HAYNES BOONE

The IP Beacon®

The Intellectual Property Law Newsletter of Haynes and Boone, LLP

JULY 2021

Jason Bloom, Annie Allison and Abbey Gauger in *Law360*: 'Texas Ruling Shows Weight of State Immunity in IP Claims'

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On June 18, the Texas Supreme Court held that a governmental unit's copyright infringement does not qualify as a constitutional taking in the matter of *Jim Olive Photography, dba Photolive Inc. v. University of Houston System*.

However, the most remarkable aspect of the decision was not the resolution of the takings claim, but rather the fact that the state Supreme Court considered a copyright infringement case at all, when the law is clear that federal courts have exclusive jurisdiction in the area.

This article examines the unusual circumstances that led to a state court ruling on what was indisputably a copyright infringement case.

THE DECISION

The underlying dispute arose after the University of Houston used photographer Jim Olive's image of the city of Houston without permission in its C.T. Bauer College of Business promotions.

Although the university promptly removed the photo upon receipt of a cease-and-desist order from Olive, it declined to pay Olive for its use, and Olive sued.

Instead of asserting claims for copyright infringement — from which state actors are immune — Olive's complaint alleged that the university's publication was an unlawful taking under Article I, Section 17 of the Texas Constitution and under the Fifth Amendment of the U.S. Constitution.

At the trial court level, the university filed a plea to jurisdiction, arguing that it was also immune from such claims pursuant to the doctrine of sovereign immunity. The Harris County District Court denied that plea, and the university appealed.

The Texas Court of Appeals for the First District reversed and dismissed the suit based on a finding that copyright infringement does not qualify as a constitutional taking. Olive appealed, but the Supreme Court of Texas agreed with the appellate court.

The Texas Supreme Court dodged the question of whether copyright ownership qualifies as a form of property for the purposes of takings law and instead rested its decision on a finding that copyright infringement does not qualify as a taking.

The court's decision drew a distinction between tangible property and intellectual property and concluded that — unlike a taking of tangible property, which deprives the owner of possession and control of that property — copyright infringement of intellectual property involves no such deprivation.

Because copyright law confers on the owner a bundle of rights (such as the right to use, distribute and display the work), even if the state interferes with some of those rights, the copyright owner can still use and possess the "key legal rights that constitute property for purposes of a per se takings analysis," according to the state Supreme Court's opinion.

WHY WAS A STATE COURT DECIDING A COPYRIGHT CASE?

What makes the case most unusual is that the Supreme Court of Texas was addressing a copyright infringement claim at all when it is black letter law the federal courts enjoy exclusive jurisdiction over copyright claims.[1]

The U.S. Code makes clear that "[n]o State court shall have jurisdiction over any claim for relief arising under any Act of Congress relating to … copyrights."

And, although the claim was pled as a constitutional takings claim, the court made clear that the crux of the claim was copyright infringement, referencing "copyright infringement" 19 times in the opinion and describing the issue as "whether a copyright infringement claim against a governmental entity may be maintained as a constitutional takings claim."[2]

But notably absent from the courts' decisions — and the parties' briefs — in this matter is a discussion of preemption. It is well settled that any "legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright" must be litigated under the Copyright Act.[3]

For decades, courts nationwide have rejected state law claims that seek relief for copyright infringement under the guise of different titles.

Although the appellate court here noted that state law claims "relating to copyrights are preempted by federal law" — and expressly held that Olive's claim arises from copyright infringement — it engaged in no analysis to determine whether Olive's takings claim was barred by preemption. And the state Supreme Court's decision does not mention preemption at all.

Had the court engaged in a preemption analysis, it likely would have concluded that Olive's state law claim was preempted.

The two-step test for preemption is well settled. It first considers whether the subject matter of the state law claim falls within the subject matter of copyright as described in Title 17 of the U.S. Code, Sections 102 and 103.

It is beyond dispute that, here, Olive's photograph falls within the subject matter of copyright protection.

The second element considers whether the state rights asserted are equivalent to the rights contained in Title 17 of the U.S. Code, Section 106.

Among other things, Section 106 vests in the copyright owner the right to reproduce and publicly display a copyrighted work, both of which were implicated by the university's download and public display of Olive's photograph on its website. Again, the court clearly described the underlying claim as one of copyright infringement.

Thus, Olive's takings claim under the Texas Constitution should have been preempted.

Olive's Fifth Amendment takings claims, however, is another matter. The extent to which the preemption analysis applies to claims arising under federal law, including constitutional claims, has been scarcely explored, and decisions on the issue lack consistency.

On the one hand, the preemption provision of the

Copyright Act makes no distinction between federal and state law claims. Thus, some courts, such as the U.S. Court of Appeals for the Fifth Circuit in 2015's Spear Marketing Inc. v. BancorpSouth Bank (quoting its prior decision in GlobeRanger Corp. v. Software AG in 2012), have broadly held that any "claims for conversion of intangible property are preempted."[4]

On the other hand, some courts have found that ownership of a copyrightable work qualifies as an interest in property protected by the Fifth Amendment and have expressly concluded that the "Copyright Act does not preempt the Fifth Amendment's Takings Clause,"[5] in the words of the U.S. Court of Appeals for the Sixth Circuit in its 1991 Cawley v. Swearer decision. Though notably, these cases are far older and contain virtually no preemption analysis.

