Intellectual Property Law Section

State Bar of Texas

Spring 2009

Inside this newsletter...

Update From The Chair

By Sharon Israel

The 2008-09 Section year has been flying by, and through our strong committee leadership, the Intellectual Property Law Section has continued to have successful programs this year. A highlight of the year was our 22nd Annual Intellectual Property Law Course that was held March 5-6 at the Hyatt Regency Hill Country Resort in San Antonio. Vice Chair Shannon Bates was the course director for the program, which featured a wide variety of IP-related topics, touching on Copyrights, Trademarks, Trade Secrets, Antitrust, Licensing, Patent Prosecution, IP Litigation, and Ethics, and was preceded by a March 4 Patent Prosecution Workshop.

Our next CLE program will be held at the State Bar Annual Meeting in Dallas on June 26. Chair-Elect Craig Lundell is chairing that event, which should be another outstanding program. The CLE topics include pre-suit investigations, venue considerations post-*TS Tech*, protecting trade secrets, software patents following *Bilski*, in addition to other topics ranging from ethics to licensing to trademark issues. While I know this is a difficult year for many to travel or attend meetings, I encourage you to attend this year's Annual Meeting. We'll provide a full day CLE program, in addition to receptions the evening before and immediately following our CLE program. In keeping with tradition, we will have our annual business meeting and lunch on June 26, and we will present a few awards at the business meeting. Our Section will award Women & Minorities Scholarships, in addition to an award to the winner of the IP Law Writing Contest. We also will award the Outstanding Texas Inventor of the Year award. We will be circulating more details on the annual meeting program shortly. In the meantime, you can register for the Annual Meeting at www.texasbar.com/annualmeeting.

The Section also is sponsoring an Advanced

Patent Litigation Course to be held July 23-24 at the Hyatt Regency Lake Tahoe Resort. This year, the 5th Annual Advanced Patent Litigation Course is co-chaired by Steve Malin and me. The focus of the program is on "Patent Litigation in Texas: 2009 and Beyond." It should be a terrific program, and feature judges from all four federal district courts in Texas. For more details, go to http://sbotpatentlit09.typepad.com/texasbarcle_5th_annual_pa/.

In my first newsletter submission, I encouraged volunteerism and getting involved in our Section. I'll reiterate that mantra once again. We have over 2000 members in our Section and over 20 active committees. We will soon be sending our membership a proposed change to our by-laws to expand our Council, adding two more Officer and three more Council member positions. There are lots of ways to get involved, especially through our committees. For more information on our Section, check out our Section website at http://www.texasbariplaw.org or talk to any Section Council Officer or Member. Of course, if you have any suggestions for our Section, please let us know.

Mark Your Calendar

State Bar of Texas 127th Annual Meeting will be held on June 25-26, 2009 at the Hilton Anatole in Dallas, Texas. On-line registration is now open. On Friday, June 26, our section will once again offer a full day of high-quality CLE. Block out June 25 and 26 now, and make plans to attend the Annual Meeting in Dallas.

Fifth Annual Advanced Patent Litigation Course , Lake Tahoe - July 23-24, 2009, the Hyatt Regency Lake Tahoe Resort. Register for the course by going to www.texasbarcle.com.

The 5th Annual Advanced Patent Litigation Course is being offered at the beautiful Hyatt Regency Lake Tahoe Resort, Incline Village, Nevada. The course is designed with the intermediate to advanced patent litigator in mind. View the course brochure for more information.

In The Section

In Memoriam

Ed Fiorito, a well-respected member of our bar and a Past Chair of the Intellectual Property Law Section, passed away on Monday, April 27, 2009. Ed chaired our Section from 1990-91 and received the Chair Award in 2006. In addition to being an active member of our Section, he was active in many IP bar associations and was a Past Chair of the American Bar Association's Intellectual Property Law Section.

Bill Durkee passed away April 13, 2009, from complications arising from liver cancer. Bill was a longstanding member of the Houston IP community, and was also active for many years in the ABA and the AIPLA. Bill was formerly a named senior partner in the national IP firm of Arnold, White and Durkee, which merged with Howrey Simon in 2000. Bill was a well respected and well known leader in intellectual property law, and those lucky enough to work with him knew how important a friend and colleague he was to others in his profession.

