



# Intellectual Property Law Section

## State Bar of Texas

Special Issue - 2008 SBOT Annual Meeting CLE Report

### SBOT Annual Meeting – IP Law Section Activities

Reporting and photography by Mike Sebastian and Miguel Villarreal, Jr.

The State Bar of Texas Annual Meeting was held on Thursday and Friday June 26-27, 2008 at the George Brown Convention Center, in Houston Texas. In its customary tradition, the IP Law Section offered its members a full day of CLE as well as several social opportunities at this event.

#### *Thursday Reception*

The IP Law Section began its SBOT Annual Meeting activities with the traditional welcome reception, which was generously sponsored by Baker Botts LLP. The reception provided a pleasant and relaxed atmosphere to chat with friends, renew acquaintances and meet new people.



Houston hosted the SBOT Annual Meeting. The George Brown Convention Center was the nexus of Bar Convention activities.



Thursday's reception was well attended.

#### *Friday CLE - Morning Session*

The Friday morning CLE session began at the George R. Brown Convention Center with a continental breakfast sponsored by Sidley Austin LLP. Opening remarks by Chair Elect Sharon Israel officially started the session. Ms. Carey Jordan moderated the morning session.

#### **Trademarks and Avoiding Fraud on the Trademark Office – Susan J. Hightower**

The first presentation was made by Susan J. Hightower of Pirkey Barber, LLP, on the important subject of avoiding unintentional fraud on the Trademark Office. In 2003, the Trademark Trial and Appeal Board adopted the Susan Hightower *Medinol Ltd. v. Neuro Vasx, Inc.* rule as the new standard for fraud. Under this standard, no specific intent on the part of the applicant is required to commit fraud before the TTAB.



Ms. Hightower discussed several recent

cases that illustrated various nuances to the *Medinol* rule and steps that can be taken by practitioners to avoid potential pitfalls. The attorney and the client must share the duty of verifying that a mark is in use on all goods or services recited in the application. The attorney should review the application with the client. Due to the arms-length relationship the attorney has with the client, the attorney may not be able to verify that the list of recited goods or services has been reviewed sufficiently by the client, and consequently, it is better to err on the side of under inclusion. Counsel should require the client to sign the statement of use. Further, counsel should consider filing multiple single-class applications rather than a single multiple-class application to limit damage if an application is invalidated by the TTAB.

In the cancellation cases Ms. Hightower discussed, the fraud claims were made as a defensive response to an opposition or petition to cancel a registration. Ms. Hightower suggests that before leaping into an opposition, counsel should review the client's registration and amend it to delete any erroneously included goods before an opposition is underway. Ms. Hightower also discussed how *Medinol* raises serious due process constitutional concerns (e.g., right to hearing; right of confrontation) that arise in the context of cancellation proceedings.

### **From the Contract to the Courtroom – Andrew Ehmke**

Andrew Ehmke of Haynes and Boone, LLP, provided the group with a memorable presentation entitled, "The Case of the Amazing Spreadsheet," a case where a former employee claimed ownership to a critical resource planning spreadsheet he developed during his period of employment with the defendant employer.



This case is an example of an employee intellectual property assignment agreement for software gone bad. Mr. Ehmke presented seven "tips" for avoiding the mistakes this case illustrated. These tips are: 1) Get an IP assignment agreement signed by both the employee and a representative of the employer; 2) To retain control of employee developed software, more than one person should have passwords and know how the software works; 3) Be careful and clear about the reasons for an employee recognition award and about remuneration policies. Puffery and grandiose statements made to the employee as part of some recognition award might be used to the detriment of the employer in subsequent litigation; 4) In the exit interview, be careful what you ask for, because you might not get it. The exit interview is not the time to be trying to secure rights to IP developed by the employee; 5) When evaluating the risks associated with a lawsuit by a former employee, recognize that the case may extend beyond traditional employment causes of action to include copyright infringement and other IP claims; 6) Electronic evidence is going to be important – take time to collect it, preserve meta-data, and understand what it is telling you; and 7) In the battle of the experts, an impressive *curriculum vitae* is of little value if the expert does not know how to make the software work and cannot demonstrate it to the jury. In reference to tip 5 above, Mr. Ehmke added a "Free Tip" at the end of his presentation: "Don't be afraid to re-analyze the case."

