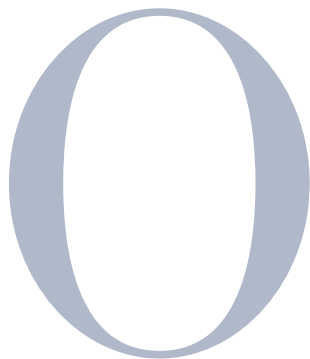


2013 ROUNDTABLE SERIES

INTELLECTUAL PROPERTY

**NCE THE BREAD AND BUTTER OF INTELLECTUAL PROPERTY PRACTICES, INJUNCTIONS**

have become more difficult to obtain and recent decisions suggest that courts and regulators are struggling to define the factors necessary to get an injunction. Our panel of experts discusses these issues as well as the impact of the America Invents Act, patent eligibility, and the role of having a technical background as an IP lawyer. They are Fabio Marino of McDermott Will & Emery; Erik Puknys of Finnegan, Henderson, Farabow, Garrett & Dunner; and Behrooz Shariati of Womble Carlyle Sandridge & Rice. The roundtable was co-moderated by *California Lawyer* and Jeff Kichaven of Jeff Kichaven Commercial Mediation and reported by Cherree Peterson of Barkley Court Reporters.

EXECUTIVE SUMMARY

KICHAVEN: Are injunctions in patent cases an endangered species? How has Judge Koh's ruling in *Apple v. Samsung* and the Federal Trade Commission's consent decree with Google changed the landscape?

PUKNYS: The recent attention to injunctive relief is a natural progression of the Federal Circuit's efforts to put some rationality into damages law. There have been a number of decisions trying to ensure that courts do not confuse the value of the patent with the value of the product, especially when a number of patents cover the product. The *eBay* decision is seven years old now, but judges are taking a fresh look (*eBay Inc. v. MercExchange L.L.C.*, 547 U.S. 388 (2006)). Judge Koh's decision in the *Apple/Samsung* litigation (*Apple, Inc. v. Samsung Elecs. Co., Ltd.*, 2012 WL 6567986 (N.D. Cal.) and the FTC's approach on injunctive relief for standard-essential patents reflect the same underlying idea: Not all patents should have the power to shut down a competitor.

SHARIATI: The Golden Age of the injunction began to wane after the *eBay* decision. But we should not forget about the *Bosch/Pylon* decision in 2011 that said irreparable harm is not presumed just because you won your patent case. (See *Robert Bosch LLC v. Pylon Mfg. Corp.*, 659 F.3d 1142 (Fed. Cir. 2011).) Starting with *eBay* and moving towards the present, the trend is for judges to rigorously apply the four-factor test.

KICHAVEN: What do you have to prove to get an injunction these days?

MARINO: After *eBay*, the Federal Circuit took a hiatus from speak-

ing about the issue, and *Bosch* in 2011 was the first case that said we no longer have a presumption of irreparable harm. Now the *Apple* decision has come out, as well as others, and the court is trying to define the test. The biggest question is whether it is a case-by-case determination, which *eBay* strongly suggests, or is there a bright-line requirement? In the *Apple* decision there's a very strong suggestion that a nexus between the alleged infringement and irreparable harm may be such a requirement. The Federal Circuit is trying to resolve this, and with every decision, they seem to swing one way and then the other. In a very recent decision, Judge Grewal issued an order that provides a detailed analysis, a roadmap if you will, of what you need to prove to get an injunction. (*Brocade Communications Sys., Inc. v. A10 Networks, Inc.*, 2013 WL 140039 (N.D. Cal.).)

KICHAVEN: When you have devices like smart phones that incorporate hundreds or maybe thousands of patents, how can you prove a causal nexus between the infringement of one or a few patents and irreparable harm?

SHARIATI: It comes down to the features covered by the patent. Judge Koh emphasized in her opinion that Apple didn't provide proof that these decorative design features have a causal nexus with the product's success in the marketplace. If the patent had been on something such as a single button that controls multiple functions on a phone and was combined with some kind of consumer survey or some evidence to prove that this is why people buy the phone, the outcome may have been different.