Call for Submissions

The Newsletter Committee welcomes the submission of articles for potential publication in upcoming editions of the IP Law Section Newsletter, as well as any information regarding IP-related meetings and/or CLE events. If you are interested in submitting an article to be considered for publication or to calendar an event, please email your submission to Newsletter@texasbariplaw.org.

Article Submission Guidelines:

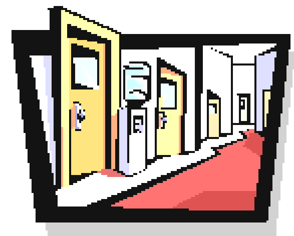
STYLE: Journalistic, such as a magazine article, in contrast to scholarly, such as a law review article. We want articles that are current, interesting, enjoyable to read, and based on your opinion or analysis.

LENGTH: 1-5 pages, single spaced.

FOOTNOTES AND ENDNOTES: Please refrain! If you must point the reader to a particular case, proposed legislation or Internet site, or credit another author, please use internal citations.

PERSONAL INFO: Please provide a one paragraph bio and a photograph, or approval to use a photo from your firm's website.

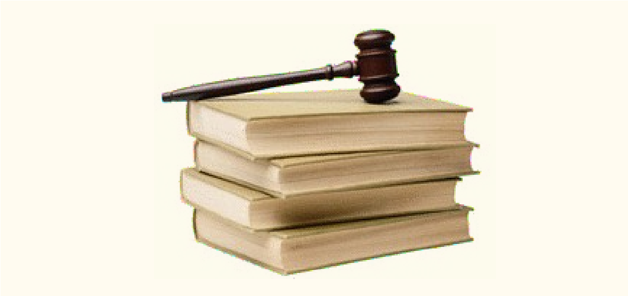
If you have any additional questions, please email Dave Hofman, Newsletter Chair, at Dhofman@slb.com.



The Watercooler

Kelly Kubasta, formerly of Hitchcock Evert LLP, and **Darin Klemchuk**, formerly of Cash Klemchuk Powers Taylor LLP, are pleased to announce that they have formed a full-service intellectual property boutique in Dallas. Klemchuk Kubasta LLP launches May 1st. Attorneys **Keith Taber**, **Bhaveeni Parmar**, **Katie Bandy**, and **Roxana Sullivan** have joined the firm.

Lawrence R. Youst has formed the Intellectual Property law office of Lawrence Youst PLLC, 2900 McKinnon Street, Suite 2208, Dallas, Texas 75201.



Practice Points

A Development in Patentable Subject Matter: In re Bilski

by Charles C. Claunch and Indranil Chowdhury

The Court of Appeals for the Federal Circuit issued its opinion in *In re Bilski* on October 30, 2008 (545 F.3d 943). This *en banc* opinion on the scope of statutory subject matter under 35 U.S.C. § 101 will have far-reaching implications for issued patents, pending applications, and patent prosecution going forward. The decision has introduced uncertainty into patent law that can be reduced only over time as courts apply the test enunciated in *Bilski* for patentable processes. Here, we consider two important pre-*Bilski* opinions and *Bilski* itself to convey a sense of the state of the law before and after this key case before turning to some advice for practitioners.

> Bilski *provides yet another area in which prudent drafting must anticipate judicial elaboration of vitally important doctrine.*

Under 35 U.S.C. § 101, "[w]hoever 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." In *State St. Bank & Trust v. Signature Fin. Group, Inc.* (149 F.3d 1368 (Fed. Cir. 1998)) and *AT&T Corp. v. Excel Communications, Inc.* (172 F.3d 1352 (Fed. Cir. 1999)), the Federal Circuit held that subject matter under Section 101 is patentable if it falls into one or more of the section's four categories, does not fall into a judicially recognized exception to the section, and produces a "useful, concrete and tangible result." The *State St.* court also held that there is no "business method" exception to section 101. In *State St.*, one of the independent claims at issue recited a financial data processing system and in *AT&T*, one of the independent claims at issue recited a method for automatically routing telephone calls; the court held in both cases that the claimed subject matter was patentable. The pragmatism of the Federal Circuit in deciding *State St.* and *AT&T* is found in its approach to the question of the scope of section 101 in the computer age. According to the *State St.* court, "[t]he question of whether a claim encompasses statutory subject matter should not focus on *which* of the four categories of subject matter a claim is directed to ... but rather on the essential characteristics of the subject matter, in particular, its practical utility." The *AT&T* court stated its judicial approach: "As technology progressed, our predecessor court ... announced more expansive principles [concerning section 101] formulated with computer technology in mind. ... [T]his court has struggled to make our understanding of the scope of § 101 responsive to the needs of the modern world."

