

Bright Ideas



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Is the Presumption of Validity Dead for Substitute Claims Issued as a Result of Motions to Amend After PTAB Proceedings?¹

By Charles R. Macedo, Christopher Lisiewski, and Sean Reilly

I. Introduction

Under section 282 of the Patent Act of 1952, a patent “shall be presumed valid,” and “[t]he burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity.”² As Judge Rich, one of the authors of the 1952 Patent Act, explained, the rationale for this presumption is based on “the basic proposition that a government agency such as the [PTO] was presumed to do its job.”³ This presumption makes sense in the context of the statutory scheme of the 1952 Act, which first codified this presumption, where a patent application follows an “inquisitorial process between patent owner and examiner.”⁴ Thus, the examiner, acting on behalf of the government, can be presumed to have performed his or her job if and when patent claims issue.

However, in 2011, under the Leahy-Smith American Invents Act (AIA), unlike the original prosecution, or even traditional *ex parte* reexamination, “the petitioner is master of its complaint and normally entitled to judgment on all of the claims it raises, not just those the decisionmaker might wish to address.”⁵ To the extent all the PTAB is performing is “a second look at an earlier administrative grant of a patent,”⁶ continuing to apply this presumption to claims that survive a PTAB proceeding (like an *inter partes* review) continues to make sense. After all, the government did its job in the first instance in the original inquisitorial examination, and a third-party challenger was unable to demonstrate error.

However, since the Federal Circuit’s decision in *Aqua Products, Inc. v. Matal*⁷ confirmed that the burden of persuasion on the patentability of amended claims in a motion to amend in an *inter partes* review proceeding (and presumably other post issuance PTAB proceedings) is placed on the petitioner, the theoretical rationale for section 282(a)’s presumption of validity is no longer present for such amended claims. In particular, there is no government agency that is tasked with performing the inquisitorial examination that gave rise to the original presumption. How can there be a presumption that the government agent charged with examining the patent claims did his or her job, when there is no such person assigned to perform that job?

II. Historical Rationale for the Presumption of Validity Through 1952

As early as 1874, the U.S. Supreme Court laid out the common law roots of the presumption of validity, holding that prior art “must be shown by the defendant.”⁸

“The burden of proof rests upon him, and every reasonable doubt should be resolved against him.”⁹ Not long thereafter, the Court explained that “[t]he patent itself is *prima facie* evidence that the patentee was the first inventor, at least it casts upon him who denies it the burden of sustaining his denial by proof.”¹⁰

By the 1930s, these principles had become firmly incorporated into the common law. For example, in *Radio Corp. of America v. Radio Engineering Laboratories*, Justice Cardozo explained:

A patent regularly issued, and even more obviously a patent issued after a hearing of all the rival claimants, is presumed to be valid until the presumption has been overcome by convincing evidence of error.¹¹

The 1952 Act, which first codified the statutory law on the presumption of validity, provided that a patent “shall be presumed valid” and that the burden of establishing invalidity “shall rest on the party asserting it.”¹² The reviser’s note to that section stated simply: “The first paragraph declares the existing presumption of validity of patents.”¹³

III. Federal Circuit Jurisprudence on the Presumption of Validity

In *American Hoist*, Judge Rich, an author of the 1952 Act and a distinguished patent jurist, wrote an early Federal Circuit decision addressing confusion regarding how the presumption of validity applied with respect to evidence considered and evidence not considered previously by the Patent Office in the original examination of an issued patent claim. Significantly, as Judge Rich explained, “Behind it all . . . was the basic proposition that a government agency such as the then Patent Office was presumed to do its job.”¹⁴ Thus, the presumption should arise, in theory, only when the job is actually performed or expected to be performed.

In *Microsoft Corp. v. i4i Ltd. Partnership*,¹⁵ the Supreme Court clearly recognized the applicability of section 282:

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[T]he first paragraph of § 282 provides that “[a] patent shall be presumed valid” and “[t]he burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity.” Thus, by its express terms, § 282 establishes a presumption of patent validity, and it provides that a challenger must overcome that presumption to prevail on an invalidity defense.¹⁶

In doing so, Justice Sotomayor, writing for the Court, relied upon the inquisitorial nature of the patent examination process as part of the rationale justifying such a presumption. The Court noted that when Congress adopted the common law term “presumed valid” in section 282, it intended to adopt the meaning already attached to this term, since the “presumption of patent validity had long been a fixture of common law.”¹⁷ She saw “[n]othing in [section] 282’s text suggest[ing] that Congress meant to depart from that understanding to enact a standard of proof that would rise and fall with the facts of each case.”¹⁸

