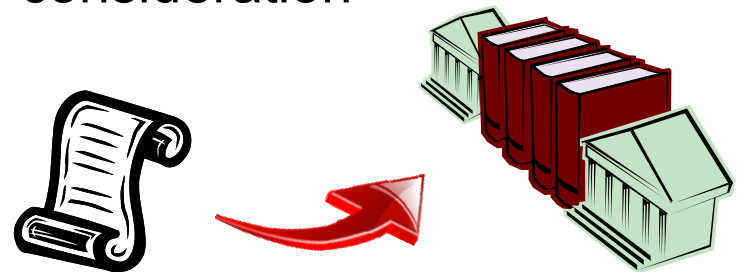


Status of U.S. Patent Reform 2011

Thomas K. Scherer

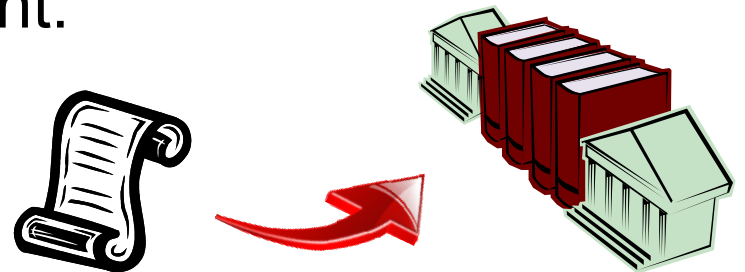
Process of U.S. Patent Reform

- Either the Senate or House can **introduce** legislation
 - Legislation **starts** in one and moves to the other (either way)
 - Once introduced, a subcommittee in the starting body (Senate or House) is formed to **draft** proposed legislation
 - When the subcommittee agrees on a draft, the proposed legislation is **reported** to the entire body (Senate or House)
 - The entire body considers the draft, offer amendments, and may bring to a vote or return to subcommittee
 - If **voted on and passed**, the legislation is sent to the other body (Senate or House) for similar consideration



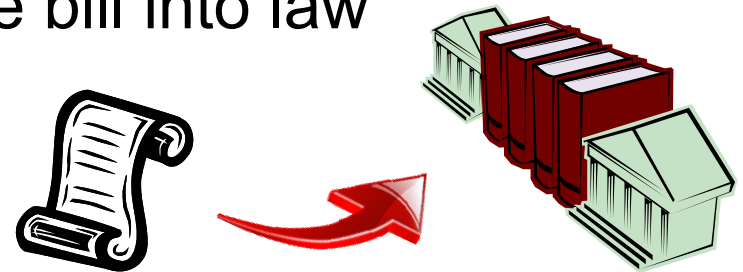
Process of U.S. Patent Reform

- In order to for the U.S. laws to change, the Senate and House must be **completely aligned**
 - Senate passed bill must be voted on and approved by House or vice versa
 - Both Senate and House can have **similar** legislation being drafted at the **same** time (and often does)
 - If both Senate and House pass **similar** legislation, bills can be **reconciled** in order to move forward
- Once **both** the Senate and House passed bills are completely aligned, the President:
 - can **sign** the bill into law, or
 - deny the bill by **veto**



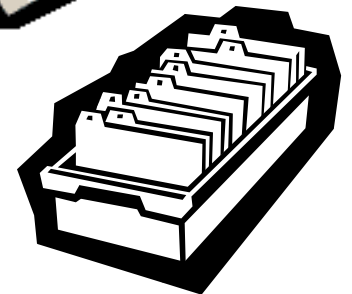
Status of U.S. Patent Reform

- U.S. Senate **passed** a bill reforming Patent Law
 - S. 23 introduced on January 25, 2011
 - S. 23 passed on March 8, 2011
- The House of Representatives (House) has **introduced** patent reform bills in 2007, 2009, 2011
 - H.R. 1249 introduced on March 30, 2011
 - H.R. 1249 **reported** by committee on April 14, 2011
- Once the Senate and House are completely aligned, the President will likely **sign** the bill into law



U.S. Patent Reform Summary

- First Inventor to File
- Oath / Declaration
- Best Mode
- Third Party Challenges
 - Pre-Issuance Third-Party Submissions
 - Third-Party Requested Post-Grant Review
 - Inter Partes Post Grant Review
- Enhanced Damages
- False Marking
- Fee Setting Authority
- Miscellaneous Provisions

