

Why I Don't Charge

For Course-of-Business Long Distance Telephone Time, Photocopies and Postage

Anyone who has ever sought legal help would probably agree that thoroughness is a valuable quality in an attorney. A client should feel that he can rest assured knowing that his lawyer is hard at work researching all relevant information, making all necessary phone calls, preparing all necessary forms, etc. One can, however, have too much of a good thing. When it comes to the little everyday expenses involved in a case, should an attorney really tally up every long distance phone charge, every photocopy, every postage stamp, and so on, in order to pass the expense along to the client?

While this does demonstrate thoroughness, it is inefficient. In the end, the time it

takes to track these fees and bill them to the client completely negates the reimbursement received by the attorney. For an attorney who bills at \$180 per hour and who pays for long distance time at the rate of 5 cents a minute, spending a total of just three seconds charging a long-distance phone call to a client costs that attorney just as much as a three minute long distance phone call itself. If the attorney passes on to his client the three seconds of time it took to note the long distance phone call, the client now must pay twice for the long distance time. If the attorney does not bill the three seconds, he has not really benefited from the effort, as he could have spent the three seconds actually working on a client matter and being legitimately paid for his

productive effort.

Companies who sell systems for keeping track of attorney's costs advertise that by enabling attorneys to charge their clients for such services as long-distance calling and postage, they make those services free to the attorney. I believe, however, that items that are passed on as expenses to clients are not really free to the attorney passing them on. Anything that is an expense to a client is a concern to me, as I would like to keep my client's bills as low and as lean as possible.

Part of the issue with these types of expenses, is simply having a willingness to adapt to changing times. When long distance phone calls cost \$1.00 per minute and attorneys billed their time at \$50 per hour, it was necessary to keep track of long distance time. Otherwise, an attorney would actually lose money while making a long distance telephone call. Times have changed, however, and it is now practical, in most cases, to accept everyday costs as part of the overhead.

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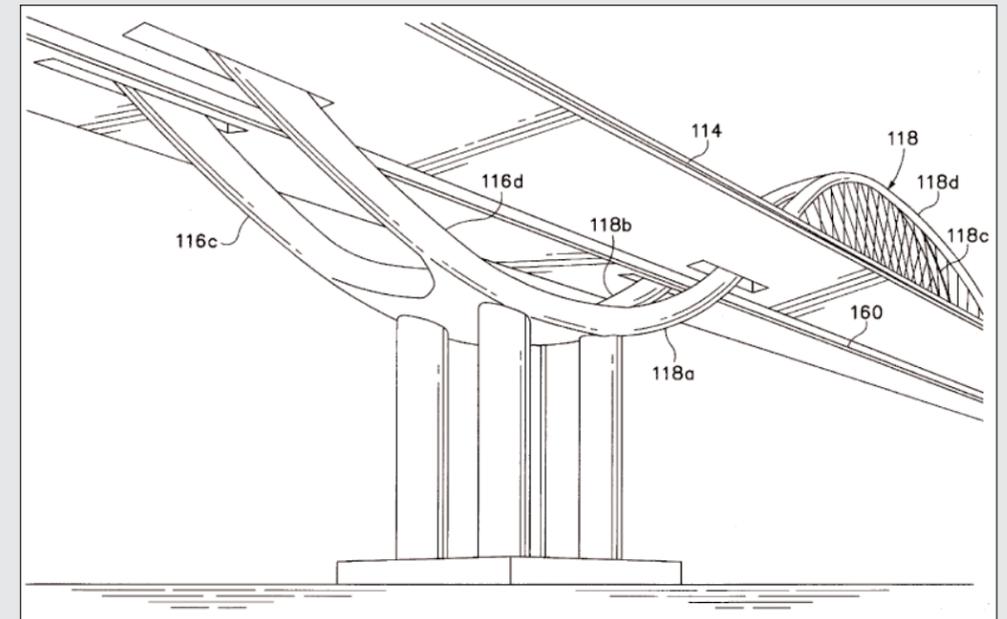
Newsletter

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An undulating support structure lends flexibility and strength to a new type of bridge invented by client David C. Morris. Mr. Morris is a well-known sculptor, living in New York, NY. U.S. Patent No. 6,401,285, issued June 11, 2002, protects this design from being copied.



To Patent or Not To Patent . . .

