We hope you will find these materials interesting and useful. They reflect the perceptions of some of our intellectual property lawyers on issues they believe will be significant to many entities now and in the near future.

It is appropriate that the first article is on patent litigation in China, since this is likely to be one of the most active and interesting areas for intellectual property going forward. China’s maturation as an economic force in the world has inevitably resulted in both Chinese and non-Chinese companies becoming more interested in protecting intellectual property. While patent litigation (and, for that matter, other IP litigation as well) is still a young environment in China, the number of matters is already large and, more important, growing rapidly. Given the size of the country and its volume of economic activity, it is not too much of a stretch to see China becoming the venue with the largest number of cases in the foreseeable future.

Time will tell whether the legal system functions well enough to make China an important substantive venue, in addition to its importance in terms of volume, but it already is a place drawing the attention of all significant holders of intellectual property. With more than 10 IP lawyers already on the ground in our China offices, and an IP practice growing faster than any of our other practices in China, Jones Day is committed to staying ahead of what may well be a future tsunami of patent and other IP litigation in that country.

Patent litigation is likely to increase in Europe as well, and this issue of Practice Perspectives examines the importance of the U.K. in this process. For a variety of reasons, the U.K. is likely to become once again a desirable venue for bringing a patent case. In addition, we look at the options available to those considering filing a divisional application in Europe, a topic that has been the subject of two recent decisions by Boards of Appeal of the European Patent Office. In the U.S., the maturation of China and other developing nations is one of the reasons the International Trade Commission is becoming a more important venue for both U.S. and non-U.S. companies; thus, in another article we address the use of Section 337 by U.S. companies.

The current activity in Congress with respect to IP legislation raises many issues, but one of the most interesting is the possibility of the creation of a post-grant patent opposition system in the U.S. The European Patent Office has had such a system for some time, and Jones Day lawyers in Munich and elsewhere in Europe are active participants in those proceedings on behalf of our clients. Consequently, we are very focused on the possibility of a similar system developing in the U.S. These developments emphasize the increasingly global nature of the intellectual property world, which is why we have steadily expanded our IP resources to 22 of our offices in the United States, Europe, and Asia.

Finally, this issue provides a primer on the use of consumer preference surveys to support preference claims in advertising, a key issue for most consumer product companies.

All of these articles are aimed at providing useful insights into current issues, and we invite feedback from our readers as to other areas that we should address in the future. Please feel free to contact any of us, or the article authors, with questions, comments, or requests for more detailed information on these or other intellectual property topics.

Kenneth R. Adamo
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Jones Day’s Intellectual Property Practice
With strong teams in the United States, Europe, and Asia, Jones Day is one of the few law firms that can truly provide patent and trademark prosecution and litigation services of outstanding quality in most of the important economies of the world.

Patent Litigation in Chinese Courts
Patent litigation will become an important part of business strategy for multinational companies operating in China, so those companies must understand how to litigate patents in Chinese courts.

Toward a Post-Grant Patent Opposition Proceeding in the United States
A proposed patent reform bill has been introduced in Congress that would provide a system for challenging issued U.S. patents. Although not the first time such a proposal has been made, this time it may be enacted into law.

Filing a Divisional Application in Europe: A Risky Endeavor?
The prerequisites for filing divisional applications are specified in Article 76 of the European Patent Convention. These conditions have been unchallenged for a decade, until two recent decisions.

Patent Litigation in Europe: The U.K. Returns as a Forum of Choice
A perception has existed that the English legal system is expensive and potentially “patent-unfriendly.” However, recent reforms and developments and improving prospects for patentees have rejuvenated the U.K. system as a forum for patent disputes.

Preference claims in ad campaigns are likely to result in legal challenges by competitors, so companies should ensure that consumer surveys will support their claims—and stand up to legal challenges.

Protecting America’s Borders: Section 337 IP Infringement Investigations at the ITC
Intellectual property owners may find that their IP is being infringed upon by companies around the world. Section 337 of the Tariff Act of 1930 provides an effective remedy to ensure that those rights are not used illegally.
Intellectual property rights are to the technology economy what natural resources were to the industrial economy. Their inherent characteristics—intangible, easily transportable, often easily replicable, and frequently both extremely valuable and ephemeral—make them even more subject than other forms of property to theft, attack, and misuse, and thus harder to protect.
With much of the foreseeable growth in the world coming from the maturation of less developed economies, and because the disruptive aspects of the technology revolution are likely to intensify rather than diminish, the need for expert legal services to protect and enforce intellectual property rights will simply increase over time.

Jones Day has one of the most accomplished intellectual property practices in the world, with more than 250 lawyers in 22 offices in eight countries around the globe—Atlanta, Brussels, Chicago, Cleveland, Columbus, Dallas, Frankfurt, Houston, Irvine, London, Los Angeles, Menlo Park, Munich, New York, Paris, Pittsburgh, San Diego, San Francisco, Shanghai, Taipei, Tokyo, and Washington, D.C. Our clients include some of the most innovative companies in the life sciences, semiconductor, software, and other IP-driven industries, as well as a large number of traditional industrial companies to which intellectual property has become a critical business asset. With strong teams in the United States, Europe, and Asia, Jones Day is one of the few law firms that can truly provide patent and trademark prosecution and litigation services of outstanding quality in most of the important economies of the world.

Before attending law school, most of our IP lawyers earned undergraduate or graduate degrees (and many had previous work experience) in a wide variety of technical or scientific fields, including electrical engineering, computer engineering, software development, mechanical and electromechanical engineering, chemistry and chemical engineering, aerospace engineering, pure physics and applied physics, molecular biology, virology, immunology, genetics, developmental biology, neurobiology, structural biology, bioinformatics, organic chemistry, and medicinal chemistry.

Jones Day combines more than a century of experience in traditional industries with know-how gained at ground zero of the technology revolution. We were present at the creation of the Internet Corporation for Assigned Names and Numbers (ICANN)—a unique private-sector organization at the intersection of private, governmental, and technical interests seeking to find new ways to manage a global medium, the internet. Today, our intellectual property clients include Apple, Dell, IBM, DIRECTV, Procter & Gamble, Amgen, Celgene, MedImmune, Abbott, King Pharmaceuticals, Boston Scientific, Schwarz Pharma, Honda, Synthes, Becton Dickinson, Genentech, Texas Instruments, and Nokia.
In 2004, China saw 353,807 patent applications filed at the State Intellectual Property Office (“SIPO”). SIPO granted 190,238 patents in 2004, an increase of 4.4 percent over 2003. Of these, 151,328 went to Chinese applicants and 38,910 to foreign applicants. In China, as elsewhere, more granted patents inevitably mean more litigation. In 2004, holders of Chinese patents filed 2,549 new patent suits, an increase of about 20 percent over 2003 (and only 506 fewer than the number filed in the U.S. that year). While foreign parties have brought fewer than 5 percent of these cases so far, they increasingly are becoming involved in such litigation as either defendants or plaintiffs. It is likely that in the foreseeable future, patent litigation will become an important part of business strategy for multinational companies operating in China. Therefore, it is essential for multinational companies to understand how to litigate patents in Chinese courts.
The Court System. China’s judicial system consists of four levels of courts: (1) the Basic People’s Court, (2) the Intermediate People’s Court, (3) the Higher People’s Court, and (4) the Supreme People’s Court.

The Supreme People’s Court is the highest court in China. Along with handling appeals from the Higher People’s Courts, it serves an administrative role, in which it issues judicial interpretations that are legally binding upon lower courts. There is one Higher People’s Court in each province and autonomous region (e.g., Tibet), as well as certain large cities that have the rank of province, such as Beijing, Shanghai, and Tianjin. Each major Chinese city has one or two Intermediate People’s Courts, and each county, or district, in each major city has one Basic People’s Court. China has a “two-instance” judicial system—the decisions of the court of first instance can be appealed to the court at the higher level, which makes what essentially is a final decision.

Because of the complexity of patent cases, the Supreme People’s Court has designated approximately 50 courts around the country (mostly Intermediate People’s Courts) as
first-instance courts for adjudication of patent infringement claims. If the damages claimed are above CNY 100 million (about US$12 million), Higher People's Courts are the courts of first instance for such cases.

Jurisdiction. Patent infringement cases must be filed where the infringer is domiciled or in the place of infringement. Places of infringement include not only the places where the infringing acts actually have occurred but also any place affected by the consequences of infringement. To avoid litigation in a defendant's home court, plaintiffs may wish to join distributors of the infringing product located in jurisdictions more favorable to the plaintiffs as additional defendants.

Limitations Period. China has a two-year statute of limitations for patent infringement, which runs from the date on which the patentee knew or should have known about the infringement. For continuing infringement, the patentee can usually obtain an injunction against the infringement even if it failed to investigate within the two-year limitations period, provided that the patent rights are still in force, but damages will be limited to those suffered in the last two years.

Bifurcated Proceedings. China is a civil-law country and has adopted many aspects of the German patent law system. For example, like Germany, China has a split system, with infringement determined by the courts and invalidity challenges heard by SIPO's Patent Reexamination Board. (For more information on Chinese invalidation proceedings, please see “Are Your Chinese Patents At Risk?” in the January 2005 issue of Intellectual Property Today, or visit www.jonesday.com/pubs/pubs_detail.aspx?pubid=699903.) Some infringement actions can be stayed in favor of SIPO invalidation proceedings—generally those involving design patents or utility model patents (which are not substantively examined by SIPO prior to grant)—but courts are less likely to stay infringement actions involving invention patents (which are substantively examined before grant). Therefore, invention patentees should expect parallel infringement and invalidity actions in the courts and SIPO, respectively. An infringement action will last between six and 18 months in the first instance if not stayed, and it is not anomalous to find judgments of infringement on patents that subsequently are invalidated by the slower SIPO invalidation proceedings.

