

Patent Reform: The Debate Continues Into 2010

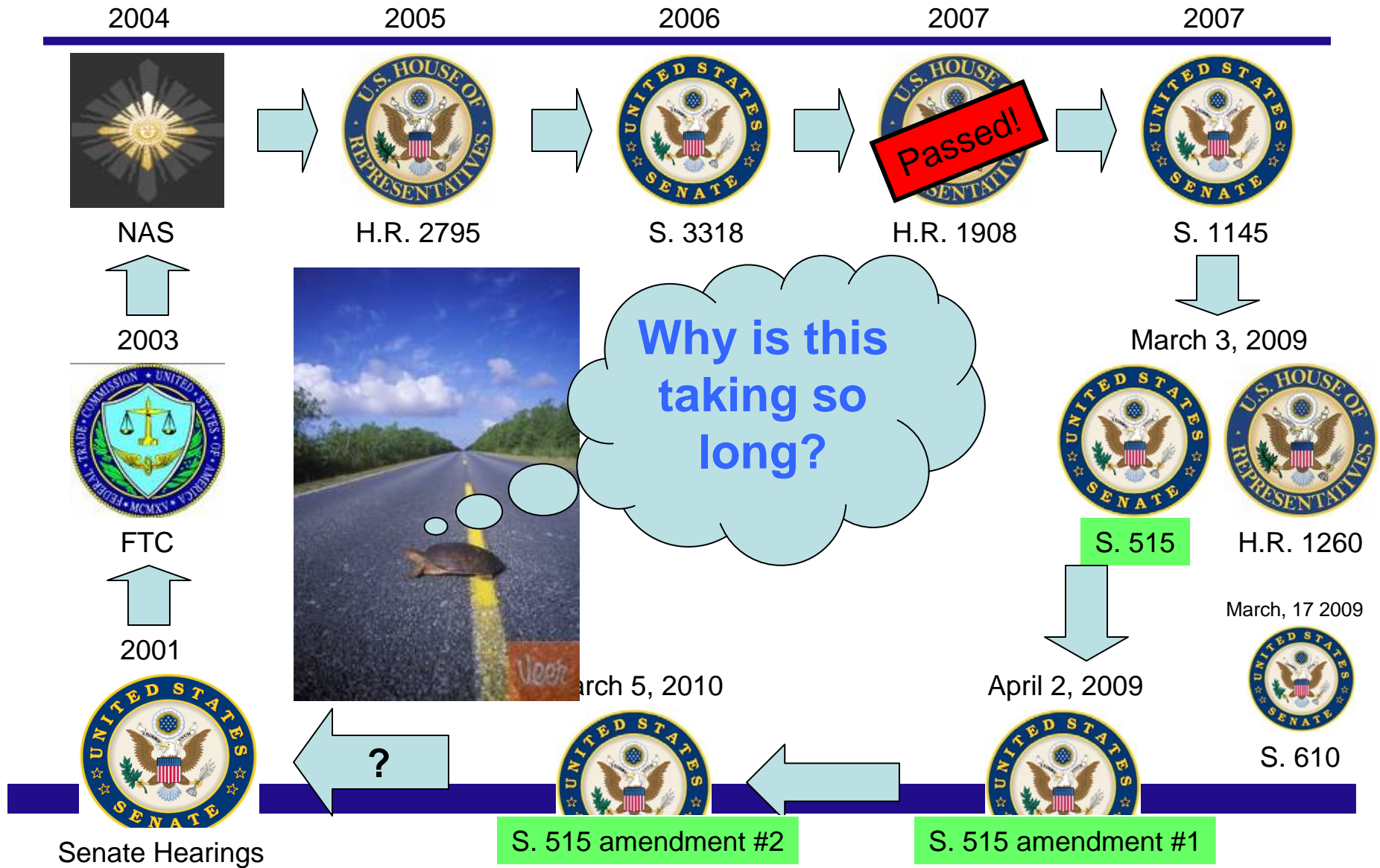


Philippe Signore
Steve Kunin

April 2010



LEGISLATION TIMELINE



Too many cooks in the kitchen

coalition for patent fairness 

INNOVATION ALLIANCE
Improving Patent Quality • Promoting Innovation


BSA

IT

Generics

PHARMA/BIO

NPE'S

Independent Inventors

USPTO

Universities

 **AMERICAN INNOVATORS**
for Patent Reform



YES

NO

Professors

Judges

 **the asbc**
.org



IPO

AIPLA

ABA

NAS

THE COALITION FOR 21ST CENTURY PATENT REFORM
Protecting Innovation to Enhance American Competitiveness

UNITED STEELWORKERS
USW
UNITY AND STRENGTH FOR WORKERS

 **AMERICAN FEDERATION OF LABOR & CIO**
CONFEDERATION OF INDUSTRIAL ORGANIZATIONS

EVOLVING CASE LAW

- INJUNCTIONS: ***eBay v. MercExchange, L.L.C.***, 547 U.S. 388 (U.S. 2006)
- OBVIOUSNESS: ***KSR Int'l Co. v. Teleflex Inc.***, 127 S. Ct. 1727 (U.S. 2007)
- PATENT ELIGIBILITY: ***In re Bilski***, 88 USPQ2d 1385 (Fed. Cir. 2008)
- DJ Jurisdiction: ***MedImmune, Inc. v. Genentech, Inc.***, 127 S. Ct. 764 (U.S. 2007)
- WILLFUL INFRINGEMENT: ***In re Seagate Technology***, 497 F.3d 1360 (Fed. Cir. 2007)
- VENUE: ***In re TS Tech USA Corp.***, 551 F.3d 1315 (Fed. Cir. 2008)
- INEQUITABLE CONDUCT:
 - ***Star Sci., Inc. v. R.J. Reynolds Tobacco Co.***, 37 F.3d 1357 (Fed. Circ. 2008)
- DAMAGES: ***Lucent Technologies, Inc. v. Gateway, Inc.***, 580 F.3d 1301 (Fed. Cir. 2009)



A COMPREHENSIVE REFORM

- **First Inventor To File (FITF)**
 - **Grace Period**
 - Conditions for Patentability
- Prior User Rights (minor)
- Assignee Filing (minor)
- Third Party Submissions
- Applicant Quality Submissions (not in S515)
- **Best Mode**
- Patent Trial and Appeal Board
- **Post-Issuance Proceedings**
 - Citation of Prior Art
 - **Reexamination**
 - **Post-Grant Proceedings**
- **Inequitable Conduct** (indirectly only in S515)
- **Venue**
- **Damages**
- **Willful Infringement**
- **False Marking**
- Interlocutory Claim Construction (not in S515)
- USPTO Changes
 - Fee Setting
 - End of Fee Diversion (not in S515)
 - Venue
 - Travel Expense Test Program
- Residency of Fed. Circ. Judge
- District Court Pilot Program



