

IPQ

THE MARYLAND IP LAW QUARTERLY



Spring 2010

REFRESHING THE SCENE

Welcome! With this inaugural edition of *The Maryland IP Law Quarterly*, the Intellectual Property Law Program of the University of Maryland School of Law (IP Program) is resuming the quarterly publication of its electronic newsletter after an extended hiatus. We hope that you will continue to find the information to be a useful guide to the extensive resources and opportunities available at the Law School concerning intellectual property law. Please feel free to submit to us any commentary, questions, or content for future editions. Thank you.

Lawrence Sung

Law School Professor and
Intellectual Property Law Program Director
LSung@law.umaryland.edu

Hilary Hansen

Business Law and Intellectual Property
Law Program Manager
HHansen@law.umaryland.edu

WHAT'S GOING ON?

This semester, the IP Program is hosting a conference on April 2, 2010, entitled "The Future of Genetic Disease Diagnosis and Treatment: Do Patents Matter?" to consider the legal, ethical and social issues surrounding the patenting of gene-based inventions and the implications for health care delivery. In particular, the discussion will include a consideration of the pending lawsuit *Ass'n for Molecular Pathology v. U.S. Patent & Trademark Office (and Myriad Genetics and Univ. of Utah Research Found.)* (S.D.N.Y.), which the American Civil Liberties Union (ACLU) and the Public Patent Foundation filed on behalf of researchers, genetic counselors, women patients, cancer survivors, breast cancer and women's health groups, and scientific associations representing 150,000 geneticists, pathologists, and laboratory professionals. The suit charges that the patents on the genes, BRCA1 and BRCA2, which are genetic markers for breast cancer, violate the First Amendment and patent law because genes are "products of nature" and therefore can't be patented.

Also this spring, MIPSAs will sponsor a law firm reception in Washington, DC. Furthermore, MIPSAs will conduct, on April 6, 2010, its annual visit to the U.S. Court of Appeals for the Federal Circuit, which will be hosted again this year by (soon to be Chief) Judge Randall R. Rader.

CAN YOU HEAR ME NOW?

This year, the IP Program established a new speaker series "Fortnightly IP." On certain Thursdays (roughly twice a month) during the academic year, the law school hosts a public forum for an informal discussion led by accomplished individuals who offer their experiences and insights on intellectual property issues.

Our inaugural speaker on Feb. 18 was Wayne Paugh, Esq., former U.S. Coordinator for International Intellectual Property Enforcement ("The IP Czar"), who addressed "The Legislation of Intellectual Property: Lessons From Capitol Hill." Our second speaker was Abby Bhattacharyya, Esq., Law Offices of Bartunek & Bhattacharyya, Ltd.—who is also the current Chair of the Programs Committee of the Maryland State Bar Association Intellectual Property Section—presented "Patent Law Practice in Uncertain Times."

April sessions include local artists Rjyan Kidwell and Jason Yurick discussing "Making Music in the IP Age" on April 1, and BNA Books Acquisition Manager Jim Fattibene presenting "Legal Publishing: Writing, Politics & Law" on April 15. "Fortnightly IP" is held in Room 202 of the Law School from 4:00 p.m. to 5:30 p.m. EST. To be included on our email reminder list regarding future speaker profiles and topics, please contact Hilary Hansen at hhansen@law.umaryland.edu.

INFORMATION PLEASE

In addition to the IPQ, the IP Program publishes information through various recognized social media outlets (click to join):

- Facebook
- Twitter
- LinkedIn

Plus, relevant law school webpage links include:

IP Program

<http://www.law.umaryland.edu/IPLaw>

Maryland Intellectual Property Students Association (MIPSA)

<http://www.law.umaryland.edu/mipsa>

Journal of Business and Technology Law

<http://www.law.umaryland.edu/jbtl>

RESOURCE SPOTLIGHT

Hilary Hansen, M.A., A.C.T.

As part of the continuing development of the IP Program, the Law School established the position of Business Law and Intellectual Property Law Program Manager. Since joining us in November 2008, Hilary has served in this role. She previously oversaw student and professional advancement programs as the Academic Programs Manager in the Office of Education, Training, and Professional Advancement (formerly Academic Affairs) at the University of Maryland Biotechnology Institute (UMBI), where she also served temporarily as Acting Director of Education. Hilary's educational background includes a M.A. in Writing from the Johns Hopkins University, an Accelerated Certification for Teaching from the College of Notre Dame of Maryland, and a B.S. in Biology from the Pennsylvania State University.