Many doubt the effectiveness of obtaining patents for a number of reasons. This article discusses a few perceived problems with patents. **Problem No. 1:** I worked for a company that had a lot of patents, but the patents did not help that company much and it eventually went out of business. **Response:** This reason is like being against having a navy because the Confederacy had a navy during the Civil War, but lost the war anyway. No business activity can guarantee success for a business, just as no branch of the military can ensure success in a war. But inattention to any aspect of a business can cause problems,

just as not having a navy could cause problems for a nation fighting a war. Intellectual property, including patents, is an increasingly important portion of the asset mix for many companies. Accordingly, attention to this aspect of running a business is becoming essential for most corporations. A patent program should be a part of a mix of tools carefully chosen to yield maximum competitive advantage. **Problem No. 2:** Competitors will be able to change some insignificant aspect of the patented item and avoid infringement. **Response:** Not if the patent is well drafted. The patent applicant has the opportunity to define his

invention in a section of the patent known as "the claims." The patent office, however, may insist that the applicant change his definition if it is so broad that it would encompass an existing device. Whether or not the claims are altered to suit the patent examiner has a great deal to do with the persuasive ability of the patent attorney representing the applicant. If they are changed, a skillful patent attorney may find a way to change them that minimizes the damage, but is still acceptable to the patent examiner. If the claims are skillfully written and are shepherded through the patent office with no changes that would restrict the claim scope in a

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Changes in Patent Law

The Doctrine of Equivalents Survives Once Again

On May 28, 2002 the Supreme Court issued a decision, *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., Ltd.* 122 S.Ct. 1831 (2002), reversing a lower court and reinstating much of the applicability of the doctrine of equivalents. The Court of Appeals for the Federal Circuit (CAFC), which serves as a national court of appeal for patent cases, had earlier much reduced the number of situations in which the doctrine of equivalents could be applied, in its ruling, *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 304 F.3d 1289 (Fed. Cir. 2002).

In order to explain the meaning of this development, it is necessary to explain the legal context, which follows. Patent infringement may occur as either literal infringement or infringement under the doctrine of equivalents. To literally infringe a patent, a device must have every element recited in a patent claim. For example, a patent claim for a coffee cup might recite:

"1. A cup adapted to facilitate the drinking of a hot liquid by permitting a drinker to raise said hot liquid to his lips while avoiding contact between his fingers and any hot surface:

(a) a cylinder having a top and a bottom and being open at said top;

(b) a bottom wall attached to said bottom of said cylinder and rendering closed said bottom of said cylinder; and
(c) a substantially semicircular handle attached to said cylinder."

Only a coffee cup with a "substantially semicircular handle," a cylindrical body and a bottom wall would literally infringe this claim. If any one of these elements were missing, there would be no literal infringement.

If a cunning competitor produced a coffee cup in which the body was not strictly speaking cylindrical but was curved inwardly at the top and bottom (perhaps to reduce the frequency of coffee spills) this would avoid literal infringement. The patent holder would still have a chance, however, for a court finding of infringement under the doctrine of equivalents. To do this, he would have to show that the inwardly

curving cup had a mere "insubstantial difference" with the language of the patent claim. If no cup having a handle on it had ever been produced before, a court would likely find doctrine of equivalents infringement because the idea of cup shape would be seen as secondary to the idea of a cup having a handle. But if cups with handles were well known (e.g. teacups), the essence of the patent claim would be seen as the cylindrical shape, and the patent holder would stand little chance.

The patent holder would have no chance if he had added the "cylinder" limitation in an amendment during the period of time that he was trying to obtain the patent, for the express purpose of distinguishing the coffee cup from a teacup reference. Let us take, for example, the case in which the claim was originally filed reading as follows:

"1. A cup adapted to facilitate the drinking of a hot liquid by permitting a drinker to raise said hot liquid to his lips while avoiding contact between his fingers and any hot surface:

(a) a fluid receiving portion; and

(b) a substantially semicircular handle attached to said fluid receiving portion."

If the patent examiner had found a picture of a tea cup and had used this to reject claim 1 and if the applicant had changed the claim in response, he would then be subject to "prosecution history estoppel" preventing him from recapturing what he had given up during the patent prosecution. (The "prosecution history" is the record of all the correspondence between the patent applicant and the examiner and is publicly available once the patent issues).

Knowing this, patent attorneys typically attempt to obfuscate their reasons for amending claims. Only a novice patent attorney (or one who was willing to face up to the reality that in the example-case broad coverage was simply no longer available) would confess to changing a claim to avoid a prior art reference. The argument filed with the claim amendment might read

something like this (I admit to exaggerating to make a point):

"The teacup reference cited by the examiner in no way shows a "fluid receiving portion" as any observer would note that fluids would be blocked from entry due to the force field obviously hovering over the top of the cup. Entirely separately, claim 1 has been amended for purposes of clarification."