PRELIMINARY INJUNCTIONS

Timing. Article 61 of the Chinese Patent Law authorizes courts to issue injunctions before or during infringement actions: “Where any patentee or interested party has evidence to prove that another person is infringing or will soon infringe its or his patent right and that if such infringing act is not checked or prevented from occurring in time, it is likely to cause irreparable harm to it or him, it or he may, before any legal proceedings are instituted, request the people's court to adopt measures for ordering the suspension of relevant acts and the preservation of property. . . .”

Upon receiving a request for a preliminary injunction, a court must make a ruling within 48 hours if it finds that all procedural requirements have been met properly. Once issued, the injunction is enforceable immediately. The patentee, if it has not done so already, must then initiate an infringement action in the court within 15 days of issuance of the injunction, or the injunction automatically will be lifted. Either party may request the issuing court to reconsider its decision, which is an administrative procedure within the court. However, the injunction will remain enforceable during reconsideration and any subsequent proceedings until final judgment.

Substantive Factors. Chinese courts must consider the following factors in determining whether to issue preliminary injunctions:

- Whether there is patent infringement.
- Whether the patent holder will be irreparably harmed in a manner for which monetary damages are inadequate compensation if the infringing act is not enjoined.
- Whether the patent holder has provided an adequate bond.
- Whether issuance of a preliminary injunction would prejudice the public interest.

A Difficult Reality. In practice, however, obtaining a preliminary injunction in most patent infringement cases has always been difficult and is becoming even more so. Both infringement and irreparable harm must be clearly proven—a burden that is not easy to meet in China, given the stringent evidentiary requirements and lack of discovery procedures. Moreover, the Supreme People’s Court recently has tempered any early enthusiasm for the issuance of such injunctions by
urging the lower courts to use caution in issuing preliminary injunctions and noting that preliminary injunctions should not be issued in cases involving nonliteral infringement or complicated technologies.

**EVIDENCE**

Because there is no U.S.-style discovery in China, plaintiffs must collect and submit their own evidence to meet their burden of proof regarding, *inter alia*, patent infringement and damages. Chinese courts generally accept evidence only in its original form. Such evidence can come from private investigations, raid actions, overseas litigation, or defendants’ employees. A notary public is often used to authenticate evidence. Evidence obtained from previous administrative proceedings or preliminary injunction proceedings sometimes can be used in subsequent infringement litigation. However, evidence obtained in violation of the law is not admissible and, if admitted, may constitute reversible error on appeal. Therefore, proper and thorough gathering of evidence before and during the initial stages of litigation is critical to Chinese practice, and the importance of evidence-related planning and strategy to the overall success of any patent litigation in China cannot be overstated.

**Overseas Evidence.** Evidence obtained in foreign countries is admissible in Chinese courts but must be notarized by a local notary public in the foreign country and then legalized by the applicable Chinese embassy or consulate. Any documentary evidence in a foreign language must be translated into Chinese by a court-authorized translation company.

**Evidence Preservation.** Article 65 of the Chinese Civil Procedure Law is as follows: “The people’s court shall have the right to investigate and collect evidence from the relevant units or individuals; such units or individuals may not refuse to provide information and evidence. The people’s court shall verify the authenticity, examine and determine the validity of the certifying documents provided by the relevant units or individuals.”

Yet while Article 65 empowers a court to seek evidence from any relevant party, it is seldom used in practice. A more frequently used procedure in patent litigation is “evidence preservation,” as provided under Article 74 of the Chinese Civil Procedure Law: “Under circumstances where there is a likelihood that evidence may be destroyed, lost, or difficult to obtain later, the participants in the proceedings may apply to the people’s court for preservation of the evidence. The people’s court may also on its own initiative take measures to preserve such evidence.”

Thus, if it appears that evidence may be destroyed, lost, or difficult to obtain later, a party may seek *ex parte* a court order to preserve such evidence. The court may order the requesting party to post a bond. An evidence preservation order is typically enforced by the judges themselves. Such orders can be very effective, as the respondent generally will not be notified in advance and may be required to comply by providing the relevant documentation and evidence on the spot. In the execution of the order, the court may question the respondent, order production of documents, take samples of the infringing product, conduct an inspection of premises,
TOWARD A POST-GRANT PATENT OPPOSITION PROCEEDING IN THE UNITED STATES
Earlier this year, Representative Lamar Smith (R-Texas) introduced a wide-ranging patent reform bill (H.R. 2795) in the United States Congress that would, among other things, provide a post-grant patent opposition system for challenging issued U.S. patents. Although this is not the first time that such a proposal has been made to Congress—Representative Howard Coble (R-North Carolina) submitted a similar proposal in 2000 that did not pass—this time there appears to be a substantially greater likelihood that post-grant opposition will be enacted into law.

Arrayed in support of post-grant opposition are the United States Patent and Trademark Office (“USPTO”), major corporations seeking an alternative and less costly forum to federal district court, most of the intellectual property bar associations, and other governmental organizations. The Patent Office, in particular, is eager to provide a low-cost forum for resolving patent validity disputes, partly because it provides a solution to the oft-cited problem of bogus patents. Post-grant opposition provides a way for the USPTO to correct these problem patents.

Corporate lobbying for post-grant opposition is largely a reaction to the extremely high costs associated with patent litigation in the federal district courts and also a response to the rise of the so-called patent trolls (see page 13).

Harmonizing the United States’ patent laws with other major patent systems, in particular the European Patent Organization (“EPO”), is another major incentive for the U.S. to adopt post-grant opposition. The EPO opposition proceeding is often used, with around 7 percent of all issued patents subjected to opposition. In Europe, an opponent can file a request to have an issued patent reviewed again for patentability during a nine-month period beginning when the patent is granted. After this period expires, the patent cannot be opposed.

Post-grant review is not a new concept in the United States. Since 1981, U.S. patents have been subject to an *ex parte* reexamination process. This process, however, as its name implies, does not provide any meaningful participation by the third-party requestor, beyond the initial filing request, which has led to its being used only infrequently. Moreover, patent lawyers have been reluctant to advise clients to consider *ex parte* reexamination due to a general distrust in the Patent Office’s ability...
to “fix” the problem patent. In reaction to this limited use of the ex parte system, Congress passed an inter partes reexamination system in 1999 as part of the American Inventors Protection Act (‘AIPA’), which provides substantial participation by the third-party requestor and which was designed to provide a viable alternative to challenging patent validity in federal court. This system, unfortunately, has been used even less than the ex parte reexamination process it was designed to fix because of several procedural flaws in the statute. Thus, in its 21st Century Strategic Plan, the USPTO actually proposed scrapping the inter partes reexamination process in favor of a post-grant opposition system.

**EX PARTE REEXAMINATION**

Since 1981, approximately 7,500 ex parte reexamination requests have been filed at the USPTO, about 90 percent of which have been granted due to the low threshold required to kick off the proceeding—the USPTO applies a test known as a “substantial new question of patentability” in deciding whether to reexamine a patent. The reexamination can even be based on prior art that was before the USPTO examiner who issued the patent in the first instance.

Ex parte reexamination is a limited procedure, however, especially from the viewpoint of the third-party requestor. The only validity issues that can be raised in the reexamination are those based upon prior patents and printed publications. Evidence of prior public use or prior public knowledge is not admissible in the reexamination, and neither are issues relating to the best mode or enablement requirements of the patent’s specification or inequitable conduct. Moreover, the third-party requestor’s ability to participate in the proceeding is limited to the initial filing of the request for reexamination and a single response to the optional patent owner’s statement if the reexamination is granted. Although the reexamination is open to public inspection and the third-party requestor is provided with copies of the subsequently filed papers, he cannot respond further to any of these papers, nor can he appeal to the USPTO or the federal courts if dissatisfied with the outcome of the reexamination.

Although limited in scope and participation, the ex parte reexamination proceeding still provides many advantages over testing validity in the district court: (i) costs are very low; (ii) there is no disruption to the requestor’s business; (iii) the burden of proof in reexamination is a preponderance of the evidence, not the much higher “clear and convincing evidence” standard required in a district court validity challenge; (iv) the claims of the patent are given the “broadest reasonable interpretation,” which will tend to make them easier to reject over the prior art; and (v) continuing examination is likely to result in additional legal estoppels on the patent owner and may provide for intervening rights if the claims are substantially amended in response to the prior art.

Despite these advantages, many patent lawyers are still reluctant to advise clients to pursue an ex parte reexamination because of the continuing distrust in the USPTO’s ability to apply the best prior art. Recently, however, the USPTO changed its rules so that reexamination filings are assigned to an examiner other than the one who issued the patent in the first instance; it also instituted an internal review board, called a Patentability Review Conference, to consider the actions of the examiner in the reexamination proceeding prior to certifying the reexamined patent for issuance. Statistically speaking, however, most patents will emerge from a reexamination in some form. Patent claims are completely cancelled in only about 12 percent of the filings. About 30 percent of the time, all of the claims are confirmed, and in the remaining 58 percent of cases, the claims are modified in some way.

