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requires at least three points. It is surprising then, that patent attorneys—who are trained both in law and in science or engineering—often forget this three-point concept in drafting patent applications. Careful prosecutors include in patent specifications not merely one embodiment of an invention, but multiple embodiments to better illustrate the full area of the discovery embraced by the claims. This is a sound practice that helps to inform the public of the proper scope of the claims, and avoids uncertainty and interpretive disputes.

I have no idea why so many patentees continue to limit the number of embodiments disclosed when, in so many cases we hear, the entire controversy is about the scope of a claim—which is supported only by a single, disclosed embodiment. This can all be avoided simply by disclosing more than one embodiment. Granted, several Federal Circuit cases establish quite clearly that the scope of patent claims is not necessarily limited to the single embodiment disclosed. Yet, why get into a dispute over this just because an enhanced disclosure is not absolutely necessary under our precedent? It is a matter of being aware of the legal landscape and being prudent in applying that understanding, even as early as the patent application preparation stage. Patentees, who expect to enforce their patents in litigation with a broad range of coverage and only disclose at the application stage a single embodiment, are shooting themselves in the foot. The uncertainty of single-embodiment specifications has brought us a steady stream of cases, and I urge all of you not to shoot yourselves or your clients in the foot by disclosing only one embodiment—particularly in mechanical and electrical cases.

The second example of a self-inflicted wound is the continuing practice of adding terminology to claims, particularly after an interview, and placing the claims in condition for allowance without explaining the reason for the change or pointing out where in the specification support for the added language can be found. Again, in case after case before our court, we are

to the numerical range disclosed in the preferred embodiment “when the preferred embodiment is described in the specification as the invention itself”).

85. See, e.g., Honeywell, 452 F.3d at 1318; Chimie, 402 F.3d at 1379–80; Alloc, 342 F.3d at 1370.

86. See, e.g., Honeywell, 452 F.3d at 1318; Chimie, 402 F.3d at 1379–80; Alloc, 342 F.3d at 1370.


88. See, e.g., Phillips, 415 F.3d at 1323; Liebel-Flarsheim, 358 F.3d at 906; Teleflex, 299 F.3d at 1327–28.

89. See, e.g., Warner-Jenkinson Co., Inc. v. Hilton Davis Chem. Co., 520 U.S. 17, 32–33 (1997) (applying prosecution history estoppel when the patentee amended a claim to add the phrase “at a pH from approximately 6.0 to 9.0” without “reveal[ing] the reason for including the lower pH limit,” and holding
called upon to construe the scope of claim language, which appears nowhere else but in the claims.90 Without any support in the written description, we are left to infer meaning from parts of the specification that often do not directly relate to the limitation in question, or glean understanding from the patent-prosecution history leading up to the amendment.91 These are often poor guides for interpretation, frequently leading to protracted and costly litigation, not to mention unpredictable outcomes.92 Here again, the wound is self-inflicted, and patentees are well advised to avoid shooting themselves in the foot by leaving the meaning of critical limitations to unguided inference.

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

This means that, to be successful in a career in patent law, you must do more than just read the leading cases and master the basics. If you do no more than that, you will be no better than your peers, and you will be ill-equipped to represent sophisticated clients. To succeed in today’s climate and stand out from the crowd, you must at least keep up with every decision of the Supreme Court and the Federal Circuit. This means watching the Federal Circuit website every day for the 11:00 a.m. release of opinions, reading those opinions carefully and thoughtfully, and appreciating the implications of the holdings contained in those opinions. If you are litigating cases, having a mastery of the law and the changes in the law as they occur will be invaluable. If you are preparing, filing, and prosecuting patent applications, your understanding of the implications of the things you do or say in those applications will have a profound effect on how well those patents, once they issue, will stand up in court.


91. Id.

92. Id.