



PATENT HAPPENINGS®

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 judicial, legislative, and administrative developments in U.S. patent law

HIGHLIGHTS

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JUDICIAL HAPPENINGS

Role of Litigation Defenses Post-Seagate

Before *Seagate*,¹ defenses to infringement developed during the course of litigation had an uncertain role in determining whether the accused infringer willfully infringed the patent. Federal Circuit precedent instructed that it was “generally inappropriate” to find willful infringement “when the infringer mounts a good faith and substantial challenge to the existence of infringement.”² Putting teeth into the “substantial” requirement, other Federal Circuit precedent instructed that a defense merely passing muster under Rule 11 would normally not defeat a charge of willful infringement.³ But other precedent instructed that “defenses prepared for a trial are not equivalent to the competent legal opinion of

¹ *In re Seagate Technology*, 497 F.3d 1360 (Fed. Cir. 2007) (*en banc*). See generally, Robert A. Matthews, Jr., ANNOTATED PATENT DIGEST § 31:22 “Objective Recklessness” Standard of *Seagate* [hereinafter APD]

² *Paper Converting Mach. Co. v. Magna-Graphics Corp.*, 745 F.2d 11, 20 (Fed. Cir. 1984), *on subsequent appeal*, 785 F.2d 1013 (Fed. Cir. 1986). See generally, APD § 31:40 Good Faith and Substantial Challenges to the Patent and § 31:41 Litigation Defenses {Note: In a forthcoming revision to the APD these two sections will be revised and combined into § 31:40 Litigation Defenses and Good Faith and Substantial Challenges to the Patent, § 31:40.20 Cases Finding Litigation Defenses Precluded Finding Willful Infringement, and § 31:40.40 Cases Finding Litigation Defenses Not Sufficient to Defeat a Finding of Willful Infringement.}

³ *L.A. Gear, Inc. v. Thom McAn Shoe Co.*, 988 F.2d 1117, 1126 (Fed. Cir. 1993).

non-infringement or invalidity which qualify as ‘due care’ before undertaking any potentially infringing activity.”⁴ This led one to question whether litigation defenses could ever show that an accused infringer had “mount[ed] a good faith and substantial challenge to the existence of infringement.” But, even where a court refused to treat litigation defenses as a “defense” to a charge of willful infringement, the court had to consider the strength of the asserted litigation defenses (*i.e.*, did the defenses show a substantial challenge to the existence of infringement) in considering the *Read* factor of the “closeness of the case” when determining whether to enhance the damage award.⁵

In 2004, when faced directly with the question “Should the existence of a substantial defense to infringement be sufficient to defeat liability for willful infringement even if no legal advice has been secured?” the Federal Circuit answered the question “No” in its *en banc* opinion of *Knorr-Bremse*.⁶ But the court refused to adopt a *per se* rule excluding reliance on litigation defenses. Instead, the court instructed that litigation defenses were one of the factors that the district court should consider under the “totality of the circumstances.”⁷

When the Federal Circuit repudiated the “affirmative duty of due care” standard in *Seagate*, it did not address in detail the role of litigation defenses in its new two-part standard for finding willful infringement.⁸ It did instruct, however, that “the

patentee must also demonstrate that th[e] objectively-defined risk (*determined by the record developed in the infringement proceeding*) was either known or so obvious that it should have been known to the accused infringer.”⁹ The reference to the “record developed in the infringement proceeding” strongly suggests that the fact-finder should consider the accused infringer’s litigation defenses in assessing the whether there was an objectively high risk of infringement.

In its first opinion substantively addressing the new willful infringement standard, the Federal Circuit instructed, albeit in *dicta*, that “[u]nder this objective standard, both legitimate defenses to infringement claims and credible invalidity arguments demonstrate the lack of an objectively high likelihood that a party took actions constituting infringement of a valid patent.”¹⁰

Following this instruction, courts have accepted the view that defenses developed during the litigation can be used to defend against a charge of willful infringement.¹¹ For example, in *DePuy Spine*, the Federal Circuit affirmed the grant of a judgment as a matter of law (JMOL) of no willful infringement since the non-infringement defense presented by the accused infringer during the litigation to the charge of infringement under the doctrine of equivalents showed that the infringement issue was a close question.¹² In *Cohesive Technologies*, the Federal Circuit held that a dispute during the course of the litigation as to the proper scope of one claim limitation precluded a finding of willful infringement under *Seagate* where the accused infringer’s proposed construction was reasonable, even though ultimately not adopted, and under that construction the accused product did not infringe.¹³

⁴ *Crystal Semiconductor Corp. v. Tritech Microelectronics Int’l, Inc.*, 246 F.3d 1336, 1352 (Fed. Cir. 2001).

⁵ See generally, APD § 31:38 Closeness of the Case; see also APD § 31:26 Factors Relevant in Evaluating if Infringement is Willful.

⁶ *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1347 (Fed. Cir. 2004) (*en banc*).

⁷ *Id.* 383 F.3d at 1347 (“Precedent includes this factor with others to be considered among the totality of circumstances, stressing the theme of whether a prudent person would have sound reason to believe that the patent was not infringed or was invalid or unenforceable, and would be so held if litigated[.]”).

⁸ Under *Seagate* “to establish willful infringement, a patentee must show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent. ... If this threshold objective standard is satisfied, the patentee must also demonstrate that this objectively-defined risk (determined by the record developed in the infringement proceeding) was either known or so obvious

that it should have been known to the accused infringer.” *Id.* 497 F.3d at 1371.

⁹ *Id.* (emphasis added).

¹⁰ *Black & Decker Inc. v. Robert Bosch Tool Corp.*, 260 Fed.Appx. 284, 291 (Fed. Cir. Jan. 7, 2008) (*nonprecedential*).

¹¹ See generally APD § 31:40.20 Cases Finding Litigation Defenses Precluded Finding Willful Infringement [forthcoming revision to APD]. {Cases are currently collected in § 31:40 Litigation Defenses}.

¹² *DePuy Spine, Inc. v. Medtronic Sofamor Danek, Inc.*, 567 F.3d 1314, 1336-37 (Fed. Cir. 2009).

¹³ *Cohesive Technologies, Inc. v. Waters Corp.*, 543 F.3d 1351, 1374 (Fed. Cir. 2008).