### **What's the Future for IP: How Should We Prepare? – Gale "Pete" Peterson**

Gale "Pete" Peterson, with Cox Smith Inc., gave a presentation on the future of IP. While the focus of his presentation was limited primarily to patents, many of the issues presented had broader IP

implications. To fully appreciate where the future of IP might go, Mr. Peterson presented a history of IP, starting with the first patent law in Venice in 1474 and continuing through the evolution of U.S. patent law and of the United States Patent and Trademark Office. Mr. Peterson further discussed comparatively recent developments in international IP such as the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) and the current state of affairs at the USPTO.

Mr. Peterson also discussed current trends in patents and IP that may shape the future. The USPTO is seeing a growing number of applications being filed every year and cannot keep up with the onslaught of patent applications. The current



Pete Peterson

pendency for patent applications has grown to thirty months – a period that exceeds the economic life of many high-technology innovations. Other factors working against the status quo are a growing belief that patents are actually stifling innovation (not encouraging it), which is an underlying premise of the present system. The democratizing of knowledge is causing society to increasingly question the social value of IP protections, such as patents, especially when IP enforcement is increasingly heavy-handed and overly broad. Further, there is growing tension between the “haves” and “have-nots” – the developed world where businesses want strong IP rights, and the less-developed world where IP rights are denying them access to agricultural seed stocks and pharmaceuticals, and making it nearly impossible for these countries to develop their economies.

Looking to the forces shaping the future of IP, Mr. Peterson then went on to discuss the four scenarios for the patent system based

on an [EPO study](#): In the first scenario, “Market Rules,” business is the driving force, where patent eligible subject matter continues to expand and most users are multi-national businesses. In the second scenario, “Whose Game?,” geopolitics is the dominant driving force. In this scenario, the developing and less developed countries are rebelling at the increased linkage between IP rights and trade, and they are working instead within a “communal knowledge” paradigm. In the third scenario, “Trees of Knowledge,” society is the driving force which leads to a gradual erosion of the IP system. Popular movements, issue by issue, bring about change. In the fourth scenario, “Blue Skies,” technology, including the globalization of R&D, is the driving force where the “one-size-fits-all” model to patenting is abandoned and IP is tailored to the needs of technology.



Panelists Craig Lundell, BethLynn Maxwell, and Michael Barré discuss their expectation of outside counsel.

### **In-House Counsel Perspective: Handling IP Issues in a Changing Landscape and Expectations of Outside Counsel – Panel**

The in-house panel discussion was moderated by Jerry Selinger of Morgan Lewis & Bockius LLP. Panel members were Michael Barré with Intel Corporation, Craig Lundell with Shell Oil Company, and BethLynn



Jerry Selinger, moderator.



Maxwell with the University of Texas System. The questions asked of the panel covered a broad range of IP issues.

On the impact of the *Tafas & GSK* case (rejecting new PTO rules), the consensus of the panel members was that they were glad the rules did not go into effect. Mr. Lundell reported that in anticipation of the rules going into effect, there was a substantial “scramble” to review cases on their docket to see if anything needed to be accelerated. Ms. Maxwell said the new rules will have a substantial financial impact on universities. Mr. Barré had been filing amendments to some applications to reduce the number of claims.

When asked about the impact of *KSR* on patent practice, the panel agreed that *KSR* shifted the burden from the Patent Office to the applicant to disprove obviousness. There are more rejections based on obviousness and they expect more rejected applications will be appealed.

When it comes to working with outside counsel, each organization has different procedures for selecting outside counsel, but they share many expectations: quality work, reasonable costs, and good communications. They want to be able to



Shannon Bates is presented the Chair Award by Ted Lee.



Robert E. Smith III is presented the Texas Inventor of the Year by Michael Barré and Christopher Keirs.

ask outside counsel a quick question without seeing it on the bill.

### ***Section Luncheon and Business Meeting***

Section Chair Ted Lee opened the Section’s Luncheon and Business meeting by welcoming the attendees.

Shannon Bates received the 2008 Chair Award.

How-Ying Albert Liou was named as the winner of the 2008 Writing Award.

Ryan Elizabeth Abbott and Kathy Li were



Kathy Li is presented one of the scholarship awards by Hope Shimabuku.



Ted Lee passes the Section Chair gavel to Sharon Israel.

recipients of the Section's 2008 Women and Minority Scholarship Award.

### **Texas Inventor of the Year**

Robert E. Smith III was named the 2008 Texas Inventor of the Year by the Section.

### **Section Business**

After unanimous affirmation by the Section members present, the proposed slate of officers was approved, and the Section Chair gavel was passed from Ted Lee to Sharon Israel.

