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2022 CLE WEEKS

Hot Topics for In-House IP Practitioners

December 14, 2022

Speaker

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Speaker

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Nicholas (Nick) Zepnick is a partner and intellectual property lawyer with Foley & Lardner LLP where his practice focuses on working with clients to protect valuable technology and build their corporate brands. He negotiates technology-related agreements, reduces risk in support of product launch efforts, and develops IP strategies that focus on business objectives. Nick's substantive work involves clients in the outdoor, vehicle, lighting, and concrete products spaces. He also negotiates material transfer agreements, clinical trial agreements, and other agreements in connection with the development and commercialization of pharmaceutical and medical device products.

Nick offers counsel with his clients' needs in mind, a skill he honed through service as virtual in-house IP counsel for a *Fortune 500* specialty vehicle manufacturer. That experience dovetailed well with Nick's engineering background as he is a member of Foley's Mechanical & Electromechanical Technologies Practice. An avid outdoorsman, Nick particularly enjoys representing several clients that produce camping, backpacking, fishing, and hunting equipment.

Speaker

David M. Golub
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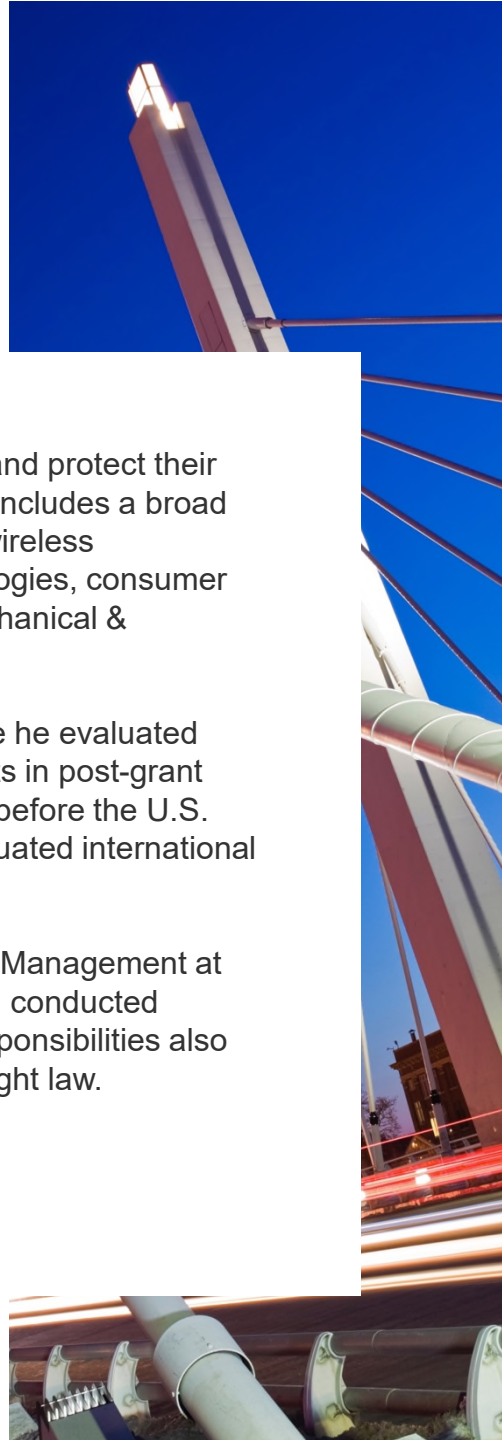
David Golub is a senior counsel and intellectual property lawyer who counsels clients to identify and protect their intellectual property rights and to minimize and control intellectual property risks. His experience includes a broad range of electromechanical and computer-based technologies, including financial technologies, wireless communications, aircraft systems, user interfaces, smartphone technologies, automotive technologies, consumer products, and medical devices. Mr. Golub is a registered patent attorney and member of the Mechanical & Electromechanical Technologies Practice.

Prior to joining Foley Mr. Golub was a patent associate at an intellectual property boutique, where he evaluated patent enforcement opportunities, conducted infringement and validity analyses, defended patents in post-grant proceedings, including reexamination and *inter partes* review, and prosecuted patent application before the U.S. Patent and Trademark Office to prepare portfolios for monetization. He also researched and evaluated international patent enforcement strategies in various jurisdictions in North America, Asia, and Europe.

While in law school, Mr. Golub was a technology transfer legal extern in the Office of Technology Management at the University of Illinois at Chicago, where he analyzed invention disclosures for medical devices, conducted patentability analyses, and developed strategies for commercializing intellectual property. His responsibilities also included advising technology managers and inventors on issues of patent, trademark, and copyright law.



Discussion Topics

- Trade Secrets
- Operating in China
- AI in Your Practice
- U.S. Patent Filing Trends
- Preserving IP When Downsizing
- Unified Patent Court in Europe
- Patent Eligible Subject Matter
- NFTs
- IP Litigation
- Diversity, Equity, and Inclusion in IP

Trade Secrets

- **Trade Secrets**
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Trade Secret Cases (Civil and Criminal) are *Everywhere!*

- Crumbl
- Apple
- Analog Devices
- Ford
- Tesla
- GlaxoSmithKline

Trade Secrets (cont'd.)

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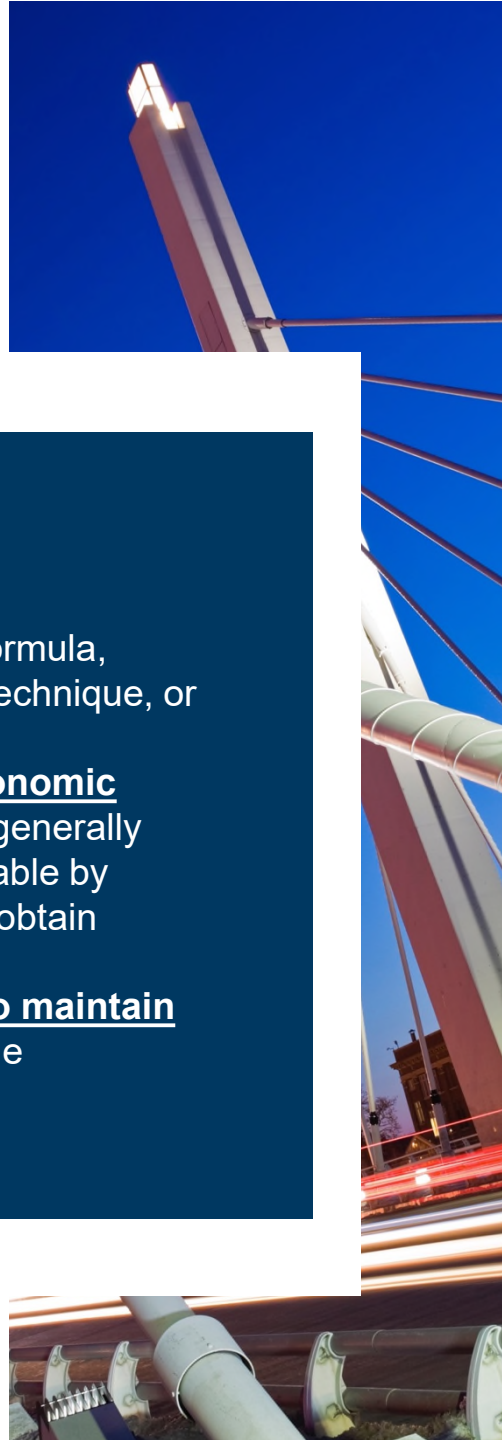
Trade Secrets in Wisconsin:

Wis. Stat. § 134.90(1)(c)

- "Trade secret": Means information, including a formula, pattern, compilation, program, device, method, technique, or process to which all of the following apply:
  1. The information derives **independent economic value**, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use
  2. The information is the subject of **efforts to maintain its secrecy that are reasonable** under the circumstances



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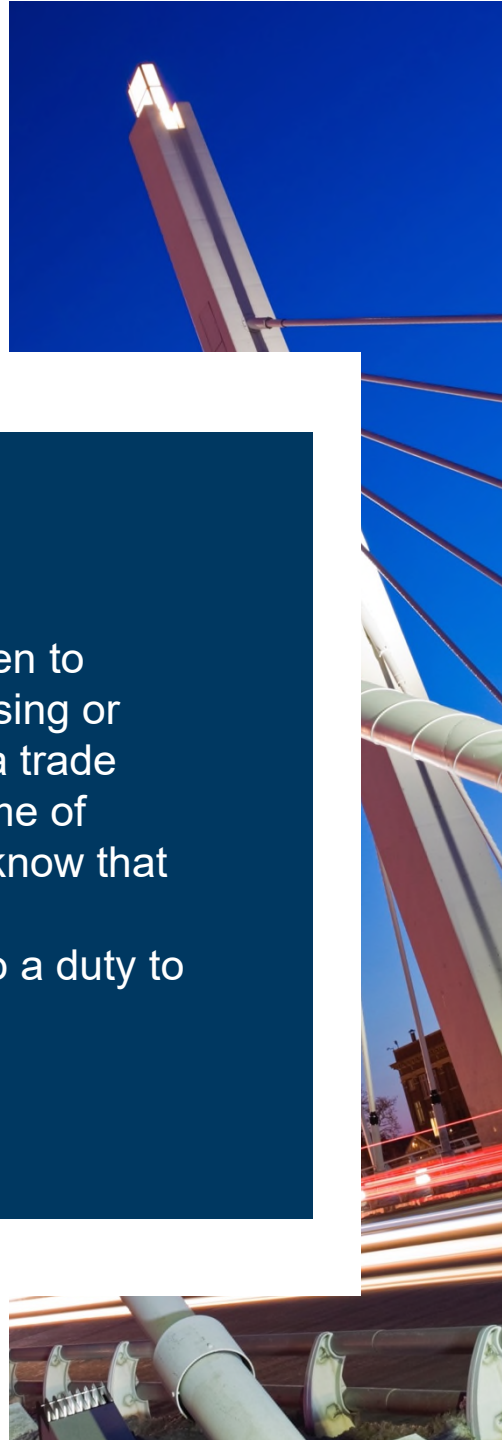
Trade Secrets in Wisconsin:

Wis. Stat. § 134.90(2)(b)

- No person…may misappropriate or threaten to misappropriate a trade secret by…[d]isclosing or using without express or implied consent a trade secret of another if the person…[a]t the time of disclosure or use, knew or had reason to know that he or she obtained knowledge of the trade secret…under circumstances giving rise to a duty to maintain its secrecy or limit its use.



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Trade Secrets Federally:

18 U.S.C. 1839(3)

- "Trade secret" means all forms and types of financial, business, scientific, technical, economic, or engineering information, including patterns, plans, compilations, program devices, formulas, designs, prototypes, methods, techniques, processes, procedures, programs, or codes, whether tangible or intangible, and whether or how stored, compiled, or memorialized physically, electronically, graphically, photographically, or in writing if —

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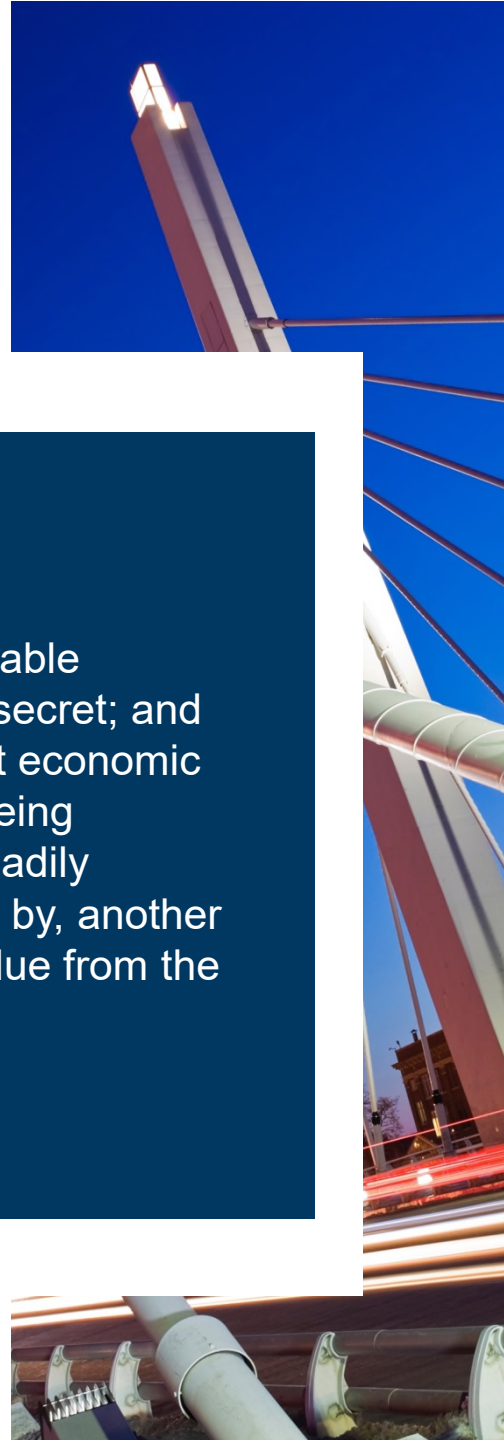
Trade Secrets Federally:

18 U.S.C. 1839(3)

A. The owner thereof has taken reasonable measures to keep such information secret; and
B. The information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, another person who can obtain economic value from the disclosure or use of the information;