The proponents of the switch to FITF point to harmonization

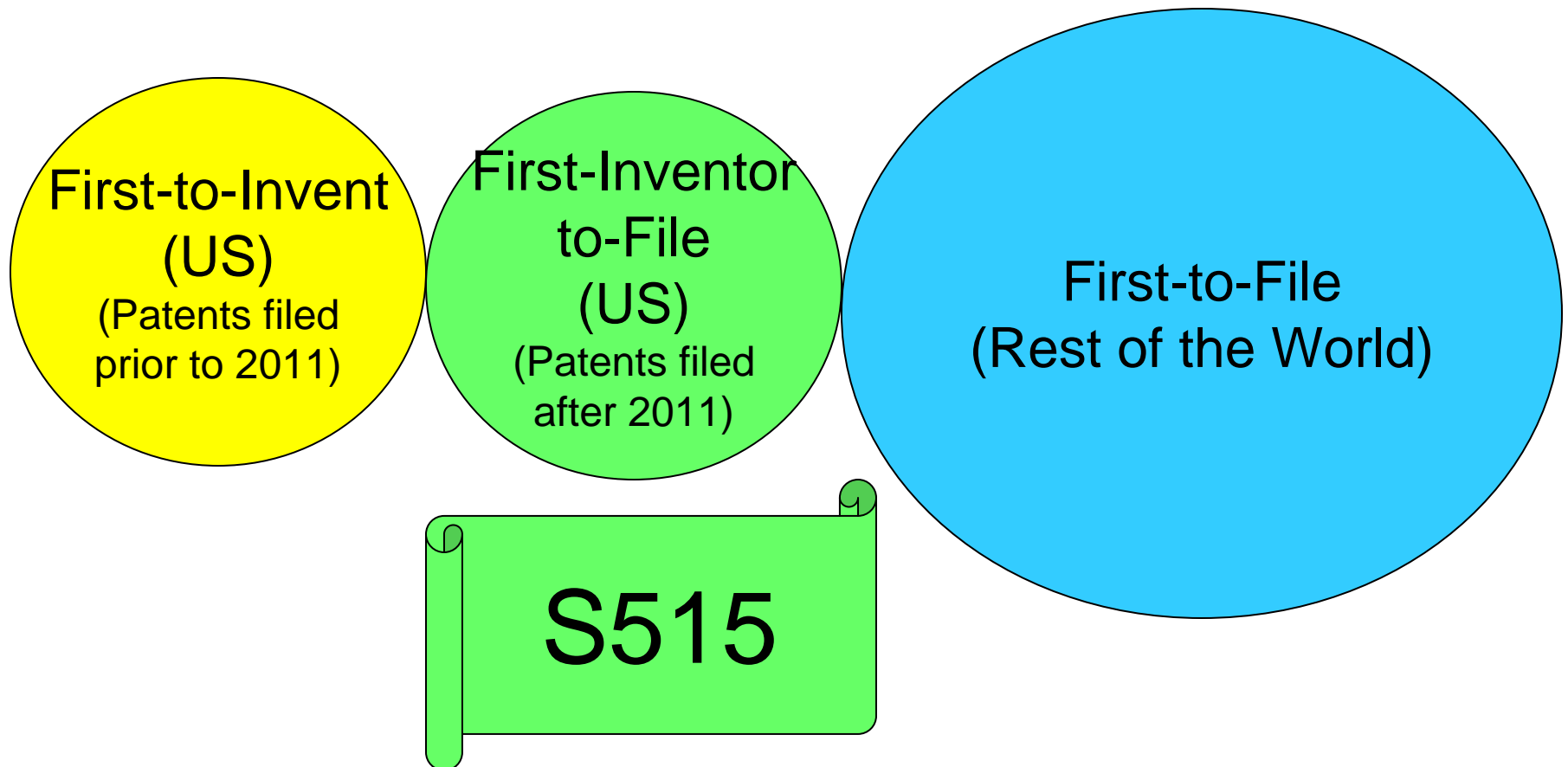
First-to-Invent
(US)

First-to-File
(Rest of the World)



Global Harmony

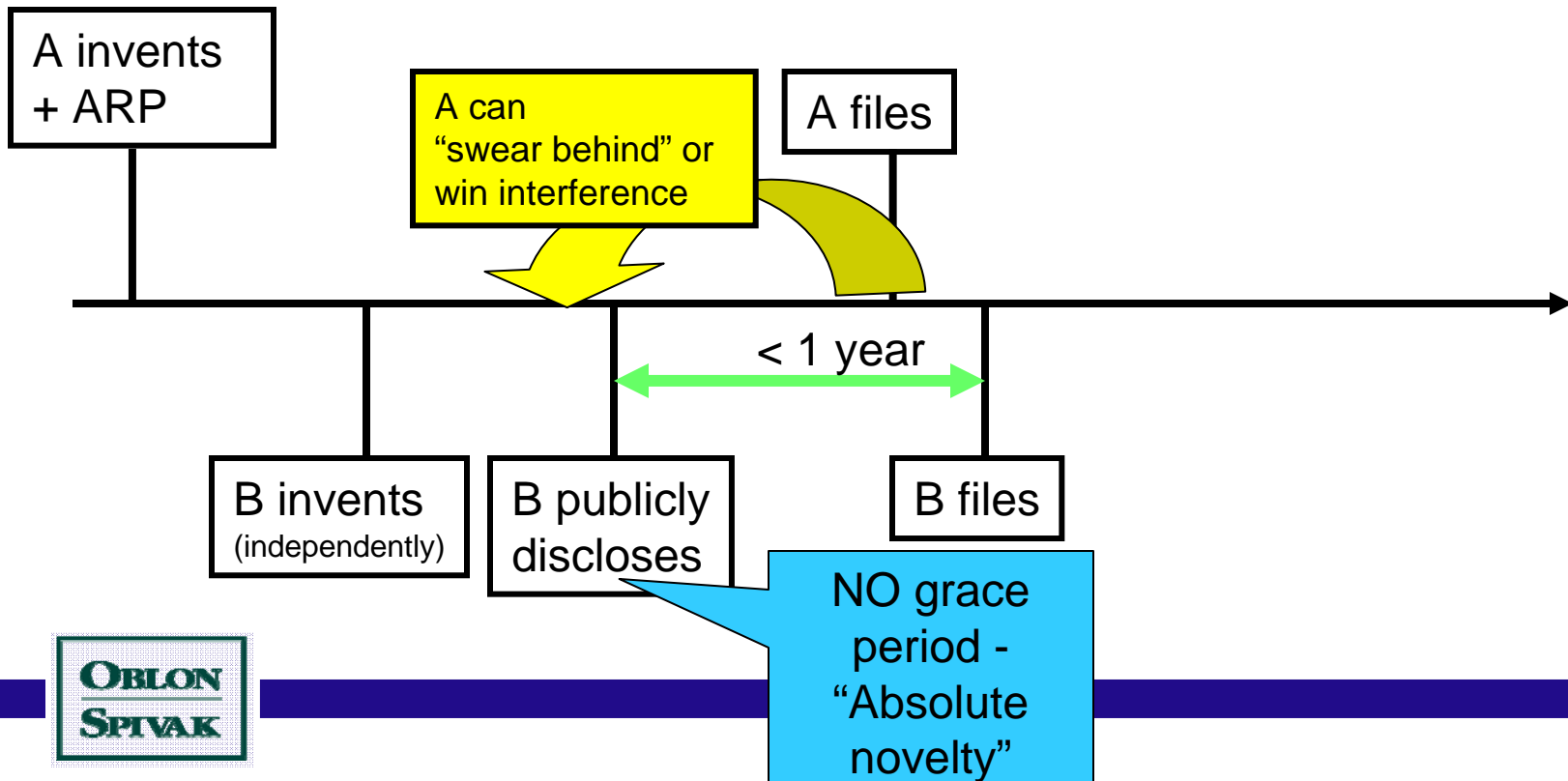
The opponents to the switch to FITF point to a lack-of-harmony



