



# PATENT HAPPENINGS®

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

## HIGHLIGHTS

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## JUDICIAL HAPPENINGS

### **Status Report – Pleading Patent Infringement Allegations in view of Iqbal and Form 18**

Applying the “plausibility” standard announced in *Twombly*, and reaffirmed in *Iqbal*, to patent infringement allegations, which traditionally have been guided by the sample patent infringement pleading of Form 18 of the Appendices of Forms to the Federal Rules of Civil Procedure, raises difficult issues for the courts, litigants, and the patent community in general. The following discussion reports on the current state of the law in this area by summarizing the relevant Supreme Court precedents, Form 18, and how the courts are applying Form 18 in the wake of *Iqbal*.

#### **A) The Supreme Court’s Precedents Regarding Notice Pleading Under Rule 8**

Under the concept of “notice pleading” embodied in Rule 8 of Federal Rules of Civil Procedure,<sup>1</sup> a complaint only has to provide “a short and plain statement of the claim *showing that the pleader is entitled to relief.*” FED. R. CIV. P. 8(a)(2) (2007) (emphasis added). Over a half a century ago in *Conley v. Gibson*, 355 U.S. 41, 47 (1957), the Supreme Court made clear that Rule 8 merely requires that the complaint “give the defendant fair notice of what the plaintiff’s claim is and the grounds upon which it rests.” Further, “Rule 8(a) establishes a pleading standard without regard to whether a claim

<sup>1</sup> See generally, Robert A. Matthews, Jr., ANNOTATED PATENT DIGEST § 39:1 General Aspects of Notice Pleading in a Complaint [hereinafter APD]

will succeed on the merits.”<sup>2</sup> Accordingly, the Supreme Court has rejected the contention that to show the “grounds upon which [the claim] rests,” a plaintiff must plead facts that show a *prima facie* case of liability.<sup>3</sup>

Since *Conley*, the Supreme Court has steadfastly held that a plaintiff need not provide in its complaint detailed factual allegations that show a *prima facie* case of liability. But, beginning at least as early as 2005, the Court, in *Dura Pharmaceuticals, Inc. v. Broudo*, 544 U.S. 336, 347 (2005), expressed concerns that without a robust enforcement of *Conley*’s requirement that a plaintiff plead facts showing the grounds upon which its claim rests, a plaintiff can too easily assert a baseless claim, and thereby attempt to extort a nuisance-value settlement.

Two years later, in *Bell Atlantic Corp. v. Twombly*, 550 U.S. 544, 558 (2007), the Supreme Court again noted the need for a workable mechanism to weed out baseless claims early in the lawsuit “lest a plaintiff with a largely groundless claim be allowed to take up the time of a number of other people, with the right to do so representing an *in terrorem* increment of the settlement value.”

*Twombly* relied on this policy goal to hold that “[w]hile a complaint attacked by a Rule 12(b)(6) motion to dismiss does not need detailed factual allegations, a plaintiff’s obligation to provide the ‘grounds’ of his ‘entitle[ment] to relief’ requires more than labels and conclusions, and a formulaic recitation of the elements of a cause of action will not do[.]” *Id.* at 555. Consequently, “[f]actual allegations must be enough to raise a right to relief above the speculative level, on the assumption that all the allegations in the complaint are true (even if doubtful in fact).” *Id.*

Citing Rule 8(a)(2)’s requirement of “*showing* that the pleader is entitled to relief,” the Court explained in *Twombly* that

While, for most types of cases, the Federal Rules eliminated the cumbersome requirement that a claimant “set out *in detail* the facts upon which he bases his claim,” Rule 8(a)(2) still requires a “*showing*,” rather than a blanket assertion, of entitlement to relief. Without some factual allegation in the complaint, it is hard to see how a claimant could satisfy the

requirement of providing not only “fair notice” of the nature of the claim, but also “grounds” on which the claim rests.

*Id.* at 555 n.3.

Setting forth a requirement that to “show” an entitlement to relief, a pleading must allege enough facts, which if taken as true, give a district court “plausible grounds” to reasonably infer that the law will allow the plaintiff to recover, the Court explained:

Asking for plausible grounds to infer an agreement [a requisite element for the asserted antitrust claim] does not impose a probability requirement at the pleading stage; it simply calls for enough fact to raise a reasonable expectation that discovery will reveal evidence of illegal agreement. And, of course, a well-pleaded complaint may proceed even if it strikes a savvy judge that actual proof of those facts is improbable, and “that a recovery is very remote and unlikely.”

*Id.* at 556-57.

On May 18, 2009, the Supreme Court again addressed Rule 8’s standards, and the “plausible grounds” requirement of *Twombly*, in *Ashcroft v. Iqbal*, 129 S. Ct. 1937 (2009). Dispelling contentions that *Twombly* announced a special pleading rule limited to antitrust actions, the Supreme Court instructed that *Twombly*’s pleading standard applies to all causes of actions because it is based on the Court’s “interpretation and application of Rule 8,” and Rule 8 “governs the pleading standard ‘in all civil actions and proceedings in the United States district courts.’” *Id.* at 1953. Accordingly, *Twombly*’s plausibility standard applies to all patent-related actions brought in federal court.

Providing further explanation of its “plausible grounds” standard, the Court explained that merely pleading conclusory allegations that the defendant committed an identified legal wrong without pleading facts showing a plausible basis to infer that the defendant did indeed commit the identified wrong does not suffice under Rule 8. In other words, “unadorned, the-defendant-unlawfully-harmed-me accusation[s]” and “[t]hreadbare recitals of the elements of a cause of action, supported by mere conclusory statements” will not meet a plaintiff’s pleading burden. *Id.* at 1949.

The Court expressly instructed that “Rule 8 ... does not unlock the doors of discovery for a plaintiff armed with nothing more than conclusions.” *Id.* at 1950.

<sup>2</sup> *Swierkiewicz v. Sorema N.A.*, 534 U.S. 506, 515 (2002).

<sup>3</sup> *Id.*, 534 U.S. at 510 (a *prima facie* case “is an evidentiary standard, not a pleading requirement.”).

Accordingly, a complaint must plead “factual content that allows the court to draw the reasonable inference that the defendant is liable for the misconduct alleged.” *Id.* at 1949.

In summary, *Iqbal* and *Twombly* show that to curb baseless suits and give district courts a more useful tool to identify and dismiss frivolous lawsuits early in the proceedings, a plaintiff must plead in its complaint facts that show plausible grounds for the claim, i.e., facts showing something more than a sheer possibility, but less than a proven probability, that the defendant committed acts for which it should be held liable to the plaintiff. This requirement follows from Rule 8(a)(2)’s command that the claim “show[s] that the pleader is entitled to relief” and *Conley*’s requirement that the complaint give notice of the “grounds upon which [the claim] rests.” To meet these standards, the plaintiff does *not* have to plead detailed facts showing a *prima facie* case of liability, i.e., it does not have to show a probability it will succeed on the merits of its claim.<sup>4</sup> But the plaintiff must plead sufficient facts that show something “more than a sheer possibility that a defendant has acted unlawfully.” *Iqbal*, 129 S. Ct. at 1949. It must plead “factual content that allows the court to draw the reasonable inference that the defendant is liable for the misconduct alleged.” *Id.* at 1949. The “[f]actual allegations must be enough to raise a right to relief above the speculative level[.]” *Twombly*, 550 U.S. at 555. They must “raise a reasonable expectation that discovery will reveal evidence of illegal [conduct].” *Id.* at 556. “Threadbare recitals of the elements of a cause of action, supported by mere conclusory statements, do not suffice.” *Iqbal*, 129 S. Ct. at 1949.