Recently, Judge Davis of the Eastern District of Texas, in denying an accused infringer's motion for a JMOL seeking to overturn the jury's finding of willful infringement, applied a temporal limitation as to what litigation defenses a fact-finder may consider. In *i4i Ltd. Partnership v. Microsoft Corp.*, 2009 WL 2449024, *9-*10 (E.D. Tex. Aug. 11, 2009), Judge Davis ruled that only those litigation defenses that would be apparent to a reasonable person at the time the infringer first began its infringing activity could be used to show that the "objective" risk of infringement was not high.

Rejecting the accused infringer's arguments that all litigation defenses are relevant to the analysis, even including successful defenses directed only to other claims of the asserted patent, Judge Davis turned to non-patent law principles to support his ruling. First, he explained his view that allowing later-developed litigation defenses to defeat a charge of willful infringement is "inconsistent with both *Seagate* and generally accepted legal principals regarding 'objective' legal analysis." *Id.* at *9. Citing to a Supreme Court case addressing an objective test under the Fourth Amendment, Judge Davis stated that "[t]raditionally and overwhelmingly, 'objective' tests focus on the facts and circumstances available to an actor at the time that the action under scrutiny was taken." *Id.* at *10.¹⁴ He concluded that this temporal standard should apply to willful infringement under *Seagate* because "[t]he new 'recklessness' standard ... adopted by the *Seagate* court was taken from a general accepted meaning of the term in civil law." *Id.* Accordingly, Judge Davis concluded that "the 'objective' prong of the *Seagate* standard focuses on an 'objective' view of the facts and circumstances surrounding an accused infringer at the time that it acts." *Id.* Judge Davis further explained that:

"Microsoft does not argue (and did not argue to the jury) that any of these 'defenses' would have been apparent and considered by a reasonable person in Microsoft's position prior to its infringing activity, these arguments are irrelevant and inappropriate."

As a consequence, the number of creative defenses that Microsoft is able to muster in an infringement action after years of litigation and substantial discovery is irrelevant to the objective prong of the *Seagate* analysis. Rather, the correct analysis focuses on whether, given the facts and circumstances prior to Microsoft's infringing actions, a reasonable person would have appreciated a high likelihood that acting would infringe a valid patent.

Id.

Applying this temporal standard to the accused infringer's litigation defenses, Judge Davis found that the accused infringer's litigation defenses were "irrelevant and inappropriate" to defend against the charge of willful infringement since the *accused infringer* had not argued to the jury that the litigation defenses "would have been apparent and considered by a reasonable person in [its] position prior to its infringing activity." *Id.*

The district court's analysis arguably is consistent with pre-*Seagate* precedent that the totality of the circumstances of willful infringement only considers the circumstances existing when infringement first began.¹⁵ But in making its ruling, the district court did not reconcile its view with *Seagate*'s express statement that the "objectively-defined risk" of infringement is to be "determined by the record developed in the infringement proceeding[.]"¹⁶ Indeed,

the district court did not even cite this statement from *Seagate* in its analysis.

¹⁵ See *Odetics, Inc. v. Storage Technology Corp.*, 185 F.3d 1259, 1276 (Fed. Cir. 1999) (district court did not err in excluding evidence of a § 102(g) defense that the infringer had won in a first jury trial that was later reversed because "[t]he proper time to assess willfulness is at the time the infringer received notice, making the relevance of later developments, such as the assertion of the '102(g) defense' and the first jury verdict, questionable at best."); see generally, APD § 31:24 Evaluated on Date Infringement Began.

¹⁶ *Seagate* 497 F.3d at 1371 (emphasis added).

¹⁴ Citing *Maryland v. Macon*, 472 U.S. 463, 470 (1985) ("Whether a Fourth Amendment violation has occurred 'turns on an objective assessment of the officer's actions in light of the facts and circumstances confronting him at the time'").

Perhaps, the district court implicitly concluded that this statement in *Seagate* meant that the trial record would be used to determine if it was reasonable to assume that a particular defense would be considered at the time infringement first began. Notably, however, neither in *DePuy Spine* nor *Cohesive Tech.*, where the Federal Circuit found that litigation defenses precluded a finding of willful infringement, did the Federal Circuit invoke a temporal restriction as applied by the district court in *i4i*. Indeed, in *DePuy*, the Federal Circuit explicitly supported its affirmance of a JMOL of no willful infringement by noting “the record developed in the infringement proceeding in this case, viewed objectively, indisputably shows that the question of equivalence was a close one, particularly insofar as equivalence ‘requires an intensely factual inquiry.’”¹⁷ In *Cohesive Tech.*, the court found no willful infringement based solely on the fact that during the course of the infringement proceeding the proper construction of one of the claim terms “was in dispute,” and the term “was susceptible to a reasonable construction” under which the accused product did not infringe.¹⁸ Notably, the Federal Circuit never considered whether this claim construction argument was one that could have been made when infringement first began.¹⁹

In his opinion, Judge Davis did not consider the impact of *DePuy Spine*, even though he cited that case in another part of the opinion for a different issue.²⁰ He also did not cite in his opinion *Cohesive Tech.* While acknowledging the accused infringer’s reliance on *Black & Decker*, Judge Davis effectively dismissed that case for being dicta, and further distinguished it on the basis that the jury in the case at bar “rejected wholesale” the accused infringer’s defenses, and therefore implicitly must have found that the litigation defenses were not substantial. *Id.* at *9. The failure to address these precedents raises questions as to whether the district court’s analysis will stand up on appeal.

¹⁷ *Id.* 567 F.3d at 1337 (emphasis added).

¹⁸ *Id.* 543 F.3d at 1374.

¹⁹ Further, even in 2004 *en banc* opinion in *Knorr*, the Federal Circuit, while holding that litigation defenses were a factor to consider under the totality of the circumstances, did not place a temporal restriction on what litigation defenses could be considered.

²⁰ 2009 WL 2449024, at *20 (citing *DePuy Spine* for an aspect of damages under the entire market value rule).

