



**GLOBAL MARKETPLACE — EYE ON CHINA:
WORKSHOP SERIES**

FOLEY
FOLEY & LARDNER LLP
美國富強律師事務所

©2010 Foley & Lardner LLP • Attorney Advertising • Prior results do not guarantee a similar outcome • Models used are not clients but may be representative of clients • 321 N. Clark Street, Suite 2800, Chicago, IL 60654 • 312.832.4500

GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES



**China IP Workshop:
Recent Developments in the IP
Landscapes of China and the U.S**

The 7th Annual Asia-Pacific In-house Counsel Summit
Hong Kong, China
March 16, 2010

FOLEY
FOLEY & LARDNER LLP
美國富強律師事務所

©2010 Foley & Lardner LLP

2

Speakers

GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- **Catherine Sun**, Shanghai Office Managing Partner, Asia Practice Chair, Foley & Lardner LLP
- **Yan Zhao**, IP Senior Counsel, Foley & Lardner LLP
- **Jon Dudas**, IP Litigation Partner, former Under Secretary of Commerce for Intellectual Property and Director of the USPTO, Foley & Lardner LLP
- **Steve Rizzi**, IP Litigation Partner, China Practice Chair, Foley & Lardner LLP



©2010 Foley & Lardner LLP

3

GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES



New Trend of Intellectual Property Protection in China (2009-2010)

Catherine Sun
Foley & Lardner LLP



©2010 Foley & Lardner LLP

4

What Has Happened Since March 2009?



GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- IP legislative revision focus more on technical and enforcement aspects;
- More than 30,000 IP cases filed nationwide;
- Chinese companies started to file suits against their foreign competitors in China;
- Chinese companies also were sued in 337 and US district courts.



©2010 Foley & Lardner LLP

5

IP Legislation in 09-10



GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- The Third Amendment of the Patent Law and Its Implementing Regulations.
- Judicial Interpretation on Adjudication of Patent Infringement Cases.
- Amendment of the Copyright Law.
- Law on Preserving State Secret (Draft Amendment).



©2010 Foley & Lardner LLP

6

Major Modifications of the Patent Law



GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- Novelty Standard-worldwide disclosure serve as prior art.
- National Security Review.
- Joint ownership-consensus to enforce or commercialize required.
- Maximum statutory damages increased to RMB1 million.



©2010 Foley & Lardner LLP

7

Major Modifications of the Patent Law (cont.)



GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- Statutory inventor compensation applicable to both SOEs and private sectors if no stipulation.
- Claim construction, prosecution history estoppel, conditions to file declaratory judgment have been clarified.



©2010 Foley & Lardner LLP

8

Amendment of the Copyright Law (Effective April 1, 2010)



GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- Removed Article 4 “Prohibited publication cannot be protected” to provide a more consistent wording with the TRIPs, to honor the final decision of the US-China WTO dispute.
- Copyright mortgage requires recordation.



©2010 Foley & Lardner LLP

9

Trade Secret vs. State Secret



GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- The Rio Tinto case has prompted a call for distinguishing trade secret and state secret.
- State secret cannot go beyond 30 years.
- Who has the right to define state secret, and at what time-critiques on post verification scheme.
- How to deal with secret information of SOEs?
- The Law on Preserving State Secret is current under revision.



©2010 Foley & Lardner LLP

10

AML vs. IP Law

GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- The Anti Monopoly Law took effect on August 1, 2008, and last year we have seen the increasing enquiries on the interplay between AML and IP licensing and collaboration.



©2010 Foley & Lardner LLP

11

Statistics of IP Cases

GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- 30,626 IP cases were filed in 2009, of which, 30,509 cases were decided.
- New patent cases: 4422; Trademark cases: 6906 Copyright cases: 15,302; technology contracts: 747; unfair competition: 1282.
- Decided cases related to foreign parties: 1361; related to Taiwan, Macau and Hong Kong: 353.
- Decided IP criminal cases: 3660.