Interestingly, the state did argue copyright preemption before the trial court, where both parties thoroughly briefed the issue,[6] but neither party pursued a copyright preemption argument before the court of appeals or Supreme Court of Texas.

While the court of appeals discussed preemption and held that "all state-law claims arising under federal law relating to copyrights are preempted by federal law,"[7] it did not rule on preemption grounds.

It is unclear why the state elected not to pursue preemption arguments on appeal or, alternatively, remove the case to federal court on the grounds that the plaintiff's takings claim was a preempted copyright claim over which federal courts enjoy exclusive jurisdiction.[8]

At that point, the state could have sought dismissal of the claim on preemption and immunity grounds,[9] although the state would have lost its right to an interlocutory appeal of the denial of its plea to the jurisdiction,[10] which enabled it to take the matter to the Supreme Court of Texas.

The state's strategy can hardly be criticized, because at the end of the day, it won, and clearly foreclosed any hopes copyright owners may have of pursuing copyright claims (under any theory) against state actors.

And while the court of appeals and Supreme Court of Texas may have more easily resolved the case on copyright preemption grounds, the decision serves to make clear that takings claims cannot be used as a state-level end around to copyright infringement claims.

WHERE DOES THIS LEAVE COPYRIGHT OWNERS?

So, what's a copyright owner to do when a state government infringes its intellectual property rights? The answer may be: not much.

After the U.S. Supreme Court held in 2020 in Allen v. Cooper that copyright holders cannot sue a state for damages for copyright infringement, copyright owners are left with few remedies when state actors infringe their rights. In that case, the court found that the Copyright Remedy Clarification Act, which purports to abrogate state immunity from copyright infringement, was not properly enacted and was therefore unconstitutional.[11]

In fact, although Allen had not yet been decided when Olive sued the University of Houston, the Fifth Circuit had already reached a similar ruling in a case involving the University of Houston, no less, which is likely why Olive chose to pursue a takings claim rather than a copyright claim.[12]

While states may so far enjoy sovereign immunity from copyright infringement claims, copyright owners are not completely without redress.

For example, injunctive relief is still an option under the Ex parte Young doctrine, which holds that the Eleventh Amendment of the U.S. Constitution does not shield an infringing state actor from claims for injunctive relief from copyright infringement.[13]

Unfortunately, injunctive relief is unlikely to be a worthwhile endeavor for plaintiffs like Olive where the infringement has ceased and the primary focus of

the plaintiff shifts to damages as a remedy.

For now, such plaintiffs are out of luck unless and until Congress enacts a statute that properly abrogates state immunity from infringement claims.

Haynes and Boone summer associate Dylan Freeman contributed to this article.

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[1] See 28 U.S.C. § 1338(a).

[2] Jim Olive Photography v. University of Houston System , No. 19-0605 at pg. 1 (Tex. Feb. 25, 2021).

[3] 17 U.S.C. § 301(a); see also Spear Mktg., Inc. v. BancorpSouth Bank , 791 F.3d 586, 594 (5th Cir. 2015) ("§ 301(a) 'completely preempts the substantive field'") (internal citation omitted).

[4] See, e.g., Spear Mktg., Inc., 791 F.3d at 597 (internal citations omitted); Est. of Graham v. Sotheby's, Inc. , 178 F. Supp. 3d 974 (C.D. Cal. 2016), aff'd in part, rev'd in part and remanded sub nom. Close v. Sotheby's, Inc. , 894 F.3d 1061 (9th Cir. 2018) (holding that permitting Fifth Amendment claims to proceed in every instance of copyright infringement would "severely inhibit Congress' regulatory authority under the Copyright Clause, which is plainly not the law").

[5] See, e.g., Cawley v. Swearer , 936 F.2d 572 (6th Cir. 1991); Roth v. Pritikin , 710 F.2d 934 (2d Cir. 1983).

[6] Olive argued before the trial court that the Copyright Act's preemption provision, 17 U.S.C. § 301(a), explicitly applies only to state "common law or statutes," and therefore excludes constitutional claims.

[7] Univ. of Houston Sys. V. Jim Olive Photography , 580 S.W.3d 360, 365 (Tex. App. Houston (1st Dist.) 2019).

[8] See Spear Mktg., Inc., 791 F.3d at 598.

[9] See Allen v. Cooper , 140 S.Ct. 994 (U.S., 2020); Spear Mktg., Inc., 791 F.3d 586.

[10] Tex. Civ. Prac. & Rem. Code § 51.014(a)(9).

[11] See Allen v. Cooper, 140 S.Ct. 994 (U.S., 2020).

[12] See Chavez v. Arte Publico Press , 204 F.3d 601, 607–08 (5th Cir. 2000) (in copyright-infringement action against University of Houston, holding that Copyright Remedy Clarification Act (CRCA), 17 U.S.C. § 511, which purported to abrogate Eleventh Amendment immunity and to provide for state liability for copyright infringement, was unconstitutional).

[13] See Ex Parte Young, 209 U.S. 123, 159–60 (1908).

