

## A Summer Bunfight: USPTO First Action Interview Program Plus Two New Numbers by The Supremes

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### Introduction

Since 2009, the USPTO has conducted the Enhanced First Action Interview Pilot Program (EFAIPP). Participants in the program receive a Pre-Interview Communication including a search report, and then subsequently can conduct an interview with the Examiner in an effort to quickly pass the case to issue. Under the EFAIPP, participation was limited to certain examining groups. On May 6, 2011, the USPTO launched the Full First Action Interview Pilot Program, which will continue at least until May 16, 2012.

The U.S. Supreme Court has also been unusually active in patent law recently, and in this article we will discuss two recent decisions. The first is *Global-Tech Appliances, Inc., et al., v. SEB S.A.*,<sup>1</sup> which deals with issues of induced infringement. The second is *Microsoft Corp. v. i4i Ltd. Partnership et al.*,<sup>2</sup> which considers the burden of proof that a defendant carries when alleging invalidity as a defense to a claim of infringement.

### The Full First Action Interview Pilot Program

As part of its overall efforts to reduce application pendency and cut its backlog of applications,<sup>3</sup> the USPTO initiated in April 2008 a First Action Interview Pilot Program to achieve four benefits to applicants:

1. the ability to advance prosecution of an application;
2. enhanced interaction between applicant and the examiner;
3. the opportunity to resolve patentability issues one-on-one with the examiner at the beginning of the prosecution process; and
4. the opportunity to facilitate possible early allowance.<sup>4</sup>

The USPTO upgraded the initial program to form the Enhanced First Action Interview Pilot Program (EFAIPP) in late 2009,<sup>5</sup> indicating that the program would run until April 1, 2010. Based on the program's success, the USPTO extended the program to run until April 1, 2011.<sup>6</sup>

The program has been very attractive to applicants in part because it allows engagement with the patent examiner before a first action on the merits (FAOM) is issued. Under standard procedures, such interviews are discretionary and, because they are unusual and out-of-turn, difficult to obtain from the very busy examining corps. By permitting such early engagement, the program allows a

quick zeroing-in on the main patentability issues, and therefore the hope of quicker resolution.

Eligibility to participate in the EFAIPP was, however, limited to certain examining teams, or art units, which work in defined technologies. Furthermore, only applications filed before certain dates were permitted to participate in the program.

Based upon positive experiences by both applicants and the USPTO, the EFAIPP was expanded earlier this year<sup>7</sup> to include all utility applications<sup>8</sup> in all art units, without respect to filing date. The now-universal Full First Action Interview Pilot Program (FFAIPP) will continue until May 16, 2012. The substantive requirements under the FFAIPP are essentially the same as under the EFAIPP.

The program affords a straightforward way toward quicker prosecution while avoiding the disadvantages of Accelerated Examination. Since the EFAIPP was initiated, 643 applications have participated, with an impressive 41.4% being allowed on the first office action.<sup>9</sup> With such promising experiences to date, applicants should seriously consider availing themselves to the FFAIPP where a quick path to allowance is desired.

### **The Supreme Court's Decision in *Global-Tech v. SEB***

The issue in *Global-Tech Appliances, Inc., et al., v. SEB S.A.*<sup>10</sup> was whether a party who "actively induces infringement of a patent" under 35 U.S.C. § 271(b) must know that the induced acts constitute patent infringement.

In 1999, French small-appliance manufacturer SEB S.A. ("SEB") sued defendants Montgomery Ward & Co., Inc., Global-Tech Appliances, Inc., and Pentalpha Enterprises, Ltd. (collectively "Pentalpha") for infringement of their U.S. Patent No. 4,995,312 ("the '312 patent").<sup>11</sup> The '312 patent is directed to an electrical deep fryer, which included an air space between the heating pan and an outer plastic housing.<sup>12</sup> The air gap between the housing and the heating pan prevents heat transfer such that the outside of the fryer remains relatively cool to the touch during frying.<sup>13</sup> Based on this "cool-touch" feature, SEB's fryers were considered superior to other fryers on the market.<sup>14</sup>