(Source: PRC IP News)



©2010 Foley & Lardner LLP

12

Landmark IP Cases 09-10

GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- Patent Case-Strix
- Trademark Case-Pfizer
- Copyright Case-Tomato Garden
- Trade Secret Case-Tianjin Bohai
- Domain Name case-Exxon Mobil



©2010 Foley & Lardner LLP

13

More Cases Filed Against Foreign Companies

GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- Chint and Schneider settled in Zhejiang.
- Founder vs. Blizzard in Beijing.
- Xi'an Zhong Dian vs. Microsoft in Xi'an.
- Earlier case Holley vs. Samsung in Hangzhou.



©2010 Foley & Lardner LLP

14

Trend and Prediction



GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- Damages are higher and higher.
- More and more patent cases.
- More and more criminal cases.
- More and more domestic Chinese plaintiffs.
- Courts started to try “three in one” mode to hear the cases.
- More cases related to new technology and internet.



©2010 Foley & Lardner LLP

15

Thank You!



GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- **Catherine Sun**
Partner
Foley & Lardner LLP
Jin Mao Tower
88 Century Boulevard
Suite 2201
Shanghai, 200121
Phone: (86) 21-6100-8988
Email: csun@foley.com



©2010 Foley & Lardner LLP

16



Recent developments in China's Patent Law and Regulations

Yan Zhao
Foley & Lardner LLP



Third Amendments to the PRC Patent Law - Background

- PRC Patent Law enacted in 1984 and amended in 1992 & 2000, both with a view to comply with international practice.
- Third Amendments initiated as part of PRC national IP strategy.
- Legislation purpose focused on promotion of innovations and implementation of patented technology.



Third Amendments to the PRC Patent Law - Confidentiality Review (1)



GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- First filing requirement under the previous law.
 - Previous PRC Patent Law requires that “any PRC entity or individual” to first file in China for its inventions made in China.
- The new Patent Law replaces the first filing requirement with a confidentiality review system for invention or utility model made in China.



©2010 Foley & Lardner LLP

19

Third Amendments to the PRC Patent Law - Confidentiality Review (2)



GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- Legal liability for failing to comply with the confidentiality review requirement prior to filing patent application outside of China.
 - No patent right shall be granted in China.
 - Divulging State secrets shall be given administrative sanction.



©2010 Foley & Lardner LLP

20

Third Amendments to the PRC Patent Law - Confidentiality Review (3)



GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- The SIPO is required (1) to inform the applicant within four months of the filing of the request if it believes that a national security review is necessary, and (2) to decide within six months whether or not the invention relates to national security such that it shall be kept confidential.



©2010 Foley & Lardner LLP

21

Third Amendments to the PRC Patent Law - Prior Art Basis (1)



GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- Prior art basis extends from the moderate novelty standard under the previous patent law to the absolute novelty standard in the new patent law.



©2010 Foley & Lardner LLP

22

Third Amendments to the PRC Patent Law - Prior Art Basis (2)



GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- Scope of conflicting application expanded to include patent applications filed by the same applicant.
- Conflicting application refers to patent application filed before but published after the patent application in examination, extended.



©2010 Foley & Lardner LLP

23

Third Amendments to the PRC Patent Law - Patent Co-owners' Rights



GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- For a co-owned patent case, an agreement with respect to exploitation of patent between/among the co-owners shall govern.
- Where there is no agreement stated above, each co-owner may exploit the patent independently or grant a non-exclusive licensing to others provided that the licensee fee received shall be allocated between/among the co-owners.
- But consensus from all co-owners required for patent enforcement.



©2010 Foley & Lardner LLP

24

Third Amendments to the PRC Patent Law - Compulsory License



GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- Patent not implemented for 3 years after grant (and 4 years after filing).
- Patentee's exercise of his patent right found to be an act restricting or eliminating competitions.
- Exportation of drugs to foreign countries – Doha Declaration.



