

# THE UMBRELLA<sup>®</sup>

by CARSTENS & CAHOON, LLP



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## THE UMBRELLA<sup>®</sup>. AN INTELLECTUAL PROPERTY LAW UPDATE.

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### Revisions to PTAB Trial Rules



Theodore G. Baroody

Partner

The USPTO proposed on August 20, 2015 amended rules applicable to trial practice for the three post grant proceedings known as IPR (inter partes review), PGR (post grant review) and CBM (covered business method), as well as derivation proceedings (which replaced the former interference practice).

This rules package focuses on the claim construction standard for AIA trials, new testimonial evidence submitted with the patent owner's preliminary response, a Rule 11-type certification, and a word count for major briefing. This is in addition to prior ministerial rule changes and decisions clarifying that the scope of the analysis by a patent owner for a motion to amend the claims of a patent in response to a Petition for IPR is limited to the prior art known to the patent owner, and allowing 10 additional pages for a motion to amend, and 10 additional pages for a petitioner's reply brief (the proposed rules revise this limit for the reply to 5,600 words).

With respect to the Broadest Reasonable Interpretation ("BRI") standard, the USPTO will continue to use the BRI standard in post grant proceedings for unexpired patents. The USPTO recognized that a number of comments argued that the federal court standard used in the *Phillips* decision (*Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005)) was more appropriate. The Federal Circuit held in *Phillips* that the meaning of patent claims should be based...

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## Thinking Inside the Box



Colin Cahoon

*Partner*

Spurred on by reports of US companies fleeing overseas to avoid high US corporate tax rates, the idea of developing a “patent box” program similar to programs recently adopted in several European countries has surfaced on this side of the pond. A “patent box” offer companies lower tax rates on income derived from locally based innovation. The UK recently

announced that their patent box program has been working as anticipated and is attracting additional corporate investment in the UK.

There are at least eleven developed countries that either have patent box programs or are considering legislation to adopt them. The Organization for Economic Cooperation and Development is expected to endorse patent box programs such as the one in the UK, putting further pressure on the US to respond with more favorable international tax laws. With an eye on such developments, the US House Ways and Means Committee has released a bipartisan discussion draft of proposed amendments to the Internal Revenue Code giving tax relief to US corporations for income derived from US innovation.

The patent box program under consideration would provide a deduction of 71 percent of the income derived by corporations from certain patent related profits. Included in the deduction would be income derived from patent licensing fees and sales of products related to patents. A corporate coalition called “American Innovation Matters,” which includes Boeing, Cisco, Facebook, Intel, and Oracle, has endorsed the patent box approach and announced an intent to lobby congress to pass such legislation, as has the US Chamber of Commerce and the National Association of Manufacturers. Stay tuned to see if the US joins the trend of thinking “inside the box” in order to encourage investment in US innovation.



## The Proposed Unified European Union Patent System



James H. Ortega

*Partner*

The European Patent Organization has been developing a unified European Union (EU) patent system, which will include both a unitary EU patent, issued from the European Patent Office (EPO), as well as a Unified Patent Court (UPC) for harmonized enforcement of unitary EU patents. Although a specific date for implementation of the proposed system has not yet been

established, it is presently hoped that it will take effect in early 2017. Thus, the upcoming implementation requires patent practitioners involved in European patent practice to become familiar with the system in order to properly advise their clients.

Under the current European patent system, an applicant files a patent application at the EPO; this application can be a so-called “direct” European application – being a first application for an invention, or claiming priority to a prior application filed in any other country - or it may be filed as a European regional phase application stemming from an application filed under the Patent Cooperation Treaty (PCT). The EPO provides a centralized search and examination of the application, and if allowed, grants a European patent nominally covering all European states for which the application was designated, extended or validated. So, a granted European patent can be considered to be a “bundle” of national patents. The patentee must then choose which countries he wishes his European patent to cover and must follow the specific steps required by each country of interest. Only in those countries where this has been done will the European patent be enforceable.

Unfortunately, there are a number of disadvantages to this approach, most of them related to the fragmented nature of the grant and enforcement process. For example, each country has its own rules regarding translation, with several requiring the patentee to translate the whole patent into an official language of that country. Also, each country will typically demand a separate annual renewal fee that must be paid to maintain the enforceability of the patent in that country. Also, each country will typically demand a separate annual renewal fee that...