Oftentimes, the possibility of filing an ex parte reexamination surfaces only after a federal lawsuit is filed and the defendant becomes motivated to seek out the best prior art. In cases where the defendant’s noninfringement position is weak, the prior art is compelling, and in jurisdictions where juries have tended not to find U.S. patents invalid, filing an ex parte reexamination request can be the best option. When this happens, the defendant typically moves to stay the litigation pending the outcome of the reexamination proceeding. The decision on whether to stay the case, however, is within the court’s discretion and typically becomes much more difficult the later the stay request is made into the litigation.
Therefore, in deciding whether to file an *ex parte* reexamination request during a pending litigation, it is important that the defendant/requestor move as quickly as possible after the suit is filed to engage the reexamination, and that the initial request is as complete and detailed as possible so as to ensure that the USPTO examiner assigned to the reexamination fully appreciates the relevance of the prior art.

**INTER PARTES REEXAMINATION**

In response to the limited use of the *ex parte* reexamination proceeding, Congress passed into law an *inter partes* reexamination proceeding in 1999 as part of the AIPA. The concept of the *inter partes* proceeding was to provide the third-party requestor with an opportunity to be heard in the

**BEWARE THE PATENT TROLL**

Although abusive patent practices have always been part of the patent litigation system, it does seem as if there are many more individuals, shell corporations, and even law firms entering the business of acquiring unused patents for the purpose of licensing and enforcement. These parties are sometimes referred to as “patent trolls.”

The patent troll typically acquires unused, and generally obscure, patent rights and then attempts to extract licensing fees from large corporate entities, oftentimes with the aid of a contingent-fee patent litigation firm experienced at maximizing the pain associated with defending against a charge of infringement.

The patent troll will not hesitate to pull the litigation trigger because he knows that the high costs, disruption to business, and potential for injunctive relief typically will cause the big corporation to settle well before trial. And, with the aid of a contingent-fee firm, the patent troll has no real downside risk to filing suit because he has no product on the market that may otherwise form the basis of a counterclaim if the defendant owns a large patent portfolio. Moreover, the troll, like all patent holders, is heavily armed in litigation with the presumption of patent validity, the sometimes mystical but always unpredictable process of claim construction, and the highly subjective doctrine of equivalents.

Large corporate entities would be wise to stay on the lookout for the patent troll.
A patent grants an inventor rights for a single invention, but occasionally a patent may be sought for a claim that involves more than one invention. In such a situation, the inventor may be required to file a “divisional application,” which grants rights on a pertinent part of the original invention. Furthermore, in cases where the allowability of some claims is more strongly disputed by the Examining Divisions than others, the applicant may decide to prosecute the more controversial claims in a divisional application and to seek an allowance for the less contended ones.
The prerequisites for filing divisional applications and the principles of their generation are stipulated by Article 76 of the European Patent Convention (“EPC”). The filing procedure is very similar to that for the parent application, but the divisional application “may be filed only in respect of subject-matter which does not extend beyond the content of the earlier application as filed; in so far as this provision is complied with, the divisional application shall be deemed to have been filed on the date of filing of the earlier application and shall have the benefit of any right to priority.”

(See Art. 76(1) EPC.) The interpretation of this stipulation has been clarified by a decade of case law unchallenged until two recent decisions.

The following considerations summarize the present situation and seek to define the best way to cope with it.

THE PRESENT SITUATION: QUESTIONS REFERRED TO THE ENLARGED BOARD OF APPEAL FOR CLARIFICATION

Last September, a Technical Board of Appeal (“BoA”) dissenting from established case law referred several questions to the Enlarged Board of Appeal for a final decision in Case G1/05 (see T39/03, as yet unpublished in the Official Journal, but see also http://legal.european-patent-office.org/dg3/biblio/t030039ext1.htm). The questions raised in the application are as follows:
1) Can a divisional application which does not meet the requirements of Article 76(1) EPC because, at its actual filing date, it extends beyond the content of the earlier application, be amended later in order to make it a valid divisional application?

2) If the answer to question (1) is yes, is this still possible when the earlier application is no longer pending?

3) If the answer to question (2) is yes, are there any further limitations of substance to this possibility beyond those imposed by Articles 76(1) and 123(2) EPC? Can the corrected divisional application in particular be directed to aspects of the earlier application not encompassed by those to which the divisional as filed had been directed?

Question (1) refers to the practice of the European Patent Office ("EPO") of allowing the applicant to remove subject matter added to the disclosure content of the parent application for a retroactive remedy of the mentioned requirements. This practice was specified in the Examination Guidelines, Chapter VI, 9.1., and was approved by the Technical Boards of Appeal in a number of decisions; see for instance T1074/97 or T1092/04.

The dissenting Board holds the view that this practice does not comply with the literal meaning of Article 76 EPC. Furthermore, Rule 25(1) EPC, said to preclude the more liberal approach of that former practice, requires a divisional application to be filed while the corresponding parent application is still pending, i.e., until the day before notice of the grant of the parent application is published in the European Patent Bulletin. Removing the added subject matter, as was customary in the former practice, would result in the validation, or "resurrection," of an ineffective divisional application, and the dissenting Board considered the amendment practice in the divisional case comparable to the filing of a new divisional application. However, because filing a divisional application would no longer be possible in view of Rule 25(1) EPC if a patent for the parent case had already been granted, the dissenting BoA concluded that the amendment practice is contrary to Rule 25 EPC.

Recognition of the need to rethink case law was probably triggered by problems in relation to second-generation (or "grandchild") divisional applications, i.e., divisional applications that stem from an application that is itself a (first-generation) divisional application (or "child") of an older, parent application. A decision by the same BoA, T1158/01 (see OJ EPO 2005, 110), held that: “When assessing the validity of a divisional application of second generation, also the validity of the divisional application of first generation from which it stems has to be assessed. In cases where the subject-matter of the divisional application of first generation does not fulfill the requirements of Art. 76(1) EPC, the divisional application of second generation is also invalid.”

Thus, assessing the validity of a second-generation (grandchild) divisional application requires more than a comparison of the disclosure content of all its ancestors. It also depends on how the first-generation (child) divisional application is prosecuted. For instance, if subject matter is added during prosecution and remained (undetected) in the granted child application, the grandchild application as well as any further generation divisional application is null and void. Consequently, the validity of a grandchild application cannot be determined as long as the child application is still pending before the EPO in examination since it cannot, for example, be ruled out that in the course of examination of the child application, an inadmissible broadening occurs. The dissenting Board concludes that the “inconvenience of such practice in terms of legal certainty for the public is evident” and that this “could be avoided if the validity of the first-generation (child) divisional application under Art. 76(1) EPC was only to be judged once, on the sole basis of its version as originally filed.”

Question (2) to the Enlarged Board of Appeal aims at the confirmation of the principles laid down in T1158/01 and set out in the preceding paragraph.

Question (3) hints at a further decision relating to second-generation divisional applications, T0797/02 of the same BoA (see http://legal.european-patent-office.org/dg3/biblio/t020797eu1.htm). T0797/02 rules that any further divisional applications divided out of the parent application must be directed to objects encompassed by invention(s) defined in the claims of the parent application as divided out of the grandparent application. A similar approach was taken earlier by the German Supreme Court but has been given up in favor of a pragmatic approach that considers the division of a patent merely a procedural measure.
The outcome of the proceedings before the Enlarged Board of Appeal cannot be foreseen. Thus, the question arises of how to deal with patent applications that are close to grant and for which a divisional application is to be filed.

THE PROPOSED SOLUTIONS—THREE STRATEGIES
The first strategy is to copy the parent application as filed and then file it again as divisional. The advantage is that the applicant can be sure that no subject matter has been added. Thus, the divisional should at least be valid. However, the subject matter to be prosecuted in the divisional is not specifically claimed and thus may not be searched. This potential scenario is the main drawback of this approach. If this subject matter does not form a uniform inventive concept with the originally claimed invention(s) and is not actually searched during the prosecution of the divisional, the applicant will have considerable difficulty amending the claims to cover the subject matter for which the divisional was intended (see Rule 86(4) EPC). It should be kept in mind that no claim amendment between filing and search is possible (Rule 86(1) EPC).

The second strategy is to file new claims but to ensure that these claims (and the divisional application) do not contain any added subject matter. If worst comes to worst, added subject matter that has been overlooked would result in the nullity of the divisional application even if immaterial and not related to claimed subject matter. Thus, this approach is an option when assessment of the added subject matter is clearly feasible and not too time-consuming.

The third strategy is to postpone filing a divisional until the referral to the Enlarged Board of Appeal has been decided. We regard this as the preferable approach in the present situation. This goal can be achieved as follows: The applicant approves the text of the parent case in response to a communication pursuant to R51(4) EPC but requests that dispatch of the decision to grant be postponed until the decision in Case G1/05 is rendered by the Enlarged Board of Appeal, provided this happens in the not too distant future. (Judging from earlier referrals to the Enlarged Board of Appeal, decisions are typically issued within approximately 12 months of referral.) The request should be accompanied by the explanation that the applicant intends to file a divisional application. In view of the fact that (i) the Guidelines are questioned by the referral to the Enlarged Board of Appeal, and (ii) further examination of all divisional applications and patents derived from such applications is stayed if added subject matter is regarded as a decisive issue during the examination or during opposition (see OJ 2005, 606), the postponement should be considered allowable for exceptional circumstances. In case the request is rejected by the EPO, the applicant would have at least seven weeks to make a final examination of the text intended to be filed as a divisional for added subject matter and to file it with the EPO.