Pentalpha Enterprises, Ltd. is a wholly-owned subsidiary of co-defendant Global-Tech Appliances, Inc.<sup>15</sup> In 1997, Pentalpha was approached by Sunbeam Products, Inc. and requested to supply fryers with certain specifications.<sup>16</sup> Evidence demonstrated that Pentalpha bought an SEB fryer in Hong Kong and copied all but the cosmetic features.<sup>17</sup> Because the SEB fryer was destined for the Hong Kong market, it was not marked with the '312 patent.<sup>18</sup> Pentalpha subsequently hired a U.S. Patent Attorney to conduct a right-to-use investigation, but did not inform the attorney that they had copied the design.<sup>19</sup> The attorney provided a freedom-to-operate opinion after he failed to discover the '312 patent during his investigation.<sup>20</sup>

In 1998, after SEB's customers began buying fryers from Sunbeam, SEB sued Sunbeam for infringement of the '312 patent.<sup>21</sup> During the suit (which eventually settled), Sunbeam informed Pentalpha of the pending litigation, but Pentalpha continued selling the copied fryer to others.<sup>22</sup> In 1999, SEB sued Pentalpha.<sup>23</sup> Following trial, the jury returned a verdict in SEB's favor, finding that Pentalpha willfully and directly infringed the '312 patent.<sup>24</sup> The jury also found that Pentalpha induced others to infringe.<sup>25</sup> SEB was awarded damages in the amount of \$4.8 million.

Pentalpha appealed. As to induced infringement under § 271(b), Pentalpha argued that they could not have known that the induced acts constituted patent infringement because there was no direct evidence that they had actual knowledge of SEB's patent before suit was filed.<sup>26</sup> Despite the lack of direct evidence, the Federal Circuit affirmed the verdict, finding substantial circumstantial evidence to suggest that Pentalpha had "deliberately disregarded a known risk" that SEB had a patent on the fryer that it copied.<sup>27</sup> In effect, the court held that direct evidence of actual knowledge of a patent is not required for proving induced infringement. Given the potential impact of this ruling, the U.S. Supreme Court granted certiorari.<sup>28</sup>

The Supreme Court first considered the language in the statute and relevant case law, concluding that induced infringement does require knowledge that the induced acts constitute infringement.<sup>29</sup> In other words, it is not enough to show that the accused knew that certain acts would occur. The accused must have known that there was a patent and that the acts infringed that patent.

The Court then considered, and rejected, the Federal Circuit's "deliberate indifference of a known risk" standard.<sup>30</sup> Nonetheless, the Court affirmed the Federal Circuit's finding of infringement based on the doctrine of "willful blindness."<sup>31</sup> The Court noted that willful blindness is a well-established principle in criminal law.<sup>32</sup> In that context, the theory is used so that defendants cannot escape liability by deliberately shielding themselves from clear evidence of critical facts that are strongly suggested by the circumstances.<sup>33</sup> Given the long history and acceptance of this doctrine, the Court found no reason why willful blindness should not also apply in civil suits.<sup>34</sup>

In discussing willful blindness, the Court held that a defendant engages in such conduct when the defendant subjectively believes that there is a high probability that a fact exists and that the defendant takes deliberate actions to avoid learning of those facts.<sup>35</sup> In comparison with the "deliberately disregarded a known risk" standard proposed by the Federal Circuit, the Supreme Court noted two important differences.<sup>36</sup> In particular, according to the Supreme Court, the Federal Circuit's test would permit a finding of knowledge when there was merely a known risk that the acts were infringing and the test would not require any active efforts by the defendant to avoid knowing about the infringing nature of the activities.<sup>37</sup>

Applying the "willful blindness" test to the facts of *Global-Tech*, the Supreme Court affirmed a finding of induced infringement.<sup>38</sup> The Court noted, for example, that Pentalpha knew that SEB's fryer had a substantial share of the market compared with other fryers.<sup>39</sup> Pentalpha also chose to copy an overseas model of the SEB fryer knowing that overseas models usually do not bear the U.S. patent markings.<sup>40</sup> Further, Pentalpha obtained a freedom-to-operate opinion without informing the attorney that it had reverse engineered SEB's fryer.<sup>41</sup> The Court also noted that there was no evidence to explain why Pentalpha failed to disclose that copying to the attorney.<sup>42</sup> Based on the evidence of record, the Court held that a reasonable jury could find that Pentalpha subjectively believed that there was a high probability that SEB's fryer was patented, that Pentalpha took deliberate steps to avoid knowing that fact, and that it therefore willfully blinded itself to the infringing nature of the third-party sales.<sup>43</sup>

