

Policies of USPTO Director Kappos & U.S. Patent Law Reform

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USPTO Director
David Kappos

- Key Characteristics of Current USPTO Leadership:
 - Strong Experience in USPTO & Industry
 - Very Good Communications
 - Internal
 - External

USPTO Priorities

- Top legislative priorities
 - First-to-file (achieved)
 - Adequate USPTO funding
 - Many projects awaiting funding

Patent Classification

- USPTO is likely to adopt EPO patent classification system
 - Part of the Trilateral Initiatives
 - Likely to improve worksharing
- U.S. Examiners will be given more time to properly classify patents

USPTO 2010-2015 Strategic Plan

- Several Patent Examination Objectives, including:
 1. Re-Engineer Patent Process to Increase Efficiencies and Strengthen Effectiveness
 - Re-engineer the Examiner “Count” System (Done)
 - Prioritize Work, including Multi-Track Examination (fast track in AIA)
 - Compact Prosecution Initiatives
 - See www.uspto.gov/strategicplan2010

USPTO 2010-2015 Strategic Plan

2. Improve Patent Pendency and Quality by Increasing International Cooperation and Work Sharing
 - Examiner Hiring:
 - ~ New 1,000 Examiners in each of FY 2011 and FY 2012
 - Hire Experienced IP Professionals (100 BTAB Patent Law Judges)
 - Develop and Implement a Nationwide Workforce
 - Satellite Offices
 - New Contracts for Patent Cooperation Treaty (PCT) Searching

Some Current USPTO Initiatives

- First Action Interview Program - Extended
- Ombudsman
- 3 Track Proposal
- Count System:
 1. Less credit for RCEs
 - no longer on 2 month docket;
 2. Backlog –
 - must examine oldest effective date
 - favors CONS, unless RCE allowable.

U.S. Patent Law Reform

The “America Invents Act”

Events in 2011

- Patent Reform was high on Congressional agenda
 - A desire to legislate
 - **Bipartisan**
 - Patent law reform is linked with job creation
 - **Frustration** in Congress with industry's lack of willingness to compromise
 - Congress has been **listening** to the PTO
 - Increased focus on need for **adequate PTO funding**
 - **Most litigation issues** have been addressed by the courts

Senate – S. 23

- **February 3, 2011** – Senate Judiciary Committee approved S. 23 as amended by a **15-0** vote.
- **February 28, 2011** – S. 23 came to the Senate floor, along with a Managers' Amendment.
- **March 3, 2011** – A proposal by Senator Feinstein to remove the first inventor to file provisions from the bill was defeated by a vote of **87-13**.
- **March 8, 2011** – S. 23, renamed the “America Invents Act,” was adopted by the Senate in a **95-5** vote, following a few minor amendments.

House of Representatives – H.R. 1249

- **February 11 & March 10, 2011** – House Judiciary Committee hearings.
- **March 30, 2011**– House Judiciary Chair Lamar Smith filed H.R. 1249 and the Judiciary Committee held further hearings.
- **April 14, 2011** – House Judiciary Committee held a “mark-up” session and voted **32-3** to approve H.R. 1249, as amended, and send it to the House floor.
- **Week of May 23, 2011** – Expected publication of H.R. 1249, as approved by the House, with House Committee report.

Passage of law

- **Beginning of June** – Judiciary Committee staffs prepared a Manager’s Amendment to clean up H.R. 1249, and resolved at least some differences between House and Senate bills.
- **Mid-June** – Action on H.R. 1249 and the Manager’s Amendment sent to the House floor.
- **September 8** – Senate approves H.R. 1249
- **September 16** – President signs identical bills to become law

America Invents Act

- General Areas:
 - PTO Fees & Funding
 - Substantive Patent Law Changes
 - PTO Practice & Proceedings
 - Litigation

PTO Funding & Fees

• Law failed to establish a USPTO public enterprise **revolving fund** to receive patent and trademark fees and pay PTO expenses “without fiscal year limitation”

- Effectively, this would have **ended PTO fee diversion**
- The PTO would have been granted **fee setting authority** subject to a review procedure.