In the interest of filing a divisional application in a legally (more) certain environment, this third option is definitely the one to choose. On the other hand, if the grant of the parent application is urgent because “infringers” are already in the market, then either the first or second option should be chosen. Alternatively, for the territory of Germany, the possibility of branching off a utility model out of the parent application should be examined.

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In the cosmopolitan world of patent litigation, patentees have become increasingly discerning about the choice of jurisdiction in which to bring a patent case. Over the last decade, the considerable advantages of bringing patent litigation in the U.K. have been obscured by the perception that the English system is expensive and potentially "patent-unfriendly." However, recent reforms and developments in the English legal system, and improving prospects for patentees, have rejuvenated the U.K. system as a forum for patent disputes.
There have always been benefits in litigating patent issues in the U.K. The U.K. is renowned for providing a thorough investigation of the issues. Disclosure, the U.K.’s version of documentary discovery, ensures that all the facts and issues are before the court and that the patentee will have the information it needs to prove infringement. There is provision for proving facts by experiment. The parties appoint experts to provide evidence as to the views of the skilled person, ensuring that technical views consistent with the parties’ own will be considered by the court. There is detailed oral cross-examination of the experts, allowing the court to determine the true position. This procedure is much closer in nature to U.S. proceedings than proceedings in continental Europe.

The attractions extend beyond just the procedure itself. Cases are heard by specialist judges, who have detailed knowledge of patent issues and often of technical issues. The judges provide reasoned judgments that are well respected by other European courts. Finally, for most non-Europeans, the use of the English language for the proceedings is preferable to litigating in one of the continental European languages.

Yet despite these obvious attractions, a number of patentees have been reluctant to litigate in the U.K. in recent years because of perceived disadvantages. First, the detailed procedure is, by its nature, more expensive and takes longer than a simple procedure. While the cost (and duration) is justifiable for cases that are technically complex or important, the procedure was regarded as disproportionate for straightforward or less important disputes. Second, some patentees were discouraged from litigating in the U.K. by rumors that the jurisdiction had become patent-unfriendly.

**ENGLISH COURTS UPHOLD MORE PATENTS**

The English courts’ reputation over the last decade as being patent-unfriendly was based primarily on statistical analyses of judgments in England. The nadir was the period 2000 to 2002. During these three years, the English courts upheld only 35 percent of the patents they considered. This was clearly an unattractive prospect for a patentee considering litigating in Europe, but because the vast majority of cases in the U.K. settle before trial with the patent remaining in force, the reality was not nearly as bad as the headlines regarding the statistics implied. Nevertheless, there was a view that during this period the patent judges were sometimes setting the threshold for inventive step (a patentability requirement present in most European patent laws corresponding to the nonobviousness requirement of U.S. patent law) at too high a level.

However, prospects are now looking considerably brighter for patentees. The patent judges (including three who were appointed during 2003 and who have impressed practitioners) appear to be getting the threshold for inventive step right—certainly there has been little complaint about their judgments over the last two and a half years. This improvement has been reflected in the statistics. The English courts over the last two years have upheld a far higher proportion of patents. A detailed analysis shows that in 2003, 50 percent of patents considered by the English courts were upheld, and in 2004 almost two-thirds of the patents considered were upheld. When pretrial settlements are taken into account, this bodes well for patentees. It appears that the reputation for being patent-unfriendly is now a matter of history.

**CUTTING THE COSTS OF LITIGATING IN THE U.K.**

As mentioned previously, the U.K., by carrying out a detailed and thorough investigation of the issues, has traditionally been an expensive place to litigate. The thorough procedure, despite its cost, is appreciated when clients have a complex or high-value dispute. However, it had become accepted that this procedure is inappropriate for simple or low-value disputes or when the parties have limited financial resources—in such circumstances, it was often just not financially feasible to litigate in England.

In response to this, in April 2003 the patents courts in England introduced an alternative procedure, known as the streamlined procedure, for cases where the standard procedure is not appropriate. The court on application of one or
both parties will decide whether the streamlined procedure should apply instead of the standard procedure. To determine this, the court will consider proportionality, the complexity and value of the case, and the financial resources of the parties involved.

The streamlined procedure, as its name suggests, is a streamlined version of the standard procedure. The basic position is that there will be no disclosure or experiments and that all evidence will be in writing. It is important to note, however, that the court can vary the procedure at its discretion; for example, it can allow disclosure on a particular topic if it regards it as appropriate. Accordingly, the benefits of the standard procedure are still available to litigants, albeit in a more focused form. Streamlined proceedings are intended to reach trial within six months, and the trial is expected to last no more than one day. For this reason, the procedure is much more similar to Continental proceedings than the standard procedure, although few Continental proceedings reach a trial in this time. As would be expected, the streamlined procedure costs considerably less than the standard procedure and allows cases to be litigated in the English courts that previously were financially unjustifiable.

While the introduction of the streamlined procedure has had a profound effect on costs of litigation in England, the standard procedure itself has also been adapted to strip away unnecessary costs. As with all litigation in England, the introduction of the Woolf reforms in 1999 has resulted in the judges' being much more active in case management. This has ensured that cases proceed faster, which helps avoid costs associated with protracted proceedings and delaying tactics.

A number of measures specific to patent cases have been introduced. The most significant of these is the introduction of product descriptions—the defendant now has the option of serving a description of its product (or process) instead of providing disclosure relevant to the product (or process). In practice, a product description is now served in most cases. In addition, documents relating to the validity of a patent need be disclosed only if they were created within two years of the priority date. This substantially reduces the scope (and therefore cost) of disclosure but will still cover most documents that are truly relevant to the invention. If the parties believe that pertinent documents were created more than two years from the priority date, they still have the right to request that these be disclosed. Finally, when commercial success has been raised as a defense to an allegation of obviousness, documents relevant to the commercial success need not be disclosed, provided a schedule is served setting out details of the commercial success. These measures, together with the more active case management, mean that even with the standard procedure, costs are more controlled with much unnecessary expense stripped away.
FASTER PROCEEDINGS

As is apparent from the previous section, the recent changes to the procedure for patent cases have resulted in faster proceedings as well as reduced costs. It is with the standard procedure that the judges' more active role in case management has had the most significant effect. Most patent cases will now reach trial within 12 to 15 months. If an appeal is permitted, it will take a further 15 months. However, appeals are permitted only when there is a real prospect of success, and while previously almost all cases were allowed to proceed to appeal, today it is not uncommon for permission to be denied. This obviously can result in the parties' getting a definitive answer at an earlier stage.

When the court orders that the streamlined procedure should be used, the trial should be heard within six to nine months. Whether the standard or streamlined procedure is being used, these time frames have made the U.K. one of the fastest jurisdictions in Europe.

CONCLUSION

Recent developments have meant that the U.K. now offers a flexible approach to litigation. For complicated high-value cases, the standard procedure remains, which provides the benefits of disclosure, expert witnesses, and cross-examination for a thorough investigation of the issues. For straightforward cases, a cheaper, quicker route now exists, much more similar to litigation on the Continent. Decisions are obtained quickly, and the perceived anti-patentee approach to obviousness now appears to be a thing of the past.

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You are the CEO of a corporation. Your company is in the midst of developing a new ad campaign to make a push for one of its products. In the course of developing this campaign, the marketing department comes to you with a presentation. They want to introduce a new tagline for the product. After doing some research, they’d like to say, “ABC is the most preferred brand of moisturizer” or “No brand of moisturizer is preferred more than ABC.” You know that these preference claims are likely to result in legal challenges by your competitors, but your marketing team does have some evidence to support their claims, and you can conduct a more detailed consumer preference survey to confirm that the preference claims are substantiated. How can you be confident that your survey and its results will be accorded significant evidentiary weight if you encounter a legal challenge?

by Ilene B. Tannen, New York Office
While a plaintiff must prove several elements to succeed on a Lanham Act § 3(a) false advertising claim, the threshold question under consideration is whether the advertisement contains a false statement of fact. See Abbott Lab. v. Gerber Prods. Co., Inc., 979 F. Supp. 569, 571 (W.D. Mich. 1997) (determining whether defendant’s preference claims were false based on defendant’s supporting consumer survey). A plaintiff proves that the statement is false by showing either “that the advertising is literally false as a factual matter, or...although the advertisement is literally true, it is likely to deceive or confuse customers.” Abbott Lab., 979 F. Supp. at 571. Where a plaintiff disputes a statement that is based on a consumer survey, the generally accepted legal standard that most courts apply requires the plaintiff to prove that the claim is literally false by showing that “the tests [or surveys relied upon] were not sufficiently reliable to permit one to conclude with reasonable certainty that they established the proposition for which they were cited.” Abbott Lab., 979 F. Supp. at 573 (quoting Rhone-Poulenc Rorer Pharms., Inc. v. Marion Merrell Dow, Inc., 93 F.3d 511, 514 (8th Cir. 1996)). In other words, the plaintiff must prove either that the survey is fundamentally or scientifically flawed or that it does not support the statement contained in the advertisement.