In response to criticism of the “plausible grounds” standard of *Twombly* and *Iqbal*, a bill has been introduced in the Senate, S1504, to congressionally overrule the “plausible grounds” standard. But, the proposed language of the bill merely states that a “Federal court shall not dismiss a complaint under rule 12(b)(6) or (e) of the Federal Rules of Civil Procedure, except under the standards set forth by the Supreme Court of the United States in *Conley v. Gibson*, 355 U.S. 41 (1957).” Given that the holdings of *Twombly* and *Iqbal* are directly based on what the Court deems necessary to meet *Conley*’s standard that

<sup>4</sup> Indeed, on a motion to dismiss, the district court must still assume the truth of any facts the plaintiff alleges, even if those facts appear improbable. See *Iqbal*, 129 S. Ct. at 1950. Legal conclusions are not entitled to such deference. *Id.*

the pleader give notice as the “grounds upon which [the pleader’s claim] rests,” the language in the currently proposed bill seems ineffective to overrule the “plausible grounds” standard.

## B) Form 18 and its Deficiencies

Form 18 provides a sample complaint for patent infringement stated in four rudimentary paragraphs that recite:

1. (Statement of Jurisdiction — See Form 7.)
2. On *date*, United States Letters Patent No. \_\_\_\_\_ were issued to the plaintiff for an invention in an *electric motor*. The plaintiff owned the patent throughout the period of the defendant’s infringing acts and still owns the patent.
3. The defendant has infringed and is still infringing the Letters Patent by making, selling, and using *electric motors* that embody the patented invention, and the defendant will continue to do so unless enjoined by this court.
4. The plaintiff has complied with the statutory requirement of placing a notice of the Letters Patent on all *electric motors* it manufactures and sells and has given the defendant written notice of the infringement.

Therefore, the plaintiff demands:

- (a) a preliminary and final injunction against the continuing infringement;
- (b) an accounting for damages; and
- (c) interest and costs.

Federal Rules of Civil Procedure, Appendix of Forms, Form 18 (2007).

Rule 84 of the Federal Rules of Civil Procedure expressly states that the pleadings in the Appendix of Forms “are sufficient under the rules and are intended to indicate the simplicity and brevity of statement which the rules contemplate.” Nevertheless, in its current embodiment, Form 18 is outdated.<sup>5</sup> For example, Form 18 specifies the infringing acts as “making, selling, and using” without accounting for

<sup>5</sup> Form 18 was originally codified in the Appendix to the Federal Rules of Civil Procedure as Form 16 in 1938. *McZeal v. Sprint Nextel Corp.*, 501 F.3d 1354, 1361 (Fed. Cir. 2007) (Dyk, J., *concurring-in-part, dissenting-in-part*). It was amended in 1963 to modify the prayer for relief. *Id.* Other than changing the designated form number, the 2007 version of Form 18 uses the same substantive language that has been in effect since 1938.

the fact that 35 U.S.C. § 271(a) has been amended to include importing and offering for sale as additional infringing offenses.<sup>6</sup>

More notably, Form 18 only addresses limited circumstances of direct infringement of a utility patent.<sup>7</sup> It does not address inducing infringement under 35 U.S.C. § 271(b), contributory infringement under § 271(c),<sup>8</sup> infringement for filing an improper Paragraph IV certification under § 271(e)(2), infringement for supplying components to be assembled outside of the United States in an infringing manner under § 271(f)(1) or (f)(2), and infringement for using, selling, or importing a product made by a patented process under § 271(g). Additionally, Form 18 does not address pleading joint direct infringement of method claims,<sup>9</sup> willful infringement under § 284,<sup>10</sup> or a request for attorney's fees under § 285.<sup>11</sup> Nor does it address in any fashion allegations of design patent infringement.<sup>12</sup>

Given the numerous variations in pleading patent infringement allegations not addressed by Form 18, its overall usefulness in patent litigation appears questionable.<sup>13</sup> Despite its shortcomings, however,

<sup>6</sup> The Patent Act was amended effective January 1, 1996 to add “offering for sale” and “importing” as additional acts of patent infringement. APD § 10:12 Offering a Product as an Infringing Act & § 10:97 Importing a Patented Product into the United States – § 271(a).

<sup>7</sup> Judge Dyk has stated the view that Form 18 does not address claims of direct infringement under the doctrine of equivalents, but only claims for literal infringement. *McZeal*, 501 F.3d at 1361 (Dyk, J., *concurring-in-part, dissenting-in-part*).

<sup>8</sup> See generally, APD § 39:7 Pleading Contributory Infringement and Induced Infringement.

<sup>9</sup> See generally, APD § 39:6.50 Pleading Joint Infringement of Method Claims; and § 10:176 Steps of Process Performed by Different Entities – Divided or Joint Infringement Under *BMC*, *et seq.*

<sup>10</sup> See generally, APD § 39:11 Pleading Willful Infringement.

<sup>11</sup> See generally, APD § 39:11.50 Pleading Prayer for § 285 Attorney Fees.

<sup>12</sup> See generally, APD § 39:11.25 Pleading Infringement of a Design Patent.

<sup>13</sup> Post-*Iqbal*, some courts, including the Federal Circuit, have relied on the fact that Form 18 does not address claims of indirect infringement and design patent infringement to avoid having to decide whether *Iqbal*'s plausibility standard conflicts with Form 18. *E.g., Colida v. Nokia Inc.*, No. 2009-1326, 2009 WL 3172724, \*2 n.2 (Fed. Cir. Oct. 6,

Form 18 has, in the past, provided guidance to courts in assessing how much detail a patentee must plead as to the acts of the defendant that form the basis of a charge of patent infringement. Specifically, the sample allegation —

The defendant has infringed and is still infringing the Letters Patent by making, selling, and using *electric motors* that embody the patented invention, and the defendant will continue to do so unless enjoined by this court.

— has been repeatedly relied on by the courts to evaluate the level of specificity a patentee must plead in its complaint and particularly whether a patentee must identify in precise detail the accused product and/or the specific claims of the patent it asserts the defendant has infringed.<sup>14</sup>

### C) Federal Circuit Precedents on Pleading Patent Infringement Allegations and Form 18

Before *Twombly* and *Iqbal*, the Federal Circuit took a liberal view of what satisfied “notice pleading” of a patent infringement claim.<sup>15</sup> For example, in *Kunkel*

2009) (*nonprecedential*) (“Form 18 is a sample pleading for patent infringement, but is not tailored to design patents and was last updated before the Supreme Court’s *Iqbal* decision.”); *Elan Microelectronics Corp. v. Apple, Inc.*, 2009 WL 2972374, \*2-\*4 (N.D. Cal. Sept. 14, 2009).

Some district courts, both before and after *Twombly*, have relied on the overall generality shown in Form 18 to hold by analogy that a patentee may plead claims for indirect infringement and willful infringement with that same level of generality. *E.g. FotoMedia Tech., LLC v. AOL, LLC.*, No. 2:07CV255, 2008 WL 4135906, \*2 (E.D. Tex. Aug. 29, 2008); *CBT Flint Partners, LLC v. Goodmail Sys., Inc.*, 529 F. Supp.2d 1376, 1379-81 (N.D. Ga. Dec. 17, 2007); *Meridian Enterprises Corp. v. Bank of America Corp.*, 2006 WL 3210497, \*2 (E.D. Mo. Nov. 3, 2006); *Dome Patent L.P. v. Permeable Tech., Inc.*, 190 F.R.D. 88, 90-91 (W.D.N.Y. 1999).

