

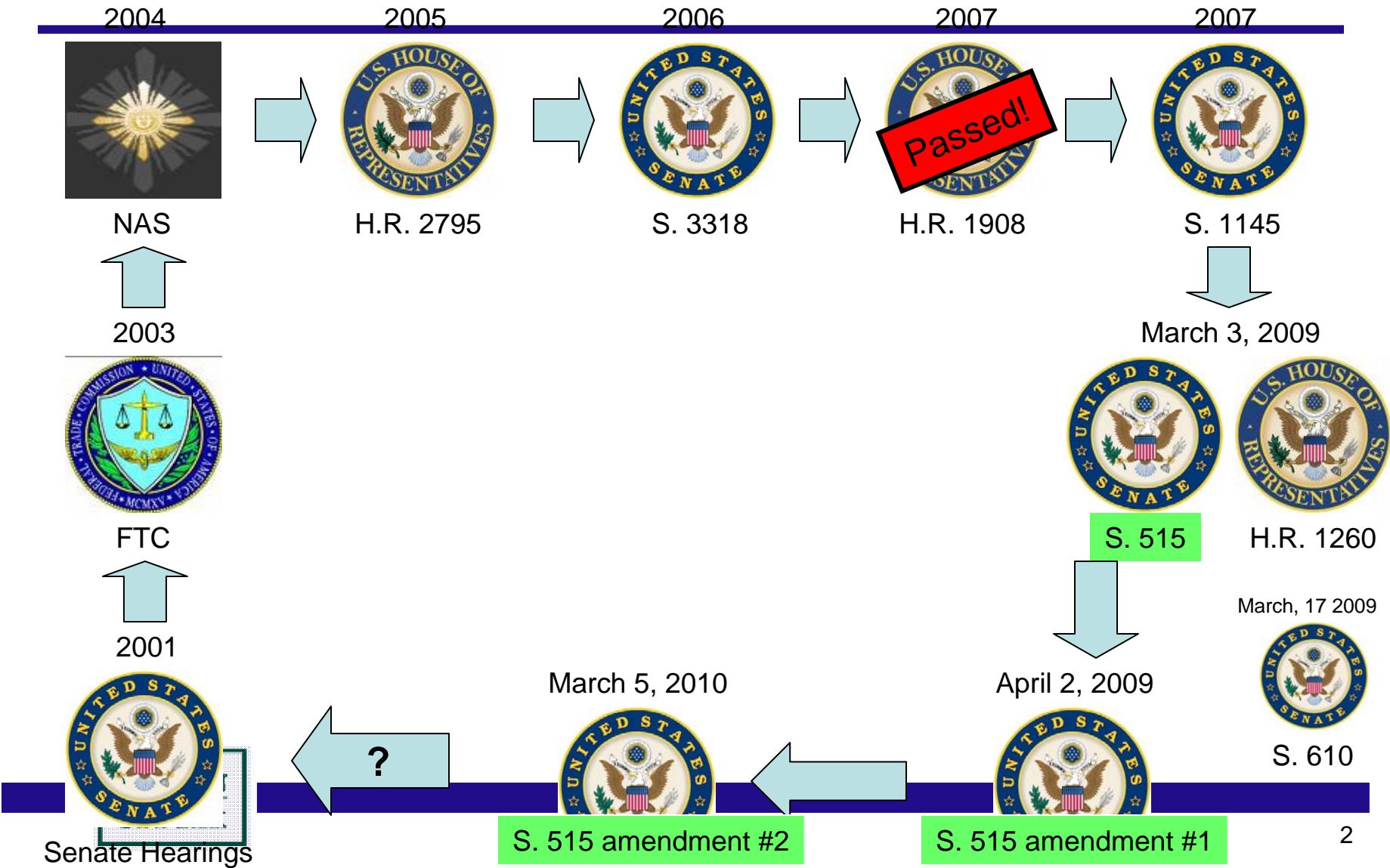
Patent Reform: The Debate Continues Into 2010



Stephen G. Kunin

May 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

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**
 - **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 via supplemental examination)

- **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



Switch to First-to-File

First-to-Invent
(US)

First-to-File
(Rest of the World)



Global Harmony

Switch to First-to-File

First-to-Invent
(US)
(Patents filed
prior to 2011)

First-Inventor
to-Invent
(US)
(Patents filed
after 2011)

First-to-File
(Rest of the World)