©2010 Foley & Lardner LLP

25

Third Amendments to the PRC Patent Law - Prior Art Defense



GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- Infringement shall not be found if evidence exists proving that the accused infringing technology belongs to prior art.
- Details provided in Supreme People's Court's Judicial Interpretation issued in December 2009.
 - Single prior art shall be relied upon.
 - Variations allowed under principle of doctrine of equivalent.



©2010 Foley & Lardner LLP

26

Third Amendments to the PRC Patent Law - Patent Infringement Exemptions (1)



GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

■ Parallel importation

- Importation of any patented product or product directly obtained from the patented process, after the said product is sold by the patentee or by its (his) licensed entity or individual, shall not be deemed an infringement upon a patent right.



©2010 Foley & Lardner LLP

27

Third Amendments to the PRC Patent Law - Patent Infringement Exemptions (2)



GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

■ Bolar exemption

- Producing, using or importing patented medicine or patented medicinal equipment for the purpose of providing the information as required for administrative examination and approval, and producing and importing the patented medicine or patented medicinal equipment exclusively for the said purpose, shall not be deemed an infringement upon a patent right.



©2010 Foley & Lardner LLP

28

Third Amendments to the PRC Patent Law - Damages



GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- Maximum statutory damages increased to RMB 1 million.
- The damages can also include the reasonable cost paid for stopping the infringement.



©2010 Foley & Lardner LLP

29

Third Amendments to the PRC Patent Law - Inventor Remuneration



GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- Invention and utility model: not less than 2% of the profits after the taxation earned from exploitation of the invention or Utility model.
- Design: not less than 0.2% of the profits after the taxation earned from exploitation of the Design.
- If the entity licenses or transfers the patent, it must draw not less than 10% of the license fees or transfer fees after taxation and rewarded it to the Inventor/Creator as remuneration.



©2010 Foley & Lardner LLP

30

Third Amendments to the PRC Patent Law - Inventor Remuneration (cont.)



GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- Under the new Implementation Rules, such remuneration percentages applicable to all the entities, state-owned-enterprises or private companies, unless otherwise set forth in the company policy or individual contracts.



©2010 Foley & Lardner LLP

31

Third Amendments to the PRC Patent Law - Design Patent



GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- “Non-obviousness”: Compared with the prior design or combination the prior design features, the design for which a patent is granted shall have distinctive features.
- Multiple designs now allowed in one application.
 - Two or more similar designs for the same product.



©2010 Foley & Lardner LLP

32

Procuring Your Patent Rights in PRC - China's new leadership role in patent filing



GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- Record number of patents issued by China in 2009.
- China Patents granted roll over 3 millions.
- China ranks the first in chemistry patent applications in the world.



©2010 Foley & Lardner LLP

33

Procuring Your Patent Rights in PRC - Procuring high quality patents (1)



GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- Improvements in enforcement, changes in patent laws, and new judicial interpretations all point to greater emphasis on Chinese patents.
- Better quality patents reduces costs and increase likelihood of favorable outcome in infringement litigation.



©2010 Foley & Lardner LLP

34

Procuring Your Patent Rights in PRC - Procuring high quality patents (2)



GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- Tips for improving quality of Chinese patents.
 - use trusted local counsel, supervised by firm/attorney in charge of global patent procurement.
 - confirm accuracy of translation of key aspects of applications.
 - for important inventions, think globally and prepare applications to international standards.



©2010 Foley & Lardner LLP

35

Procuring Your Patent Rights in PRC - Challenging through Invalidation



GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- Can be filed by any party at any time after the issuance of PRC patent.
- An effective defense tool.
- May narrow patent scope based on prosecution history estoppel theory.



©2010 Foley & Lardner LLP

36

Thank You!

GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- Yan Zhao
Senior Counsel
Foley & Lardner LLP
Jin Mao Tower
88 Century Boulevard
Suite 2201
Shanghai, 200121
Phone: (86) 21-6100-8960
Email: yzhao@foley.com



©2010 Foley & Lardner LLP

37

GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES



U.S. Patent Reform Updates

Jon Dudas
Foley & Lardner LLP



©2010 Foley & Lardner LLP

38



PATENT REFORM UPDATE



FOLEY & LARDNER LLP
美國富強律師事務所

Senate Compromise



- On March 4, 2010, several Senators from the Senate Judiciary Committee announced the latest compromise they believed to be the final solution.
- Key House Members responded: **“With regard to the proposed Senate Judiciary Committee language released today, we believe a number of changes are essential before it could be considered by the House.”**



FOLEY & LARDNER LLP
美國富強律師事務所

Senate Compromise (cont.)

GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- The House of Representatives wants even stronger challenges to patents and currently seems determined to get them.



©2010 Foley & Lardner LLP

41

House Judiciary Committee Hearing

GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- Hearing April 30, 2009
- Key Members dispute the Senate compromise:
 - Chairman Conyers: **“This body is no more a rubber stamp for the Senate than the Senate is a rubber stamp for the House.”**
 - Ranking Member Smith: **“It's not going to be helpful if the Senate takes a ‘take it or leave it’ attitude on the Senate bill.”**



©2010 Foley & Lardner LLP

42

Funding – Issue Number 1

GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- **SUPPORTS**—Authority to Adjust Fees
 - The USPTO needs a better funding structure.
 - 15% surcharge anticipated in 2010, 2011.
 - Reporting requirements for fee increase.
 - Patent Public Advisory Committee.
 - Congress.



©2010 Foley & Lardner LLP

43

Steps Left for Legislation

GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- Regular legislative process would require six more steps.
 - Four more opportunities to amend
 - Six more votes
 - Two votes each—full Senate and House
- Fastest plausible route is two more votes—Senate Floor and House Floor.



©2010 Foley & Lardner LLP

44

Skipping the Process

GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- The many steps outlined in the previous slides is a “normal” route for enactment of legislation.
- But, there are numerous procedural shortcuts that *can* be attempted – and which sometimes succeed.
- Shortcut steps *may* be used to speed passage of the bill.



©2010 Foley & Lardner LLP

45

What is Next if Patent Reform Passes?

GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- **Implementation**
 - Once passed, the biggest changes take place.
 - The USPTO has specific rulemaking authority in the bill to implement the provisions.
 - The Administration has 12 months after the bill is signed to establish comprehensive rules.
- **Additional Legislation**
 - Administration will likely promote legislative pendency reduction provisions.
 - New efforts to address “non-practicing entities.”



©2010 Foley & Lardner LLP

46



PATENT REFORM LEGISLATION KEY PROVISIONS



Patent Reform — Key Provisions



- Damages
 - Reasonable Royalty
 - Willfulness—Treble Damages
- Venue
- Administrative Challenges
 - Post-Grant Review
 - *Inter partes* reexamination
- First-to -File
- Inequitable Conduct



Damages Under Current Law



GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- Stated concern under current law—judges may give little direction and wide latitude to juries to determine a damages award based upon reasonable royalty.
- *Georgia-Pacific* lists 15 factors for juries to consideration.



©2010 Foley & Lardner LLP

49

House Bill — Reasonable Royalty



GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- Reasonable royalty damages are directed to three specific methods:
 - (1) Entire market value—“a royalty can be based on the entire value of an infringing product or process only when the patented invention is the **predominant** basis for demand.



©2010 Foley & Lardner LLP

50

House Bill — Reasonable Royalty



GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- Reasonable royalty damages are directed to three specific methods:
 - (2) “Marketplace licensing”-- royalty damages based upon existing licenses for the claimed invention.



©2010 Foley & Lardner LLP

51

House Bill — Reasonable Royalty



GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- Reasonable royalty damages are directed to three specific methods:
 - (3) “Value calculation”-- reasonable royalty is “applied only to the portion of the economic value ... properly attributed to the claimed invention's **specific contribution over the prior art.**”



©2010 Foley & Lardner LLP

52

Gatekeeper: Senate Compromise



GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- The judge acts as a “gatekeeper for the jury.”
- Parties present what legal bases they believe the jury can consider for damages.
- The judge is required to specify to the jury what factors it may consider in a damages calculation.