With *In re Bilski*, the Federal Circuit rejected the pragmatic, forward-looking doctrine of these two cases. Early last year, the court ordered *sua sponte* an *en banc* rehearing specifically to revisit *State St.* and *AT&T* and to consider a comparatively narrow test for claimed processes (264 Fed. Appx. 896). The majority opinion enunciated a two-branch "machine-or-transformation" test that it found in Supreme Court precedent and held the claimed method at issue, a method for managing risk in commodity transactions, to be unpatentable (545 F.3d 943). A claimed process was held to be patent-eligible under § 101 if: (1) it is tied to a particular machine or apparatus, or (2) it transforms a particular article into a different state or thing. The court explicitly rejected the "useful, concrete and tangible result" inquiry of *State St.* and *AT&T* but, at the same time, it explicitly reaffirmed the *State St.* court's rejection of the business method exception. The implied but ambiguous physicality of the test raises serious questions about the viability of many claims in issued patents and pending applications drafted with the broader "useful, concrete and tangible result" inquiry of *State St.* and *AT&T* in mind.

Although the court attempted to minimize the physicality of the test, it is difficult to conceive of the test except in physical terms. The court itself held the applicants' claimed process was unpatentable in part because it does not transform or manipulate physical objects or substances or abstractions representative of physical objects or substances. *Bilski* also created at least one added dimension of uncertainty because the case was decided using only the second branch of the test, leaving the first branch to be explored in future cases. *Bilski* leaves patent practitioners to assess the patentability of inventions, to draft claims, and to prosecute pending applications in a legal context that provides little specific guidance. While this is not a novel situation for practitioners working under Federal Circuit jurisprudence, *Bilski* provides yet another area in which prudent drafting must anticipate judicial elaboration of vitally important doctrine.

We recommend some practice strategies. First, we recommend a close reading of the majority opinion in *Bilski*, the concurrence, and all three sharply-worded dissents (of which two lament that the majority went too far, and one criticizes it for not going far enough). The majority opinion includes important clues as to the application of its test, while on this divided court, the dissenting judges will no doubt continue to shape the law as panels apply *Bilski* in future appeals. Turning to drafting and prosecuting applications, we suggest that practitioners simply avoid steps that can be performed by mental activity alone. Further, we recommend crafting descriptions and claims for inventions that include software to encompass physical aspects and to include as many physical steps as possible. For example, software and business method process inventions should include computer method claims that explicitly involve computer input, processor calculations, and computer output. We recommend claiming a non-wireless computer-readable media encoded with machine executable instructions. Finally, we recommend continuing close attention to future Federal Circuit opinions on statutory subject matter in this unsettled area of patent law.

The above article expresses the view of the authors, and not necessarily those of the State Bar of Texas IP Law Section.

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THE ART OF THE DEAL: “Deal Mediation”

by Hesha Abrams, Esq.

At the ABA web teleconference *Deal Mediation: A New Use for an Old Friend* on February 6, 2008, the esteemed panelists[1] explored the uses of Deal mediation in the US. The issue of most concern was the difficulty in educating counsel and clients about the benefits of deal mediation and the pigeonholing of mediation as a litigation tool only. Numerous ideas and concepts were discussed as ways to overcome this bias and to further utilize the tools of mediation in a non-litigious context.[2] The comments in this article were discussed and explored.

Why is it that everyone knows that the traffic intersection in that part of town is dangerous, but the City doesn’t put a stop light there until a child is killed? Once the uproar occurs, the political will to spend the money appears. Why is it that a teenager has to get stinking, filthy drunk before he discovers that alcohol is not so much fun, and that drinking in moderation is a wiser course? We all know we should eat healthier, exercise more, take a vacation, etc., but we don’t do it. There is something in human nature that doesn’t value preventative care and is more comfortable with crisis management. Why?

After over 20 years of deal making and thousands of negotiations I think it’s because human beings are short-term gratification oriented. The stock market rewards quarterly increases, not long term planning. The CEO’s compensation package rewards stock price increases so there is a natural predilection to achieve short term gains, rather than strategically planning for future long term growth.[3]

Great chess players never move one move at a time, they move five moves at a time in their head and can see the whole board *and* the end game. They also make a move designed to *provoke* a move from the other side that fits into *their* long term end game.[4]

...you can be harder and tougher in your own negotiating stance if you also don’t have to play conciliator or peacemaker and leave that job to an independent third party.