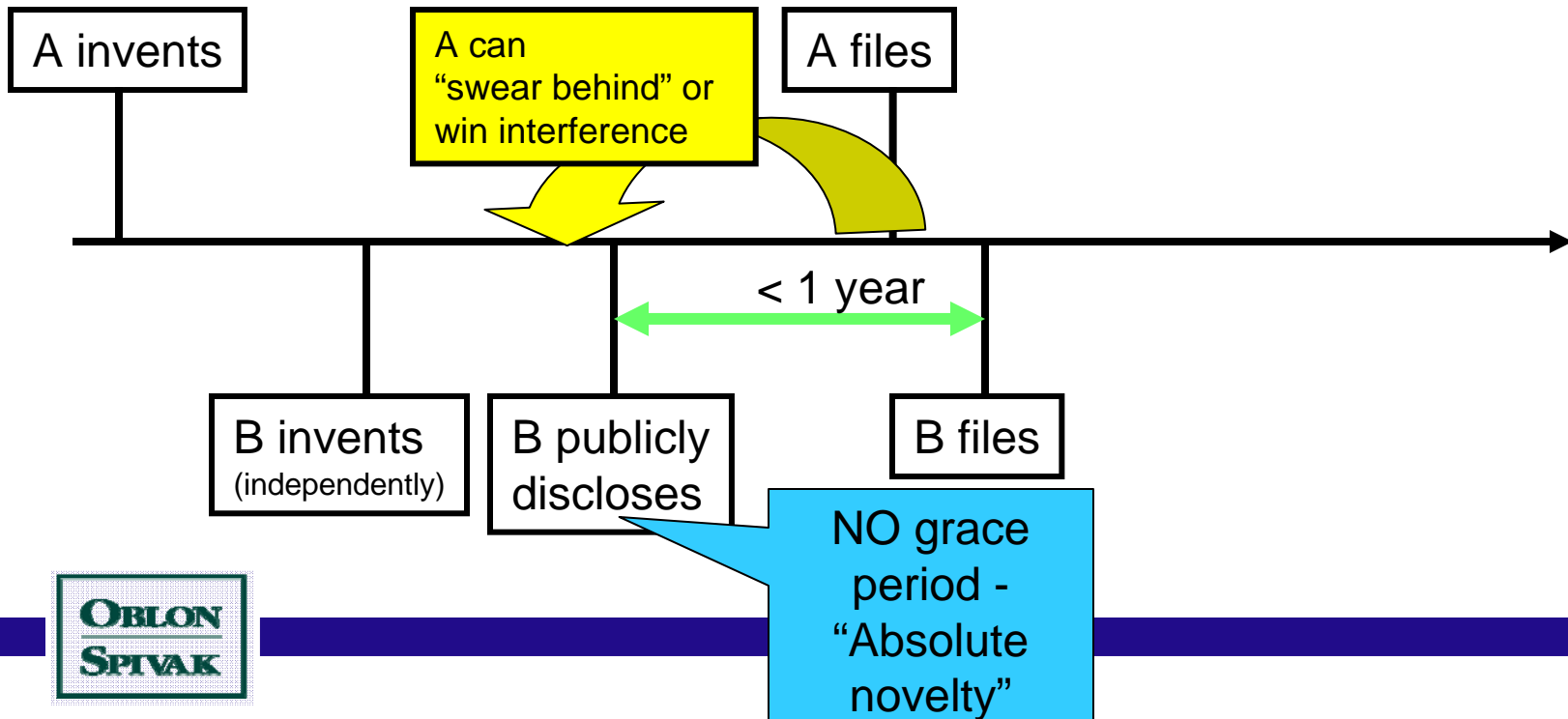
S515



FTI vs. FITF vs. FTF

FTI: patent to A

FTF: patent to nobody



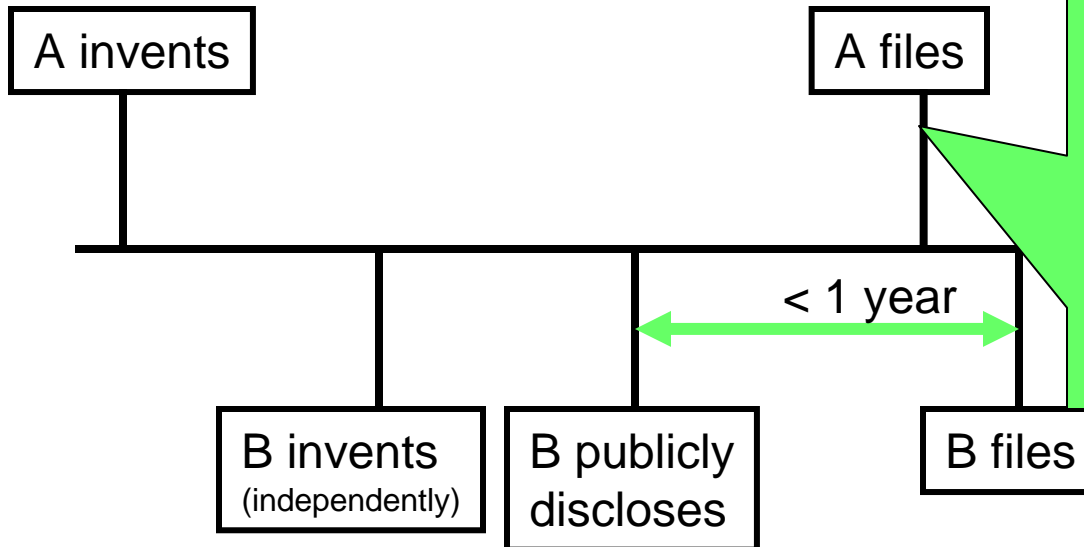
FTI vs. FITF vs. FTF

FTI: patent to A

FTF: patent to nobody

FITF: NO patent to A

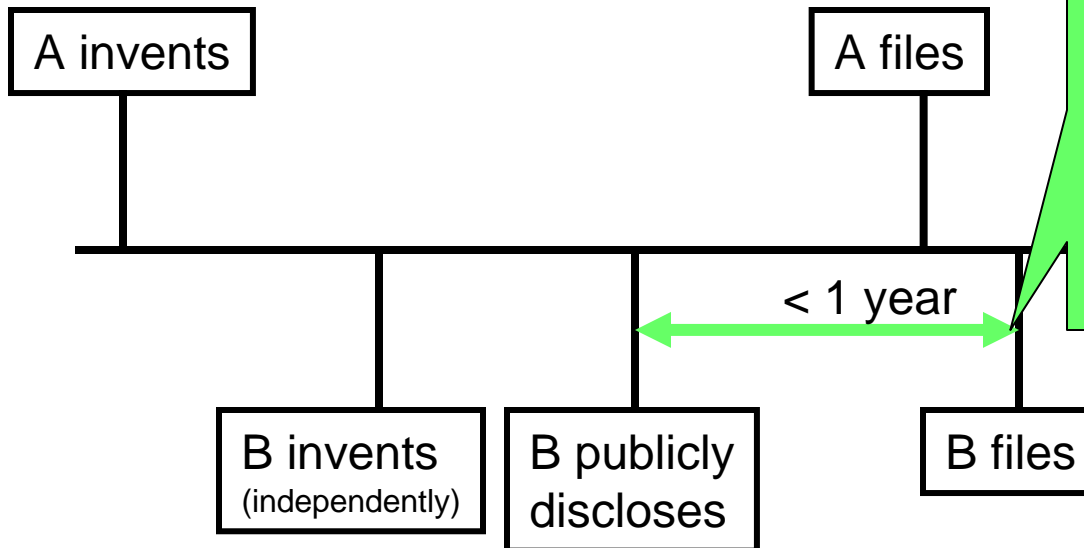
102(a) Novelty; Prior Art. - A person shall be entitled to a patent unless : (1) the claimed invention was patented, described in a printed publication, or in public use, on sale, or otherwise available to the public [anywhere in the World!]