Eugene Goryunov, David McCombs, Clint Wilkins and Kristina Smith in *The Patent Lawyer*: 'The U.S. Patent Office's Guidance on Indefiniteness in AIA Post-Grant Proceedings'


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On January 6, 2021, the U.S. Patent and Trademark Office (USPTO) issued a memorandum entitled "Approach to Indefiniteness Under 35 U.S.C. § 112 in AIA Post-Grant Proceedings."[1] The memorandum sets forth binding guidance outlining the USPTO's approach to analyzing claims for indefiniteness in all America Invents Act (AIA) post-grant review proceedings: *inter partes* review (IPR), post grant review (PGR), and covered business method review (CBMR).[2]

A UNIFORM "INDEFINITENESS" STANDARD PROMOTES CONSISTENCY ACROSS ALL FORUMS.

The memorandum clarifies that the Patent Trial and Appeal Board (PTAB) will apply the indefiniteness standard promulgated by the U.S. Supreme Court in *Nautilus, Inc. v. Biosig Instruments, Inc.*[3] There, the Court held that "a patent is invalid for indefiniteness if its claims, read in light of the specification delineating the patent, and the prosecution history, fail to inform, with reasonable certainty, those skilled in the art about the scope of the invention." As of 2018, the claim construction standard is the same for AIA proceedings and civil actions in, for example, U.S. district courts. Adopting the *Nautilus* standard for AIA proceedings would "align" the indefiniteness inquiry across all forums where indefiniteness can be asserted, thereby "promot[ing] consistency and efficient decision-making."[4]

THE MEMORANDUM CLARIFIES THE PTAB WILL USE THE SAME INDEFINITENESS STANDARD AS THE COURTS.

Because the indefiniteness inquiry is an important part of AIA proceedings, there is a need for consistent legal standards. The Patent Act requires that a patent include "one or more claims particularly pointing out and distinctly claiming the subject matter which the inventor or a joint inventor regards as the invention." Under the AIA regime, indefiniteness can be asserted as an affirmative ground in PGR and CBMR proceedings and can further be asserted to challenge claims proposed in a motion to amend in any AIA proceeding, including IPR. The memorandum notes, however, "confusion" has developed at the Patent Trial and Appeal Board (PTAB) as to the proper indefinitenessstandard that is to be applied in AIA proceedings.[6]

In 2014, in *In re Packard*, the Federal Circuit affirmed the operating USPTO indefiniteness standard: "[a] claim is indefinite when it contains words or phrases whose meaning is unclear."[7] The USPTO applied this standard during patent examination, examination appeals, and AIA proceedings.[8] At that time, the USPTO applied the broadest reasonable interpretation (BRI) claim construction standard in all matters before it.[9]

Later that same year, the U.S. Supreme Court in *Nautilus* affirmed the operating indefiniteness standard applied in civil actions by U.S. district courts: "[A] patent is invalid for indefiniteness if its claims, read in light of the specification delineating the patent, and the prosecution history, fail to inform, with reasonable certainty, those skilled in the art about the scope of the invention."[10] U.S. district courts, then and now, apply the claim construction standard articulated in *Phillips v. AWH Corp.*, [11] which requires that words of a claim be given their ordinary and customary meaning.

The memorandum asserts that different indefiniteness standards made sense initially because of the different claim construction standards employed by the USPTO and U.S. district courts.[12] In late 2018, however, the USPTO elected to replace the BRI claim construction standard in AIA proceedings with the *Phillips* claim construction standard.[13]

The result: according to the memorandum, two indefiniteness standards – In *re Packard and Nautilus* – created "confusion" in AIA proceedings because these proceedings apply the same claim construction standard as U.S. district courts. Parties in AIA proceedings were left to argue either indefiniteness standard, or both.[14]

The solution: the memorandum states that the original reasoning for employing two different indefiniteness standards in AIA proceedings no longer made sense in view of the single unifying claim construction standard between AIA proceedings and civil actions.[15] Therefore, the USPTO elected to adopt the *Nautilus* standard for indefiniteness for AIA proceedings. The memorandum reasons that harmonizing the operable indefiniteness standard will ensure a reliable and consistent approach that is both efficient and fair, thereby increasing the integrity of AIA proceedings at least in part because the PTAB and U.S. district courts often analyze the same claims in parallel proceedings.[16]

FOR APPEAL PURPOSES, THE MEMORANDUM REMOVES CONFUSION AS TO WHICH INDEFINITENESS STANDARD THE PTAB SHOULD APPLY

The USPTO's memorandum is expected to resolve existing confusion in AIA proceedings. It should be noted, however, that the memorandum will likely only bind the PTAB. The Federal Circuit has determined that USPTO guidance documents, such as the memorandum at issue, "does not carry the force of law."[17] Instead, the Federal Circuit will likely "apply [Federal Circuit] law and the relevant Supreme Court precedent, not the Office Guidance."[18] Nevertheless, by adopting U.S. Supreme Court precedent for indefiniteness in AIA proceedings, appeals of those proceedings should be more predictable going forward.

[1] https://www.uspto.gov/sites/default/files/documents/IndenitenessMemo.pdf(hereinafter, "Memo").

[2] The Memorandum was issued under the USPTO's Standard Operating Procedure 2 and is signed by Under Secretary and Director Andrei Iancu, Commissioner for Patents Andrew Hirshfeld, and Chief Administrative Patent Judge Scott Boalick.

[3] 572 U.S. 898 (2014). Memo at 5.

[4] Memo at 5.

[5] 35 U.S.C. § 112(b).

[6] Memo at 4.