Most negotiators move one puny move at a time. Great negotiators negotiate like great chess players, five moves at a time and take actions designed to provoke/encourage a particular move from their opponent. They know that it is not the battle that must be won, but the war. Allowing your opponent to become overconfident, to become lax in their preparation or due diligence, might allow you to sacrifice one piece in order to gain something of much greater value and/or to position yourself for victory in the whole game.

This same philosophy applies to deal making negotiations. Often, the participants and/or their attorneys in a deal think:

“I can do this myself.”

“I don’t need any outside help.”

“I don’t want any outside influence.”

“I want to retain control.”

“I’ve negotiated many deals and don’t need a mediator”

In many instances, these statements and beliefs are accurate and true…*If* your opposing party in the deal negotiation has an alignment of interest with yours,…*If* he/she has either compatible or not incompatible negotiating styles and …*If* they have an equal self-interest in closing a deal.

But what if these statements aren't true? What if strong personalities get in the way? What if you hit a snag and one party wants to appear strong by walking out? Would you lose the deal simply because there wasn't a third party there *driving* the negotiation? I've often been hired in deals after private negotiations failed and both parties either became perplexed as to why it fell apart or hypothesized and come up with the wrong reason. As a third party with no skin in the game, a smart business deal mediator can find the correct reason and then come up with a fix.

Bringing in specific deal mediation talent at the onset of negotiations... ensures that the negotiations will stay on track and the chances of a deal culminating dramatically increase.

If you don't diagnose the correct problem, you can't design a workable solution. In negotiation, parties are not fully forthcoming with each other so you may never know the real reason a deal works, falls apart, or becomes sluggish. Using a deal mediator, you gain insight into the tent of the other side that helps you avoid these pitfalls.

Interestingly, you can be harder and tougher in your own negotiating stance if you also don't have to play conciliator or peacemaker and leave that job to an independent third party. Each party can concentrate on trying to achieve their own negotiation objectives without worrying that it will disrupt or destroy the negotiations because you can safely rely on the deal mediator to keep the game going.

If you have a deal mediator whose job and self-interest it is to keep the negotiations going, you can employ time-honored and excellent negotiation techniques such as good cop-bad cop, referrals to an outside approval mechanism, the walk away etc. You actually achieve greater control because you know you have a deal mediator there keeping the train on track for deal culmination.

As a mediator for over 20 years, and having conducted thousands of negotiations with tens of thousands of parties, I believe one thing emphatically, there is never only one "right", and never only one "wrong", there are only perspectives, personalities, and positions.[5] Take the exact same facts and change the human beings around the table, and you have an entirely different game. The proof for this supposition is to attend any negotiation simulation and have the same problem given to multiple groups of people and see all the different results that are achieved by the different negotiating teams.[6]

Furthermore, you never know what is going on inside the deep dark recesses of the "other" camp. There might be an IPO brewing, someone might be about to lose his job, be up for a promotion, have bad loss-to-gain ratios, have the imminent announcement of a new product or service, or the denial of a crucial governmental approval. All of which has nothing to do with the negotiation at hand factually, but may dramatically influence a desire or non-desire to culminate a negotiation. By using a *deal mediator,* someone with extensive mediation experience as well as sophisticated business acumen, you can avoid the trap of falling into the unknown of having no information or false information influencing your negotiating posture.

The trick is in hiring the right person. It can't just be any old mediator or former judge. It has to be somebody with sophisticated people skills, well developed mediation and negotiation skills, sharp business acumen and a persistent personality. There are often unofficial outsiders in deals, i.e. brokers, consultants, investment advisers etc. However, these folks don't have mediation skills, are tainted by perceived allegiance to one party and have their own self-interest that may make them impaired as deal makers.

Bringing in specific deal mediation talent at the onset of negotiations before things haven gotten off track, ensures that the negotiations will stay *on track* and the chances of a deal culminating dramatically increase. Furthermore, if an ongoing relationship is necessary between the principles after the deal closes, this ensures that there are no bruised egos or damaged personal relationships that have to be weathered post-closing.