As the IP Program Manager, Hilary is the primary point of contact for all matters relating to the IP Program operation. In particular, she administers student IP externships, coordinates IP programs and conferences, and liaises with IP Program Faculty, MIPSAs, and the *Journal of Business & Technology Law*. Her office is located in Room 409D (within the JBTL suite), and she may be reached at HHansen@law.umaryland.edu or 410.706.3146.



COPYRIGHT FOR A SOCIAL SPECIES

Professor Robert Suggs has written an article which considers how technology has changed the way we experience our culture and the implications of these changes for Copyright. The abstract below and the complete article appear at <http://ssrn.com/abstract=1526541>.

Arguments about the proper scope of copyright protection focus on the economic consequences of varying degrees of protection. Most analysts view copyright as an economic phenomenon, and the size and health of our copyright industries measure the success of copyright policies. The constitutional text granting Congress the copyright power and the nature of special interest lobbying naturally create this economic focus; but this is a serious mistake. An exclusively economic focus makes no more sense than measuring the nutritional merits of our food supply from the size and profitability of the fast food industry.

The expressive culture that copyright protects arose tens of millennia before markets developed and mediums of exchange were invented. Cultural artifacts, from cave paintings to grave goods and myths of origin define our species as human. For our ancestral societies, whose hunting and gathering existence was always marginal at best, expressive culture was extraordinarily expensive to sustain, yet everywhere they did. No consensus has emerged as to what purpose expressive culture serves, but its universality strongly suggests that it served an important social purpose, perhaps one necessary for survival.

The technology that now places the world's culture, past and present, at everyone's fingertips (poised over a keyboard) has also quietly worked a profound change in the way we experience expressive culture. It has largely eliminated the live performance and replaced it with recorded media. Books have supplanted storytellers, records have replaced musicians, television and movies have superseded dance and drama. Of equal significance, technology has changed a communal and social experience into a private and solitary one. We no longer gather and experience our culture as cohesive groups bound by ties of kinship or other bonds of mutual obligation. These significant changes brought by technological innovation have occurred without comment or examination.

As with environmental harms like climate change, we might confront unanticipated injuries to the social fabric that cannot easily be remedied if we fail to adequately comprehend what technology has done to our experience of expressive culture. To do this we need to understand the social experience of expressive culture. This perspective also gives us a policy objective by which to structure copyright besides the economic statistics provided by the copyright industries. Until such time as we know the consequences of the decline of social experience from expressive culture, and are assured that these are not significant, we can with little adverse economic impact, revise copyright policies with a goal of reviving the social experience. Not only might this avoid the unknown and potentially disrupting consequences, but given the social creation of much culture, it may generate a new bounty of expressive works. Surprisingly, minor changes in copyright will strengthen the social experience of expressive culture.

Creativity and the Law

Saturday, April 10, 2010
2-5 p.m.

American Visionary Art Museum
800 Key Highway
Baltimore, MD 21230

Join Maryland Lawyers for the Arts (MLA) for a look at the legal protections and hurdles artists of all kinds must navigate in their pursuit of life, liberty, and happiness.

For more information and tickets, visit
<https://www.brownpapertickets.com/event/101723>

RECONSIDERING PATENT INFRINGEMENT REMEDIES

Professor Lawrence Sung has authored a short article for the BNA Books Newsletter that is reproduced below. BNA Books is the publisher of his books, *PATENT INFRINGEMENT REMEDIES* and *INTELLECTUAL PROPERTY TECHNOLOGY TRANSFER 2009 SUPPLEMENT CHAPTER 5*.

While patent rights might appear to reign supreme when measured by infringement damages awards now regularly crossing the billion dollar threshold, those who practice in this area of law can attest that in a commercial field mined with patents, risk management is a state of mind. The valuation of intangible intellectual property assets such as patents suffers from the paucity of well-articulated remedial theories and the inconsistent translation of those there are into real world contexts. With a public eye sharply critical of the patent system today, legislative efforts to reform the patent laws and judicial initiatives to bring greater order to the application of those laws are converging on the issue of skyrocketing patent litigation costs. The topic of patent infringement remedies is integral to this discourse, and is the focus of this short Article.

