

Ipls P STATE BAR OF MICHIGAN PROCEEDINGS

Court Once Again Addresses Insufficient Support for Damages Award in a Patent Case*

Volume 21 • Issue 2 • 2010

IN THIS ISSUE

Court Once Again Addresses Insufficient Support for Damages Award in a Patent Case*	1
“First Sale” Doctrine Does Not Apply When There Is a Likelihood of Post-Purchase Confusion	5
Another Case (Surprisingly) of First Impression for the Federal Circuit.....	6
Intellectual Property Caseload for Judges in the Michigan Districts	7
News Items/Announcements	8

In the past year, the United States Court of Appeals for the Federal Circuit (“the Court”) has published several opinions emphasizing the need to exercise more rigor in the analysis and quantification of damages in patent cases. In fact, in the last issue of the SRR Journal, we discussed two of those cases that dealt with the treatment of license agreements¹—*Lucent*² and *ResQNet*.³

Recently, the Court published yet another opinion addressing similar issues in another patent infringement case. In *Wordtech Systems v. Integrated Network Solutions* (“*Wordtech*”), the Court held that “the verdict was ‘clearly not supported by the evidence’ and ‘based only on speculation or guesswork....’”⁴ Specifically, the Court found that the license agreements failed to support the damages award and that insufficient detail concerning the economics underlying the agreements was presented in order for the jury to have reasonably relied upon the agreements as a basis for their damages award. The Court therefore set aside the damages award and remanded the case for a new damages trial.

The *Wordtech* case, like *Lucent* and *ResQNet*, emphasizes the need for more rigorous analysis and support of the license agreements that not only form the basis for a damages award at the district court, but will also withstand the scrutiny of the Federal Circuit. So what can we learn from the Court’s latest decision addressing damages?

Background

At issue in *Wordtech* were three patents that share a common parent application and relate to “Programmable Self-Operating Compact Disk Duplication Systems.” Wordtech Systems Inc. (“WSI”) alleged that the defendants, Integrated Networks Solutions, Inc., (“INSC”)⁵ sold disk duplication devices, referred to as Robocopiers, which utilized technology taught by the patents-in-suit. At trial, the jury found that INSC willfully infringed all three of the patents-in-suit.

At trial, WSI proffered a single theory attempting to establish a reasonable royalty based on a hypothetical negotiation between the parties. WSI argued that a royalty rate of at least 12% be applied to \$950,000 of infringing sales resulting

* *Bone, John R., Burt, Allen, & Kirr, Erich W. (2010). Court Once Again Addresses Insufficient Support for Damages in a Patent Case. The SRR Journal, Fall 2010. Stout Risius Ross. Used with permission.*

Intellectual Property Law Section 2009-2010 Officers & Council

Chair:

Jennifer Sheehan Anderson, Bloomfield Hills
E-mail: janderson@honigman.com
P: (734) 418-4278 F: (734) 418-4279

Chairperson-Elect:

David L. Wisz, Birmingham
Phone: (248) 988-8360

Secretary-Treasurer:

Anna M. Budde, Troy
E-mail: ambudde@hdp.com
Phone: (248) 641-1600

Term Expires 2011:

R. Scott Keller, Grand Rapids
E-mail: skeller@wnj.com
Phone: (616) 752-2479

Jean M. McCarthy, Novi

E-mail: jmm@quinnlawgroup.com
Phone: (248) 380-9300

Eric J. Sosenko, Ann Arbor

E-mail: esosenko@brinkshofer.com
Phone: (734) 302-6000

Term Expires 2012:

Joellen Shortley Blaszcak, Pontiac
e-mail: shortleyj@oakgov.com
Phone: (248) 858-2155

Kevin S. MacKenzie, Troy

E-mail: kmackenzie@patlaw.com
Phone: (248) 647-6000

Adam Strauss, Kalamazoo

E-mail: adam.strauss@stryker.com
Phone: (269) 385-7545

Term Expires 2013:

Karl T. Ondersma, Grand Rapids
E-mail: ondersma@vglb.com
Phone: (616) 975-5500

Kristen Isaacson Spano, Detroit

E-mail: spano@millercanfield.com
Phone: (313) 963-6420

Immediate Past Chair:

Frank A. Angileri, Southfield

Commissioner Liaison:

Donald Rockwell, Flint

**European and Japanese Patent
Office Liaison:**

Kevin S. MacKenzie, Troy

Proceedings Editors:

Jean M. McCarthy

Quinn Law Group PLLC
39555 Orchard Hill PI Ste 520
Novi, MI 48375
Phone: (248) 380-9300
Fax: (248) 380-8968
e-Mail: jmm@quinnlawgroup.com

Eric Sosenko

Brinks Hofer Gilson & Lione PC
524 S Main St Ste 200
Ann Arbor, MI 48104
Phone: (734) 302-6000
Fax: (734) 994-6331
E-mail: esosenko@brinkshofer.com

© 2010 Intellectual Property Law Section
State Bar of Michigan

Court Once Again Addresses Insufficient Support . . .

Continued from page 1

in damages of at least \$114,000. WSI did not offer any expert opinion, but instead relied on the testimony of its President, David Miller. It was through Miller that WSI introduced thirteen patent license agreements to support its reasonable royalty. The thirteen agreements related to rights granted by WSI to third parties for some or all of the patents-in-suit. Table 1 at right summarizes those thirteen license agreements.

The jury ultimately awarded WSI a lump-sum royalty of \$250,000. Although requested in the verdict form, the jury did not disclose whether a running royalty was used to arrive at its lump-sum award nor did they disclose the royalty percentage or royalty per unit that may have been used to arrive at the lump-sum award.

On appeal, INSC argued that the damages award was excessive and that the license agreements that WSI introduced into evidence did not support the verdict because they reflected different economic circumstances than those in the hypothetical negotiation.

Lump-Sum Royalty Licenses Failed to Support the Damages Award

Of the thirteen license agreements proffered by WSI, only two specified lump-sum royalty payments.

- In connection with the first agreement, WSI received \$175,000 for granting nonexclusive rights to practice the technology taught by two of the three patents-in-suit as well as any related or WSI-owned patents.
- In connection with the second agreement, WSI received \$350,000 for granting nonexclusive rights to practice the technology taught by all three of the patents-in-suit.

Despite the fact that the \$250,000 damages award was more than double the damages explicitly sought by WSI, it claimed in post-trial briefs that the damages award was reasonable because it was roughly the average of the two lump-sum royalty licenses (\$262,500).

The Court did not agree with WSI's reasoning and found that:

This "averaging" theory is flawed because the two lump-sum licenses provide no basis for comparison with INSC's infringing sales. Neither license describes how the parties calculated each lump sum, the licensee's intended products, or how many products each licensee expected to produce. Indeed, when asked if the record supplied "any idea of the volume of sales or projected sales," [WSI's] counsel admitted: "With the trial court, none of that was discussed."⁶

The Court reasoned that additional information beyond simply a lump-sum royalty amount is necessary in order for an existing license agreement to be instructive in establishing a hypothetically negotiated running royalty. The Court illustrated its position by stating:

If [WSI's] previous license paid \$350,000 to produce one thousand devices [implying a royalty of \$350 per unit], for example, INSC would not have agreed ex ante to pay \$250,000 if it expected to make only fifty-six units [implying a royalty in excess of \$4,400 per unit]. Thus, without additional data, the licenses offered the jury "little more than a recitation of royalty numbers."⁷

Table 1 – Summary of WSI’s License Agreements⁸

	Lump Sum Royalty	Royalty Rate (\$ per unit)	Royalty Rate (% of sales)	Additional Circumstances Effecting Comparability
1	\$175,000			No evidence to the number of units that licensee had sold or intended to sell. License agreement includes release of "any and all claims for patent infringement" against the licensee for its past sales.
2	\$350,000			License agreement included a release by Wordtech and CopyPro of the licensee, and "its direct or indirect customers," from "any and all claims for infringement" of the Patents. There was no evidence of the number of units that licensee had sold or intended to sell.
3		\$25 to \$195		Agreement noted that it was entered into "in an effort to resolve any disputes between the parties regarding the Patent."
4			3.0%	Licensee cooperated in a "press release...to let the rest of the world know...the requirement to get a license."
5			4.0%	License agreement also included a \$45,000 payment to Wordtech pertaining to a "retroactive license" for sales of certain products before a specified date.
6			4.0%	License agreement noted that Wordtech "has alleged that at least some of the licensee's products infringed the '298 Patent and the '198 Patent, and that the parties desired to amicably resolve this dispute."
7			5.0%	License agreement between Wordtech and a sister company CopyPro, Inc.
8			5.0%	License agreement stated that Wordtech "has alleged that at least some of the licensee's products infringed the '298 Patent and the '198 Patent, and that the parties desired to amicably resolve the dispute."
9			5.0%	License agreement stated that Wordtech "has alleged that at least some of the licensee's products infringed the '298 Patent and the '198 Patent, and that the parties desired to amicably resolve the dispute."
10			5.0%	License agreement noted the licensee had previously sold products that they agreed "fall within the claims" of the '298 Patent or the '198 Patent, and the licensee agreed to pay a "historical royalty" in the event that the number of units already sold exceeded a specified number.
11			5.0%	In the license agreement, the licensee "concede[d]" that its products infringed the '298 Patent and '198 Patent, and agreed to pay a "historical royalty payment" for past sales.
12			5.5%	In the license agreement, the licensees acknowledged their "infringement of the products on the ['298 Patent and '198 Patent]."
13			5.5%	If payments were not made timely for one year the rate would increase to 6%. Wordtech had already filed a civil action for patent infringement against the licensee and the license agreement was intended "to settle and resolve all disputes, difference and claims asserted in the Action...."