FTI vs. FITF vs. FTF

FTI: patent to A

FTF: patent to nobody

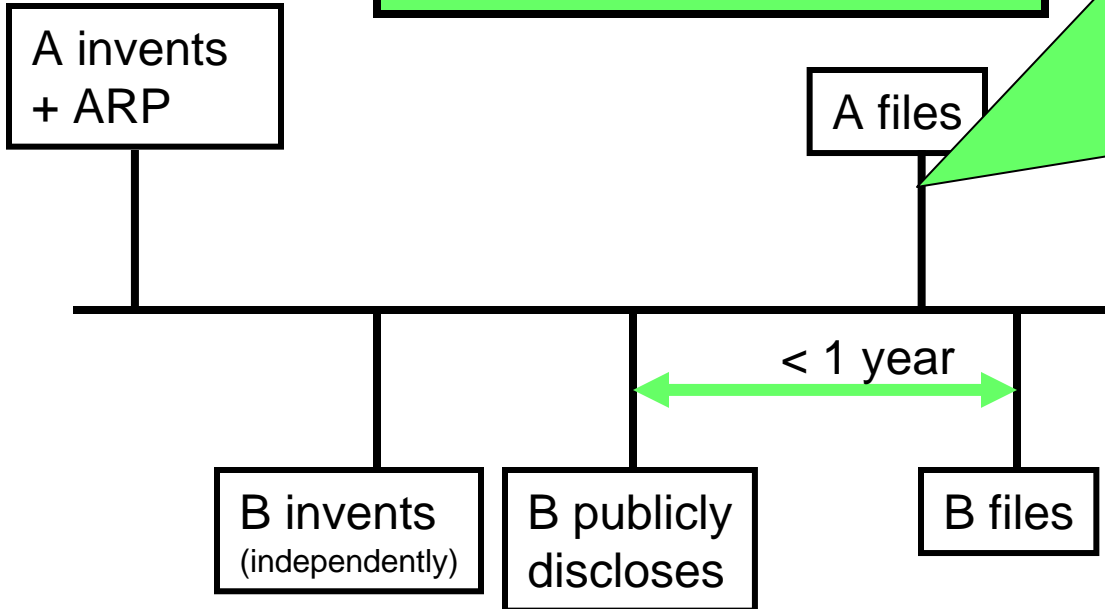


FTI vs. FITF vs. FTF

FTI: patent to A

FTF: patent to nobody

FITF: NO patent to A

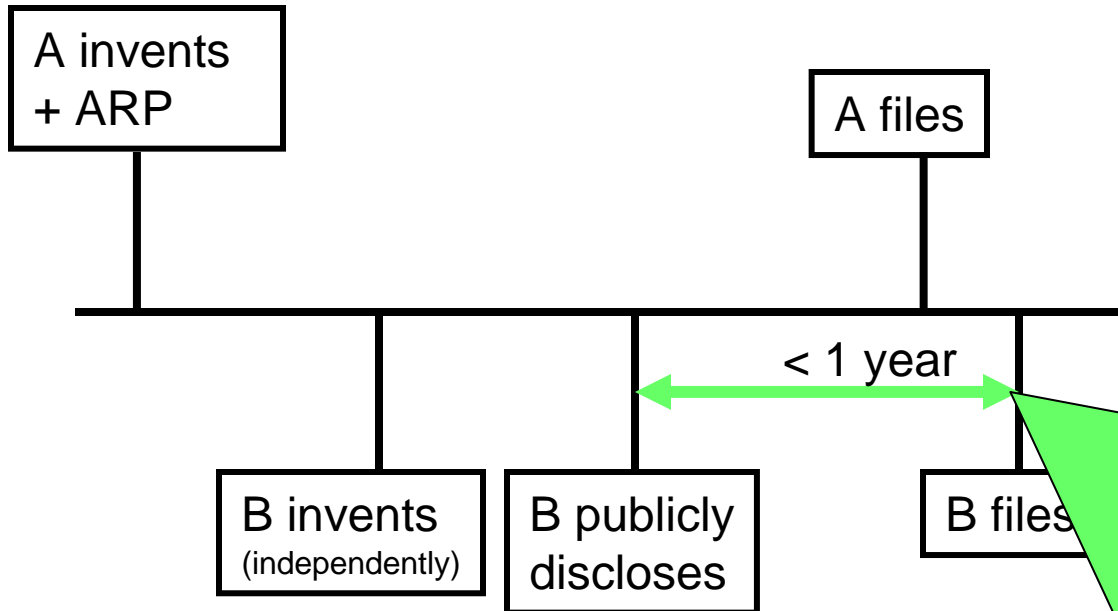


102(a) Novelty; Prior Art. - A person shall be entitled to a patent unless : (1) the claimed invention was patented, described in a printed publication, or in public use, on sale, or otherwise available to the public [anywhere in the World!] before the effective filing date of the claimed invention.

FTI vs. FITF vs. FTF

FTI: patent to A

FTF: patent to nobody



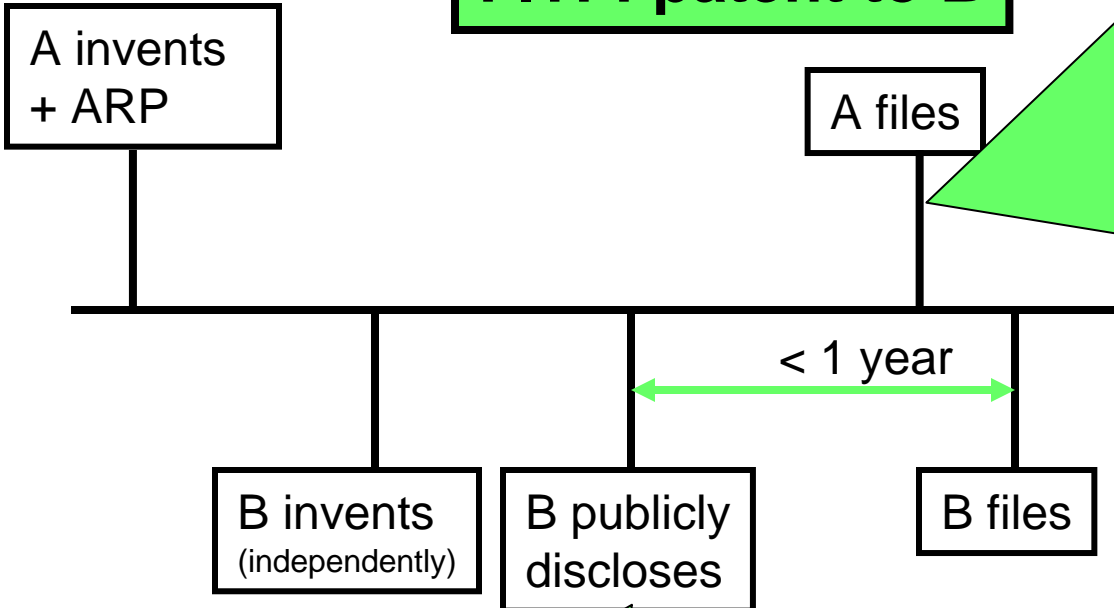
102(b) Exceptions: (1) A disclosure made 1 year or less before the effective filing date of a claimed invention shall not be prior art to the claimed invention under subsection (a)(1) if .. (A) the disclosure was made by the inventor or joint inventor or by another who obtained the subject matter disclosed directly or indirectly from the inventor or a joint inventor