Instead, it established account solely for USPTO excess fees usable only by PTO during the year, but still subject to Congress’ budget review

(Likely further fee diversions...)

PTO Funding & Fees

- –Also sets an **interim patent fee schedule** effective upon enactment (now), with major fees increased by 15%, as requested by PTO Director Kappos.

PTO Funding & Fees

- Fees
 - The current **50%** reduction in major fees for **small entities** will continue;
 - –A new category of **micro entities** entitled to a **75%** fee reduction; and
 - Additional fee categories would be subject to these reductions, including the fee for accelerated examination.
- Grants **micro entity** status to certain persons employed by or who have assigned their application to a **public institution of higher education**.

Substantive Patent Law

- The change from a first-to-invent system to the first-inventor-to-file system.
- A broadened scope of patent-defeating prior art
- Prior art exceptions for applicants
 - (personal grace period, but risky to publish if not supported with examples/data)
- Modification of the best mode disclosure requirement (effective now)
- Prior User Rights provisions (effective now)

The First-Inventor-to-File System

- Priority between applications would be based on application filing dates.
 - Effective for applications with *any* claim (at any time) not having an effective date before 18 months after enactment (i.e., after March 15, 2013). (What if not yet supported under §112 at this date but then supported with data afterwards?)
 - Patent interferences would be abolished
 - Derivation proceedings would be available before the renamed Patent Trial and Appeal Board.
- –Adoption of First to File is not conditioned on adoption by Europe & Japan of a U.S.-style grace period.

Prior Art (1)

- The “Unrecognized Changes” will expand the scope of prior art:
 - **Prior use and on sale** activities:
 - – No longer limited to “in this country”; and
 - “On sale” :
 - would still include offers for commercial sale, and
 - – also will include applicants’ and third party sales, regardless of whether they reveal the claimed invention.
 - Broader than many other countries’ prior art laws.
- (Continued)

Prior Art (2)

- The “Unrecognized Changes” (continued)
 - U.S. patents and published patent applications of other persons “*effectively filed* before the effective filing date of the claimed invention” will be included in the prior art.
 - – “Effectively filed” includes foreign priority dates
 - *In re Hilmer* doctrine will be abolished
 - The priority date will be the effective date for both novelty-defeating and obviousness
 - Broader than many other countries’ prior art laws

Exceptions for Applicants (Personal Grace Period)

- Exceptions from Prior Art:
 - The applicant’s own “**disclosures**” within 1 year before the “effective filing date” (first priority date) of a U.S. application, and information derived therefrom.
 - Includes Applicants’ own publications
 - – Is a public use or “on sale” activity a “disclosure”?
 - Technical Amendment(s) may clarify
 - Note expansion of grace period in cases claiming *foreign priorities*, not just provisional applications.

Other Substantive Proposals

- Treats certain **tax strategies** as deemed to be within the prior art.
- –Establishes a transitional program for post grant review of certain “financial” **business method** patents

PTO Practice

- **No PTO substantive rulemaking** authority
- **Assignee filing** of applications will be permitted; however, an inventor's oath or declaration will be required before patent grant.

PTO Proceedings

- Third-party pre-issuance submissions
- *Ex Parte* Reexamination – Continued without change
- *Inter Partes* Reexamination
 - Replaced 9/16/2012 by:
 - “Post-Grant Review” – New
 - “*Inter Partes* Review” – New
- Interferences
 - Replaced (only for 1st-to-file apps) by
 - Derivation Proceedings – New (1st-to-file apps.)
- “Supplemental Examination” – New
- Key Issue – Threshold to start the proceeding

