# SHIMOKAJI & ASSOCIATES, P.C.

Intellectual Property Lawyers
www.shimokaji.com

NEWSLETTER

August 2011

We specialize in the litigation and registration of patent, trademark, and copyright matters. The clients we serve range from start-ups to Fortune 500 companies, government entities, and universities. Though located in the US, our expertise and representation has an emphasis in Asia.

— LATEST NEWS & EVENTS —

## *USPTO Proposal to Revise Duty of Disclosure*

The USPTO is proposing to revise the materiality standard for the duty to disclose information in patent applications and reexaminations. The proposal is to adopt the standard for materiality required to establish inequitable conduct as defined by the Federal Circuit in *Therasense*.

More information can be obtained at info@shimokaji.com

# *Federal Circuit Puts More Barriers in Front of Non-Practicing Entities (Patent Trolls)*

In *Eon-Net v. Flagstar*, a non-practicing entity (NPE) and its affiliates owned several patents for doucment processing. The district court found the case "exceptional" and awarded the defendant almost USD500,000. In addition, the district court found that the NPE and its attorneys failed to perform a reasonable pre-filing investigation and awarded the defendant almost USD150,000.

The Federal Circuit explained that litigation misconduct and unprofessional behavior may alone make a case "exceptional." In the absence of misconduct, a case may be "exceptional" if (1) the litigation was brought in bad faith AND the (2) litigation is objectively baseless.

Here, the NPE and its attorney destroyed documents prior to the lawsuit. The NPE also failed to engage in the claim construction process in good faith because the NPE failed to offer a construction for any disputed claim term, and "lodged incomplete and misleading extrinsic evidence."The Federal Circuit also noted that the district court found that the NPE's case had an "indicia of extortion" because of the NPE's history of filing infringement suits against many defendants and then making a demand for a "quick settlement at a price far lower than the cost to defend the litigation." The court also noted that the "vast majority of those that [NPE] accused of infringement chose to settle early in the litigation rather than expend the resources required to demonstrate to a court [non-infringement]."

Finally, the Federal Circuit affirmed the district court's judgment.

8911 Research Drive, Irvine, California, USA 92618 www.shimokaji.com