Washington Update: Patent Reform Issues 2010

WSPLA
May 26, 2010

Matt Rainey
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Washington Update

I. The Patent Reform Bills

- Senate Bill S.515
- House of Representatives Bill H.R.1260

II. Patent Quality Task Force

- USPTO/PPAC Round Table – Tuesday, May 18, 2010

III. Small Entity Inventors and First-to-File

- SBA Round Table – Thursday, May 20, 2010

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Senate Bill S.515 – Leahy & Hatch

- Introduced March 3, 2009
- Manager's Amendments 2009 and 2010
- Many focused amendments currently being considered

111TH CONGRESS
1ST SESSION

S. 515

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

IN THE SENATE OF THE UNITED STATES

MARCH 3, 2009

Mr. LEAHY (for himself, Mr. HATCH, Mr. SCHUMER, Mr. CRAPO, Mr. WHITEHOUSE, Mr. RISCH, and Mrs. GILLIBRAND) introduced the following bill; which was read twice and referred to the Committee on the Judiciary

---

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 2009".

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House Bill H.R.1260 – Conyers & Smith

- Introduced March 3, 2009
- House and Senate staffers conferencing behind the scenes
- Significant differences between House and Senate versions

111TH CONGRESS
1ST SESSION

H. R. 1260

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

IN THE HOUSE OF REPRESENTATIVES

MARCH 3, 2009

Mr. CONYERS (for himself, Mr. SMITH of Texas, Mr. BERMAN, Mr. GOODLATTE, and Ms. JACKSON-LEE of Texas) introduced the following bill; which was referred to the Committee on the Judiciary

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 2009".

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Two Basic Questions about S.515

Basic Q1: What has changed for the better in the bill?

Basic Q2: What benefits small entity inventors?

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35 USC §102: *Rewritten*

- Preamble (H.R.1260)
- “First-inventor-to-file”
- Grace period

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Section 102: *Preamble*

- Current statute preamble:
  - "A person shall be entitled to a patent unless…."
- Proposed new preamble:
  - "A patent for a claimed invention may not be obtained if…."
- Reverted in S.515 to current statute
- Will probably revert in H.R.1260

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Section 102: *Priority*

- Priority:
  - *First-to-invent* (FTI) changes to "*first-inventor-to-file*"
  - Substantively the same as first-to-file (FTF)

- More on FTI vs. FTF later

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Section 102: *Grace Period*

- Absolute grace period (current statute)
  - Inventor files within 1 year of any disclosure
- Personal grace period (bill)
  - Inventor files within 1 year after his/her *own* disclosure
- Protection against third-party disclosures (bill)
  - Inventor files within 1 year of third-party disclosure
    - Where third party derived information from inventor; *or*
    - Where inventor disclosed to public before third-party disclosure

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35 USC §284 in H.R.1260: *Damages*

"Prior art subtraction" still in H.R.1260

- "[T]he court shall conduct an analysis to ensure that a reasonable royalty is applied only to the portion of the economic value of the infringing product or process properly attributable to the claimed invention's specific contribution over the prior art."

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35 USC §284 in S.515: *Gatekeeper*

- Relevance
  - "The court shall identify the methodologies and factors that are relevant to the determination of damages…."
- Legal sufficiency
  - "[T] the court shall identify on the record those methodologies and factors as to which there is a legally sufficient evidentiary basis…."

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Outstanding Issues: *Examples*

- Inequitable Conduct
  - Supplemental Examination (new for S.515)
- Post-Grant Review (PGR) vs. other processes
  - *Inter partes* reexaminations
  - *Ex parte* reexaminations
  - Supplemental examinations
  - Interferences
  - Reissues
  - Litigation
- Settlements (§332)
- Director's discretion to stay, terminate, etc. other proceedings (§333)

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Post-Grant Processes: *Issues*

- Pleading
- Threshold
- Estoppel
- 35 USC §251 (enlarging reissues)
  - Should start at *end* of PGR
  - Claims are indeterminate until PGR is concluded
  - Prosecution by assignee without new oath
- *(…and other issues addressed below)*