Bringing all the resources you have to bolster your negotiating position should be a priority. If you can gain agreement from the other party to hire a deal mediator, the chances for success are improved. If the other party will not agree, still hire a deal mediator to work with your team. Her/his skills will still be useful. I've been hired by one party and during the negotiations, began working with their opponent, who began treating me as a confidant simply because I speak like a mediator. This enabled me to bring the deal to a successful culmination.

In short, using a deal mediator improves your negotiating position, improves your chances for a successful deal signing, and improves post deal relations between the parties. Wise negotiators anticipate using such talent in their transactions.

Endnotes:

1. The esteemed panelists included **Michael Leathes,** Executive Director, International Mediation Institute, The Hague, Netherlands; **Joan Stearns Johnsen,** as Chair, Mediator, West Newton, MA; **Hesha Abrams,** Abrams Mediation & Negotiation, Inc., Dallas, TX; **L. Michael Hager,** President, The Education for Employment Foundation, Washington, DC; **Jeswald W. Salacuse,** Henry J. Braker Professor of Law, Fletcher School of Law and Diplomacy, Tufts University, Medford, MA.

2. For further information on the program or to secure a copy of the recorded program, contact Yolanda Muhammad at the American Bar Association Center for Continuing Legal Education, 321 N. Clark, Chicago, IL 60610, Phone: (312) 988-6118, MuhammaY@staff.abanet.org, or the ABA web page, www.abanet.org/cle/home.html.

3. See Remarks by the Chairman of the Federal Reserve Board, Alan Greenspan on corporate governance at the Stern School of Business, New York University, New York, New York, March 26, 2002, http://www.federalreserve.gov/BoardDocs/Speeches/2002/200203262/default.htm, also, Robert Reich's Blog, who was the 22nd Secretary of Labor for the US, entry dated February 1, 2007, "Bush on CEO Pay, and the Truth about CEO Pay," http://robertreich.blogspot.com/2007/02/bush-on-ceo-pay-and-truth-about-ceo-pay.html.

4. Strategies for Chess Players and Other Warriors, By Brian Roche, An About Chess guest article; June 2007.

5. For more articles on this topic, see www.abramsmediation.com.

6. Richard J. Klimoski, The Journal of Conflict Resolution, Vol. 22, No. 1 (Mar., 1978).

The above article expresses the view of the author, and not necessarily those of the State Bar of Texas IP Law Section.

Hesha Abrams is a private negotiator/settlement counsel and mediator at Abrams Mediation and Negotiation, Inc.

Courts Wrestle With Antitrust Claims Involving Standards-Setting Organizations

by David M. Rodi

An emerging issue for IP and antitrust practitioners to watch is the courts' treatment of claims that a patentholder has abused the standards-setting processes that many high-tech industries use to ensure the interoperability of various products. Two recent cases have broken new ground in this area, and a petition for certiorari has been filed in a third case. So, 2009 could be the year when the Supreme Court weighs in on the scope of patentholders' disclosure duties as part of a private standard-setting proceeding.

The Role of SSOs

The development of industry standards has long been one of the most valuable contributions that trade associations and similar industry groups make to the American economy. For high-technology industries, the adoption of standards is especially important to ensure that related products sold by different manufacturers can all work together seamlessly. In many cases, having industry participants operate under a common technological standard benefits consumers by reducing their need to research competing technologies and minimizing their fear that the technology they chose will later lose out in the marketplace and become obsolete. For these reasons, the antitrust laws have long recognized the pro-competitive benefits of legitimate standard-setting organizations ("SSOs"), despite antitrust's usual skepticism for any group that brings competitors together to talk about harmonizing their activities.

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Although most standards adopted by SSOs are uncontroversial, in high-tech industries, there is a particular danger that technologies essential to implementing a standard will be patented. If an SSO unwittingly incorporates patented technology into an industry-wide standard, the patentholder may be able to "hold up" the entire industry, either by demanding an unreasonable royalty or by forcing the industry to re-start its standard-setting effort from scratch. To avoid this scenario, most SSOs have rules requiring members to disclose to the group any piece of intellectual property—both their own and IP belonging to other parties—that may bear on a proposed standard. And, before any member's patented technology gets incorporated into a standard, most SSOs require the member to offer licenses on fair, reasonable, and nondiscriminatory terms to all industry participants.