©2010 Foley & Lardner LLP

53

Gatekeeper: Senate Compromise (cont)



GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- The jury may consider *only* those factors the judge presents as relevant.
- *Requires* the judge to exercise more control over what a jury hears and decides on damages.
- Gives a better record to appeal a decision.



©2010 Foley & Lardner LLP

54

Willfulness; Treble Damages



GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- A patent owner may get treble damages if:
 - Patent owner proves objective recklessness;
 - By clear and convincing evidence, AND infringer had written notice;
 - Infringer had opportunity to investigate;
 - Infringer intentionally infringed or infringed after a previous judgment;
 - Safe harbor does not apply.



©2010 Foley & Lardner LLP

55

Venue Positions



GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- House of Representatives—H.R. 1260
 - Focus on defendant’s location
- Senate—S. 515
 - Focus on “clearly convenient” forum
- Administration **SUPPORTS** S. 515



©2010 Foley & Lardner LLP

56

March 4, 2010 Administrative Challenges Compromise



GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

Four Options

- **Option 1**—challenge on any basis in first 9 months after grant.
 - Standard to start review is on the challenger to show establish it is more likely than not that the information it presents renders at least one of the patent's claims invalid.
 - Panel of three Administrative Patent Judges (APJs) must conclude the proceeding within 12 months, unless the PTO finds good cause for a single six-month extension of this deadline.



©2010 Foley & Lardner LLP

57

March 4, 2010 Administrative Challenges Compromise



GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

Four Options

- **Option 2**—Third party can request an inter partes reexamination of the patent.
 - Pre 1999 patents now subject to inter partes.
 - Limited to patents and printed publications.
 - Standard is “a reasonable likelihood” that the third party will prevail \ reexamination will be heard by APJs and is subject to the same time restrictions as the initial post-grant review.



©2010 Foley & Lardner LLP

58

March 4, 2010 Administrative Challenges Compromise



GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

Four Options

- *Option 3--*, ex parte reexamination continues to be available, largely unchanged.



©2010 Foley & Lardner LLP

59

March 4, 2010 Administrative Challenges Compromise



GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

Four Options

- *Option Four-* Patentee requests supplemental examination.
 - intended to reduce the frequency of inequitable conduct allegations.
 - patentee requests “supplemental examination” for USPTO to consider any relevant information.
 - Any patent that survives the supplemental examination process cannot be held unenforceable based on information considered by the PTO.



©2010 Foley & Lardner LLP

60

March 4, 2010 Administrative Challenges Compromise



GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

Estoppel

- a party challenging a patent in a post-grant review proceeding is estopped from seeking a subsequent post-grant review on any ground that was, or reasonably could have been, raised in the initial proceeding.
- in a district court case, a party may not assert any ground of invalidity that it actually raised in the administrative post-grant review.
- an alleged infringer may only seek administrative review within three months of the date it files its answer in the litigation.



©2010 Foley & Lardner LLP

61

Post-Grant Review/*Inter partes* Reexamination Positions



GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- House of Representatives—H.R. 1260
 - Agrees with Senate on post-grant opposition
 - Public use or sale a basis for *inter partes* reexamination
- Senate—S. 515
 - Agrees with House on post-grant opposition
 - Public use or sale not a basis for *inter partes* reexamination



©2010 Foley & Lardner LLP

62

Post-Grant Review/*Inter partes* Reexamination Positions (cont.)



GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- Administration **SUPPORTS** S. 515
 - Administration needs time to implement—4 years
 - Administration is concerned about funding and increase in work



©2010 Foley & Lardner LLP

63

Thank You!



GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- Jon Dudas
Partner
Foley & Lardner LLP
Washington Harbour
3000 K Street NW
Suite 600
Washington, DC 20007
Phone: (202) 945-6107
Email: jdudas@foley.com



©2010 Foley & Lardner LLP

64



Recent Developments in U.S. Patent Litigation

Steve Rizzi
Foley & Lardner LLP



Recent Developments in U.S. Patent Litigation

■ Topics

- False Patent Marking Actions.
- Inducement of Infringement.
- Declaratory Judgment Jurisdiction.
- Electronic Discovery.



