

# Patent Reform in 2011



Stephen G. Kunin, Partner  
for

**March 21, 2011 SF PLI Program**



# OUTLINE

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# Key Players of the 112<sup>th</sup> Congress

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Patrick Leahy (D-VT)  
Chairman – Senate Judiciary  
Committee

Introduced Patent Reform Act  
of 2011

“A strong patent system will encourage innovation and protect inventors. This will result in new businesses and more jobs ... Importantly, the Patent Reform Act does so without adding a penny to the deficit.”



Lamar Smith (R-TX)  
Chairman – House Judiciary  
Committee

Created The House Judiciary  
Subcommittee on IP, Competition  
& the Internet

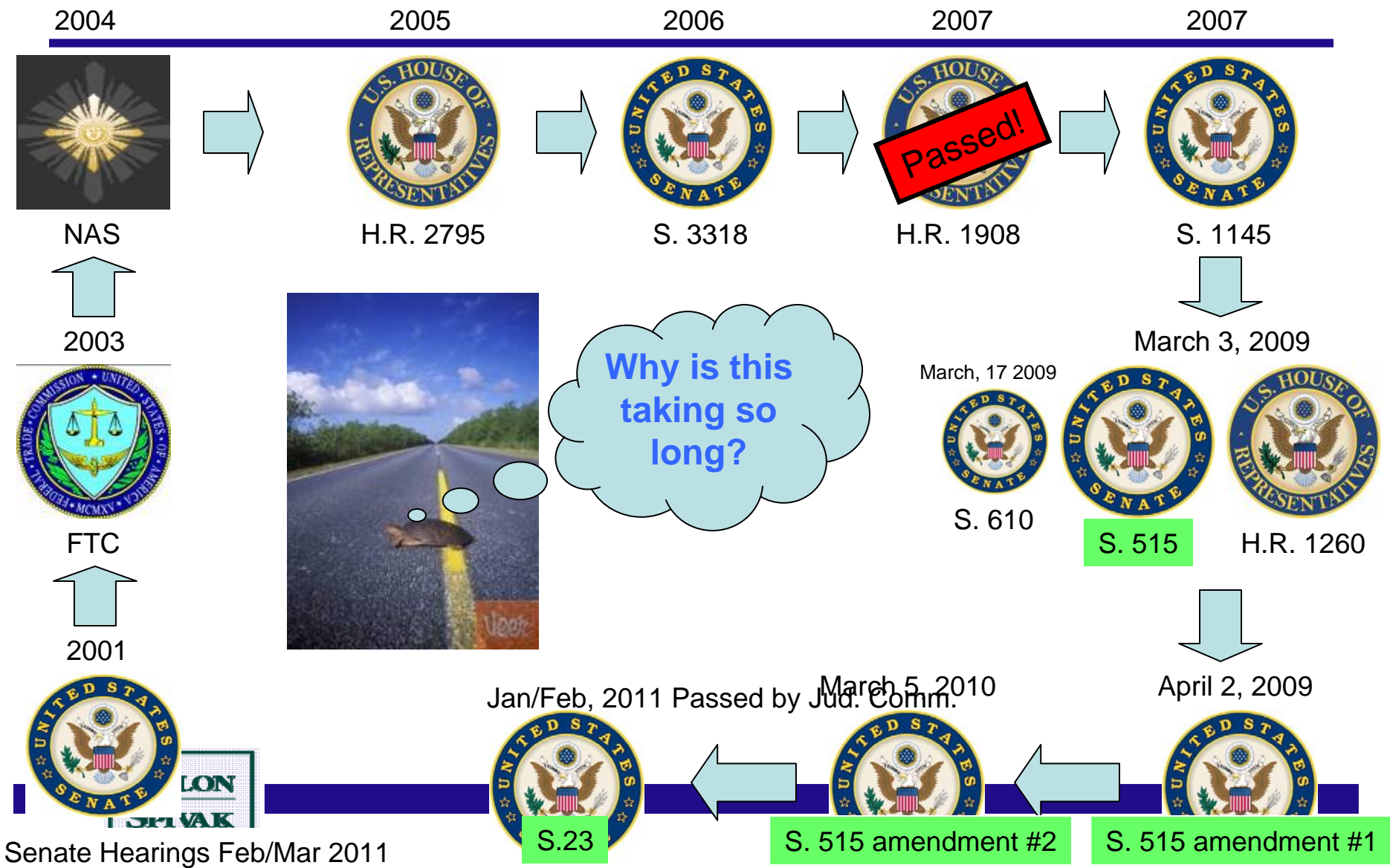
“A separate IP subcommittee will ensure that the House Judiciary Committee remains focused on all aspects of intellectual property, including patent reform and copyright protections”