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Threshold and Estoppel in Post-Grant Processes

	Inter Partes Reexam (S.515)	Ex Parte Reexam (current statute)	Post-Grant Review (S.515)
Threshold & Pleading	• Removes SNQ (substantial new question) • Has not "filed" a civil action challenging validity: **§315(a)** • Reasonable likelihood of prevailing: **§314(a)**	• SNQ	• "More likely than not" that at least 1 claim is unpatentable: **§324(a)** • Must not have filed a civil action challenging validity: **§325(a)**
Estoppel: *in later civil actions or ITC*	• May not "assert" issue in later action that the petitioner "raised or reasonably could have raised" (RORCHR) during IPR: **§315(e)(2)**	• None	• May not "assert…that a claim … is invalid" on any ground that the petitioner "raised" (*not* RORCHR) in a PGR: **§325(e)(2)** • PGR must have "resulted in a final written decision": **§325(e)(2)**
Estoppel: *in later USPTO proceedings*	• May not "request or maintain" issue in USPTO proceeding that the petitioner RORCHR during IPR: **§315(e)(1)**	• None	May not "request or maintain" USPTO proceeding on a ground that the petitioner RORCHR during PGR: **§325(e)(1)**
Grounds/Basis	**§311(a):** • Patents • Printed publications • Can be supported by expert opinions, affidavits, other info: **§312(a)(3)(B)**	• Patents • Printed publications	• Issues "relating to invalidity": **§321(b)** • "Novel or unsettled question important to other patents or patent applications": **§324(c)**
When	**§311(c):** Can be brought at a time that is later of: • 9 months after issuance or reissuance; or • PGR is complete	• Any time	• < 3 months after required to respond to civil action alleging infringement: **§325(b)** • May not challenged non-broadened reissue claims after original 9-month PGR period: **§325(g)**

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Supplemental Examinations

- At patent owner's request
- Threshold: substantial new question of patentability
  - Director orders reexamination
- Blocks unenforceability based upon inequitable conduct
  - For information:
    - Not considered
    - Inadequately considered
    - Incorrect
  - In subsequent action (35 USC §281 or ITC)
    - Supplemental examination and any resulting reexamination *must be complete* before action is brought

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Some Answers to Basic Q1

- Section 102 preamble
  - *Reversion to current statute*
  - *Avoids unfairly shifting burden for applicant to prove patentability*
- Damages – Apportionment
  - *Replacement of apportionment language with "gatekeeper" provision*
  - *Removes misguided damage provisions that would have devalued patents*
- Damages – Entire Market Value
  - *Removal of the provisions relating to EMV rule*
  - *Avoids misapplication of EMV and arbitrary devaluation of patents*
- Damages – Willfulness
  - *Use of Seagate standard*
  - *Eliminates previous "escape hatches" for willful infringers*

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Some Answers to Basic Q1

- PGR – Challenge Period
  - *Reduction from 12 months to 9 months (cf. European oppositions)*
  - *Helps reduce (a bit) PGR pendency*
- PGR – Threshold
  - *"More likely than not" instead of "substantial question of patentability"*
  - *Helps avoid repeated and speculative PGR proceedings*
- PGR and Inter Partes Reexam – Estoppel
  - *Raised or reasonably could have raised*
  - *Helps avoid repeated post-grant proceedings tying up patents*
- Supplemental Examination
  - *Corrects mistakes in prosecution*
  - *Preserves enforceability*
  - *Avoids some inappropriate inequitable conduct claims*

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Some Answers to Basic Q1

- Venue
  - *Use of TS Tech standard: "clearly more convenient"*
  - *Brings balance to venue (earlier weighted towards defendant)*
- Interlocutory Appeals
  - *Removal of right to interlocutory appeals from claim construction orders*
  - *Avoids delays and expense in litigation*
- Sequencing
  - *Address **damages & willfulness** after **validity & infringement***
  - *Increases litigation efficiency*
  - *Avoids unnecessary phases of litigation*
- District Court Pilot Program
  - *Transfer patent cases to judges with particular expertise*
  - *Should lead to more efficient and reliable district court decisions*