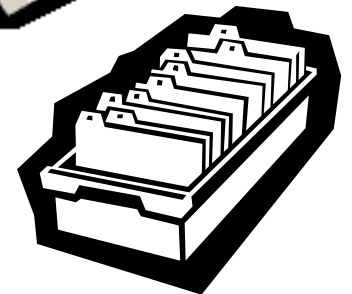


U.S. Patent Reform Summary

- Three areas of the patent laws are being changed:
- Prosecution related changes
 - Affecting **how** applicants **interact** with the USPTO
 - Redefining **what** can/must be filed and **when**
- Litigation related changes
 - Affecting the **damages** awards from a lawsuit
 - Redefining the **types** of lawsuits that can be brought
- Administrative changes
 - Affecting the **ability** of the USPTO to **operate**
 - Redefining particular **bodies/procedures** within the USPTO in accordance with the other changes to the patent laws

Prosecution Related Portions

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First Inventor to File

- U.S. currently uses First Inventor to **Invent** system
 - The current system is more complex as “**invention date**” must be determined through discovery
 - Inventors may **antedate** prior art by proving earlier “**invention date**” than the date of the prior art
 - Interferences proceedings occur when **different** inventors claim the **same** invention
 - Each inventor must attempt to prove **earliest invention date**
 - Proceedings can take many **years** to complete
 - Almost every country other than U.S. uses First Inventor to **File** system in which:
 - the **filing dates** are easily known, without any discovery
 - prior art is simply defined as anything **prior** to the **filing date**
 - No interferences exist, as it is merely a **race to the patent office**



First Inventor to File

- Law harmonizes U.S. with the rest of the world
- Each application is given an **effective filing date**
 - Patentability is judged on prior art that pre-dates the **effective filing date**
 - Section 102 revised to define prior art as either:
 - Patented, described in printed publication, or in public use, on sale, or otherwise available to the public **before the effective filing date**, or
 - Described in a patent issued, or application published, by another that was filed **before the effective filing date**
- One year grace period for filing after inventor-made disclosure or disclosures derived from the inventor
- Replaces interference proceedings with derivation proceedings



Oath / Declaration

- U.S. applications are currently required to have an Oath / Declaration **signed by the inventors**
 - Only inventors can be initial applicants in the U.S.
 - If an inventor has died, is missing, or refuses to sign, then an application can be filed **on inventor's behalf**
- Almost every country other than U.S. allows an application to be brought by **any applicant**
 - Inventor, Company employing inventor, etc.
- In the U.S., an Assignee of the entire right can request to **exclude the inventors** from prosecution
 - Only after filing of the application on inventor's behalf, and
 - Proving ownership of the entire right in the application



Oath / Declaration

- Oath / Declaration still required that states:
 - Application was made or was authorized to be made by the inventor
 - Such individual believes himself or herself to be the original inventor or original joint inventor of the claimed invention
- Substitute Statement is permitted if:
 - Inventor is **deceased**
 - Inventor is under **legal incapacity**
 - Inventor **cannot be found or reached** after diligent effort
 - Inventor is under an obligation to assign the invention and **refuses to sign**
- Patent cannot be invalid or unenforceable based on oath / declaration or substitute statement issues



Best Mode

- Best mode requirement is **not** changing
 - Still **required** to disclose best mode during prosecution
- However, a **defense** is being created
 - Failure to disclose the best mode **cannot** be used to **invalidate** or **render unenforceable** a patent in litigation
- Such a defense eliminates the consequence of a best mode violation **from litigation**
- USPTO could **deny grant** of a patent based on failure to disclose the best mode
 - It is difficult for Examiners to know that a violation occurred
 - It is unclear whether a best mode violation could be raised **in reexamination proceedings** before the USPTO

Third Party Challenges

- U.S. allows *ex parte* or *inter partes* reexamination
 - *Ex Parte* reexamination involves the third party only until reexamination is **granted**
 - Once granted, only USPTO and patentee conduct prosecution
 - *Inter Partes* Reexamination allows third party to be **involved** in prosecution
- Third parties can also **submit prior art** into a pending application in a two month window after publication
 - Due to U.S. **duty of candor rules**, it is easier to simply send prior art to the U.S. attorney prosecuting the case
 - The U.S. attorney **must** then **submit** the prior art
 - This can be done **anonymously** through a law firm



