

The Latest Intellectual Property News



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Happy New Year from everyone in Lowe Hauptman & Ham, LLP, and welcome to The Latest Intellectual Property News, a newsletter for updating you with recent information about Intellectual Property.

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ARGUE FORUM-SELECTION PROVISION IN THE FIRST-FILED CASE

By **Tony Chang, Esq.** (tchang@ipfirm.com)

In *Futurewei Tech., Inc. v. Acacia Res. Corp.*, slip op. 13-1090 (Fed. Cir. Dec. 3, 2013), SmartPhone Technologies, LLC. sued Huawei Tech. Co. in the Eastern District of Texas for infringing five patents. These five patents in dispute were owned by Acacia Patent Acquisition LLC (“APAC”) and then assigned to Access Co., Ltd. and then to SmartPhone. The assignment agreement includes some provisions that Huawei may rely upon, including a covenant of not to sue APAC’s clients and a forum-selection provision. One day after SmartPhone sued Huawei in Texas, Huawei brought an action against SmartPhone, APAC, and Access in the Central District of California seeking declaratory judgment of non-infringement of the five patents, interference with contractual relations, enforcement of rights as a third party beneficiary, and APAC and SmartPhone are acting as corporate alter egos. The Central District of California dismissed the Huawei’s case. The United States Court of Appeals for the Federal Circuit affirmed the dismissal of Huawei’s action based on the first-to-file rule.

The Federal Circuit stated that “[w]hen two actions that sufficiently overlap are filed in different federal district courts, one for infringement and the other for declaratory relief, the declaratory judgment action, if filed later, generally is to be stayed, dismissed, or transferred to the forum of the infringement action.” Moreover, the Federal Circuit stated that “exceptions may be made if justified by considerations of judicial and litigant economy, and the just and effective disposition of disputes.”

Here, the parties did not further challenge the dismissal of the declaratory judgment of non-infringement of the five patents and the interference with contractual relations in the California case. Huawei’s alleged third-party-beneficiary status works nothing but as an instrument to

give Huawei the right to enforce certain contract provisions. In fact, Huawei has raised an affirmative defense in the Texas case that Huawei is licensed and/or impliedly licensed as an Access customer. The Federal Circuit found that “keeping the [third-party-beneficiary status] issue in the Texas case will serve key objectives of the first-to-file rule, including minimization or avoidance of duplication of effort, waste of judicial resources, and risk of inconsistent rulings that would accompany parallel litigation.” The Texas court can decide the third-party-beneficiary status issue together with the infringement of the five patents in dispute, or even the enforcement of the forum-selection provision. However, at this stage, the California case is properly dismissed under the first-to-file rule.

ACTUAL KNOWLEDGE NOT NEEDED FOR BAD FAITH

By Michael P. McComas, Esq. (mmccomas@jpfirm.com)

A Federal Circuit panel vacated a district court’s denial of attorneys’ fees to Sidense Corporation (Sidense) based on a bad faith allegation against Kilopass Technology, Inc. (Kilopass), finding that the district court’s analysis had been too narrowly focused. *Kilopass Tech., Inc. v. Sidense Corp.*, slip op. 2013-1193 (Fed. Cir. Dec. 26, 2013). After prevailing in a patent infringement action brought by Kilopass, Sidense sought an award of attorneys’ fees, alleging subjective bad faith and objectively baseless litigation. In denying the award, the district court focused on a lack of direct proof that Kilopass had actual knowledge of baselessness for its infringement claims. The panel indicated that actual knowledge of baselessness is not required, only that baselessness be so obvious that it should have been known in light of the totality of the circumstances. To make an assessment that baselessness should have been known, a bad faith analysis must therefore consider not only evidence related to the plaintiff’s subjective actions, but also objective evidence that a patentee has pressed meritless claims such that an inference of bad faith is proper.

NEW YEAR, NEW FEES

By Randy A. Noranbrock, Esq./Partner (rnoranbrock@jpfirm.com)

Several new fees became effective on January 1, 2014. The following fees are important for most patent filers.

The patent issue fees decreased by \$810, \$405, or \$645 for a large, small, or micro entity, respectively.

The publication fee is now \$0.

The assignment recordation fee is now \$0 for electronically recorded assignment. The \$40 fee remains for non-electronically recorded assignments.

TSM WILL NEVER GO AWAY

By Sean A. Passino, Ph.D., Esq./Partner (spassino@jpfirm.com)

During examination, obviousness findings must be supported by substantial evidence. Harmful errors are reversible. *Institut Pasteur v. Focarino*, slip op. 2012-1485 (Fed. Cir. Dec. 30, 2013).

In *Institut Pasteur*, the subject matter regards group I intron-encoded (GIIE) endonucleases. Institut Pasteur owns U.S. Patent No. 6,610,545 directed to methods for the site-directed insertion of genes into *eukaryotic chromosomes* using GIIE endonucleases. The issue was whether the one of ordinary skill in the art—after reading prior art’s disclosure that a GIIE endonuclease can promote targeted gene transfer into *non-chromosomal* DNA in *prokaryotic* cells—would have expected that a GIIE endonuclease would successfully promote targeted

gene transfer into the chromosomal DNA of eukaryotic cells, and thus had good reason to pursue that possibility. During *inter parte* reexamination, the Board concluded yes. The Federal Circuit reversed.

A relevant obviousness question is whether there are a finite number of identified, predictable solutions. *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398, 421 (2007). The Supreme Court's reference to "predictable solutions" and "anticipated success" accords with the Federal Circuit's longstanding focus on whether a person of ordinary skill in the art would, at the relevant time, have had a "reasonable expectation of success" in pursuing the possibility that turns out to succeed and is claimed.

The panel concluded that the Board erred in finding that two references in the prior art show that GIIE endonucleases cleave *chromosomal* DNA. The first reference contradicted this finding on its face, because it concerned *extracted* chromosomal DNA. The second reference was silent on what form of DNA was cleaved. It stated that a GIIE endonuclease "is able to cleave efficiently both its natural site within mitochondria and an artificially placed site within the nucleus." But the reference never clarified what "an artificially placed site within the nucleus" means. Since the United States Patent and Trademark Office has the burden, it failed to meet this burden. Because no other references show a GIIE endonuclease cleaving chromosomal DNA in a eukaryotic cell, its errors were highly material to obviousness and harmful to the patentee.

The Board also erred for failing to consider toxicity evidence, i.e., using a GIIE endonuclease would have been toxic to a cell. The Board found that the rejected claims do not require viability. However, the Board never identified a reason for one of ordinary skill in the art to pursue toxic methods. For example, one prior art reference taught that "[i]t would be a great advance if such alterations could be engineered into copies of a chosen gene in situ within the chromosomes of a living animal cell." But "knowledge of the goal does not render its achievement obvious," especially with concerns of toxicity.

ADDITIONAL INFORMATION

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