IV. The America Invents Act and the Changed Paradigm from Inquisitorial to Adversarial Proceedings

The AIA became effective on September 16, 2011, just a few months after the Supreme Court’s ruling in *Microsoft*.¹⁹ Under the AIA, any person other than the patent owner can file a petition for *inter partes* review.²⁰ After the institution of an *inter partes* review, the matter proceeds before the PTO “with many of the usual trappings of litigation.”²¹ As Justice Gorsuch explained in *SAS*, this new, adversarial approach clearly deviated from the inquisitorial approach used in the PTO in the past in both original prosecution and in the prior *ex parte* reexaminations and *inter parte* reexaminations. “[R]ather than create (another) agency-led, inquisitorial process for reconsidering patents, Congress opted for a party-directed, adversarial process.”²² Under the new *inter partes* review regime, the petitioner defines challenges for the PTO to decide.²³ The new structure also includes the right for a patent owner to amend the patent or to cancel one or more of its claims.²⁴

The patent owner can file a motion to amend by “propos[ing] a reasonable number of substitute claims.”²⁵ However, unlike district court litigation, in which the presumption of validity applies, the new proceedings instead utilize a preponderance of the evidence standard.²⁶

V. Motions to Amend Under *Aqua Products*

In 2017, the full Federal Circuit found fault with the PTO’s prior practice and held in *Aqua Products v. Matal* that, at least under the current PTO regulations, “The only legal conclusions that support and define the judg-

ment of the court are: (1) the PTO has not adopted a rule placing the burden of persuasion with respect to the patentability of amended claims on the patent owner that is entitled to [*Chevron*] deference; and (2) in the absence of anything that might be entitled deference, the PTO may not place that burden on the patentee.”²⁷ Significantly, the question of whether the PTAB may raise patentability challenges to amended claims *sua sponte* was “reserved for another day.”²⁸

Faced with this radical departure from its prior practice, the PTAB quickly responded with new guidance on the decision (“Guidance”).²⁹ The PTAB confirmed that the burden of persuasion will no longer be placed on a patent owner with respect to the patentability of substitute claims presented in a motion to amend.³⁰ Further, in reviewing a patent owner’s motion to amend, as long as the motion satisfies the statutory requirements under 35 U.S.C. § 316(d), the PTAB will “determine whether the substitute claims are unpatentable by a preponderance of the evidence based on the entirety of the record, including any opposition made by the petitioner.”³¹

Substitute claims that issue as a result of motions to amend during post-issuance proceedings do not undergo an initial prosecution process in which the PTO engages in fact-finding and refers to that fact-finding in making patentability determinations.³² Without the initial inquisitorial fact-finding process, a patent examiner has not, *inter alia*:

- (1) searched prior art to ensure that an invention is new and unique;
- (2) reviewed patent applications to ensure conformity to formal requirements; or
- (3) issued office actions communicating the examiner’s findings on patentability to inventors and patent practitioners.

Therefore, the theoretical rationale underlying the presumption of validity—that the PTO “in its expertise, has approved the claim”³³—no longer applies to substitute claims, as there is no government agency tasked with performing the inquisitorial examination that gave rise to the original presumption.

Without a full inquisitorial approach, claims amended in an *inter partes* review proceeding or other post-issuance challenge are likely to be subject to a greater scope of challenges, since the foundation for the presumption of validity that otherwise exists is no longer present. Thus, as Justice Sotomayor explained, challenges on grants not already raised “may be easier to sustain.”³⁴