Third Party Challenges

- Pre-Issuance Third-Party Submissions
- Submissions allowed until the earlier of:
 - issuance of a [Notice of Allowance](#), or
 - the later of [six months](#) from first [publication](#) of the application or mailing date of a first [rejection](#) of any claim
 - Submission must include:
 - Concise description of [relevance](#),
 - Appropriate [fee](#), and
 - Statement that the submission is compliant



Third Party Challenges

- Third-Party Requested Post-Grant Review
- Open to any legal issue that **affects validity** of at least one claim
- Request must be made **within nine months** of patent issuance
- Review process must be completed within statutory one year period



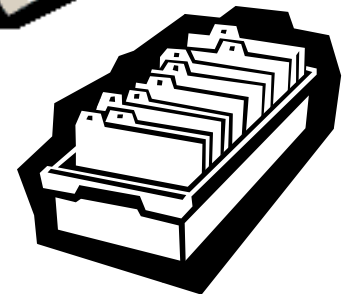
Third Party Challenges

- Inter Partes Post Grant Review
- For use beyond 9 months from patent issuance
- In order to initiate proceedings, Third Party must satisfy **Heightened Standard** (above “SNQ” standard)
- Petition must show “**reasonable likelihood**” that the petitioner would prevail with respect to at least one of the claims challenged
- Requests must be based on **only**
 - Patents, and
 - Printed publications



Litigation Related Portions

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Enhanced Damages

- If **infringement** of a patent is found by a Court:
 - Injunction may be granted against the infringer, and
 - Damages may be awarded
- An injunction prevents further infringing actions
- The award of damages compensates patentee
 - Damages must be **adequate to compensate** for use of the invention
 - Cannot be less than a **reasonable royalty**
 - May include **interest** and **costs** of litigation
 - In exceptional cases, **attorneys fees** may be included
 - Experts testify as to the appropriate amount for the damages award



Enhanced Damages

- Damages award may be enhanced (up to three times), if the infringement is found to be **willful**
- Willful infringement can be avoided, e.g., if **advice of counsel** (i.e., non-infringement opinion) was obtained
- Courts have held willfulness cannot be found:
 - Merely because an opinion was **not** obtained
 - Merely because a patent was **known to exist**
 - Even if a notification letter is sent to an alleged infringer before lawsuit is brought, unless the notification letter does **more than** merely points out the **existence** of a patent
- No negative inference can be made if an opinion **was obtained**, but it was **not disclosed** during trial



Enhanced Damages

- Codifies case law on **willful infringement**
 - Failure to **obtain advice of counsel** may not be used to prove willfulness
 - Mere **knowledge** of the existence of a patent cannot support finding of willfulness
 - Evidence of pre-suit notification must
 - Identify with particularity the asserted patent
 - Identify the product or process accused
 - Explain with particularity, to the extent possible following a reasonable investigation or inquiry, how the product or process infringes 1 or more claims of the patent
 - Willfulness must be **pled with particularity**
 - On a motion of the party, judges will keep the issue from the jury in “close call” cases



False Marking

- In order to **obtain damages**, patentees must:
 - Mark their products by:
 - fixing “patent” or “pat.” with the patent number to the article
 - when, from the character of the article, this cannot be done, fixing to the article, or to its package, a label containing “patent” or “pat.” with the patent number, or
 - Notify potential infringer of their patent
 - If **no marking** is done, damages award can **only** be based on infringement occurring **after** notice is given
 - Filing of an action for infringement constitutes notice
- Qui Tam action can be brought, if an article:
 - that is **unpatented** or **unlicensed** is falsely marked
 - is marked with an **expired** patent (after reasonable period)
 - is marked **patent pending** when no application exists