PUKNYS: You can't just show that consumers generally like the benefits that the patent provides if the benefits result from numerous

other features as well. Under Judge Koh's decision and the previous decision that was affirmed by the Federal Circuit, that will be the test going forward. That was the preliminary injunction context, but Judge Koh was right in concluding that the same test should apply in the permanent injunction context.

MARINO: I question whether it is a case-by-case determination or a bright-line test because when you look at the *Bosch* decision, the word nexus doesn't appear anywhere. That panel of the Federal Circuit apparently never considered it. With the *Apple* decision, nexus was a central question. But is it the only question? If you accept the Supreme Court suggestion that it's a case-by-case determination,

then other factors come in. For example, what is the irreparable harm? In the cell phone scenario, dealing with hardware, it's not very easy to change anything in that device other than perhaps some of the software. Changing the design is not possible, and that causes irreparable harm if the injunction is granted. In a different scenario, say a software product, all you have to do is send out a patch. So, the nexus might not be as important. I would go with the *eBay* approach and say it's a case-by-case determination.

PUKNYS: The *i4i* decision is a good example of a fix that Microsoft said it could get out to remove the infringing behavior given some time (*i4i Ltd. Partnership v. Microsoft Corp.*, 598 F.3d 831 (Fed. Cir. 2010), aff'd, 131 S. Ct. 2238 (2011)). The Federal Circuit was very willing to stay the injunction because they said there's really not a lot of irreparable harm here if Microsoft can fix it quickly. In that case, third-party computer manufacturers sent amicus briefs to the Federal Circuit that arguably had a huge impact on the decision. They said, "We don't really care about the battle between *i4i* and Microsoft, but Christmas is coming and we need to sell our computers."

MARINO: What about the antitrust DOJ letter that Jeff [Kichaven] circulated among us yesterday? What do you do when you're dealing with something that is, for example, required by a standard and you've made a commitment to the standard-setting body that you're going to license under certain conditions? That falls under a different analysis for injunction, which is adequacy of money damages. The fact you are licensing a patent under a certain well-known set of economic conditions would weigh strongly against the injunction because you have effectively conceded the adequacy of money damages by setting a standard rate for licensing. And what better example is there when you are sending a letter to the standard-setting body of your own industry, advising you will take X percentage or X number of dollars for a license. But the gist of that opinion was that should not be the be-all and end-all because sometimes there wasn't an actual negotiation; there may not actually be licensees. How does that impact decisions by the ITC, where injunction is effectively the only remedy available?

PUKNYS: It was interesting that the target of the letter was the ITC. Because after *eBay*, people started saying, "If you're not going to get an injunction in the district courts, the ITC will still give you one." They really went after both sides: first, with the letter, which was geared towards another government agency, and second by putting pressure on private parties by going after Google.

KICHAVEN: You're referring to the January 8 letter from the DOJ commenting on the propriety of injunctive relief when standards-essential patents are involved. The DOJ essentially said it's good to have standard-essential patents so that we can have interoperability of complex devices. So if you want the benefit of your patent being standard essential, you have to agree to license it on fair, reasonable, and nondiscriminatory (FRAND) terms. And once you've come to that agreement, the DOJ seems to take the position it's generally not fair to seek an injunction if a licensee is willing to pay that royalty.



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SHARIATI: It's narrower than that. The gist of it was that the only fight is about how much to pay. I've litigated standards before, and generally it's not that clear. For example, in the DVI standard, you get a free license for standard essential patents, and the question becomes: Is this an essential patent and are you practicing the standard under this patent? On others, like the FRAND cases where the commitment is only to license at a fair, reasonable, and nondiscriminatory rate, the question becomes—what is that rate?

The consent decree and subsequent letter say that if the rate is what you're fighting about, you can't really use the threat of an injunction as another cudgel to get a better deal. If the alleged infringer said, "No way, I'm not licensing," then you can go after them for an injunction.