FTI vs. FITF vs. FTF

FTI: patent to A

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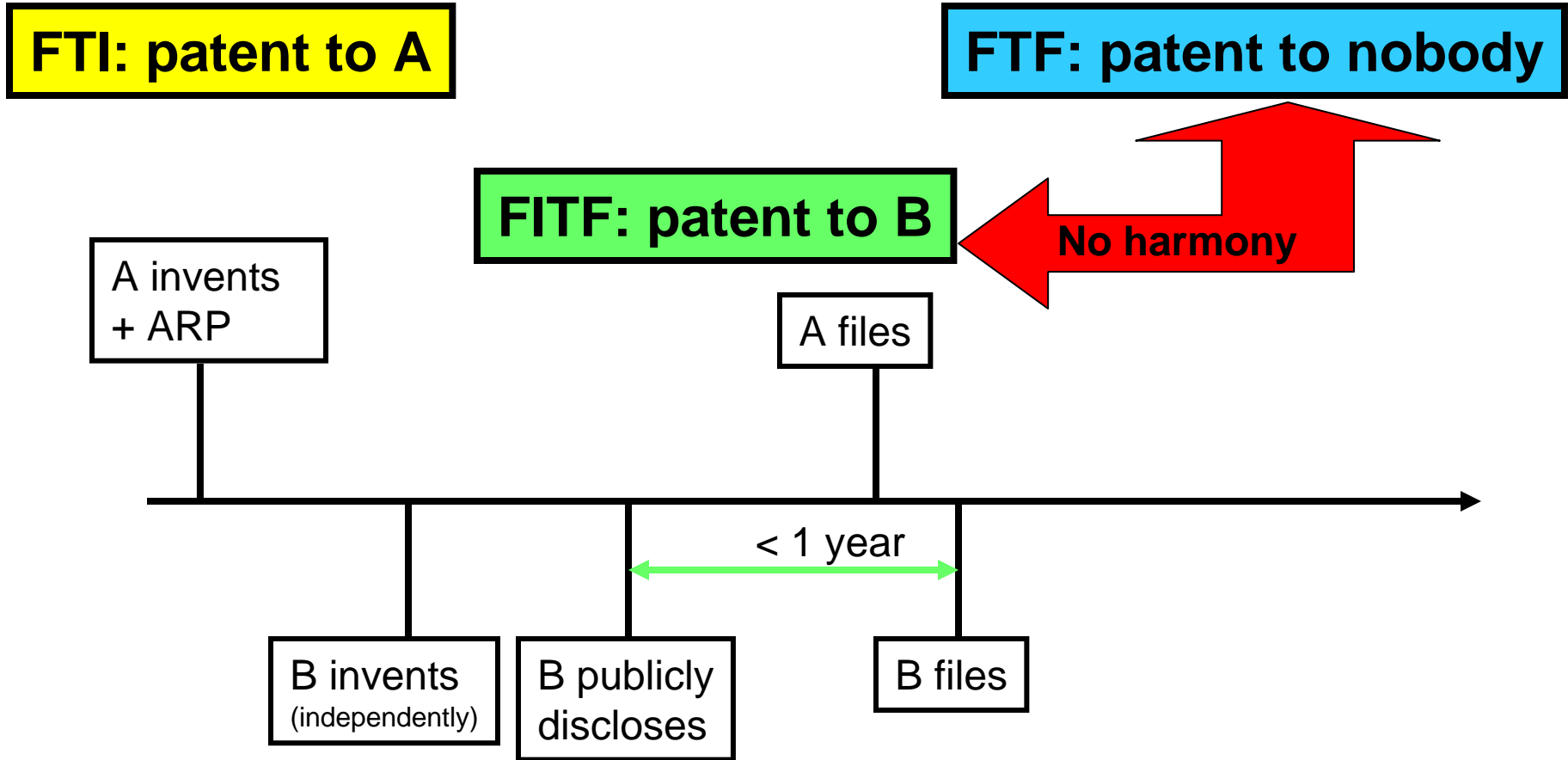
FITF: patent to B



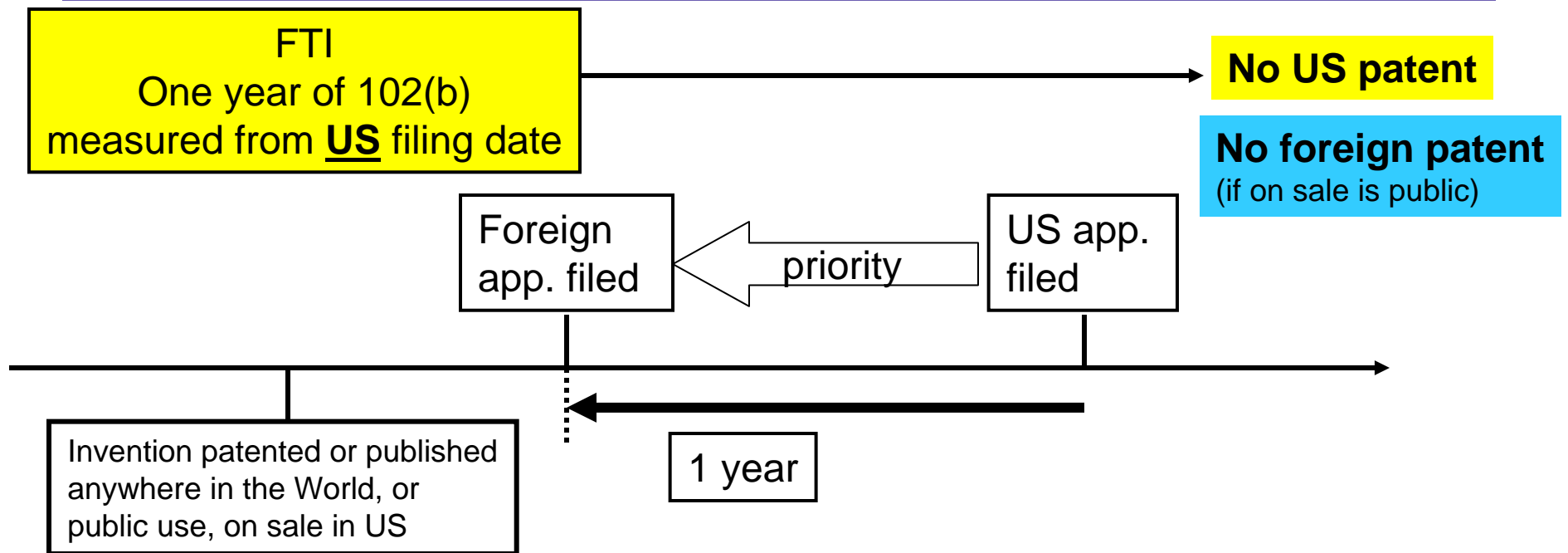
102(b) Exceptions: (2) A disclosure [appearing in applications and patents] shall not be prior art to a claimed invention under subsection (a)(2) if .. (B) the subject matter disclosed had, before such subject matter was effectively filed under subsection (a)(2), been publicly disclosed by the inventor or joint inventor or by another who obtained the subject matter disclosed directly or indirectly from the inventor or a joint inventor

The "springing disclosure"