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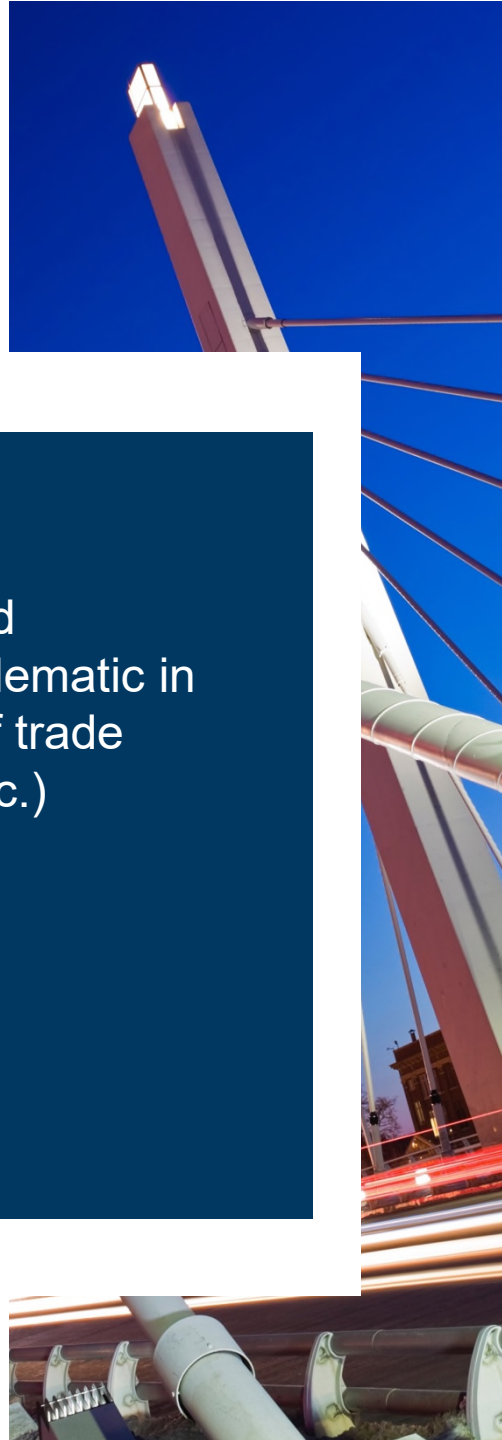
Pleading:

- *Twombly* and *Iqbal* require heightened pleadings standards that can be problematic in trade secret cases (e.g., disclosure of trade secrets, showing improper access, etc.)



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Act! Audit! Document!

- Trade secrets themselves
- Access to trade secrets
- IT vulnerabilities
- Protections and agreements
- IT bread crumbs and access

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Third-Party Engagements

- Identify trade secrets
- Ensure third parties use them appropriately and destroy them afterward
- Internal IT capabilities
- Audit

Operating in China

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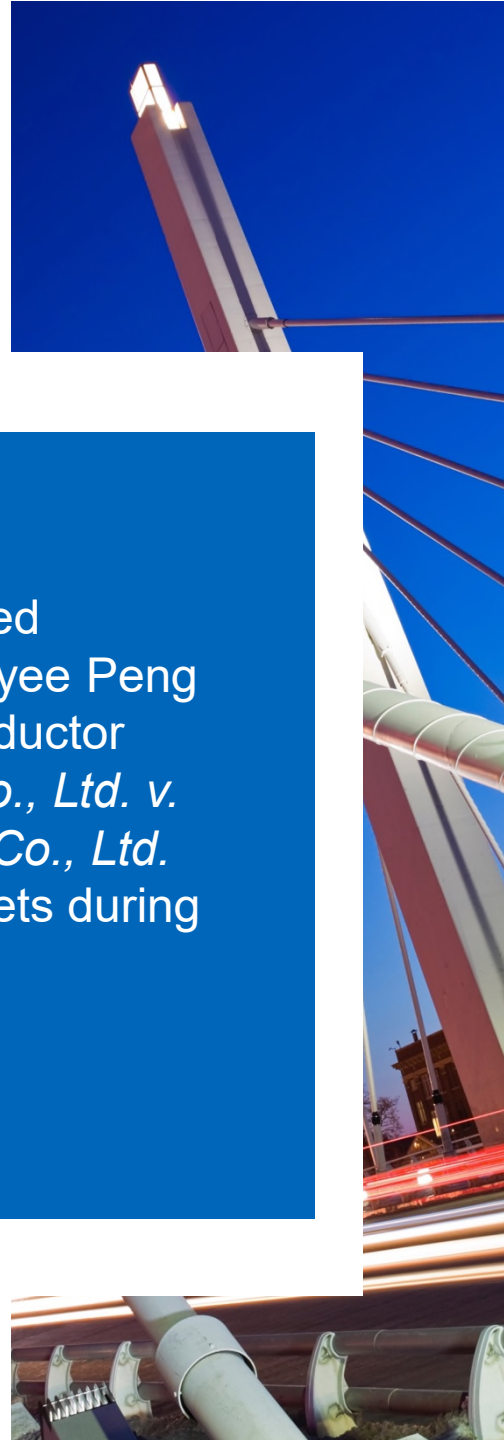
Trade Secret an Area of Emphasis

- Typical or precedential case just issued November 17, 2022, where ex-employee Peng was allegedly using Action's semiconductor trade secrets in *Action Technology Co., Ltd. v. Peng, Zhuhai Tychip Semiconductor Co., Ltd.* (Preventing use of alleged trade secrets during litigation)



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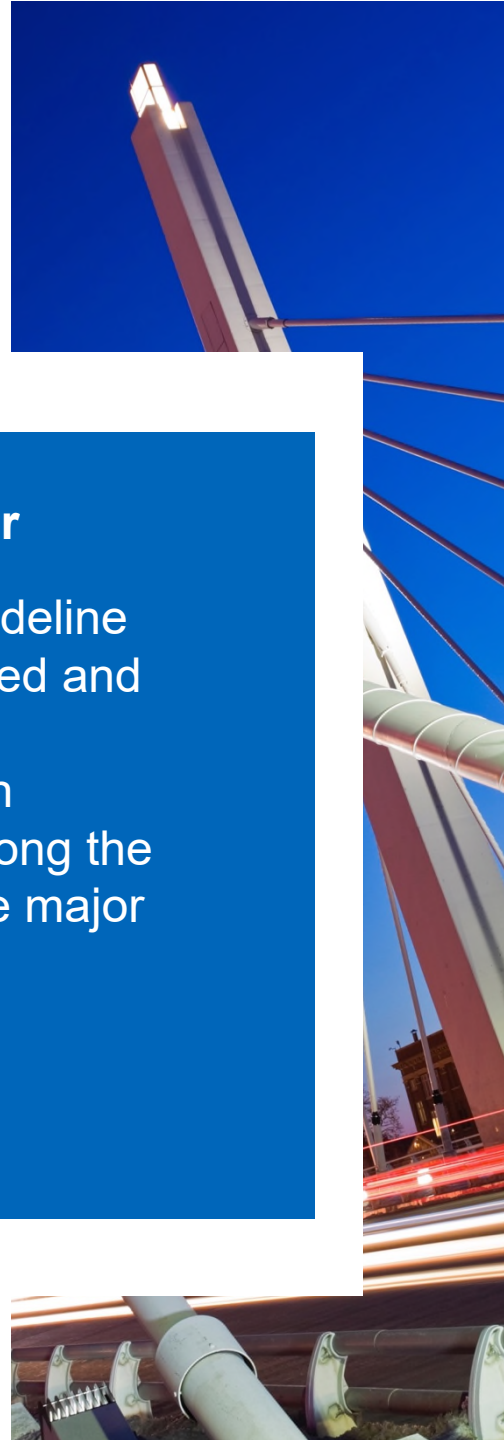
Patent Law Updates Coming This Year

- October 31, 2022, release of draft guideline updates that are expected to be revised and implemented yet this year
- Patent term adjustment, partial design protection, and priority claims are among the biggest elements being updated since major changes in 2021



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Trademark Expansion Continues

- September 29, 2022, Louboutin case shows willingness of courts to grant expansive rights in trademarks. Red color protectable in 2020. $129 million in Chinese sales since 2011.

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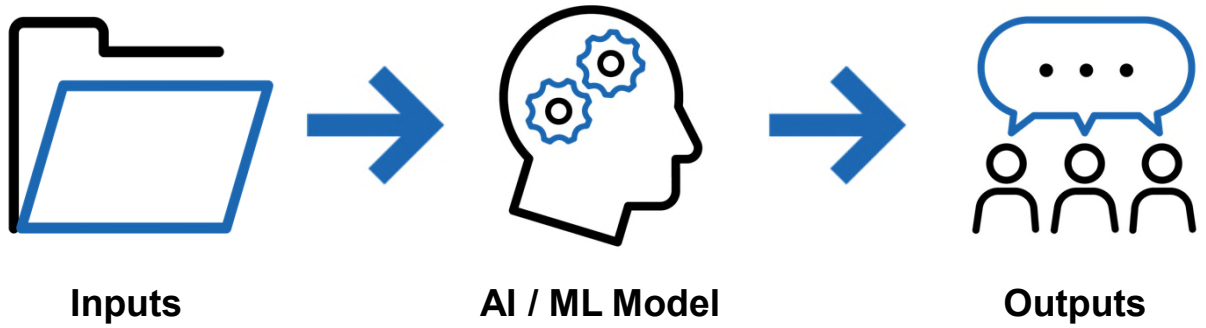

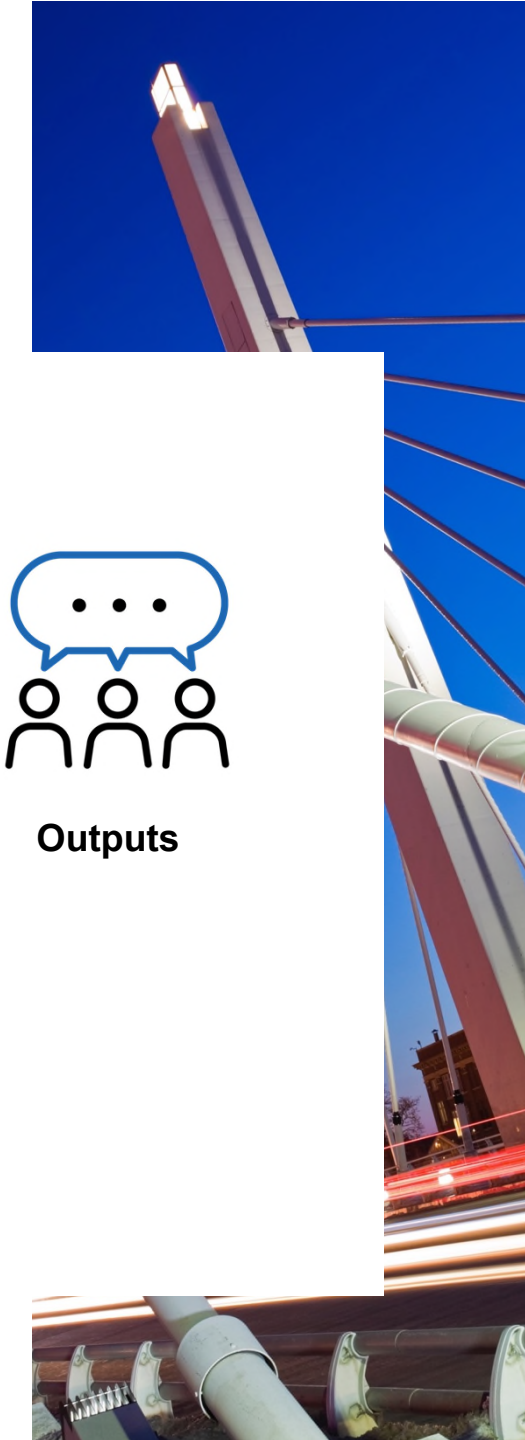

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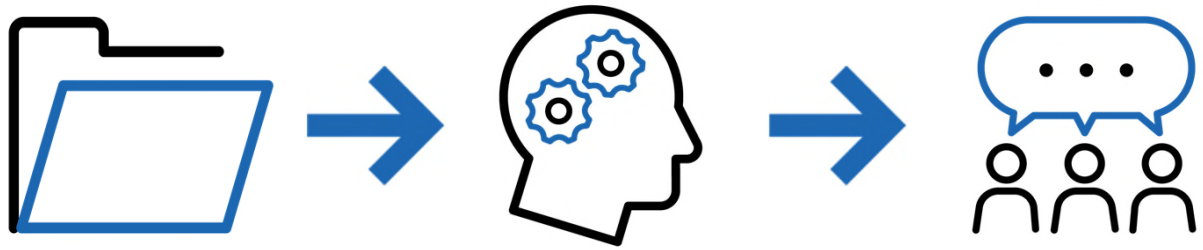
AI is or Will Be a Part of Your Practice

- Patent searching
- Trademark searching
- Software development



Inputs **AI / ML Model** **Outputs**

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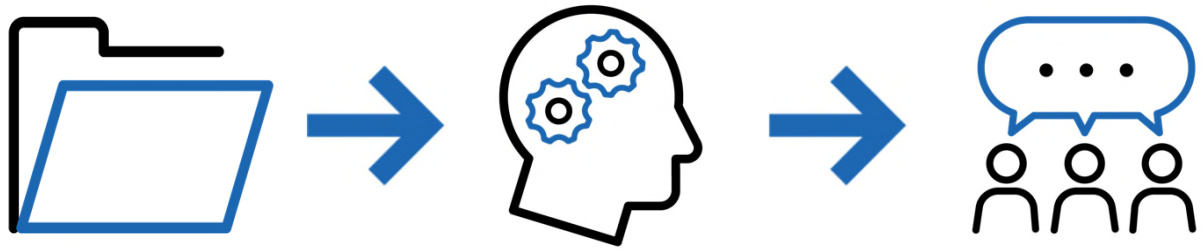
AI Presents Many Issues in the Context of Co-Development