THE FACTORS COURTS USE TO EVALUATE SURVEYS AND SURVEY RESULTS

Whether a survey is proffered as evidence to prove a plaintiff’s claim of false advertising or as support for a defense, courts and expert witnesses alike draw from the same set of factors to evaluate whether a survey is admissible, the evidentiary weight it should be given, and whether it supports an advertising claim that one brand is superior to or preferred over another. The court in Cumberland Packing Corp. v. Monsanto Co. enumerated a set of factors that may be used as a guide, although this list is not exhaustive. Cumberland Packing Corp. v. Monsanto Co., 140 F. Supp. 2d. 241, 245 (E.D.N.Y. 2001) (citing Toys “R” Us, Inc. v. Canarsie Kiddie Shop, Inc., 559 F. Supp. 1189 (E.D.N.Y. 1983)). These factors are:

- The “universe” or product market is properly defined and examined.
- A representative sample of that universe is selected.
- The questions to be asked of the interviewees are framed in a clear, precise, and nonleading manner.
- Sound interview procedures are followed by competent interviewers with no knowledge of the litigation or the purpose for which the survey was conducted.
- The data gathered is accurately reported.
- The data is analyzed in accordance with accepted statistical principles.
- The objectivity of the entire process is ensured.

In addition to those factors listed above, the case law suggests that courts have evaluated surveys based upon such other factors as (1) whether the survey is properly “filtered” through use of controls to screen out irrelevant data; (2) whether the questions are directed to the real issues; and (3) whether the questions are ambiguous or biased. Millennium Imp. Co. v. Sidney Frank Imp. Co., Inc., No. Civ. 03-5145, 2004 WL 1447915, at *8 (D. Minn. June 11, 2004). However, court opinions generally address only factors that are raised by the parties or that the court relies upon to criticize a survey.

The “Universe” or Product Market Must Be Properly Defined.

The “universe” is often scrutinized by the courts and expert witnesses. This is because the universe of survey respondents must reflect “[t]he segment of the population whose perceptions and state of mind are relevant to the issues in the case.” J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 32:159 (4th ed. 2004). Universes that stray from the relevant segment of the population are considered either overinclusive or underinclusive, i.e., the defined universe reflects more than the relevant segment or it contains less, respectively. Errors in defining the universe of a study are more likely to prove fatal than errors in the content of the questions, for there is some value in a slanted question asked of the right witness, but no value in asking the right question of the wrong universe.

An overinclusive universe “generally presents less of a problem” than an underinclusive universe if responses from a relevant subset of respondents can be separated out and examined. Reference Manual on Scientific Evidence, 237 (Federal Judicial Center 1994). A universe may be defined as underinclusive by designating a group narrower than the ideal universe, thus leaving out a group of persons whose perception is relevant. If the issue involves the state of mind of consumers, a survey of dealers or members of the trade may or may not be probative, depending on the legal issue.
In some cases, the propriety or impropriety of a survey is a function of the geographic area covered. It has been said that an informal rule of thumb is that four testing sites are a minimum number to ensure a reasonable degree of projection to the universe of a larger area. Jacoby, “Survey and Field Experimental Evidence,” at 184 in Kassin & Wrightsman, *The Psychology of Evidence and Trial Procedure* (1985).

In false advertising cases, to define the relevant universe, the segment of the population must be narrowed geographically, commercially, according to buying habits, or by any other meaningful criteria that the law sets down as limiting or defining the class of persons whose state of mind is at issue, to exclude inappropriate, unknowledgeable, or unconcerned respondents. Therefore, if a product is sold only on the East Coast, a universe that includes West Coast consumers in a brand preference survey would be overinclusive because the West Coast consumers would not have the relevant state of mind necessary to formulate a preference with respect to the product at issue. Similarly, a universe can be narrowed commercially by limiting it to purchasers in a particular subclass equivalent to the products at issue. A survey comparing preference for Mercedes and BMW cars would not define a universe to include purchasers of Geo Metros or even Honda Accords because these cars are not commercially or economically similar. Lastly, the issue of buying habits—how or where the relevant consumers purchase the products at issue—though perhaps less relevant to preference surveys, nonetheless is an additional consideration that further illustrates the importance of a well-defined survey.

Once the universe is defined, a threshold inquiry must be conducted of each survey respondent to determine which respondents actually fall within the defined universe. This requires that the survey interviewer or the questionnaire ask questions that identify relevant respondents and weed out those who do not fall within the defined universe. It is not enough to “define the universe” appropriately, although *not* doing so may be a determinative factor. But the respondents must also be members of that relevant segment of the population for the survey to have weight and to support a claim.

Cases involving preference claims and other trademark survey cases find that the appropriate universe reflects the relevant consumers, who are purchasers *and* prospective purchasers of the products at issue.

Another criticism of survey universes is that they do not accurately reproduce the state of mind of consumers “in a buying mood” and therefore do not replicate marketplace conditions. However, the better and more common view is that “the closer the survey context comes to marketplace conditions, the greater the evidentiary weight it has. Survey interviews conducted in a store or in a shopping center should reach persons ‘in a buying mood,’ even assuming that this is a necessary ingredient.” McCarthy, *supra* at § 32:163 (footnotes and citations omitted). “Surveys taken at home in person or by telephone should not be discounted or denigrated, but accepted as probative evidence if properly conducted. . . . The only inherent problem in a telephone interview is that the visual component is missing.” *Id.* Telephone surveys are accepted by most courts, and the Federal Judicial Center 1994 *Reference Manual on Scientific Evidence*, recognizing the usefulness of telephone surveys, “recommends that the expert’s report specify three elements: (1) the procedures that were used to identify potential respondents; (2) the number of telephone numbers where no contact was made; and (3) the number of contacted potential respondents who refused to participate.” *Id.* (citing *Reference Manual on Scientific Evidence*, 254 (Federal Judicial Center 1994)).
A Representative Sample of the Defined Universe Must Be Selected. Because it is cost-prohibitive to survey the entire universe, a representative sample of the universe must be drawn fairly and impartially to render the results and any claim based on them statistically reliable. There are two types of samples—probability samples and nonprobability samples. Probability samples use a mathematically random selection of persons and give a known margin of error, which describes how stable the mean response in the sample is likely to be. The most common use of probability sampling is in telephone surveys, in which telephone numbers in a given territory can be randomly selected. By contrast, nonprobability samples do not require a mathematically random selection of persons to question and do not provide known margins of error. This sampling is used in mall-intercept surveys, where the selection of respondents is done on the basis of the availability and characteristics of the people approached in a mall or on a street. This approach is more likely to be used where the universe or its subgroups are broadly defined, for example, among age, gender, income, or education levels. Nonprobability samples are used if you need results reflecting only the sample itself, whereas probability samples are used if you want to project the survey results to the universe at large. Avon Prods., Inc. v. S.C. Johnson & Son, Inc., No. 94 Civ. 3958, 1994 WL 267836, at *6 (S.D.N.Y. June 15, 1994). While either method of sampling is appropriate, depending upon the type of survey and the advertising claim to be made, nonprobability sampling is gaining acceptance among the courts and is now the most commonly performed type of in-person survey done for trademark and unfair competition litigation.

In addition, the representative sample requires a sufficient number of respondents. While the sample size does not necessarily impact the accuracy of the estimates, courts are quick to criticize surveys with small sample sizes, i.e., under 100 participants, because they cast into doubt the general applicability of the results. However, a larger sample size will reduce the size of the confidence interval (statistical error value). One survey expert has outlined three rules of thumb regarding sample size. First, each test group should include at least 200 to 300 participants. Second, if comparing subgroups, at least 50 participants should make up each subgroup. Third, if the percentage of respondents supporting the advertising claim is small, a larger sample size is recommended, because a smaller confidence interval is desired. Jacoby, supra, at 574-5.

The Interview Questions Must Be Clear, Precise, Nonleading, Unambiguous, and Unbiased. The manner in which survey questions are asked may be a significant factor in a court's evaluation of the survey. Ambiguous questions—those open to multiple interpretations—must be avoided. They may be confusing and lead to irrelevant responses, as may questions that require the respondent to speculate or recollect events that took place in the distant past. Additionally, the court may find that the survey's location because it could affect a respondent's recognition or awareness of brands. For example, if the question is meant to measure preference, the interview should not take place in plain view of a competitor's store or immediately after a purchase of the products at issue. Furthermore, the respondents should not be made aware of the survey's purpose, for example, a pending litigation, because they may be sympathetic to one of the parties as a result.

To avoid a leading and biased survey, survey questions may take either a closed-ended (multiple choice) or an open-ended format. Researchers should avoid putting words into a respondent's mouth. While closed-ended questions are not inherently leading, they are inherently suggestive because they provide a limited set of answers. Consumers Union of United States, Inc. v. New Regina Corp., 664 F. Supp. 753, 769 (S.D.N.Y. 1987). Further, aided questions may be leading or overly suggestive. For example, in an awareness survey, an aided question might place the “desired response” in a prominent position among the choices. This technique may not only affect the evidentiary weight of the survey, but it could also be a fatal defect of the survey. In an effort to overcome the inherent infirmities of closed-ended and aided questions, it is necessary, at a minimum, to provide a “Do not know” or “Other” answer choice, depending upon the question. In this way, the survey does not force a response or encourage a respondent to choose indiscriminately and randomly among the answers that are provided.