These sort of SSO rules have been at the center of several recent cases involving allegations that a member of an SSO manipulated the standard-setting process by failing to disclose its IP rights over crucial technology or refusing to offer licenses after a standard was adopted.

The *Broadcom* Antitrust Case

The FTC has long taken the position in administrative proceedings that a patentholder's failure to disclose its IP rights while participating in a standard-setting process constitutes a violation of Section 5 of the FTC Act, which authorizes the

Commission to combat "unfair methods of competition" and "unfair or deceptive acts" affecting commerce. In a 1996 case involving Dell, the FTC went a step further and argued that manipulation of a standard-setting process can also constitute "exclusionary conduct" for purposes of Section 2 of the Sherman Act, which prohibits the use of exclusionary tactics to achieve or maintain monopoly power. By arguing that manipulation of SSO disclosure rules violates Section 2, the FTC paved the way not just for more administrative actions, but also for private antitrust suits against patentholders who fail to disclose their IP rights during standard-setting proceedings. Until recently, however, no court had adopted the FTC's view of Section 2 in the SSO context.

That changed in 2007 in *Broadcom Corp. v. Qualcomm, Inc.*, 501 F.3d 297 (3d Cir. 2007). In that case, Broadcom filed a private antitrust suit accusing Qualcomm of illegal monopolization under Section 2 of the Sherman Act. Broadcom alleged that Qualcomm had participated in a standard-setting project for the wireless telephony industry, and that Qualcomm had induced the SSO to include its proprietary technology in the industry standard by promising to offer licenses on reasonable and nondiscriminatory terms. When Broadcom later requested a license, Qualcomm allegedly reneged on its promise to make licenses available on nondiscriminatory terms. Broadcom sued, but the district court dismissed Broadcom's antitrust claim on the basis that Qualcomm's alleged deception of the SSO could not constitute anticompetitive conduct under the Sherman Act because *some company's* patented technology would ultimately have been chosen as the industry standard, and therefore it was the standard-setting process itself—not Qualcomm's behavior—which had the effect of reducing competition.

...a standard, "by definition, eliminates alternative technologies" and therefore when patented technology is incorporated into an industry-wide standard, the preclusive strength of the patent is broadened because unpatented alternatives are effectively eliminated from the marketplace.

The Third Circuit reversed and reinstated Broadcom's antitrust claims. The court noted that SSOs represent "a consensus-oriented environment, where participants rely on structural protections, such as rules requiring disclosure of [patent rights], to facilitate competition and constrain the exercise of monopoly power." The court observed that adoption of a standard, "by definition, eliminates alternative technologies" and therefore when patented technology is incorporated into an industry-wide standard, the preclusive strength of the patent is broadened because unpatented alternatives are effectively eliminated from the marketplace. Accordingly, if a patentholder misrepresents the cost of licensing the patentholder's technology in an effort to get that technology incorporated into a standard, the patentholder can achieve an unfair advantage against competing, unpatented technology. Therefore, the Third Circuit held that Broadcom had stated a claim for illegal monopolization under Section 2 by alleging that Qualcomm had reneged on its *ex ante* promise to the SSO to make its patented technology available on a fair and nondiscriminatory basis, if that technology were incorporated into the standard.

The *Qualcomm* Patent Case

Not to be outdone by a regional circuit applying antitrust law, the Federal Circuit has also considered whether misconduct by a patentholder during a standard-setting process should have consequences for the enforceability of a patent. That case, *Qualcomm Inc. v. Broadcom Corp.*, 548 F.3d 1004 (Fed. Cir. 2008), involved the same parties as the Third Circuit case, but a completely different technology. This time, Qualcomm sued Broadcom for infringement of two patents covering video compression technology. Broadcom responded by arguing that Qualcomm's patent rights were unenforceable because they had been waived by Qualcomm's inequitable conduct before an SSO.

...the FTC filed a petition for certiorari, asking the Supreme Court to take up the Rambus *case. The FTC argues that the D.C. Circuit's ruling is inconsistent with the Third Circuit's holding in* Broadcom*, and that the D.C. Circuit took too narrow a view of the harm that can flow from patentholders' abuse of the standard-setting process.*

At trial, evidence was presented that Qualcomm had participated in the standard-setting efforts by the video compression industry and that Qualcomm failed to disclose two patents covering technology that was eventually incorporated into the standard. (The case also involved a nasty discovery fight, including referral of six of Qualcomm's outside counsel to the California bar for an ethics investigation, which no doubt colored both the district court's and the Federal Circuit's view of Qualcomm's underlying behavior.)