FTI vs. FITF vs. FTF

FTI: patent to A

FTF: patent to nobody



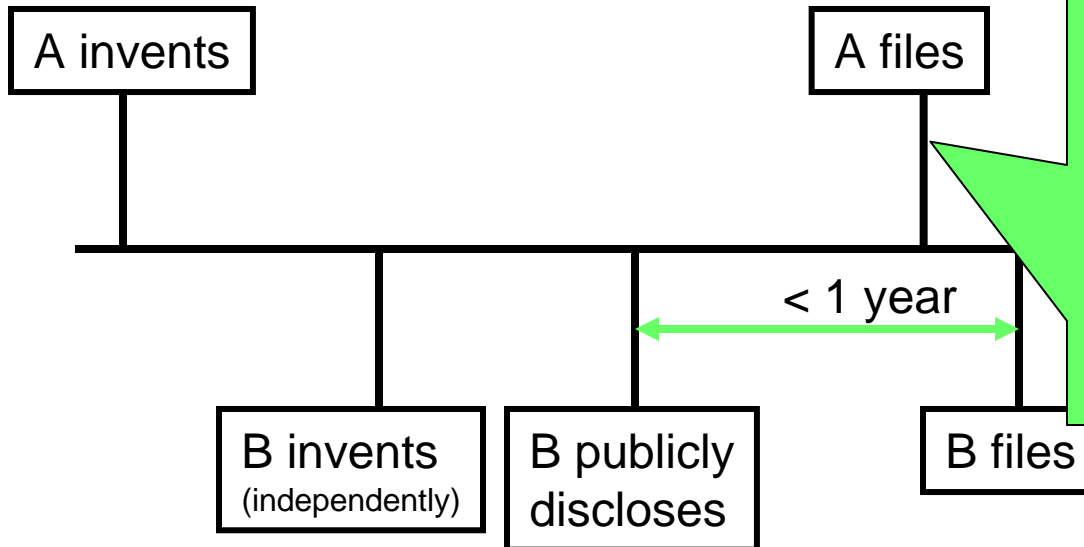
102(b) Exceptions: (1) A disclosure made 1 year or less before the effective filing date of a claimed invention shall not be prior art to the claimed invention under subsection (a)(1) if .. (A) the disclosure was made by the inventor or joint inventor or by another who obtained the subject matter disclosed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



