

Patent Law Best Mode: Reports Of Its Death Are Greatly Exaggerated'



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"I know what you're thinking. 'Did he fire six shots or only five?' Well, to tell you the truth, in all this excitement I kind of lost track myself. But being as this is a .44 Magnum, the most powerful handgun in the world, and would blow your head clean off, you've got to ask yourself one question: 'Do I feel lucky?' Well, do ya, punk?"

— Harry Callahan,
Dirty Harry (1971)

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For centuries, U.S. Patent law has required inventors to disclose details in their patent applications about their preferred ways to carry out their inventions. Originally, this requirement was known in terms of disclosing "the whole of the truth"³ of the invention, but is now known as "the best mode."⁴ Potential consequences of failing to comply with the requirement included a court ruling of invalidity or unenforceability of the inventor's patent.

For many years, I and others have expressed concerns over the subjectivity of best mode jurisprudence, and have called for repair or even elimination of the requirement.⁵ The basic problem is that courts have applied seven different standards to determine whether someone has violated the best mode requirement.⁶ Accordingly, no patent applicant ever knows whether they are truly complying with the requirement when they file their patent application, and everyone who litigates the requirement spends inordinate resources to do so. The requirement is broken.

So last year, in response to the concerns, Congress wounded – but did not kill – the best mode requirement when it enacted the America Invents Act ("the AIA").⁷ In so doing, the House Judiciary Committee acknowledged that an inventor's best mode disclosure is "part of the important tradeoff that underlies the patent laws: the grant of a limited-term monopoly in exchange for disclosure of the invention."⁸ Therefore, Congress preserved the requirement, and eliminated some – but not all – of the consequences of non-compliance with the requirement.

And now, perhaps because of all the other excitement surrounding the new patent law, many patent practitioners and scholars have prematurely concluded that Congress eliminated the best mode requirement as a basis for litigation. But that conclusion is incorrect because it fails to account for the powerful equitable discretion of the courts.

"OTHER DEFENSES UNAFFECTED"

Congress did not explain, through legislative history or otherwise, its' decision not to eliminate the best-mode requirement entirely. But the House Judiciary Committee did provide the following hint in its' AIA House report: "...the Act includes a provision that eliminates the best mode as a basis for invalidity and unenforceability defenses under Sec. 282; other defenses are unaffected."⁹ Unfortunately, the House did not elaborate on the other defenses it had in mind. Maybe

the House meant defenses other than best mode defenses, like defenses related to the enablement and written description requirements of patent law.

Or maybe the House meant something else. As many lawyers learned in law school, courts decide legal disputes "at law" and "in equity" depending on the remedy sought in litigation. For example, when an owner of a patent sues an infringer for making a product covered by the patent, the patent owner may seek a legal remedy. The legal remedy is typically monetary damages, such as reasonable royalties on sales of the patented products. Alternatively, or additionally, the owner often seeks an equitable remedy. The equitable remedy is usually an injunction that compels the infringer to stop production of the patent product, effectively putting the infringer out of business covered by the patent.

Powerful as they are, injunctions are granted to patent litigants subject to principles of equity.¹⁰ Such principles are embodied in fundamental equitable maxims like "no one shall be permitted to found any claim upon his own iniquity," and "he who comes into equity must come with clean hands."¹¹ Accordingly, when courts determine how best to exercise their equitable discretion, courts balance the interests of the litigants, and will deny equitable remedies to patent holders who act contrary to the public interest.¹²

For instance, if a patent fails to disclose the inventor's best mode, the patent will be in violation of the public interest. As such, a court will deem the patent holder to have "unclean hands" which will justify the court in exercising its' equitable discretion to deny injunctive relief to the patent holder. If so, the court will relegate the patent holder to remedies at law, including recovery of actual damages.¹³

Failure to disclose the best mode may also affect damage calculations. Namely, if the patent infringer willfully infringed the patent, the patent holder also may request an award of statutory enhanced damages. But the patent holder may be shocked when the court denies the request. The court is obligated to grant actual damages by operation of law, but the court awards enhanced damages in its' equitable discretion.¹⁴

So, if Congress as a whole truly intended to eliminate the best mode requirement in its entirety, it had the opportunity to do so last year. But it did not and, to the contrary, the House stressed the importance of the requirement. Unfortunately,

the requirement is no less broken now than it was before the AIA, and it still needs to be fixed. Instead, Congress merely eliminated the defenses of invalidity and unenforceability, but left “other defenses unaffected.”

FEELING LUCKY?

For a patent owner or practitioner, I know what you are thinking. How will the courts view failures to comply with the best mode requirement? Will they ignore equity jurisprudence and dismiss the best mode equitable defense? Or will they see inequitable omissions and, consequently, deny patent owner requests for equitable relief including injunctions and enhanced damages? Well, you’ve got to ask yourself one question: Do you feel lucky?