Running Royalty Licenses Also Failed to Support the Damages Award

Eleven of the thirteen license agreements proffered by WSI were based on running royalties.

- One of these agreements called for a per-unit royalty of \$100-\$195.⁹
- The remaining ten agreements called for royalty rates of 3%-6% of the licensees’ sales.¹⁰

In *Lucent*, the Court found that license agreements based on running royalties could be relevant in supporting a lump-sum royalty but “some basis for comparison must exist in the evidence presented to the jury.”¹¹

In *Wordtech*, The Court found no basis for comparison between the damages award and the agreement containing the per-unit royalty of \$100-\$195 given that the implied per-unit royalty resulting from the damages award was more than

\$4,400.¹² Similarly, the Court found that the ten remaining agreements also failed to support the damages award. Whereas those agreements contained royalty rates ranging from 3% to 6%, the damages award implies an effective royalty rate of 26.3%.

WSI claimed that the royalty rates in the agreements ranged as high as 10%, however, the Court pointed out that rates above 6% would only result from penalties related to accounting lapses and that using such rates “distorts the record.”¹³ Nevertheless, even if the “distorted” rates were considered, they still would not support a hypothetically negotiated rate of 26.3%.

It is also worth noting that nearly all of the thirteen licenses were agreed to either after the threat or initiation of litigation, however, it did not appear that the Court was

Continued on next page

excluding these “settlement” agreements on that basis. The only time the topic of settlement agreements is mentioned in their opinion is when they state:

[WSI] signed several of these licenses after initiating or threatening to initiate litigation against the licensees, and “litigation itself can skew the results of the hypothetical negotiation.”¹⁴

Unsubstantiated Theories Not Posed to the Jury Cannot Be Used to Support an Excessive Damages Verdict

On appeal, WSI defended the damages verdict by arguing that it was supported by *Georgia-Pacific* factor 13, which considers the portion of the infringer’s profit that “should be credited to the invention as distinguished from non-patented elements.”¹⁵ WSI claimed that most, if not all, of the profit from the accused sales was attributable to the infringing software and it estimated those profits to total \$800,000. Additionally, WSI postulated that a 30% or 50% split of the profits would be “reasonable” and stated that “[c]ommon sense would dictate that Miller [WSI’s president] would ask for half of the profit or a lump sum fee.”¹⁶ Based on this theory, whereby damages could amount to \$240,000 assuming a 30% profit split or \$400,000 assuming a 50% profit split, WSI claimed the \$250,000 damages verdict was reasonable.

The Court was not persuaded by WSI’s argument and in particular its use of “unproven profit numbers” and the fact that WSI “did not pose this theory to the jury, nor explain why 50% or 30% would be reasonable.”¹⁷ The Court rejected WSI’s argument stating that “[i]nstead of providing plausible explanations for the verdict, [WSI’s] unsupported rationalizations highlight the speculative nature of the evidence.”¹⁸

Conclusion

Considering *Lucent*, *ResQNet* and now *Wordtech*, the Court is placing a greater responsibility on the parties to provide more detailed information concerning comparable license agreements and more rigorous analysis to support its damages theories. Although there will always be uncertainty with regard to the size and structure of damages awards levied by juries in patent infringement cases, more detailed information and more rigorous analysis should help mitigate some of the risk that damages awards levied by juries will be overturned upon appeal because they are not sufficiently supported by the evidence. 

