Fish & Richardson Patent Webinar Series

Patent Claim Drafting: Litigation Impact

Chris Marchese
Principal

January 22, 2014
Agenda

I. Overview of Webinar Series
   i. CLE
   ii. Questions

II. Know Your Client’s and Your Competitors’ Businesses

III. Draft an Array of Claims

IV. Consider Proof of Infringement

V. Consider Damages Issues
Know Your Client’s and Your Competitors’ Businesses
Client’s patented product

Competitors’ products
Client’s patented product is used in a larger system
Claims may be too “big”: method or system directed to network, including client’s patented product.

1. A method for transmitting data in a network, comprising:
   a. receiving source information by a server;
   b. modifying the source information by the server to remove redundant material;
   c. storing the modified information in a cache memory in the server;
   d. transmitting the stored modified information in response to a request from the network;
   e. relaying the transmitted information by a network hub; and
   f. receiving the relayed information by a device connected to the network.
Why might this be a problem in litigation?

- Discovery – third parties
- Indirect infringement – legal issues
- Divided infringement – *Limelight v. Akamai*
- Foreign activity

1. A method for transmitting data in a network, comprising:
   a. receiving source information by a server;
   b. modifying the source information by the server to remove redundant material;
   c. storing the modified information in a cache memory in the server;
   d. transmitting the stored modified information in response to a request from the network;
   e. relaying the transmitted information by a network hub; and
   f. receiving the relayed information by a device connected to the network.
Why might this be beneficial in litigation?

- Network-level infringer – claims read on entire network
- Damages – entire market value rule (address in detail later)

1. A method for transmitting data in a network, comprising:
   a. receiving source information by a server;
   b. modifying the source information by the server to remove redundant material;
   c. storing the modified information in a cache memory in the server;
   d. transmitting the stored modified information in response to a request from the network;
   e. relaying the transmitted information by a network hub; and
   f. receiving the relayed information by a device connected to the network.
Claims may be too “small”: method or apparatus directed to feature, not product.

1. A method for processing data, comprising:
   a. providing source information;
   b. modifying the source information to remove redundant material; and
   c. storing the modified information.
Why might this be a problem in litigation?

- Damages – reduction in damages base because the claimed invention is the only one of many features in the product
- Damages – perception of minor invention

1. A method for processing data, comprising:
   a. providing source information;
   b. modifying the source information to remove redundant material; and
   c. storing the modified information.
Why might this be beneficial in litigation?

- Discovery – no third party discovery for infringement
- Indirect & divided infringement – may not be an issue
- Foreign activity – may not be an issue

1. A method for processing data, comprising:
   a. providing source information;
   b. modifying the source information to remove redundant material; and
   c. storing the modified information.
**Take aways**

- Become familiar with the facts
- The products
- The market
- The competition
- Draft claims accordingly

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1. A method for processing data, comprising:
   - providing source information;
   - modifying the source information to remove redundant material; and
   - storing the modified information.

1. A method for transmitting data in a network, comprising:
   - receiving source information by a server;
   - modifying the source information by the server to remove redundant material;
   - storing the modified information in a cache memory in the server;
   - transmitting the stored modified information in response to a request from the network;
   - relaying the transmitted information by a network hub; and
   - receiving the relayed information by a device connected to the network.
Draft an Array of Claims
How important/valuable is the invention?

– Try to gauge at the outset
– May be difficult

This will drive the array of claims

– System-, product-, and feature-levels
– Methods
– Apparatus
– Means-plus-function (Why?)
– Dependents
– The more, the merrier! ... assuming the invention’s value warrants the expense
System-level claims
- Method
- Apparatus
- Means-plus-function

Product-level claims
- Same claim array

Feature-level claims
- Same claim array
Liberal use of dependent claims

- Broad independent claims can be used in initial phases (file case, infringement contentions)
  - Ease of infringement detection
- But broad claims may drop out during litigation because defendant will extensively search the prior art
- Dependent claims may become valuable
  - Take discovery to prove infringement of narrower dependent claims
  - May survive validity attacks when broad claims fall
  - Even mundane dependent claims may prove valuable
What are “mundane” dependent claims?

– Known components
– Additional features
– Infringement proof straight-forward
– But may be hard to find in a single reference (esp. academic papers)

1. A method for processing data, comprising:
   a. providing source information;
   b. modifying the source information to remove redundant material; and
   c. storing the modified information.

2. The method of claim 1 wherein the storing step comprises storing in a cache memory.

3. The method of claim 2 wherein the step of modifying comprises compressing the data in a processor coupled to the cache memory.

4. The method of claim 3 wherein the method further comprises receiving the source information at an input port and conveying the information on a bus to the processor.
Take aways

- Consider value of the invention—draft claims accordingly
- Draft claims of varying scope
  - System
  - Product
  - Feature
- Draft claims of varying type
  - Method
  - Apparatus
  - Means-plus-function
- Use dependent claims
Consider Proof of Infringement
Optimal: claim is infringed by finished product, without turning it on or using it

1. An apparatus for processing information, comprising:
   a) an input for receiving source information;
   b) a processor for modifying the source information to remove redundant information;
   c) a filter for removing distortion from the modified information; and
   d) a cache for storing the filtered information.
Method claims

– Must show method is actually performed → box does not infringe upon manufacture

– Issues for plaintiff
  • How do you prove the method is used?...
  • Direct infringement → testing
    – Mfr. may not test the feature
  • Indirect infringement → downstream users
    – Inducement issues
  • Degree of use/damages (see below)
Mixing limitations

- Apparatus claims that include limitations that must be performed to infringe

- Example:
  - Same apparatus claim as above
  - However, includes the additional limitation:
  - “wherein the processor performs compression when a trigger signal is provided by the filter.”
Mixing limitations—example

1. An apparatus for processing information, comprising:
   a) an input for receiving source information;
   b) a processor for modifying the source information to remove redundant information;
   c) a filter for removing distortion from the modified information; and
   d) a cache for storing the filtered information;
   e) wherein the processor performs compression when a trigger signal is provided by the filter.