- Raw data
- Training datasets
- Trained models



Inputs **AI / ML Model** **Outputs**

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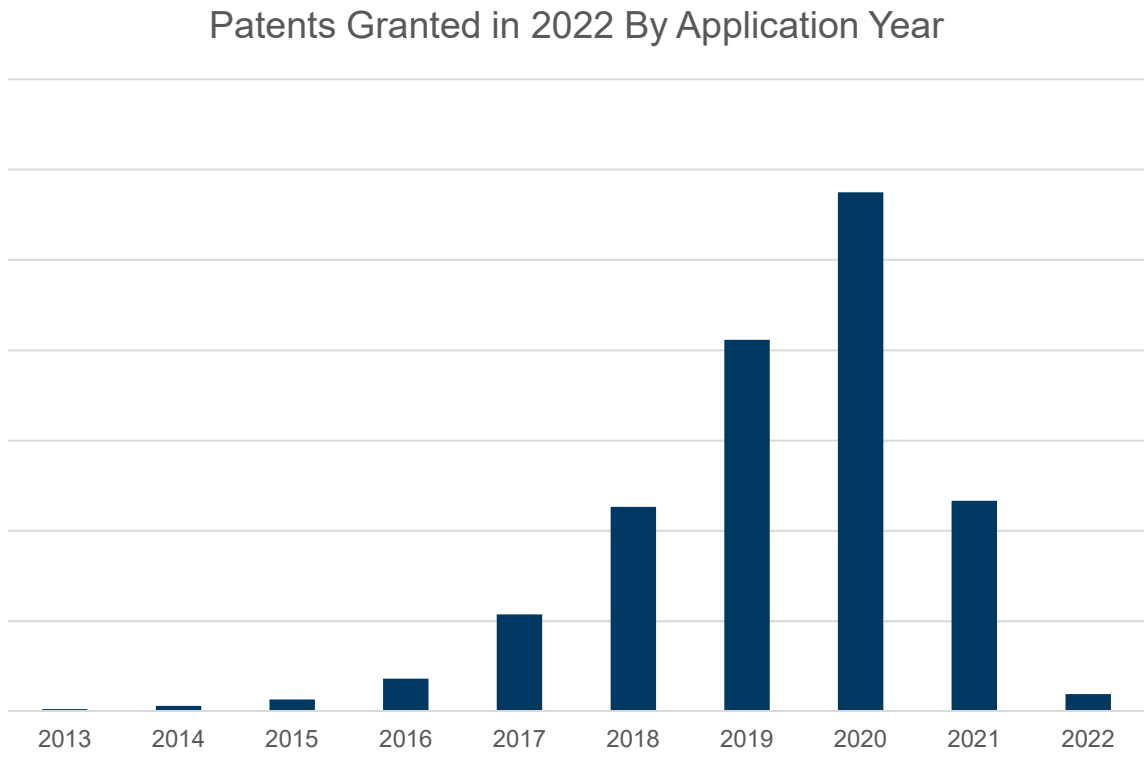

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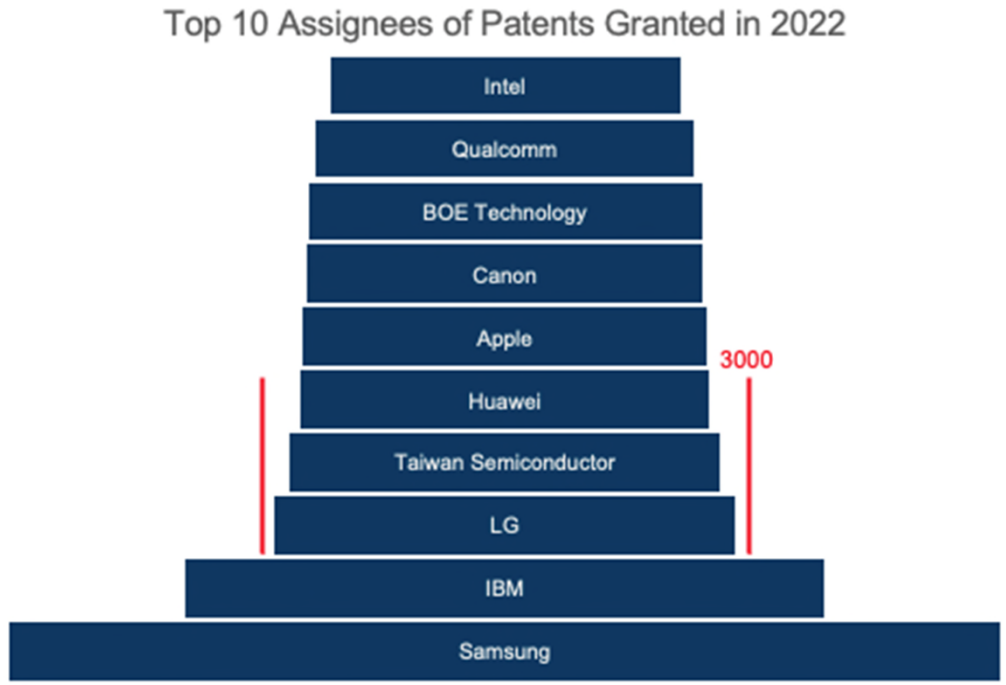

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Other Statistics

- Allowance rate: 63% as of October 2022 (vs. 59.7% as of October 2020)
- Track One allowance rate: 58% as of October 2022 (cumulative over the last 12 months)
- Pendency: 30 months as of October 2022
- Over 4x increase in AI filings since 2018

Preserving IP When Downsizing

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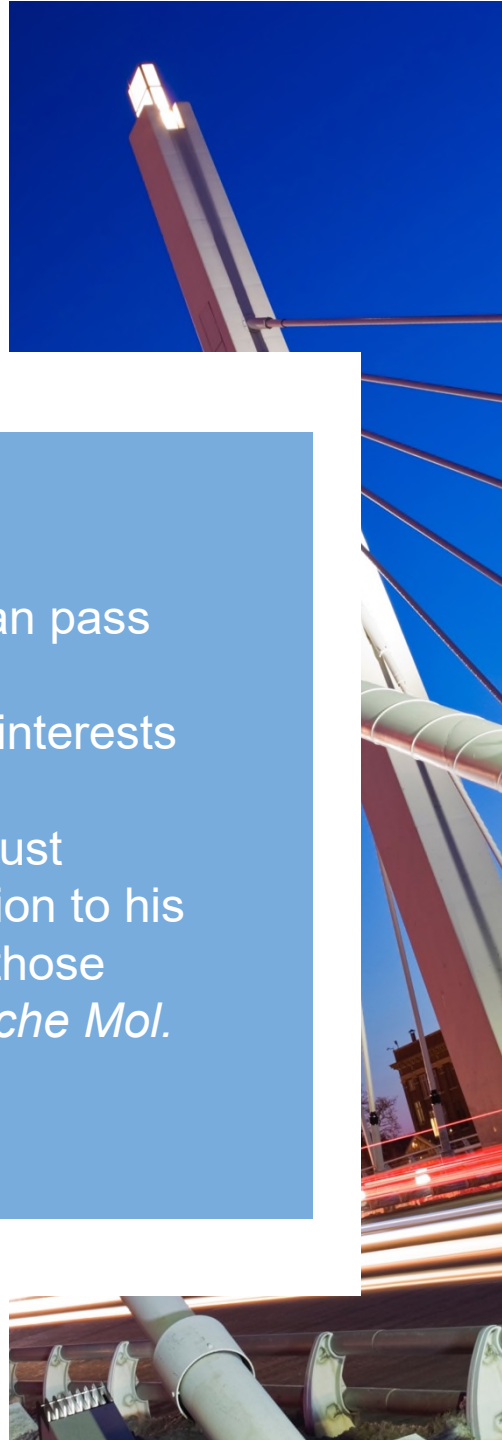
Inventors Own By Default

- The discoverer of a new and useful improvement is vested by law with an inchoate right to its exclusive use, which he may perfect and make absolute by proceeding in the manner which the law requires. *Gayler v. Wilder*, 51 U.S.(10 How. 477), 493, 13 L.Ed. 504 (1851).
- An inventor can assign his rights in an invention to a third party. *United States v. Dubilier Condenser Corp.*, 289 U.S. 178, 188 (1933).
- Unless there is an argument to the contrary, an employer does not have rights in an invention which is the original conception of the employee alone. Such an invention "remains the property of him who conceived it." *Dubilier Condenser Corp.*, 289 U.S., at 189.

Preserving IP When Downsizing (cont'd.)



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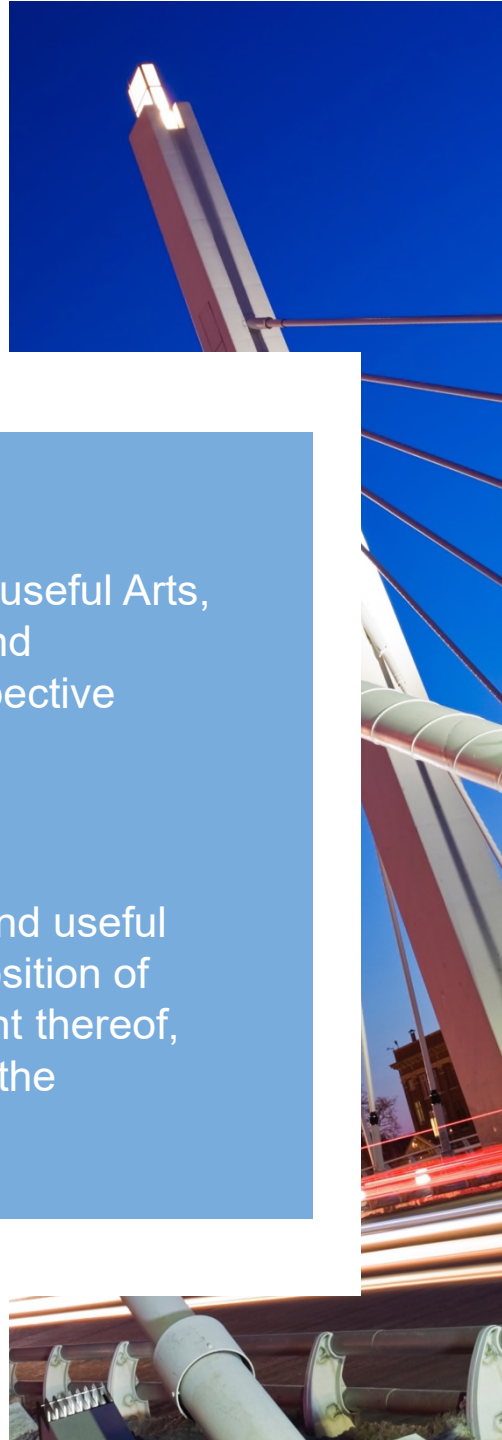
Inventors Own By Default

- A patent is property and title to that can pass only by assignment.
- The inventor may transfer ownership interests by written assignment to anyone.
- In most circumstances, an inventor must expressly grant his rights in an invention to his employer if the employer is to obtain those rights. *Bd. of Trust. of L.S.J.U. vs. Roche Mol. Sys.*, 563 U.S. 776 (2011).

Preserving IP When Downsizing (cont'd.)



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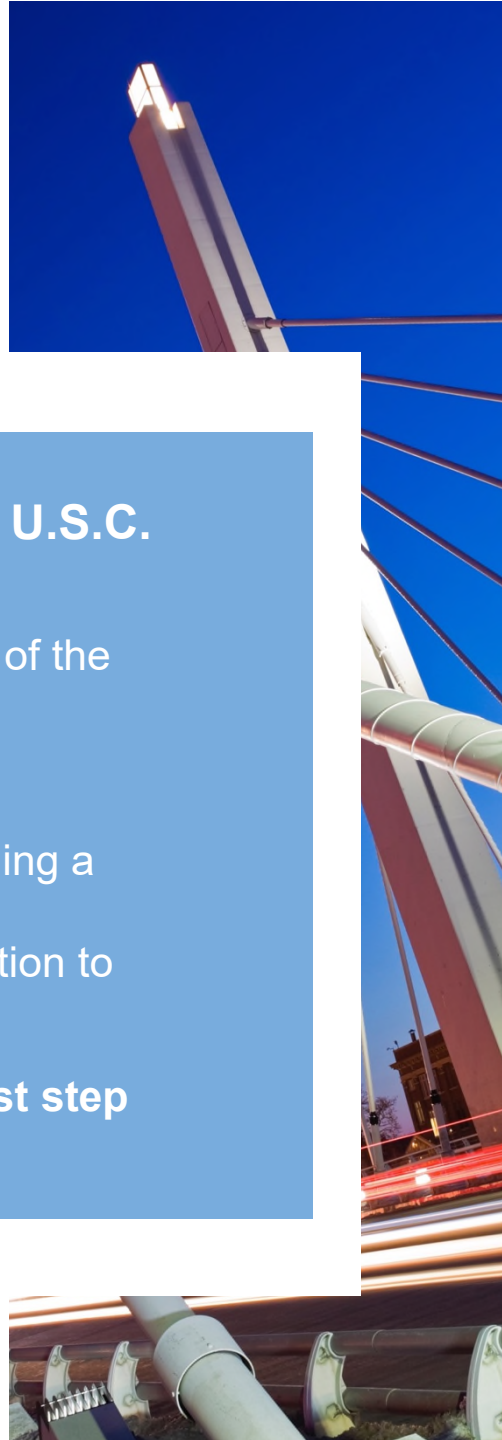
U.S. Const. Art I, § 8, cl. 8

- To promote the Progress of Sciences and useful Arts, by securing for limited Times to Authors and **Inventors** the exclusive Right to their respective Writings and Discoveries

35 U.S.C. § 101

- **Whoever invents** or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, **may obtain a patent therefor**, subject to the conditions and requirements of this title

Preserving IP When Downsizing (cont'd.)