Judge Davis’ temporal approach in limiting litigation defenses perpetuates a questionable practice in the pre-*Seagate* regime where willful infringement was often treated as an all-or-nothing proposition based on the circumstances that existed when infringing activity first began. This approach ignores that infringement is a continuing tort. Circumstances can change during the period of infringement. Innocent activity may later become willful activity,²¹ and activity which was at first willful may become justified as newly developed information shows a good faith basis to consider the claims of the patent not infringed, invalid or unenforceable, and thereby justify continuing with accused activity from that point onwards.²² At a minimum, reasonable litigation defenses developed during the course of an infringement suit should be considered for accused conduct occurring thereafter.²³

²¹ *Pall Corp. v. Micron Separations, Inc.*, 66 F.3d 1211, 1221-22 (Fed. Cir. 1995) (“[P]atent infringement is a continuing tort, and an action even if innocently begun does not automatically retain its purity as circumstances change.”).

²² See *Studiengesellschaft Kohle v. Dart Industries, Inc.*, 862 F.2d 1564, 1582 (Fed. Cir. 1988) (Newman, J., dissenting) (“This court has not spoken for all situations on the question of whether the willfulness analysis, as applied to the entire term of infringement, must be based solely on the facts existing the day the infringement started; or whether the question can be reviewed by the court—as it was by the infringer—based on changed circumstances during continuing infringement.”). *E.g. Lexion Med., LLC v. Northgate Tech., Inc.*, No. 2007-1420, 2008 WL 4097481, *7-8 (Fed. Cir. Aug. 28, 2008) (*nonprecedential*) (post-*Seagate*, rejecting patentee’s argument that the accused infringer willfully infringed where it liquidated its inventory of accused products after the jury returned its verdict of infringement and before the district court had ruled on its JMOL motion or entered a permanent injunction because the accused infringer’s reliance on an oral opinion of counsel predicting a favorable outcome on the JMOL motion showed that the accused infringer’s conduct was not objectively reckless even though the district court later denied the JMOL motion and awarded compensatory damages for the liquidated sales).

²³ See *State Indus., Inc. v. A. O. Smith Corp.*, 751 F.2d 1226, 1237 (Fed. Cir. 1985) (“Since we have been unable to discern any justification for holding Smith’s defenses against the patent in suit to have been frivolous, on either the issue of validity or the issue of infringement, we do not perceive any lack of ‘good faith’ in defending the suit and therefore we do not feel that what Smith had been doing

It should also be noted that the Federal Circuit eliminated the affirmative duty of due care in *Seagate*, in part to put back on the patentee the true burden of proving willful infringement.²⁴ Thus, it seems at least arguable that if the use of litigation defenses to defend against a charge of willful infringement is to be limited to defenses a reasonable person would consider at the time of the first infringing activity, the patentee, not the accused infringer, should bear the burden of proving that the litigation defenses offered by the accused infringer during the lawsuit are not defenses that would have been apparent to a reasonable person when infringement first began. In *i4i* the district court placed the evidentiary burden on this temporal requirement on the accused infringer.

Written Description to be Addressed *En banc*

Paragraph 1 of Section 112 of the Patent Act provides that “[t]he specification shall contain a *written description of the invention, and the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same . . .*”²⁵ Case law has long treated this provision as imposing two separate requirements for a patent

while the suit was in progress is to be given any weight in determining “willfulness.”).

²⁴ The oral arguments in *Seagate* (available at <http://oralarguments.cafc.uscourts.gov/>) show that the Federal Circuit was concerned that the affirmative duty of due care, with its adverse inference against an accused infringer who failed to produce an opinion of counsel, effectively shifted the evidentiary burden away from the patentee to prove willful infringement and forced the accused infringer to prove it met the duty of care even though the patentee is the party that bears the burden to prove willful infringement. See *Fuller v. Yentzer*, 94 U.S. 288, 293 (1876) (“Intentional infringement is alleged by the complainants, and the burden is upon them to prove the allegation, as the charge imputes a wrongful act to the respondents.”); *Norian Corp. v. Stryker Corp.*, 363 F.3d 1321, 1332-33 (Fed. Cir. 2004) (“There is no evidentiary presumption that every infringement is willful. . . . The patentee must present threshold evidence of culpable behavior.”); see generally, APD § 31:9 Patentee Must Carry Initial Burden of Showing *Prima Facie* Case of Willfulness.

²⁵ 35 U.S.C. § 112, ¶ 1. This language was carried over from the predecessor Patent Act “with only some slight reduction in wording.” P. J. Federico, Commentary on the New Patent Act, 35 U.S.C.A. 1, 25 (1954) (reprinted 75 J. PAT. OFF. SOC’Y 160, 185 (1993)).

specification: 1) a written-description requirement; and 2) an enablement requirement.²⁶

Beginning in 2002, however, several members of the Federal Circuit began to question whether § 112 really requires a written-description requirement separate from the enablement requirement. Dissenting from the denial of a petition for *en banc* rehearing in *Enzo Biochem, Inc.*, Judge Rader, in an opinion joined by Judges Gajarsa and Linn, expressed the view that the statute does not require a written-description requirement separate from the enablement requirement.²⁷

Two years after *Enzo*, a panel of the Federal Circuit in *University of Rochester* expressly rejected the

²⁶ See generally, APD § 22:3 Separate from Enablement and Best Mode. E.g. *In re Barker*, 559 F.2d 588, 591-93 (CCPA 1977) (rejecting argument that an enabling description was sufficient to satisfy the written-description requirement because it would render the terms of “description” and “enable” in § 112, ¶ 1 superfluous and tracing history of description requirement from the very first statute of 1790 through the 1952 Act and describing that various statutes as consistently having a “separate requirement” for written description and enablement); *Jepson v. Coleman*, 314 F.2d 533, 536 (CCPA 1963) (“It is not a question whether one skilled in the art might be able to construct the patentee’s device from the teachings of the disclosure of the application. Rather, it is a question whether the application necessarily discloses that particular device.”). Cf. *Kennecott Corp. v. Kyocera Int’l, Inc.*, 835 F.2d 1419, 1421 (Fed. Cir. 1987) (“The purpose of the [written] description requirement of this paragraph is to state what is needed to fulfill the enablement criteria. These requirements may be viewed separately, but they are intertwined.”).

