

## Articles

## The Limited Impact Of Provisional Patent Rights

Matthew J. Dowd and Justin Crotty, Ph.D.

*Law360*

February 11, 2016

In 1999, with the passage of the American Inventor's Protection Act, 35 U.S.C. § 154(d) was added to provide a patent applicant with the right to collect a reasonable royalty based on infringement occurring during the publication of a patent application. This expansion of recoverable damages, referred to at times as an "extraordinary remedy," was seen as a compromise, given AIPA's requirement that almost all U.S. patent applications would be published within 18 months from the filing date.

In the more than 15 years since its introduction, however, provisional rights have rarely been asserted or granted. We question whether this "extraordinary remedy" is achieving its objective. It may be time to consider whether a statutory amendment is needed to implement Congress' intention to provide a meaningful remedy for post-publication, preissuance infringement.

Section 154(d) has two primary requirements: (1) the accused infringer must be provided "actual notice of the published patent application," and (2) the asserted claims must remain "substantially identical" between publication and issuance. The Federal Circuit only recently ruled directly on the actual notice requirement of § 154(d) in its first precedential decision on the subject, *Rosebud LMS Inc. v. Adobe Sys. Inc.*, No. 2015-1428 (Fed.Cir. Feb. 9, 2016), although several district courts have previously examined the issue. We briefly examine the two requirements below and provide thoughts regarding strategy issues and a possible amendment to the law.

**The "Actual Notice" Requirement: The Significance of *Rosebud LMS Inc. v. Adobe Systems Inc.***

For the first requirement, § 154(d) does not expressly define "actual notice of the published patent application." The legislative history indicates that Congress may have intended notice that substantially exceeded mere constructive notice:

The requirement of actual notice is critical. The mere fact that the published application is included in a commercial database where it might be found is insufficient. The published applicant must give actual notice of the published application to the accused infringer and explain what acts are regarded as giving rise to provisional rights.

H.R. Rep. No. 106-287, at 55 (1999). Thus, Congress seemingly viewed "actual notice" as requiring the patent applicant to furnish some explanation of the purported infringement to the accused infringer. Further, at least in the context of § 287, "[a]ctual notice requires the affirmative communication of a specific charge of infringement by a specific accused product or device." *Amsted Indus. Inc. v. Buckeye Steel Castings Co.*, 24 F.3d 178, 187 (Fed. Cir. 1994).

Prior to *Rosebud LMS Inc. v. Adobe Systems Inc.*, No. 2015-1428 (Fed. Cir. Feb. 9, 2016), there was only one Federal Circuit case that touched on the meaning of "actual notice" in the context of provisional rights. In *Stephens v. Tech International Inc.*, 393 F.3d 1269, 1275-76 (Fed. Cir. 2004), the court noted the existence of an "otherwise valid section 154 notice" but only in the context of considering a litigation misconduct issue and without any explanation of how the notice satisfied the notice requirement. Thus, the correct meaning of "actual notice" under § 154 appeared to remain unresolved after more than fifteen years.

District courts have generally applied a more lenient interpretation of the notice requirement. In one case, the defendant was held to have had actual notice of the published application even though the plaintiff did not specify any acts of infringement. *First Years Inc. v. Munchkin Inc.*, No. 07-CV-558-bbc, 2008 WL 4283122, at \*2 (W.D. Wisc. Sept. 17, 2008). Similarly, in *K-Tec Inc. v. Vita-Mix Corp.*, No. 2:06-CV-108-TC, 2010 WL 2079682, at \*8 (D. Utah May 24, 2010), the court interpreted "actual notice" broadly, holding that the patentee need not take any affirmative action to provide notice, so long as the alleged infringer came to have actual notice through some other means.

## Articles

Nonetheless, meeting even the more lenient standard has been difficult for patent owners. In *Arendi Holdings Ltd. v. Microsoft Corp.*, No. 09-00119, 2010 WL 1050177, at \*7 (D. Del. Mar. 22, 2010), the court explained that the “statute does not require that the notice received by the alleged infringer have come from the patent applicant.” Even so, the patent owner had failed to provide “actual notice” because the patent owner provided the defendant a copy of the application only during discovery of a different litigation and within a batch of nearly 7,000 documents. *Id.* at \*6-\*9. That production, in the court’s view, was no different than mere availability in a database. *Id.*

The Federal Circuit has finally addressed the question of what constitutes actual notice in this context *Rosebud LMS Inc. v. Adobe Systems Inc.*, No. 2015-1428, (Fed. Cir. Feb. 9, 2016). At the district court, Judge Sue L. Robinson had granted summary judgment for the defendant, finding no evidence of actual notice notwithstanding the fact that emails produced by the defendant implied knowledge of the patent holder’s product and that the patent-in-suit was a continuation of a previously litigated patent. *Rosebud LMS v. Adobe Systems Inc.*, No. 14-CV-194, 2015 WL 510256, at \*3 (D. Del. Feb. 5, 2015).

On appeal, Adobe had argued that § 154 requires an affirmative act by the applicant giving notice of the published patent application to the infringer. *Rosebud*, No. 15-1428, slip op. at 4. The Federal Circuit disagreed. The obligation to explain what acts are regarded as giving rise to provisional rights is not even hinted at in the text of § 154(d), in contrast the language of § 287(a) explicitly requires notification. *Id.* at 6. Therefore, the court found that “actual notice” in the context of § 154(d) has its ordinary meaning.