About the Authors

John Bone is a Managing Director in the Dispute Advisory & Forensic Services Group at Stout Risius Ross (SRR). He serves as either an expert witness or consultant on damages and other financial issues in an array of litigation matters, including commercial contract disputes, intellectual property disputes and antitrust matters. He can be reached at 312.752.3378 or jbone@srr.com.

Erich Kirr is a Director in the Dispute Advisory & Forensic Services Group at Stout Risius Ross (SRR). He specializes in determining damages and performing other financial analyses in a variety of litigation matters, including commercial contract disputes, intellectual property disputes, solvency analyses and post-acquisition disputes. Mr. Kirr can be reached at 312.752.3360 or ekirr@srr.com.

Allen Burt is a Senior Analyst in the Disputes Advisory & Forensic Services Group at Stout Risius Ross (SRR). He has experience working on commercial litigation disputes and business valuation related matters. He can be reached at 312.752.3387 or aburt@srr.com.

Endnotes

- 1 Bone, John R., “Court Weighs in on License Agreements Used in Support of Damages Award.” *SRR Journal (Spring 2010): 89-93. Print.*
- 2 *Lucent v. Gateway*, 580 F.3d 1301 (Fed. Cir. 2009).
- 3 *ResQNet v. Lansa*, 2010 WL 396157 (Fed. Cir. 2010).
- 4 *Wordtech v. Integrated Networks Solutions*, 2010 WL 2384958 (Fed. Cir. 2010) at 25 citing *Del Monte Dunes at Monterey, Ltd. V. City of Monterey*, 95 F.3d (9th Cir. 1996) at 1435.
- 5 Integrated Networks Solutions, Inc. does business as Integrated Network Solutions Corp.
- 6 *Wordtech v. Integrated Networks Solutions*, 2010 WL 2384958 (Fed. Cir. 2010) at 21.

Submissions to IPLS Section

Articles of interest to the membership are actively solicited for publication in this newsletter and on the IPLS website. If you have recently researched a topic of interest to our membership, please consider a submission.

Submissions should be sent to one of our editors (see contact information on page two).

- 7 Ibid. at 22.
- 8 Brief of Appellants, 2009 WL 3183216 (C.A. Fed.).
- 9 The Court’s opinion indicates a range for \$100 to \$195, however, the Brief of Appellants indicates a range of \$25 to \$195.
- 10 The Court’s opinion states “the other ten licenses stated royalty rates in the rage of 3-6% of the licensee’s sales....” However, the Brief of Appellants indicates that 6% royalty rate would only become effective if the 5.5% royalty rate payments pertaining to that specific license were not timely made for one year.
- 11 *Wordtech v. Integrated Networks Solutions*, 2010 WL 2384958 (Fed. Cir. 2010) at 22 citing *Lucent v. Gateway*, 580 F.3d 1330 (Fed. Cir. 2009).

- 12 Verdict of \$250,000 divided by 56 infringing units yields a royalty of \$4,464.29 per unit.
- 13 *Wordtech v. Integrated Networks Solutions*, 2010 WL 2384958 (Fed. Cir. 2010) at 22.
- 14 Ibid.
- 15 Ibid at 24.
- 16 Ibid.
- 17 Ibid.
- 18 Ibid.

“First Sale” Doctrine Does Not Apply When There Is a Likelihood of Post-Purchase Confusion

by Elizabeth K. Brock

On appeal from a remand decision of the District of Arizona, the Ninth Circuit in *Au-Tomotive Gold, Inc. v. Volkswagen of America, Inc.*¹ affirmed the lower court’s grant of summary judgment to trademark-owner Volkswagen of America Inc. (“Volkswagen”), holding that the “first sale” doctrine does not provide a defense when likelihood of confusion has been established.

The “first sale” doctrine allows purchasers of trademarked goods to resell those items without infringing the trademark owner’s rights. That is, the trademark owner may only control the “first sale” of its goods. The “first sale” doctrine protects these downstream sellers, so long as the goods bearing the trademark have not been materially altered.