False Patent Marking Statute



GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- Section 292(a) of the Patent Act:
 - “Whoever marks upon, or affixes to, or uses in advertising in connection with any unpatented article, the word "patent" or any word or number importing that the same is patented, for the purpose of deceiving the public . . . Shall be fined not more than \$500 for every such offense.”
 - *Forest Group, Inc. v. Bon Tool Company* (U.S. Court of Appeals for the Federal Circuit, December 28, 2009).



©2010 Foley & Lardner LLP

67

False Patent Marking Statute

(cont.)



GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- "We conclude that the statute clearly requires that each article that is falsely marked with intent to deceive constitutes an offense under 35 U.S.C. § 292."



©2010 Foley & Lardner LLP

68

An Explosion of False Marking Litigation



GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- Section 292(a) of the Patent Act:
 - Any person may sue for the penalty, in which event one-half shall go to the person suing and the other to the use of the United States.
 - More than 70 false marking cases have been filed in the last two months, targeting over 100 companies across all industries, including:
 - Ortho-McNeil
 - Proctor & Gamble
 - Merck
 - Schering-Plough
 - Cisco
 - Novartis
 - 3M
 - Pfizer



©2010 Foley & Lardner LLP

69

An Explosion of False Marking Litigation



GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- Kimberly-Clark
 - MeadWestvaco
 - Wal-Mart
 - Target Stores
 - Timex
 - Bayer
 - Adobe
- Cases are mostly based on marking of expired patent numbers – simple matter for plaintiffs and their attorneys to confirm that patents are expired.



©2010 Foley & Lardner LLP

70

Latest Developments in False Marking Litigation



GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- Constitutionality of false marking statute is being challenged in multiple courts. The U.S. Supreme Court may consider a limited challenge soon.
- The Court of Appeals may soon rule on whether marking products with an expired patent number constitutes false marking under the statute.



©2010 Foley & Lardner LLP

71

Latest Developments in False Marking Litigation



GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- In the interim, companies need to pay more attention to patent markings on products to avoid being named in these cases.
- Patent reform legislation introduced earlier this month would effectively eliminate the current wave of false marking litigation.



©2010 Foley & Lardner LLP

72

Inducement of Infringement - Background



GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- Section 271(b) of the Patent Act: “Whoever actively induces infringement shall be liable as an infringer.”
 - Manufacturing products in China for sale in the U.S. can be basis for inducement of infringement in the U.S.



©2010 Foley & Lardner LLP

73

Inducement of Infringement - Background



GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- Federal Circuit clarified the stringent test for inducement of infringement in 2006: alleged infringer knew or should have known that actions would induce actual infringement, which "necessarily includes requirement that he or she knew of the patent."
- Thus, lack of knowledge of patent was generally thought to be sufficient basis to avoid inducement of infringement.



©2010 Foley & Lardner LLP

74

Inducement of Infringement - Recent Development



GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- *SEB S.A. v. Pentalpha Enterprises, Ltd.*, (Court of Appeals for the Federal Circuit, Feb. 5, 2010).
 - Pentalpha (Hong Kong company) copied SEB's product purchased in Hong Kong, which was not marked with any patent numbers.
 - Pentalpha sought advice of U.S. patent counsel, but failed to notify him that product was copied.



FOLEY & LARDNER LLP
美國富強律師事務所

©2010 Foley & Lardner LLP

75

Inducement of Infringement - Recent Development



GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- Court held that "deliberate indifference" or "disregarding an overt risk" that a patent existed meets the requirement that there be knowledge of the patent.
 - Court looked to case law outside of patent law to conclude that the knowledge requirement can be met by deliberate indifference.