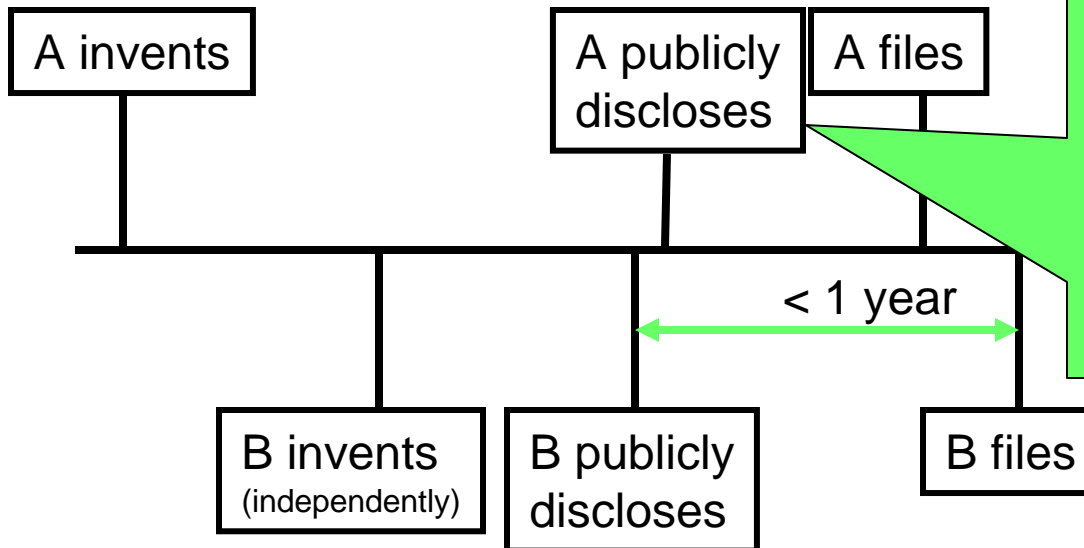
102(b) Exceptions: (2) A disclosure [appearing in applications and patents] shall not be prior art to a claimed invention under subsection (a)(2) if .. (B) the subject matter disclosed had, before such subject matter was effectively filed under subsection (a)(2), been publicly disclosed by the inventor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