<sup>14</sup> See generally, APD § 39:3 Form 18 – Sample of an Adequate Infringement Complaint (collecting many cases where courts held that since the complaint pled the same level of detail as in Form 18 the complaint withstood an accused infringer’s motion to dismiss); APD § 39:4 Identifying Accused Product; and APD § 39:5 Identifying Specific Patent Claims.

<sup>15</sup> See generally, APD § 39:2 Notice Pleading of Infringement Claims.

The Federal Circuit presently applies regional circuit law when reviewing the sufficiency of an infringement complaint. APD § 39:32.10 Choice of Circuit Law. Arguments can be made that the country would benefit from one nationally uniform rule as to standards required in

*v. Topmaster Int'l, Inc.*, 906 F.2d 693, 695 (Fed. Cir. 1990), the Federal Circuit held that a patentee's complaint sufficiently pled a claim of patent infringement where the patentee pled "ownership of a patent still in force, infringement by defendants, and requested as relief treble damages and an injunction, specifically citing the Patent Act, 35 U.S.C. § 284 (1988)." The court further stated that a complaint adequately pled a claim for patent infringement where the patentee "specifically alleged that the defendants have infringed Kunkel's patent by making, using, or selling Kunkel's claimed invention without Kunkel's authority." *Id.* at 696. The allegation of infringement found sufficient in *Kunkel* appears to have the same minimal level of detail as in Form 18.

The Federal Circuit has also expressly rejected the notion that a patentee must plead asserted claim constructions to adequately plead a claim for infringement. In *Phonometrics, Inc. v. Hospitality Franchise Sys., Inc.*, 203 F.3d 790, 794 (Fed. Cir. 2000), the court instructed that "[t]he Rule 12(b)(6) pleading requirements for a complaint of infringement cannot be extended to require a plaintiff to specifically include each element of the claims of the asserted patent." *Id.* Recasting the standard to find an infringement complaint sufficient, the Federal Circuit stated that a complaint need only give "an accused infringer ... sufficient knowledge of the facts alleged to enable it to answer the complaint and defend itself." *Id.* The court then noted that the patentee's complaint provided sufficient notice to the accused infringer because it "describe[d] the means by which the defendants allegedly infringe." *Id.*<sup>16</sup>

In September 2007, the Federal Circuit handed down *McZeal v. Sprint Nextel Corp.*, 501 F.3d 1354, (Fed. Cir. 2007), where it addressed the sufficiency of a *pro se* patentee's infringement complaint under *Twombly*. Over the dissent of Judge Dyk, the panel vacated a Rule 12(b)(6) dismissal because the *pro se*

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a complaint for patent infringement. Cf. Peter J. Karol, *Who's at the Helm, The Federal Circuit's Rule of Deference and the Systemic Absence of Controlling Precedent in Matters of Patent Litigation Procedure*, 37 AIPLA Q.J. 1 (2009) (arguing that the Federal Circuit should do away with deferring to regional circuit law for procedural issues and apply its own law to such issues).

<sup>16</sup> Unfortunately, the court did not recite in its opinion the infringement allegation from the complaint to provide an example of what the court found sufficient to "describe[] the means by which the defendant allegedly infringe[d]" the patent.

litigant's complaint,<sup>17</sup> according to the panel, sufficiently pled a patent-infringement claim where it identified the asserted patent, identified a specific accused product and a general reference to "line of wireless VoIP products," and alleged "enough detail to allow the defendants to answer." *Id.* at 1357. After quoting from Form 18 (Form 16 at that time) as an example for the level of detail a complaint for patent infringement should contain, the panel explained that "a plaintiff in a patent infringement suit is not required to specifically include each element of the claims of the asserted patent." *Id.* The panel also made clear, that a patentee, at the pleading stage, does not have to fully know or understand how an accused product works to plead a sufficient claim of infringement. The specifics of how the accused product operates, and how that relates to the infringement claim, is left for discovery. *Id.* at 1358.<sup>18</sup>

Interestingly, the panel majority opinion never discusses the "plausible grounds" standard of *Twombly*. Instead it takes the position that *Twombly* did not change the pleading standard of Rule 8 as articulated in *Conley*. *Id.* at 1357 n.4.

Judge Dyk dissented in part. In his view, Form 18 fails to comply with the pleading requirements of *Twombly*. Judge Dyk broke his analysis into two parts: literal infringement and infringement under the doctrine of equivalents. As to literal infringement, he

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<sup>17</sup> Courts must apply a liberal construction of complaints filed *pro se*. *Erickson*, 551 U.S. at 94 ("A document filed *pro se* is 'to be liberally construed,' and 'a *pro se* complaint, however inartfully pleaded, must be held to less stringent standards than formal pleadings drafted by lawyers[.]"); *McZeal*, 501 F.3d at 1356 ("Where, as here, a party appeared *pro se* before the trial court, the reviewing court may grant the *pro se* litigant leeway on procedural matters, such as pleading requirements. Indeed, the Supreme Court has recognized this less demanding standard."); see generally, APD § 39:32.30 Standards Applied to *Pro Se* Litigants. Nonetheless, the Federal Circuit's analysis in *McZeal* does not appear to expressly apply a lower pleading standard due to the *pro se* status of the patentee.

<sup>18</sup> To the extent, the Federal Circuit's statement here is viewed as the patentee not needing to plead facts regarding the specific characteristics of the accused product in a manner that shows a *prima facie* case of infringement, the panel's statement appears consistent with *Swierkiewicz*, 534 U.S. at 512, and its notion that "[b]efore discovery has unearthed relevant facts and evidence, it may be difficult to define the precise formulation of the required *prima facie* case in a particular case."

faulted Form 18 for not specifying the particular claims of the patent for which the patentee alleged the defendant's product literally infringed and to identify what features in the accused product allegedly met the asserted patent claims. *Id.* at 1360. Nonetheless, Judge Dyk agreed that in view of Rule 84, the panel was compelled to rule that a complaint that alleged a claim of *literal* infringement with the same level of generality as in Form 18 was sufficient to state a claim. *Id.*

As to infringement under the doctrine of equivalents, Judge Dyk concluded that Form 18 does not address infringement under the doctrine of equivalents. *Id.* at 1361. Thus, he analyzed the complaint by applying his understanding of *Twombly* without regard to Form 18.

Under his analysis, Judge Dyk concluded that the complaint "utterly fails to provide any meaningful notice as to how Sprint has infringed the claims under the doctrine of equivalents. It fails to specify which limitations are literally infringed and which are infringed by equivalents, or, as to the limitations alleged to be infringed by the doctrine of equivalents, how the accused product is insubstantially different from the patented devices." *Id.* According to Judge Dyk, the patentee's "conclusory allegations of infringement under the doctrine of equivalents are insufficient" under the standard announced in *Twombly*. *Id.* Echoing the Supreme Court's policy concerns of timely weeding out frivolous claims, Judge Dyk noted that

The consequence of allowing McZeal's conclusory allegations to proceed is to expose the defendant to potentially extensive discovery before a motion for summary judgment may be filed. Thus the district court here "must retain the power to insist upon some specificity in pleading before allowing a potentially massive factual controversy to proceed." *Bell Atlantic*, 127 S.Ct. at 1967.

*Id.* at 1362 (footnotes omitted).