PTO Proceedings - Comparison

Proceeding	From When / Threshold	Prior Art / Duration	Estoppel? / Settlement? / Intervening Rights.?
<i>Third party pre-issuance submissions</i> (before NOA; within 6 months after pub or FOAM)	Post 9/16/2012 any application; N/A	Printed pubs (can be anonymous); N/A	N/A; N/A; N/A
<i>Post-grant review</i> (9 month window); available unless DJ already filed; automatic litigation stay unless P.I. motion within 3 months of issuance	“Covered business method patents” “1 st -to-file” patents; More likely than not that at least 1 claim unpatentable, or novel/unsettled question of law	Any ground (allows discovery, e.g. cross-examining declarant - no <i>subpeona</i> power); 1 year extensible 6 months (appeal to CAFC)	Raised or reasonably could have raised by challenger and “privies” (worse than IPR, + responsible for presenting more types art); Yes; Yes
<i>Inter partes review</i> (after later of P.G.R. or 9 month window); barred if already filed DJ or if > 1 yr after suit	Post 9/16/2012; Reasonable likelihood that petitioner would prevail on at least 1 claim	Printed pubs (discovery like PGR); 1 year extensible 6 months (appeal to CAFC)	Raised or reasonably could have raised; Yes*; Yes
<i>Ex parte reexam</i> (unchanged)	Any patent; Substantial new question of patentability	Printed pubs - declaration; (1-3 years, then appeal to PTAB, CAFC)	None (but courts may differ); No; Yes
<i>Supplemental Exam</i> (by patent owner)	Post 9/16/2012 any patent; Substantial new question of patentability	Any information (appeal to CAFC)	N/A ; N/A; Maybe...
<i>Derivation Proceedings</i>	“1 st -to-file” patents/apps; Claimed invention derived from another	N/A (discovery)	N/A ; No; invalidity

Third Party Pre-issuance Submissions

- **Third Party submissions (as of Sept 16 , 2012)** will be allowed up to later of 6 months post publication or first action on merits, but before NOA, including:
 - Patents and printed publication prior art, and
 - Published statements of the patent owner before a federal court or the Office taking a position on the scope of any claim of a particular patent
 - Any application

Inter Partes Reexamination

- **Inter-partes reexamination** will be abolished, effective 1 year from enactment of the Patent Law Reform Act
- –No transitional provision for threshold. So SNQ no longer used for *Inter Partes* Re-exam in this, its last year

Patent Trial and Appeal Board (PTAB)

- The Board of Patent Appeals and Interferences becomes the Patent Trial and Appeal Board (PTAB)
 - Derivation proceedings replace Interferences
 - PTAB takes responsibility for the two new types of *inter partes* proceedings:
 - “Post-Grant Review”
 - “*Inter Partes* Review”
 - PTAB *inter partes* procedures are expected to be similar to Interferences

Post Grant PTO Proceedings

- Two new procedures before the Board, effective 1 year after enactment:
 - “Post-Grant Review”
 - Requested within 9 months from grant of a patent or a broadening reissue (contracts should require assignee/licensee to admit irreparable harm to keep in D. Ct.)
 - “*Inter Partes* Review”
 - Requested after 9 months from grant or reissue of a patent, or after Post-Grant Review

Post Grant PTO Proceedings

- Both Post-Grant Review and *Inter Partes* Review would ordinarily be completed within 1 year from institution
 - Extension of up to 6 months for good cause
- These changes are expected to expedite PTO review of issued patents by
 - setting tight time schedules and
 - avoiding the current delays resulting from an appeal to the Board following inter partes reexamination.

Query – What will this do to pendency of Board cases?

“Post-Grant Review”

- Provides that Post-Grant Review would include all grounds of invalidity.
- The Post-Grant Review **threshold** will require that
 - “the information presented in the petition, ... if ... not rebutted, would demonstrate that it is **more likely than not** that at least 1 of the claims challenged in the petition is unpatentable,” or
 - “that the petition raises a **novel or unsettled legal question** that is important to other patents or patent applications.”

"Inter Partes Review" (1)

- Limits the basis for *inter partes* review to patents and printed publications.

"Inter Partes Review" (2)

- The **threshold** will be “raised slightly” to showing a **“reasonable likelihood** that the petitioner would prevail with respect to at least 1 of the claims challenged....”
 - PTO Director Kappos defended the SNQ standard, at a House Judiciary Committee hearing, saying that recent data on reexaminations conducted under that standard shows a very high percentage of rejections of at least one claim.