FTI: patent to A

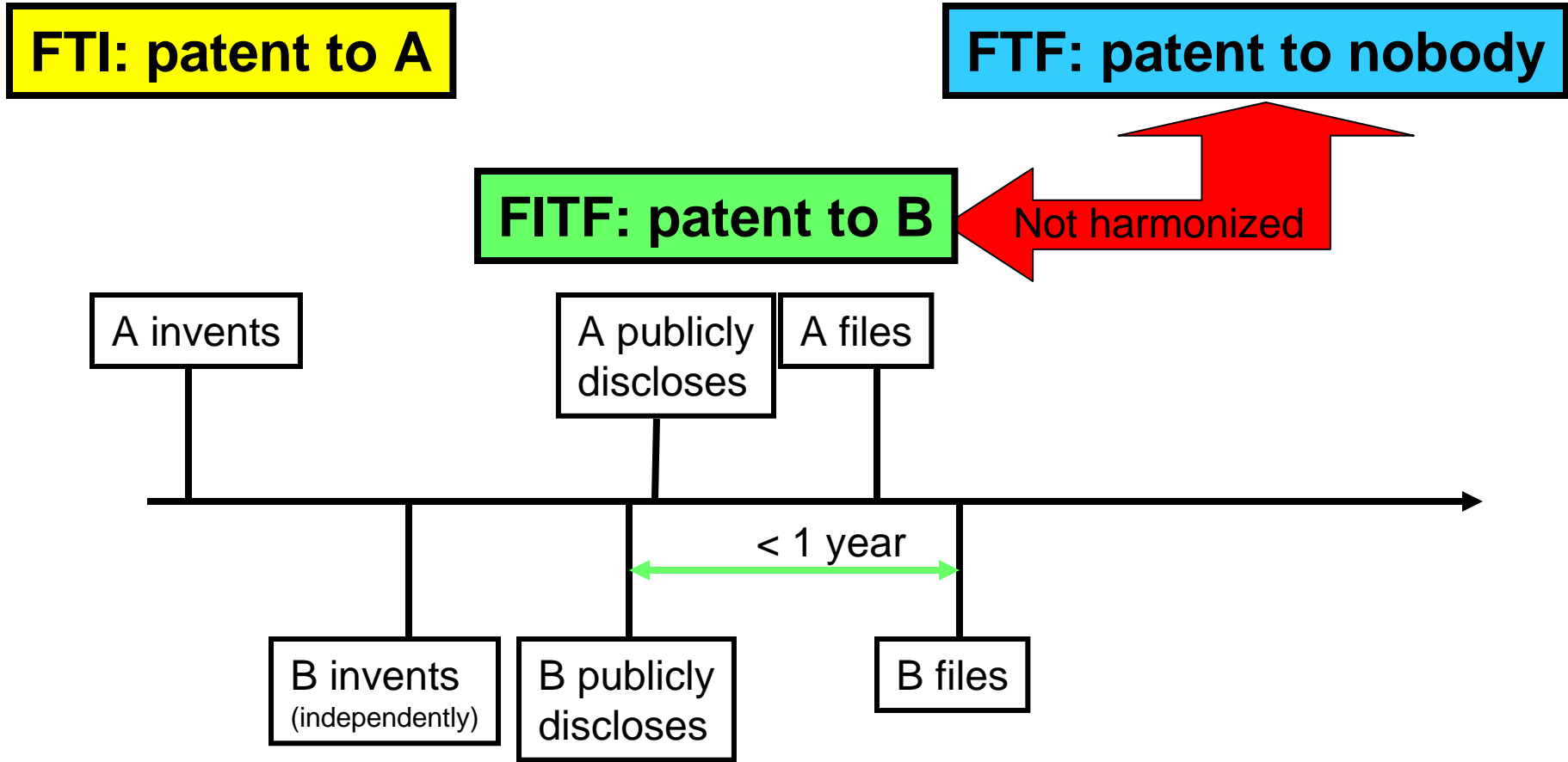
FTF: patent to nobody

FITF: patent to B

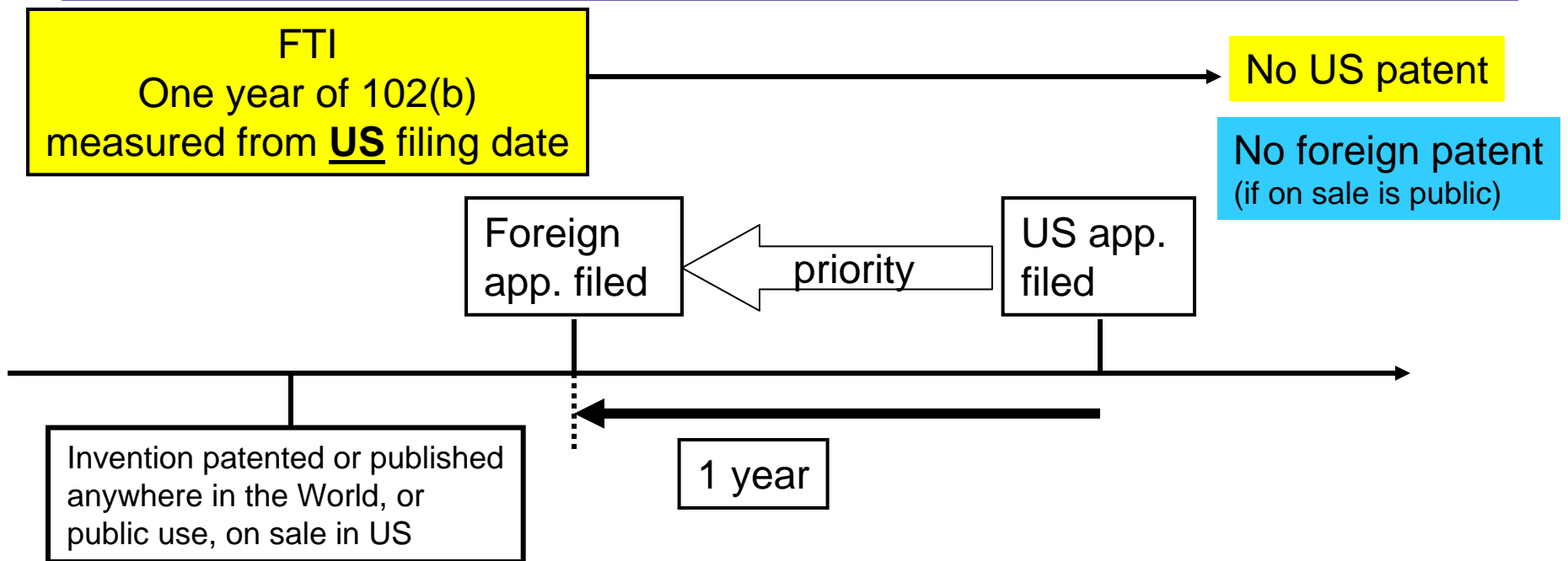


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