



Intellectual Property Law Section

State Bar of Texas

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Report on 21st Annual Intellectual Property Law Course

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This year's 21st Annual Intellectual Property Law Course, co-sponsored by our section, was held in the middle of the Hill Country in beautiful Austin, Texas, at the luxurious Four Seasons Hotel. The theme of this year's IP Course was "The Future of IP." After some warm welcoming remarks from Course Director Craig Lundell, the audience was treated to a rare glimpse of the history of intellectual property as Chair and Speaker Ted D. Lee shared its rich history. This included looking back to the first recorded U.S. Patent on a process for making potash, an ingredient in fertilizer, granted in July 31, 1790, signed by none other than President George Washington. Mr. Lee shared other early patents including patents for Eli Whitney's Cotton Gin and Samuel Morse's Telegraph. Chair Ted D. Lee also traced the history of U.S. copyright and trademark laws dating back to their inceptions, noting that, at least for trademarks, registrations had doubled between 1998 and 2003, indicating recognition of the importance of intellectual property rights.

Speaker Vincent E. Garlock, Deputy Executive Director with the American Intellectual Property Law Association (AIPLA) took the stage next and provided the audience with an update on intellectual property legislation. This was followed by

Chair-Elect and Speaker Sharon A. Israel's discussion of the trends and strategic use and reexamination during litigation. Ms. Israel noted that the Patent Office statistics for 2003-2007 show an increase in both *inter partes* and *ex parte* reexamination proceedings. She also shared the similarities and differences between the two types of reexamination proceedings and the impact that the *KSR* decision has and will continue to have in the reexamination practice. Ms. Israel closed by offering tips and strategies on when a patent holder or



The Four Seasons Hotel in Austin, Texas, hosted this year's Annual IP Law course.

an accused infringer would want to file one of these types of proceedings.

Moving into the trademark portion of the course, Speaker Elizabeth King provided "Tricks of the Trade" in successfully prosecuting a trademark application before the United States Patent and Trademark Office. These include conducting an effective search of possible conflicting marks, carefully crafting the recitation of

goods in the application, and avoiding “dead in the water” arguments when responding to an office action.

Before breaking for lunch, Speaker Lisa Meyerhoff gave the year review of trademark cases of 2007. These cases touched on issues of attorneys’ fees, cancellation based on commercial use, and the internet’s creation of novel issues, such as domain name disputes, metatags and sponsored links. Ms. Meyerhoff also pointed out how some courts give a different analysis for trademark infringement that occurs on the internet than with traditional trademark infringement considerations, such



Chair Ted D. Lee deciding which kind of delicious enchiladas to have.

important factors including (1) the similarity of the marks; (2) the relatedness of the goods and services; and (3) the simultaneous use of the internet as a marketing channel. Ms. Meyerhoff also gave an update on cases regarding generic marks, trade dress and registerability.

Next, Speaker Carey Jordan informed the audience about how to protect their trade secrets against company insiders in the U.S. and abroad. Ms. Jordan discussed conducting a “trade secret audit” to identify a company’s trade secrets. Ms. Jordan further discussed ways that a company can protect itself during the hiring process of new

employees and how the adoption and enforcement of a comprehensive confidential information management policy is one of the most important steps in preserving its confidentiality.

After a short break, the patent prosecution portion of the program got into full swing with Speaker Mark Garrett discussing the new rules that were to go into effect potentially affecting the patent practitioner. Speaker Marcella Watkins followed and gave an overview of the trends regarding patent prosecution leading up to the Supreme Court’s *KSR* decision which prompted the PTO to set forth examination guidelines to assist the examiners in determining obviousness in view of *KSR*. Ms. Watkins concluded by offering hints and suggestions for applicants in handling *KSR* and § 103 rejections.

Next, Sid Leach discussed the dangers and possible ramifications of failing to properly investigate prior to filing a patent infringement suit. This included possible sanctions under Rule 11. Sanction imposed under Rule 11 can include all of the defendant’s attorneys’ fees and expenses incurred in defending a baseless suit. Mr. Leach also discussed the possible effect that the Supreme Court’s recent *Bell Atlantic Corp. v. Twombly* decision has on patent infringement cases.