False Marking

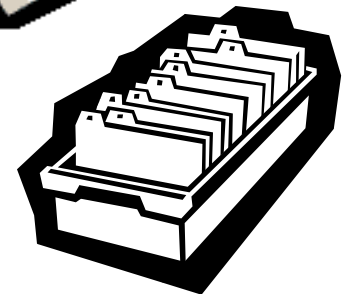
- Qui Tam actions have gained notoriety in U.S. lately
 - Award of up to \$500 **per act** of false marking
 - Each product marked **can be** considered a separate **act**, which leads to **large potential awards** for false marking
 - Actions are brought on behalf of the government by **anyone**
 - Patent Trolls and Contingent Fee Lawyers brought many suits because the one who files the lawsuit collects $\frac{1}{2}$ the damage award (Other $\frac{1}{2}$ goes to the U.S. government)
- Some Courts have held that the damages for false marking were never intended to be large
 - Award per act can be set at a **small fraction of a penny**
 - Thus, even in situations of large number of acts (Solo Cup), the award amount would remain **reasonable**

False Marking

- Passed bill **changes the law** on false marking suits
 - Only the **United States** can bring a Qui Tam action
 - Any person who has suffered a **competitive injury** due to false marking may sue to recover proven damages
 - This will **drastically reduce** litigation over false marking
- An option of **virtual marking** via Internet is added
 - Patented article bears **only** a website address
 - The website must be **freely available** to the public
 - The website contains **any applicable** patent numbers
 - It is much easier to **change** the website as old patents expire or new patents issue

Administrative Portions

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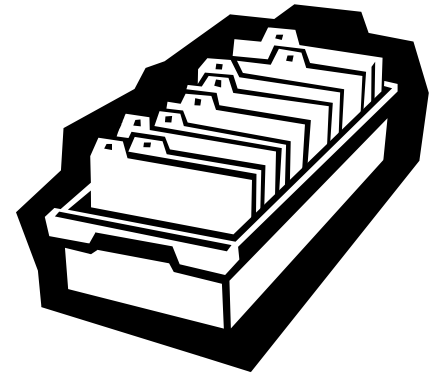
Fee Setting Authority

- U.S. Patent and Trademark Office (USPTO)
 - Fees collected are **larger** than current expenses
 - Congress **redistributes excess** to other agencies
 - This hinders ability to improve operations
- Senate bill authorizes USPTO to **set fees**
 - However, Congressional redistribution is **not** addressed
- Micro-entity is created entitled to 75% fee reduction
 - Small entity that has **not been named on 5 or more** previous non-provisional U.S. patent applications, and
 - Did not have gross income **above 3 times median household income** in the prior calendar year
 - Also, applies to State public institutions of higher education



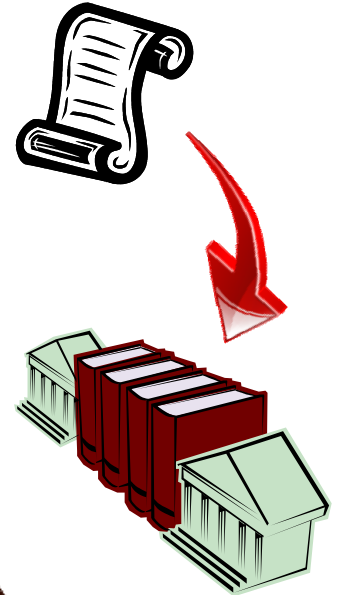
Miscellaneous Provisions

- BPAI renamed **Patent Trial and Appeal Board**
 - Appeal proceedings updated in view of first to file system
- Tax Strategies are **not** patentable
 - Explicit prohibition on claiming tax strategies
- Satellite Offices
 - USPTO is authorized to **open other offices**
 - Detroit, Michigan was explicitly designated
 - Opening postponed due to 2011 budget constraints
- Business-method patent transitional program
 - Post-Grant Review Procedure to be established
- Updates for housekeeping and consistency
 - Prioritization of exam, technical amendments, etc.



U.S. Patent Reform

- Will U.S. Patent Reform pass in 2011?
 - Possibly, but cannot predict with certainty
- There are challenges:
 - Congress moves **slowly**
 - Focus is currently elsewhere
 - Health Care, Financial Regulation, Deficit Reduction, etc.
- However, the possibility is **good**
 - Fairly **uniform support** exists for reform
 - No **controversial** provisions present
 - Senate **actually passed** Patent Reform bill
 - House reported Patent Reform bill is **substantially similar** to version that the Senate passed





THANK YOU

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