[7] 75 F.3d 1307 (Fed. Cir. 2014) (per curiam).

[8] Memo at 2-3.

[9] Memo at 3.

[10] *Nautilus*, 572 U.S. at 901.

[11] 415 F.3d 1303 (Fed. Cir. 2005) (en banc).

[12] *Ex parte McAward*, Appeal No. 2015-006416, 2017 WL 3947892 (PTAB Aug. 25, 2017). Memo at 3-4.

[13] Changes to the Claim Construction Standard for Interpreting Claims in Trial Proceedings Before the Patent Trial and Appeal Board, 83 FR 51340 (Oct. 11, 2018).

[14] Memo at 4.

[15] Memo at 5.

[16] Memo at 5

[7] In *re Rudy*, 956 F.3d 1379, 1382 (Fed. Cir. 2020) (holding USPTO guidance on subject matter eligibility is not binding); see also *Cleveland Clinic Found. v. True Health Diagnostics LLC*, 760 F. App'x 1013, 1020 (Fed. Cir. 2019) (non-precedential) (same).

[18] In *re Rudy*, 956 F.3d 1383.

Benjamin Pelletier in *BioProcess Online*: 'Patenting Antibodies: The 4 Tactics to use in 2021'

Benjamin Pelletier

In my first article, I reviewed the nuts and bolts of antibody epitope claims and summarized the evolution of the Federal Circuit's current position on their validity under the written description and enablement requirements of 35 U.S.C. § 112. In this article, I provide some useful approaches that you and your antibody patent lawyer (here we call patent lawyers "practitioners") can implement in order to improve your chances of obtaining valid antibody claims with functional attributes.

1. SHOW YOUR WORK

In *Amgen v. Sanofi*, one major point of discussion was the amount of work that Amgen had put into its original antibody discovery campaign, in comparison to the amount of work that one of ordinary skill in the art would need to do to produce the full scope of the antibodies falling within the claim language. During oral arguments, Sanofi hammered on this topic, stating "the road map requires the same amount of work as the original work," and "I can't think of a better definition of undue experimentation than 'more work than any scientist would even contemplate doing.'"[1]

In light of this, it's important for practitioners to capture evidence of the amount of work that went into the applicant's antibody discovery campaign in order to at least attempt to rebut this type of argument. If thousands of antibodies were screened for activity before settling on a handful of lead sequences that possess the desired functional properties, be sure to include this information in your patent application.

2. INTRODUCE SOME STRUCTURE, BUT DON'T OVERDO IT

Some antibody discovery techniques involve grouping antibody-producing cells into clonotypes based on observed similarities in the complementarity-determining region (CDR) sequences of the antibodies that those cells produce. This results in a "family" of antibody sequences that share a certain percentage of commonality amongst its members. Based on their common genetic history, antibodies from the same clonotype family typically bind to the same epitope. This allows for the use of a structural limitation, for example, antibodies having at least 85% identity to a given amino acid sequence, as a proxy for a functional limitation, like epitope binding.

The benefit to this approach is that it greatly reduces the theoretical number of antibodies that could fall within the scope of the claim, thereby reducing the "substantial time and effort" and undue experimentation that the Federal Circuit was uncomfortable with in *Amgen*. The drawback is that there may be other antibodies, outside the clonotype family, that can also bind to the same epitope, and those antibodies wouldn't be covered by the claim. Even though this approach is not a perfect substitute for a traditional epitope claim, it still helps to reduce the time and effort that would be involved with a hypothetical screening process to produce the full scope of the antibodies falling within the claim language. Furthermore, when combined with the "show your work" approach, this can tip the balance in favor of the applicant by establishing that the original antibody campaign covered more members of the functional genus.

3. FILE APPLICATIONS LATER, AND LEVERAGE PRIOR ART RULES

Under the America Invents Act (AIA), the United States adopted a first to file system in which patent rights lie with the first person to file a patent application for protection of an invention, regardless of the date of invention.[2] This encourages a race to the patent office, especially in crowded technology fields. However, when it comes to antibodies, filing later is often a better approach, because it provides more time to identify additional sequences that bind to the epitope and to connect the dots between their structural and functional features. This approach can allow structural commonalities to emerge, which may also serve as proxies for epitope binding.

After filing a provisional patent application, you have one year to convert that application into a non-provisional filing, into which you can place additional data, information, figures, or text that describe additional embodiments and aspects of the invention. Approximately six months after the non-provisional application is filed, it is published, and the original provisional application becomes available for public inspection as well. As such, there is an 18-month window from the filing date of the provisional application to the publication date of the non-provisional application during which the content of the application remains confidential. During this 18-month time frame, you can file a second provisional application, and the prior application will not constitute prior art against that second provisional filing, provided both applications are owned by the same inventive entity.[3]

To best take advantage of these rules when seeking to patent antibodies, you should:

- File a first provisional application that covers the antibody sequences themselves.
- Then, file a non-provisional application at the one-year mark that includes additional information relating to the functional properties of those sequences.
- Just before the publication of the first application at the 18-month mark, file a second *provisional* application that includes as much detail as possible relating to the epitopes to which the antibodies bind.
- One year after filing the second provisional application (30 months after filing the first provisional application), convert the second

provisional application into a non-provisional filing, and include any additional data relating to the epitopes to which the antibody sequences bind.