Summarizing his view of the standards that should apply to patent infringement complaints, Judge Dyk stated that patentees should identify the particular claims of the patent they allege are infringed and identify the particular features of the accused product they contend meet the limitations of the asserted claims. *Id.* at 1363 (citations omitted).<sup>19</sup>

<sup>19</sup> Judge Dyk's call to require patentees to identify specific claims and features of the accused product that correspond

In October of 2009, the Federal Circuit addressed the sufficiency of pleading infringement allegations, albeit to a *pro se* litigant's pleading a claim for design patent infringement, in *Colida v. Nokia Inc.*, No. 2009-1326, 2009 WL 3172724, \*1-\*2 (Fed. Cir. Oct. 6, 2009) (*nonprecedential*). There the court affirmed a dismissal of a claim of design patent infringement after finding that as pled the infringement claim was "facially implausible" and the patentee failed to plead facts alleging where the claimed ornamental design appears in the accused product.

Speaking to the standards a complaint for patent infringement must meet in view of *Iqbal* and *Twombly*, the Federal Circuit stated:

[A]s the Supreme Court recently clarified, the complaint must have sufficient "facial plausibility" to "allow[] the court to draw the reasonable inference that the defendant is liable." The plaintiff's factual allegations must "raise a right to relief above the speculative level" and cross "the line from conceivable to plausible."

*Id.* at \*1.

Examining the complaint, the court affirmed the dismissal because the facts alleged in the complaint did not permit the district court to "reasonably infer" the accused infringer infringed the design patent. *Id.* at \*2. The court faulted the patentee for not alleging in its complaint where, in the accused products, the claimed ornamental design could be found. *Id.* The court further noted that the patentee's amended complaint had "state[d] nothing about how the accused [product] ... bears this [claimed] design or anything remotely similar to it." *Id.*

The panel's analysis in *Colida* may signal a departure from *McZeal* and reliance on Form 18. Notably, the panel faulted the patentee for failing to plead facts showing *how* the claimed ornamental design could be found in the accused product. Form 18 does not provide illustrative facts showing how the features of the claimed invention are

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to the limitations of the identified asserted claims seems to contrast sharply with the holding of *Phonometrics* that a patentee is not required to plead facts showing how each limitation of a claim is met by the accused product. In his opinion, Judge Dyk merely notes that *Phonometrics* predates *Twombly* and the allegations in *Phonometrics* were allegedly more detailed than those in *McZeal* because the *Phonometrics* "complaint explained the means by which the defendants allegedly infringed." *Id.* at 1363 n.10.

allegedly found in the accused product. Thus, although *Colida* is nonprecedential and concerns a design patent, it may give support for district courts to require patentees to do more than just identify an accused product in a complaint and make a conclusory allegation that the product infringes the asserted patent.<sup>20</sup>

#### D) How District Courts are Responding to *Iqbal*

Before *Twombly* and *Iqbal*, district courts routinely found patent infringement complaints that had infringement allegations of the same general level of detail as in paragraph 3 of Form 18 adequately pled a claim of infringement.<sup>21</sup> The two issues most often litigated as to the sufficiency of an infringement allegation concerned whether the patentee had to identify the specific claims of the patent it asserted the defendant infringed (most often the patentee did not)<sup>22</sup> and whether the patentee provided a sufficient level of detail in identifying the accused products.<sup>23</sup> Accused infringers rarely, if ever, challenged a complaint on the basis that the patentee failed to sufficiently plead facts showing how an identified accused product infringed the asserted patent.<sup>24</sup> That will likely change.

<sup>20</sup> See e.g., *Johnson v. Strauss*, 2009 WL 2916913, \*7 (S.D. Ohio Sept. 4, 2009) (dismissing *pro se* patentee's claim of design patent infringement because the patentee failed to plead any allegations showing what ornamental design of the accused infringer he alleged infringed).

<sup>21</sup> See generally, APD § 39:3 Form 18 – Sample of an Adequate Infringement Complaint (collecting cases).

<sup>22</sup> See generally, APD § 39:5 Identifying Specific Patent Claims. But see *Taurus IP, LLC v. Ford Motor Co.*, No. 2008 WL 656533, \*5 (W.D. Wis. Feb. 4, 2008) (granting accused infringer's motion for a more definite statement and requiring patentee to identify in its complaint which specific claims of the patent it asserted are infringed); *IP Cleaning S.p.A v. Annovi Reverberi, S.p.A.*, 2006 WL 5925609, \*1 (W.D. Wis. Oct. 27, 2006) (as part of pretrial conference order on a matter before Judge Crabb, ruling that parties had to identify specific asserted patent claims in the pleadings). See also *McZeal*, 501 F.3d at 1361 (Dyk, J., concurring-in-part, dissenting-in-part) (stating the view that patentees should be required to identify in their complaint the particular claims of the patent they allege are infringed).

<sup>23</sup> See generally, APD § 39:4 Identifying Accused Product.

<sup>24</sup> Most likely, this arose from the Federal Circuit's holding in *Phonometrics* that a patentee did not have to plead in its complaint how the accused product meets each element of the asserted claims.

Post *Twombly* and *Iqbal*, many district courts still find that a complaint that pleads the barebone allegations as in Form 18 passes muster, especially if the court has adopted local patent rules that will flush out infringement contentions during the course of the suit.<sup>25</sup> District courts lacking local patent rules have also embraced the view that *Twombly* does not impose a heightened pleading requirement for patent infringement actions.<sup>26</sup> In part, these rulings can be attributed to the fact that Rule 84 states that pleadings show in the Appendices are sufficient.

Nonetheless, some courts are beginning to question whether a complaint that pleads an infringement claim with just the level of general detail as in Form 18 will pass muster under the plausibility standard of *Iqbal*. For example, in *Elan Microelectronics Corp. v. Apple, Inc.*, 2009 WL 2972374 (N.D. Cal. Sept. 14, 2009), the district court remarked that: "It is not easy to reconcile Form 18 with the guidance of the Supreme Court in *Twombly* and *Iqbal*; while the form undoubtedly provides a 'short and plain statement,' it offers little to 'show' that the pleader is entitled to

<sup>25</sup> See e.g., *Advanced Analogic Tech., Inc. v. Kinetic Technologies, Inc.*, 2009 WL 1974602, \*1 (N.D. Cal. July 8, 2009); *Sikes Cookers & Grill, Inc. v. Vidalia Outdoor Products, Inc.*, 2009 WL 427227, \*3 (N.D. Ga. Feb. 19, 2009); *FotoMedia Tech., LLC v. AOL, LLC.*, 2008 WL 4135906, \*2 (E.D. Tex. Aug. 29, 2008); *PA Advisors, LLC v. Google Inc.*, 2008 WL 4136426, \*6 (E.D. Tex. Aug. 8, 2008); *CBT Flint Partners, LLC v. Goodmail Sys., Inc.*, 529 F. Supp. 2d 1376, 1379-81 (N.D. Ga. Dec. 17, 2007).