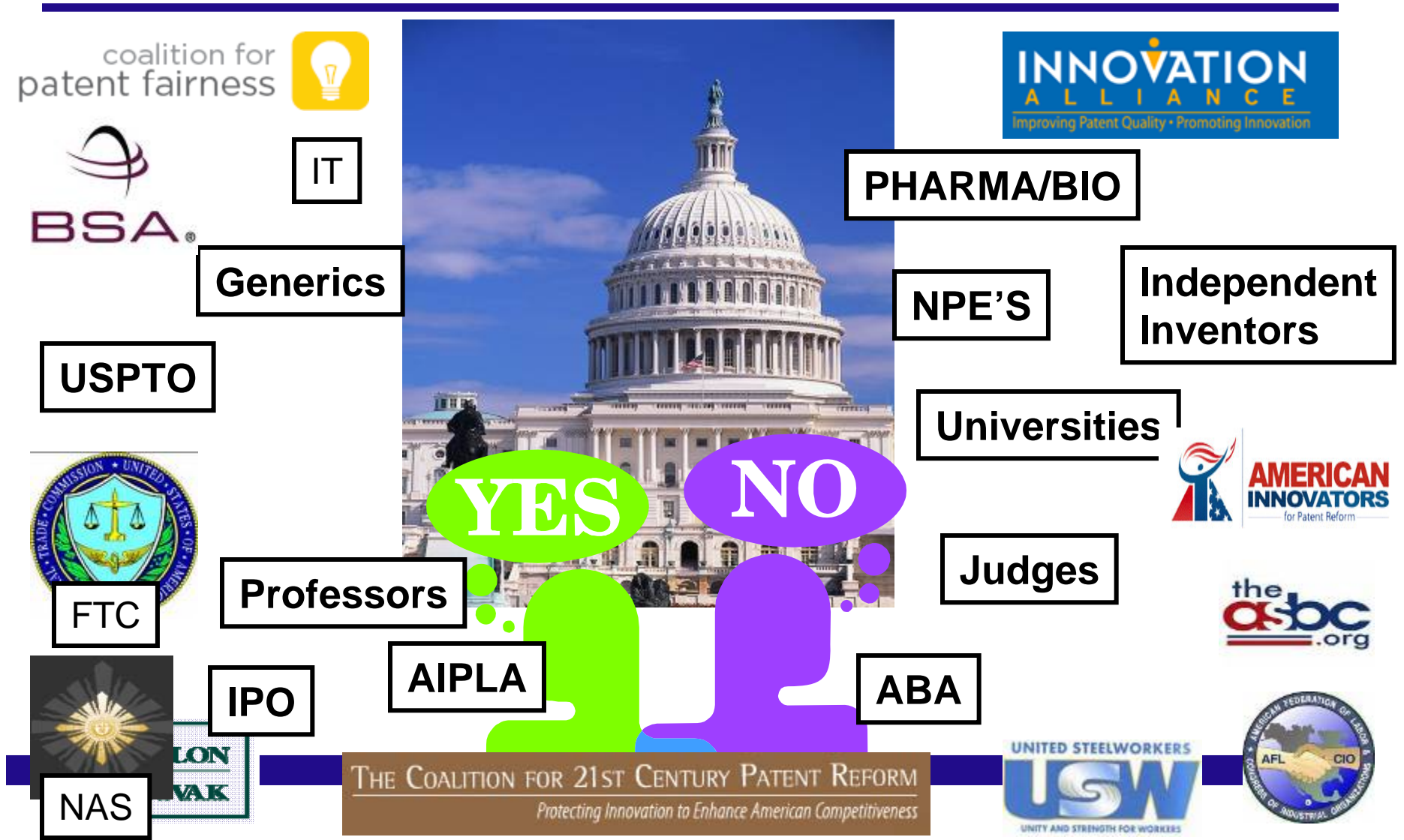
Bob Goodlatte (R-VA)  
Chairman - House Judiciary  
Subcommittee on IP,  
Competition & the Internet

“Intellectual Property ... is a major driving force and job-creating engine of our economy. In order to grow our national economy, we must ensure this vital sector is protected and able to flourish.”

# LEGISLATION TIMELINE



# Too many cooks in the kitchen



# EVOLVING CASE LAW

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- 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: **Bilski v. Kappos**, 130 S. Ct. 3218 (2010)
- 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. Cir. 2008)
  - **Therasense Inc. (now Abbott) v. Becton, Dickinson and Co.** (Fed. Cir. 2010)
    - Rehearing en banc granted
- DAMAGES:
  - **Lucent Technologies, Inc. v. Gateway, Inc.**, 580 F.3d 1301 (Fed. Cir. 2009)
  - **Uniloc USA, Inc. v. Microsoft Corp.** (Fed. Cir. 2011)
- PRESUMPTION OF VALIDITY, AND BURDEN OF PROOF TO REBUT SAME:
  - **Microsoft Corp v. i4i Limited Partnership**, 598 F.3d 831 (Fed. Cir. 2010)
    - Certiorari granted by Supreme Court on November 29, 2010



# A REFORM TOO COMPREHENSIVE?

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- **First Inventor To File (FITF)**
  - **Grace Period**
  - Conditions for Patentability
- Eliminates SIR
- Prior User Rights
- Assignee Filing
- Third Party Submissions
- **Best Mode**
- Patent Trial and Appeal Board
- **Post-Issuance Proceedings**
  - Citation of Prior Art
  - **Post-Grant Proceedings**
- **Inequitable Conduct** (indirectly only in S.23)
- **False Marking**
- USPTO Changes
  - Fee Setting
  - End of Fee Diversion)
  - Venue
- Fed. Circ. Jurisdiction
- Residency of Fed. Circ. Judge
- Allows removal of cases to Federal Court without derivative jurisdiction (*cf.*, *Holmes Group v. Vornado Air Circulation System*)
- **Eligibility/limits of tax liability and business methods**



# Related Bills Introduced In 2010

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- **S. 1368, H.R. 3059: Access to Repair Parts Act**
  - Provides a shield to manufacturers and sellers by exemption them from design patent infringement liability when creating and selling patented repair parts for vehicles
- **S. 80, H.R. 1298: Pharmaceutical Market Access and Drug Safety Act**
  - States that the resale in the United States of prescription drugs that were properly sold abroad is not patent infringement
- **S.369: Preserve Access to Affordable Generics Act**
  - Some generic companies stock pile drugs while awaiting expiration of brand name patent
  - Some brand name drug companies compensate generic companies to delay entry into the market (“pay-for-delay agreements”)
  - S.369 prohibits this practice
- **H.R. 5322: PTO Funding Stabilization Act of 2010**
  - Introduced to address backlog and fee diversion issues
  - Gives PTO authority to temporarily impose a 15% surcharge on all fees
  - Establishes a fund into which fees are paid and from which PTO expenses are paid without fiscal year limitation





# Related Bills Introduced In 2010

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- **H.R. 1722: Telework Enhancement Act of 2010**

Passed!

Requires federal agencies to develop policies allowing employees to work remotely

- **H.R. 5874: PTO Office Supplemental Appropriations Act**

Passed!

Provides supplemental appropriations of \$129 million to the PTO

- **H.R. 628: Patent Pilot Program**

- Establishes a pilot program in certain U.S. district courts under which:

Passed!

- District judges who request to hear cases involving patent issues are designated by the chief judge to hear them
- Such cases are randomly assigned to all district court judges
- An undesignated judge to whom such a case is assigned may decline
- A case so declined is randomly reassigned to one of the designated judges



# America Invents Act of 2011

## S.23

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112TH CONGRESS  
1ST SESSION

S. \_\_\_\_\_

To amend title 35, United States Code, to provide for patent reform.