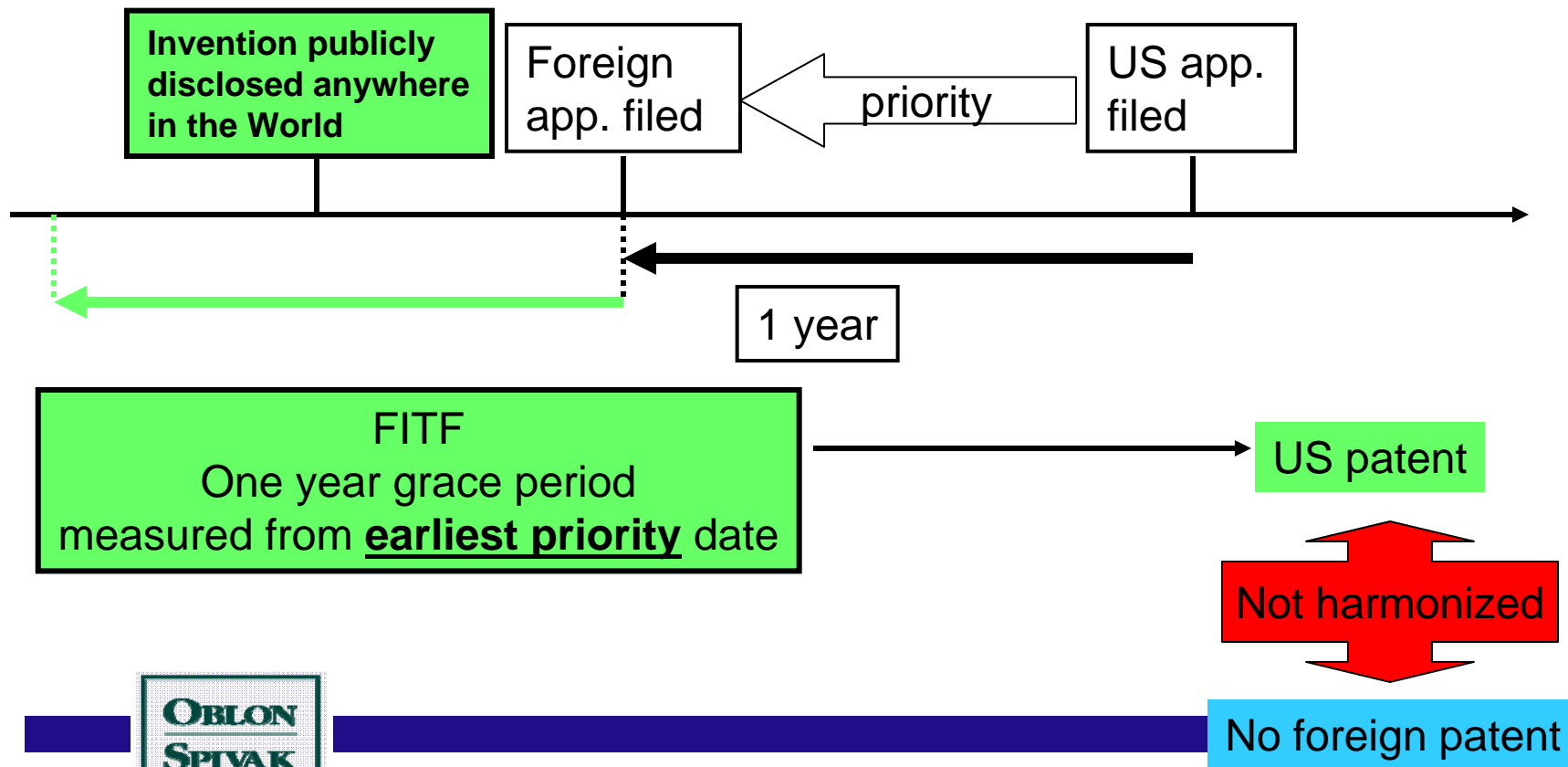
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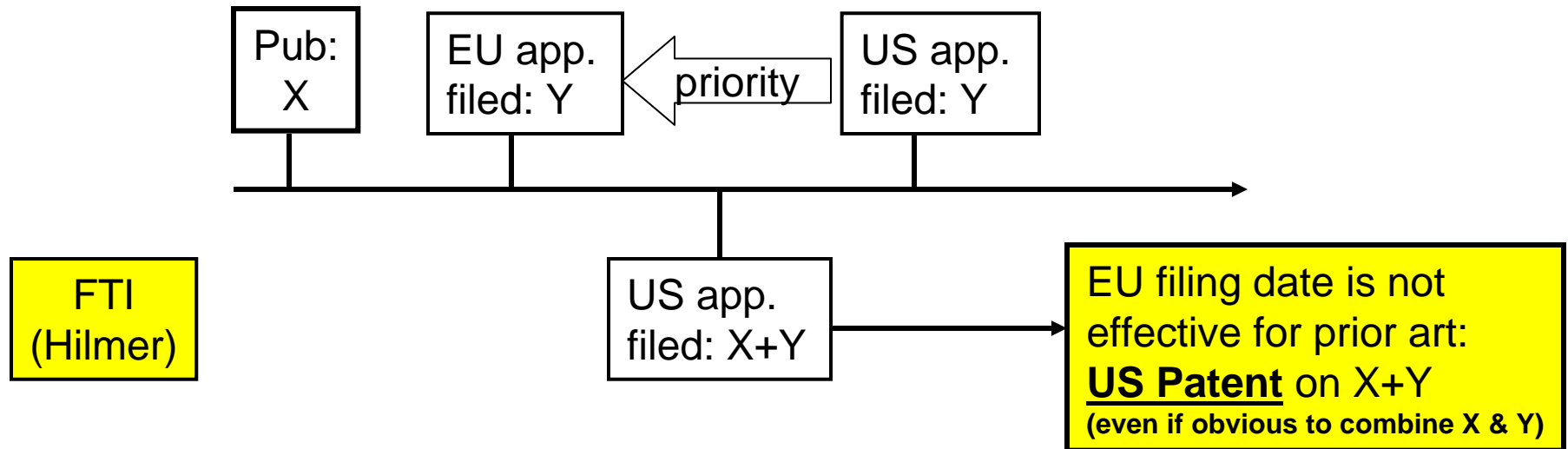
“International” Grace Period