²⁷ *Enzo Biochem, Inc. v. Gen-Probe Inc.*, 323 F.3d 956, 976 (Fed. Cir. 2002) (Rader, J., *dissenting* from denial of petition for *en banc* rehearing). Judge Rader has continued to speak out against a separate written-description requirement. E.g., *LizardTech, Inc. v. Earth Resource Mapping, Inc.*, 433 F.3d 1373, 1378-80 (Fed. Cir. 2006) (Rader, J., *dissenting on order denying en banc reh’g*) (commenting on apparent inconsistencies in Federal Circuit law on tests for determining whether the written description is adequate and noting instances of apparent reliance on enablement standards to decide written description issues); *Univ. of Rochester v. G.D. Searle & Co.*, 375 F.3d 1303, 1307-24 (Fed. Cir. 2004) (Rader, J., *dissenting* from denial of petition for *en banc* rehearing); *Moba B.V. v. Diamond Automation, Inc.*, 325 F.3d 1306, 1322-24 (Fed. Cir. 2003) (Rader, J., *concurring*) (suggesting there should be no separate written-description requirement but an expanded enablement requirement).

contention that § 112 does not impose a written-description requirement separate and distinct from the enablement requirement.²⁸ Over dissents from several of the judges, the Federal Circuit subsequently denied a petition for *en banc* rehearing of that case.²⁹

In April of this year, Judge Linn again expressed the view that § 112 does not require a written-description requirement separate from enablement in his concurring opinion in *Ariad Pharmaceuticals, Inc.*³⁰ With the conflicting views among the members of the Federal Circuit persisting for over a seven-year period, the Federal Circuit granted a petition for an *en banc* rehearing in *Ariad* to address two issues relating to the written-description requirement:

- a) Whether 35 U.S.C. § 112, paragraph 1, contains a written description requirement separate from an enablement requirement?
- b) If a separate written description requirement is set forth in the statute, what is the scope and purpose of the requirement?

Ariad Pharmaceuticals, Inc. v. Eli Lilly & Co., No. 2008-1248, 2009 WL 2573004, *1 (Fed. Cir. Aug. 21, 2009).³¹

Under the briefing schedule set by the court, the plaintiff's brief is due 45 days after the order (i.e., Oct. 5, 2009), and the defendant's brief is due 30 days later (i.e., Nov. 4, 2009). The court also ordered that interested parties may file any amicus brief without leave of court. Additionally, the Federal Circuit expressly invited the United States to submit an amicus brief. Under Federal Circuit Rule 29, amicus

²⁸ *Univ. of Rochester v. G.D. Searle & Co.*, 358 F.3d 916, 920-22 (Fed. Cir. 2004).

²⁹ 375 F.3d 1303 (Fed. Cir. 2004).

³⁰ *Ariad Pharmaceuticals, Inc. v. Eli Lilly & Co.*, 560 F.3d 1366, 1380 (Fed. Cir. 2009) (Linn, J., concurring). Judge Linn has also stated his view that the law should not require a separate written-description requirement in *Energizer Holdings, Inc. v. Int'l Trade Comm'n*, No. 2007-1197, 2008 WL 1791980, *9 (Fed. Cir. Apr. 21, 2008) (*nonprecedential*) (Linn, J., concurring) (stating personal view that he is "critical" of precedent finding a separate written description requirement and "believe[s] that § 112, ¶ 1 requires no more than an enabling disclosure of the claimed invention.") and *Univ. of Rochester v. G.D. Searle & Co.*, 375 F.3d 1303, 1325-27 (Fed. Cir. 2004) (Linn, J. decision denying to hear case *en banc*).

³¹ For a summary of the underlying panel opinion see *Patent Happenings*, May 2009 at pp. 4-6 (available at <http://www.matthewspatentlaw.com/documents/PH-2009-05.pdf>)

briefs supporting the plaintiff or neither party are due 7 days after the plaintiff's brief is filed, which would make these amicus briefs due on Oct 12, 2009. Amicus briefs supporting the defendant are due on Nov. 11, 2009.

§ 271(f) Does not Apply to Process Inventions

In certain circumstances, Sections 271(f)(1) & (f)(2) of the Patent Act impose liability for patent infringement on a person who supplies components of a patented invention with the intent that the components will be combined outside of the United States in a manner that would infringe a U.S. patent if so combined in the United States.³² Both statutory provisions apply to a person who "supplies or causes to be supplied" a "component of a patented invention."³³

Whether § 271(f) applies to method claims has had a tortured history in the courts. Before 2005, the Federal Circuit and several district courts held that § 271(f) did not apply to method claims.³⁴ In its 2005 opinion in *Union Carbide Chemicals*,³⁵ however, the

³² See generally, APD, § 10:128 The Enactment of § 271(f); see also APD § 10:139 § 271(f)(1) – All or Substantially All of the Components and § 10:141 Infringement from Exporting a Nonstaple Component.

³³ 35 U.S.C. § 271(f)(1) provides that: "Whoever without authority supplies or causes to be supplied in or from the United States all or a substantial portion of the components of a patented invention, where such components are uncombined in whole or in part, in such manner as to actively induce the combination of such components outside of the United States in a manner that would infringe the patent if such combination occurred within the United States, shall be liable as an infringer."

35 U.S.C. § 271(f)(2) provides that: "Whoever without authority supplies or causes to be supplied in or from the United States any component of a patented invention that is especially made or especially adapted for use in the invention and not a staple article or commodity of commerce suitable for substantial noninfringing use, where such component is uncombined in whole or in part, knowing that such component is so made or adapted and intending that such component will be combined outside of the United States in a manner that would infringe the patent if such combination occurred within the United States, shall be liable as an infringer."

³⁴ *Standard Havens Prods., Inc. v. Gencor Indus., Inc.*, 953 F.2d 1360, 1374 (Fed. Cir. 1991); see generally, APD § 10:131 Application to Process Patents.

³⁵ *Union Carbide Chemicals & Plastics Tech. Corp. v. Shell Oil Co.*, 425 F.3d 1366, 1378-79 (Fed. Cir. 2005).

Federal Circuit held that § 271(f) did apply to method claims. The court subsequently denied a petition for an *en banc* rehearing *Union Carbide Chemicals* in 2006.³⁶ Now approximately four years later, the Federal Circuit, in an 11-to-1 decision, has reversed itself and overruled *Union Carbide Chemicals* with its *en banc* opinion in *Cardiac Pacemakers, Inc. v. St. Jude Med., Inc.*, No. 2007-1296, 2009 WL 2516346, *13-*15 (Fed. Cir. Aug. 19, 2009) (*en banc*).

