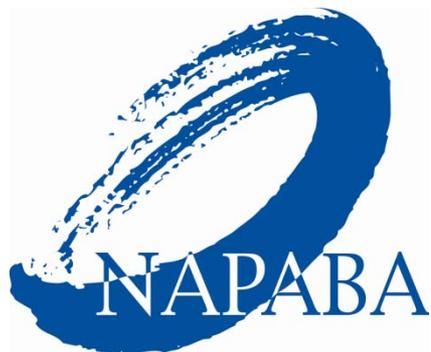


## ***2008 NAPABA Northeast Regional Conference***



### **U.S. Intellectual Property: Changes in the Law and the Rules**

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# ***Discussion Topics***

- **Patent Reform Legislation**
- **Patentable Subject Matter**
- **Patents in Standard Setting**
- **Extending Patent Protection**
- **Some Patents and Competition Cases**
- **Patent Exhaustion**
- **Claim Construction**
- **New USPTO Rules**

# ***Patent Reform***

## **The makers of pills vs. the makers of PC's**

### **Software industry**

- A single computer can have hundreds of components, each of which may be covered by numerous patents*
- Difficult to monitor patent landscape*
- Damages should not be assessed based on value of entire computer*

### **Life sciences**

- Strong patent protection is critical for the industry, because the ultimate product is often covered by only a handful of patents*
- Without some degree of certainty, difficult to attract investors*
- Need “quiet title” before investing millions in clinical trials*

# ***Patent Reform Act of 2007 - Highlights***

## **Reasonable Royalties for Patent Infringement**

- How to calculate damages when the infringing product is one of a plurality of components*
- This is probably the most contested portion of the bill*

## **Willful Infringement**

- Enhanced standard*

## **Post-grant review**

- Should the opportunity to challenge patents remain open for the life of the patent?*

# ***Highlights of Senate Bill***

## **Inequitable Conduct Reform**

- *What is proper threshold?*
- *What are proper consequences?*

## **Right of First Inventor to file**

- *US is a first-to-invent system*
- *Rest of world uses first-to-file system*

## **Right of Assignee to file**

- *US patents filed in the name of inventor*
- *International applications file in the name of assignee (e.g., university or company)*

# ***Categories of Patentable Subject Matter***

## ***35 U.S.C. § 101***

- **Process**
- **Machine**
- **Manufacture**
- **Composition of Matter**

# ***Categories of Patentable Subject Matter***

## ***35 U.S.C. § 101***

- **Abstract ideas**
- **Laws of nature**
- **Natural phenomena**

# ***Tension: Shifting boundaries of patentable subject matter***

- **Affected fields:**
  - *Business methods*
  - *Software*
  - *Biotechnology*

# ***Categories of Patentable Subject Matter***

## ***35 U.S.C. § 101***

- **Abstract ideas**
- **Laws of nature**
- **Natural phenomena**

# Case Law (Process)

- **Diamond v. Diehr:**
  - *Transformation of an article to a different state or thing*
- **Parker v. Flook:**
  - *Application of results of a mathematical algorithm is insufficient*
  - *Inclusion of a mathematical algorithm is not fatal to patentability*
  - *Analysis must be based on the claimed process as a whole*
- **In re Alappat:**
  - *Algorithm tied to a machine is sufficient*
- **State Street Bank v. Signature Financial Group:**
  - *a computer performing a series of mathematical algorithms to transform data (mutual fund valuation) is sufficient*

# ***Recent case law***

- **In re Comiskey:**

- *Mental processes that are not part of systems including a machine, article of manufacture, or composition of matter not patentable subject matter*

- **In re Nuijten:**

- *An electromagnetic signal in and of itself is not within the category of “article of manufacture”*

- **In re Bilski:**

- *(Is a risk managing method patentable subject matter?)*

## ***Conclusion – Patentable Subject Matter***

**Processes that are necessarily implemented through a machine or transforms matter into a different state or thing should be patent-eligible**