Elsewhere in the opinion, the court discussed *Rosebud*’s contention that, in the course of previous litigation regarding a related patent, Adobe’s counsel would have unearthed the published application. *Id.* at 8. The court held that, even though related patents may share a specification, § 154(d) also requires knowledge of the claims. *Id.* Therefore, knowledge of a related patent is legally insufficient to establish actual notice. *Id.*

The Federal Circuit’s recent holding does much to clarify the first requirement of § 154 by resolving tension between the language of the statute and its legislative history. As illustrated by *Rosebud*’s loss on summary judgment, however, it is a difficult requirement for patent holders to meet and illustrates how reluctant courts are to grant this “extraordinary remedy.” Future cases will likely further explore the kind of evidence required to show knowledge on the part of the accused infringer.

### “Substantially Identical” Requirement

The second main requirement to establish provisional rights is that the published claims are substantially identical to the issued claims being asserted. Much of the litigation concerning provisional rights has centered on the “substantially identical” requirement. Claims are substantially identical when they are without substantial change; an amendment which changes the scope of the claim is a substantial change. See *Laitram Corp. v. NEC Corp.*, 163 F.3d 1342, 1347 (Fed. Cir. 1998).

The courts have relied on the significant body of precedent established in the re-examination and reissue contexts in assessing the “substantially identical” requirement. Indeed, Congress recognized that the “substantially identical” reexamination and reissue case law would inform the interpretation and application of § 154(d). See H.R. Rep. No. 105-39, § 204 at 62 (1997) (which accompanied The 21st Century Patent System Improvement Act, H.R. 400, 105th Cong. (1997), and which included proposed statutory language identical to what is now § 154(d)).

Only one Federal Circuit case addresses the “substantially identical” requirement in the context of § 154(d). In *Innovation Toys LLC v. MGA Entertainment Inc.*, No. 2014-1731 (Fed. Cir. Apr. 29, 2015) (nonprecedential), the court affirmed a district court ruling that at least some of the asserted and infringed claims were “substantially identical” to the published claims. The court explained that “in determining whether substantive changes have been made, we must discern whether the scope of the claims are identical, not merely whether different words are used.” *Id.* at \*10 (quoting *Laitram*, 163 F.3d at 1346).

District court cases applying the “substantially identical” requirement resemble claim construction cases and are very specific to the facts and claims of each case. In *Baseball Quick LLC v. MLB Advanced Media LP*, No. 1:11-cv-01735 2014 U.S. Dist. LEXIS 102614, at \*48-\*52 (S.D.N.Y. July 25, 2014), the court held that the issued claims were not substantially

## Articles

identical because the issued claim included the word “substantially,” thus making it broader than the original claim. In *Classen Immunotherapies, Inc., v. Shionogi, Inc.*, 993 F. Supp. 2d 569, 579-580 (D. Md. 2014), the court rejected the claim for provisional damages because the published claims lacked “claim language tying the patented process to a regulatory process,” language which was added later. In general, most amendments made in response to rejections during prosecution will preclude the availability of provisional rights.

### Issues Moving Forward Concerning Provisional Rights

Provisional rights should be considered in every case in which infringement is thought to have occurred while the patent application was published. The primary inquiry will be whether the requirements of § 154(d) can be established in order to be awarded provisional damages. Beyond the statutory requirements, however, certain strategic and policy considerations require attention.

One such consideration is whether notification under § 154(d) creates jurisdiction under the Declaratory Judgment Act. The DJ Act requires “a case of actual controversy.” 28 U.S.C. § 220; *Medimmune Inc. v. Genentech Inc.*, 549 U.S. 118, 126 (2007). In general, if a patent owner sends “actual notice” of infringement of an issued patent, that notice will likely constitute a sufficient basis for filing a declaratory judgment action. See *SanDisk Corp. v. STMicroelectronics Inc.*, 480 F.3d 1372, 1381 (Fed. Cir. 2007).

In the context of provisional rights, however, the issue is unresolved. On the one side, § 154(d) does not create a new cause of action but only expands the scope of potential remedies for patent infringement. One court has held that no case of actual controversy involving patent infringement exists until after the patent has issued. See *Plastic Recovery Techs. Inc. v. Container Components, Inc.*, No. 04 C 5249 2004, 2004 WL 2583951, at \*1 (N.D. Ill. Nov. 10, 2004) (holding that §154 indicates that “it is a provisional right that does not mature until a patent issues and the claims in the patent are substantially identical to the claims in the application”). But *Plastic Recovery Techs* was decided before *Medimmune*. Receiving “actual notice” of infringement of published patent claims may be the type of “definite and concrete” dispute, “touching the legal relations of parties having adverse legal interest,” that creates an actual controversy under Article III.

Another issue is when damages accrue. The plain language of § 154(d) is silent on whether provisional rights damages accrue only upon “actual notice” or whether they relate back to the date of publication of the patent application. While the text is silent, the legislative history arguably implies that damages are intended to be awarded only after the date of notice and this is the conclusion that most commentators have reached.

Finally, policymakers may want to consider whether § 154(d) should be revised such that an updated notice of amended claims could provide a basis for provisional rights. Under the current analysis, once the published claims are amended and no longer “substantially identical,” provisional rights expire. But one could envision a system in which once an amendment to the claims are entered, the patent applicant could provide notice of the new claims. The amended claims are published, in that they are publicly available. The new, or updated, notice would put the alleged infringer on notice of the revised scope of the claims. Damages would run from the new notice to the issuance date, assuming the issued claims are “substantially identical” to the amended claims.

For the time being, provisional rights remain an underutilized remedy. Over time, with the right cases and facts, courts may resolve some of the open questions about § 154(d), and lawmakers may consider amendments to the statute.