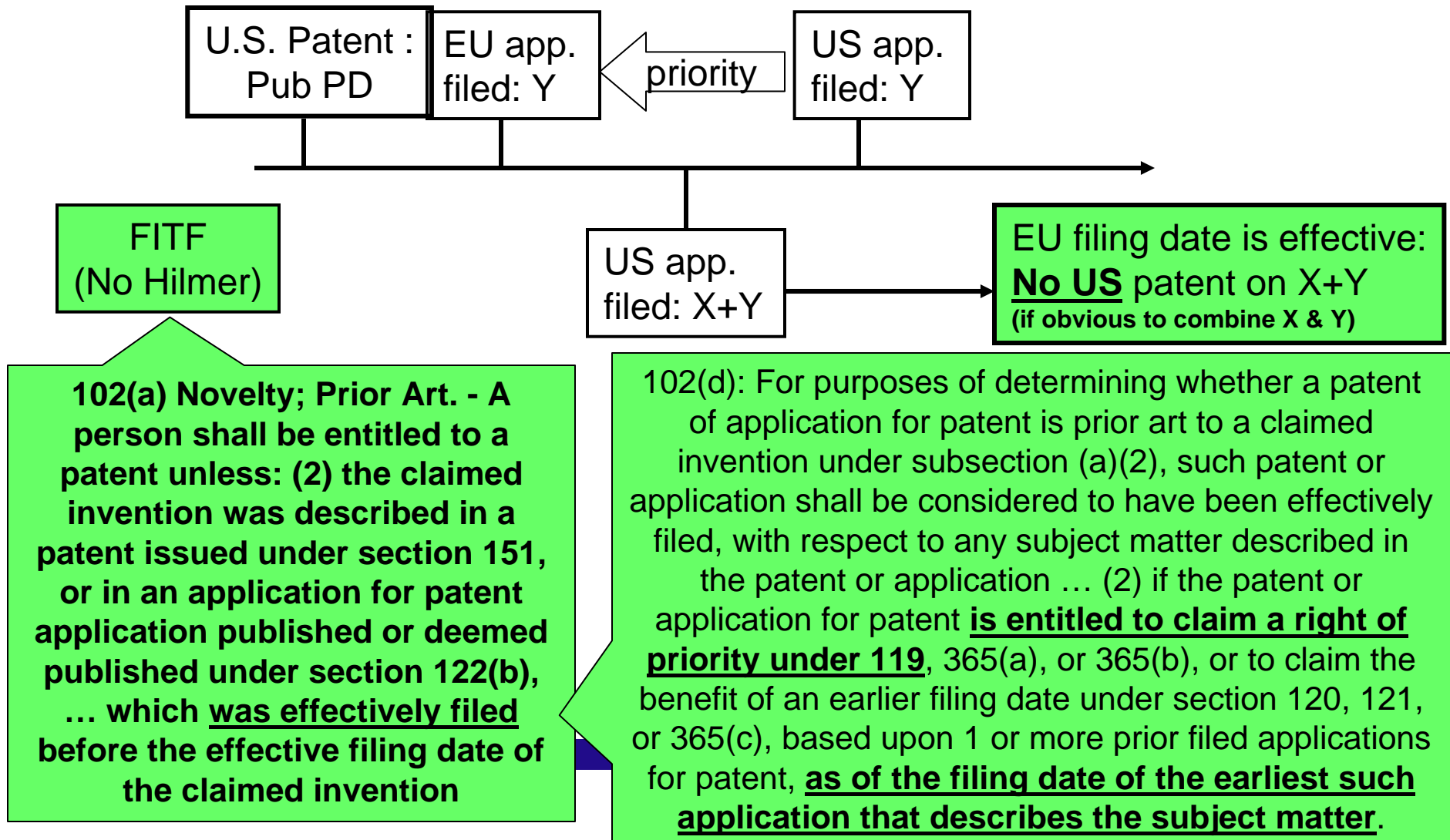
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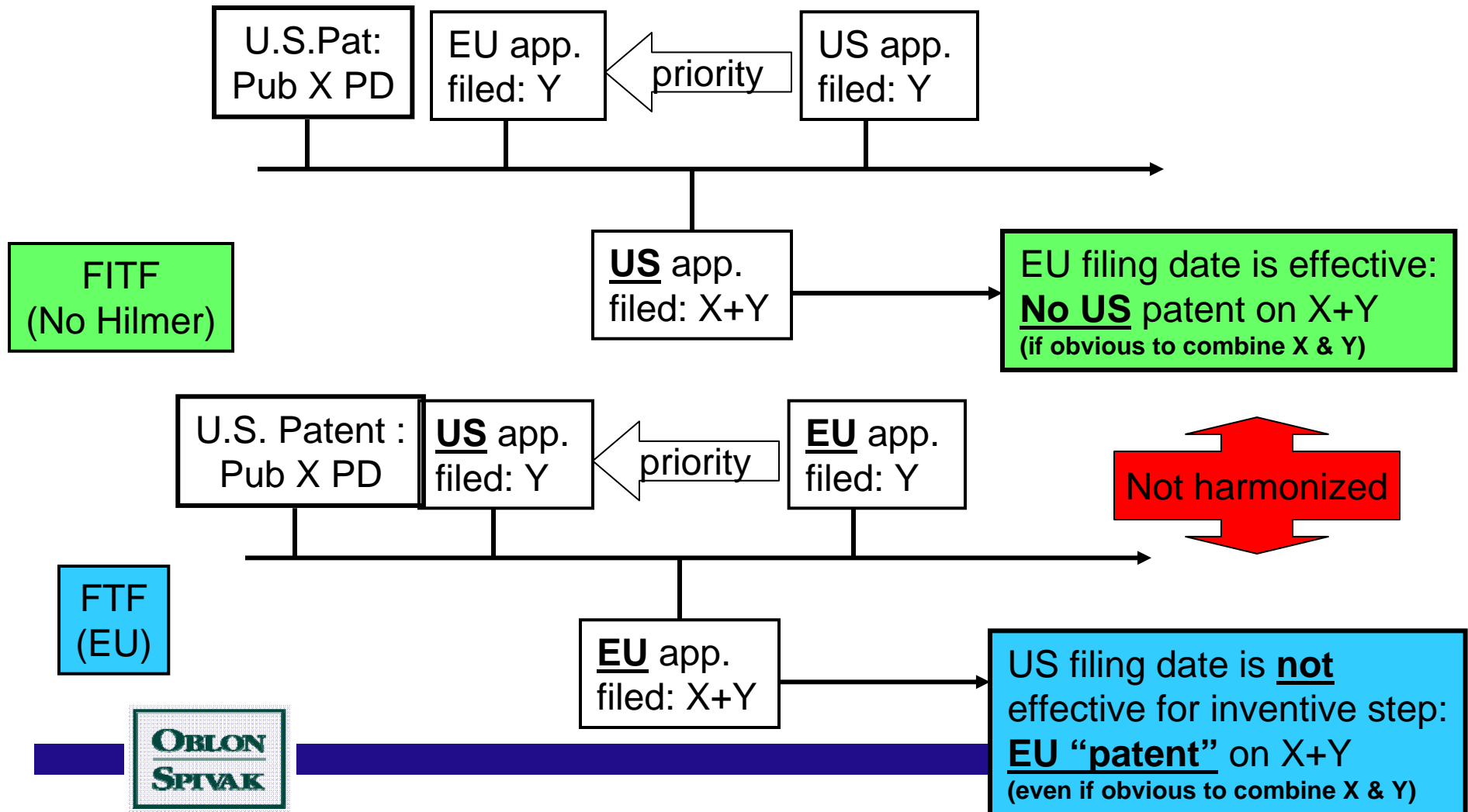
Goodbye Hilmer