Au-Tomotive Gold (“Auto Gold”) makes and sells automobile accessories for cars, including Volkswagen vehicles. Auto Gold bought “VW” brand badges, as used on the hoods and trunks of Volkswagen vehicles, affixed the VW badges to marquee license plates, and sold the plates with packaging indicating that the plates were not produced or sponsored by Volkswagen.² After receiving several letters from Volkswagen demanding that Auto Gold cease using the trademarks, Auto Gold filed suit in 2001 (“*Auto Gold I*”), seeking a declaratory judgment that its products did not infringe Volkswagen marks. A “procedural morass” ensued, according to the Court of Appeals for the Ninth Circuit, during *Auto Gold I*: “[f]rom this point, the case became a maze of counterclaims, stipulated dismissals, and new complaints.”³

At trial in *Auto Gold I*, the District Court granted summary judgment to Auto Gold, holding that the trademarks were functional under the doctrine of “aesthetic

functionality.” The Ninth Circuit reversed on this point, held that Volkswagen established a case for trademark infringement, and remanded for consideration of Auto Gold’s “first sale” defense.

On remand, in *Auto Gold II*, the District Court held that Auto Gold failed to state facts to substantiate a “first sale” defense, and granted summary judgment to Volkswagen. Auto Gold appealed.

On appeal for the second time, the Ninth Circuit held “that the ‘first sale’ doctrine does not provide a defense because the plates create a likelihood of confusion as to their origin. . . . [W]e base it on the likelihood of post-purchase confusion among observers who see the plates on purchasers’ cars.”⁴ Accordingly, in the Ninth Circuit, if post-purchase likelihood of confusion has been established, the “first sale” defense is not available. ?

About the Author

Elizabeth K. Brock is an associate with Harness, Dickey & Pierce, PLC. Her practice focuses on trademark and unfair competition law and related Internet matters. Ms. Brock can be reached at (248) 341-1338 or by email at ebrock@hdp.com.

Endnotes

1. 603 F.3d 1133 (9th Cir. 2010).
2. Auto Gold also sold license plates, license plate frames and key chains using replicas of Volkswagen trademarks. These actions are not the subject of the current appeal.
3. *Au-Tomotive Gold, Inc. v. Volkswagen of America, Inc.*, 457 F.3d 1062, 1066 (9th Cir. 2006).
4. *Au-tomotive Gold*, 603 F.3d at 1136.

Another Case (Surprisingly) of First Impression for the Federal Circuit

by Anna M. Budde

Following January's *Boehringer Ingelheim International GmbH v. Barr Laboratories, Inc.*¹ decision on divisional practice, which questioned whether a divisional application must claim priority directly to the application in which the restriction requirement was made to be entitled to the safe-harbor provision of 35 U.S.C. § 121, the Federal Circuit tackled another issue of first impression this summer in *Encyclopaedia Britannica, Inc. v. Alpine Electronics of America, Inc.*²: how to make a valid priority claim through a chain of applications. Most patent attorneys would have thought these basics had been chiseled tablets by the CCPA before the Federal Circuit was even formed.

The patents in *Encyclopaedia Britannica* claimed priority through a chain of four earlier patents. It was critical for Britannica to be accorded the priority date of the first application in the series because the first application's foreign equivalent had been published more than a year before the actual filing date of the second application in the series.

The second application in the series was filed and abandoned under circumstances that created the difficulty. The second application had been filed on the same day that its parent, the first application, issued but without filing fee, declaration, claim to priority of the parent first application, or first page. The PTO issued a Notice of Incomplete Application, requiring receipt of the first page before according a filing date. Britannica petitioned to have a filing date accorded, which the PTO rejected because the petition's claim that the first page was not needed to understand the claimed invention was not supported by an oath or declaration from the inventors. The PTO invited Britannica to file a request for reconsideration along with such a supporting oath or declaration. Britannica elected instead to do nothing, finally buying a four-month extension to the Notice of Incomplete Application only to file a third application. Britannica left the problems in the second application in the chain uncorrected, but still claimed priority through it to the first application.