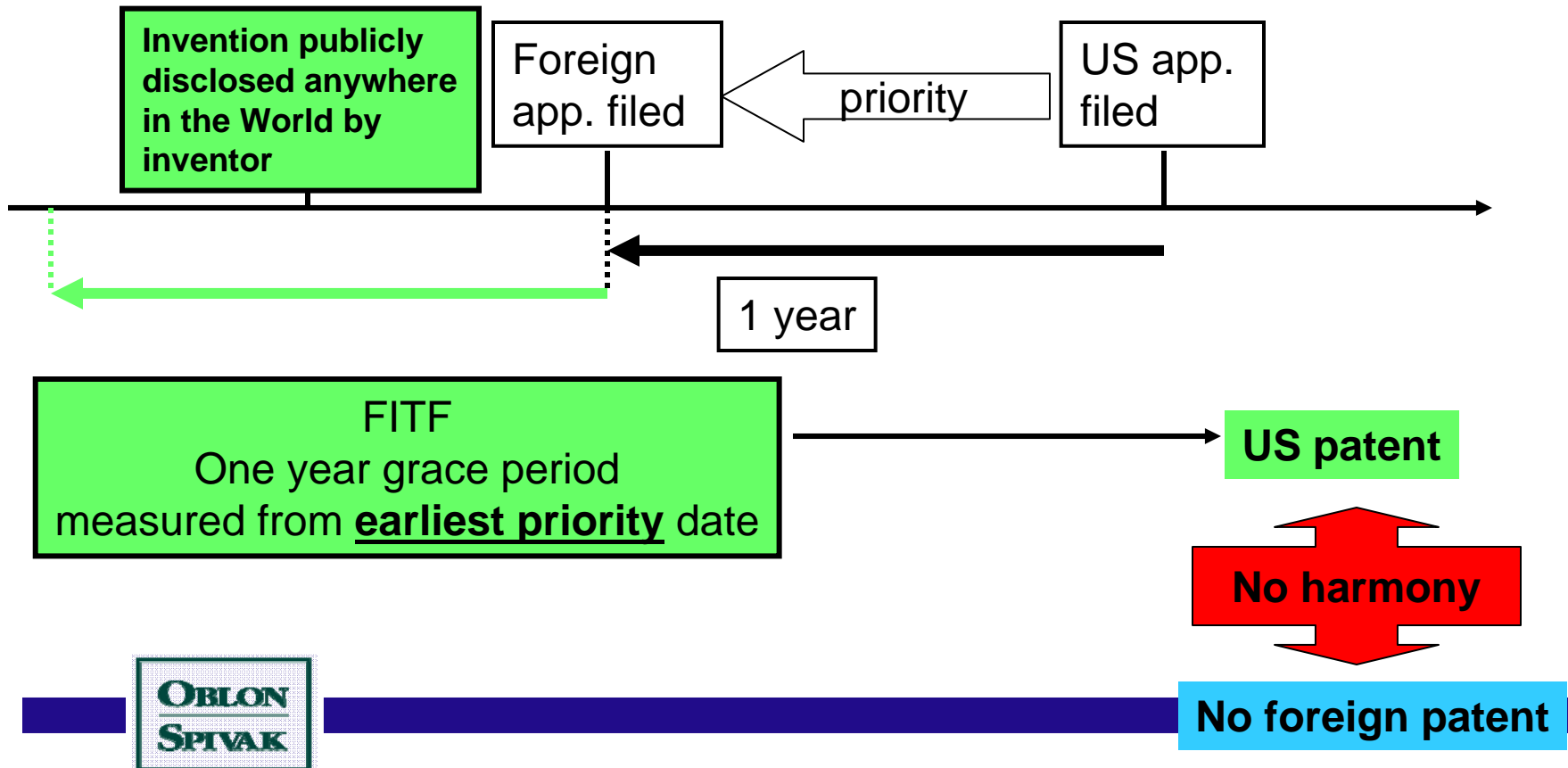
FTI vs. FITF vs. FTF



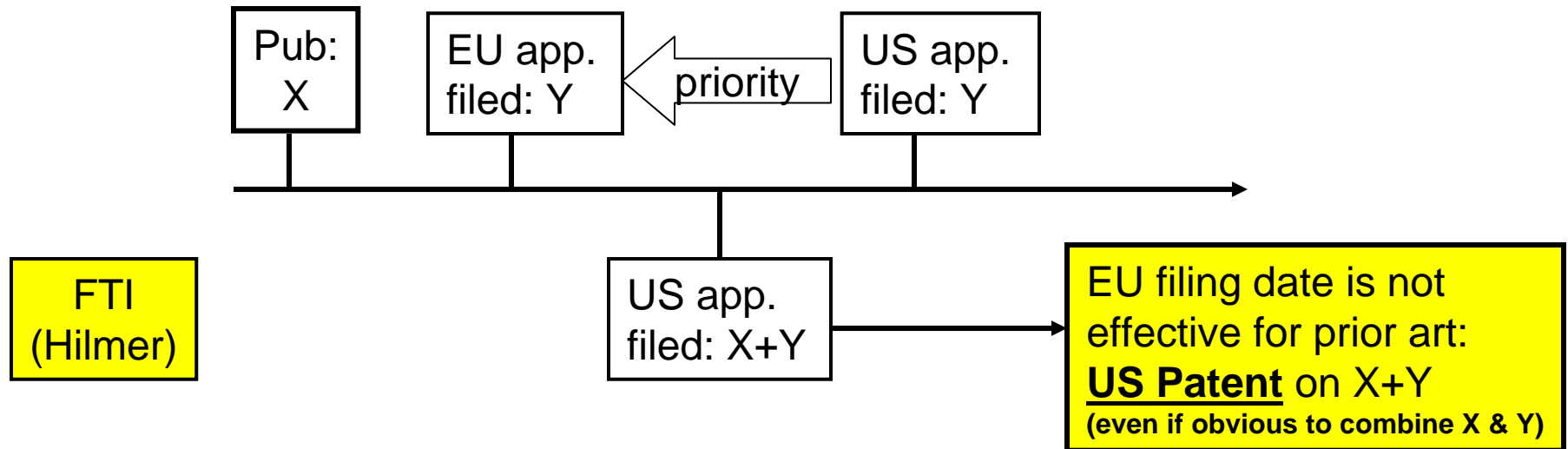
“International” Grace Period



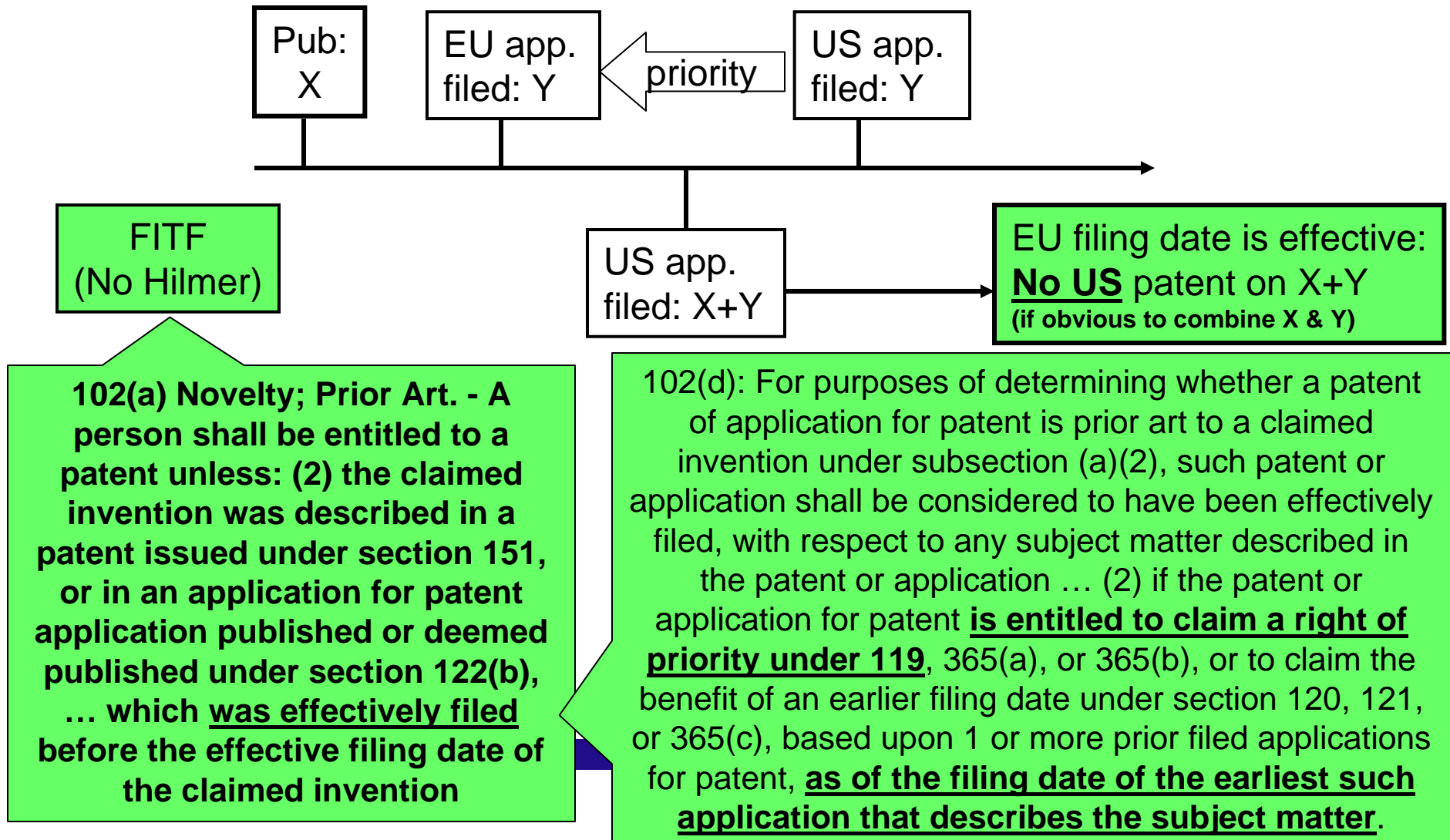
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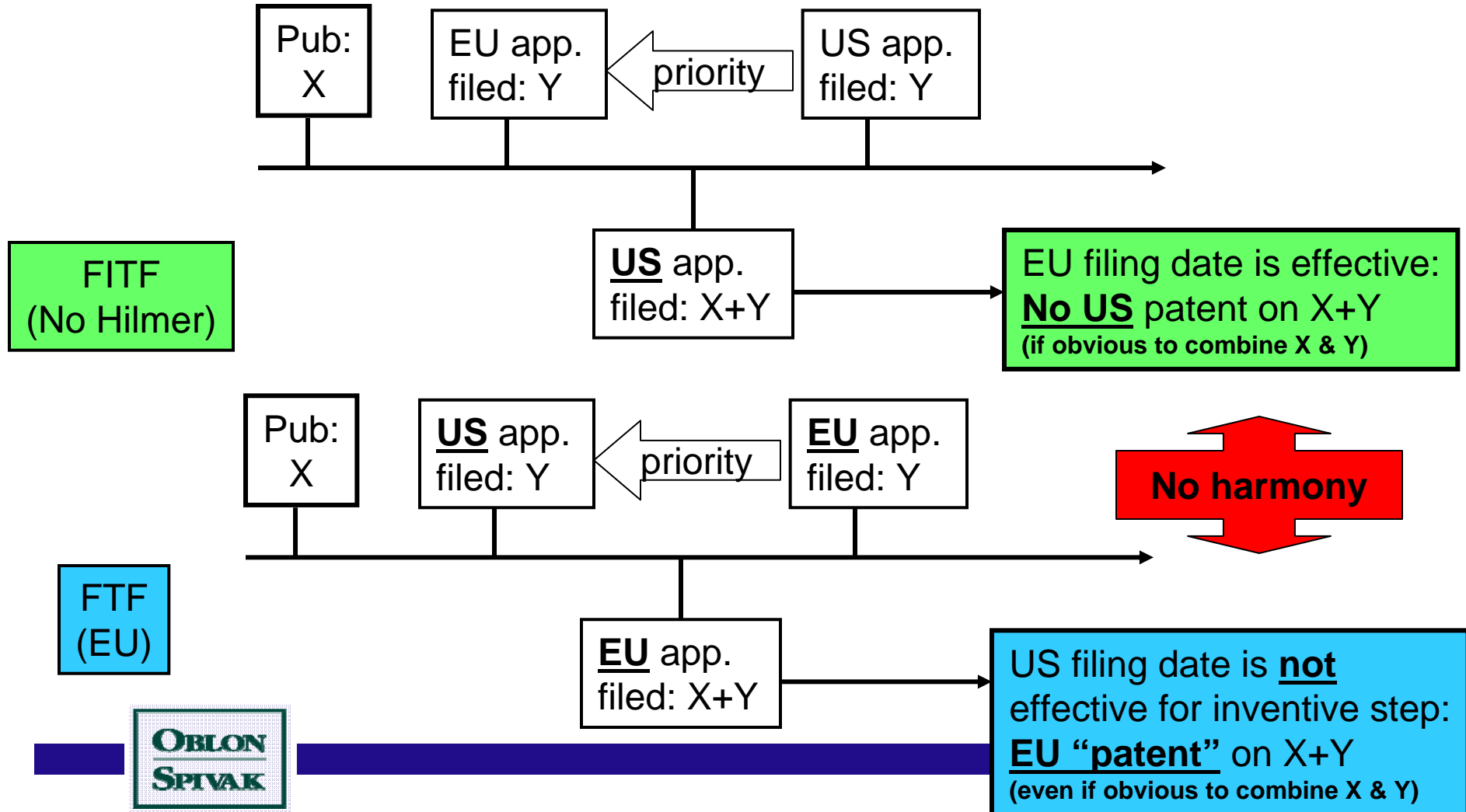
Goodbye Hilmer



Goodbye Hilmer



Goodbye Hilmer



To require a study and report by the Office of Advocacy of the Small Business Administration regarding the effects of proposed changes in patent law.

IN THE SENATE OF THE UNITED STATES

MARCH 9, 2010

Ms. LANDRIEU introduced the following bill; which was read twice and referred to the Committee on Small Business and Entrepreneurship

A BILL

To require a study and report by the Office of Advocacy of the Small Business Administration regarding the effects of proposed changes in patent law.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 SECTION 1. STUDY AND REPORT OF PATENT LAW
4 CHANGES.



5 (1) IN GENERAL.—The Chief Counsel, in con-
6 sultation with the Director of the United States Pat-
7 ent and Trademark Office, shall conduct a study of
8 the effects of changing from a first-to-invent to a
9 first-to-file invention priority system under patent
10 law under title 35 of the United States Code.

11 (2) AREAS OF STUDY.—The study conducted
12 under paragraph (1) shall include examination of the
13 effects of changing from a first-to-invent to a first-