### **The Supreme Court's Decision in *Microsoft v. i4i***

The question raised in our second Supreme Court decision, *Microsoft Corp. v. i4i Limited Partnership et al.*,<sup>44</sup> is what burden of proof a defendant carries when asserting a defense of invalidity to an allegation of infringement. U.S. Patents are entitled to a presumption of validity under 35 U.S.C. § 282, which since 1984 has been interpreted by the Federal Circuit as requiring "clear and convincing" evidence.<sup>45</sup>

In March 2007, i4i sued Microsoft in the United States District Court for the Eastern District of Texas for infringing its U.S. Patent No. 5,787,449 ("the '449 patent") in certain versions of the ubiquitous Microsoft Word program. The '449 patent claims a method for storing and processing electronic document data allegedly practiced by Microsoft Word's XML editor.

Microsoft alleged invalidity of the i4i patent, arguing that certain i4i software known as S4, sold more than one year prior to the filing date of the '449 patent, contained the claimed invention and therefore resulted in an on-sale bar under 35 U.S.C. § 102(b). i4i did not cite S4 to the PTO during prosecution of the '449 patent, because the source code had been destroyed years earlier. Further, the programmers who developed S4 were the same as the inventors of the '449 patent, and they testified that S4 was different. At the close of trial, Microsoft proposed jury instructions that would have the jury apply a clear and convincing standard, but lower that standard to a preponderance of the evidence for the question of whether S4 invalidated the '449 patent under an on-sale bar. The District Court did not adopt Microsoft's proposed hybrid standard in its jury instructions, and instead instructed the jury to apply the

clear and convincing evidence standard. The jury found the i4i patent not invalid and infringed,<sup>46</sup> resulting in a \$290 million judgment against Microsoft.

Microsoft appealed the decision, arguing that the district court erred by applying the clear and convincing evidence standard, even though the USPTO never considered the S4 evidence during prosecution. The Federal Circuit disagreed with Microsoft and affirmed the judgment of the district court.<sup>47</sup>

Microsoft petitioned for certiorari to the Supreme Court, which was granted. On June 9, 2011, in an 8-0 decision (Justice Roberts recused himself), the Court held that the Patent Act requires invalidity to be proven by clear and convincing evidence, and not a preponderance of the evidence, even in situations where newly-submitted evidence not before the USPTO during prosecution is placed into evidence.

The Court reasoned that when Congress stated in § 282 of the Patent Act of 1952 that a patent is "presumed valid," the presumption of validity had a "settled meaning" in the common law. The common law, established by case law before the enactment of the Patent Act, held that "a defendant raising an invalidity defense bore 'a heavy burden of persuasion,' requiring proof of the defense by clear and convincing evidence." The Court thus held that in passing the 1952 Act, Congress codified the settled meaning of the common law presumption, notwithstanding the absence of the words "clear and convincing" in the statute.

The Court also rejected Microsoft's argument that a lower evidentiary standard should apply where the USPTO had not considered newly-presented evidence in deciding to grant the patent. The Court could find nothing in its precedents to justify a departure from the clear and convincing standard, but did state that a finder of fact could weigh the fact that the USPTO had not considered evidence of invalidity into their determination of whether the clear and convincing standard had been met.

There were also two concurring opinions. Justice Breyer wrote to emphasize that the clear and convincing standard applied only to questions of fact, and not questions of law, but joined the Court's opinion "in full." Justice Breyer was joined by Justices Scalia and Alito. Justice Thomas wrote a concurring opinion that reached the same result as the Court, but based the finding on the Court's prior cases, and not that the Congress had adopted the clear and convincing standard when enacting the 1952 Patent Act.

## Conclusion

Applicants looking for a quick trajectory through the patent office, no matter what the subject matter of their application, should consider using the now-universal Full First Action Interview Pilot Program. The program offers high first-action allowance rates, and very compact prosecution.