Open-ended questions have shortcomings as well. These questions may fail to elicit responses that the respondent does in fact have but are not “top of mind.” For example, a question that asks “What brand do you prefer?” by itself, does not account for responses attributable to brand recognition, awareness, or the respondent's last purchase. Therefore, open-ended questions require probing follow-up questions such as “Why?” or “What do you mean?” to clarify or expand
upon an incomplete, ambiguous, or confusing answer. These questions may identify that a respondent is confused or simply that the response is irrelevant because, for example, it was brand awareness, not brand preference, that generated the response. Failure to adequately probe at incomplete, ambiguous, or confusing answers can be a factor in a court's decision to discount survey evidence.

The order in which questions are posed may affect the survey's objectivity and become an aspect of inquiry. A prior question should not provide or suggest an answer to a later question. Thus, aided-awareness questions should not precede unaided awareness. Also, closed-ended questions listing specific brands as answer choices should not precede open-ended questions about preference or awareness to avoid any risk that the answer choices will suggest the responses to the open-ended questions.

Accordingly, when an open-ended question is asked, such as “When you think of moisturizer, what brands come to mind?” the participant should also be asked the probing follow-up question “Why?” so that the interviewer can elicit the reasons for the previous answer. Similarly, after an open-ended question measuring preference is posed, the same probing question “Why?” should be asked. If the answer identifies a reason for the response other than an attribute for preference, such as “I just bought moisturizer by Brand X,” it may reveal that the question is not clear or is ambiguous to the respondent. The probing questions can also be used to filter out irrelevant responses from the data. 

Incomplete, ambiguous, or otherwise flawed questions surface often enough to be seen as an indicator of courts' increasing vigilance regarding question design. Two slightly different questions on the same topic may elicit two entirely different answers, and courts are increasingly suspicious of the design as well as the motives behind the research plan. Therefore, it is important to take a hard look at the question design format prepared by the research firm prior to launching the survey to make sure that it is appropriate for purposes of the survey, thereby eliminating the possibility of a fatal defect in the survey.

Sound Interview Procedures Must Be Followed by Competent Interviewers With No Knowledge of the Litigation or the Purpose for Which the Survey Was Conducted. To avoid potential biased administration of the survey, the interviewers should not have knowledge of the client, the litigation, or the purpose for conducting the survey. Consumers Union, 66 F. Supp. at 770. The concern is not necessarily the interviewer's intentional impropriety, but rather the avoidance of any risk that an interviewer may inadvertently and unconsciously suggest or lead responses by adding emphasis to the questions, giving unsolicited clarification of questions, or moving on to another question once the anticipated response is given, without additional probing. On the other hand, the survey designers should know the underlying issues and the survey's purpose so they can properly design the survey. And, while attorneys should have no part in carrying out the survey, some attorney involvement in the survey design is necessary to ensure that relevant questions are directed to a relevant population.

The Data Gathered Must Be Accurately Reported. For the survey to be reliable, the data must be accurately reported. Thus, responses such as those elicited by an open-ended
question must be recorded verbatim and correctly categorized or coded. If this is not achieved, the survey may be regarded as biased or unreliable.

The Data Must Be Analyzed in Accordance With Accepted Statistical Principles. It is a basic tenet of survey practice and scientific evidence that accepted statistical principles be used to analyze and manipulate the data. If all the factors are adhered to—namely, a relevant universe, a proper representative sample, appropriate questions that are not susceptible to attack—an opposing expert may resort to an examination of the calculations used to analyze the raw data. This would likely entail producing all raw data to the other side and the opposing expert recalculating and evaluating the results and scrutinizing the original calculations.

The Objectivity of the Entire Process Must Be Ensured. This factor resonates throughout all the other factors. As discussed above, the interviewers must remain objective, as must those designing the survey. However, the survey designers must have some understanding of the underlying issues and reasons for conducting the survey, as well as the client’s goals. Every survey has a taste of subjectivity and bias. The purpose for conducting the survey—for example, to create evidence for a litigation—does not negatively affect or lessen its weight. See Consumers Union, 664 F. Supp. at 770.

The Survey Must Be Properly “Filtered” Through Use of Controls to Screen Out Irrelevant Data, and the Questions Must Be Relevant and Directed to the Real Issues. In combination, the focus of these last two factors is to isolate the relevant issues that the survey is intended to measure and to isolate the relevant data for analysis. This two-part inquiry asks, first, whether the question is relevant and, second, whether the response to it is relevant. Here, for example, the relevant issue for the survey to measure is consumer preference for a brand of moisturizer. Assuming that brand awareness is not equivalent to or a measure of preference, a question regarding awareness, or brand recognition, is not relevant. Data generated by such questions cannot be used to support an advertisement that claims consumer preference. However, simply asking “What brand do you prefer?” is not sufficient because a respondent may have any number of reasons for answering “Brand ABC” but not all reasons are attributes of preference for a brand.

The second part of the inquiry attempts to filter out the unresponsive and, thus, irrelevant responses. Cumberland, 140 F. Supp. 2d. at 253. This requires a definition of what “prefer” means and identifies. Abbott Lab., 979 F. Supp. at 573. In other words, what are the determinative factors for overall preference and which relevant attributes of the product or brand are necessary to establish superior preference of consumers? Id. Therefore, if, after probing, the underlying reason for a respondent’s selection of Brand ABC is something other than a relevant attribute of preference, that response must be thrown out of the analysis completely. Cumberland, 140 F. Supp. 2d. at 253.

CONCLUSION

A survey is an attempt to paint a picture of relevant purchasers’ states of mind. That picture, at the least, will portray the state of mind of those surveyed, and it may even reasonably depict the state of mind of the entire universe of relevant purchasers. Either way, if the survey is fairly and scientifically conducted, the results can be offered as evidence of and support for a corporation’s proposed advertising claim. Therefore, when survey data is relied upon to make an advertising claim, it is important to follow the guidelines set out above so that the survey and its results are accurate and reliable and will be accorded significant evidentiary weight if the survey is later attacked.

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Ilene, a partner in the New York Office, focuses her practice on trademarks, copyrights, unfair competition, and internet law. She counsels U.S. and international clients on worldwide clearance, registration, protection, use, enforcement, licensing, and transfer of trademarks, trade names, copyrights, and internet domain names. Well known for her experience practicing before the U.S. Trademark Office and Trademark Trial and Appeal Board, Ilene is also recognized as an authority on developing and managing domestic and foreign registration programs and negotiating licenses, assignments, and purchases of intellectual property for her clients. She represents leading companies in such industries as banking, securities brokerage and clearance, pharmaceuticals, clothing and accessories, hair care, sports, and food.
Oftentimes, intellectual property owners find that their IP is being infringed upon by various companies around the world whose identities may or may not be known to the intellectual property owners. Even to the extent a federal district court would have jurisdiction over such companies, bringing several lawsuits in different federal courts can be prohibitively expensive and achieve less than complete relief for the IP holder. In such a situation, Section 337 of the Tariff Act of 1930 provides an effective remedy that the United States Bureau of Customs and Border Protection (“Customs”) and the United States International Trade Commission (the “Commission” or “ITC”) will enforce to ensure that those IP rights are not used illegally. No owner of intellectual property can afford to ignore this powerful forum and the remedies available there.

THE REGULATORY FRAMEWORK

Section 337 declares unlawful “unfair methods of competition and unfair acts” in the importation of articles into the United States. See 19 U.S.C. § 1337. The statute is triggered by two primary types of unfair acts or methods of competition relating to imported articles: unfair acts or methods of competition that infringe a valid and enforceable United States patent or federally registered trademark, copyright, mask work, or trade secret; and unfair acts or methods of competition that otherwise injure a domestic industry.

The International Trade Commission. The ITC is a quasi-judicial, independent agency that has broad powers related to international trade disputes such as countervailing duty, dumping, and unfair trade investigations (for example, IP Infringement). Among other statutes, the Commission administers Section 337. A Section 337 proceeding at the Commission involves a number of different groups of personnel, including administrative law judges, the Office of Unfair Import Investigations, the General Counsel’s Office, and the Commissioners themselves.

Office of Unfair Import Investigations. The Office of Unfair Import Investigations (“OUII”) at the Commission dedicates itself to Section 337 proceedings. During an investigation, an OUII attorney, acting on behalf of the public interest, is assigned to take an active role in discovery and motions practice and at the hearing.

Administrative Law Judges. There are four administrative law judges (“ALJs”) who dedicate their time exclusively to Section 337 investigations. Each has broad discretion in conducting an investigation and has individual ground rules applicable to Section 337 proceedings under his supervision.

General Counsel’s Office. The General Counsel’s Office at the Commission includes registered patent attorneys, several of whom have backgrounds in science and engineering,
including electrical engineering, biotechnology, physics, chemistry, and computer science. The General Counsel's Office advises the Commissioners on the outcome of investigations and also represents the Commission during appellate proceedings before the Federal Circuit.

Commissioners. There are six Commissioners of the ITC who serve staggered nine-year terms; a new term begins every 18 months. Currently, there are three Democrats and three Republicans serving as Commissioners, and most have backgrounds in economics, foreign relations, and international trade. The Commissioners, working with the General Counsel's Office, review the initial rulings by the administrative law judges, render a final determination, and, if a violation of Section 337 is found, determine the proper remedy to impose.