14 to-file invention priority system, including exam-
15 ining—

16 (A) how the change would affect the ability
17 of small business concerns to obtain patents;

18 (B) whether the change would create or ex-
19 acerbate any disadvantage for applicants for
20 patents that are small business concerns rel-
21 ative to applicants for patents that are not
22 small business concerns; and

23 (C) the costs and benefits to small busi-
24 ness concerns of the change.

BEST MODE

S. 515



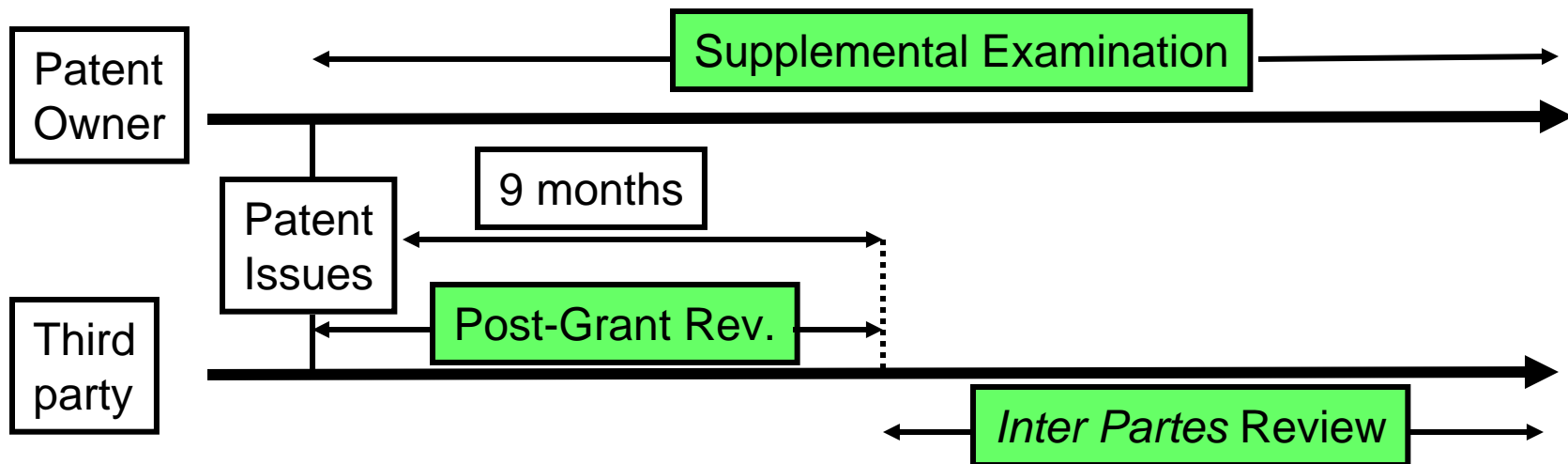
Best mode is still
required during prosecution



282 defenses: ... “the **failure to disclose the best mode shall not be a basis** on which any claim of a patent may be canceled or held **invalid or otherwise unenforceable**”

Post-Grant Review Proceedings

- “Supplemental Examination”
- “*Inter Partes* Review”
- Post-Grant Review



VENUE



Defendant Residence
(for corps = Personal Jurisdiction)

OR



Location of Infringement and
Where Defendant Has
Regular Place of Business

S. 515

Only Modifies Transfer of Venue:

- Showing That Transferee Venue Is Clearly More Convenient Than The Current Venue

DAMAGES

(35 USC 284)

•(a) In General - Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement but in **no event less than a reasonable royalty** for the use made of the invention by the infringer, together with interest and costs as fixed by the court.