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IN THE SENATE OF THE UNITED STATES

\_\_\_\_\_ introduced the following bill; which was read twice  
and referred to the Committee on \_\_\_\_\_

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### A BILL

To amend title 35, United States Code, to provide for patent reform.

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. SHORT TITLE; TABLE OF CONTENTS.

4 (a) SHORT TITLE.—This Act may be cited as the  
5 “Patent Reform Act of 2011”.

6 (b) TABLE OF CONTENTS.—The table of contents for  
7 this Act is as follows:

Sec. 1. Short title; table of contents.  
Sec. 2. First inventor to file.  
Sec. 3. Inventor’s oath or declaration.  
Sec. 4. Damages.  
Sec. 5. Post-grant review proceedings.  
Sec. 6. Patent Trial and Appeal Board.  
Sec. 7. Preissuance submissions by third parties.  
Sec. 8. Venue.



**First-Inventor  
to-File**

# The FITF System

## “§ 102. Conditions for patentability; novelty

“(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 before the effective filing date of the claimed invention; or

**Anywhere in  
the World**

**OBLON  
SPIVAK**

“(b) EXCEPTIONS.—

“(1) DISCLOSURES MADE 1 YEAR OR LESS BEFORE THE EFFECTIVE FILING DATE OF THE CLAIMED INVENTION.—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; or

“(B) the subject matter disclosed had, before such disclosure, been publicly disclosed by the inventor or a joint inventor or another who obtained the subject matter disclosed directly or indirectly from the inventor or a joint inventor.

# The proponents of the switch to FITF point to harmonization

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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

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First-to-Invent  
(US)

First-Inventor  
to-File  
(US)

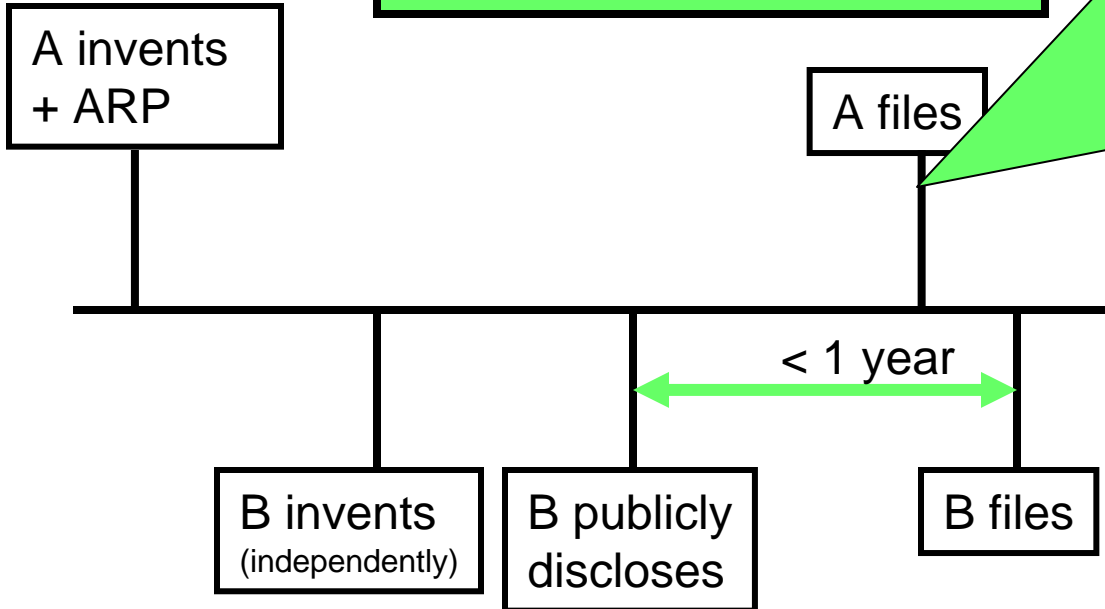
First-to-File  
(Rest of the World)

# FTI vs. FITF vs. FTF

**FTI: patent to A**

**FTF: patent to nobody**

**FITF: NO patent to A**

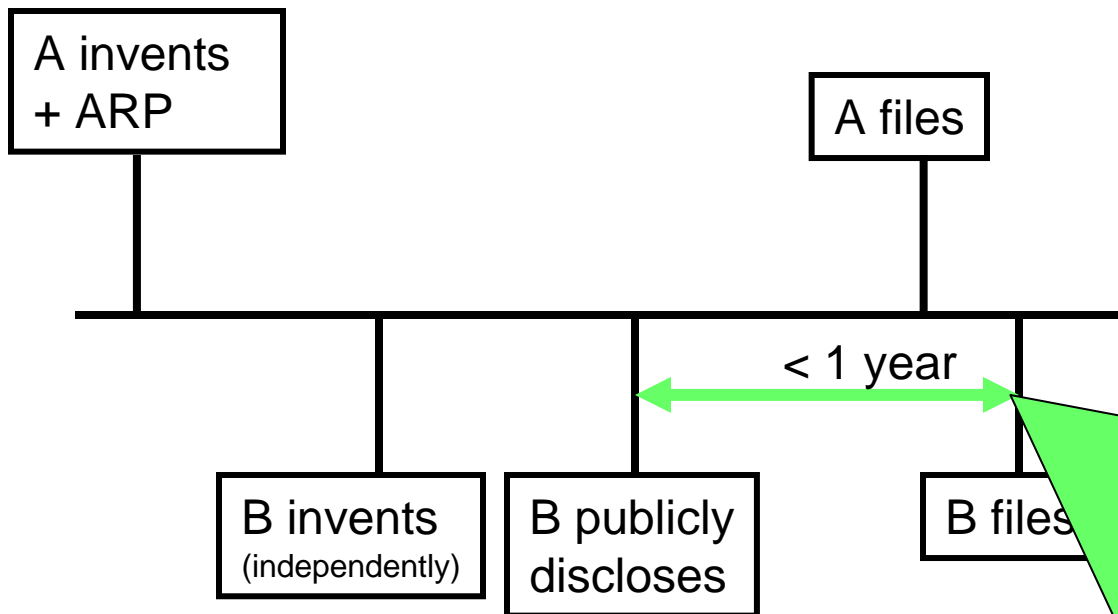


102(a) Novelty; Prior Art. - A person shall be entitled to a patent unless : (1) the claimed invention was patented, described in a printed publication, or in public use, on sale, or otherwise available to the public before the effective filing date of the claimed invention