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Three Stages of "Inventing" Under 35 U.S.C. § 101

1. **Conception** of the idea or subject matter of the patent claims
2. **Reduction to practice**
   - Actual reduction to practice or
   - Constructive reduction to practice (filing a patent application)
3. **Interim activities** leading toward a reduction to practice

Only an inventor can complete the first step

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Conception

Standard for assessing conception: U.S. Supreme Court, *Mergenthaler v. Scudder*, 11 App. D.C. 264, 276 1897 CD 724 (C.A.D.C. 1897)

> It is therefore the formation, in the mind of the inventor, of a definite and permanent idea of the ***complete and operative invention***, as it is thereafter to be applied in practice, that constitutes an available conception, within the meaning of the patent law. (Emphasis in original.)…He who first conceives and gives expression to the idea of an invention in *such clear and intelligible manner that a person shilled in the business could construct the thing*, is entitled to a patent, provided he uses reasonable diligence in perfecting it.

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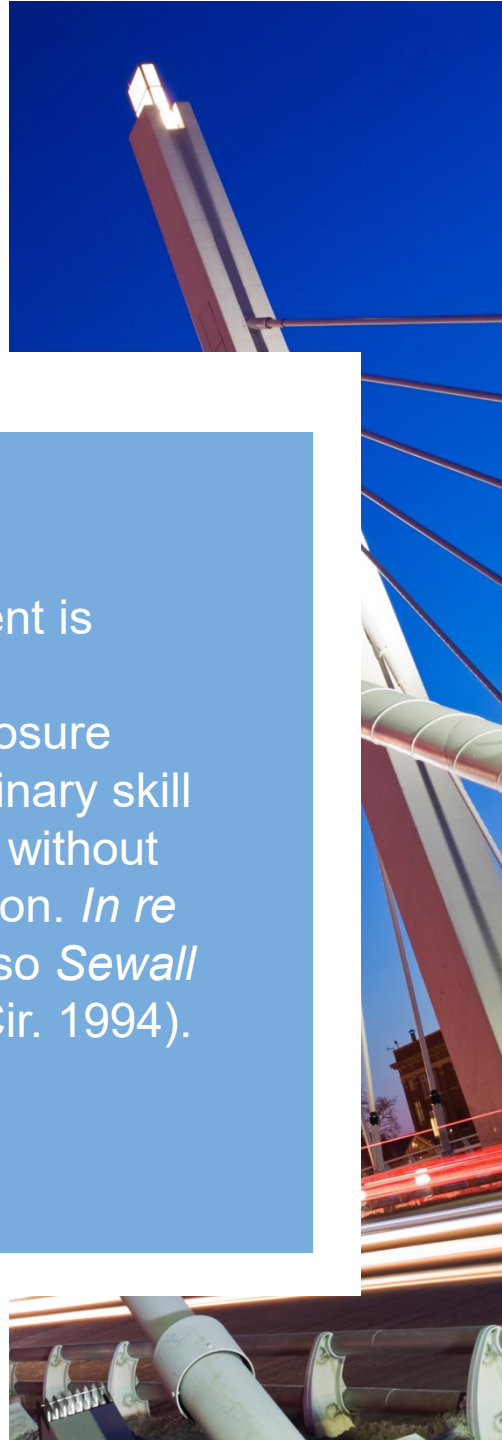
Conception

The **complete and operative** requirement is met if:

> The inventor is able to make a disclosure which would enable a person of ordinary skill in the art to construct the apparatus without extensive research or experimentation. *In re Tansel*, 253 F.2d 241 (1958); see also *Sewall v. Walters*, 21 F.3d 100, 415 (Fed. Cir. 1994).



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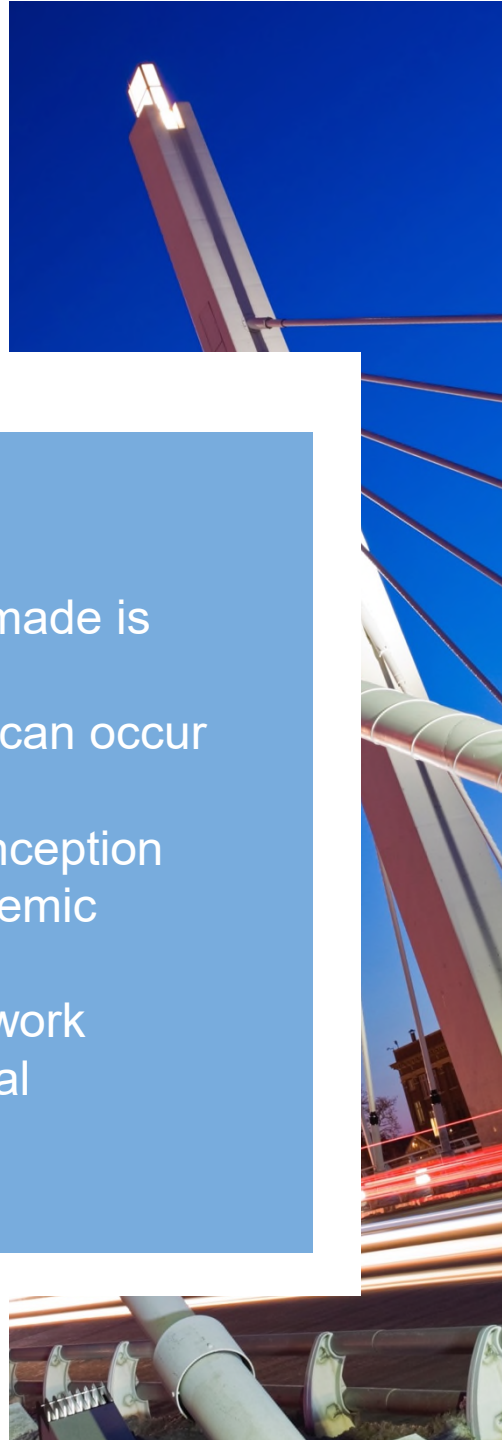
Inventorship

- The manner in which an invention is made is irrelevant
- Conception and reduction to practice can occur simultaneously
- Utility is a necessary ingredient of conception
- Inventorship is not equivalent to academic authorship
- Inventorship is not a reward for hard work
- Determination of inventorship is a legal determination



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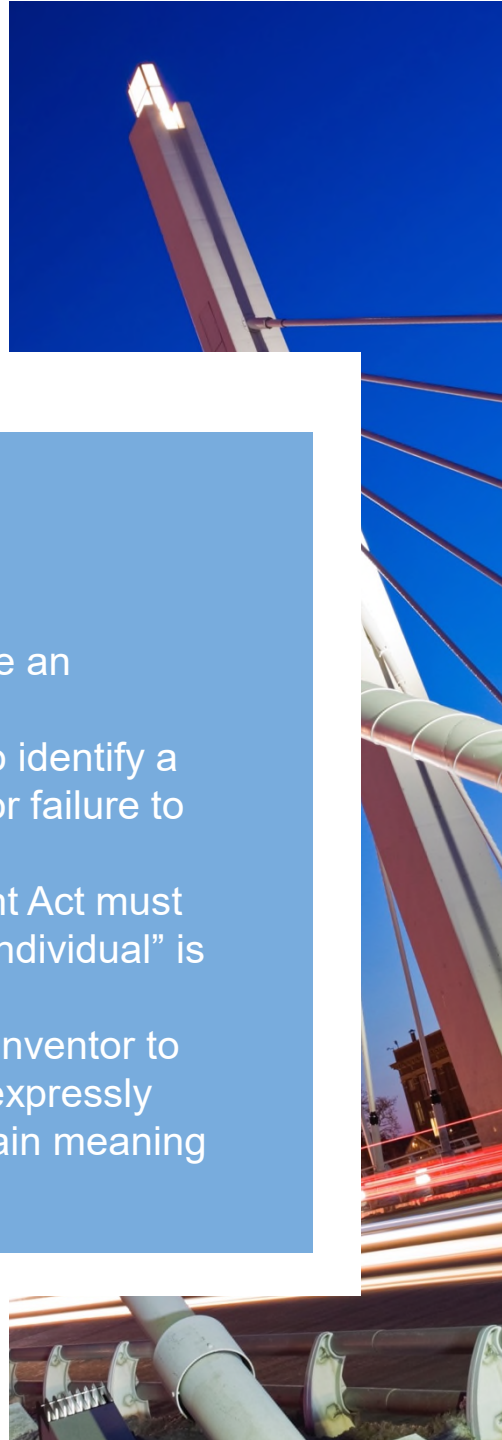
Inventorship: Must Be a Natural Person!

- *Thaler v. Vidal*, No. 21-2347 (Fed. Cir. 2022)
- **Issue:** Whether an AI software system can be an "inventor" under the Patent Act
- **USPTO:** Applications incomplete for failure to identify a valid inventor and denied both applications for failure to list any human as inventor
- **District Court:** An "inventor" under the Patent Act must be an "individual" and the plain meaning of "individual" is a natural person
- **Federal Circuit:** The Patent Act requires an inventor to be a natural person because the Patent Act expressly requires that inventors are "individuals" — plain meaning of "individual" is human



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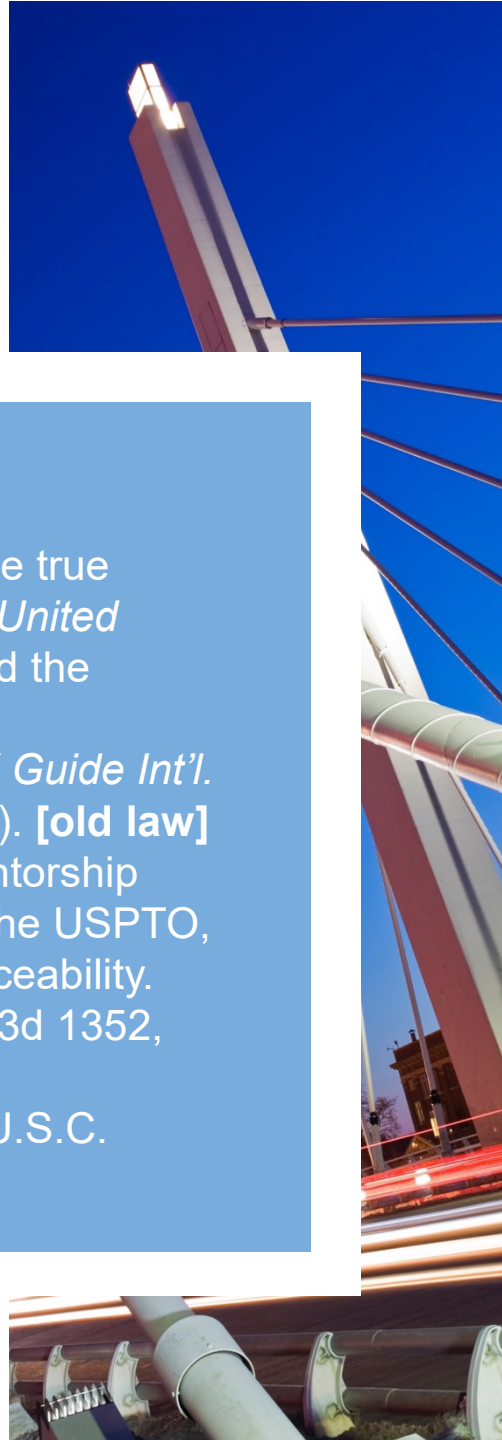
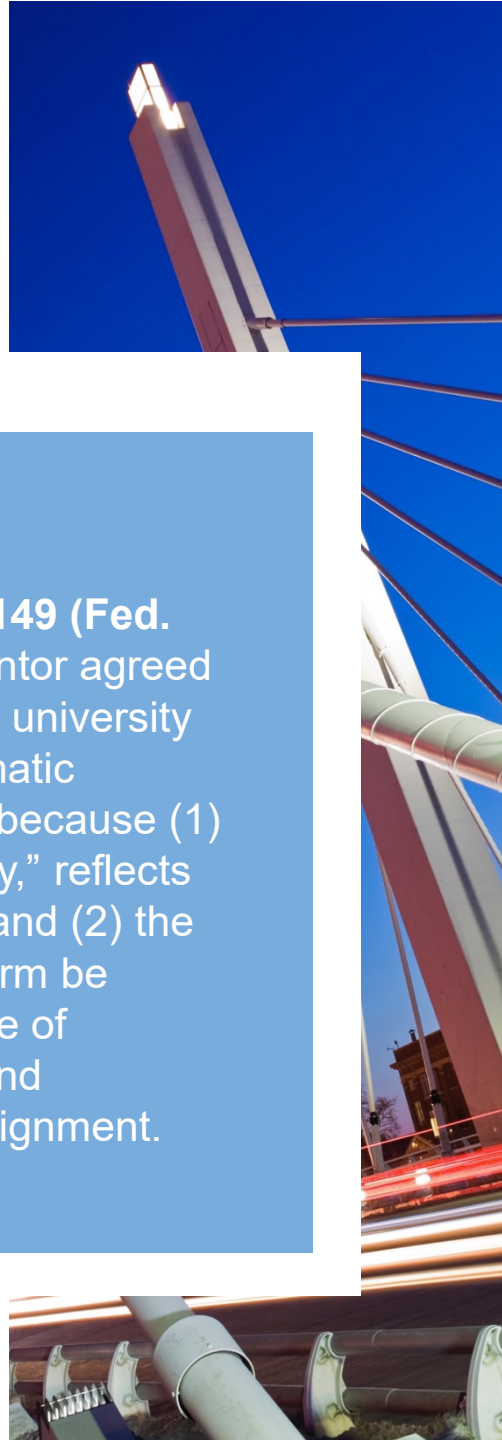
Inventorship: Get it Right!