<sup>26</sup> See e.g., *In re Papst Licensing GMBH & Co. KG Litigation*, 631 F. Supp. 2d 42, 45-46 (D.D.C. July 6, 2009); *S.O.I.TEC Silicon On Insulator Tech., S.A. v. MEMC Elec. Materials, Inc.*, 2009 WL 423989, \*1-2 (D. Del. Feb. 20, 2009); *Resonance Technology, Inc. v. Koninklijke Philips Elecs., N.V.*, 2008 WL 4330288, \*2 (C.D. Cal. Sept. 17, 2008); *Edge Capture L.L.C. v. Lehman Bros. Holdings, Inc.*, 2008 WL 4083146, \*1 (N.D. Ill. Aug. 28, 2008); *Digital Technology Licensing LLC v. Sprint Nextel Corp.*, 2008 WL 4068930, \*2-5 (D.N.J. Aug. 27, 2008); *Aspex Eyewear, Inc. v. Clariti Eyewear, Inc.*, 531 F. Supp. 2d 620, 622 (S.D.N.Y. Jan. 24, 2008); *Taltwell, LLC v. Zonet USA Corp.*, 2007 WL 4562874, \*14 (E.D. Va. Dec. 20, 2007). Cf. *Phillip M. Adams & Assoc., L.L.C. v. Dell, Inc.*, 2008 WL 200340, \*1 (D. Utah Jan. 22, 2008) (where accused infringer sold 117 different models of computers and 174 different motherboards, granting accused infringer's motion to require patentee to provide a more definite statement as to what products it accused of infringing, but first granting patentee limited discovery into the accused infringer's products before it had to provide the more definite statement).

relief.” *Id.* at \*2. Nevertheless, the *Elan* court side-stepped the issue of whether it had to give effect to Form 18 over *Iqbal* and *Twombly* by noting that the complaint before pled causes of action, such as inducing and contributory infringement, that Form 18 did not cover. Thus, the court just analyzed the sufficiency of the complaint based on the plausibility standard of *Iqbal* and *Twombly* and found that the infringement claims were insufficiently pled.<sup>27</sup>

### E) Concluding Thoughts

As noted in Judge Dyk’s dissent in *McZeal* and the *Elan* court’s comments, the generality of the infringement allegation in Form 18 does not recite facts showing “plausible grounds” to find infringement. Consequently, an undeniable tension exists between applying Form 18 via Rule 84 and following the Supreme Court’s directives in *Iqbal* and *Twombly*. It seems likely that unless Form 18 is abolished or amended to conform to *Iqbal* and *Twombly*,<sup>28</sup> future courts will follow *Elan*’s solution by not applying Form 18 to any allegations of infringement that go beyond acts of direct infringement. Some courts may even follow Judge Dyk’s conclusion that Form 18 does not apply to allegations of infringement under the doctrine of equivalents. This may result in two distinct pleading standards applying to the same complaint: i) a standard that permits minimal allegations of direct infringement (perhaps limited to only claims of direct literal infringement) and ii) a standard requiring facts

<sup>27</sup> District courts in other patent-law contexts are beginning to apply the “plausible grounds” standard of *Iqbal* in analyzing the sufficiency of pleadings. *E.g. Sandisk Corporation v. LSI Corp.*, 2009 WL 3047375, \*2 (N.D. Cal. Sept. 18, 2009) (granting Rule 12(b)(6) motion to dismiss accused infringer’s state-law unfair competition claims based on patentee’s alleged publicizing its infringement allegations to the accused infringer’s customers in bad faith, the court finding that the accused infringer only pled the element of bad faith and the objective baselessness of the infringement claim in conclusory fashion and did not plead facts to make the contention of bad faith and objectively baseless plausible as required under *Iqbal*, therefore federal patent law preempted the state-law unfair competition claims, but giving the accused infringer 14 days to file an amended pleading to correct the deficiencies).

<sup>28</sup> The Patent Litigation section of the American Intellectual Property Association has established a subcommittee, of which this author is a member, that is studying *Iqbal* and Form 18 and considering what recommendations, if any, should be made as to amending Form 18 or challenging *Iqbal*.

showing “plausible grounds” for any other form of infringement alleged in a complaint. Having multiple standards will lead to confusion and inefficiency. In this author’s view, to the extent possible, there should be one uniform pleading standard for patent infringement allegations applicable to all forms of infringement and applied the same by all federal courts.

Finally, in considering whether requiring a patentee to plead facts showing “plausible grounds” for its infringement accusations, beyond what Form 18 requires, imposes an undue burden, one should keep in mind a patentee’s Rule 11 pre-filing investigation obligation.<sup>29</sup> According to the Federal Circuit, a patentee’s counsel must “at a bare minimum, apply the claims of each and every patent that is being brought into the lawsuit to an accused device and conclude that there is a reasonable basis for a finding of infringement of at least one claim of each patent so asserted.”<sup>30</sup> Additionally, the patentee must possess some factual evidence supporting a reasonable inference of infringement *before* it files its suit. The Federal Circuit has instructed that

[Rule 11] requires that the inquiry [into infringement] be undertaken *before* the suit is filed, not after. Defendants have no choice when served with a complaint if they wish to avoid a default. They must undertake a defense, and that necessarily involves costs. Rule 11 prohibits imposing those costs upon a defendant absent a basis, well-grounded in fact, for bringing the suit.<sup>31</sup>

Where a patentee has properly performed its Rule 11 pre-filing investigation it should have thereby accumulated the necessary facts that will show “plausible grounds” to reasonably infer the accused infringer has infringed at least one claim of the patent.<sup>32</sup> Where a patentee cannot plead facts showing

<sup>29</sup> See generally, APD § 33:43 Rule 11 Requires Patentees Investigate Infringement Claims.

<sup>30</sup> *View Engineering, Inc. v. Robotic Vision Sys., Inc.*, 208 F.3d 981, 986 (Fed. Cir. 2000).

<sup>31</sup> *Judin v. United States*, 110 F.3d 780, 784 (Fed. Cir. 1997). See generally, APD § 33:45 Evidentiary Support of Infringement Must Exist Before Filing Suit

<sup>32</sup> *Cf. Elan*, 2009 WL 2972374, at \*4 (“To the extent Apple is suggesting that a litigant may avail itself of Rule 11(b)(3) when there are *no* factual circumstances known to it that would constitute a ‘good reason to believe’ a claim exists, it is reading the rule too liberally. Here, for example, regardless of what knowledge may lie exclusively in the



“plausible grounds” of infringement, the question as to the reasonableness of the patentee’s pre-filing investigation will become self-evident to the court and the parties. Given that the patentee’s attorney-client privilege and work-product immunity often limit an accused infringer’s ability to investigate the reasonableness of a patentee’s pre-filing investigation, thereby making enforcement of Rule 11 difficult in all but the most egregious circumstances, applying the “plausible grounds” standard of *Iqbal* may provide a procedural mechanism that, as a practical matter, adds a measure of self-enforcement to the pre-filing investigation requirement.

### **Improper Revival under § 102(c)**

Under some conditions, a patentee may revive a patent that has lapsed for failure to timely pay the required maintenance fees if the patentee shows its failure to pay the maintenance fee was unintentional or unavoidable.<sup>33</sup> Accused infringers facing infringement claims based on a revived patent may seek to challenge whether the PTO properly permitted the patentee to revive the lapsed patent. District courts have reached opposite conclusions as to whether an accused infringer may assert an erroneous revival of a lapsed patent as an affirmative defense to a charge of infringement. Some courts have allowed the defense while others have held that improper revival is not an available affirmative defense for an accused infringer.<sup>34</sup>

The Federal Circuit has not yet addressed whether an accused infringer may assert as an affirmative defense to a charge of infringement that the PTO improperly permitted the patentee to revive a lapsed patent. But, in its 2008 opinion of *Aristocrat Technology Australia PTY Ltd.*,<sup>35</sup> the court held that an accused infringer cannot assert, as an affirmative defense, the alleged improper revival of an abandoned

patent application. The *Aristocrat* court explained that “[b]ecause the proper revival of an abandoned application is neither a fact or act made a defense by title 35 nor a ground specified in part II of title 35 as a condition for patentability, we hold that improper revival may not be asserted as a defense in an action involving the validity or infringement of a patent.”