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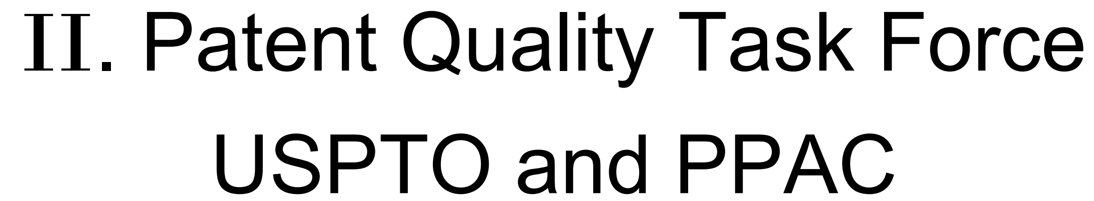

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Patent Quality Task Force

Federal Register / Vol. 74, No. 235 / Wednesday, December 9, 2009 / Notices **65093**

DEPARTMENT OF COMMERCE

Patent and Trademark Office
[Docket No.: PTO-P-2009-0054]

Request for Comments on
Enhancement in the Quality of Patents

AGENCY: United States Patent and Trademark Office, Commerce.

ACTION: Request for comments.

SUMMARY: The United States Patent and Trademark Office (USPTO) has in place procedures for measuring the quality of patent examination, including the decision to grant a patent based on an application and of other Office actions issued during the examination of the application. The USPTO in conjunction….

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Patent Quality Task Force: *Comments*

- Copies of public comments:

  http://www.uspto.gov/patents/law/comments/

- Summary of public comments:

  http://www.uspto.gov/patents/init_events/qualitycommentssummary.pdf

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Participants at USPTO/PPAC Patent Quality Task Force Roundtable – Washington, D.C. – May 18, 2010

Name	Affiliation
Dave Kappos	**Director, USPTO**
Marc Adler	**PPAC**
Robert Stoll	Commissioner for Patents, USPTO
Peggy Focarino	USPTO
Bob Bahr	USPTO
Speakers	
Gregory Allen	3M
Ben Borsen	PPAC
Robert Budens	POPA
Marylee Jenkins	ABA-IP Section
Alan Kasper	President, AIPLA
Ronald Katznelson	Bi-Level Technologies
Donald Kelly	Independent Invention Community
Ronald Mann	Columbia University
Doug Norman	President, IPO
Ken Patel	Procter & Gamble
Matt Rainey	Intellectual Ventures
Manny Schecter	IBM
Peter Thurlow	NYIPLA
R. Polk Wagner	University of Pennsylvania
Richard Wilder	Microsoft

…and a public audience

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Patent Quality Task Force: *Issues*

- Quality of application
- Search quality
  - – Criteria and standards: “ISO 9000” of search
  - – International cooperation
    - PPH
- Examination
- Post-issuance

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First-to-File: *How it works*

- First inventor to file prevails
  - Independent inventor who files second on same invention loses right to prosecute
    - Even if s/he invented first
    - Exceptions:
      A. First filer obtained subject matter from second filer
      B. Second filer published before first filer filed
         = "First to publish"
      C. Common ownership at time second filer filed
- Seems simple, but there are nuances

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Small Entity Inventors (SEIs)

- Increased interest on Hill
  - SEIs speaking up
- Focus on first-to-file issues

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First-to-File: *Issues*

- Pressure to file
- Invention theft
- Grace period in current bill:
  - Absolute grace period (AGP) is lost
  - Personal grace period (PGP) is only grace period

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Participants at SBA Roundtable – Washington, D.C. – May 20, 2010

Name	Affiliation
Susan M. Walthall	**SBA Office of Advocacy – Acting Chief Counsel**
Dana Colarulli	**USPTO – Director, Office of Government Affairs**
Robert Bahr	**USPTO – Deputy Commissioner for Patent Examiner Policy**
Anthony Knight	**USPTO – Director of the Office of Petitions**
Speakers	
Ron D. Katznelson, Ph.D.	President, Bi-Level Technologies
Michael Messinger	Director, Sterne, Kessler, Goldstein & Fox, PLLC
Matt Rainey	VP/Patent Counsel, Intellectual Ventures

…and a public audience

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A Modest Suggestion

"First-to-file is good
for small entity inventors."