Focusing on its construction of the term “component” as applied to a method claim, the *en banc* court in *Cardiac Pacemakers*, concluded that since the “components” of a method claim are merely one or more steps of the method, i.e. acts being done, and are not physical objects, the “components” of a method claim, as a practical matter, cannot be “supplied,” and therefore, § 271(f) cannot apply to method claims. The court explained:

[M]ethod patents do have “components,” *viz.*, the steps that comprise the method, and thus they meet that definitional requirement of Section 271(f), but the steps are not the physical components used in performance of the method.

... Section 271(f) further requires that those components be “supplied.” That requirement eliminates method patents from Section 271(f)’s reach. The ordinary meaning of “supply” is to “provide that which is required,” or “to furnish with ... supplies, provisions, or equipment.” These meanings imply the transfer of a physical object. Supplying an intangible step is thus a physical impossibility, a position that not even *Cardiac* seems to dispute. As we have noted before, “it is difficult to conceive how one might supply or cause to be supplied all or a substantial portion of the steps in a patented method in the sense contemplated by” Section 271(f). ... Thus, because one cannot supply the step of a method, Section 271(f) cannot apply to method or process patents.

Id. at *13-*14.

The majority also relied on the “presumption against extraterritoriality” and the lack of clear

Congressional intent to include method claims within the scope of § 271(f) as further support for ruling that § 271(f) does not apply to process claims. *Id.* at *15.

In reaching its holding, the court rejected the patentee’s contention that the definition of “component” for purposes of § 271(f) should encompass “the apparatus that performed the process.” It noted that § 271(c) distinguished between “components” of an invention and a “material or apparatus for use in practicing a patented process,” which strongly suggested that “components” in § 271(f) could not be construed to mean an apparatus used in performing the claimed method. *Id.* at *13. The court also rejected the contention of an *amicus curiae* that supplying a physical object created from performing some of the steps of the process in the U.S. for further processing outside of the United States should fall within the scope § 271(f).³⁷ Relying on the plain language of the statute, the Federal Circuit stated that “Section 271(f) does not forbid the supplying of

products that are *the result of* steps of the patented method; rather it forbids the supply of the components themselves.” *Id.*

Judge Newman was the lone dissent. In her view, the term “patented invention” in § 271(f) had to be construed to cover process patents since § 101 and many other provisions of the Patent Act include processes as being a “patented invention” and § 271(f)

“[B]ecause one cannot supply the step of a method, Section 271(f) cannot apply to method or process patents.”

³⁷ The *amicus* making this suggestion, Ormco Corp., was the only *amicus* to support the patentee’s position that § 271(f) should apply to process claims. Ormco’s position is not surprising given its involvement in *Ormco Corp. v. Align Technology, Inc.*, No. SACV 03-16 CAS (ANx), 2009 WL 466074, *10 (C.D. Cal. Feb. 23, 2009), a case in which it has asserted infringement of method claims directed to a process for automatically designing and manufacturing a dental appliance from digital low jaw and tooth shape data. In that case, Ormco alleges that the accused infringer exported patient data to its subsidiaries facilities in Costa Rica and performed data processing in its Costa Rica facilities and then transmitted a 3-D model of the tooth and appliance back into the U.S. in a manner that creates liability under § 271(f). The district court had denied the accused infringer’s motion for summary judgment of no infringement under § 271(f)(2) based on the exporting of the data file that was used in the Costa Rica data processing.

³⁶ 434 F.3d 1357 (Fed. Cir. 2006).

made no attempt to distinguish process inventions from other inventions. *Id.* at *17-*24. Judge Newman also faulted the court's ruling for "seriously devalu[ing]" process patents by creating a situation that competitors could "escape liability everywhere" by practicing some steps of a process in the U.S. and other steps of the process offshore. *Id.* at *24.

Admissibility of Reexamination Proceedings

Where a reexamination proceeding of an asserted patent is pending at the time of trial, an accused infringer may seek to introduce evidence of the reexamination proceeding to combat the patentee's expected use of the presumption of validity; especially if in the reexamination the asserted claims have been at least provisionally rejected. Over the last few years the courts have begun to grapple with the question of whether to admit evidence of a reexamination proceeding or whether to exclude such evidence under Fed. R. Evid. 403 as being unfairly prejudicial to the patentee and likely to confuse the jury.³⁸ The answer can depend on the particular circumstances of case, the stage of the reexamination proceeding, and largely turns on the discretion of the district court. Three opinions handed down in August show that the present trend appears to favor excluding such evidence.

In *Procter & Gamble Co.*, the Federal Circuit instructed the mere fact that the PTO has found a "substantial question of patentability" sufficient to grant a reexamination does not show the that a "substantial question of validity" exists.³⁹ Following this understanding, the district court in *i4i Ltd. Partnership v. Microsoft Corp.*, 2009 WL 2449024,

"The non-final re-examination determinations were of little relevance to the jury's independent deliberations on the factual issues underlying the question of obviousness."

*17 (E.D. Tex. Aug. 11, 2009), rejected as being "meritless" the accused infringer's contention that it should have been allowed to tell the jury the PTO had granted a reexamination request for the asserted patent and had initially rejected all of the claims. The district court excluded the evidence under Rule 403 stating: "The simple fact that a reexamination decision has been made by the PTO is not evidence probative of any element regarding any claim of invalidity. Even if it was, its probative value is substantially outweighed by its prejudicial effect in suggesting to the jury that it is entitled to ignore both the presumption of validity and the defendant's clear and convincing burden at trial." *Id.*

Three days later the Federal Circuit in *Callaway Golf Co. v. Acushnet*, No. 2009-1076, 2009 WL 2481986, *9 (Fed. Cir. Aug. 14, 2009), affirmed as not being an abuse of discretion, the district court's exclusion, under Rule 403, of evidence of a non-final reexamination even though all of the asserted claims had been rejected. The court explained that

The non-final re-examination determinations were of little relevance to the jury's independent deliberations on the factual issues underlying the question of obviousness. In contrast, the risk of jury confusion if evidence of the non-final PTO proceedings were introduced was high. The district court did not abuse its discretion in concluding that the prejudicial nature of evidence concerning the ongoing parallel re-examination proceeding outweighed whatever marginal probative or corrective value⁴⁰ it might have had in this case.