This would, of course, not fool anybody. Other situations are, however, far more subtle and it could actually be quite difficult to discern the purpose for the change in the patent claim language when carefully concealed and obfuscated by the patent attorney.

The Court of Appeals for the Federal Circuit (CAFC) has become completely irritated with the situation in which patent attorneys use the doctrine of equivalents to avoid summary judgment, get the case to a jury and convince the gullible jury persons that there is doctrine of equivalents infringement. In many cases jury persons may be sympathetic to a patent holder, especially if the infringer is, for example, a large foreign corporation. Also, the CAFC is irritated with patent attorneys obfuscating their reasons for claim amendments. So, the CAFC, in its *Festo* ruling stated that if there were any claim amendments during patent prosecution, the doctrine of equivalents would no longer be available to the patent holder, regardless of and without inquiry into, the reason for the amendment.

The Supreme Court agreed to hear the case on appeal (issued a Writ of Certiorari in legalese). The patent community was split, mostly between large companies which dislike the uncertainty they face in evaluating patent scope because of the doctrine of equivalents, and individual inventors and small companies who like the idea of getting another chance to prove infringement, if they cannot show literal infringement.

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The Supreme Court, which is not constantly faced with patent cases brought to court by sneaky patent attorneys, reversed the CAFC ruling, and saved a substantial portion of the applicability of the doctrine of equivalents.

Reexamination to Become a Viable Option for Challenging Patent Validity:

It has always been possible (well OK, not during the Oligocene epic) to challenge another party's patent by asking the patent office to reexamine the patent. This has never

been viewed, however, as an inviting option by those disputing validity, because until recently the reexamination proceeding, once invoked, was limited to the patent office and the patent holder, with the party disputing validity excluded. This was changed by the American Inventors Protection Act of 1999, which introduced a new reexamination procedure in which the validity-disputing party was included all the way through the proceeding. Unfortunately, the disputing party was not provided with any avenue to appeal an adverse decision from the patent office. As a result, the new

reexamination procedure has only been used three times since its introduction. Now a provision cleverly tucked away in the Department of Justice reauthorization legislation appears poised to correct this defect by permitting both patent validity disputers and defenders to appeal decisions from the patent office directly to the U.S. Court of Appeals for the Federal Circuit. If the new provision does become law, as appears likely, those disputing patent validity will finally have a practical alternative to litigation.

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damaging manner, then it should be very difficult for competitors to "design around" the patent. Every year many patents with a narrow claim scope are issued, but this is typically because the patent office has insisted on a more narrow scope than the patent applicant originally requested. Getting broad claims allowed is where the rubber meets the road for patent attorneys. So persuasiveness is a good quality for a patent attorney.

Problem No. 3: I have not invented anything. I have simply developed a product along a predictable line of development.

Response: Actually this reason frequently does not make it to the conscious level, even in the mind of the inventor. Many engineers and many companies offer a product that they periodically improve, but do not view the course of improvements as being inventive. Sometimes this is a correct assessment. But other times, the engineer is simply too close to the process. Things seem obvious to him, because he is so familiar with the product and with the set of improvements that have been

made to it. The recognition that he could have obtained a patent only comes when he is made aware of the patent that another company or person has obtained.

Problem No. 4: In this industry success is determined by how rapidly a new product is introduced. By the time we could obtain patent protection, we would already be on the next cycle of product development.

Response: A patent typically protects a product feature, rather than a specific product. A corporate executive might think to himself, "the GX-782 is patented," but a patent attorney thinks to himself, "an automatically activated drizzle filter, which is a feature of the GX-782 is patented." This is an important distinction, because a useful product feature might well survive through several product cycles. The edge obtained by early product introduction is fleeting, but patent protection expires twenty years from the patent application filing date, which is almost always a much longer time.

Problem No. 5: Larger companies will infringe my patent and

I will not be able to afford the legal expense to make them stop.

Response: There are ways to overcome this problem. If "Company A" is infringing your patent, team up with its competitor, "Company B." If you can offer exclusive rights to a successful product to Company B, they will be happy to make Company A stop infringing, on Company B's dime. Also, if you have a convincing case, you may be able to find a patent attorney who will prosecute your case on a contingent fee basis. Patents are part of what gives smaller companies a chance to survive and grow in our economy. Without a patent, a smaller company is vulnerable to the greater marketing muscle of larger companies. Many once small companies have grown large in part because of their patents. Cisco Systems with its patents on routers and Dell Computer with its business methods patents for direct computer sales are two good examples. Small companies do not have the problems associated with managing a massive portfolio of patents, as do many larger companies. Instead they can focus on, and exploit, a few good patents.