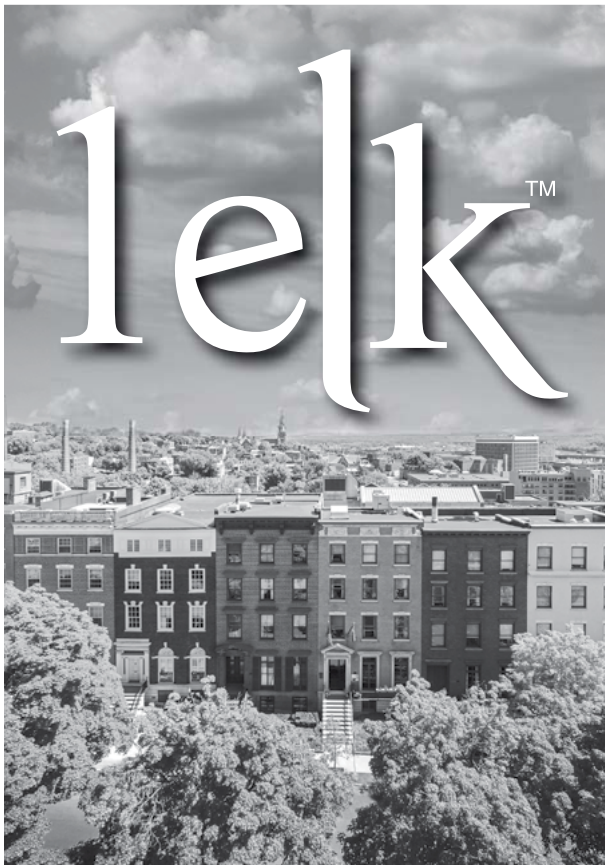
VI. Conclusion

A presumption of validity that is based on the assumption that government officials are presumed to have done their job is reasonable when a government office

has been so tasked. However, in the context of amended claims coming out of an *inter partes* review, the rationale falls apart. No presumption should remain for such claims, at least as long as the burden in an *inter partes* review rests solely upon a petitioner with respect to substitute claims offered by amendment.

Endnotes

1. This article is adapted from a White Paper published by Askeladden L.L.C.'s Patent Quality Initiative. A full copy of the paper is available at <http://www.patentqualityinitiative.com/-/media/pqi/files/articles/pqi---presumption-of-validity-article.pdf>.
2. 35 U.S.C. § 282 (2018).
3. *American Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1359 (Fed. Cir. 1984).
4. See *SAS Institute, Inc. v. Iancu*, 138 S. Ct. 1348, 1353 (2018).
5. *Id.* at 1355; see *id.* at 1356 (“[T]he petitioner’s petition, not the Director’s discretion, is supposed to guide the life of the [*inter partes* review] litigation.”).
6. *Oil States Energy Servs., LLC v. Greene’s Energy Grp.*, 138 S. Ct. 1365, 1374 (2018) (quoting *Cuozzo Speed Techn. LLC v. Lee*, 136 S. Ct. 2131, 2144 (2016)).
7. 872 F.3d 1290 (Fed. Cir. 2017) (*en banc*).
8. *Coffin v. Ogden*, 85 U.S. 120, 124 (1874) (Strong, J.).
9. *Id.*
10. *Smith v. Goodyear Dental Vulcanite Co.*, 93 U.S. 486, 498 (1877) (Strong, J.); see also *Lehnbeuter v. Holthaus*, 105 U.S. 94, 96 (1882) (Woods, J.) (“The patent is *prima facie* evidence of both novelty and utility, and neither of these presumptions has been rebutted by the evidence.”).
11. 293 U.S. 1, 7-8 (1934) (emphasis added) (internal quotations and citations omitted).
12. 35 U.S.C. § 282 (1952 ed.).
13. 35 U.S.C. § 282 note (1952 ed.) (Historical and Revision Notes).
14. *Am. Hoist*, 725 F.2d at 1359 (citing *Morgan v. Daniels*, 153 U.S. 120, 125 (1894)).
15. 131 S. Ct. 2238 (2011).
16. *Id.* at 2245 (quoting 35 U.S.C. § 282 (2002 ed.)).
17. *Id.* at 2246.
18. *Id.* at 2250.
19. Leahy-Smith America Invents Act, Pub. L. No. 112-29 (2011).
20. 35 U.S.C. § 311(a) (2012 ed.).
21. *SAS*, 138 S. Ct. at 1353-54.
22. *Id.* at 1355 (citation omitted).
23. *Oil States Energy Servs.*, 138 S. Ct. at 1371.
24. *SAS*, 138 S. Ct. at 1354 (citing 35 U.S.C. § 316(d)).
25. *Oil States*, 138 S. Ct. at 1371 (citing 35 U.S.C. § 316(d)(1)(B)).
26. See 35 U.S.C. § 316(e) (2018).
27. 872 F.3d 1290, 1327 (2017) (*en banc*).
28. *Id.* at 1325.
29. Memorandum from David P. Ruschke, Chief Admin. Patent Judge, U.S. Patent and Trademark Office on Guidance on Motions to Amend in view of *Aqua Products* to Patent Trial and Appeal Board (Nov. 21, 2017), https://www.uspto.gov/sites/default/files/documents/guidance_on_motions_to_amend_11_2017.pdf.
30. *Id.*
31. *Id.*
32. *Microsoft*, 131 S. Ct. at 2242.
33. *KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398, 426 (2007).
34. *Microsoft*, 131 S. Ct. at 2251.



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