³⁸ See generally, APD § 25:104 Granting Reexamination Raises No Presumption of Invalidity (collecting cases addressing motions in limine seeking to exclude evidence of reexamination proceedings).

³⁹ *Procter & Gamble Co. v. Kraft Foods Global, Inc.*, 549 F.3d 842, 848 (Fed. Cir. 2008) ("[T]he PTO does not appear to equate the 'substantial new question of patentability' standard for whether reexamination should take place, with the 'substantial question of validity' standard by which a defendant may prevent a patentee from demonstrating a likelihood of success on the merits [for purposes of a preliminary injunction].").

⁴⁰ During opening statements, the patentee's counsel told the jury that "three examiners" had considered the asserted claims and found them patentable. The accused infringer wanted to rebut that statement with evidence that on reexamination, the PTO examiner had rejected the claims. The accused infringer, however, had failed to specifically object to the "three examiner" statement, and only challenged the exclusion ruling. Since the district court prohibited the patentee from making any other statements about the "three examiners" during the rest of the trial, and

Id.

A week later, citing *Callaway*, the district court in *SRI Intern. Inc. v. Internet Sec. Sys., Inc.*, 2009 WL 2568294, *27 (D. Del. Aug. 20, 2009), ruled that it had properly excluded evidence of a “non-final” reexamination proceeding. The court stated that “non-final” reexamination decisions (decisions which it characterized as “not vetted by the Federal Circuit,” *id.* at *27 n.39), “are not binding, moreover, they are more prejudicial (considering the overwhelming possibility of jury confusion) than probative of validity.” *Id.* at *27. The district court also refused to instruct the jury that due to the rejections issued in the reexamination proceeding only a preponderance of the evidence standard should apply to the accused infringer’s burden to prove invalidity. *Id.*

Requiring the conclusion of an appeal to the Federal Circuit before a reexamination decision passes the “non-final” status so that an accused infringer may present the PTO’s reexamination rulings to the jury, as apparently required in *SRI Intern.*, seems suspect. Rather, for the reasons that follow, a decision on reexamination should cross the line from “non-final” to final after the examiner has made the rejection “final” regardless of any later appeals to the Board or the Federal Circuit. The law basis the presumption of validity on the presumption of administrative correctness, i.e., the law presumes that government officials do their job properly.⁴¹ This presumption applies to actions of examiners in allowing or rejecting claims.⁴² Hence, once an examiner issues a “final” rejection in a reexamination proceeding, the law requires a court to presume that the examiner properly rejected the claim, even if the patentee thereafter appeals. At this stage, the rationale for giving the issued patent a presumption of validity seems significantly undermined, if not wholly

the accused infringer had failed to make a specific objection to the opening statement, the Federal Circuit did not consider the “three examiner” statement in evaluating the evidentiary ruling. *Id.* at *9.

⁴¹ See generally, APD § 15:35 Presumption that Examiner or Board Acted Properly.

⁴² *In re Portola Packing, Inc.*, 110 F.3d 786, 790 (Fed. Cir. 1997); see also *Genzyme Corp. v. Transkaryotic Therapies, Inc.*, 346 F.3d 1094, 1103 n.3 (Fed. Cir. 2003) (“[T]his court presumes that the Patent Office complies with its own rules, a presumption overcome only upon presentation of contrary evidence. Therefore, without record support, an argument alleging dereliction of duty by a patent examiner is without merit.”).

repudiated,⁴³ since an examiner in the reexamination proceeding, whose actions are equally entitled to a presumption of administrative correctness as the actions of the examiner who originally allowed the patent, has determined that the issued claims are invalid based on a “new” question of patentability *not considered* in the original examination.⁴⁴ Thus, excluding in litigation evidence of “final” claim rejections in a reexamination proceeding, while still instructing the jury on the presumption of validity and its attendant clear and convincing standard of proof, when applied to the same prior art and arguments relied on by the PTO in issuing the final rejection, seems out of sync with the rationales that justify the presumption of validity.

Limiting “New” Evidence in a § 145 Action

As one possible avenue to review an adverse decision from the Board of Patent Appeals and Interferences, an applicant may commence an action in the United States District Court for the District of Columbia under 35 U.S.C. § 145.⁴⁵ The Federal Circuit has instructed that a § 145 proceeding “is not simply an appeal since the parties are entitled to submit additional evidence.”⁴⁶ Indeed, as a general matter, in a § 145 action an applicant may submit new evidence, including live testimony,⁴⁷ but the applicant may not, without compelling justification, raise new issues before the district court that the PTO did not consider.⁴⁸

⁴³ Cf. *KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398, 426 (2007) (stating that where prior art reference had not been given to the PTO, “the rationale underlying the presumption [of validity]-that the PTO, in its expertise, has approved the claim-seems much diminished here.”).

⁴⁴ By statute, reexaminations may be granted only where there is a substantial *new* question of patentability affecting any claim of the patent. See generally, APD § 25:99 Strictly Limited to New Questions of Patentability.

⁴⁵ See generally, APD § 16:55 District Court Actions Under § 145.

⁴⁶ *Fregeau v. Mossinghoff*, 776 F.2d 1034, 1037 (Fed. Cir. 1985).

⁴⁷ “While the evidentiary record before the Board serves as the ‘evidentiary nucleus’ of the district court proceeding in a section 145 action, the parties are entitled to submit additional evidence.” *Gould v. Quigg*, 822 F.2d 1074, 1076-77 (Fed. Cir. 1987); see generally, APD § 16:56 New Evidence in a § 145 Action.

⁴⁸ *Conservolite, Inc. v. Widmayer*, 21 F.3d 1098, 1102-03 (Fed. Cir. 1994); see generally, APD § 16:57 New Issues in a § 145 Action.

In an issue of first impression for the court, the Federal Circuit in *Hyatt v. Doll*, No. 2007-1066, 2009 WL 2432734 (Fed. Cir. Aug. 11, 2009), addressed what standard governs the admissibility of evidence an applicant seeks to introduce in a § 145 action if the applicant arguably could have introduced that evidence to the PTO but had withheld it. Opting to issue a holding limited to its facts, the Federal Circuit held that an applicant cannot use § 145 “to overcome the consequences of his own [willful] refusal to adhere to the rules of prosecuting a patent application[.]” *Id.* at *24.