MARINO: There's a corner case a few years ago where there was a patent essential for the standard—that was the patentee's position. But the patentee, Dr. Townshend, also said he would not license under FRAND, and so there was a lot of litigation. The DOJ was recognizing that as a default. If in fact the patentee has licensed under FRAND, that factor should weigh against an injunction. But if they have not or if a defendant is refusing to license under FRAND terms, then you can get an injunction. And most importantly, you can still go to the ITC.

SHARIATI: I don't recollect the FTC ever stepping in and saying the mere assertion of the right to injunctive relief is in itself anti-competitive.

KICHAIVEN: What impact is the America Invents Act (AIA) (Pub. L. No. 112-29) having on the patent practice area?

MARINO: One of the unintended consequences of the joinder provisions of the AIA was to cause an increase in the number of patent suits brought by non-practicing entities (NPEs) as opposed to non-NPEs. Studies show that there was an actual increase in the number of start-ups sued by NPEs.

KICHAIVEN: What's the explanation for that?

MARINO: People are speculating that the economics have changed. All the defendants have to pay for their defense costs, but the NPE has to pay for the prosecution of each case. That's not entirely accurate because courts have been consolidating those lawsuits for pre-trial purposes. But the economics for the NPEs have changed, perhaps in an unexpected way, because now by suing more defendants that are smaller, they are betting those defendants will settle, which would fund litigation against the bigger defendants that will now be forced to stay in the lawsuit longer.

PUKNYS: In the situation where you have 20 defendants in a case, my experience has been the defendant with the biggest exposure ends up taking the lead and the really small start-ups sort of hide behind the cape and say, "yeah, what he said." But that's no longer possible.

MARINO: It's harder. Now you're left holding the bag at trial, and for a start-up that is a very scary proposition as you're trying to raise financing, and who's going to invest in a company that may not exist in a few months.

SHARIATI: It's really too early to say. Judges rightfully loathe having 300 cases on their docket. So they say, "We're going to consolidate for all purposes until trial," and then they can probably employ tricks like having one trial but four juries. They could creatively work their way out of this morass of lawsuits. The whole model of an NPE is to extract as much money out of the smaller entities as possible and consolidate the case, so by the time it actually gets to trial it's a much more manageable scenario.

MARINO: You're right that we haven't seen that yet because the Section 299 went into effect in September of 2011, so none of those cases have reached the trial stage yet.

KICHAIVEN: Any additional considerations about the AIA?

SHARIATI: Under certain circumstances a stay is there for the asking and in some cases you can't get one. It all depends on the sequence of events. If you sue in a federal court first, then you go to the Patent and Trademark Office (PTO), or you go to the patent office first and then the other side sues. There are all these litigation-related nuances in the AIA. The direction we're going will make it easier to take the invalidity idea out of the hands of the jurors and put it back in the PTO. So you have parallel proceedings where you go to the PTO for invalidity and a jury for infringement.

MARINO: The judge is always faced with preferring that the patent office weigh in on validity, but it's taking them several years to do that, which in any event is not binding on a district court. But in a few years when certain AIA procedures come into force there may be the option to get a final determination by the patent office on the validity of the patent within a year. That will be appealing to certain judges.

KICHAIVEN: So which litigants will tend to benefit from that and which litigants will tend to suffer from that?

PUKNYS: Nobody knows. Those post-grant procedures in the AIA have the potential to really change how we litigate in the U.S. The question on everybody's mind is who will take that first leap and test the patent office's handling of these cases. Because there is a general sense among some of those who would challenge patents, that the patent office's reexamination group has been too pro-patentee. Will the new judges handling these post-grant procedures develop the same reputation for rubber-stamping their colleagues' earlier work? If so, then it's not going to have much of an effect at all.

MARINO: A new patent office is starting in San Jose in January. Michelle Lee, formerly of Google, will be running the office, and they hired Neil Smith who is a long-time patent and IP practitioner in the Bay Area to be one of the judges. The extent to which that

creates a new regime of people involved in deciding these cases might have an impact in determining how viable these proceedings are going to be.

KICHAIVEN: How does your scientific training factor in to your practice? What are the benefits—and challenges—when you litigate in front of judges and juries without scientific or technical backgrounds?