# FTI vs. FITF vs. FTF

**FTI: patent to A**

**FTF: patent to nobody**



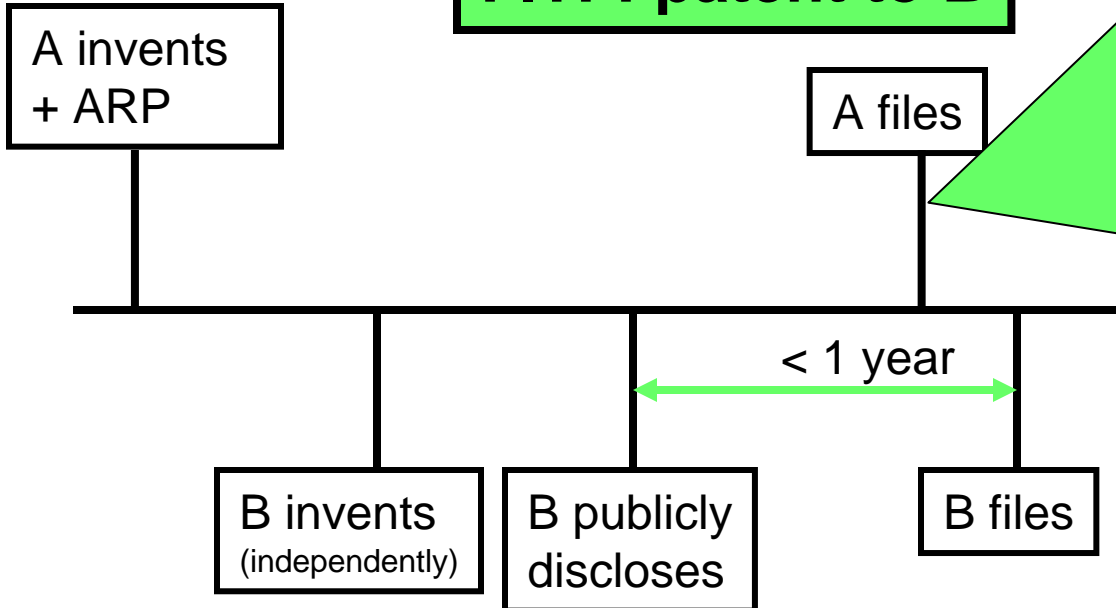
**102(b) Exceptions: (1) A disclosure made 1 year or less before the effective filing date of a claimed invention shall not be prior art to the claimed invention under subsection (a)(1) if .. (A) the disclosure was made by the inventor or joint inventor or by another who obtained the subject matter disclosed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