- A patent is **invalid** if more or fewer than the true inventors are named. *Jamesbury Corp. v. United States*, 518 F.2d 1384 (1975). AIA removed the deceptive intent requirement.
- **Deceptive intent** is required. *Gemstar-TV Guide Int'l. v. ITC*, 383 F.3d 1352, n. 1 (Fed. Cir. 2004). **[old law]**
  - The mere existence of incorrect inventorship though, without an intent to deceive the USPTO, does not present an issue of unenforceability. *Gemstar-TV Guide Int'l v. ITC*, 383 F.3d 1352, n. 1 (Fed. Cir. 2004).
- Correction of inventorship is possible. 35 U.S.C. § 256.



Preserving IP When Downsizing (cont'd.)



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Inventorship: "Hereby Assign"

- ***Omni MedSci, Inc. v. Apple Inc.*, F.4th 1149 (Fed. Cir. 2021).** Holding that language the inventor agreed to via his employment agreement (i.e., the university bylaws) did not effectuate a present automatic assignment of the inventor's patent rights because (1) the use of the phrase "shall be the property," reflects a promise of potential future assignment; and (2) the university's requirement that a separate form be excluded, which does not contain language of confirmation, but rather contains distinct and unambiguous language of the present assignment.

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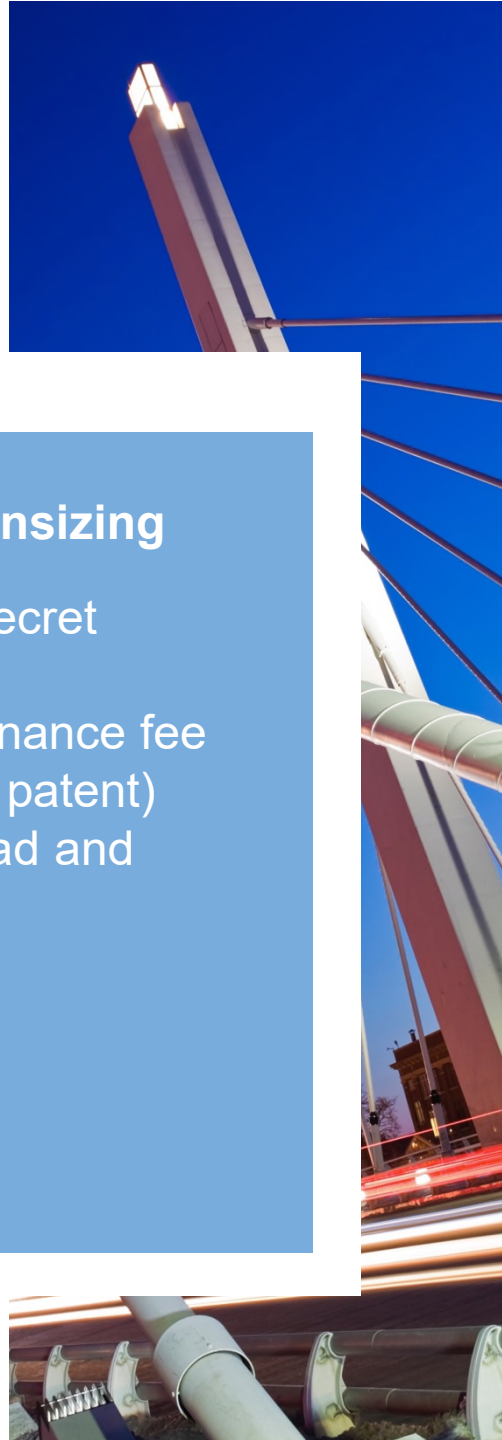
Inventorship in the Context of Downsizing

- Inventor is the owner absent signed agreement. Make sure employees have signed agreements with the appropriate language before downsizing, and have employees execute other paperwork (e.g., declarations) while still employed.

Preserving IP When Downsizing (cont'd.)



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Other IP Issues in the Context of Downsizing

- Reduce prosecution costs via trade secret coverage vs. patenting
- Examine portfolio for potential maintenance fee savings opportunities (trademark and patent)
- Download and access limits / download and access history

Unified Patent Court in Europe

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EU Unitary Patent and the Unified Patent Court

- The **Unitary Patent (UP)** — also known as a European Patent with Unitary Effect (EPUE) — is a single patent right covering all participating EU countries. The UP will be available only through the European Patent Convention (EPC) via a new validation option.
- The UP will be enforceable and revocable throughout all of the ratified member countries in a single action before the **Unified Patent Court (UPC)**. The UPC will have sole jurisdiction of litigation involving UPs, and non-exclusive jurisdiction over non-UP patents granted through the EPC in participating EU countries.

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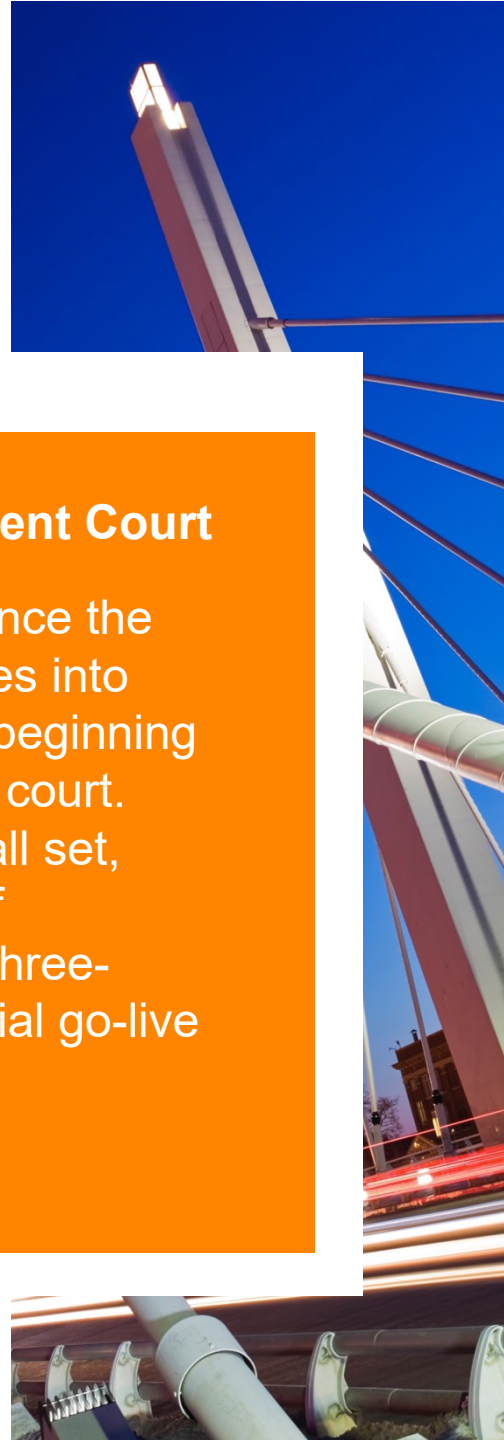

EU Unitary Patent and the Unified Patent Court

- The Unitary Patent will be available once the Unified Patent Court Agreement comes into force. January 17, 2022, marked the beginning of the provisional period to set up the court.
- Sunrise Period: Once the courts are all set, Germany will deposit its instrument of ratification to the UPCA, triggering a three-month Sunrise Period before the official go-live date (late 2022 / early 2023).

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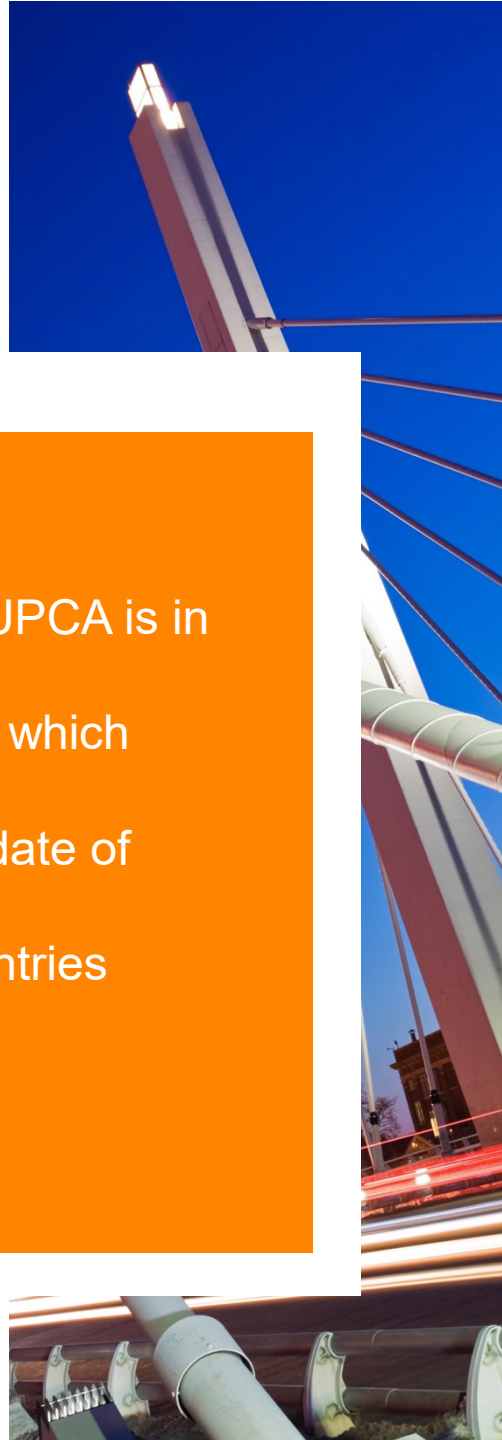
The ultimate vision of the UPCA was to have the UP as the only option for protection and enforcement of patents via the EPC in EU countries.

The plan will not be fully actualized at the time of implementation (or ever for certain countries), and there will be a seven- to 12-year transition period before it takes full effect.

Unified Patent Court in Europe (cont'd.)



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Requirements

- European patent granted on or after UPCA is in force
- EP designates all of the EU countries which ratify the UPCA
- EP application has an effective filing date of March 1, 2007, or later
- Same claim set for all EU ratified countries

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Benefits

- Wide geographic coverage
- Cost / efficiency of validation and maintenance
- Cost / efficiency in title and license updates

****

- UPC decision applies to all members of the UP (total win)*
- Fast proceedings, typically in English
- Reduced complexity in cross-border enforcement
- Less expensive than litigation in multiple countries

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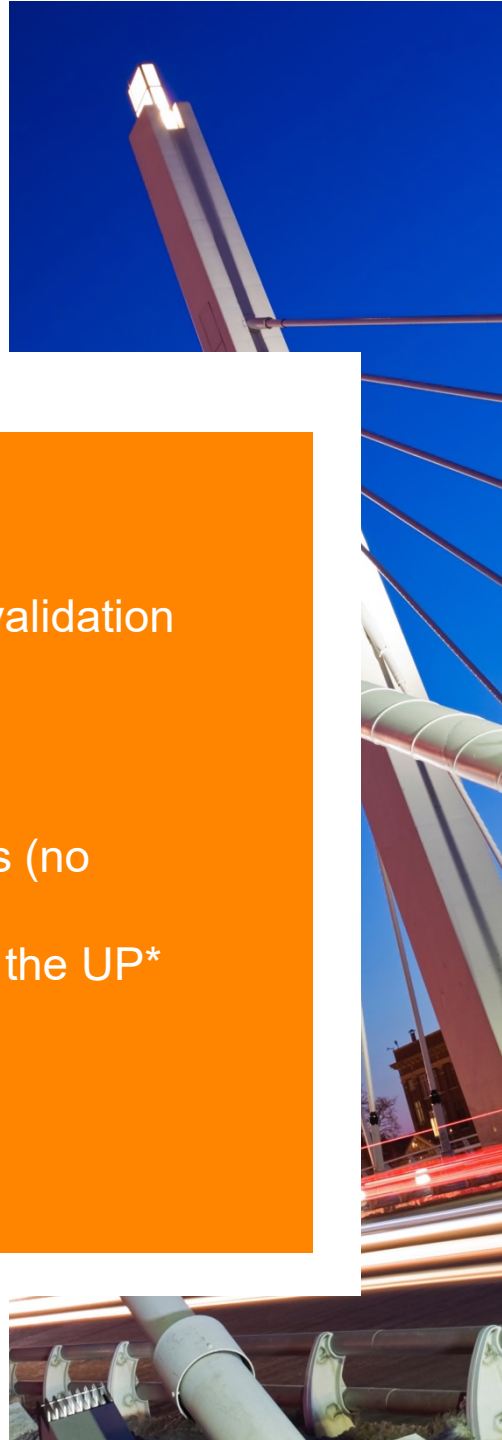
Drawbacks