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## Delay Might Put Patent Ongoing Royalties and Injunctive Relief at Increased Risk



Shaukat A. Karjeker

Partner

Plaintiffs in patent cases are entitled to damages stretching back six years from the date of filing the suit for patent infringement under the Patent Statute, 35 USC § 286 -- unless these were barred by laches. This has been the law for over 20 years, since at least *Aukerman*,<sup>1</sup> which held that the defense of laches is applicable to bar past patent damages, even within the six-year statutory damages limitation

period. Laches arises when it is established that there was (1) an unreasonable delay in bringing the suit, and (2) the defendant suffered material prejudice attributable to the delay. *Aukerman* did not allow a court to take into account laches when deciding prospective relief, such as an ongoing royalty or an injunction. Now, the facts that support laches can be taken into account when a court weighs factors to decide on appropriate prospective relief.

This change is premised in large part on reconsideration based on the Supreme Court's recent *Petrella*<sup>2</sup> opinion, which held that a copyright plaintiff was not barred by laches, despite a long delay in filing suit, and that laches could affect prospective relief. This holding motivated plaintiff SCA Hygiene, whose patent damages had been barred by laches, to seek en banc review of the appropriateness of this ruling in light of *Petrella*.

The SCA Hygiene<sup>3</sup> Court was presented with two questions to consider. These questions may be simplified as follows (with answers of the en banc panel majority):

1. In light of *Petrella*, should laches be barred as a defense to a claim for damages that is brought within the 6 year damages limitation period of 35 USC 286? (SCA Hygiene answered: No, it is an available defense in this period.)

2. In light of there being no statute of limitations in patent cases, and in view of Supreme Court precedent, should the defense of laches be available, under some circumstances, to bar an entire suit for either damages or injunctive relief?

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## Firm Updates

### AWARDS

> Carstens & Cahoon, LLP was recognized in the Dallas Business Journal's Top Patent Law Firms List.

> Partners David Carstens, Colin Cahoon, and Vince Allen were named as 2015 Super Lawyers.

### SPEAKING ENGAGEMENTS, PRESENTATIONS, & Other News

> A number of attorneys including Vince Allen, Stephen Liu, and Greg Marcum participated in the Freedom Run 5K on September 10<sup>th</sup> at Dallas City Hall to honor 9/11 heroes, victims, and first responders. The Freedom Run was organized by the Dallas Association of Young Lawyers.

> The firm partnered with the JL Turner Legal Association Foundation to offer a \$750 scholarship to a diverse law student interested in intellectual property.

> Partners Vince Allen and Ted Barood attended the Dallas Bar Association's 24<sup>th</sup> Annual Bench Bar Conference, an event co-sponsored by Carstens & Cahoon, LLP.

> Members of the firm attended the USPTO Opening Gala on November 9<sup>th</sup> to celebrate the opening of the Texas Regional Office of the United States Patent and Trademark Office held at the Perot Museum of Nature and Science. We were pleased to support this event as an underwriter.

> Partners Colin Cahoon and David Carstens presented at the 53<sup>rd</sup> Annual Conference on Intellectual Property Law. Colin presented "A Nuts and Bolts Discussion on Common Ehtical Problems Encountered by IP Lawyers" and David presented "Software Prosecution: Dealing with the Hard Realities of a Software Practice."

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### Professional Profile



James H. Ortega

*Partner*

One of our partners, James Ortega, focuses his practice on the preparation and prosecution of patent and trademark applications, copyright, trade dress and trade secret matters, non-infringement and invalidity opinions, freedom to operate studies, intellectual property litigation, agreements for the development, transfer or licensing of technology, and intellectual property portfolio management.

Prior to joining the firm, Mr. Ortega developed extensive experience in numerous technology fields and in jurisdictions around the globe while working with the largest and most globally diverse law firm in the world for many years. Mr. Ortega has represented clients ranging from individuals to Fortune 100 clients in all facets of intellectual property law. He has represented clients in numerous technology fields, including optical, software, electrical, mechanical, orthopedic, and spinal implant

devices, electrical circuits, digital signal processing, digital display technologies, semiconductor manufacturing processes, security and anti-spam technologies, distributed computing networks, telecommunications networks, Software as a Service technologies, water purification technologies, seismic technologies, and electronic message management systems. Mr. Ortega's diverse technological experience provides him the unique ability to assist clients in protecting their intellectual property interests in virtually any technology field, in both the United States and abroad. Mr. Ortega manages extensive international intellectual property portfolios having patent applications pending in more than 25 nations around the world.

Mr. Ortega is a registered patent attorney before the United States Patent and Trademark Office, a member of the State Bar of Texas and the Dallas Bar Association, and is admitted to practice before the United States District Court for the Northern District of Texas. Mr. Ortega earned his law degree from Baylor University. Prior to law school, he graduated from the University of North Texas with a Bachelor of Science degree in electrical engineering. His undergraduate studies also included Associate of Science degrees in robotics and fluid power systems, computer integrated manufacturing, and industrial engineering.