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First-to-File: *Advantages for SEIs*

- FTF + provisional easily resolves invention theft disputes
  - Derivation process available if inventor disclosed before filing provisional
- Change from FTI to FTF is neutral on pressure to file
  - "Race to file" (FTF) ≈ "race to invent" (FTI)
  - Race against invisible opponent

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First-to-File: *Advantages for SEIs*

- Derivation process preferable to interference
  - Less complex
  - Less expensive
  - More predictable outcome
  - Remains to be seen how well derivation processes will work
- Derivation proceedings are “voluntary”
  - Can be avoided by filing provisionals before disclosing

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FTF: Invention Theft & Loss of Rights

- Invention Theft
  1) Inventor A approaches investors
  2) Investor refuses to sign NDA
  3) Investor files on A's invention (theft)
  4) A is blocked (under FTF) from pursuing patent application
- Loss of rights
  - Third-party patent filing during A's invention development *blocks* A's patent filings

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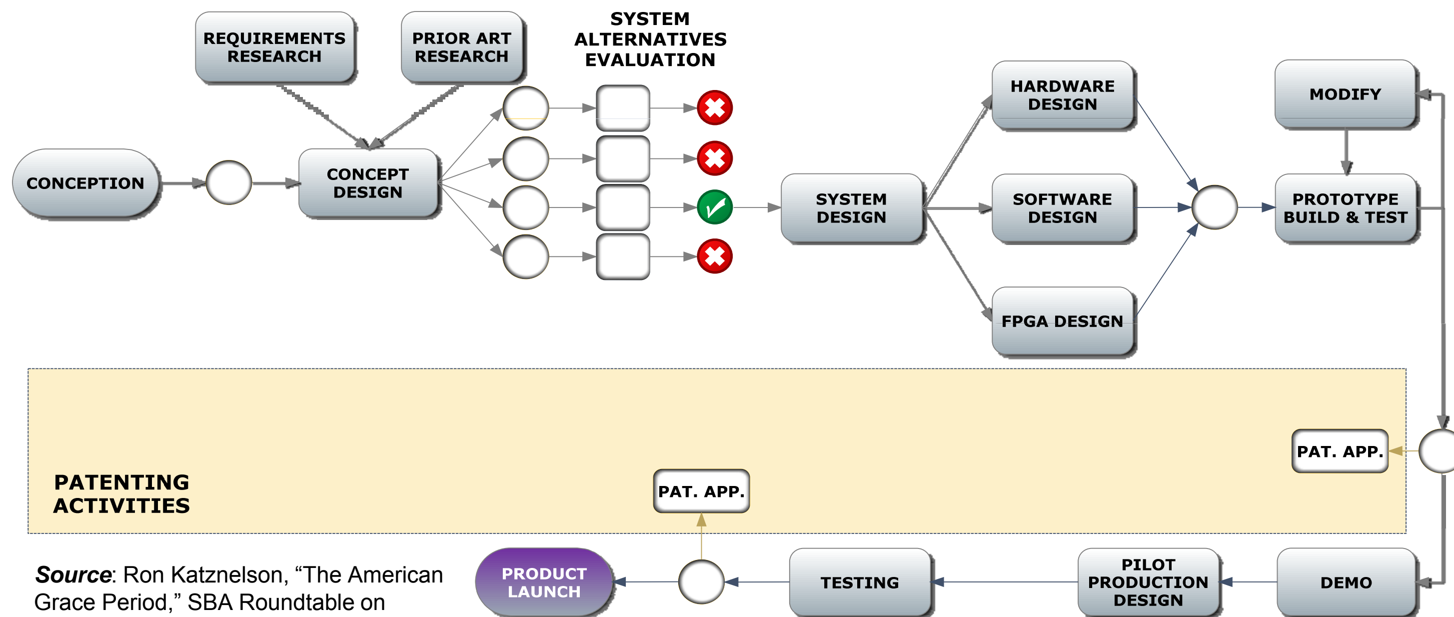
EXCERPT FROM RON KATZNELSON PRESENTATION (USED BY PERMISSION)