As originally filed, the patent application in *Hyatt* had 15 original claims, a 238-page specification, 40 pages of drawings, and incorporated by reference multiple publications. During prosecution, the applicant cancelled all of the original claims, and added 117 new claims. The Examiner had determined that the amendment adding the 117 claims was incomplete because it failed to point out where in the specification support existed for the new claims. The Examiner gave the applicant an additional month to supply the missing information. The applicant responded, but the Examiner found that the response still failed to show where there was written-description support for the new claims and issued a final rejection. The applicant appealed the rejection to the Board. At the Board, the applicant presented 36 pages of general argument as to why the specification supported the claims and a table allegedly showing where certain claim terms had support in the specification. Finding the applicant’s material unhelpful since it failed to show or correlate where specific claim limitations had support in the specification, the Board, after conducting its own review of the specification, affirmed the written description rejection for 79 of the 117 claims. Thereafter, the applicant petitioned the Board for reconsideration and tried to introduce a declaration with “extensive new arguments and citations to the specification” allegedly showing where, in the specification, the specific claim limitations were described in an enabling manner. The Board refused to consider this new information, stating that the

applicant should have presented it during the original appeal brief. *Id.* at *5.

Seeking to have the declaration with the new evidence considered, the applicant filed a § 145 action. The PTO objected to the introduction of the declaration in the § 145 action. Finding that the applicant had been “negligent” in not timely submitting the information to the Board during the PTO proceedings, the district court excluded the declaration. *Id.* at *6. On appeal, the Federal Circuit, over the dissent of Judge Moore, affirmed, but on a different rationale.

Writing for the majority in a 58-page opinion, Judge Michel,⁴⁹ first noted that “merely because new evidence *may* be submitted [in a § 145 action] does not necessarily mean that this right is unfettered; there still may be situations in which new evidence *may* be excluded.” *Id.* at *14. After tracing the judicial history of § 145 and how courts have addressed the scope of new evidence permitted, the majority concluded that “it has been the general practice of federal courts for over eighty years in certain circumstances to exclude evidence which a party could and should have introduced before the Patent Office but did not despite an obligation to do so.” *Id.* at *19. Taking into account that the Administrative Procedure Act (APA) applies to PTO decisions, the majority further concluded that “admitting new evidence without restriction would defeat the purpose of the APA, as applicants could then always submit new evidence whenever they desired de novo

review; allowing new evidence unnecessarily will convert deferential review ‘into effectively de novo review.’” *Id.* at *21.

Applying these principles, and concluding that the applicant had willfully failed to cooperate with the PTO in timely presenting the new evidence, the majority affirmed the exclusion. Relying on *In re Alton*,⁵⁰ the majority noted that once the examiner had

“[a]llowing Hyatt to escape the consequences of his refusal to timely submit his own information to the PTO that he was required by law and requested by the examiner to submit would hardly be consonant with the APA or the legislative purpose of § 145.”

⁴⁹ Judge Dyk was the other member of the majority.

⁵⁰ 76 F.3d 1168, 1175 (Fed. Cir. 1996) (“Once the examiner or Board carries the burden of making out a prima

issued the written-description rejection, the applicant had the legal duty to explain “where in the specification support for each of these limitations could be found.” *Id.* at *26. Thus, the majority noted that “[a]fter the examiner stated that he had read through the specification and could find no support for certain claim limitations, all Hyatt needed to do was show the examiner where in the specification support existed—something that should have been simple for him, the person most familiar with the specification.” *Id.* In the majority’s view, a view Judge Moore did not share, “it is clear from the record that Hyatt willfully refused to provide evidence in his possession in response to a valid action by the examiner.” *Id.* Consequently, the majority held “that in light of Hyatt’s willful non-cooperation here, the district court did not abuse its discretion by excluding the Hyatt declaration.” *Id.* The majority further stated that “[r]ejection as per *Alton* was in essence the examiner telling Hyatt to point to written description support in the specification for his claims. Hyatt, however, refused to cooperate, even though he necessarily possessed the information the examiner sought by the time he filed his application. *On these facts*, the district court’s exclusion of Hyatt’s new evidence must be affirmed.” *Id.* The majority rationalized that “[a]llowing Hyatt to escape the consequences of his refusal to timely submit his own information to the PTO that he was required by law and requested by the examiner to submit would hardly be consonant with the APA or the legislative purpose of § 145.” *Id.* at *27.

The majority also relied on the fact that the applicant failed to present any justifiable excuse for not timely submitting the new evidence to the PTO. Criticizing the applicant’s handling of the matter, the majority stated “[t]his failure of Hyatt, who at the time had been a patent agent for over twenty years, to perform a simple task that it was his burden to perform is inexcusable in the circumstances of this case. Hyatt’s failure to present the evidence earlier, the form of the evidence (documentary instead of testimonial),^[51] the Director’s objection to the Hyatt

declaration and his rehearing brief before the district court, and Hyatt’s perverse unhelpfulness—only reinforces this conclusion.” *Id.* at *29.

The majority also emphasized that its ruling was confined to the facts before it. It explicitly stated that it left “to future cases consideration of whether evidence may be excluded on grounds other than the type of refusal at issue here.” *Id.* at *26 n.31. Responding to the dissent, the majority also stated “[w]e express no opinion as to admissibility of evidence in the multitude of variegated factual scenarios that may arise in the future which the dissent claims are decided today.” *Id.* at *29.

In her dissent, which appeared to draw some sharp criticism by Judge Michel dispersed through out the majority opinion, Judge Moore viewed the majority’s ruling as taking away the applicant’s “fundamental right to a ‘civil action to obtain a patent,’” without a finding by the district court that the applicant had willfully failed to submit the evidence earlier. *Id.* at *31. She noted that the district court had only applied a simple “could have” negligence standard. *Id.* Key to her view, was her observation that “there [wa]s no evidence that [the applicant] intentionally withheld information to retain some commercial advantage.” *Id.* at *38. Judge Moore also viewed the exclusionary rule as blurring the line between a § 141 appeal and a § 145 action, *id.* at *40; a point the majority sharply disagreed with. *Id.* at *22 n.24; *see also id.* at *2.