FOLEY & LARDNER LLP
美國富強律師事務所

©2010 Foley & Lardner LLP

76

Declaratory Judgment Jurisdiction – Background



GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- Declaratory judgment actions allow a company threatened with a claim for US patent infringement to bring a lawsuit in its choice of court for a judgment of non-infringement and/or invalidity of the patent.
- May allow companies to avoid being sued in unfavorable courts, such as the Eastern District of Texas.



©2010 Foley & Lardner LLP

77

Declaratory Judgment Jurisdiction – Background



GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- But there must be an actual "case or controversy," which until recently required a specific threat of infringement litigation, as opposed to an offer to license patents.
- The standard was relaxed in 2007, resulting in greater uncertainty as to the circumstances that would allow for a declaratory judgment action.



©2010 Foley & Lardner LLP

78

Declaratory Judgment Jurisdiction – Federal Circuit Lowers the Bar for Threats from Patent Holding Companies



GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- *Hewlett-Packard Company v. Acceleron LLC* (Court of Appeals for the Federal Circuit, Dec. 4, 2009).
- A patent-holder that merely identifies its patent and the other party's product line does NOT, without more, create jurisdiction. But here, the patent holder Acceleron:
 - imposed a two-week deadline for HP to respond;
 - asked that HP agree not to file a declaratory judgment suit as a condition to discussions;



©2010 Foley & Lardner LLP

79

Declaratory Judgment Jurisdiction – Federal Circuit Lowers the Bar for Threats from Patent Holding Companies (cont.)



GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- deemed HP's silence as an indication that HP had no position on its patent or the relevance of HP's products;
- failed to propose a confidentiality agreement;
- refused to accept HP's proposal for a 120-day "standstill" agreement.
- Court also found that Acceleron's status as a "non-competitor patent holding company" weighed in favor of declaratory judgment jurisdiction.



©2010 Foley & Lardner LLP

80

Impact of Acceleron



GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- Fact-intensive inquiry means there will be close calls regarding whether the totality of circumstances supports jurisdiction.
 - More situations where a company contacted by a patent holder will be able to control venue for the litigation.
- Encourages a practice of "shoot first," particularly for patent holding companies who want to control the location of the suit.
 - File litigation before any contact with the defendant, and begin license discussions after suit is filed.



©2010 Foley & Lardner LLP

81

Electronic Discovery Update for Parties Involved in U.S. Litigation



GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- In the last 18 months or so, as courts have become more knowledgeable concerning electronically stored information ("ESI"), there have been numerous cases awarding sanctions for discovery violations.
- Penalties can exceed \$1,000,000, and also result in "adverse inferences" against the party sanctioned.



©2010 Foley & Lardner LLP

82

Electronic Discovery Update for Parties Involved in U.S. Litigation



GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- *Pension Committee of the University of Montreal Pension Plan v. Banc of America Securities, LLC* (Southern District of New York, January 15, 2010) is the latest leading case addressing parties' ESI discovery obligations:
 - Gross negligence is sufficient to warrant sanctions, even absent egregious conduct such as intentional destruction of evidence.
 - Jury could presume that lost evidence was relevant and favorable to the defendant, unless the jury found that the plaintiffs had rebutted that presumption.



©2010 Foley & Lardner LLP

83

Electronic Discovery Update - Potentially Sanctionable Conduct



GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- Failure to collect paper or electronic records from key players.
- Failure to take appropriate measures to preserve ESI.
- Failure to preserve backup tapes.
- Failure to assess accuracy and validity of search terms used for ESI.



©2010 Foley & Lardner LLP

84

Electronic Discovery Update - Potentially Sanctionable Conduct



GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- Failure to sufficiently supervise or monitor employees' document collection.
- Failure to issue a written "litigation hold" notice.
- Failure to collect or preserve electronic documents once on notice of duty to preserve.



©2010 Foley & Lardner LLP

85

Thank You!



GLOBAL MARKETPLACE — EYE ON CHINA: WORKSHOP SERIES

- **Steve Rizzi**
Partner
Foley & Lardner LLP
90 Park Avenue
New York, NY 10016
Phone: (212) 338-3543
Email: srizzi@foley.com



©2010 Foley & Lardner LLP

86