If you saw the movie, you know it did not end well for the perpetrator. So, when you are advising inventors about their duties of patent application disclosure, you should consider the serious risk that a court will find a failure to comply with the best mode requirement

and, thus, deny the remedies of injunctive relief and enhanced damages. **IP T**

ENDNOTES

1. © 2012 Steven B. Walmsley. All rights reserved.
2. B.S.M.S.E., General Motors Institute, 1993; J.D., Wayne State University Law School, 2001. Formerly a practicing engineer, Steve Walmsley is now a shareholder with Reising Ethington P.C. in Troy, MI where he specializes in the mechanical and electrical patent arts (<http://www.reising.com/attorneys.php?t=walmsley>).
3. Patent Act of 1790, ch. 7, § 6, 1 Stat. 109, 111 (repealed 1793).
4. 35 USC § 112 (2011).
5. See, e.g., Steven B. Walmsley, *Best Mode: A Plea to Repair or Sacrifice This Broken Requirement of United States Patent Law*, 9 Mich. Telecomm. Tech. L. Rev. 125 (2002), available at <http://www.mttl.org/volnine/walmsley.pdf> (recommending revising best mode by judicial action, or sacrificing the requirement by legislative action).
6. *Id.* at 153.
7. Pub. L. No. 112-29, 125 Stat 284 (9/16/11).
8. House Judiciary Committee Report on the America Invents Act (H.R. 1249) (H. Rpt. 112-98, Pt. 1, p. 52) (6/1/11).
9. House Judiciary Committee Report on the America Invents Act (H.R. 1249) (H. Rpt. 112-98, Pt. 1, p. 52) (6/1/11) emphasis added.
10. See *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006).
11. *Precision Instrument Co. v. Auto Maintenance Mach. Co.*, 324 U.S. 806, 814 (1945)
12. See *Id.* at 816 (“A patent by its very nature is affected with a public interest.”).
13. See *Deweese v. Reinhard*, 165 U.S. 386 (1897) (“A court of equity acts only when and as conscience commands, and if the conduct of the plaintiff be offensive to the dictates of natural justice, then, whatever may be the rights he possess and whatever use he may make of them in a court of law, he will be held remediless in a court of equity.”); see also *McCann v. Chasm Power Company*, 211 N.Y. 301, 305 (1914) (“a court of equity can never be justified in making an inequitable decree. If the protection of a legal right even would do a plaintiff but comparatively little good and would produce great public or private hardship, equity will withhold its discreet and beneficent hand and remit the plaintiff to his legal rights and remedies.”)
14. See *Beatrice Foods Co. v. New England Printing and Lithographing Co.*, 899 F.2d 1171, 14 USPQ2d 1020 (Fed. Cir. 1990) (*en banc*); also note that at least one court deployed what appears to be “legal” discretion to deny actual damages in *Mas v. Coca-Cola Co.*, 198 F.2d 380, 381 (4th Cir. 1952) (“One who has had the door of a court of equity closed in his face because of his fraud may not have relief by the simple device of beginning again and labeling his suit an action at law for damages.”) (upholding dismissal of action at law for damages from patent infringement, following dismissal of equitable suit on the ground of unclean hands involving the same patent).

SKECHERS Scores Major Legal Victory in Patent Suit

Manhattan Beach, CA -- Skechers USA, Inc. announced that it scored a major victory in a patent lawsuit filed against it in the United States District Court for the Central District of California. The lawsuit, *Cancaribe Limited v. Cobra International Inc.*, Case No. 07-CV-4182-GAF, involved allegations by defendant and cross-claimant Cobra International, Inc. alleging that the circuit used in Skechers lighted footwear infringed Cobra’s patent on sequential lighting.

On June 6, 2012, Cobra and Skechers entered into a settlement agreement. Cobra agreed to dismiss its lawsuit against Skechers with prejudice and release all claims against Skechers. Skechers did not pay any money and is free to continue using its lighted footwear technology without modification and without any payment or obligations to Cobra.

The case settled after Skechers filed a summary judgment motion to invalidate Cobra’s patent. The terms of the settlement amounts to a complete victory for Skechers. The settlement agreement is publicly available on the Court’s database.

Skechers was represented in this case by Morgan Chu, Gary Frischling, Chris Vanderlaan, and Anthony Falcone of Irell & Manella in Los Angeles.

“We believe this settlement is a total victory for Skechers,” stated Philip G. Paccione, General Counsel of Skechers USA, Inc. “We have maintained that this lawsuit was frivolous since it was filed in 2007. Our message is clear: if someone asserts an overbroad and questionable patent against Skechers, they will not only lose their case but possibly their patent as well.”

Paccione continued, “We also believe that, had the Court issued a ruling invalidating Cobra’s patent, we would have been entitled to recover attorneys’ fees from Cobra and sanctions against counsel for failure to conduct an adequate pre-filing investigation of the claims asserted against Skechers. Nonetheless, after five years of litigation, we thought it was an opportune time to avoid the cost and distraction of further litigation and of defending a possible appeal.”

In an earlier development relating to this case, Skechers initiated reexamination proceedings before the United States Patent and Trademark Office, which resulted in the Patent and Trademark Office issuing a Final Office Action finding the patent invalid in September 2009. The patent was allowed only after Cobra made amendments to certain claims.

About SKECHERS USA Inc.

SKECHERS USA, Inc. (SKX), based in Manhattan Beach, California, designs, develops and markets a diverse range of footwear for men, women and children under the SKECHERS name. SKECHERS footwear is available in the United States via department and specialty stores, Company-owned SKECHERS retail stores and its e-commerce website, and over 100 countries and territories through the Company’s global network of distributors and subsidiaries in Brazil, Canada, Chile, Japan, and across Europe, as well as through joint ventures in Asia. For more information, please visit www.skechers.com, and follow us on Facebook (www.facebook.com/SKECHERS) and Twitter (<https://twitter.com/SKECHERSUSA>).