I. The Past

There are relatively few governing principles that dictate the availability of patent infringement remedies. By statute, a prevailing patent plaintiff is entitled to a reasonable royalty for the defendant's infringement, and may also recover any lost profits. In addition, by statute, the trial courts are authorized to award enhanced damages, attorney fees, costs, pre- and post-judgment interest, and injunctive relief, as appropriate, including those instances where a case is deemed exceptional because willful infringement and/or litigation misconduct has occurred. Furthermore, the yardsticks for compensatory damages have remained essentially static for almost four decades with continuing reliance upon the analyses set forth in *Panduit Corp. v. Stahlin Brothers Fibre Works, Inc.*¹ (four-factor test for lost profits) and *Georgia-Pacific Corp. v. United States Plywood Corp.*² (fifteen-factor test for reasonable royalty). Although seemingly straightforward, these considerations have been plagued with problems of application and calculus.

The still waters of patent infringement remedies experienced a sudden upswell with the U.S. Supreme Court decision in *eBay Inc. v. MercExchange, L.L.C.*,³ which abolished the automatic grant of permanent injunctive relief to a prevailing patent plaintiff in an infringement action. In rejecting the decades old practice, the Court ruled that the traditional four-factor equitable test relied upon to determine whether to issue a permanent injunction generally applied with equal force to patent cases. Beyond changing the dynamics of patent litigation, particularly those involving a patent troll or other non-practicing patent entity, the eBay decision signaled the arrival of a jurisprudential attention to the minimization of idiosyncratic patent law remedial theory.

Similarly, in *In re Seagate Technology, LLC*,⁴ the U.S. Court of Appeals for the Federal Circuit abandoned a quarter century practice of upholding a finding of willful infringement where an adjudged infringer had actual notice of the plaintiff's patent and breached an affirmative duty to exercise due care by failing to seek and obtain a competent opinion of independent counsel that the infringer's activity would not infringe the patent, or that the patent was invalid or unenforceable, prior to the infringer's start of such activity. An untoward consequence of this standard was the creation of adverse inferences at trial of willful infringement despite the legitimate invocations by accused infringers of attorney-client privilege and work product protection to communications relating to the subject matter of the opinions. Accordingly, in *Seagate*, the Federal Circuit adopted the new standard that willful infringement is established only where the patent plaintiff has proven by clear and convincing evidence that the infringing defendant was objectively reckless in proceeding despite a high likelihood that its actions constituted infringement of a valid patent. In so doing, the Federal Circuit recognized that the notion of willfulness was not unique to patent law and that the application of an objective recklessness standard in those other legal contexts militated for a similar approach to determining willful patent infringement.

II. The Present

Since the watershed events of eBay and Seagate, the Federal Circuit has continued to evolve its patent infringement remedies jurisprudence mindful of generally applicable legal theories. The patent appeals court's recent forays in this regard have included addressing reasonable royalty determinations and false patent marking.

In *ResQNet.com, Inc. v. Lansa, Inc.*,⁵ the Federal Circuit admonished the district courts to be mindful of the need to carefully tie proof of damages to the claimed invention's footprint in the market place. The Federal Circuit affirmed-in-part, reversed-in-part, vacated, and remanded-in-part the district court's judgment that Lansa infringed U.S. Patent No. 6,295,075 (which was held not invalid), but not U.S. Patent No. 5,831,608, both of which related to screen recognition and terminal emulation processes that download a screen of information from a remote mainframe computer onto a local personal computer. The district court awarded damages of \$506,305 for past infringement based on a hypothetical royalty of 12.5%, plus prejudgment interest, but denied ResQNet's motion for a permanent injunction, and imposed a license, at a royalty of 12.5%, for future activity covered by the '075 patent. The district court also assessed sanctions under Rule 11 against ResQNet and its counsel.

The Federal Circuit empathized with the plight of the trial courts in determining reasonable royalty damages, stating "Determin-

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ing a fair and reasonable royalty is often . . . a difficult judicial chore, seeming often to involve more the talents of a conjurer than those of a judge.” However, the Federal Circuit stressed that a reasonable royalty analysis nevertheless requires a district court to hypothesize, not to speculate. The Federal Circuit further opined that any evidence unrelated to the claimed invention does not support compensation for infringement but punishes beyond the reach of the statute.