- May be more expensive than a limited validation route
- No pruning option

****

- UPC has exclusive jurisdiction over UPs (no choice of venue)
- UPC decision applies to all countries of the UP* (total loss)
- Untested, no precedent



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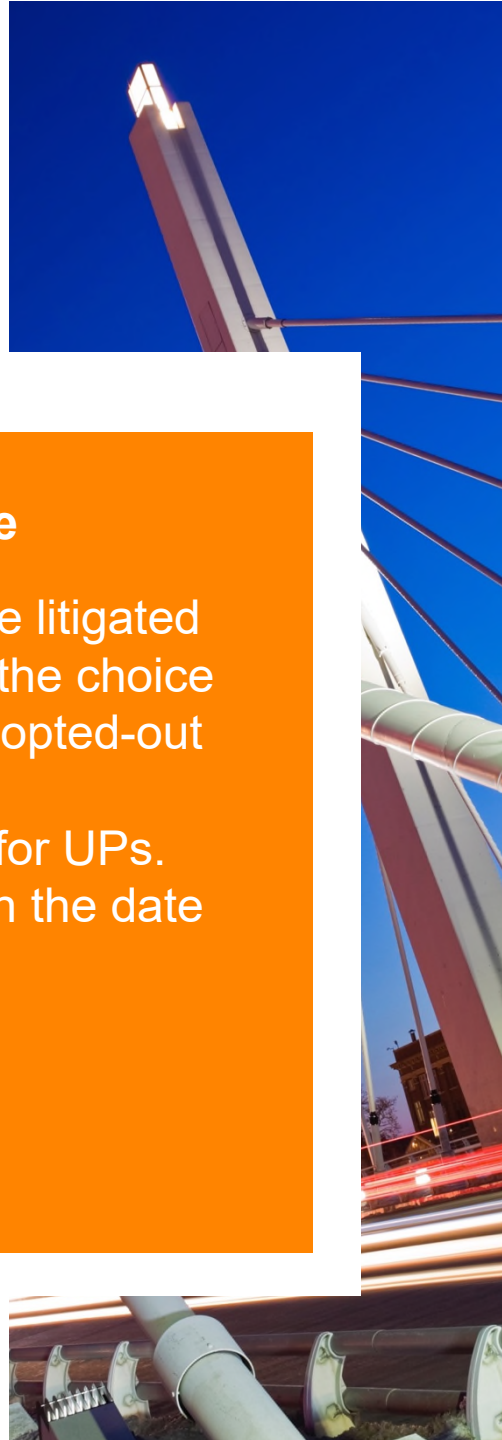
Action Needed Prior to "Go Live" Date

- Patents in UP-ratified countries can be litigated in the UPC* or the national courts, at the choice of the plaintiff, unless the patents are opted-out of the UPC.
- The UPC is the exclusive jurisdiction for UPs. Only ratified members of the UPCA on the date of grant will be covered under the UP.



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Action Needed Prior to "Go Live" Date

- A request to opt out is filed with the European Patent Office, no official fee
- Can opt out at any time during first seven years of transition period
- Opt-out is all or nothing, and applies to all EU ratified countries on the date of opting out
- A UP cannot be opted out of the UPC

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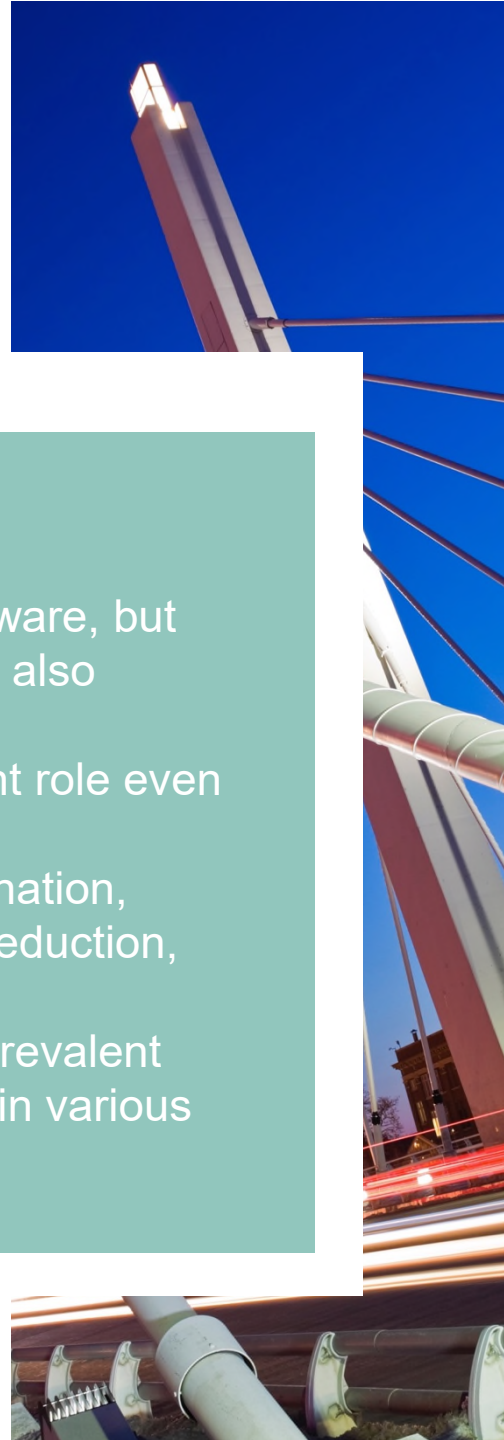
Section 101

- Usually discussed in the context of software, but seemingly mechanical technologies are also implicated
- Software plays an increasingly important role even in traditionally mechanical fields
- Control algorithms, cross-device coordination, AI/IoT integration, analytics (e.g., cost reduction, maintenance/diagnostics), etc.
- Software has become an increasingly prevalent focus of intellectual property protection in various fields/areas



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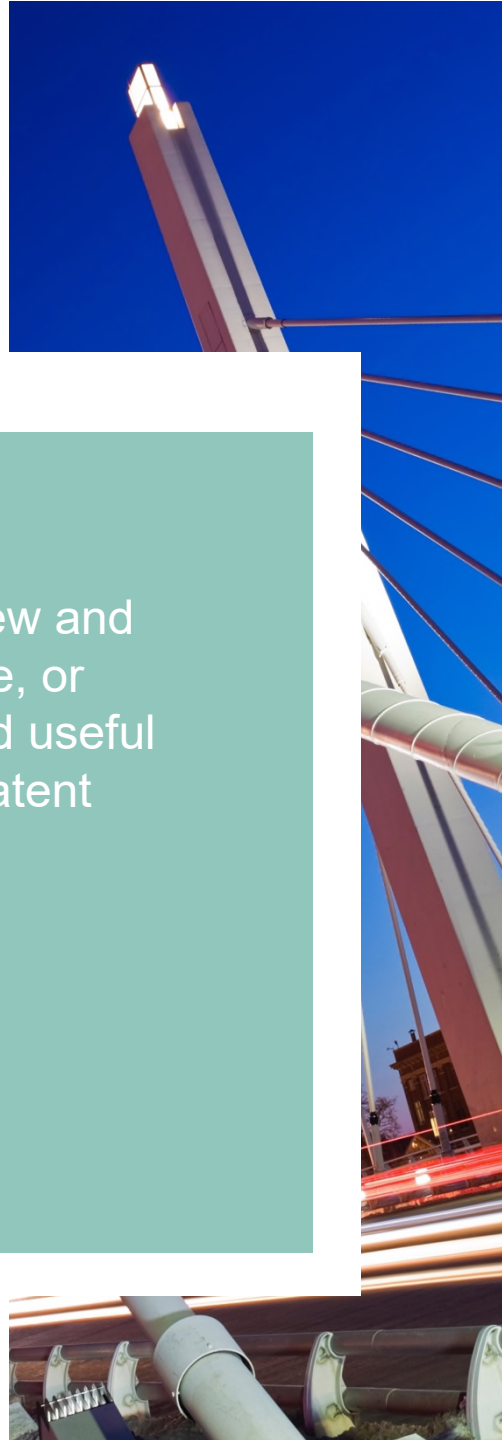
35 U.S.C. § 101

- "Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title."



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Patentable

- **Process:** An act, or series of acts or steps
- **Machine:** A concrete thing, consisting of parts, or of certain devices and combination of devices
- **Manufacture:** An article produced from raw or prepared materials by giving these materials new forms, qualities, properties, or combinations, whether by hand labor or by machinery. A microprocessor is generally understood to be a "manufacture."
- **Composition of matter:** All compositions of two or more substances and all composition articles, whether they be the results of chemical union, or of mechanical mixture, or whether they be gases, fluids, powders, or solids, for example

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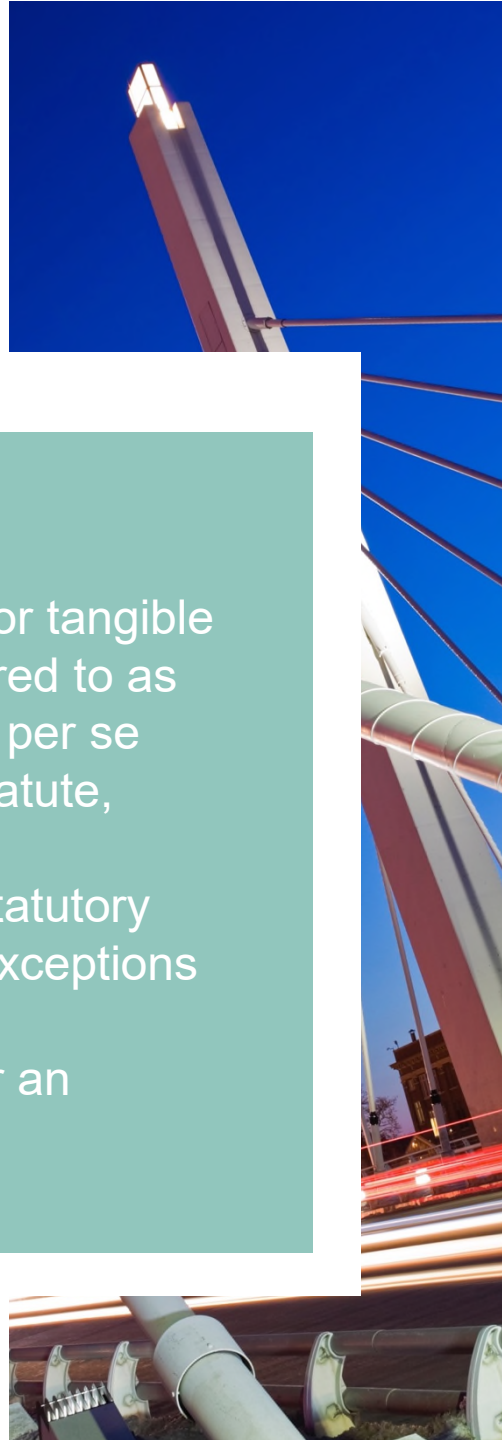
Not Patentable

- Products that do not have a physical or tangible form, such as information (often referred to as "data per se") or a computer program per se
- Subject matter that is prohibited by statute, such as humans per se
- Claimed inventions that fall within a statutory category must still avoid the judicial exceptions to be eligible
- Law of nature, natural phenomena, or an abstract idea



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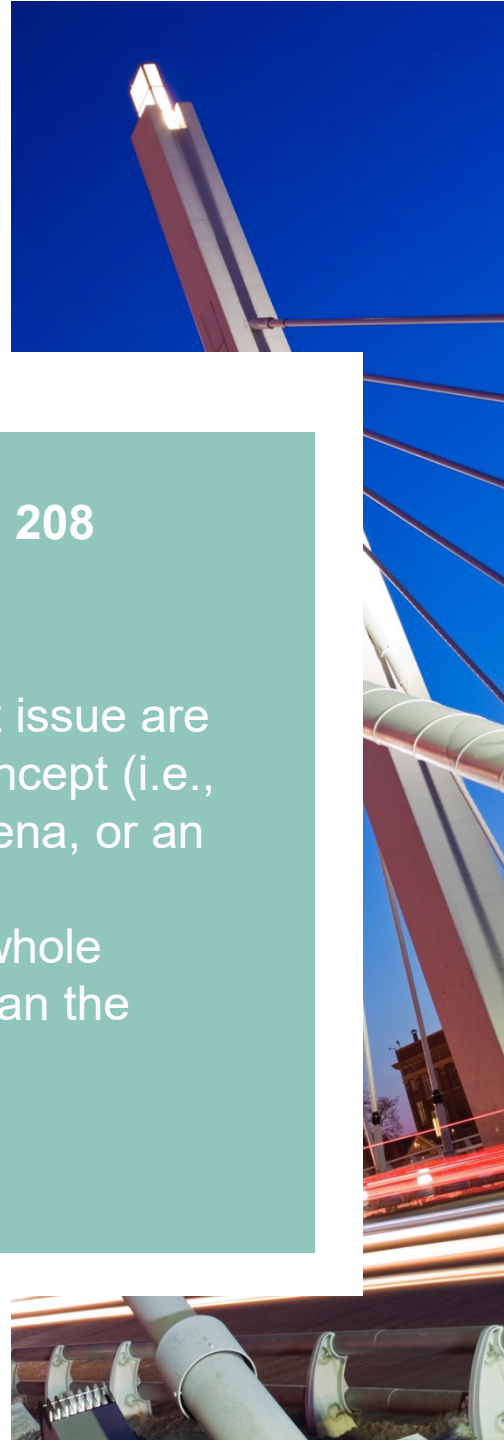
***Alice Corp. v. CLS Bank Int'l*, 573 U.S. 208 (2014)**

- Two-part test:
  1. Determine whether the claims at issue are directed to a patent-ineligible concept (i.e., a law of nature, natural phenomena, or an abstract idea)
  2. If (1) is so, does the claim as a whole amount to "significantly more" than the exception itself



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***Alice Corp. v. CLS Bank Int'l*, 573 U.S. 208 (2014)**

- Significantly more?
  - Consider the elements of each claim both individually and "as an ordered combination."
  - Transformation into a patent-eligible application requires "more than simply stat[ing] the [abstract idea] while adding the words 'apply it.'"