MARINO: I get that question whenever I go onto campuses. Students wonder whether you need a technical background to be a patent lawyer. I tell them you cannot prosecute patents, but in litigation at many firms just about half of the people have technical backgrounds. This is not a profession just for people with technical skills.

I have a background in the computer industry and now represent people in the same industry. The biggest advantage is the ability to understand the technology at a high level. It helps you communicate with your clients and explain the technology to others. When communicating with a layperson you cannot take a professorial role and talk over their head. You have to be a translator and bring the complex technology to a level where they not only understand it, but care about it. If I can do that, then I'm helping a jury make their decision.

Also, in the engineering world we are trained to find answers and solve problems, and fundamentally that's not what lawyers do. There's not a problem to be solved; there's an argument to be developed. It's a great advantage, but you then really have to switch and become a lawyer and really help people understand the technology.

SHARIATI: I worked in a variety of roles as a computer scientist, but running the customer-support division of a software company has been most useful to me as a lawyer. It developed the discipline of distilling and communicating information. A technical degree also really helps in dealing with experts. You know the fundamentals and it makes it much more efficient. I completely agree with the notion of not being professorial or condescending. Being helpful is the key.

Engineers are also often terrible writers, while the English majors who go to law school can write very succinctly. Engineers' experience is reading and writing technical manuals. Learning to be good, persuasive writers is a challenge. It's very unusual to find someone who is both technically adept and a good writer.

KICHAIVEN: Do those people also tend to do well in court in front of judges or juries?

SHARIATI: Those people can write their own ticket. The stand-up work has nothing to do with technical ability. It's good memory and articulation.

MARINO: It's one litmus test that you try to apply in the first couple years—who can get over that writing hurdle. Every once in a while we do find somebody who is an excellent technical person and writer, particularly in younger generations. The students coming out of school now tend to have a more diverse background.

PUKNYS: Having a technical background helps with experts, and also with building credibility with the client's engineers. They are surprised and pleased to hear that you have an engineering degree and feel they can communicate more clearly. The biggest risk for engineers who become lawyers is presuming too high a level of knowledge on the part of the audience and forgetting to cover basic engineering principles before getting into the patented technology. They lose people right away.

MARINO: I tell my students to imagine they are making a National Geographic documentary. Start with something everybody knows then drill down to the specific thing you want to teach.

KICHAIVEN: Some of the subject matter of the patents is quite intangible or abstract and difficult for the average person to think about in the context of things they actually use or do. When you represent clients who hold patents in those areas, is it harder to protect those patents from infringement?

PUKNYS: It's a challenge, but it's something we've overcome.

MARINO: That's where analogies become fundamental. In a telecommunications case dealing with protocols, we tried to find an analogy to people's common experience and came up with a waitress working in a diner. I tested the idea by getting a bunch of people who knew nothing about the technology with the goal of getting them to understand it within five minutes. In that case we explained that the way people in a diner interacted with a waitress and how the waitress interacted with the cook illustrated the fundamental problem of the case. We used it in court and it worked out great.

KICHAIVEN: What trends are developing around patent eligibility? There are major issues regarding whether computer software is eligible for patent. We also talked about genetic and biotech issues. What's the state of affairs and where are things likely to go?

PUKNYS: The statute [AIA] is Section 101 because it's very fundamental, and the recent attention that's been paid to it has given a lot of people anxiety. The cases that receive the most exposure are often cases dealing with ridiculous claims that judges will want to kill as many different ways as they can. They can easily do it with obviousness or anticipation, but instead, they not only want to put the stake through the vampire's heart, they want to cut off its head and stuff its mouth with garlic, and so they go after it on 101 grounds also. And that creates bad law in my view. Some of the worst decisions in the 101 realm have been created because the patents that were issued never should have gotten out of the patent office in the first place because they covered old or plainly obvious ideas.

MARINO: The courts are struggling because they can use only a very limited number of sections in the patent act to evaluate these patents. Section 101 is being used as a catch-all for everything else they can't find in under Section 102, 103, or 112. With computer-implemented inventions you're confronted with a fundamental question:

For example, if I develop a new compression algorithm, which is pure software and math, the case law right now under Section 101 would suggest that it may or may not be patentable subject matter depending on whether I do it in software or on a computer chip. That is an absurd distinction and one place where the courts have gotten into trouble.