This approach gives you a period of 30 months to develop data on the epitopes to which the antibody sequences bind and provides a framework for incorporating that information into patent filings that can be pursued simultaneously, without creating prior art issues. As such, carefully planning the timing of multiple provisional applications can give you the necessary time to identify key features of your antibodies and support claims with functional attributes.

4. LOOK FOR INNOVATION AND EXCLUSIVITY IN THE BIOPROCESS MANUFACTURING STREAM

With epitope claims less available post-*Amgen*, look at other portions of your bioprocess manufacturing stream to identify opportunities for exclusivity. For instance, certain types of cell culture or protein purification unit operations can be particularly useful in the production of certain classes of antibody molecules. One prominent example of this approach is Genentech's now-famous Cabilly patents, which described methods for producing recombinant immunoglobulin heavy and light chains (i.e., antibodies) in a culture of host cells.[4] These patents involved such a fundamental step in the manufacturing process for therapeutic antibodies that a huge number of companies licensed the technology from Genentech, resulting in over $250 million in royalties for the company in 2007.[4] As such, the bioprocessing methods and systems used to manufacture antibody therapeutics can provide the basis for valuable patent rights that can strengthen the portfolio of an entire class of therapeutics. Practitioners should carefully review the bioprocess manufacturing procedures that applicants are using to produce their molecules and investigate opportunities to create new patent assets. This is fertile ground for invention sensing that is frequently overlooked by practitioners who are too focused on antibody composition and method of use claims.

CONCLUSION

On April 14, 2021, Amgen filed a petition for rehearing en banc at the Federal Circuit.[5] In the petition, Amgen strongly underscores the policy implications of the new, distinct test for enablement that the *Amgen v. Sanofi* decision has foisted on the pharmaceutical industry. Most cogently, the petition points to the waste of resources that applicants will now need to divert toward attempting to shore up their compliance with the enablement requirement, at the expense of pursuing new breakthrough drugs. If we want the U.S. remain an important contributor to pharmaceutical innovation, let's hope the petition for rehearing en banc is granted.

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1 Amgen Inc. v. Sanofi, Aventisub LLC, 987 F.3d 1080 (Fed. Cir. 2021), oral argument dated December 9, 2020; time stamp 18:48-19:50.

2 Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) (amending scattered sections of 35 U.S.C.).

3 35 U.S.C. § 102(b)(2)(C).

4 Ulrich Storz, The Cabilly Patents, MAbs. 2012 Mar-Apr; 4(2): 274-280.

5 Amgen Inc. v. Sanofi, Aventisub LLC, 987 F.3d 1080 (Fed. Cir. 2021), pet. for reh'g en banc by Appellant, filed Apr. 14, 2021.

Joseph Matal in *Westlaw Today*: 'Jury Trials Are Not an Adequate Substitute for Patent Validity Review at the PTAB'

Joseph Matal

Joseph Matal, Haynes and Boone LLP partner and former acting director of the U.S. Patent and Trademark Office, explains why the Patent Trial and Appeal Board's "discretionary denial" policies can be problematic.

The March 2 $2.2 billion patent infringement verdict in West Texas puts to rest any notion that American industry can simply learn to live with the USPTO's new policy of applying "discretion" to deny validity review of issued patents.

The patents in *VLSI Technology LLC v. Intel Corp.* should have been reviewed by the technical experts at the Patent Trial and Appeal Board, and if they had been, their claims almost certainly would have been cancelled.

The fact that Intel's timely challenges were barred from consideration of their merits, and that a manifestly weak patent went on to secure a ten-figure award, indicates a patent system that is badly out of balance — and that threatens to do serious harm to the American economy.

Consider U.S. Patent No. 7,523,373, which alone formed the basis for the bulk of VLSI's award. This patent addresses the "problem" that the memory in an integrated circuit sometimes requires a higher operating voltage than the processor.[1]

The claimed solution? Apply a "first regulated voltage" to both if they need the same voltage, but if the memory needs more voltage than the processor, then apply a "second regulated voltage" that is "greater than the first regulated voltage." That's it — that is the claimed invention.

This limitation, which appears across all the claims, was the only basis on which VLSI defended the merits of its patent at the PTAB.

Intel's PTAB petition explained that it was known long before the patent's filing date that the different elements of an integrated circuit may require different voltages. It was also known that you can save power by giving each element only what it needs.[2]

Intel appeared to have a strong case on the merits, but its petition was never considered on its merits.

In its preliminary reply, VLSI successfully argued that the PTAB should apply "discretion" under the USPTO's *Apple v. Fintiv* policy to reject Intel's petition in favor of a scheduled district court trial.

Weak patents such as the '373 patent are distressingly common. If you are wondering why the examiner allowed this one, the answer is that he did find the relevant prior art and he rejected the claims as anticipated and obvious.

But the applicant came back with legalistic arguments and amendments about how elements of the invention were labeled, and the examiner eventually let the patent go.

The '373 patent is emblematic of a system whose liberal procedural rules and unlimited right to continue prosecution can allow a determined applicant to eventually wear down a patent examiner.

Examiners are experts in their art areas, but they can only be given a limited amount of time to search for prior art, and they are human beings: they grow tired of dealing with same applicant pursuing the same application with an unlimited series of amendments for years on end.