In view of the reasonable royalty award in *ResQNet*, the Federal Circuit reminded that the first Georgia-Pacific factor requires consideration of only past and present licenses to the actual patent and the actual claims in litigation. Because the trial courts performing reasonable royalty calculations are wont to rely wrongly upon past licenses to technologies other than the patent in suit, the Federal Circuit once again beseeched the trial courts to exercise vigilance and restraint. Accordingly here, the Federal Circuit rejected the district court’s reasonable royalty award, which relied upon ResQNet’s damages expert’s testimony that was based solely on past licenses that neither pertained to, nor otherwise showed demand for, the infringed technology.

In *Forest Group, Inc. v. Bon Tool Co.*,⁶ the Federal Circuit held that the penalty for a violation of the false patent marking statute – 35 U.S.C. § 292⁷ – should be calculated on a per article basis, a ruling which some have decried will encourage a new cottage industry of false marking litigation by plaintiffs who have not suffered any direct harm. In *Forest*, the Federal Circuit affirmed-in-part, vacated-in-part and remanded the district court’s judgment, inter alia, that fined Forest \$500 for false marking with respect to U.S. Patent No. 5,645,515, which related to a spring-loaded parallelogram stilt used in construction.

The Federal Circuit reminded that the two elements of a § 292 false marking claim are (1) marking an unpatented article and (2) intent to deceive the public. The Federal Circuit recognized that the plain language of the statute did not support the district court’s penalty of \$500 for a decision to mark multiple articles. Instead, the statute’s plain language requires the penalty to be imposed on a per article basis. The statute prohibits false marking of “any unpatented article,” and it imposes a fine for “every such offense.” The Federal Circuit reasoned that the phrase “for the purpose of deceiving the public” creates an additional requirement of intent but does not change the relationship between the act of marking an article and the penalty. Accordingly, the Federal Circuit held that each article that is falsely marked with intent to deceive constitutes an offense under 35 U.S.C. § 292.

The Federal Circuit further discounted concerns that its ruling would create a new world of false marking “privateering” because § 292(b) authorized any party to collect one-half of the false marking penalty. Indeed, the Federal Circuit stated that it seemed unlikely that any qui tam plaintiffs would incur the enormous expense of patent litigation in order to split a \$500 fine with the government. Moreover, the Federal Circuit emphasized that § 292 does not mandate a \$500 per article fine, but merely sets the maximum limit of \$500 for every offense. The Federal Circuit suggested that the trial courts exercise discretion and strike a balance between encouraging enforcement of an important public policy and imposing disproportionately large penalties for small, inexpensive items produced in large quantities.

III. The Future

The relative infrequency of appeals before the Federal Circuit, much less the Supreme Court, involving patent infringement remedies issues, coupled with the deferential standards of review, have resulted in the absence of meaningful jurisprudence to assist the trial courts in navigating the labyrinthian analytical frameworks in operation. Although Congress has poised patent reform legislation to address some of these concerns, the proposals may have the effect of muddying the waters further with unintended consequences. In the meantime, the good work of judges, attorneys, academics, and members of the business and consumer community, in setting forth model jury instructions and other educational materials, much of which has been referenced and/or reproduced in the BNA Books publication *PATENT INFRINGEMENT REMEDIES*, has been instrumental by providing helpful guidance on best practices for achieving just compensation and furthering public policy goals in the administration and enforcement of patent rights.

REFERENCES

¹575 F.2d 1152 (6th Cir. 1978).

²318 F. Supp. 1116 (S.D.N.Y. 1970).

³547 U.S. 388 (2006), overruling, inter alia, *Richardson v. Suzuki Motor Co.*, 868 F.2d 1226 (Fed. Cir. 1989).

⁴497 F.3d 1360 (Fed. Cir. 2007), overruling *Underwater Devices Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380 (Fed. Cir. 1983).

⁵ ___ F.3d ___, 93 USPQ2d 1553 (Fed. Cir. 2010).

⁶590 F.3d 1295 (Fed. Cir. 2009).

⁷35 U.S.C. § 292 reads in pertinent part: (a) . . . Whoever marks upon, or affixes to, or uses in advertising in connection with any unpatented article the word “patent” or any word or number importing the same is patented, for the purpose of deceiving the public . . . Shall be fined not more than \$500 for every such offense.

Comments about this newsletter should be directed to:

University of Maryland School of Law
500 West Baltimore Street * Baltimore, MD 21201
hhansen@law.umaryland.edu