Elements of a Violation. The elements of a Section 337 violation are: (1) an unfair act or unfair method of competition resulting in infringement of a patent or federally registered right or an injury to a domestic industry; (2) an importation, sale for importation, or sale after importation of the accused product; and (3) a domestic industry.

**UNIQUE ASPECTS OF THE ITC SECTION 337 INVESTIGATION**

An intellectual property owner (or "complainant" in ITC parlance) seeking to enforce its rights may find a Section 337 action attractive for several reasons, including the Commission's *in rem* jurisdictional power. Because the Commission's *in rem* jurisdiction derives from the imported articles, and not the presence of the parties or the performance of unfair acts within the United States, the Commission is empowered to address infringement by multiple parties and products in a single forum, without distracting and expensive disputes over jurisdiction or service, especially over foreign parties. Additionally, once an investigation begins, no party may attempt to transfer the case out of the ITC to a district court that the party perceives as better or more convenient for it. Moreover, this *in rem* jurisdiction permits the Commission to provide unique remedies, including orders prohibiting entry of infringing articles (or other injurious articles) into the United States. These orders are enforced by Customs officials at ports of entry. The Commission may also issue cease-and-desist orders against products already imported and held in inventory in the United States. The availability of these unique remedies is a major factor encouraging complainants to seek relief at the Commission instead of, or in addition to, district courts. It should be noted, however, that because damages are not available at the ITC, intellectual property owners typically file suit in federal district court while simultaneously filing a complaint at the Commission.

Among the advantages of the ITC over district courts are claim constructions that stick. District courts are reversed by the Federal Circuit with regard to the meaning of patent claims 38 to 50 percent of the time, depending on the statistical data gathered. See, e.g., Andrew T. Zidel, *Patent Claim Construction in the Trial Courts: A Study Showing the Need for Clear Guidance From the Federal Circuit*, 33 Seton Hall L. Rev. 711 (2003) (citing numerous studies showing the Federal Circuit’s high reversal rate on claim construction issues); Kimberly A. Moore, *Are District Court Judges Equipped to Resolve Patent Cases?*, 15 Har. J. Law & Tec. 1 (2001) (“The high reversal rate on claim construction is problematic. It creates uncertainty in patent cases and in patent claim scope analysis until the Federal Circuit review is complete.”). The ITC’s claim interpretations, however, are rarely reversed by the Federal Circuit. Thus, the uncertainty that accompanies claim construction rulings by federal district courts is greatly minimized in a Section 337 proceeding before the ITC.

In the federal district courts, there are certain safe-harbor defenses to a claim of infringement by an offshore operation that infringes a patented process. Such safe-harbor defenses “do not apply to infringement actions before the International Trade Commission.” Kinik Co. v. Int’l Trade Comm’n, 362 F.3d 1359, 1361 (Fed. Cir. 2004). Thus, with respect to process patents infringed by operations abroad, the ITC is plainly the better forum.

**SECTION 337 INVESTIGATIONS: THE PROCESS**

When the Commission determines to institute an investigation (as it almost always does), it causes a notice to be published in the Federal Register notifying the public and immediately assigns the matter to an ALJ. The notice will also name the
accused infringers ("respondents"). If temporary relief (analogous to a preliminary injunction) is sought, the proceedings must be concluded within 90 days of the institution of the investigation, unless the case is more complicated and the Commission grants a 60-day extension. For permanent relief, a target date of 12 months (or 15 to 18 months in a more complicated case) is usually set for the Commission's determination. The ALJ must issue an initial determination on violation and a recommended determination on remedy and bonding three months before the target date.

The ALJ conducts the investigation, discovery, and trial (with no jury) under the provisions of the Administrative Procedure Act. The ALJ considers the evidence presented at the trial, along with extensive post-hearing briefs submitted by the parties. The ALJ then prepares an initial determination ("ID") on violation of Section 337 and a recommended determination ("RD") on remedy and bonding. The ID includes an opinion, findings of fact, and conclusions of law. As stated previously, the ID is generally issued three months before the target date for the investigation (usually nine months after institution). The parties have 10 days after issuance of the ID to submit a petition for review with the Commission, or else they waive their rights to appeal to the Federal Circuit.

The Commission may decline to review the ALJ's determinations in whole or in part, in which case the unreviewed portions of the ID become the official determination of the Commission. If the Commission does review the ALJ's determination, it usually directs the parties to submit additional briefing on the issues being reviewed before presenting its final determination on or before the target date. Commission determinations finding a violation of Section 337 are subject to a 60-day review period by the President, during which time the respondent(s) must post bond for any products being imported. The President may disapprove the determination and proposed remedy for policy reasons, in which case the Commission's determination will have no force or effect. Such a disapproval is extremely rare. After the close of the review period, the Commission's determination becomes final. Final determinations may be appealed to the Federal Circuit.

**SECTION 337 REMEDIES**

There are basically two forms of relief at the Commission under Section 337: exclusion and seizure. Exclusion is accomplished by keeping infringing products out of the United States at the various ports of entry pursuant to an exclusion order. Seizure of infringing goods held in inventory in the United States (which may have been imported before the ITC's final determination) is accomplished by a cease-and-desist order.

**Exclusion Orders.** The most commonly issued remedy is an order excluding entry of imported articles into the United States. Exclusion orders apply only to goods imported after the Commission's determination and do not cover goods imported before that time. (Infringing products that were imported before the ITC's final determination are subject to seizure under a cease-and-desist order that can also be entered by the ITC.) Exclusion orders can be directed to all imported products (general exclusion order) or only to those products of the specific respondents found in violation of Section 337 (limited exclusion order). General exclusion orders are not often entered because too broad an order may stifle legitimate trade, and, in many cases, a limited exclusion order can adequately protect the domestic industry. The Commission has determined, however, that general exclusion orders are appropriate when there is a "pattern of unauthorized use" by respondents, when it is particularly easy to avoid a limited exclusion order, or when it is difficult to identify the source of the infringing products. A general exclusion order will apply to those products whose makers may never even know of a proceeding until their goods are excluded by Customs.

**Cease-and-Desist Orders.** The Commission may also issue a cease-and-desist order, either alone or in conjunction with an exclusion order. Cease-and-desist orders are directed to a specific respondent and apply only to actions or conduct inside the United States. Actions prohibited under cease-and-desist orders include marketing infringing goods, selling infringing products in inventory (perhaps imported before the Commission's decision is entered), and other anticompetitive conduct. The Commission has generally declined to issue cease-and-desist orders to importers that do not have

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Evidence Presentation. Evidence must be submitted to the court within a prescribed time limit. Generally, the time limit will be designated by the court and must not be less than 30 days from the day after the parties receive notice of the court's acceptance of the case and notice to respond to the suit. The deadline can be extended by the agreement of the parties with the court's approval. In most cases, new evidence may not be submitted beyond the time limit.

Before trial, there usually is an evidence hearing at which the parties exchange the evidence on which they intend to rely and explain the relevance of the evidence to the disputed issues before the court. Parties are given the opportunity to question or object to each other's evidence. At trial, all evidence must be presented and examined by the parties; without such examination, no evidence is admissible.

Experts. The court may allow an expert to present testimony on specialized issues, particularly technical ones, as a party witness. The judges and opposing parties may question the party expert witness. More commonly, however, courts will appoint their own experts (sometimes upon consultation with the parties) to assess technical issues. The opinions of the court-appointed experts are more likely to be adopted by the courts than those of the party experts.

**INFRINGEMENT DETERMINATION**

There is no U.S.-style, pretrial Markman hearing for claim construction in China. Claim construction and infringement analysis occur at trial, which may last anywhere from half a day to a couple of days. Generally, judges take the following steps when determining infringement: (a) construing the proper scope of the patent in suit, (b) analyzing the relevant technical characteristics of the accused product or process, and (c) comparing the indispensable technical features of the patent claims with those of the accused product or process.

**Claims.** Under the Chinese Patent Law, the scope of an invention or utility model patent is determined by the terms of the claims. The descriptions and drawings may be used to interpret the claims. While this principle is consistent with U.S. claim construction law, Chinese courts have yet to develop sophisticated canons of construction to guide the application of the principle. Moreover, China is not a case-law country. Therefore, judges dealing with complicated claim construction issues are left with few guidelines. This situation heightens the need for experienced lawyers to shepherd judges through the analysis to arrive at a correct claim construction.

**Doctrine of Equivalents.** While there is no statutory basis for finding infringement under the doctrine of equivalents in China, the Supreme People's Court has sanctioned the application of the doctrine in one of its judicial interpretations. According to the Judicial Interpretations on Application of Laws in Trials of Patent Related Lawsuits issued in 2001, the extent of protection of a patent right is determined not only by the scope defined by the indispensable technical features specifically mentioned in the patent claims but also by the scope defined by the technical features that are equivalent to these indispensable technical features, which are referred to as equivalent features. An equivalent feature is a technical feature that can be conceived easily by a person skilled in the art without inventive skills and that performs substantially the same function in substantially the same way and achieves substantially the same result as the feature in the claims.