In *Abstrax, Inc. v. Dell, Inc.*, 2009 WL 3254973 (E.D. Tex. Oct. 7, 2009), an accused infringer presented a creative, but unsuccessful, theory to raise improper revival of a lapsed patent as an affirmative defense and avoid *Aristocrat*. There, the accused infringer argued that by allowing the patent to lapse as a result of not paying the required maintenance fee, the patentee had “abandoned” the patent within the meaning of 35 U.S.C. § 102(c). Section 102(c) provides a person shall be entitled to a patent unless “he has abandoned the invention.”<sup>36</sup> As this subsection does not address novelty, it falls within the “Loss of Right to Patent” portion of § 102’s title “Conditions for Patentability; Novelty and Loss of Right to Patent.”

Overruling the accused infringer’s objection to the magistrate judge’s recommendation to dismiss the improper revival defense, the district court judge in *Abstrax* agreed with the magistrate judge’s analysis that *Aristocrat* applies to preclude asserting improper revival of a lapsed patent as an affirmative defense. The district court reasoned that, just like in *Aristocrat*, the challenge to the PTO’s revival of the lapsed patent did not challenge a condition of patentability of the patent. *Id.* at \*2.<sup>37</sup> Consequently, the accused infringer had to challenge the PTO’s revival, if at all, by filing an action directly against the PTO under the

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possession of Elan or others, Apple should be able to articulate at least some facts as to why it is reasonable to believe there is infringement. Simply guessing or speculating that there may be a claim is not enough.”)

<sup>33</sup> See generally, 35 U.S.C. § 41(c); APD § 24:23 Requirement to Pay Maintenance Fees and § 24:24 Reviving Lapsed Patents.

<sup>34</sup> See APD § 24:26 Erroneous Revival as an Affirmative Defense (collecting cases).

<sup>35</sup> *Aristocrat Tech. Australia PTY Ltd. v. Int’l Game Technology*, 543 F.3d 657, 663 (Fed. Cir. 2008); see generally, APD § 16:4 Reviving Abandoned Applications and Challenges Thereto.

<sup>36</sup> See generally, APD § 17:186 Abandonment of the Invention Under § 102(c).

<sup>37</sup> The Eastern District of Texas had previously followed this same rationale in 2001 to rule that it lacked the power to consider an improper revival defense in a patent infringement suit. *Ferguson Beauregard/Logic Controls v. Mega Sys., L.L.C.*, 2001 WL 34771614, \*92 (E.D. Tex. Dec. 13, 2001) (“The exemplary ‘sanctions’ listed in the rule would seem to broadly permit the PTO to revisit whether the petition to accept the late payment of maintenance fees should have been granted, but neither the rules nor the statute confirm any power on this Court to deem the PTO’s grant of that petition ‘improper’ or otherwise reverse the PTO’s actions. . . . Ferguson Beauregard’s argument that the ’048 patent was ‘improperly’ revived is noted, but Ferguson Beauregard points to no statutory or other authority that would permit this Court to take any action as a result.”).

Administrative Procedure Act; something it had done. *Id.* The district court noted, however, that to the extent the accused infringer alleged that the patentee committed inequitable conduct in connection with its revival petition, the court could consider those allegations as part of the accused infringer's inequitable conduct defense. *Id.*

Unfortunately, the *Abstrax* court did not provide a detailed analysis of its rejection of the accused infringer's argument based on § 102(c) issue; perhaps because there is very little modern precedent addressing § 102(c) and the Federal Circuit did not address the potential applicability of § 102(c) in *Aristocrat*. Arguably, old Supreme Court precedent, if broadly construed, could give some support to the accused infringer's § 102(c) argument. For example the Supreme Court has stated that "[i]t ... cannot be denied, that an inventor may abandon his invention, and surrender or dedicate it to the public. This inchoate right, thus once gone, cannot afterwards be resumed at his pleasure; for, where gifts are once made to the public in this way, they become absolute."<sup>38</sup> The Court has also explained that "[a]bandonment may be evidenced by the express and voluntary declaration of the inventor; it may be inferred from negligence or unexplained delay in making application for patent; ..." (emphasis added).<sup>39</sup>

Thus, given that i) the issue of whether to revive a patent turns, in part, on whether the patentee's failure to timely pay a required maintenance fee was accidental or intentional<sup>40</sup> and ii) § 102(c) arguably results in the "loss of right to patent" if there is a deliberate act showing abandonment of the invention;<sup>41</sup> the question of whether revival of a

lapsed patent implicates § 102(c) could merit some consideration by the Federal Circuit.

Nonetheless, at least two significant arguments counsel against treating an improper revival of a lapsed as falling within the scope of § 102(c). First, the patent law draws a distinction between abandoning an "invention," as specified in § 102(c), and abandoning the patent rights associated with an invention. Allowing a patent to lapse by not paying maintenance fees results in the abandonment of the patent rights associated with the invention, but does not necessarily show an abandonment of the invention itself.<sup>42</sup> Such a view of § 102(c) could show that § 102(c) is not implicated at all where the PTO revives a lapsed patent. Second, if § 102(c) is given a construction such that it applies to acts done *after* the patent issues, it could in effect impose a requirement on patentees to practice the invention during the entire patent term or risk losing their patent rights through a finding of post-issue abandonment. No case law has ever construed U.S. patent law as requiring patentees to practice their patented invention after the patent issues or risk losing their patent rights. Just the opposite, the law has expressly held that patentees do not have to practice their inventions to enforce their patent rights.<sup>43</sup> Accordingly, it appears that the

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(Ct. Cl. (Trial Ct. Div.) 1977) ("Abandonment, under 35 U.S.C. § 102(c), presupposes a deliberate, though not necessarily an express, surrender of any rights to a patent. To abandon the invention, the inventor must intend a dedication to the public. This intent may be express, as by a declaration by the inventor, or implied as by the actions or inactions of the inventor."); *Marvin Glass and Associates v. Sears, Roebuck & Co.*, 318 F.Supp. 1089, 1102-03 (S.D. Tex. 1970) ("Abandonment is a deliberate dedication of the invention to the public, either expressly or by necessary implication.") *aff'd in part on other grounds*, 448 F.2d 60 (5<sup>th</sup> Cir. 1971); MPEP § 2134 (8<sup>th</sup> ed., July 2009) ("Abandonment under 35 U.S.C. 102(c) requires a deliberate, though not necessarily express, surrender of any rights to a patent. To abandon the invention the inventor *must intend a dedication to the public*. Such dedication may be either express or implied, by actions or inactions of the inventor. Delay alone is not sufficient to infer the requisite intent to abandon."). (Emphases added).

<sup>42</sup> See *Checkpoint Systems v. United States Int'l Trade Comm.*, 54 F.3d 756, 763 (Fed. Cir. 1995) (prior inventor did not abandon *invention* when it opted not to file a patent application, and hence prior invention could be § 102(g) prior art against later patent).

<sup>43</sup> *Hartford-Empire Co. v. United States*, 323 U.S. 386, 433 (1945) ("Congress has repeatedly been asked, and has refused, to change the statutory policy by imposing a

<sup>38</sup> *Pennock v. Dialogue*, 27 U.S. 1, 16 (1829).

<sup>39</sup> *Electric Storage Battery Co. v. Shimadzu*, 307 U.S. 5, 15 (1939).

<sup>40</sup> The revival statute specifies that the PTO may revive a patent only if patentee shows its delay in paying the maintenance fee was unintentional or unavoidable, *i.e.*, it was not a deliberate act. 35 U.S.C. § 41(c)(1).