Many a patent has been obtained by waging this war of attrition against the examiner. And the U.S. now issues on average over 1,000 new patents every day.[3]

PTAB review is often described as a corrective for examination results, but it also helps improve the examination process, by altering applicants' incentives.

In a PTAB review, for example, a higher burden of proof is applied to challenges that are based on prior art that the examiner had already considered.

This creates a strong incentive for an applicant to cooperate with the examiner and help identify relevant prior art. (In district court, by contrast, the same high burden of proof applies regardless of whether the art was presented to the examiner.)

PTAB review is also highly accurate and reliable. Academic studies have confirmed what common sense would suggest: that PTAB judges' technical educations and legal training "aid decision-making on the thorny scientific questions endemic to patent law."[4]

The high quality of PTAB adjudications is reflected in the results on appeal — "the PTAB is affirmed notably more often than district courts on validity issues."[5]

In this way, too, PTAB review positively affects examination incentives. When the only option for a litigation defendant is an expensive district court trial and an unpredictable jury verdict, many will settle for substantial amounts even if the patent appears to be invalid.

This nuisance value sustains a robust secondary market for even non-meritorious patents — it makes it worth the effort to obtain even an objectively weak patent. PTAB review's technical reliability and much lower cost, by contrast, substantially reduces the value of an invalid patent.

This not only protects businesses against unnecessary lawsuits, it also encourages applicants to aim for quality rather than quantity in their patent prosecution strategies.

But for PTAB review to provide these benefits, it must be reliably available. The "discretionary denial" policies allow a plaintiff to make such review reliably *un*-available. In the *Intel* case, for example, VLSI asserted 430 claims across 21 patents.

Intel understandably waited to file its challenges until it could determine which claims would be litigated, and it still filed its petitions well within the statutory deadline — which, incidentally, Congress extended to one year precisely to account for situations in which the patent owner is slow to identify its claims.

This was enough, however, to cut off access to PTAB review under the *Fintiv* policy.

In other cases, even review petitions that are filed almost immediately after a complaint is served have been deemed "untimely" under *Fintiv.*[6]

By filing in one of the districts that routinely set early trial schedules, a plaintiff is likely to be able to invoke Fintiv and cut off the defendant's access to PTAB review.[7]

Unsurprisingly, these same districts also are heavily favored by the patent assertion groups that tend to sue on weak patents.

The combined effect of these policies is what led to the *VLSI* result: a likely invalid patent garnered a damages award that is about the same size as the cost of building a new semiconductor fabrication plant.

No credible system of patent adjudication and enforcement can operate this way. A well-functioning patent system requires a balance between rewards for inventors and legal certainty for manufacturers.

It must encourage innovation while providing the predictability that businesses need to be able to invest in plants and equipment in the United States.

And the fulcrum of that balance is patent validity. Allowing a valid patent to secure a commensurate award incentivizes innovation and limits the burden on manufacturers to the cost of paying for advances that had not previously been disclosed.

Enforcement of an *invalid* patent, by contrast, can hardly be said to reward innovation. It simply places an unnecessary burden on businesses that make products and provide jobs.

And when that burden becomes as high as the award in the *VLSI* case — and can be replicated with the

many other invalid patents that are available — the viability of manufacturing advanced products in the United States is called into doubt.

When the USPTO finally sought public comments on its discretionary denial policies, American industry overwhelmingly opposed these limits on PTAB review.

Those that called for rescinding the policies included not just leading chip makers such as Intel and manufacturers of computer and telecommunications equipment, but also diverse interests such as medical device makers, software designers, generic drug manufacturers, start-up companies, and small service businesses that are sued as end users.

One industry that was particularly united in its opposition was automobile manufacturers. A coalition that represents the makers of virtually all cars and light trucks that are built in the United States expressed its strong opposition to the discretionary denial policies.[8]

It should be of special concern to U.S. policymakers that many foreign companies that have built factories in the United States also felt compelled to express their objections.

The automakers' coalition, for example, included Asian and European companies that operate scores of manufacturing plants and design facilities across the United States and provide tens of thousands of jobs to Americans.

One individual comment letter was submitted by a Taiwanese chip maker that recently began building a $12 billion fabrication plant in the United States.

These companies have a choice where to build their next manufacturing plant.

They are aware of the $2.2 billion verdict against Intel, a recent $506 million judgment against Apple in which PTAB review was also blocked by *Fintiv*,[9] and the dozens of suits moving forward against other companies in which patent validity challenges were "discretionarily denied" — and that these policies so far have continued under the new Administration.

Allowing juries to decide patent validity is unique to the American system, and just one award such as that against Intel can erase the value a chip fab that is built in the United States.

When any company, foreign or domestic, is considering whether to invest in the United States, the last thing we want is for it to be deterred by the prospect that it will be unable to effectively defend itself against assertions of invalid patents.

For the sake of the economy and the integrity of the patent system, the U.S. needs to restore reliable access to technically proficient validity review at the PTAB.

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1 *See* '373 Patent at column 2, lines 4 through 9 ("[T]he memory in a data processing system may fail at a higher voltage than the processor. That is, the processor may be able to operate at a lower voltage than is possible for the memory. Therefore, in many embodiments, the memory has a higher minimum operating voltage than the processor.").

+ *See Intel v. VLSI Tech.*, IPR2020-00158, Paper 3 at 7-8 (Nov. 20, 2019).