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***Am. Axle & Mfg. v. Neapco Holdings LLC,* 966 F.3d 1347 (Fed. Cir. 2020)**

- **Patent No. 7,774,911:** Manufacturing method for producing drive shafts with reduced vibration & noise. A shaft liner is tuned to reduce vibration. Prior technology included a shaft liner, but not one tuned to reduce vibration as claimed (resistively absorb shell mode vibrations and reactively absorb bending mode vibrations).
  - Claim 22: "Wherein the at least one liner is a tuned resistive absorber for attenuating shell mode vibrations and wherein the at least one liner is a tuned reactive absorber for attenuating bending mode vibrations."

Patent Eligible Subject Matter (cont'd.)

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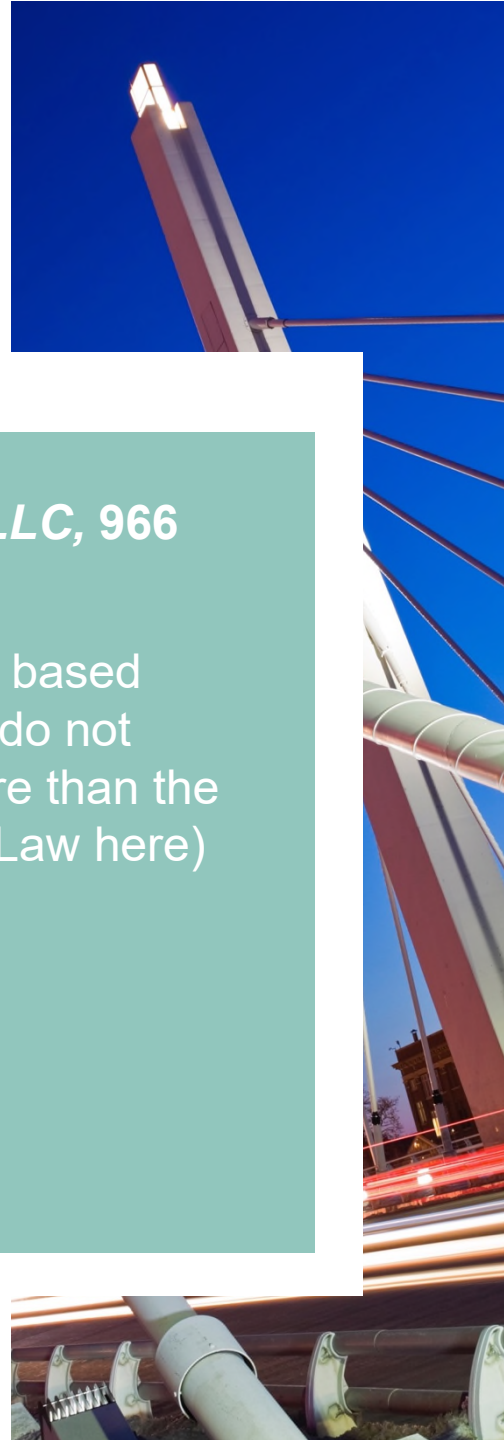
***Am. Axle & Mfg. v. Neapco Holdings LLC*, 966 F.3d 1347 (Fed. Cir. 2020) (cont'd.)**

- **Claims invalid under Step 1:** Result based claiming is problematic as the claims do not include structure needed to claim more than the application of the natural law (Hooks Law here)
- **Certiorari Denied**



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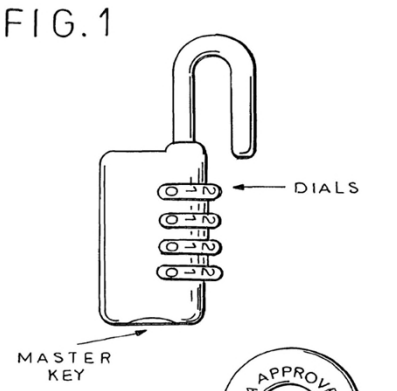
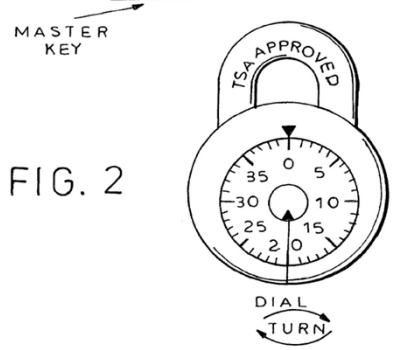
Cases to Watch

- *Travel Sentry Inc. v. Tropp* (request for certiorari filed)
- *Interactive Wearables, LLC v. Polar Electro Oy* (request for certiorari filed)
- U.S. Supreme Court requested Solicitor General to weigh in (SG supported certiorari in *American Axle*)





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Travel Sentry Inc. v. Tropp

- **Patent No. 7,021,537 –** 1. A method of improving airline luggage inspection by a luggage screening entity, comprising:
  - Making available to consumers a special lock having a combination lock portion and a master key lock portion…,
  - Marketing the special lock to the consumers in a manner that conveys to the consumers that the special lock will be subjected by the luggage screening entity to the special procedure,…
  - The luggage screening entity acting pursuant to a prior agreement to look for the identification structure while screening luggage and, upon finding said identification structure on an individual piece of luggage, to use the master key previously provided to the luggage screening entity to, if necessary, open the individual piece of luggage

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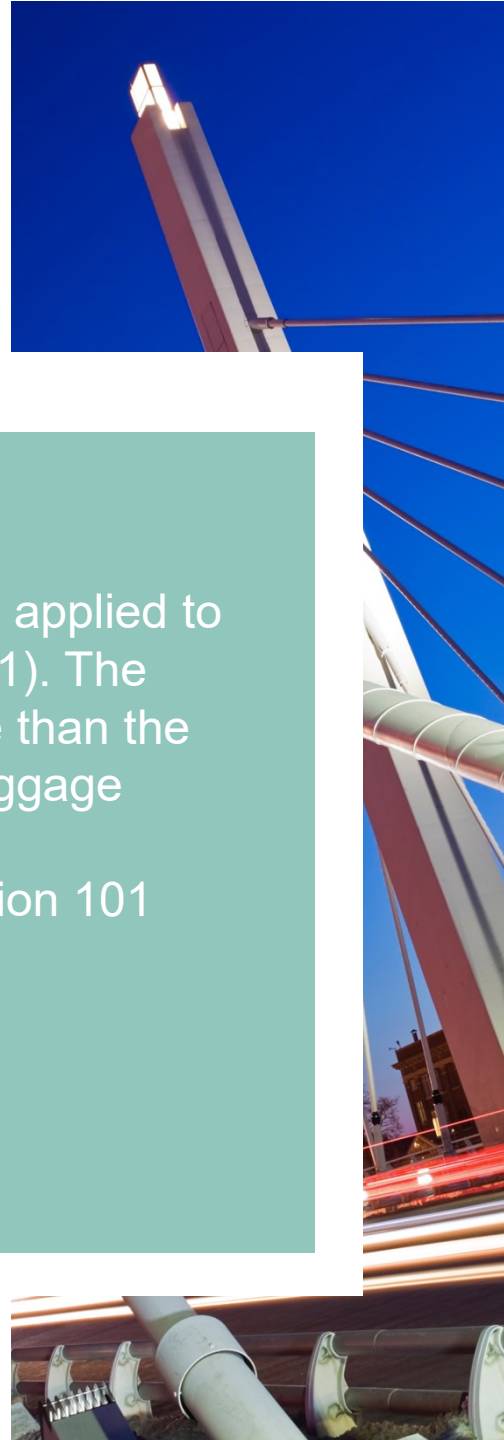
Travel Sentry Inc. v. Tropp

- Early proceedings: Dual access locks applied to airport screening is not eligible (Step 1). The claims do not recite significantly more than the fundamental economic practice of baggage inspection at airports.
  - Certiorari requests clarity in Section 101 examination.



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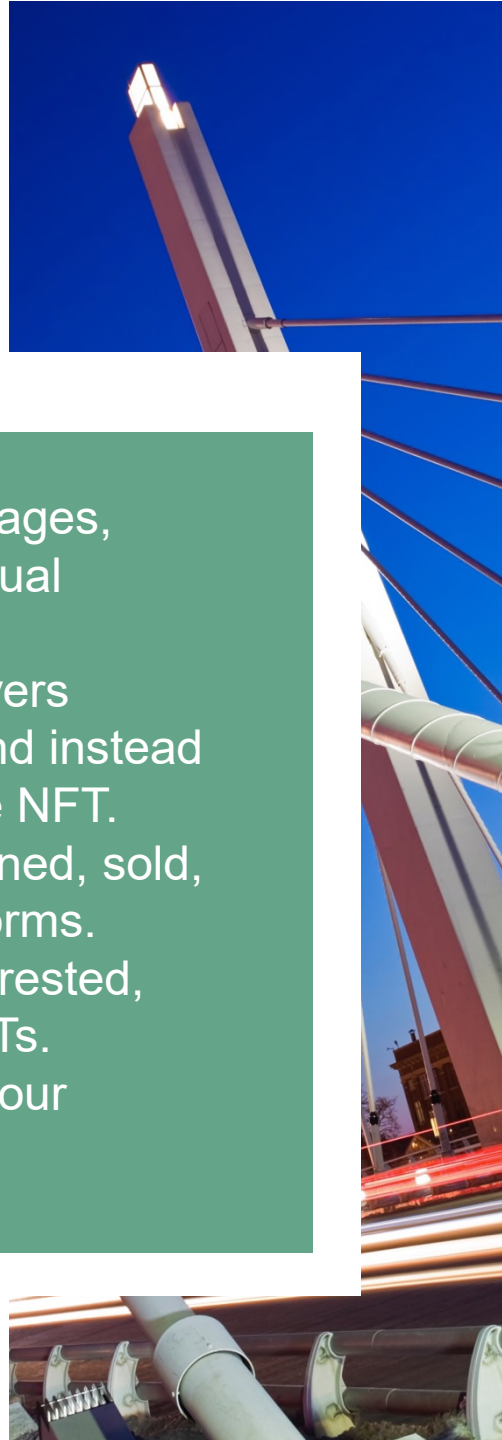
- Non-fungible tokens (NFTs) can be images, gifs, video clips, virtual real estate, virtual products — almost anything.
- Think of NFTs like baseball cards. Buyers usually do not receive the copyright and instead receive the limited rights to display the NFT.
- NFTs are minted and thereafter auctioned, sold, etc., to buyers on one of various platforms.
- Brand companies tend to be most interested, but nearly any company *could* sell NFTs.
- Capitalizing can present real risks to your company's good will.