Example of Startup "Best Practices" from invention to product launch

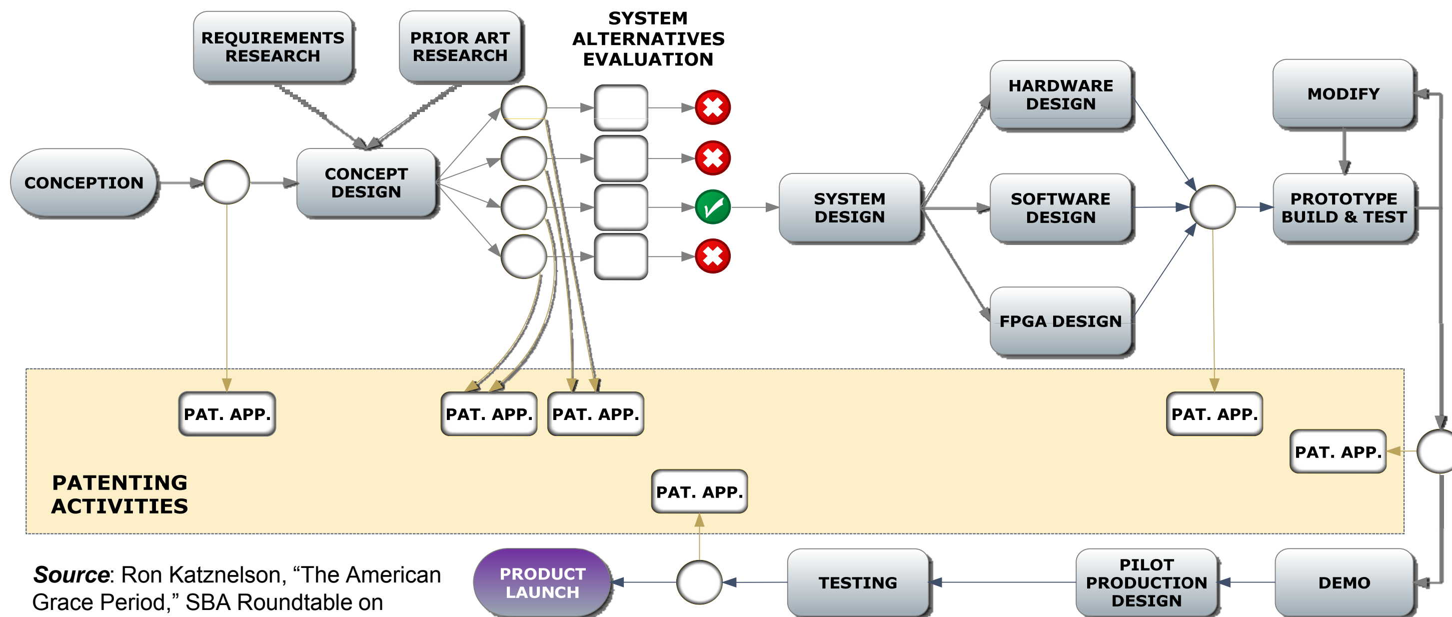


Source: Ron Katznelson, "The American Grace Period," SBA Roundtable on S. 515, May 20, 2010

Current patent law is geared around innovators' "best practices" that focus scarce resources on minimizing total development time and reducing technical risks

EXCERPT FROM RON KATZNELSON PRESENTATION (USED BY PERMISSION)

The loss of a grace period under S. 515 would result in costly deviations from "best practices"



Source: Ron Katznelson, "The American Grace Period," SBA Roundtable on S. 515, May 20, 2010

Under S. 515, innovators would be required to spend scarce financial resources on premature and more frequent patenting, Instead of spending them on advancing their development

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Invention Theft and Loss of Rights: *Solution already available?*

- File provisional first
  - Complete solution to invention theft
  - SEI concerns regarding provisionals
    - Adequacy
    - Frequency
    - Expense

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A Modest Proposal

Combine first-to-file
with absolute grace period.