See also IPXL v. Amazon, 430 F.3d 1377 (Fed. Cir. 2005) (holding indefinite a system claim that also recited method for using the system).
Take aways

- Include claims that would be infringed by a single entity, without use
  - Read on client’s patented product
  - Read on competitors’ products
- Consider that method claims may create issues for proof of infringement (and damages—addressed later)
- Beware of mixing claim types
Consider Damages Issues

- *Entire Market Value Rule (EMVR)*
- *Smallest Salable Patent Practicing Unit (SSU)*
- Apportionment
- *Use of the Invention*

[www.patent-damages.com](http://www.patent-damages.com)
What’s the relationship?

Entire Market Value Rule (“EMVR”)

Smallest Salable Patent-Practicing Unit (“SSU”)

Patented feature

Apportionment

#fishwebinar
Origins in the Supreme Court

- **Garretson v. Clark**, 111 U.S. 120, 121 (1884):
  - The patentee must “give evidence tending to
    - [APPORTIONMENT] separate or **apportion** the defendant's profits and the patentee's damages **between the patented feature and the unpatented features**, and such evidence must be reliable and tangible, and not conjectural or speculative, **or**
    - [EMVR] he must show by equally reliable and satisfactory evidence that the profits and **damages are to be calculated on the whole machine**, for the reason that the **entire value of the whole machine**, as a marketable article, is **properly and legally attributable to the patented feature.**
EMVR

Key concept: claimed feature must drive demand for larger product/system

Does Ringo drive demand for the Beatles?

If not, damages assessed only on value of Ringo—which is the SSU—not on value of Beatles collection
Cornell v HP (Judge Rader, NDNY 2009)

- Patent directed to Instruction Reorder Buffer (IRB)
- Cornell could not prove IRB was basis for demand (no EMVR)
- SSU was CPU
- IRB was only a feature of the CPU (no apportionment)
Thus, under SSU approach, royalty base will be revenues derived from Ringo (even if sold as part of the Beatles group).

**Example:**
Beatles sell for $10
Ringo sells alone for $1

Units sold = 1M (Beatles) + 500k (Ringos)
Royalty base = $1.5M
Apportionment—stop at Ringo?

- EMVR does not apply—Ringo is not the basis for demand
- Ringo is SSU that includes the patented feature
  - Example: snare drum skills
- But...
  - Snare drum skills are only one of Ringo’s many valuable features
  - Non-patented features include:
    - Hi-hat skills
    - Bass drum kicks
    - Symbol crashing
How do we apportion?

• Once SSU has been identified, then possibilities for apportioning:
  • Step 1: apportion for value of claimed feature relative to SSU
    • What is value of patented feature, isolated from remainder of Ringo’s value?
  • Step 2: apportion for value of claimed feature over prior art
    • What is value of patented feature over prior art version of that same feature

• Important to consider when drafting claims
System-level claims
Large damages base

SSU-level claims
Medium damages base

Feature-level claims
Small damages base
What is the patented product?

• System-level claims, or broad apparatus claims
  • May cover entire multi-featured product
  • Example: claim directed to “computer” comprising:
    • Hard-disk memory
    • CPU
    • I/O
    • Bus coupling memory, CPU, and I/O
    • CPU including [PATENTED FEATURE]
• Claim covers the “computer”—is that the patented invention for EMVR?
What is the patented product?

  - Accused components: linear accelerator & RPM
  - Court: crux of EMVR dispute—when is an item part of “the invention”?
    - Pitt: linear accelerator (LA) included in royalty base b/c multiple claims referred to LA and RPM
    - Varian: LA in prior art → not part of invention
    - Court: sided with Pitt; LA “critical component” of infringing apparatus for 2 asserted claims
  - “[B]ecause the Court has concluded the linear accelerators are a part of the patented apparatus and not just a mere accessory, the added value of the linear accelerators may be used in determining the royalty base.”

http://patent-damages.com/2012/03/emvr-and-%E2%80%9Cartful-drafting%E2%80%9D/
What is the patented product?

*But see Lucent MP3 Case, 509 F. Supp. 2d 912 (S.D. Cal. 2007), aff’d other grounds, 543 F.3d 710*

- Lucent: entire computer appropriate royalty base
  - Claims are directed to “computer”
  - Computer was central to claimed encoding and decoding processes
- Court: what matters is novel feature
  - Other elements of claim should not impact base
  - Patent’s value should not change if prior art elements are added to claims
1. **Convoyed sales** – unpatented item separate from the patented item but sold with it

2. **Derivative sales** – unpatented repair parts or spare parts or other items sold after the patented item

3. **Single machine with many features** (e.g., PC or OS) – patented feature and unpatented features integrated together

Modern cases mainly category 3
- Computers
- Software
- Electronics
Use of the invention—method claims

- Must show method is actually performed → box does not infringe upon manufacture
- Damages issue → how much is the patented feature actually used?
  - Testing by manufacturer may not be useful
    - Test every box?
    - Only golden master?
    - What is value of feature that’s tested but never used by customers?
  - Use by customers may be hard to prove
    - How many customers actually use it?
    - How to do you prove it?
    - Surveys?
Take aways

- Consider claims that may avoid EMVR issues (system- or product-level claims)
- Beware of claims that may lead to deep apportionment and minimized damages base
- Include claims that may capture convoyed or derivative items in the damages base
- Note that method claims may limit damages
Chris Marchese
Principal
858-678-4314
marchese@fr.com
Blog: www.patent-damages.com