For example, look at the European standard, which is not whether it is a machine, process, or composition of matter. Instead they have another requirement regarding the technical nature of the invention and whether it solves a technical problem. But we don't have that under U.S. patent law currently. So until and unless Congress enacts a new section of the patent act, the courts find themselves in this bind of finding some legal doctrine upon which they can eliminate and weed out bad patents.

KICHAIVEN: If the Constitution tells us we're supposed to promote science and useful arts, what law would best promote that?

SHARIATI: In that respect any test, as long as it's clear, would do the job. What we are struggling with is the weird dichotomy in which an invention that is embodied in a hardware device is clearly patentable, whereas the exact same invention in this piece of software is not. The *In re Alappat* case (33 F.3d 1526 (Fed. Cir. 1994)) came out in 1994 and said that a general-purpose computer modified by software becomes a "new machine." That's the legal foundation for software being patentable, period. I don't know why we're now struggling with this again. The business-method patents were much more questionable, for example.

PUKNYS: The life sciences have their own unique problems. I moderated a session at a Federal Circuit Bar Association meeting a couple years ago on the *Prometheus* case while it was still at the Federal Circuit (*Mayo Collaborative Svcs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289 (2012)). A very well-known and respected chief IP counsel for a pharmaceutical company stood up and argued that if the claims were to a blast furnace, there would be no controversy. But since this claim involves human beings, logic goes out the window and emotions start taking over. People think about the potential negative consequences of patents in the life sciences world in a way they don't think about it with semiconductors.

MARINO: It is a matter of policy and a problem for Congress to resolve. Should we or should we not offer patent protection for certain things, and the courts only get drawn into it when Congress doesn't act.

PUKNYS: The ACLU is driving the *Myriad* case, which is remarkable (*Assn. for Molecular Pathology v. U.S. Patent & Trademark Office*, 689 F.3d 1303 (Fed. Cir. 2012), cert. granted sub nom., *Ass'n for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 694 (2012)). The Federal Circuit needed to deal with whether patenting these genes would mean scientists could no longer study them. That's where the civil liberties angle came in—freedom to research. The ACLU has been pushing that side of the case while the Federal

Circuit has tried its best to get away from it and talk instead about whether concrete injury was suffered by this or that researcher, rather than looking at the broader implications.

KICHAIVEN: How should the case come out?

PUKNYS: It would change things so dramatically as to be destructive to IP protection in the biotech industry if the answer is that genes are not patentable under any circumstances. There's an entire industry built up around those patents. Industry people fear that this emotional, visceral reaction to the invention will be more unpredictable than if it were a circuit because, in some peoples' view, we're talking about life. There's a library's worth of interesting philosophy books addressing that subject, and patent law is really a lousy place to try and deal with it.

MARINO: The case has been shrinking as it proceeds through the courts, but the ACLU has really gone after whether human genes are patentable. Should there be protection for an isolated human gene under the patent laws? Unfortunately, the Supreme Court will have to make that call as opposed to Congress.

SHARIATI: While doing some research, I found the slide deck from August of last year that the patent office uses to train its examiners on the 101 issues. I feel great sympathy and empathy for the examiners who are trying to apply these guidelines because it's really difficult. The question they must consider is whether the claimed invention is doing something beyond a simple application of law of nature. A lot of 102 issues start creeping in. But I don't think anyone wants patents on methods of diagnosing disease. That's a policy matter. But if someone makes a machine that analyzes a blood sample as to whether someone has yellow fever, that's different. But where does the protection stop? How much of this belongs to everyone? Does everyone get to know if they have a propensity for breast cancer? And where does the commercial interest come in. This is a very difficult question for a court to decide.

MARINO: Particularly when the underlying statute simply says patentable-eligible subject matter are things, methods, and compositions of matter. That's all the statute actually says. The Supreme Court and the lower courts have had to make interpretations because Congress hasn't spoken to this issue yet. ■

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