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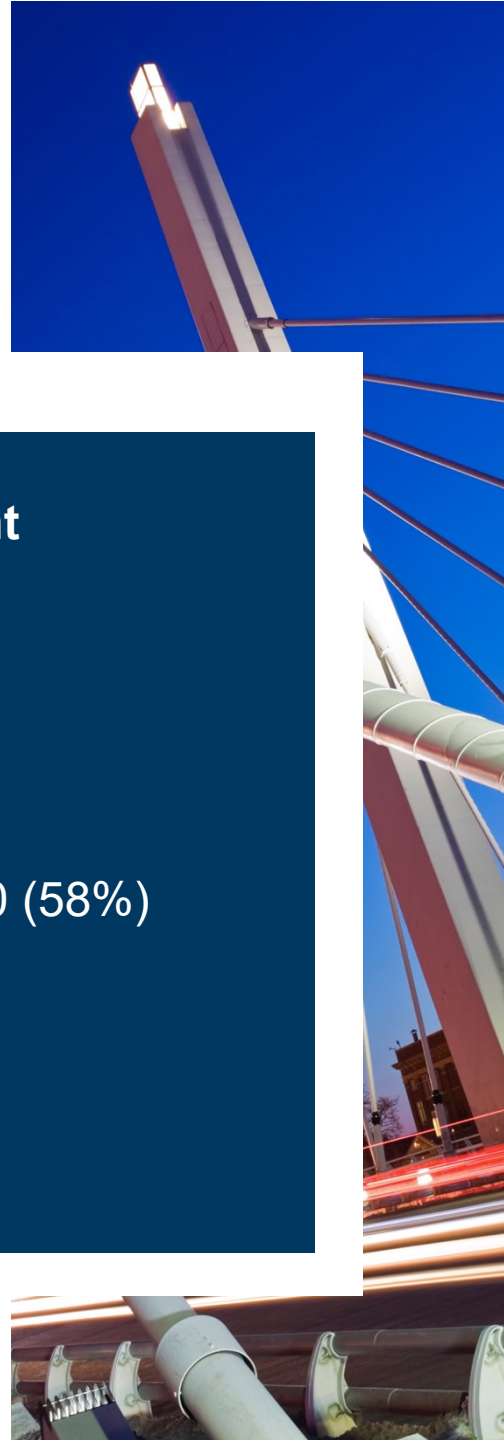
PTAB IPR Filings and Institution Grant

- 2016: 944/1411 granted (67%)
- 2017: 974/1581 granted (62%)
- 2018: 791/1288 (61%)
- 2019: 792/1305 (61%)
- 2020: 681/1201 (57%)
- 2021 (through September 8): 513/890 (58%)



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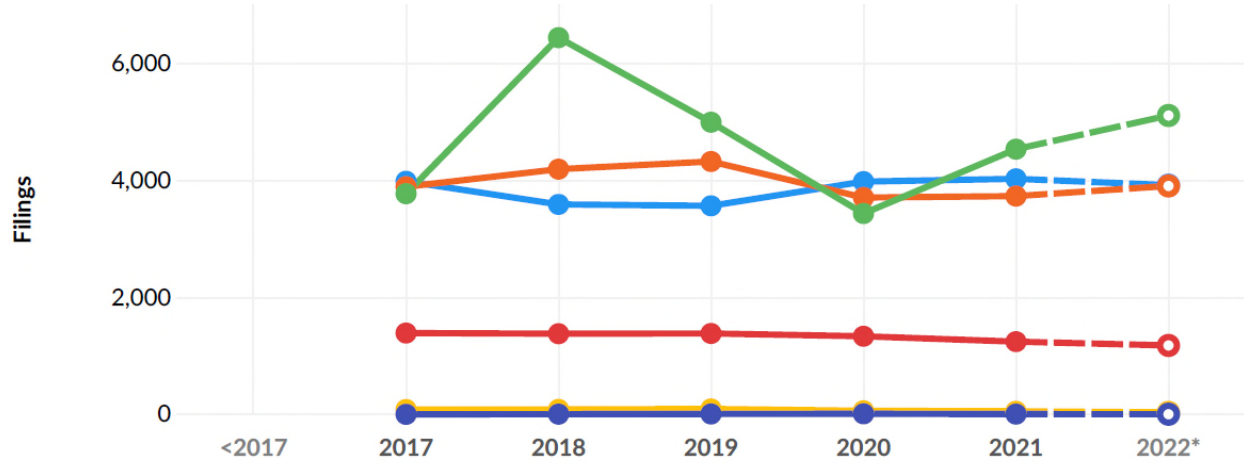
Trends in Cases Filed in District Courts



	<2017	2017	2018	2019	2020	2021	2022*
Patent	22,953	3,991	3,595	3,571	3,985	4,033	2,956
Trademark	19,367	3,897	4,198	4,329	3,712	3,737	3,011
Copyright	18,175	3,778	6,448	5,001	3,439	4,540	4,128
Trade Secret	4,656	1,394	1,383	1,387	1,339	1,247	872

Source: Lex Machina

IP Litigation (cont'd.)

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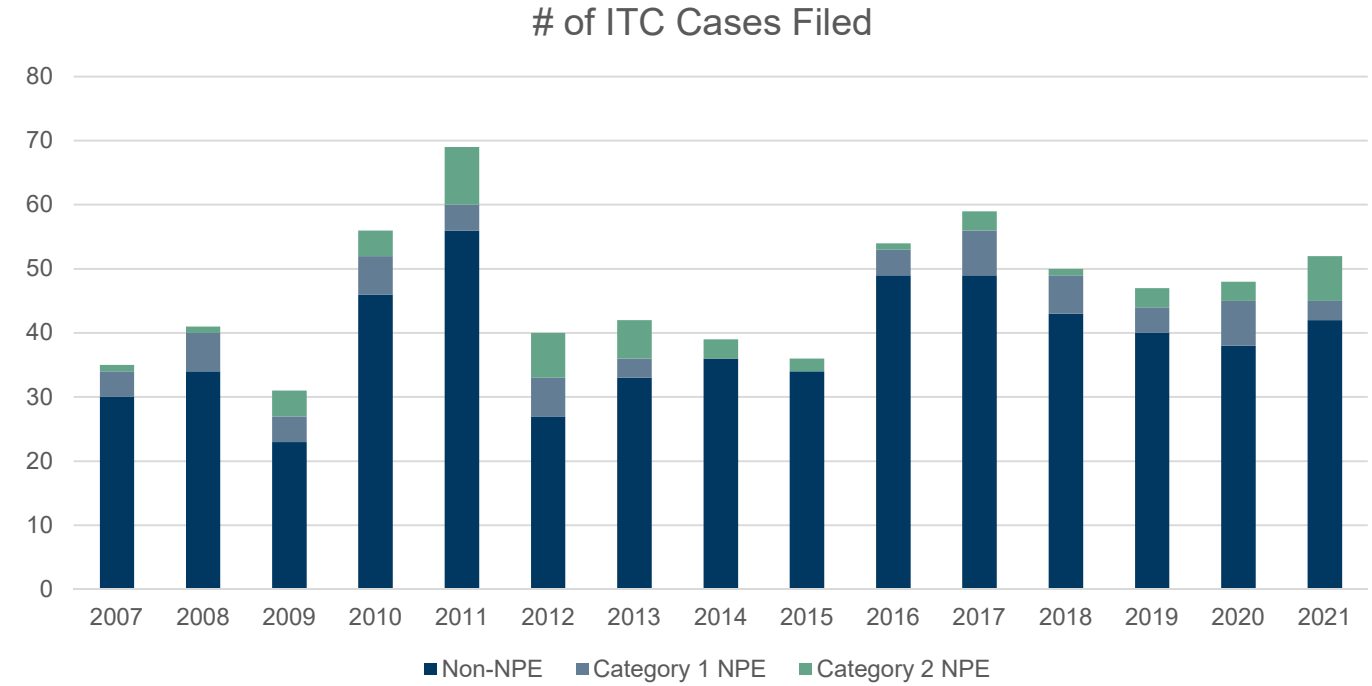
Trends in Section 337 ITC Investigations



Source: https://www.usitc.gov/intellectual_property/337_statistics_number_section_337_investigations.htm

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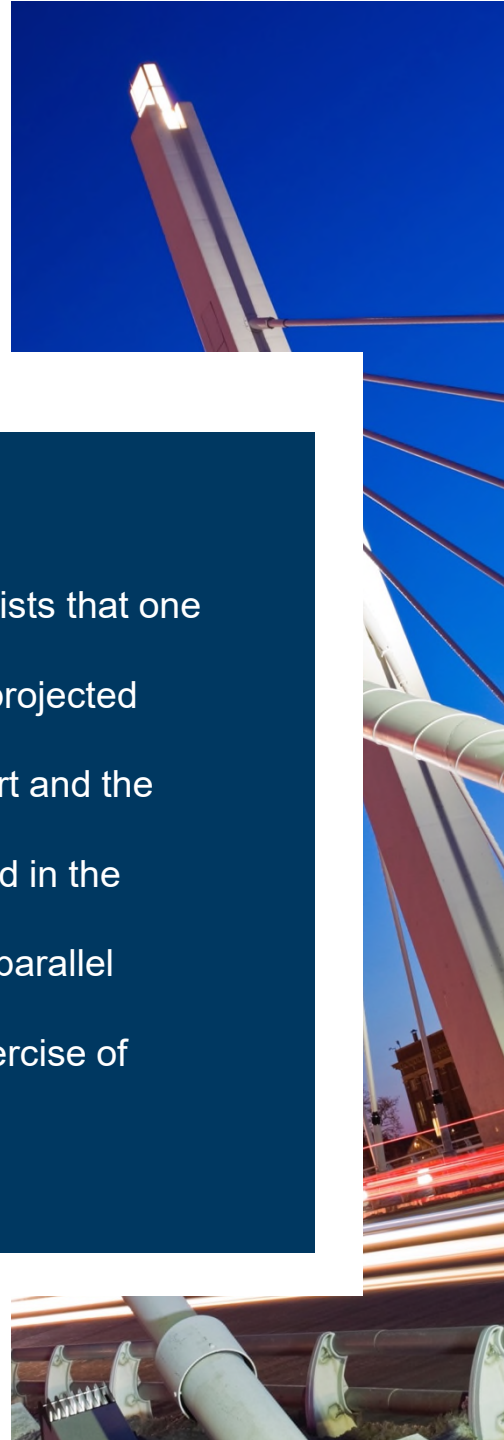
PTAB *Fintiv* Discretionary Denial

- Whether the court granted a stay or evidence exists that one may be granted if a proceeding is instituted;
- Proximity of the court's trial date to the Board's projected statutory deadline for a final written decision;
- Investment in the parallel proceeding by the court and the parties;
- Overlap between issues raised in the petition and in the parallel proceeding;
- Whether the petitioner and the defendant in the parallel proceeding are the same party; and
- Other circumstances that impact the Board's exercise of discretion, including the merits



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The New Director's Guide on *Fintiv* Discretionary Denial

- Denial under *Fintiv* can be avoided entirely "where a petition presents **compelling evidence** of unpatentability," as opposed to information that is "merely sufficient to meet the statutory institution threshold"
- *Fintiv* will no longer be extended to proceedings at the ITC; *Fintiv* is limited to district court proceedings
- Denial under *Fintiv* can be avoided through a Sotera stipulation not to pursue in the district court the same grounds or any grounds that could have reasonably been raised before the PTAB
- The proximity of the trial date to the PTAB's projected statutory deadline for rendering a final written decision (*Fintiv* Factor 2) is based on the "median time from filing to disposition of the civil trial for the district in which the parallel litigation resides," rather than the court's scheduled trial date

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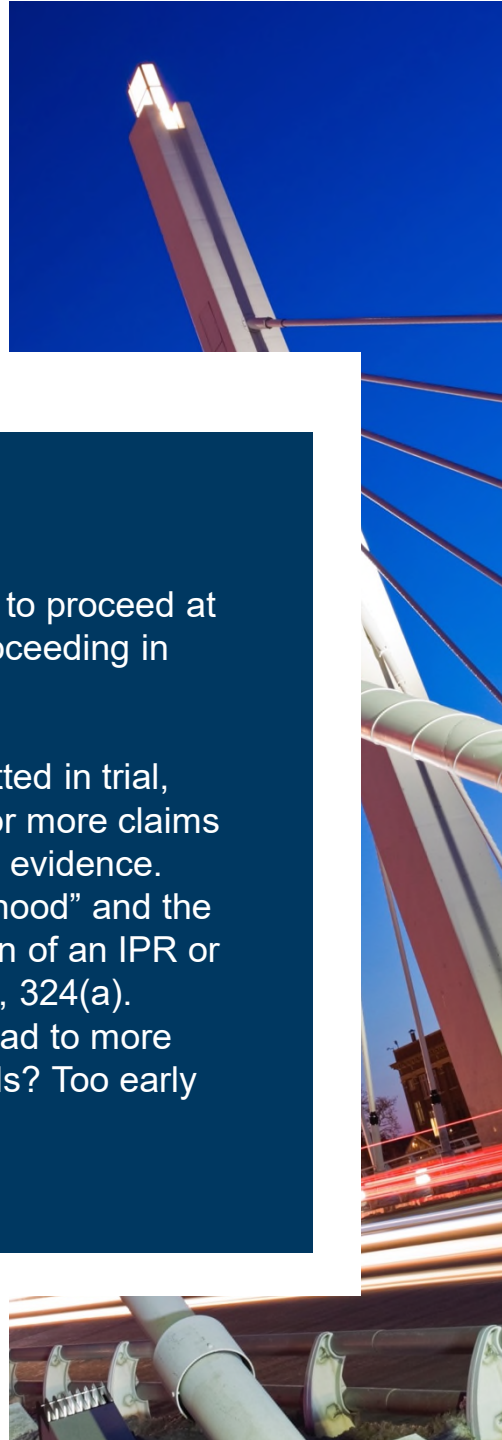
Compelling Merit

- Compelling meritorious challenges will be allowed to proceed at the PTAB, even where district court litigation is proceeding in parallel.
- Compelling merits:
  - Challenges in which the evidence, if unrebutted in trial, would plainly lead to a conclusion that one or more claims are unpatentable by a preponderance of the evidence.
  - More demanding than the "reasonable likelihood" and the "more likely than not" standards for institution of an IPR or PGR, respectively. See 35 U.S.C. §§ 314(a), 324(a).
  - Will this admittedly higher burden of proof lead to more denials of institution based on merits grounds? Too early to tell!



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Copyright Issues: Consider Copyright Claims Board (CCB)

- A tribunal located in the Copyright Office, made up of three officers
- Can seek damages up to $30,000 (claims not exceeding $5,000 may be brought under the CCB's "Smaller Claims" procedure)
- Limited to:
  - Claims of copyright infringement
  - Claims seeking declaration of no copyright infringement
  - Claims of "misrepresentation" in notices sent under the Digital Millennium Copyright Act (DMCA)
- Participation is voluntary; no requirement to argue a dispute before the CCB
- 189 cases filed as of October 4, 2022

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Considerations

- DEI is a part of your organization, but is it a part of your IP strategy and execution?
- Do you understand your company's DEI strategic plan?
- Evaluate existing DEI metrics relative to IP strategy development and deployment.
- Consider IP-specific metrics that could be monitored for progress management.

About Foley

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