The court found that the priority chain was broken because the second application did not "contain a specific reference to the earlier filed application" as required by 35 U.S.C. § 120. Britannica had argued that only the application being asserted needed to contain a reference to the earlier applications to which priority was claimed. However, section 120 required that each earlier application in turn had to be "similarly entitled to the benefit to the filing date of the first application." The second application

lacked a specific reference to its predecessor and so had not been similarly entitled when the third application attempted to claim priority through it.³ Nor could the priority claim in the third application correct the omission of the second.⁴

The *Britannica* court warns that it "leave[s] for another day whether filing a continuation on the day the parent issues results in applications that are co-pending as required by statute."⁵ The court also left for another day whether it is possible to claim priority to an application, such as the second in the Britannica chain, that has not been accorded a filing date before being abandoned, among other "infirmities."⁶

The *Britannica* court observed that *In re Henricksen*⁷ had settled the issue that 35 U.S.C. § 120 imposed no limit on the number of applications in a chain through which the benefit of priority may be claimed.⁸

Henricksen was not considered in *Boehringer*, but perhaps it should have been. The *Boehringer* court ruled that the safe-harbor provision of 35 U.S.C. § 121 is available for a divisional application (grandchild) that claimed priority through another divisional application (child) to the application (parent) in which a restriction requirement was made. In addition, the court stated that the safe harbor provided by section 121 was not lost if distinct inventions are prosecuted together so long as separate divisional applications respect the lines drawn by the examiner in the restriction requirement. The dissent would have accorded a safe harbor only to a divisional having only a single distinct invention and only for a first-generation divisional application. The request for rehearing en banc was denied, over a dissent by Judges Gajarsa and Dyk (who filed the dissent in the original opinion).⁹

About the Author

Anna M. Budde is a partner with Harness, Dickey & Pierce, PLC. Her practice focuses on patent matters. Ms. Budde can be reached at (248) 641-1220 or by email at abudde@hdp.com.

Endnotes

1. 592 F.3d 1340 (Fed. Cir. 2010).
2. 609 F.3d 1345 (Fed. Cir. 2010).
3. *Id.* at 1350.
4. *Id.* at 1351.
5. *Id.* at 1352.
6. *Id.*
7. 399 F.2d 253 (CCPA 1968).
8. 609 F.3d at 1349 n.3.
9. *Boehringer Ingelheim Int'l GmbH v. Barr Labs., Inc.*, 603 F.3d 1359 (Fed. Cir. 2010).

Intellectual Property Caseload for Judges in the Michigan Districts

Judge Robert Jonker (W.D. Mich.) provided the Section a comparison between the Michigan district courts of the average numbers of intellectual property law cases per judge that were filed or closed in the last full court year.

Summary IP Case Statistics Eastern & Western Districts of Michigan From December 1, 2008 thru November 30, 2009				
	Eastern District (15 judges)		Western District (4 judges)	
	Total*	Per Judge**	Total***	Per Judge**
Filed				
Copyright	32	2.13	11	2.75
Patent	55	3.67	6	1.50
Trademark	63	4.20	14	3.50
Totals	150	10.00	31	7.75
Closed				
Copyright	34	2.27	13	3.25
Patent	65	4.33	15	3.75
Trademark	78	5.20	15	3.75
Totals	177	11.80	43	10.75

*Data provided by David Weaver, Court Administrator / Clerk of Court for the Eastern District of Michigan.
 **Authorized Judgeships only; no Senior Judges included
 ***Data from Yvonne Carpenter based on Electronic Search of Western District of Michigan Clerk's Office Records

By comparison, the following table shows district courts with the highest average numbers of IP cases per authorized judgeship. (Data for numbers of cases available at <http://www.uscourts.gov/Statistics/JudicialBusiness.aspx>; information on authorized numbers of judgeships available at <http://www.uscourts.gov/JudgesAndJudgeships/AuthorizedJudgeships.aspx>.)

Summary IP Case Statistics — Other U.S. Districts From December 1, 2008 thru November 30, 2009				
	S.D. NY (28 judges)		E.D. Tex. (8 judges, incl. 1 temporary judge)	
	Total	Per Judge	Total	Per Judge
Filed				
Copyright	272	9.71	15	1.88
Patent	122	4.36	242	30.25
Trademark	296	10.57	25	3.12
Totals	690	24.64	282	35.25
Closed				
Copyright	293	10.46	13	1.62
Patent	126	4.50	286	35.75
Trademark	345	12.32	17	2.12
Totals	764	27.29	316	39.5
	N. Ill. (22 judges)		C. Cal. (28 judges, incl. 1 temporary judge)	
	Total	Per Judge	Total	Per Judge
Filed				
Copyright	48	2.18	387	13.82
Patent	153	6.95	285	10.18
Trademark	129	5.86	478	17.07
Totals	330	15.00	1150	41.07
Closed				
Copyright	70	3.18	506	18.07
Patent	148	6.73	280	10.00
Trademark	146	6.64	545	19.46
Totals	364	16.55	1331	47.54