# FTI vs. FITF vs. FTF

**FTI: patent to A**

**FTF: patent to nobody**

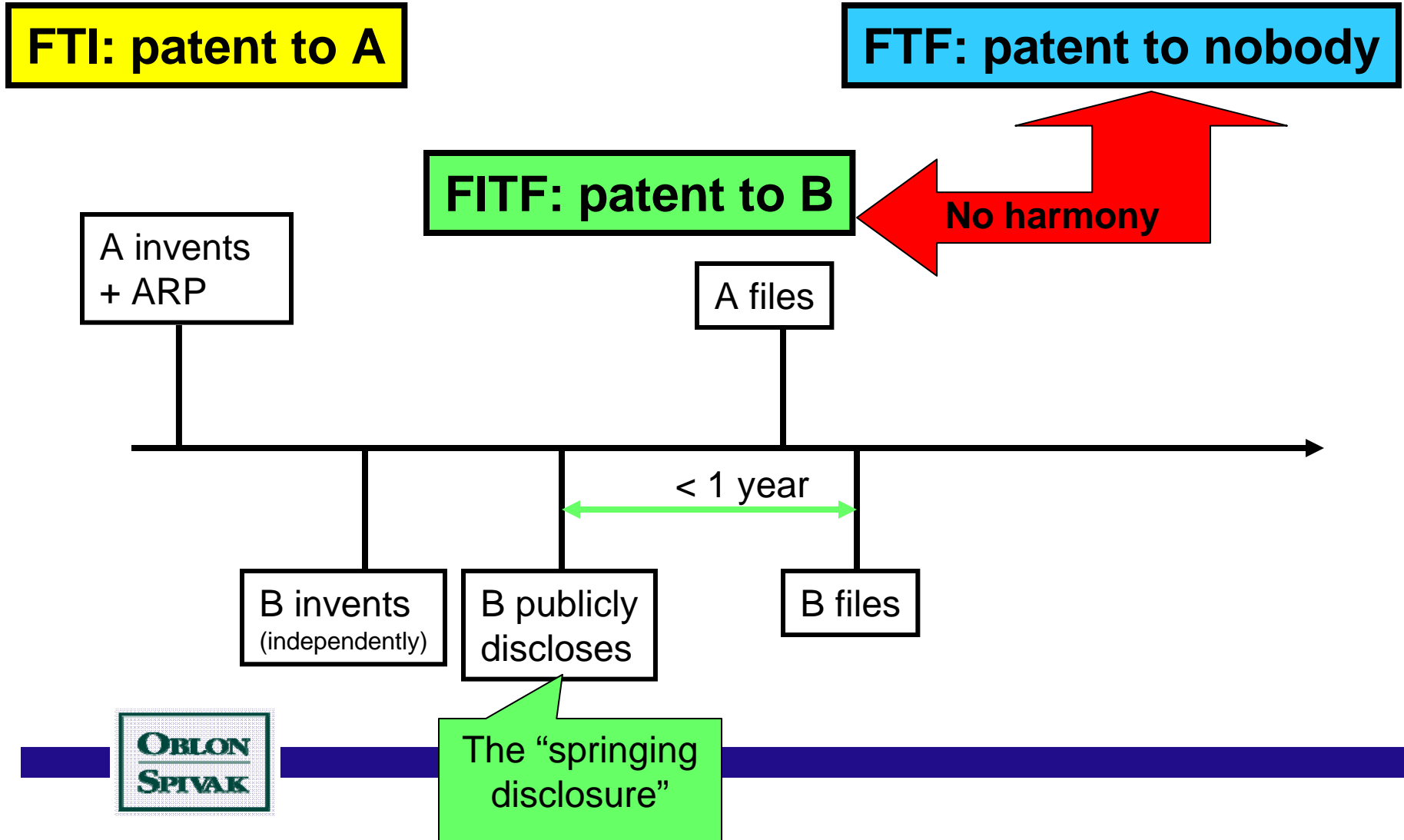
**FITF: patent to B**



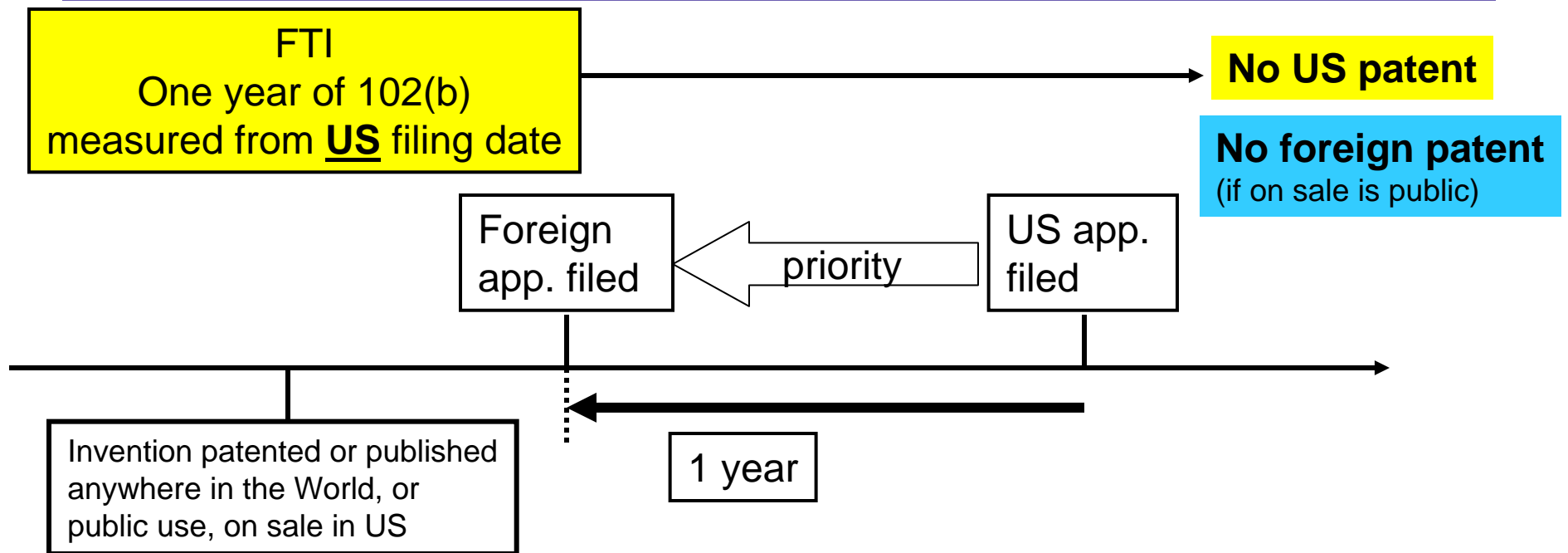
102(b) Exceptions: (2) A disclosure [appearing in applications and patents] shall not be prior art to a claimed invention under subsection (a)(2) if .. (B) the subject matter disclosed had, before such subject matter was effectively filed under subsection (a)(2), been publicly disclosed by the inventor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