3 *See* USPTO, "U.S. Patent Statistics Chart: Calendar Years 1963-2019," at https://bit.ly/2QKBqag.

4 Matthew G. Sipe, "Experts, Generalists, Laypeople — and the Federal Circuit," 32 Harv. J.L. & Tech. 576, 627 (2019).

5 *See id.* at 610. This study, which reviewed the results of all patent appeals that were docketed at the U.S. Court of Appeals for the Federal Circuit in fiscal years 2015 and 2016, found that district courts are almost two and a half times more likely than the PTAB to be reversed on appeal when deciding patent validity issues.

6 *See* Joseph Matal, "Mapping the Contours of PTAB Discretionary Denials in 2020," Law360, Dec. 16, 2020, at https://bit.ly/3gs91AO.

7 *See* Brenton Babcock and Tyler Train, "A Proposed Alternative to PTAB Discretionary Denial Factors," Law360, Oct. 1, 2020, at https://bit.ly/2RU6Mw5.

8 These and other comment letters, on both sides of the issue, are available at Unified Patents, "The Results Are In: The USPTO's Request for Comments on Discretionary Denials," at https://bit.ly/32Ak5U8.

9 *Optis Wireless Tech. LLC v. Apple Inc.*, No. 19-cv-66, jury verdict entered, (E.D. Tex. Aug. 11, 2020).

RECENT RECOGNITIONS

14 Haynes and Boone Partners Ranked Among World's Top Patent Lawyers by *IAM Patent 1000*

Haynes and Boone and 14 of its partners from California, Colorado, Illinois, Texas and Washington, D.C., were recognized in the 2021 edition of the *Intellectual Asset Management (IAM) Patent 1000* legal directory.

The publication ranked Haynes and Boone in California, Illinois and Texas. It ranked the following partners as best-in-class patent prosecution, litigation, and transactions practitioners in key jurisdictions: Randall Brown, Tom Chen, Randall Colson, Russell Emerson, Ralph Gabric, Alan Herda, Lee Johnston, David McCombs, Greg Michelson, Laura Beth Miller, David O'Brien, David O'Dell, Mark Tidwell and Jeff Wolfson.

Multiple Haynes and Boone Lawyers, Practices Rank Among Best in U.S. in 2021 *Legal 500 Directory*

The Legal 500 U.S. ranked five Haynes and Boone practice areas in the 2021 edition of the legal directory, including the Trademarks: Non-Contentious (including Prosecution, Portfolio Management and Licensing) practice.

The *Legal 500* ranked Haynes and Boone among the Top 17 firms in the country and recommended six partners spanning Haynes and Boone's Dallas, New York, Washington, D.C. and Orange County offices: Purvi Patel Albers, Jeffrey Becker, David Bell, Theresa Conduah, Erin Hennessy and Joseph Matal.

Haynes and Boone Ranked Among Nation's Top Patent Firms in 2021

Managing Intellectual Property recognized Haynes and Boone's Patent Practice Group and six of its patent lawyers as *IP STARS* in the 2021 directory of the leading intellectual property firms and lawyers worldwide.

Haynes and Boone ranked Tier 1, as one of the Top Six firms nationwide, for PTAB litigation and Tier 3 in the U.S. for patent prosecution. The firm also ranked as one of only five Highly Recommended firms for patent prosecution in Texas and one of only six Highly Recommended firms in Texas in the patent contentious category.

Haynes and Boone Ranked Among Nation's Top Trademark Firms

Managing Intellectual Property recognized Haynes and Boone's Trademark Practice Group and five of its trademark lawyers as *IP STARS* in the 2021 directory of the leading intellectual property firms and lawyers worldwide.

Haynes and Boone ranked among the Top 11 trademark firms in the U.S — and as one of only four "highly recommended" trademark firms in Texas. The following trademark lawyers also were recognized in *IP STARS 2021:* Purvi Patel Albers, Jeffrey Becker, David Bell, Erin Hennessy and Rob LeBlanc.

RECENT RECOGNITIONS

Haynes and Boone Lawyers Prominently Featured in 2021 Chambers USA

Haynes and Boone practices and lawyers across the country were recognized as industry leaders in the 2021 edition of the Chambers USA legal directory, published by Chambers and Partners. Eight attorneys from the Intellectual Property Department were individually recognized: Purvi Patel Albers, Jeffrey Becker, David Bell, Randall Colson, Russell Emerson, David McCombs, Laura Beth Miller, and Laura Prather.

Purvi Patel Albers, Jeffrey Becker and David McCombs Included in *WIPR 2021* Leaders Guide

World IP Review has listed Haynes and Boone Partners Purvi Patel Albers, Jeffrey Becker and David McCombs among the nation's leading trademark and patent lawyers for 2021.

IP QUIZ

Trademark Trivia

Can two generic terms be combined to form a protectable trademark if the mark has achieved significant commercial success and consumer recognition?