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- (b) PROCEDURE FOR DETERMINING DAMAGES.-
 - “(1) IN GENERAL.- - The court shall identify the methodologies and factors that are relevant to the determination of damages, and the court of jury, shall consider only those methodologies and factors relevant to making such determination.
 - “(2) DISCLOSURE OF CLAIMS.- - By no later than the entry of the final pretrial order, unless otherwise ordered by the court, the parties shall state, in writing and with particularity, the methodologies and factors the parties propose for instruction to the jury in determining damages under this section, specifying the relevant underlying legal and factual bases for their assertions.
 - “(3) SUFFICIENCY OF EVIDENCE.- - Prior to the introduction of any evidence concerning the determination of damages, upon motion of either party or sua sponte, the court shall consider whether one of more of a party’s damages contentions lacks a legally sufficient evidentiary basis. After providing a nonmovant the opportunity to be heard, and after any further proffer of evidence, briefing, or argument that the court may deem appropriate, the court shall identify on the record those methodologies and factors as to which there is a legally sufficient evidentiary basis, and the court or jury shall consider only those methodologies and factors in making the determination of damages under this section. The court shall only permit the introduction of evidence relating to the determination of damages that is relevant to the methodologies and factors that the court determines may be considered in making the damages determination.
- “(c) SEQUENCING.- - Any party may request that a patent-infringement trial be sequenced so that the trier of fact decides questions of the patent’s infringement and validity before the issues of damages and willful infringement are tried to the court or the jury. The court shall grant such a request absent good cause to reject the request, such as the absence of issues of significant damages or infringement and validity. The sequencing of a trial pursuant to this subsection shall not affect other matters, such as the timing of discovery. This subsection does not authorize a party to request that the issues of damages and willful infringement be tried to a jury different than the one that will decide questions of the patent’s infringement and validity.

DAMAGES (35 USC 284)

The “Gatekeeper” compromise

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INCREASED DAMAGES (35 USC 284)

- When the damages are not found by a jury, the court shall assess them. In either event **the court may increase the damages up to three times the amount found or assessed.** Increased damages under this paragraph shall not apply to provisional rights under section 154(d) of this title.

Not limited to willful infringement

- (d) WILLFUL INFRINGEMENT.- -
 - (1) IN GENERAL.- - The court may increase damages up to 3 times the amount found or assessed if the court or the jury, as the case may be, determines that the infringement of the patent was willful. Increased damages under this subsection shall not apply to provisional rights under section 154(d). Infringement is not willful unless the claimant proves clear and convincing evidence that the accused infringer's conduct with respect to the patent was objectively reckless. An accused infringer's conduct was objectively reckless if the infringer was acting despite an objectively high likelihood that his actions constituted infringement of a valid patent, and this objectively-defined risk was either known or so obvious that it should have been known to the accused infringer.
 - (2) PLEADING STANDARDS.- - A claimant asserting that a patent was willfully infringed shall comply with the pleading requirements set forth in Federal Rule of Civil Procedure 9(b).
 - (3) KNOWING INFRINGEMENT ALONE INSUFFICIENT.- - Infringement of a patent shall not be found to be willful solely on the basis that the infringer knew of the existence of the infringed patent.
 - (4) REQUIREMENTS FOR FINDING OF WILLFUL INFRINGEMENT.- - A claimant seeking to establish willful infringement shall identify with particularity the acts of the accused, and shall follow a reasonable process in identifying the product or process infringing the patent.
 - (5) ACCRUED DAMAGES.- - The court shall not increase damages under this subsection if the court determines that there is a close case as to infringement, validity, or unenforceability. On the motion of either party, the court shall determine whether a close case as to infringement, validity, or enforceability exists, and the court shall explain its decision. Once the court determines that such a close case exists, the issue of willful infringement shall not thereafter be tried to the jury.
 - (6) ACCRUED DAMAGES.- - If a court of jury finds that the infringement of patent was willful, the court may increase only those damages that accrued after the infringement became willful.

Limited to willful infringement

INCREASED DAMAGES (35 USC 284)

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 - (2) PLEADING STANDARDS.- - A claimant asserting that a patent was infringed willfully shall comply with the pleading requirements set forth under Federal Rule of Civil Procedures 9(b).
 - (3) KNOWLEDGE ALONE INSUFFICIENT.- - Infringement of a patent may not be found to be willful solely on the basis that the infringer had knowledge of the infringed patent.
 - (4) PRE-SUIT NOTIFICATION.- - A claimant seeking to establish willful infringement may not rely on evidence of pre-suit notification of infringement unless that notification identifies with particularity the asserted patent, identifies the product or process accused, and explains with particularity, to the extent possible following a reasonable investigation or inquiry, how the product or process infringes one or more claims of the patent.
 - (5) CLOSE CASE.- - The court shall not increase damages under this subsection if the court determines that there is a close case as to infringement, validity, or unenforceability. On the motion of either party, the court shall determine whether a close case as to infringement, validity, or enforceability exists, and the court shall explain its decision. Once the court determines that such a close case exists, the issue of willful infringement shall not thereafter be tried to the jury.
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•Pled with particularity

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 - (4) PRE-SUIT NOTIFICATION.- - A claimant seeking to establish willful infringement may not rely on evidence of pre-suit notification of infringement unless that notification identifies with particularity the asserted patent, identifies the product or process accused, and explains with particularity, to the extent possible following a reasonable investigation or inquiry, how the product or process infringes one or more claims of the patent.
 - (5) CLOSE CASE.- - The court shall not increase damages under this subsection if the court determines that there is a close case as to infringement, validity, or unenforceability. On the motion of either party, the court shall determine whether a close case as to infringement, validity, or enforceability exists, and the court shall explain its decision. Once the court determines that such a close case exists, the issue of willful infringement shall not thereafter be tried to the jury.
 - (6) ACCRUED DAMAGES.- - If a court of jury finds that the infringement of patent was willful, the court may increase only those damages that accrued after the infringement became willful.

INCREASED DAMAGES (35 USC 284)

•(5) CLOSE CASE.- - The court shall not increase damages under this subsection if the court determines that there is a close case as to infringement, validity, or unenforceability. On the motion of either party, the court shall determine whether a close case as to infringement, validity, or enforceability exists, and the court shall explain its decision. Once the court determines that such a close case exists, the issue of willful infringement shall not thereafter be tried to the jury.