<sup>41</sup> The Federal Circuit has yet to address § 102(c) in substantive detail. Other courts and the PTO have expressed the view that § 102(c) abandonment requires a deliberate act. *E.g.*, *Metallizing Engineering Co. v. Kenyon Bearing etc. Co.*, 153 F.2d 516, 520 (2d Cir. 1946) (Learned Hand, J.) ("Such a forfeiture has nothing to do with abandonment, which presupposes a deliberate, though not necessarily an express, surrender of any right to a patent."); *Moore v. United States*, 194 USPQ 423, 428

*Abstrax* court reached a proper result in ignoring the accused infringer's attempt to rely on § 102(c) to justify its improper revival defense.

### **Deposition Questions on Design Changes**

A trial lawyer defending a deponent in a deposition where the interrogating counsel asks questions relating to communications the deponent had with other legal counsel faces a tricky situation. Generally, foundational facts revealing whether the deponent had a confidential attorney-client communication with counsel are not privileged.<sup>44</sup> Accordingly, the defending lawyer usually should permit the deponent to answer foundational questions about the existence of a communication. But, the attorney-client privilege protects the substance of any confidential communication the deponent had with counsel.<sup>45</sup> Thus, questions attempting to make the deponent reveal the substance of a confidential communication with its counsel are objectionable, if the deponent has not previously waived the privilege. Should a deponent, in responding to probing questions on communications it had with legal counsel, reveal the substance of an otherwise protected attorney-client communication, a waiver of privilege could be found even if the deponent's answer does not reveal the exact contents of the communication.<sup>46</sup> Lawyers defending depositions, therefore, must exercise caution and timely object to any question that crosses the line from a permissible foundational question as to the existence of an attorney-client communication to an objectionable question that, in effect, seeks to have the deponent reveal the substance of a privileged communication.<sup>47</sup>

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forfeiture or by a provision for compulsory licensing if the patent is not used within a specified time.”); *Rite-Hite Corp. v. Kelly Co., Inc.*, 56 F.3d 1538, 1547 (Fed. Cir. 1995) (*en banc*) (“There is no requirement in this country that a patentee make, use, or sell its patented invention.”); *see generally*, APD § 1:14 No Requirement that Patent Holder Practice Patent.

<sup>44</sup> *See generally*, APD § 42:9 —Facts Regarding Existence of an Attorney-Client Relationship or Communication.

<sup>45</sup> *See generally*, APD § 42:8 Protects Communications To and From a Lawyer.

<sup>46</sup> *See generally*, APD § 42:82 Disclosing Only Conclusions or Substance Without Disclosing Specific Communication.

<sup>47</sup> The Federal Rules of Civil Procedure restrict the circumstances in which a deponent may properly be instructed not to answer a question in a to three situations:

In patent litigation, defending lawyers often face this issue when an interrogating lawyer seeks to probe whether or not the deponent obtained an opinion-of-counsel regarding the asserted patent.<sup>48</sup> For example, in *Square D Co. v. E.I. Elecs., Inc.*, 2009 WL 3213638, \*8-\*9 (N.D. Ill. Sept. 30, 2009), a patentee, asserting eleven patents, conducted a 30(b)(6) deposition of the accused infringer. At the time of the deposition, the accused infringer had not determined if it would rely on any of its opinions of counsel to defend against the patentee's claim of willful infringement.<sup>49</sup> Accordingly, the accused infringer had not, at that time, waived its attorney-client privilege for its opinions of counsel.<sup>50</sup> During the deposition, for each of the asserted patents, the patentee's counsel separately asked the deponent whether the corporation had obtained an opinion of counsel regarding the specific patent in view of the accused product. The deponent affirmatively answered for each asserted patent. The patentee's counsel then followed-up by asking whether the accused infringer changed its accused product in any way based on the opinion it had received. For some of these questions (i.e. for some of the asserted patents), the deponent responded that no changes had been made. For other questions (i.e., other asserted patents), counsel defending the deponent objected on privilege grounds and instructed the witness not to answer. The patentee, thereafter, moved to compel the deponent to fully respond to the questions for which it followed its counsel's instruction not to answer the question.

In its motion to compel, the patentee argued that its question on whether the accused infringer had changed the design of its accused product after receiving the opinion of counsel did not implicate the attorney-client privilege. It also argued, alternatively, that if the question implicated the privilege, then the accused infringer had waived its privilege for *all* of

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(1) “when necessary to preserve a privilege”; (2) “to enforce a limitation on evidence directed by the court”; or (3) to present a motion to limit the scope and conduct of the deposition under 30(d)(3). FED. R. CIV. P 30(d)(1). *See generally*, APD § 41:83 Objections and Instructions to Deponent During Deposition.

<sup>48</sup> *See generally*, APD § 42:61 Existence of Opinions of Counsel.

<sup>49</sup> *See generally*, APD § 42:130 Compelling Accused Infringer to Identify if it Will Rely on Opinions of Counsel.

<sup>50</sup> *See generally*, APD § 42:110 Injecting Advice of Counsel Via an Opinion of Counsel Waives Privilege.

the asserted patents in view of its answers to the patentee's question on the design changes for *some* of the asserted patents. The district court disagreed with both contentions.

First, the district court ruled that the patentee's questions regarding whether the accused infringer changed the design of its product after receiving the opinions of counsel were "objectionable because they attempt to ascertain, via the back door, what the infringement opinions said; they linked the issue of changes EI [the accused infringer] may have made to the opinions EI received from its lawyers. Those issues fall squarely within the privilege[.]" *Id.* at \*8. The court noted that, at the current stage of the litigation where the accused infringer had not waived its attorney-client privilege, the patentee could have properly asked the accused infringer whether it had made any design changes to the product "without linking the issue to privileged communications." *Id.* Because it had not done so, the patentee's questions were improper.

As to waiver of the privilege, the court analyzed whether the deponent's responses for those patents for which it did provide a response amounted to an inadvertent disclosure of privileged material that did not justify a waiver. Following FRE 502(a),<sup>51</sup> the court instructed that "the disclosure of privileged communications operates as a waiver as to undisclosed communications only if the disclosure is intentional; if the disclosure is inadvertent, there is no waiver." *Id.* at \*8. Analyzing the accused infringer's conduct during the deposition, the court concluded that the accused infringer "had no intent to disclose privilege communications; indeed, [the deponent] took great pains to ensure that he did not disclose any privilege communications, and counsel for EI made clear that it was trying its best to preserve the privilege to the fullest extent." *Id.* Consequently, the court refused to find a waiver of privilege. Noting it had examined the opinions *in camera*,<sup>52</sup> the court also ruled that the opinions were "privileged and that they need not be disclosed in any form at present-whether directly, or in response to backdoor deposition questions." *Id.* at \*9. The court noted that if the accused infringer later opted to rely on its opinions of

counsel, at that point it will have waived its attorney-client privilege and will then have to disclose these privileged communications. *Id.* at \*9.

### **Federal Police Power Trumps Patent Law**

The law has long recognized that patent rights can be subordinated to the necessary exercise of federal or state police power.<sup>53</sup> The recent opinion in *IRIS Corp. v. Japan Airlines Intern. Co., Ltd.*, 2009 WL 3245910 (E.D.N.Y. Sept. 30, 2009), presents a rare example applying this principle. In *IRIS*, the patentee held a patent directed to a method for making electronic passports. It sued an airline for patent infringement alleging that when the airline examined electronic passports of passengers departing the United States, the airline was infringing the process patent under § 271(g) since it was "using" a product made by a process allegedly covered by a U.S. patent.<sup>54</sup> Under the Enhanced Border Security Act,<sup>55</sup> federal law requires all airlines to examine the passports of passengers departing the United States. In view of this statute, the accused infringer argued that the Security Act conflicted with the Patent Act, and therefore the infringement claims had to be dismissed. On a Rule 12(b)(6) motion the district court agreed. *Id.* at \*5.