Other Post Grant Review Provisions

- Provisions for:
 - Graduated Implementation of Post-Grant and *Inter-Partes* Reviews
 - Permits the PTO Director to limit the number of reviews in first 4 years.
 - Estoppels based on PTO review decisions that may prevent an issue from being raised in litigation or other PTO proceedings.
 - Stay of litigation or PTO proceedings in some cases.

Ex Parte Reexamination

- Central Reexamination Unit (CRU) apparently will retain responsibility for *Ex Parte* Reexamination.
- The present **threshold** of a “**substantial new question of patentability**” (SNQ) will continue.

Supplemental Examination (1)

- -Provide for Supplemental Examination:
 - Inequitable Conduct may be purged & unenforceability avoided by Supplemental Examination:
 - Supplemental Examination would consider each **Substantial New Question (SNQ)** of patentability submitted by the patent holder
 - prior art not limited to patents and printed publications
 - Procedure will be like an *Ex Parte* Reexamination.

Supplemental Examination (2)

(Continued):

- A patent shall not be held unenforceable on the basis of conduct relating to information that was considered, reconsidered, or corrected during a Supplemental Examination of the patent.
 - Exceptions:
 - An allegation pled with particularity before the request for Supplemental Examination, and
 - A litigation defense in a civil action filed before Supplemental Examination is concluded.
- The making or absence of a request for Supplemental Examination, shall not be relevant to enforceability.

Litigation (now effective)

- Prior User Defense
- Patent number marking
- Joinder of unrelated defendants
- Best mode defense
- Willfulness & Inducement – Advice of Counsel

Prior User Rights (1)

- Expands the existing prior user defense in 35 U.S.C. § 273, which was limited to methods of conducting or doing business, but did not cover all technical fields. Now covers all processes and process-related machines, equipment, and composition claims issued after Sept. 16, 2011.
- Protects only, *commercial uses in United States one year before* disclosure or effective filing date
- Should document trade secrets (with corroborating signatures) even if no plans to file an application, to satisfy evidence requirements.

(Continued)

Prior User Rights (2)

- – **Expands the prior user defense** in 35 U.S.C. § 273 to cover “use of the subject matter”
 - **But**, this defense will not be applicable where the subject matter of the patent was developed pursuant to a **federal government funding agreement**, or by a **nonprofit institution of higher education** or an affiliated technology transfer organization that did not receive private funding in support of that development.
 - This exception was added in response to university concerns.

Prior User Rights

(3)

-
- The PTO Director is required:
 - to **study** the operation of prior user rights in selected countries and
 - **report** to the Judiciary Committees within 1 year from enactment

Patent Marking

- False marking claims restricted
 - For private suits
 - Requirement to show “competitive injury”
 - Damages limited to the amount “adequate to compensate for the injury”
 - Limits violations for marking with an expired patent No.
 - Includes litigation pending on September 16, 2011
 - Order in FLFMC, LLC v. Wham-O, Inc., Appeal No. 2011-1067 (Fed. Cir. Sept. 16, 2011)
- Virtual marking allowed
 - Provide Internet address where full listing provided

Joinder Restrictions

- Multiple unrelated defendants can be sued in the same law suit only if:
 - any right to relief is asserted against the parties jointly, severally, or in the alternative with respect to or arising out of the same transaction, occurrence, or series of transactions or occurrences relating to the making, using, importing into the United States, offering for sale, or selling of the same accused product or process; and
 - questions of fact common to all defendants or counterclaim defendants will arise in the action

Best mode

- Failure to disclose best mode will not be a basis for invalidation or unenforceability of a patent
 - Purpose – reduce litigation issues involving intent
- Best mode requirement would be maintained for applications
 - Examiner has no way to determine compliance.
 - A toothless requirement?

Thank you
more materials at www.harrispatents.com

Questions or Comments:

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