- (d) WILLFUL INFRINGEMENT.- -
 - (1) IN GENERAL.- - The court may increase damages up to 3 times the amount found or assessed if the court or the jury, as the case may be, determines that the infringement of the patent was willful. Increased damages under this subsection shall not apply to provisional rights under section 154(d). Infringement is not willful unless the claimant proves by clear and convincing evidence that the accused infringer's conduct with respect to the patent was objectively reckless. An accused infringer's conduct was objectively reckless if the infringer was acting despite an objectively high likelihood that his actions constituted infringement of a valid patent, and this objectively-defined risk was either known or so obvious that it should have been known to the accused infringer.
 - (2) PLEADING STANDARDS.- - A claimant asserting that a patent was infringed willfully shall comply with the pleading requirements set forth under Federal Rule of Civil Procedures 9(b).
 - (3) KNOWLEDGE ALONE INSUFFICIENT.- - Infringement of a patent may not be found to be willful solely on the basis that the infringer had knowledge of the infringed patent.
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298: The failure of an infringer to obtain the advice of counsel ... may not be used to prove willful infringement or inducement

False Marking (35 USC 292)

- Definition of Liability
 - (a) ¶ 2: Whoever marks or affixes to, or uses in any way in connection with any **unpatented article** that is a “patent” or any other word or number importing the same as patented, **for the purpose of deceiving** the public
- Definition of the Fine
 - (a) ¶ 4: Shall be fined not more than \$500 for every such offense
- Qui Tam Provision
 - (b) **Any person may sue** for the penalty, in which event one-half shall go to the person suing and the other to the use of the United States

Forest Group v. Bon Tool Co.
(Fed. Cir. Dec. 2009)
“\$500 for every such offense” should be construed to mean a fine up to \$500 **“on a per article basis”**

ES DISTRICT COURT
DISTRICT OF ILLINOIS
DIVISION

Civil Action No. _____

JURY TRIAL DEMANDED

Defendant.

COMPLAINT FOR FALSE PATENT MARKING

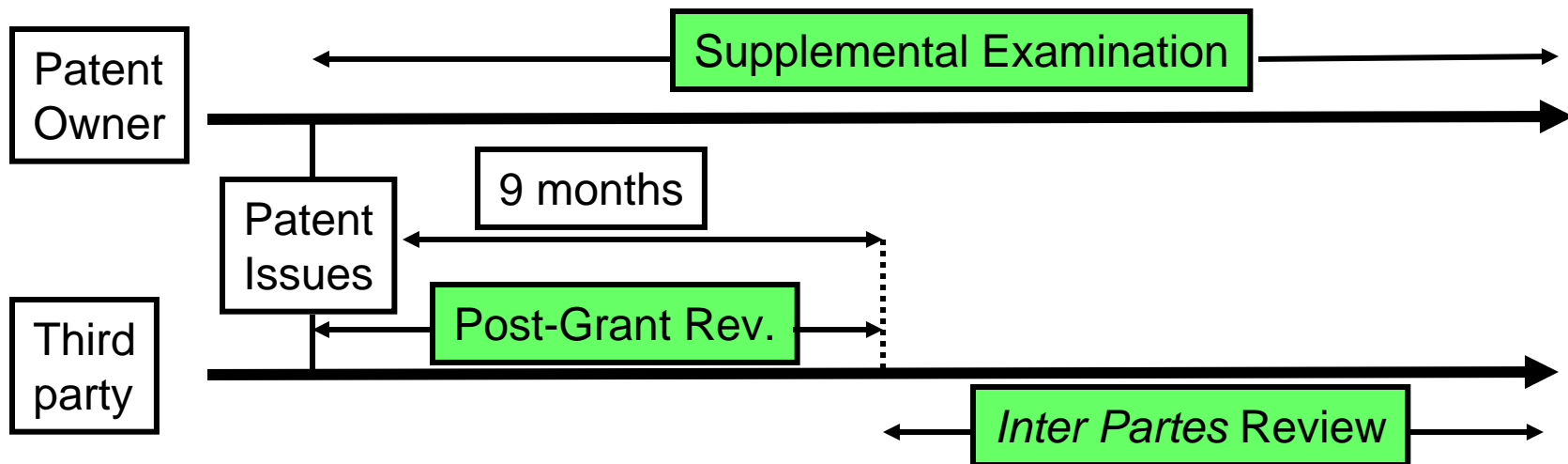
Plaintiff THOMAS A. SIMONIAN (“Plaintiff”), by his attorneys, hereby complains

S515 (+Issa’s stand-alone H.R. 4954):
“A person who has suffered a **competitive injury** as a result of a violation of this section may file a civil action in a district court of the United States for recovery of damages adequate to compensate for the injury.”
Amendment to apply to all cases pending on or after the date of the enactment



Post-Grant Review Proceedings

- “Supplemental Examination”
- “*Inter Partes* Review”
- Post-Grant Review



Supplemental Examination

- Available to patent owners only
- Maintains the Substantially New Question of Patentability (“SNQ”) standard
- Once ordered, the claims would be **examined on all conditions of patentability** as they are in reissue

Supplemental Examination (cont.)

- **!!! Effect !!!**: “A patent shall **not be held unenforceable** under section 282 on the basis of conduct relating to information that had not been considered, was inadequately considered , or was incorrect in a prior examination of the patent if the information was considered, reconsidered, or corrected during a supplemental examination of the patent.”
 - Does not apply to an allegation of inequitable conduct pled with particularity under section 282 before the date of the request for supplemental reexamination
- **Effective**: 1 year after enactment of the new legislation
 - apply to all patents in force (retroactive)

Inter Partes Review

- Replacement of the “SNQ” standard with a **heightened standard** to initiate the proceedings
 - The petition must show “**that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.**”
 - This determination is made after the Director reviews the petition, and a “Preliminary Response” of the Patent Owner. Thereafter, the Director has 3 months to grant or deny the request
- Request must be **based on patents and printed publications only**
 - Post Grant Review provides expanded grounds (more on this later)



Inter Partes Review (cont.)

- **Timing:**
 - Must be filed after the later of (1) 9 months from issue, or (2) termination date of post-grant review
 - may not be initiated or maintained if
 - Petitioner filed a civil action challenging the validity of a claim (DJ)
 - Petitioned more than 3 months after the date on which the petitioner is required to respond to a civil action alleging infringement of the patent
- **Duration:** to be concluded within 12 months, extendable to a maximum of 18 months
- **Discovery:** Director would establish rules for discovery of relevant evidence, including depositions of witnesses submitting declarations and affidavits
- **Final determination:** Provided by the Patent Trial and Appeal Board
 - Not Central Reexamination Unit
- **Estoppel:** 35 U.S.C. § 315 revised to “raised or **reasonably could** have raised”
- **Effective:** One year subsequent to enactment
 - Will apply to **all** patents (retroactive)
 - Inter partes reexams instituted prior to the effective date will continue unchanged



Post-Grant Review

- Replacement of the “SNQ” standard with: “more likely than not that at least 1 of the claims challenged in the petition is unpatentable.”
 - The Director has 3 months to grant or deny the petition after the patentee’s Preliminary Response (if any)
- Not limited to patents and printed publications, but **any ground** that could be raised under paragraph (2) or (3) of 35 USC § 282 (invalidity defenses)

Post-Grant Review (cont.)

- **Timing:**
 - May be initiated ONLY within **9 months of grant** or issuance of a broadening reissue
 - may not be initiated or maintained if
 - Petitioner filed a civil action challenging the validity of a claim (DJ)
 - Petitioned more than 3 months after the date on which the petitioner is required to respond to a civil action alleging infringement of the patent
- **Duration:** to be concluded within 12 months, extendable to a maximum of 18 months
- **Discovery:** Director to establish rules for discovery of relevant evidence, including depositions of witnesses submitting declarations and affidavits
- **Estoppel:** 35 U.S.C. § 325: “raised or **reasonably** could have raised”
- **Effective:** One year subsequent to enactment
 - Will apply all patents **issued on or after that date** (**not** retroactive)
 - Possible limits on the number of post-grant reviews for the first 4 years



Patent Reform: The Debate Continues Into 2010



Philippe Signore
Steve Kunin

April 2010

THANK YOU