Goodbye Hilmer



Goodbye Hilmer



Landrieu Pushes For Small Business Patent Power

By **Christopher Norton**

Law360, New York (March 10, 2010) -- Sen. Mary Landrieu, D-La., has put forward a new bill designed to keep small businesses in the running as inventors, while a push for patent reform continues to make its way through Congress.

The Small Business Patent Data Collection Act of 2010 would direct the Small Business Administration's Office of Advocacy and the U.S. Patent and Trademark Office to look at how changes to the current system will affect the ability of small businesses to get patents, Landrieu said Tuesday.

The study is meant to examine whether moving from a first-to-invent to a first-to-file invention priority system would create barriers to invention for small businesses relative to bigger patent applicants, and how it would bring costs and benefits to small businesses overall.

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” (*ex parte* reexamination not limited to patents and printed publications)
- “*Inter Partes* Review” (inter partes review at PTAB)
- Post-Grant Review

Supplemental Examination (*ex parte* reexamination)

- 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 (*ex parte* reexamination) (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

(inter partes reexamination)

- 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

(inter partes reexamination) (cont.)

- **Estoppel**: 35 U.S.C. § 315 revised to “raised or **reasonably could** have raised”
- **Timing**: may not be initiated or maintained if petitioned more than 3 months after a concurrent litigation filed either by the patent owner or petitioner.
- **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 based on adjudication rather than examination
 - Not Central Reexamination Unit
- **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

- 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) (excludes best mode)
- May be initiated ONLY within **9 months of grant** or issuance of a broadening reissue
- 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).



Post-Grant Review (cont.)

- **Estoppel**: 35 U.S.C. § 325: “raised or **reasonably** could have raised”
- **Timing**: may not be initiated or maintained if petitioned more than 3 months after a concurrent litigation is filed
- **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
- **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

VENUE



OR



Defendant Residence
(for companies = Personal Jurisdiction)

Location of Infringement
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)

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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 infringed willfully shall comply with the pleading requirements set forth in Federal Rule of Civil Procedures 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 of investigation of the product or process infringing the patent.
 - (5) LIMITATION ON 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

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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.
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•Pled with particularity

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 - (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.
 - (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.- -
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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

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of

Sta

has

§515:
“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.”



WHY PATENT REFORM IS “LIKELY” TO PASS IN 2010



Economic Importance



Pro Patent Reform



Joseph Matal: October 2009
“70-80% chance the Senate will pass the bill this year or early next year”

Patrick Leahy: December 2009
“we need to create the legal landscape that allows our innovators to flourish in the new economy, and we need to do it now”



- Appointed Kappos
- Pushing IP Rights Abroad
- Recognition of USPTO Problems

WHY PATENT REFORM IS “UNLIKELY” TO PASS IN 2010



REPRESENTATIVES

Mike Michaud, D-Maine
Don Manzullo, R-III.
Dana Rohrabacher, R-Calif.
Marcy Kaptur, D-Ohio



SENATORS

Sam Brownback, R-Kan.
11 Others



Lot of Compromising Left



Not a Top Priority

Patent Reform: The Debate Continues Into 2010



Stephen G. Kunin

May 2010

THANK YOU