YES

NO

ADDITIONAL IP PUBLICATIONS

Tiffany Ferris and Joseph Lawlor in *Law360*: '3 Tips For Compliance With FTC's New Made In USA Rule'
Tiffany Ferris and Joseph Lawlor

David McCombs, Joseph Matal, and Eugene Goryunov in *The Patent Lawyer*: 'Why the USPTO Does not Receive Chevron Deference'
David McCombs, Joseph Matal and Eugene Goryunov

Eugene Goryunov, David McCombs and Jonathan Bowser in *Westlaw*: 'IPR Tricks of the Trade: Not all Appeals From Patent Board are Made Equal'
Eugene Goryunov, David McCombs and Jonathan Bowser

David McCombs, Eugene Goryunov, Jonathan Bowser and Jolene Robin-McCaskill in *IP Magazine*: 'Discretionary Institution'
David McCombs, Eugene Goryunov, Jonathan Bowser and Jolene Robin-McCaskill

David McCombs, Eugene Goryunov, Jonathan Bowser and Jolene Robin-McCaskill in *Thomson Reuters Westlaw*: 'Changes at the USPTO Under Former Director Andrei Iancu: A Retrospective'
David McCombs, Eugene Goryunov, Jonathan Bowser and Jolene Robin-McCaskill

Tom Chen in *World IP Review*: 'Dispelling Myths During AAPI Heritage Month'
Tom Chen

David McCombs, Eugene Goryunov, Jonathan Bowser and Judy He in *World IP Review:* 'Analysing Takings Clause' Challenges to PTAB Reviews'
David McCombs, Eugene Goryunov, Jonathan Bowser and Judy He

What Are Standard Essential Patents and Why Do I Need to Know About Them?
Raghav Bajaj

David McCombs, Eugene Goryunov, Jonathan Bowser, and Angela Oliver in *IP & Technology Law Journal*: 'Drawing the Line: Appealability of Issues in PTAB Institute Decisions'
David McCombs, Eugene Goryunov, Jonathan Bowser and Angela Oliver

Benjamin Pelletier in *BioProcess Online*: 'Making Sense of Antibody Epitope Claims'
Benjamin Pelletier

Benjamin Pelletier in *Life Sciences IP Review*: 'The Uncertain Future of Antibody Claims'
Benjamin Pelletier

IP QUIZ

Trademark Trivia

Question: Can two generic terms be combined to form a protectable trademark if the mark has achieved significant commercial success and consumer recognition?

NO! A mark that is comprised of generic terms that describe the class of covered goods does not, by virtue of combination with other generic terms that similarly describe the covered goods, become a protectable trademark, regardless of commercial success and consumer recognition.

This issue surrounds a more-than-a-decade-long dispute between Frito-Lay North America, Inc. ("Frito-Lay") and Snyder's-Lance, Inc. ("Snyder's") regarding Snyder's' trademark registration for PRETZEL CRISPS for pretzel crackers. The PRETZEL CRISPS mark, originally registered by The Snack Factory, Inc and eventually acquired by Snyder's in 2012, was registered on the USPTO's Supplemental Register in 2005. Since 2004, over $1.2 billion worth of Pretzel Crisps have been sold to wholesalers and retailers and over $50 million has been spent to advertising and promote the brand. The owners applied to register PRETZEL CRISPS on the USPTO's Principal Register in 2009, indicating that the PRETZEL CRISPS mark had acquired distinctiveness. Frito-Lay disagreed, arguing that the PRETZEL CRISPS mark was generic and, accordingly, not protectable.

Most recently the 4th Circuit weighed in on the matter, dismissing Snyder's arguments that PRETZEL CRISPS is not generic.

In *Synder's-Lance, Inc. and Princeton-Vanguard, LLC v. Frito-Lay North America, Inc.* , 3:17-CV-00652-KDB-DSC (W.D.N.C., June 7, 2021), the court followed the Federal Circuit's two-part test for genericness, which assesses:

1. The class of goods or services at issue; and
2. Whether the term sought to be registered is understood by the relevant public to primarily refer to these goods.

The first prong of the analysis was not disputed, and the parties agreed that the class of goods was "pretzel crackers." In assessing whether consumers understand PRETZEL CRISPS, a combination of two generic terms, to refer to the product or to something else, the court found that there was no additional meaning resulting from the combination of the words PREZEL and CRISPS that would cause consumers to perceive of the mark as referring to anything other than a pretzel cracker.

The court noted that once a term is deemed generic, it cannot subsequently become non-generic. Further, the court noted that the law forbids registration of generic terms, even when a mark owner engages in successful efforts to establish consumer recognition of an otherwise generic term and that courts have long sought to foreclose companies from monopolizing common terms, holding that no single competitor has the right to "corner the market" on ordinary words and phrases.

The court pointed to the fact that many of Snyder's competitors had attempted to, or were using, the term PRETZEL CRISPS, which Snyder's had actively enforced against to varying degrees of success. The court, however, found that its competitors' compliance with Snyder's enforcement activities was less about the recognition of PRETZEL CRISPS as a brand name, but rather "represent the considered practical judgment of the accused companies . . . that it wasn't worth the cost to resist [Snyder's] threats." The court noted that Snyder's ability to deny others the ability to use a common product name only emphasized the importance of not allowing generic terms to become registered trademarks.

In concluding its ruling, the court noted that although *Pretzel Crisps* is a hugely successful product, the combination of generic elements in a compound mark provide no additional meaning to consumers. The court ordered the cancellation of the PREZEL CRISPS registration noting that "no matter how much commercial success the product enjoys, [Snyder's is] not entitled to monopolize the common name of the product being sold."

If you have any questions, please visit the Haynes and Boone Intellectual Property Law page of our website.

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