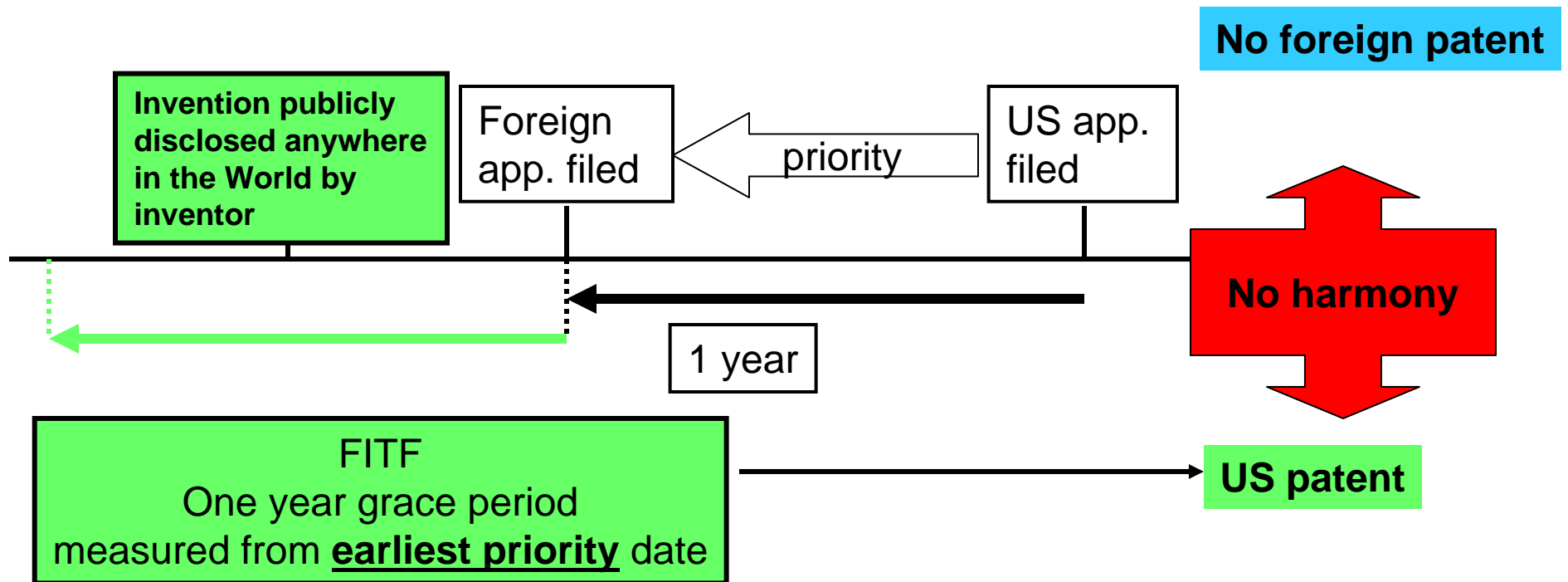
# FTI vs. FITF vs. FTF



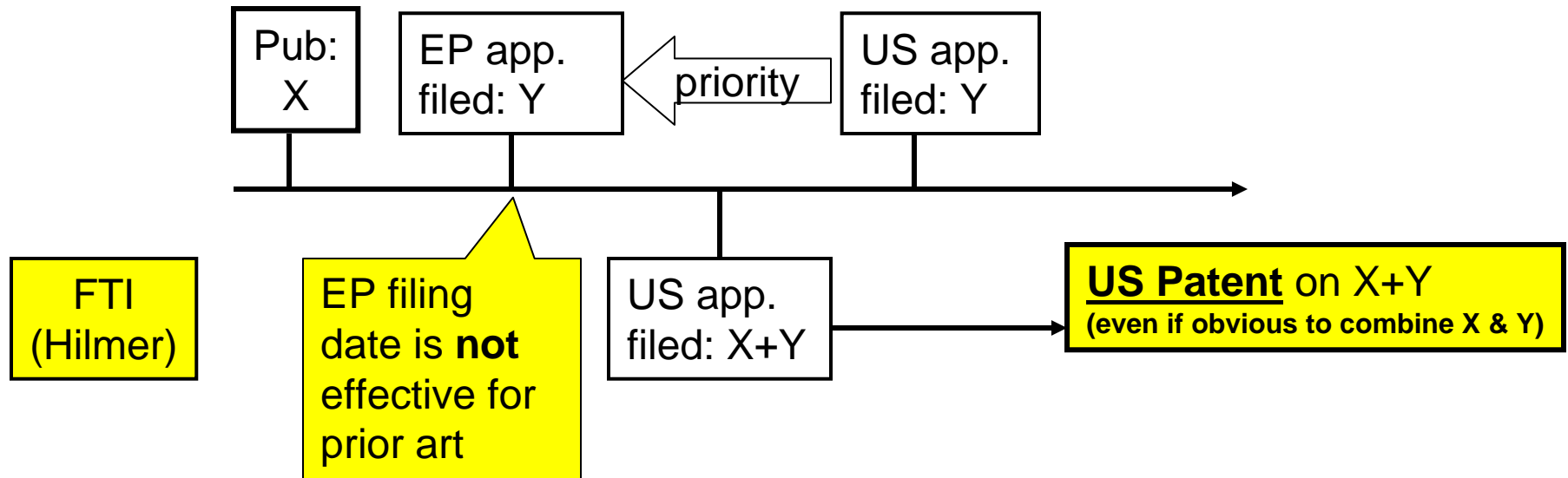
# “International” Grace Period



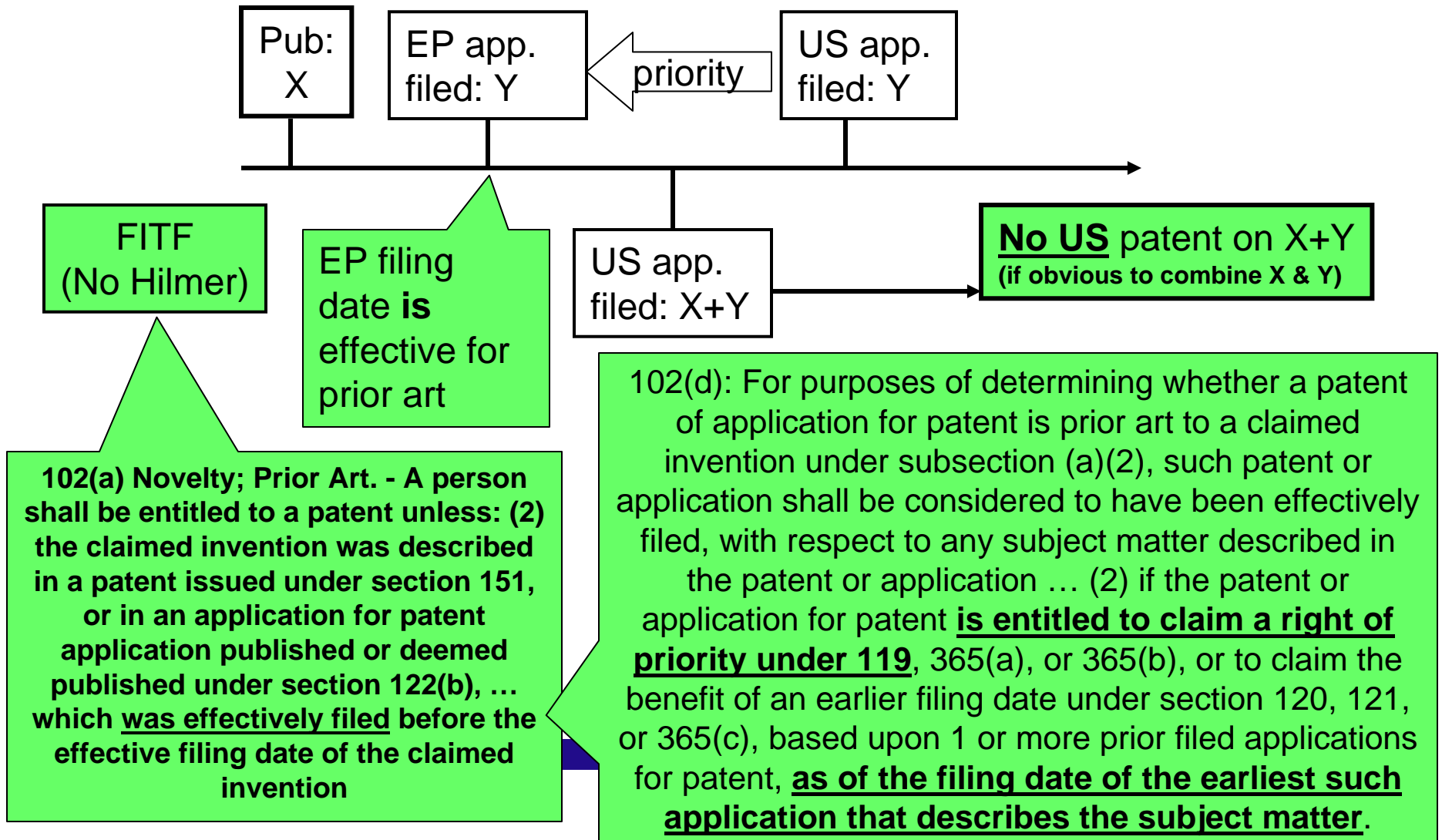
# “International” Grace Period



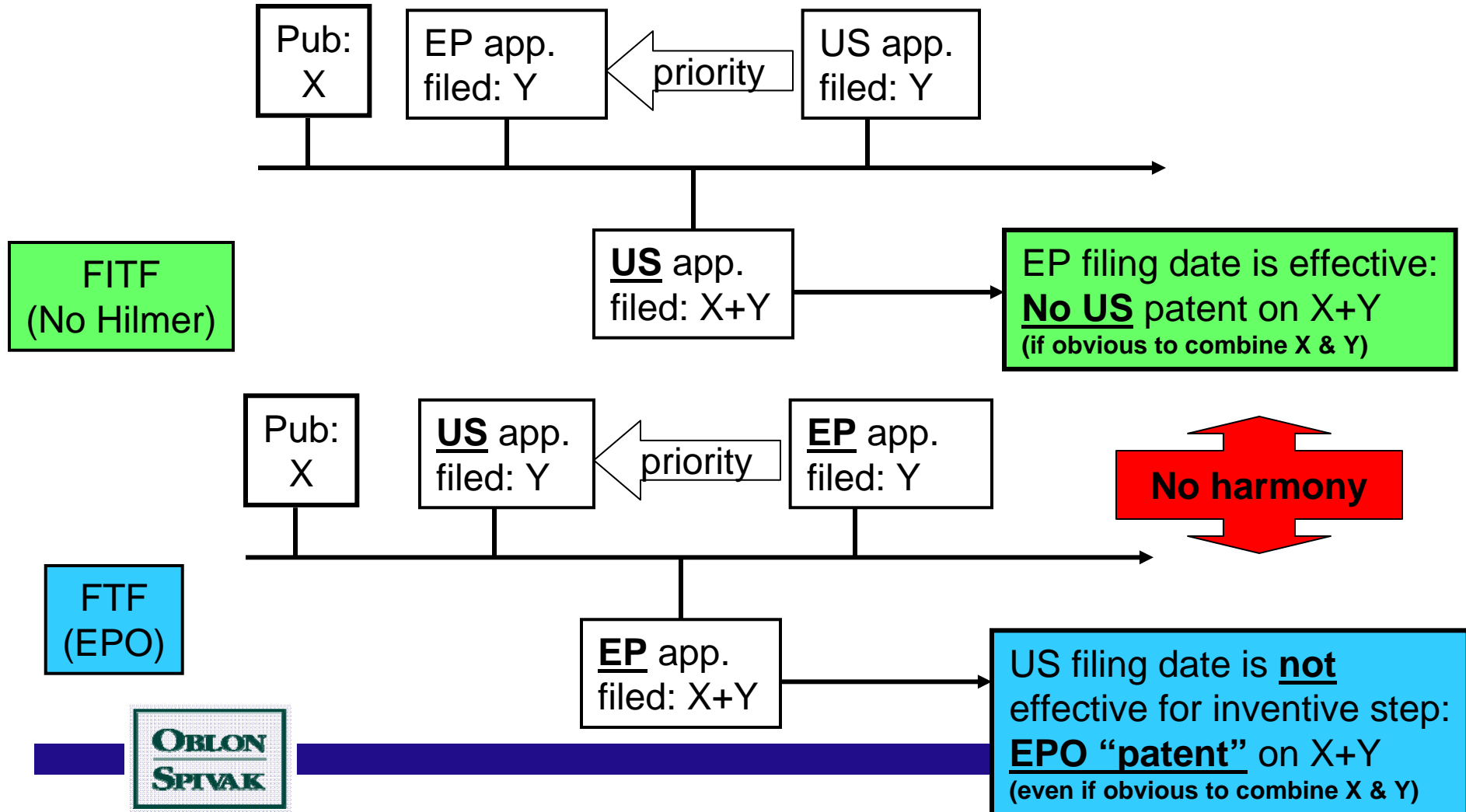
# Goodbye Hilmer



# Goodbye Hilmer



# Goodbye Hilmer



# BEST MODE

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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**”

# Tax Strategies Deemed Within the Prior Art

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- “For purposes of evaluating an invention under 35 U.S.C. § § 102 and 103, any strategy for reducing, avoiding, or deferring tax liability, whether known or unknown at the time of the invention or application for patent, **shall be deemed insufficient to differentiate a claimed invention from the prior art**”
- Introduced as stand-alone bill by Sen. Max Baucus (D-Montana): S139