The district court noted that since two federal laws were at issue, the Security Act and the Patent Act, traditional principles of preemption did not apply.<sup>56</sup> Instead, the court had to attempt to apply the two laws in a way that best achieved the policies and goals of both laws.<sup>57</sup> Examining the goals of the two laws, the

<sup>51</sup> See generally § 42:96 Protective Order Excusing Inadvertent Production (discussing FEE 502, which became effective on Sept. 19, 2008).

<sup>52</sup> See generally, APD § 42:148 Evidentiary Burden to Obtain *In Camera* Review.

<sup>53</sup> *Patterson v. Kentucky*, 97 U.S. 501, 505 (1879) ("[T]he right conferred upon patentee and his assigns to use and vend the corporeal thing or article, brought into existence by the application of the patented discovery, must be exercised in subordination to the police regulations which the State established by the statute[.]"). See generally, APD § 1:8 Patent Rights do Not Trump State or Federal Regulatory Prohibitions.

<sup>54</sup> See generally, APD § 10:99 Overview of Prohibited Imports under § 271(g), *et seq.*

<sup>55</sup> 8 U.S.C. § 1221.

<sup>56</sup> See generally, APD § 2:35 Patent Law Preempting State Law.

<sup>57</sup> See *Zenith Elecs. Corp. v. Exzec, Inc.*, 182 F.3d 1340, 1347 (Fed. Cir. 1999) ("The first principle in a case such as this is to give effect to each federal law. Each has equal standing, and equal claim for recognition. 'It is a cardinal principle of construction that ... [w]hen there are two acts upon the same subject, the rule is to give effect to both if possible.' Unless Congress clearly indicates which of two

court concluded that “the national security interests protected by the Enhanced Border Protection Act outweigh IRIS’s commercial interest in its patent under § 271(g).” *Id.* In support of its ruling, the court noted that the airline was not a competitor with the patentee and did not “derive any commercial or financial benefit from the alleged infringing activities which an Act of Congress compels it to commit.” *Id.* Thus, its ruling was not likely to open the flood gates of uncompensated infringement. *Id.*

The district court also rejected the patentee’s argument that the two federal laws could both be applied by requiring the airline to obtain a license from the patentee. The court found the proposal unsatisfactory since the airline was compelled to examine the passports pursuant to laws designed to protect the national security of the United States, had no control over the types of passports presented to it for inspection, and had no way to avoid the allegedly infringing activity. *Id.*

#### **Local Patent Rules for the N.D. of Illinois**

On October 1, 2009, the United States District Court for the Northern District of Illinois formally adopted local patent rules to govern the patent cases it hears.

As with most local rules, the Northern District’s Local Patent Rules require parties to submit preliminary infringement and invalidity contentions and related document production.<sup>58</sup> LPR 2.1 – 2.4. Accused infringers must also submit preliminary noninfringement and unenforceability contentions. LPR 2.3. Patentees must serve a response to the accused infringer’s invalidity contentions. LPR 2.5. Additionally, to the extent that a patentee “wishes ... to rely, for any purpose,” on the assertion that it, or its licensee, practices the claimed invention, the patentee, as part of its preliminary infringement contentions, “must identify, separately for each asserted patent, each such apparatus, product, device, process, method, act, or other instrumentality that incorporates or reflects that particular claim, including whether it is marked with the patent number.” LPR 2.2(h). Patentees must also identify in their preliminary

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statutes is to prevail in event of conflict, our responsibility is to interpret and apply them ‘in a way that preserves the purposes of both and fosters harmony between them.’”)

<sup>58</sup> See generally, APD § 2:33.80 through § 2:33.99 (collecting cases on sufficiency of infringement and invalidity contentions, related document production, and leave to amend contentions).

infringement contentions the basis for any allegation of willful infringement. LPR 2.2(g).

The rules further specify that the court will not treat the “preliminary” contentions as being “final” contentions. Accordingly, parties may freely amend their preliminary contentions as discovery progresses. LPR Preamble (“The initial disclosures required by the Rules are not intended to confine a party to the contentions it makes at the outset of the case. It is not unusual for a party in a patent case to learn additional grounds for claims of infringement, non-infringement, and invalidity as the case progresses.”)

Towards the end of the fact discovery period, however, the parties must serve “Final” contentions on infringement, invalidity, and unenforceability. LPR 3.1 & 3.2. These final contentions may only be amended upon an order of the court and for “good cause.” LPR 3.4

The rules also bar a party from filing a motion to stay the case pending a reexamination after the due date of that party’s final contentions, absent exceptional circumstances. LPR 3.5.

The rules specify procedural requirements for claim-construction briefing. Parties must have a meet and confer and select no more than 10 terms or phrases to submit to the court for construction. LPR 4.1(b).<sup>59</sup> If the parties can’t agree on the ten terms to submit, each party shall be allocated five terms. For each term presented to the court for construction, the “parties must certify whether it is outcome-determinative.” *Id.*

The local rules impose a unique order to the claim construction briefing. Under the rules, the *accused infringer* submits the opening claim construction brief, not to exceed twenty-five pages absent leave of court. LPR 4.2(a). Thereafter, the patentee submits a response brief, with the same page limitations as the opening brief. LPR 4.2(c). The accused infringer concludes with a reply brief, not to exceed fifteen pages. LPR 4.2(d). Parties must also file a joint appendix consisting of each patent in suit and its prosecution history. LPR 4.2(b). Parties must cite to the Joint Appendix in their claim construction briefing. *Id.*

The rules also set forth procedures regarding expert witnesses. Initial expert reports must be served twenty-one days after the close of discovery or after

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<sup>59</sup> See generally, APD § 3:17 Limiting Number of Claims or Terms that Will be Construed.

the court's claim construction ruling. LPR 5.1(b). The rules also provide that supplements to expert reports may only be made by leave of court as any amendment or supplement to an expert report "are presumptively prejudicial." LPR 5.3 .

## **FIRM HAPPENINGS**

On the afternoon of Thursday, November 12, 2009, Bob will be speaking at the 21 Club in New York City on the topic "Challenges for Non-practicing Entities: Injunctions, Lost Profits, Re-exam-Related Stays and Venue Transfers." Thomson Reuters is sponsoring the presentation as part of a "Patent Law Lunch & Learn" event. For information on registering, please contact [carolyn.laurienzo@thomsonreuters.com](mailto:carolyn.laurienzo@thomsonreuters.com).

## **ABOUT THE AUTHOR**

**Robert A. Matthews, Jr.** provides patent-law consulting services to corporate counsel and trial counsel. Specifically, he helps counsel analyze and brief the myriad of substantive and procedural legal issues arising in patent infringement litigations. Matthews authors the ANNOTATED PATENT DIGEST, an eight-volume patent treatise published by West and available on Westlaw, the PATENT JURY INSTRUCTION HANDBOOK, and the monthly newsletter *Patent Happenings®*. Matthews has assisted clients with patent matters before the U.S. Supreme Court (*KSR* and *Bilski*), the Federal Circuit, the ITC and numerous federal district courts. Further information on the patent-law consulting services Matthews offers, plus a collection of patent-litigation resources, can be found at [www.MatthewsPatentLaw.com](http://www.MatthewsPatentLaw.com). Matthews can be reached at 434-525-1141 or by e-mail sent to [ram@MatthewsPatentLaw.com](mailto:ram@MatthewsPatentLaw.com).

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