**Prosecution History Estoppel.** As with the doctrine of equivalents, there is no statutory basis for the application of the doctrine of prosecution history estoppel. However, the doctrine has been applied in patent infringement cases in China, especially by the Beijing Higher People's Court. As the doctrine has been adopted by Chinese courts, the patentee is estopped from claiming the subject matter limited, removed, or abandoned during the patent examination or invalidation proceedings by way of written statements or amendments to obtain the patent. The doctrine is applied at the request of a party, and the party must furnish the relevant evidence. SIPO can provide copies of the relevant patent files upon request.
REMEDIES

The two most common remedies for patent infringement are permanent injunction and monetary damages. Once infringement is established, permanent injunction is generally issued as a matter of law. Infringement damages are assessed on the basis of the following factors, in descending order of importance: (1) the actual loss suffered by the patentee; (2) the profits made by the infringer due to infringement; (3) a multiple of reasonable royalty; or (4) quasi-statutory damages. If neither the patentee’s loss nor the infringer’s gain can be ascertained, damages are calculated with reference to the reasonable royalty of a patent license. According to a judicial interpretation issued by the Supreme People’s Court, damages can be a multiple, normally between one and three times, of the reasonable royalty. If there is no such royalty, or if the royalty is obviously unreasonable, courts often resort to quasi-statutory damages ranging from CNY50,000 (US$620) to CNY500,000 (US$62,000). The court may, at the request of the patentee, include reasonable expenses and all or part of attorneys’ fees into the damages award. However, recovery of all attorneys’ fees is unlikely.

If the infringer’s profits are to be used as a basis for assessment of damages, evidence preservation becomes an essential tool to enable the patentee to obtain the necessary sales and accounting information from the defendant. In practice, the assessment of damages is often a difficult and complicated process, which explains why damages awards in China are often very low by U.S. standards (as they tend to be in most countries with civil law systems and limited or no discovery, such as Germany). However, there is no statutory limit on the amount of damages that can be awarded, and some Chinese judges have stated that they would award high damages if presented with admissible evidence to support them.

CONCLUSION

While patent litigation in China is still in its infancy, China is becoming a fertile ground for patent disputes, not just between Chinese and multinational companies but also among multinational companies. Contrary to widespread belief, multinational companies with sufficient skill, experience, and understanding of the Chinese system can successfully enforce patents in China. Moreover, as Chinese companies quickly evolve from blatant imitators to innovators, they are finding that asserting their domestic patents against multinational companies in China is an effective way to stake their claims in battling what they consider to be “foreign technology encroachment.” Thus, multinational companies need to be prepared for the fights that loom ahead.

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reexamination process, and thus serve as an alternative forum to federal district court. The USPTO predicted that during the first year following the law’s enactment, approximately 400 such reexaminations would be filed. By 2005, it predicted that there would be 600–700 inter partes filings per year. But, due to several procedural flaws in the statute, the inter partes system has been used even less often than the ex parte system it was designed to improve upon. In fact, as of June 2005, only about 80 inter partes requests had been filed.

Substantively, the inter partes reexamination system is quite similar to the ex parte process. Validity issues are limited to prior patents and printed publications, the burden of proof is a preponderance of the evidence, and the claims will be given their broadest reasonable interpretation. Procedurally, however, there are many differences in the two processes. The inter partes proceeding allows the third-party requestor to respond substantively to the office actions generated by the USPTO and also to the amendments filed by the patentee. If the third-party requestor believes that the USPTO has not properly rejected the claims, he can then appeal the examiner’s decision to the Board of Patent Appeals and Interferences (“BPAI”), and also to the Federal Circuit, if necessary.

Unfortunately, three flaws were present in the inter partes statute when enacted. First, the proceeding was limited to issued patents that were filed on or after November 29, 1999, and thus initially only a very small number of patents were eligible for the proceeding. Second, the third-party requestor was permitted to appeal only to the BPAI, not to the Federal Circuit, while the patentee could appeal all the way to the Federal Circuit. That flaw was remedied in 2002 when Congress modified the inter partes statute to permit a Federal Circuit appeal by the third party. Third, the inter partes statute contains an ambiguous estoppel provision that disables the third-party requestor from raising an issue in a subsequent federal district court lawsuit that it raised “or could have raised” in the inter partes proceeding. Furthermore, the third-party requestor is estopped from subsequently challenging fact determinations made by the USPTO during the reexamination. The “estoppel” is certainly the greatest impediment to the widespread use of the inter partes proceeding. In a November 2004 report to Congress on the progress of the inter partes system, the USPTO conceded that the statute had been a complete failure in that it was not being used as an alternative to litigation, and it recommended that these procedural flaws be remedied.

2005 POST-GRANT OPPOSITION PROPOSAL

Along with the introduction of post-grant opposition, the recently introduced patent reform bill proposes two fixes for the inter partes proceeding. First, the “could have raised” portion of the estoppel provision would be deleted, so that only issues that were actually raised and argued before the USPTO would be subject to an estoppel. And second, the temporal restriction on which patents are eligible for inter partes reexamination would be removed so that all issued patents are subject to the proceeding.

The proposed post-grant opposition system enables a requestor to file an opposition to an issued patent within nine months of the date of patent issuance. If the patent owner files an infringement suit within three months of issuance, however, then he may be able to stay any opposition request filed within the nine-month window while the infringement suit proceeds. Unlike the two reexamination proceedings, any of the grounds for finding a patent invalid may be considered in the opposition proceeding, including prior public use or knowledge by others, and compliance with the written description and enablement requirements. Similar to reexamination, the USPTO would apply a “substantial question of patentability” test in determining whether an opposition request should be granted. This test would appear to be an even easier test to meet than the reexamination standard where the “substantial question” must be “new.” Moreover, as
in reexamination, the burden of proof in establishing that a patent claim is unpatentable in the opposition proceeding is a preponderance of the evidence, not the clear and convincing standard required in a district court action.

Procedurally, the opposition is engaged by filing an opposition request, which may include affidavits presenting factual evidence and/or expert opinion testimony. In response to this request, the USPTO will then determine whether a “substantial question of patentability” is presented, and if so, then the opposition request is granted. Following this determination, the patent owner then has an opportunity to file a response to the opposition request and may also present affidavit evidence, including expert testimony, to counteract the evidence submitted by the requestor. Deposition discovery is then permitted, but only as to persons who submitted affidavit evidence on the part of the requestor or the patent owner. No other discovery is permitted unless authorized by the panel of three administrative patent judges assigned to the opposition. Following the patent owner’s written response, either party to the opposition can request an oral hearing before the panel, or the panel may call for an oral hearing on its own. The panel may permit the parties to file briefs in advance of the hearing and may also permit live cross-examination of any persons who submitted affidavit evidence.

Following the hearing, the panel issues a written decision as to the patentability of the claims at issue in the opposition. Either party may then file a request for reconsideration if dissatisfied with the written decision and thereafter may file an appeal to the Federal Circuit. As with the inter partes reexamination proceeding, the opposition proposal includes an estoppel provision, but this is limited to issues that were raised by the opposer and actually decided by the panel. Furthermore, an exception to the estoppel provision provides that the opposer would not be estopped from presenting new evidence material to a decided fact that could not have reasonably been discovered during the opposition proceeding.

WILL POST-GRANT OPPOSITION PASS?

Although it is impossible to predict whether the post-grant opposition proposal submitted by Representative Smith will ever pass into law, it is clear that substantial forces are pressing Congress to provide additional relief for patent litigants weary of the high costs and procedural disadvantages of defending a patent infringement suit in federal court—particularly where the patent holder is “trolling” for a quick tribute. Something similar to the current proposal is likely to find its way into law—it’s only a matter of when and exactly what form the post-grant opposition will take. One hopes that, unlike the introduction of the inter partes system, this time Congress will put in place a system that is truly an alternative to litigation in the district courts.

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inventory in the United States or against companies that arrange for shipments but do not directly import products. This practice was recently affirmed by the Federal Circuit in *Fuji Photo Film Co. v. U.S.I.T.C.*, 386 F.3d 1095 (Fed. Cir. 200).

**Temporary Relief.** Preliminary or temporary relief is also available in Section 337 cases. Due to the tight time frames and high standard of proof required, temporary relief is not often sought, and few requests for temporary relief have been filed since 1996. In evaluating the appropriateness of temporary relief, the Commission considers four factors: (1) the likelihood of the complainant’s success on the merits; (2) the irreparable harm to the domestic industry that would occur in the absence of temporary relief; (3) the balance of hardships between the parties; and (4) the public interest. These factors are essentially the same as those considered with respect to a preliminary injunction in district courts.

**ENFORCEMENT OF COMMISSION ORDERS**

ITC orders are enforced by Customs, district courts, and the ITC itself. The ITC’s exclusion orders (general or limited) are enforced by Customs at all United States ports. A complainant must diligently work with Customs *ex parte* during the enforcement stage, to facilitate identification of infringing products and to ensure that infringing products are not allowed into the stream of commerce here. These opportunities to work with Customs permit a more customized remedy than is available from district courts. Cease-and-desist orders (directed toward inventory of infringing products in the United States) are enforced by the Commission, which can assess civil penalties or seek injunctive relief in a federal district court.

**CONCLUSION**

A Section 337 proceeding is a uniquely powerful tool for enforcing intellectual property rights against infringing importers. The Commission’s *in rem* jurisdiction allows for unique remedies such as exclusion orders, which are enforced by Customs officials directly at ports of entry, unlike injunctions available from district courts.

Section 337 intellectual property litigation affords unique opportunities to rid the United States market of infringing goods (or at least to reduce them). IP owners who work closely with the Commission and Customs to enforce ITC orders can augment the enforcement efforts and make an already unique and forceful remedy even more effective. 

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