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FTF + AGP: *Advantages*

- "Delink" FTF from assumption of eliminating AGP
  - FTF and AGP are compatible
- Preserves U.S. tradition of AGP
- Preserves rights during invention development
  - While resolving invention theft and loss of rights
  - Resolves provisional problems
    - Inadequacy
    - Repetition
    - Expense

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First-to-File: *Absolute Grace Period: Example 1*

1) Inventor A invents (works in secret)
2) Independent inventor B publishes *same* invention
3) Inventor A files (<1 year after (1))
4) Inventor B files (<1 year after (2))

- With AGP: *inventor A prevails (swears behind)*
  - first to invent
- PGP Only (current bill): *inventor B prevails*
  - first to publish

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First-to-File: *Absolute Grace Period:* *Example 2*

1) Inventor A invents (works in secret)
2) Inventor A files (<1 year after (1))
3) Independent inventor B publishes *same* invention
4) Inventor B files

- With or without AGP: *Inventor A prevails*
  - A is first to invent *and* first to file

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First-to-File: *Absolute Grace Period: Enhancement**

1. Inventor B files outside U.S.
2. Independent inventor A files in U.S. on a *variation* of B's invention
3. B files in U.S.

- With AGP (enhanced): *inventor A may pursue application*
  - Because not anticipated by B's invention
- PGP Only (current bill): *inventor A may not pursue application, due to Sections 102(a)(1) and 103*

*Enhancement proposed by Hal Wegner (Foley & Lardner) as corresponding to international first-to-file standard.

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Attributes of FTF and AGP

- AGP allows swearing behind publication
- FTF "trumps" AGP
- AGP is for one year
- Could bring SEIs and large entities to middle ground
  - Possible advancement of this issue in bill

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Some Answers to Basic Q2

- First-to-file with derivation process
  - *Resolves invention theft*
  - *Eliminates interferences*
  - *Increases certainty*
  - *Reduces delay in determining rights*
  - *Reduces expenses*

- Elimination of “best mode” as challenge to validity
  - Levels playing field for SEIs
    - Reduces need for expensive “omnibus” patent applications
  - Avoids penalizing inventors by second-guessing their judgment

- Patent Office fee relief
  - Micro-entities receive 75% reduction in fees

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Patent reform: what next?

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Status and steps

- S.515
  - "Maturing" with amendments and compromises
- H.R.1260
  - Many provisions indeterminate or in flux
- Much reconciliation needed
- Action by summer – or not

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Washington Update: Patent Reform Issues 2010

The Story Continues...

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About Matt Rainey

Matt Rainey is Vice President/Chief IP Policy Counsel at Intellectual Ventures, and handles licensing and public policy matters for Intellectual Ventures. He has 27 years of experience in various aspects of intellectual property protection, licensing, litigation and policy matters.

Mr. Rainey has a B.S. in Physics from the University of Maryland and a J.D. from University of Southern California.

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About Intellectual Ventures

Intellectual Ventures is a privately held global invention capital company with offices worldwide, including its headquarters in Bellevue, Wash., and satellite offices in Silicon Valley, Austin, Vancouver, Tokyo, Beijing, Singapore, Seoul, Bangalore and Australia. Founded in 2000, Intellectual Ventures stimulates new invention opportunities by supplying capital, expertise and business models to the global intellectual property market. Intellectual Ventures creates inventions, buys inventions and partners with inventors to develop new inventions.

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