### **Friday CLE – Afternoon Session**

#### **Judges Panel – Panel**

The judges' panel discussion was moderated by Scott Breedlove of Vinson & Elkins. Panel members were U.S. District Judge Nancy Atlas from Houston (Southern District of Texas), U.S. Magistrate Judge Chad Everingham from Marshall (Eastern District of Texas), and U.S. District Judge Barbara Lynn from Dallas (Northern District of Texas).

The session began with a question about the nature of the judges' case loads. Of the

IP cases these judges hear, not surprisingly, the overwhelming majority of the cases are patent cases. Their courts have also seen dramatic increases in the number of patent cases they hear. Judge Lynn attributes part of the increase in her district to the new patent rules for the Northern District.

A later question dealt with significant changes to local patent rules. Most significantly, Judge Everingham described his new conference rule. Under this rule, attorneys for each party are required to hold a personal conference in person or over the phone – the attorneys must actually talk to each other. Mail and email do not satisfy the requirement. Judge Everingham said this rule came about to improve the civility of lawyers. He has denied motions because the certificate of conference was absent.



Panelists Magistrate Judge Chad Everingham, Judge Barbara Lynn, and Judge Nancy Atlas.

One theme that came out over the course of the discussion following several questions is that judges generally do not have a technical background. However, as Judge Lynn succinctly put it, "We are teachable." The judges appreciate tutorials on the technology. Judge Everingham stated that parties benefit by submitting video tutorials ahead of the *Markman* hearing. Judge Atlas said that she gets tutorials regularly and "likes them a lot." Judge Lynn also likes tutorials: "I wish I had more tutorials, [but] rarely get one."

The panel closed with a discussion of the impact of recent major cases, including *KSR*, *MedImmune*, *Seagate*, and *BMC v. Paymentech*.

### Pre- and Post-KSR – Andrew DiNovo

Andrew G. DiNovo, of DiNovo Price Ellwanger, LLP, gave a presentation that looked at the effects of the *KSR International v. Teleflex Inc.* decision. Mr. DiNovo began with a discussion about *KSR*. *KSR* rejected an explicit teaching/suggestion/motivation (TSM) requirement, adopted an ‘implicit’ or ‘flexible’ TSM approach, and reasserted the *Graham v. Deere* test for obviousness.



Andrew DiNovo

He then moved on to present data about the effects that *KSR* has had on litigation. Graphs showed various trends in litigation. He found that summary judgment filings under § 103 are up, as are rulings in favor of accused infringers. However, he concluded that *KSR* has not had a material impact on patent owner win rates.

On prosecution, while the number of utility patent applications is growing almost exponentially, the number of utility patents granted, as a percentage of applications, is declining at a fairly uniform rate (now around fifty percent). The Board of Patent Appeals and Interferences (BPAI) reversal rates are also continuing a downward trend, although the data could be interpreted to indicate that *KSR* has had a relatively modest impact on that downward trend.

### Federal Circuit/Supreme Court Update – Steven Spears

The federal courts update presentation was made by Steven Spears of Howrey LLP. Mr.

Spears devoted much of his presentation to the recent (June 9, 2008) *Quanta Computer, Inc. v. LG Electronics, Inc.* decision by the U.S. Supreme Court. In *Quanta*, the Court extended the doctrine of patent exhaustion to include method patents. Mr. Spears offered the following suggestions to avoid patent exhaustion issues: 1) Put limitations in the license agreement; 2) Consider geographic or field of use restrictions; 3) For easily-replicated technologies (e.g. biotechnology, software), recognize that copies are not the same product sold, and address those copies in the license agreement; 4) Argue substantial noninfringing use; and 5) Draft the license agreement to contemplate contractual remedies. Mr. Spears also discussed issues that were not addressed by the *Quanta* decision, including the implied license defense, contractual remedies, and whether sales outside the U.S. result in patent exhaustion.

Mr. Spears then proceeded to discuss the activities of the Federal Circuit, and focused on three pending cases worth watching.



Steven Spears

In the case *In re Bilski*, the Federal Circuit involved its rule under which it can, on its own, determine that an appeal should be heard by the *en banc* court, even though no party has asked for it. *In re Bilski* will likely have significant implications for business method patents.

Another case worth watching is the *en banc* appeal of *Egyptian Goddess, Inc. v. Swisa, Inc.* This is a design patent case and the question on appeal is whether “point of novelty” should be a test for infringement of design patents.