Although the written policies of the SSO only stated that participants "are encouraged to disclose [any IP rights] as soon as possible" and that such disclosures "should be provided on a best efforts basis," both the district court and the Federal Circuit concluded the SSO rules unambiguously required Qualcomm to disclose any patents that might reasonably be necessary to practice the technology embodied in the standard. The Federal Circuit went on to conclude that, even if the SSO's written policies were ambiguous, Qualcomm had a duty to disclose the existence of its patents based on evidence that the other members of the SSO had *acted as if* there was an absolute disclosure requirement.

Having determined that Qualcomm violated SSO rules by failing to disclose its patents, the Federal Circuit concluded that the equitable doctrine of waiver should apply because Qualcomm's active concealment of its patent rights during the standard-setting process was fundamentally inconsistent with a desire to be able to enforce those rights in the future. Therefore, even though Broadcom had only asserted waiver as an affirmative defense to the infringement allegations and had *not* filed a counterclaim seeking to invalidate Qualcomm's patents, the Federal Circuit held that those patents should be deemed unenforceable against all products from any manufacturer who complied with the video compression standard.

Although decided under equitable doctrines of patent law, the Federal Circuit's *Qualcomm* opinion is notable for its heavy reliance on antitrust cases involving SSOs. No doubt this reflects the Federal Circuit's desire to harmonize antitrust and patent law on issues where the two bodies of law overlap.

Rambus: A Case to Watch in 2009

Although the recent *Broadcom* and *Qualcomm* cases seem to impose broad disclosure duties on patentholders who participate in SSOs, at least one significant case has gone the other way. *Rambus v. FTC*, 522 F.3d 456 (D.C. Cir. 2008) was an appeal of the Federal Trade Commission's administrative finding that Rambus had engaged in illegal monopolization by failing to disclose the existence of four patents that were incorporated into an industry standard for random access memory products. Although accepting the FTC's evidence that Rambus had engaged in deceptive conduct during the standard-setting process, on appeal the D.C. Circuit held that Rambus's deceptive actions were not necessarily anticompetitive under established antitrust principles. Specifically, the court seized on the FTC's finding that but-for Rambus's deception, the SSO *either* would have chosen a different technology as the standard *or* would have demanded assurances from Rambus that it would license its technology on a reasonable, nondiscriminatory basis. Under the second scenario, the court reasoned, Rambus's failure to disclose its patents would have raised the price of certain computer memory products; however, those increased prices could not be considered "anticompetitive" in the classic sense because Qualcomm had a patent and "an otherwise lawful monopolist's use of deception simply to obtain higher prices normally has no particular tendency to exclude rivals and this to diminish competition."

In short, because the FTC left open the possibility that the SSO would have incorporated Rambus's technology into the standard *even if* Rambus had disclosed its patents, the D.C. Circuit found a fundamental flaw in the FTC's conclusion that Rambus's actions—as opposed to the standard-setting process itself—had reduced competition among alternative memory technologies.

On November 24, 2008, the FTC filed a petition for certiorari, asking the Supreme Court to take up the *Rambus* case. The FTC argues that the D.C. Circuit's ruling is inconsistent with the Third Circuit's holding in *Broadcom*, and that the D.C. Circuit took too narrow a view of the harm that can flow from patentholders' abuse of the standard-setting process. The FTC suggests that the D.C. Circuit's opinion will discourage participation in standard-setting proceedings and could cause SSOs to be "viewed as vehicles for patent holders to manipulate the standard-setting process to obtain supracompetitive royalties" rather than as legitimate industry groups that promote interoperability.

Interestingly, the FTC filed the cert petition on its own, rather than turning the matter over to the Solicitor General's office in the Justice Department. This suggests that the antitrust enforcers at DOJ (at least under the Bush administration) may disagree with the FTC's aggressive moves against patentholders who allegedly abuse SSO proceedings.

All of this makes *Rambus* a case to watch for both antitrust lawyers and the IP bar in 2009.

The above article expresses the view of the author, and not necessarily those of the State Bar of Texas IP Law Section.

David Rodi is a partner in the Houston office of Baker Botts, L.L.P., where he practices antitrust law and advises clients on issues where antitrust and IP concerns overlap.