# ***Table of Authorities***

- **Diamond v. Diehr, 450 U.S. 175, 209 U.S.P.Q.1 (1981)**
- **Parker v. Flook, 437 U.S. 584, 198 U.S.P.Q. 193 (1978)**
- **In re Alappat, 33 F.3d 1526, 31 U.S.P.Q. 2d 1545 (Fed Cir. 1994)**
- **State Street Bank & Trust Co. v. Signature Fin. Group, 149 F.3d 1368 (Fed. Cir. 1998)**
- **In re Comiskey, 499 F.3d 1365, 84 U.S.P.Q. 2d 1670 (Fed. Cir. 2007)**
- **In re Nuijten, 500 F.3d 1346, 84 U.S.P.Q. 2d 1495 (Fed. Cir. 2007)**

# ***Patents in Standard Setting***

**In the Matter of Negotiated Data Solutions LLC**

**(FTC File No. 051 0094 )**

- **U.S. Federal Trade Commission found that breach of a patent licensing commitment made by assignor during standards-setting violated Section 5 of the FTC Act, standing alone, as an unfair method of competition and an unfair act or practice**
- **Consent Agreement - Two-tiered license offering arrangement**
- **Public Comment period closed April 24, 2008 (extended deadline)**

# ***Patents in Standard Setting***

***Broadcom Corp. v. Qualcomm Inc.***

**501 F.3d 297, 314 (3d Cir. 2007)**

- **Antitrust implications for licensors**
  
- **Commitments to license standards setting organizations on fair and reasonable terms**
  
- **Renege on that commitment**
  
- **Compare, Rambus Inc. v. Federal Trade Commission, No. 07-1086 (D.C. Cir. Apr. 22, 2008)**

## ***Extending Patent Protection***

***Walgreen Co. v. AstraZeneca Pharms.,*  
534 F. Supp. 2d 146 (D.D.C. 2008)**

- **Following expiration of Prilosec patent, AstraZeneca focused marketing on Nexium, still under patent, and ceased marketing Prilosec**
- **Plaintiffs claimed monopolization by switching market to virtually identical drug**
- **Complaints dismissed for lack of facts pleaded to support antitrust injury and exclusionary conduct**
- **Compare *Abbott Labs. V. Teva Pharms .*, 432 F. Supp. 2d 408 (D. Del. 2006)**

## ***Some Patents and Competition Cases***

- ***Biotechnology Indus. Org. v. Dist. of Columbia*, 496 F.3d 1362, reh. & reh. en banc denied, 505 F.3d 1343 (Fed. Cir. 2007)**
- ***GP Indus., Inc. v. Eran Indus., Inc.*, 500 F.3d 1369 (Fed. Cir. 2007)**
- ***In re Lorazepam & Clorazepate Antitrust Litig.*, 531 F. Supp. 2d 82 (D.D.C. 2008)**

# ***Patent Exhaustion***

**QUANTA COMPUTER v. LG ELECTRONICS,**

**(S. Ct. 06-937 ) argued January 16, 2008**

***below, LG Electronics, Inc. v. Bizcom Electronics, Inc., 453 F.3d 1364  
(Fed. Cir. 2006)***

- **once a patented product is sold with the authority of the patentee, what is ability of patentee to place further restrictions on the patented article**
- **an issue of patent law or contract / antitrust law**

# ***Claim Construction***

- ***Ortho-McNeil Pharmaceutical v. Mylan Labs***
  - ***2007-1223 (Fed. Cir. 2008)***
- **Claim construction of “and” versus “or”**
  - *Sensical versus nonsensical interpretation*
  - *Dependency analysis*
- **Radar comments on KSR and Unpredictable arts**
  - *Flexible TSM test*

# ***New USPTO Rules***

- **Permanent Injunction**

- GSK v. Dudas, Nos. 1:07cv846 and 1:07cv1008, -- F. Supp. 2d --, 2008 WL 859467 (E.D. Va. April 1, 2008)

- **Markush Rule Proposals**

- *USPTO publishes new request for additional comment March 8, 2008*
- *GSK files comment on April 9, 2008*



## ***2008 NAPABA Northeast Regional Conference***

- **Questions / Comments**
  
- **THANK YOU FOR YOUR SUPPORT OF NAPABA AND THE  
NORTHEAST REGIONAL AFFILIATES !**