The third case Mr. Spears discussed is the *Translogic Technology, Inc. v. Dudas*. The cert. petition challenges the underlying constitutionality of the Commissioner of the PTO appointing judges to the Board of Patent Appeals and Interferences. The petition argues that BPAI members are “inferior officers” under Article II, § 2 of the U.S. Constitution, and must be appointed by a Head of a Department. If the petition is correct, BPAI work since early 2000 would be affected.

### **Global Procurement & Enforcement of IP – Panel**

The Global Procurement and Enforcement of IP panel was moderated by Wei Wei Jeang of Haynes and Boone, LLP. The panel members were Bruce Alexander of Boulton Wade Tennant, United Kingdom, Dallas Smith of Gowling Lafleur Henderson, LLP in Canada, and Dr. Beibing “Gary” Zhang from China Sinda Intellectual Property, China.

This panel was particularly interesting given that the participants were all IP practitioners from outside the United States. A few highlights follow.

Gary Zhang explained that there are “a lot of misconceptions regarding the Chinese patent system.” There is a lot more IP enforcement activity and improvement in the courts. He explained that administrative agencies and courts are available for IP enforcement. Dr. Zhang described the Chinese court system, then explained Chinese courts have specialized divisions with judges having technical backgrounds. Dr. Zhang related an example of a Japanese pharmaceutical company patent owner winning an infringement suit in the Chinese courts.

Bruce Alexander was asked about the patentability of software and business methods. He explained that software was not patentable in the United Kingdom (and the EU). Business methods must have a “technical effect” to be patentable. In general, inventions must have an “inventive step and technical effect,” and must “solve a technical problem” to be patentable.

Mr. Alexander also discussed the enforcement of patents once granted by the EPO. Once the patent is granted, enforcement is by the national courts, which leads to “massive forum shopping.” Forum shopping is prevalent because different countries have different traditions and court systems.



Wei Wei Jeang moderates a panel comprising Bruce Alexander, Dallas Smith, and Beibing “Gary” Zang.

Dallas Smith described Canada as being “not terribly litigious.” Enforcement of a trademark is usually accomplished with a cease and desist letter accompanied by some kind of settlement offer. He added that injunctive relief is practically not available. With trademark applications there must be actual use, but applicants can rely on foreign use. However, use of the trademark in Canada must begin within three years.

When it comes to patent applications, Mr. Smith quipped that the “Canadian patent office has not yet discovered claim fees.”

## Ethical Issue in Electronic Discovery: Lessons from Qualcomm – Kirby Drake

Kirby Drake of Fulbright & Jaworski, provided an ethics presentation centered on the *Qualcomm, Inc. v. Broadcom Corp.* case, where *Qualcomm* and six outside counsel were sanctioned for discovery abuses that Kirby Drake occurred during and following a jury trial in a patent infringement suit brought by *Qualcomm* against *Broadcom*. The sanctions included \$8,568,633.24 that *Qualcomm* was ordered to pay *Broadcom*, referral of six attorneys to the State Bar of California for investigation of possible ethical violations, and an order requiring the six sanctioned attorneys and *Qualcomm* in-house counsel to participate in a Case Review and Enforcement of Discovery Obligations (CREDO) program and file the resulting report with the Court. *Qualcomm* had failed to disclose 46,000 critically important documents during discovery. One *Qualcomm* attorney was not sanctioned because he had “made significant efforts to confirm the accuracy of the facts upon which he relied in drafting various pleadings.”

Ms. Drake provided several insightful lessons to be learned from the *Qualcomm* events, including for the attorney to: 1) Be truthful; 2) Err in favor of production; 3) Take responsibility for ensuring client compliance with discovery; and 4) Document your discovery efforts. For the client, the lessons include: 1) If you do not have a plan for electronic discovery, make one and follow it, and 2) If you have an electronic discovery plan in place, adhere to that plan. The lessons for the courts and the Bar include establishing compliance programs such as CREDO, amending state discovery rules to address electronic discovery, and being sure to balance the needs of the requesting party and producing party.



The Grove restaurant, nestled among the trees in Houston's Discovery Green park.

### **Friday Reception**

Following the CLE session, a reception, hosted by Gunn & Lee, P.C., Conley Rose, P.C. and Haynes and Boone LLP, was held in the Grove restaurant near the convention center. The Grove's location on the edge of Discovery Green Park provided a relaxing conclusion to the Section's events and activities.



### **Mark Your Calendar**

**The 46th Annual IP Law Conference** will be held November 10-11, 2008, at The Center for American and International Law in Plano, Texas. Program [details](#) and registration information is available at [www.cailaw.org](http://www.cailaw.org).