While on the surface *Hyatt* addresses a special case of the scope of “new evidence” that may be excluded in a § 145 action, the unspoken undercurrent in the majority’s analysis appears to be the concept of judicial efficiency for the Board and the district court.⁵² To have an orderly administration of justice, limits must be placed on a party’s ability to introduce new evidence after the initial judicial machinery renders a judgment. Hence, it was somewhat surprising that the majority opinion did not reference by analogy the well-established principles in litigation that:

facie case of unpatentability, ‘the burden of coming forward with evidence or argument shifts to the applicant.’”). *See also* APD § 22:17 PTO’s *Prima Facie* Burden.

⁵¹ *See Mazzari v. Rogan*, 323 F.3d 1000, 1004 (Fed. Cir. 2003) (noting that in a § 145 action the applicant may “reintroduc[e] the same evidence [presented to the Board] through alternative means such as live testimony” but “the

evidentiary record before the Board serves as the ‘evidentiary nucleus’ of the district court proceeding”).

⁵² The Board acts as a quasi-judicial entity. *See Western Electric Co. Inc. v. Piezo Technology Inc.*, 860 F.2d 428, 431 (Fed. Cir. 1988) (“Patent examiners are quasi-judicial officials.”).

- “[i]t is not the trial judge’s burden to search through lengthy technologic documents for possible evidence”⁵³
- “the parties should provide the district court with all relevant arguments and point out with specificity the relevant statements in the specification and prosecution history in support of their arguments”⁵⁴
- “[u]nlike the Emperor Nero, litigants cannot fiddle as Rome burns. A party who sits in silence, withholds potentially relevant information [and] allows his opponent to configure the summary judgment record ... does so at his peril.”⁵⁵

Visual Display “Transforms” Under *Bilski*

Although some district courts are refusing to rule on motions addressing patent eligibility under *Bilski* until the Supreme Court decides the issue,⁵⁶ one district court recently granted a summary judgment holding claims of two patents invalid under *Bilski* and claims of three other patents valid. In *Research Corp. Tech., Inc. v. Microsoft Corp.*, 2009 WL 2413623, *9-*17 (D. Ariz. July 28, 2009), the district considered whether claims directed generally to a method of “halftoning” claimed patent eligible subject matter.⁵⁷ The accused infringer challenged the validity of five patents contending that the claims of the patents failed the *Bilski* test for patentable subject matter.

The district court found that all five patents were not directed to any specific machine, and therefore did not meet the “machine” prong of *Bilski*. As to evaluating the “transformation” prong, the district

court relied on the Federal Circuit’s discussion of *In re Abele*⁵⁸ in *Bilski* and specifically, its discussion of the validity of claims directed to a transformation of raw data into a visual depiction of a physical object.⁵⁹ The district court read *Bilski*’s discussion of *Abele* as showing that a claimed transformation process can pass muster under *Bilski* if it meets “two requirements: it should be (1) limited to transformation of specific data, and (2) limited to a visual depiction representing specific objects or substances.” *Id.* at *9. Thus, the district court found “[p]articularly germane to the question of meeting the transformation prong ... whether or not the patent claims mandate any visual depiction, let alone visual depiction of any specific data.” *Id.*

Under this standard, the district court determined that the claims of two of the five patents did not require the creation of any visual image, and therefore these claims were invalid under *Bilski*. *Id.* at *10-*13. But for the claims of the other patents, the court found they required producing an image because they contained wherein clauses reciting “wherein said step of utilizing said pixel-by-pixel comparison is used to produce a halftoned image” and “wherein an output of said comparator is used to produce a halftoned image.” In view of these clauses, the district court ruled that “[t]he second prong of the alternative-prong test as a matter of law is met by both patent process claims due to their recitation of the production of an image as a result of the comparison of numbers. These images are the manifestation of a particular transformation. The patent dictates a transformation of specific data, and is further limited to a visual depiction which represents specific objects.” *Id.* at *15.

ADMINISTRATIVE HAPPENINGS

Interim § 101 Guidelines

On August 24, 2009, the USPTO issued “Interim Examination Instructions for Evaluating Subject Matter Eligibility Under 35 U.S.C. § 101.”⁶⁰ The instructions seek to provide guidance to Examiners addressing 101 issues, particularly implementing the “Machine or Transformation” test for process claims, pending the final decision from the Supreme Court in

⁵³ *Biotech Biologische Naturverpackungen GmbH & Co. KG v. Biocorp, Inc.*, 249 F.3d 1341, 1353 (Fed. Cir. 2001). *Accord Bernhardt, L.L.C. v. Collezione Europa USA, Inc.*, 386 F.3d 1371, 1384 (Fed. Cir. 2004) (“Of course, fact finders are not required to furrow through voluminous evidentiary submissions in order to discern a party’s case. A party has an obligation to highlight its contentions to the district court in some form.”).

⁵⁴ *Rexnord Corp. v. Laitram Corp.*, 274 F.3d 1336, 1343 (Fed. Cir. 2001).

⁵⁵ *Vasapoli v. Rostoff*, 39 F.3d 27, 36 (1st Cir. 1994).

⁵⁶ *In re Bilski*, 545 F.3d 943 (Fed. Cir. 2008) (*en banc*), cert. granted (2009).

⁵⁷ According to the opinion, “halftoning” involves a process used in computers and printers to simulate a continuous tone image, such as a shaded drawing or photograph, with groups or cells of color or black dots (pixels).

⁵⁸ 684 F.2d 902 (CCPA 1982).

⁵⁹ *Bilski*, 545 F.3d at 962-63.

⁶⁰ Available on the PTO’s website at http://www.uspto.gov/web/offices/pac/dapp/opla/2009-08-25_interim_101_instructions.pdf

Bilski. According to the Office, the instructions “supersede previous guidance on subject matter eligibility” including guidance provided in the MPEP.

The PTO has requested public comments on the interim guidelines. To be considered, comments must be submitted to the PTO by September 28, 2009. The PTO has instructed that “Comments should be sent by electronic mail message over the Internet addressed to AB98.Comments@uspto.gov. Comments may also be submitted by facsimile to (571) 273-0125, marked to the attention of Caroline D. Dennison.”

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