News Items/Announcements

BPAI First Annual Conference

On April 7, 2010 the Board of Patent Appeals and Interferences hosted the BPAI First Annual Conference at the USPTO. Conference papers and presentations are available at http://usptols.org/BPAI_Conference_Papers.html. The program included a statistical update and plans for coping with a sharp increase in ex parte appeals in the last few years, presented by Chief Administrative Patent Judge Michael R. Fleming; a discussion of the Board's decision making process by a panel of the two vice chief judges of the Board and two administrative judges; practice tips for effective appellate advocacy before the Board presented by the Chief Judge and a panel of administrative patent judges; strategies for winning nonobviousness arguments on appeal presented by practitioners; a discussion of *inter partes* reexamination by practitioners; and a discussion of appeals from the Board to the Federal Circuit by Chief Judge Fleming, Federal Circuit [now former] Chief Judge Michel, and Federal Circuit [new] Chief Judge Rader.

The papers accompanying the sections on Practice Tips: Top Ten Mistakes and Winning Your Non-Obviousness Case at the Board are particularly useful. Results of a limited study discussed in the latter paper indicated that obviousness rejections were most often reversed for lack a articulated rationale (55%) or a claim element missing from the cited art (35%). The judges' panel for Practice Tips thought applicants should more often challenge the examiner's rationale to combine.

Chief Judge Fleming announced the new process for reviewing briefs for compliance with the rules (in effect since the beginning of April). Previously, briefs were reviewed three times: by the examiner, the Patent Appeal Center, and the Board. Starting in April, briefs are only being reviewed by the Board for compliance with the rules. Chief Judge Fleming said that the Board is considering creating a magistrate program for mediation between examiner and applicant at a point between when a notice of appeal is filed (after any pre-appeal brief request for review) and when an appeal brief is due. Tentative plans would allow the appellant, examiner, or Board to instigate mediation to clarify positions and identify areas of agreement. This program is currently being worked out within the USPTO. The Board also is still working on a new rules package, which may include more explicit guidelines for the examiner's answer, prohibiting the examiner from citing new evidence, and eliminating supplemental answers, among other improvements.

Speaking at the BPAI's conference, Director David Kappos said that the USPTO is planning to make the Pre-Appeal Brief Request for Review program permanent. About 40% of the requests have resulted in withdrawing a rejection and re-opening prosecution. The Director also discussed the Board's precedential *Ex parte Frye* opinion, which clarified and articulated the Board's long-time approach to its appellate jurisprudence. Director Kappos also noted other efforts to improve patent examination and deal with the backlog of unexamined applications. Examiners are being encouraged to conduct interviews before a first office action and after a final rejection. The USPTO planned to propose to establish three examinations tracks. More details on this proposal were announced at the beginning of June. A first track would provide accelerated examination for a fee, without an Accelerated Examination Support Document. The goal for final disposition would be one year. A second track would be regular examination. A third track would permit up to 30 months to file a request for examination; the application would still be subject to 18-month publication.

On appeals to the Federal Circuit, the panel first noted that only about 0.7% of Board decisions are appealed, with the Board enjoying a 90% affirmance rate. The Federal Circuit judges indicated that the Federal Circuit follows new issues developing at the Board level.

Per its name, the Board intends to make the conference an annual event. If the first installment is an indication, patent practitioners will find attendance worthwhile.

—Anna M. Budde, Secretary-Treasurer

Invitation To Participate In Patent Risk Survey

The Thomas M. Cooley Law School Graduate Program in Intellectual Property Law, in conjunction with the ABA Section of Intellectual Property Law, Special Committee on Patent Analysis and Opinions of Counsel Post-Seagate, invites current and recent in-house counsel to participate in a research project investigating how organizations respond to patent infringement risks.

The purpose of the research project is to collect data from persons who have recent experience evaluating whether or not the current or planned activities of an organization create a risk of patent infringement, and deciding how to best respond to that risk. As a result of the Federal Circuit's decision in *In re Seagate Technology, LLC*, 497 F.3d 1360 (Fed. Cir. 2007)(en banc), courts now apply an "objective recklessness" test to determine whether a defendant has

willfully infringed a patent. A goal of the research is to confidentially collect data from a broad sample of organizations concerning their policies and practices for responding to patent infringement risks.