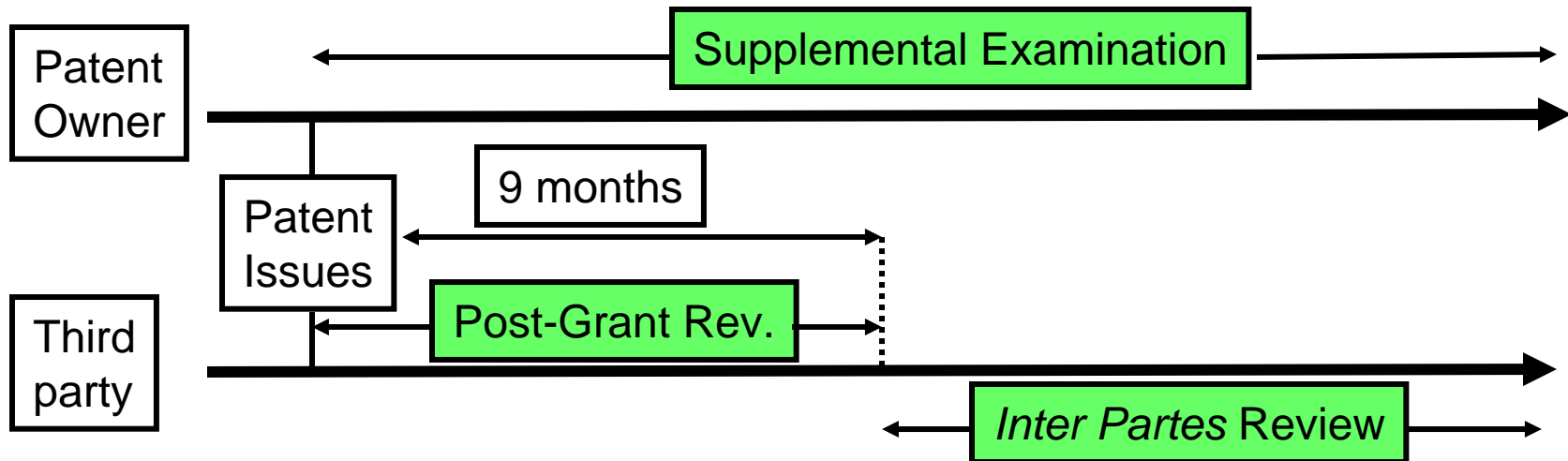




# Post-Grant Review Proceedings

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



# Supplemental Examination

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- 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

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- **!!! 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**: 18 months after enactment of the new legislation
  - apply to all patents in force (retroactive)



# Inter Partes Review

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- 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

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- **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 **6** 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
- **Decision Makers:** Patent Trial and Appeal Board
  - Not Central Reexamination Unit (Examiners are out)
    - Requires hiring at PTAB
    - Speeds process and appeals to CAFC
- **Estoppel:** 35 U.S.C. § 315 revised to “raised or **reasonably could** have raised”
- **Effective:** 18 months subsequent to enactment
  - Will apply to **all** patents (retroactive)
  - Inter partes reexams instituted prior to the effective date will continue unchanged and permits Director to continue IP reexam during the first 4 years after new law is implemented



# Post-Grant Review

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- 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

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- **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)
    - Requires court to consider preliminary injunction without taking PGR into account if patent owner sues within 3 months of patent issuance
- **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:** 12 months subsequent to enactment
  - Will apply to only FITF patents
  - Possible limits on the number of post-grant reviews for the first 4 years



**+\$400 surcharge for paper filing of new applications!**

# False Marking (35 USC 292)

*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"

S.23: "**Only the United States** may sue for the penalty authorized by this subsection."

- Definition of **deceiving the public** 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

S.23 (+Latta's stand-alone H.R. 243):  
Fine not more than \$500, in the aggregate, for all offenses in connection with such articles

"**A person who has suffered a competitive injury** as a result of a violation of this section may file 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



# S.23 sent to the Senate floor for consideration

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- Senate Judiciary Committee passed S.23 on February 3 (15-0)
- Amendments to be debated by Senate:
  - End of PTO fee diversion
    - Supported by Senators Coburn (R-OK), Grassley (R-IA), Coons (D-DE) and Hatch (R-UT)
    - Potential sticky point: who should be responsible for oversight on how PTO monies are spent?
      - Turf war between the Appropriation Committee and the Judiciary Committee
  - Special invalidating proceeding for business method patents?
    - Supported by Senators Schumer (D-NY), Feinstein (D-CA), and Kyl (R-AZ)

# CURRENT EVENTS

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- IPO:
  - Urging the inclusion of PTO-specific provisions in any legislation passed by March 18<sup>th</sup> with respect to government funding
    - Congress previously approved and President Obama signed a bill extending the funding of the USPTO **at pre-October 2010** levels through March 18, 2011
    - The USPTO estimates that it will receive approximately 200 million dollars less than it would under the budget it had proposed for fiscal year 2011
  - IPO supports three provisions:
    - Allow the PTO to spend all of its 2011 estimated fee collections
    - Impose a 15% surcharge on major patent fees during 2011 (assuming a raised spending limit)
    - Allow the PTO to spend \$100M - \$200M more than estimated fee collections if fee collection exceeds 2011 estimates



# S.23 Amendments

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- Small entity fee for Track 1 fast track processing
- 3 satellite USPTO offices
- APJ pay set at Executive Level III and pay travel expenses for non-government employees for certain events
- creation of an ombudsman for patents relating to small businesses
- expediting patents for important areas of economic growth, like energy and the environment
- Broadens definition of micro-entity

# Post Grant Review for BMP

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- (1) only defendants or accused infringers may invoke the proceeding; (2) all PGR bases for challenge are available except prior art is limited to existing § 102(a), which must be publicly available, or prior art of existing § 102(b) scope that falls outside the existing § 102(b) grace period (*i.e.*, effectively, existing § 102(b) prior art but limited to existing § 102(a)'s publicly-available prior-art scope); (3) the proceeding may not be used to challenge a patent while it is eligible for a post-grant review challenge (*i.e.*, a "first-inventor-to-file" patent during the first 9 months after its issue); (4) the proceeding is available only for four years; (5) district courts can decide whether to stay litigation based on the four-factor *Broadcast Innovation v. Charter Communications* test, and the Federal Circuit can review the decision to stay on interlocutory appeal to ensure consistent application of established precedent; (5) the definition of business-method patent, which tracks the language of Class 705, is limited to data processing relating to just a financial product or service (rather than also to an enterprise).



# Patent Reform in 2011



Thank You

Send comments or questions to  
skunin@oblon.com

**THANK YOU**