Speaker Andy Dillon captivated the audience in discussing his Top 10 issues in Patent Prosecution, which included various programs by the USPTO, such as the Pre-Appeal Brief Conference, Accelerated Examination, and the changes to practice for the examination of claims and for continuing applications (*i.e.*, the New Rules), in order to increase efficiency at the PTO. Mr. Dillon further discussed the impact of *KSR* on patent examination and concluded by giving his prediction on what kind of trends he sees in a Wellian future.

Next, Speaker Brian Buss spoke to the audience about inequitable conduct, what it is, and how this defense seems to be increasing in viability in recent cases. Brian also provided the audience with an overview of recent cases addressing the inequitable conduct defense, including the *Ferring B.V. v. Barr Laboratories, Inc.* and *McKesson Information Solutions, Inc. v. Bridge Medical, Inc.* decisions recently issued from the Federal Circuit.

Moving into the privacy portion of the program, Speaker Gerald Welch next spoke about the Sarbanes-Oxley side of intellectual property. Rounding off the first day of speakers was a panel composed of Speakers Ragnar Olson, Paul Reidy, and Past Chair Bart Showalter. The panel discussed the monetization of intellectual property. Later that evening and finishing off the first day of the program, our section sponsored a social where fellow speakers and guests gathered in an informal and relaxing setting to continue discussions from that day's program.

The second day began with the patent litigation portion of the program and Speaker Gale Peterson enlightening the audience with recent developments in patent law. Next, Speaker Scott Breedlove discussed the theory of divided or joint infringement and the Federal Circuit's decision of *BMC Resources, Inc. v. Paymentech, L.P.*, which came out late last year. Mr. Breedlove gave a history of the development of the joint infringement theory and the various standards used, such as the "some connection," "direct or control," and "participation and combined action" standards leading up to the *Paymentech* decision in which the Federal Circuit adopted the "control or direction" standard. Mr. Breedlove closed by offering the audience with helpful hints in patent drafting by drafting claims with a point of view of infringement by a single entity.

After a brief break, Moderator and Secretary Patty Meiers introduced Speakers Mike Villarreal and Mark Vockell for a discussion on the economics of patent litigation from both an outside counsel's and an in-house counsel's perspective. Mr. Villarreal began with a background of the number of patent cases filed in recent years, noting substantial jury verdicts being handed down, and discussed the high reversal rates of patent infringement actions. Mr. Villarreal also discussed factors, such as the duration of litigation, discovery issues, and the impact of recent decisions by both Supreme Court and the Federal Circuit, which affect the high cost of patent litigation and how to minimize this cost. Mark Vockell expressed that, from an in-house counsel's perspective, he is



Moderator Patricia Meier gives opening remarks to start the second day.

concerned with keeping tabs on the cost of litigation and encourage thorough communication between in-house and outside counsel throughout the litigation process, especially during discovery, an area which has the potential for high expenditures.

Speaker Steve Malin presented his commentary on the doctrine of patent exhaustion and the "parade of horrors" involved in the *Quanta Computer, Inc. v. LG Electronics, Inc.* case recently argued before the Supreme Court of the United States

earlier this year. Mr. Malin discussed the particulars of the *Quanta* case, outlining some of the key features relating to the doctrine of patent exhaustion, including whether the sale of the patented article was conditional, whether the doctrine should apply to method claims, the relationship of the exhaust doctrine to that of implied license, and the relationship of the exhaust doctrine to other areas of law. Finally, Mr. Malin discussed the possible implications that the Supreme Court's decision could have on this doctrine. A decision is expected later this spring.



Speaker Tom Morrow discussing corporate liability under the DMCA while Speaker Steve Malin and Moderator Patricia Meier listen.

Next, Speaker Tom Morrow took the stage with his presentation of corporate liability under the Digital Millennium Copyright Act (DMCA). Mr. Morrow gave various scenarios, including one involving the adventures of the fictitious "Classic Rock Jacques" employee, that in-house counsel may face and how to handle under the DMCA. Under each of three scenarios, Mr. Morrow gave an analysis under the DMCA and determined whether a corporation would be liable under the DMCA. He further explained the DMCA's safe harbor provisions as well as what requirements a corporation would need to meet in order to take advantage of these provisions.