The U.S. Supreme Court shed light on two issues involved in patent litigation in the U.S. In the *Global-Tech* decision, the Court held that deliberate ignorance could not shield a defendant, who induced infringement, from liability. In the *Microsoft* decision, the Court maintained the *status quo* in holding that a defendant alleging invalidity as a defense to patent infringement must offer clear and convincing evidence to prevail.

You can find more information regarding the *Global-Tech* and *Microsoft* decisions on Finnegan's website at [www.finnegan.com](http://www.finnegan.com). You can also find more information on Federal Circuit court decisions at [www.finnegan.com](http://www.finnegan.com). You can also find more information on Federal Circuit court decisions at [www.finnegan.com/publications/federalcircuit/](http://www.finnegan.com/publications/federalcircuit/).

## Endnotes

<sup>1</sup> 131 S. Ct. 2060 (May 31, 2011).

<sup>2</sup> No. 10-290 (June 9, 2011).

<sup>3</sup> As of the date of this writing, the backlog has ticked just below the milestone of 700,000 applications. See <http://www.uspto.gov/dashboards/patents/main.dashxml>.

<sup>4</sup> 1347 Off. Gaz. Pat. & Trademark Office 173 (Oct. 20, 2009).

<sup>5</sup> 1347 OG 173 (October 20, 2009).

<sup>6</sup> See 1354 OG 51 (May 4, 2010) and 1360 OG 56 (November 2, 2010).

<sup>7</sup> 1367 OG 42 (June 7, 2011).

<sup>8</sup> The application must be a non-reissue, non-provisional utility application filed under 35 U.S.C. 111(a), or an international application that has entered the national stage in compliance with 35 U.S.C. 371(c). Design patents are not eligible for the program.

<sup>9</sup> See [www.uspto.gov/patents/init\\_events/faipp\\_full\\_overview.ppt](http://www.uspto.gov/patents/init_events/faipp_full_overview.ppt).

<sup>10</sup> 131 S. Ct. 2060 (May 31, 2011).

<sup>11</sup> *SEB S.A. v. Montgomery Ward & Co., Inc.*, 594 F.3d 1360 (Fed. Cir. 2010).

<sup>12</sup> *Id.*

<sup>13</sup> *Global-Tech*, 131 S. Ct. at 2064.

<sup>14</sup> *Id.*

<sup>15</sup> *Id.*

<sup>16</sup> *Id.*

<sup>17</sup> *Id.*

<sup>18</sup> *Id.*

<sup>19</sup> *Id.*

<sup>20</sup> *Id.*

<sup>21</sup> *Id.*

<sup>22</sup> *Id.*

<sup>23</sup> *Id.*

<sup>24</sup> *Id.*

<sup>25</sup> *Id.*

<sup>26</sup> *SEB*, 594 F.3d at 1373.

<sup>27</sup> *Id.* at 1377.

<sup>28</sup> *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 458 (2010).

<sup>29</sup> *Id.* at 2068.

<sup>30</sup> *Id.*

<sup>31</sup> *Id.*

<sup>32</sup> *Id.* at 2068-2069.

<sup>33</sup> *Id.*

<sup>34</sup> *Id.* at 2070.

<sup>35</sup> *Id.*

<sup>36</sup> *Id.* at 2071.

<sup>37</sup> *Id.*

<sup>38</sup> *Id.* at 2072.

<sup>39</sup> *Id.* at 2071.

<sup>40</sup> *Id.*

<sup>41</sup> *Id.*

<sup>42</sup> *Id.*

<sup>43</sup> *Id.* at 2072.

<sup>44</sup> No. 10-290 (June 9, 2011).

<sup>45</sup> Proof which is more than a mere preponderance of the evidence, but less than proof "beyond a reasonable doubt." The clear and convincing standard is met where the truth of the facts asserted is highly probable. See *e.g.*, BLACK'S LAW DICTIONARY 251 (6th ed. 1990).

<sup>46</sup> 670 F. Supp. 2d 568 (E.D. Tex. Aug. 11, 2009).

<sup>47</sup> 598 F.3d 831 (2010).

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