The Survey: The confidential, on-line survey is designed for in-house counsel or persons who recently have served as in-house counsel. The on-line survey has approximately 30 questions and can be completed in less than 15 minutes. To ensure confidentiality the survey must be completed in one session.

To take the survey, please visit:

<http://www.novisystems.com/NoviSurvey/n/risksurvey.aspx>

If you would like more information about this research or the survey, please contact Prof. David C. Berry at risksurvey@cooley.edu.

Michigan Innovation And IP Legal Writing Competition

Sponsored by

State Bar of Michigan, Intellectual Property Law Section and
Thomas M. Cooley Law School Graduate Program in IP Law

The State Bar of Michigan Intellectual Property Law Section and the Thomas M. Cooley Law School Graduate Program in Intellectual Property Law announce the First Annual Michigan Innovation and IP Legal Writing Competition. The Competition is open to attending law school in the State of Michigan and seeks to recognize outstanding original works of legal scholarship in the fields of intellectual property and innovation law.

Eligibility:

Students enrolled in J.D. degree programs at any ABA-accredited Michigan law school during the period January 1 to December 31, 2010 are eligible to enter the competition.

Prizes:

Three prizes will be awarded:

- **1st Place:** \$500.00 Cash award, publication of work in IPLS Proceedings journal, and complimentary registration to 2011 IPLS Annual Meeting in East Lansing, Michigan on March 28, 2011.
- **2nd Place:** \$300 Cash award, publication of work in IPLS Proceedings journal, and complimentary registration to 2011 IPLS Annual Meeting in East Lansing, Michigan on March 28, 2011.
- **3rd Place:** \$200 Cash awards publication of work in IPLS Proceedings journal, and complimentary registration to 2011 IPLS Annual Meeting in East Lansing, Michigan on March 28, 2011.

How to Submit an Entry:

1) Students must submit their submission electronically to: shortleyj@oakgov.com

All entries must be received by February 1, 2011.

2) Each submission must contain an Entry Cover Page (format attached) containing the student(s) name and contact information and a certification that the submission complies with the Competition Rules:

- 2.1) Law students of any ABA-accredited law school located in Michigan during the period from January 1 to December 31, 2010 are eligible. Students must be pursuing a J.D. degree; LL.M. applicants are not eligible, unless they are pursuing an LL.M. and part of a joint degree program and have not completed the requirements for a J.D. degree by December 31, 2010.
- 2.2) All entries must be an original work of scholarship written during the period from February 1, 2010 to February 1, 2011. Entries which have been prepared as part of a course are acceptable, but must not have been edited by a faculty member or teaching assistant.
- 2.3) Co-authored submissions are acceptable. Co-authors of joint submissions will divide any prizes.
- 2.4) All entries must be between 15 and 30 pages in length (including citations), double spaced, in 12 point Times New Roman font, with 1 inch margins on all page edges. Each entry must be the original, unpublished academic work of the person(s) submitting the entry.
- 2.5) Citations must be in footnote format and be in accordance with either the rules of The Bluebook, A Uniform System of Citation, Eighteenth Edition or the Association of Legal Writing Directors (ALWD) Citation Manual.
- 2.6) Other than the Entry Cover Page, the entry must not identify the author(s) or their law school affiliation in any way (including acknowledgments to faculty.) The contest organizers reserve the right to redact any entries to remove potentially identifying references.

Judging:

All entries will be judged anonymously by a panel of judges selected by the contest organizers. The decisions of the judges will be final. Winners will be announced on or about March 1, 2011.

Michigan Innovation And IP Legal Writing Competition

Entry Cover Page

Name: _____

Address: _____

City: _____ State: _____ Zip: _____

E-mail: _____

(Daytime) Phone: _____

Title of Submission: _____

No. of Pages: _____

Law School: _____

Check One: I have not completed the requirements for a J.D.

I completed the requirements for a J.D. on _____.

Certification: I hereby certify that I have read the Contest Rules for the Michigan Innovative and IP Legal Writing Competition and certify that this entry complies with those rules.

Signature: _____ Date: _____

SBM

STATE BAR OF MICHIGAN

MICHAEL FRANCK BUILDING
306 TOWNSEND STREET
LANSING, MI 48933-2012

PRESORTED
FIRST CLASS MAIL
U.S. POSTAGE PAID
Lansing, MI
PERMIT NO. 191