The program then broke for lunch which featured several types of delicious enchiladas, a favorite in these parts. During

lunch, Speaker Mark Nelson presented the issues of attorney opinions, waiver of the attorney-client privilege, and willful infringement. Mr. Nelson brought us up to speed with cases addressing these issues, leading up to the Federal Circuit's *In re Seagate* opinion which adopted a new "objective recklessness" standard for willfulness. The Federal Circuit also held that the waiver of the attorney-client privilege and work product did not extend to trial counsel except under "unique circumstances." Mr. Nelson also presented questions which remained unanswered by the *Seagate* opinion, namely (1) What is the test for willful infringement? Objective recklessness or totality of the circumstances?; (2) How is objective recklessness shown?; and (3) What is the scope of trial counsel waiver? Mr. Nelson further gleaned from post-*Seagate* cases that objective recklessness did not include legitimate defenses to infringement and credible invalidity arguments, attempted design around, reliance on an opinion of counsel, and the existence of a substantial question of validity.

Next, Speaker Tom Watkins gave a very entertaining and enlightening talk on professionalism regarding patent litigation. He described the patent bar as problem solvers who bring skills to clients to solve their problems. However, these solutions must be cost effective, time effective, and offer predictability of the resolution. Mr. Watkins further stressed maintaining "civility and cooperation" with the other side.

Next, Speaker Ted Anderson discussed the possible extraterritorial reach of patent infringement liability under 35 USC §§ 271(f) and (g). Mr. Anderson gave a history of the development of each of these particular provisions of the patent law. Mr. Anderson also harked back to the Supreme Court's decision of *Deepsouth Packing Co. v. Laitram Corp.* in 1972 which created a

“loophole” allowing for the making or using of a patented product outside of the U.S. without any liability for infringement. § 271(f) was passed by Congress to eliminate this loophole. However, in his discussion of the Supreme Court’s decision of *Microsoft Corp. v. AT&T Corp.* (2007) and the Federal Circuit’s decision of *NTP, Inc. v. Research in Motion, LTD.* (2005) indicated that infringement claims under these sections may not actually provide the anticipated extraterritorial protection sought.



Speaker Guy Carmichael provides the audience with scenarios for the future of IP in 2025.

Next, Speaker and litigation consultant Jim Stiff provided the audience with a peek into the minds of jurors, how they think, and the decision-making process of a jury. Jim explained the individual verdict preference of jurors and how they can be categorized generally by the way they process information as either heuristic (*i.e.*, snap judgments made based on personal experiences) or systematic (*i.e.*, critical thinkers) or as a combination of the two. Jim stressed the importance of the attorney picking up on what types of jurors make up the jury and gave examples of strategies

that are catered to each type of juror which will, in turn, persuade the juror to effectively advocate your position during deliberations.

In accordance with its “future of IP” theme, it was appropriate to end the program with Course Director Craig Lundell introducing Guy Carmichael of the European Patent Office as the final speaker. Mr. Carmichael’s presentation on the uncertainty of the future of IP, possible scenarios of the future, and how IP regimes might evolve by 2025 was thought-provoking. The four scenarios included (1) Market Rules; (2) Trees of Knowledge; (3) Whose Game?; and (4) Blue Skies. The dominant drivers of each scenario would be business, society, geopolitics, and technology, respectively. Mr. Carmichael also commented that it could be likely that the future of IP would be a blend of two or more scenarios and speculated two IP regimes—Trans-Atlantic (U.S. and Europe) and Pacific-Asia (Asia and South America)—by 2025.



Mark Your Calendar

The State Bar of Texas 126th Annual Meeting will be held on **June 26-27, 2008** in Houston, Texas. On Friday June 27th, our section will once again offer a full day of high-quality CLE. Block out June 26-27 on your calendar now, and make plans to attend the Annual Meeting in Houston – we look forward to seeing you there!