

# Patent Reform Update

## What It May Mean for the Average Practitioner

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## Patent Reform Updates

- Current Status of *new* Patent Reform Act
- What's in the *new* Patent Reform Act
- What's Missing from the *new* Patent Reform Act
  
- Rulemaking
- Appeals Rules
- IDS Rules
- Patent Quality

Hot Off the Press!



Breaking News

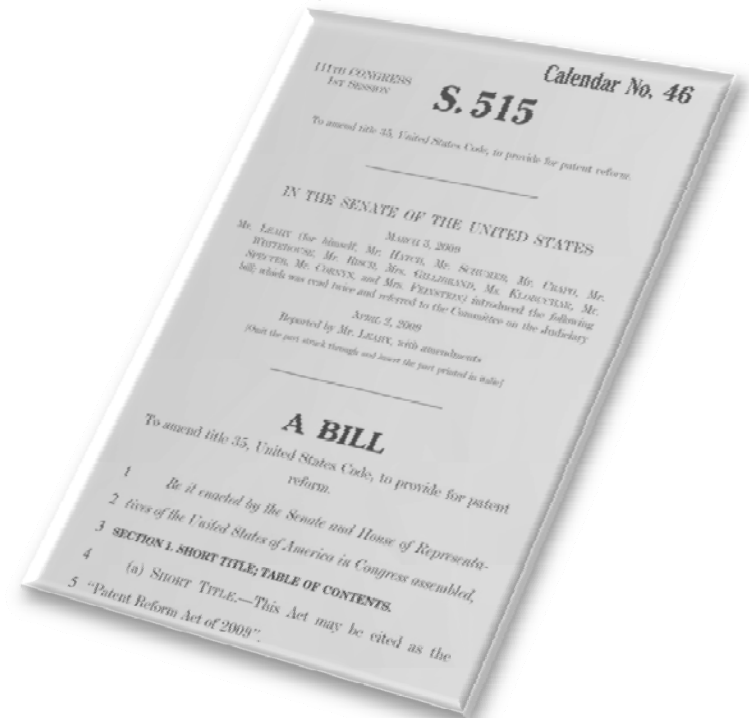
## Current Status

- Administration is pushing both Senate (S. 515) and House (HR. 1280) to get something done sooner rather than later
- Reasons behind the push
  - Need to fix Patent Office funding issues
  - Desire to take advantage of the political compromise reached on damages issue
  - Administration is looking for a relatively safe legislative victory
- Leahy announced last Friday a *new* compromise on S. 515 that will be made public shortly



# What's in the Patent Reform Act

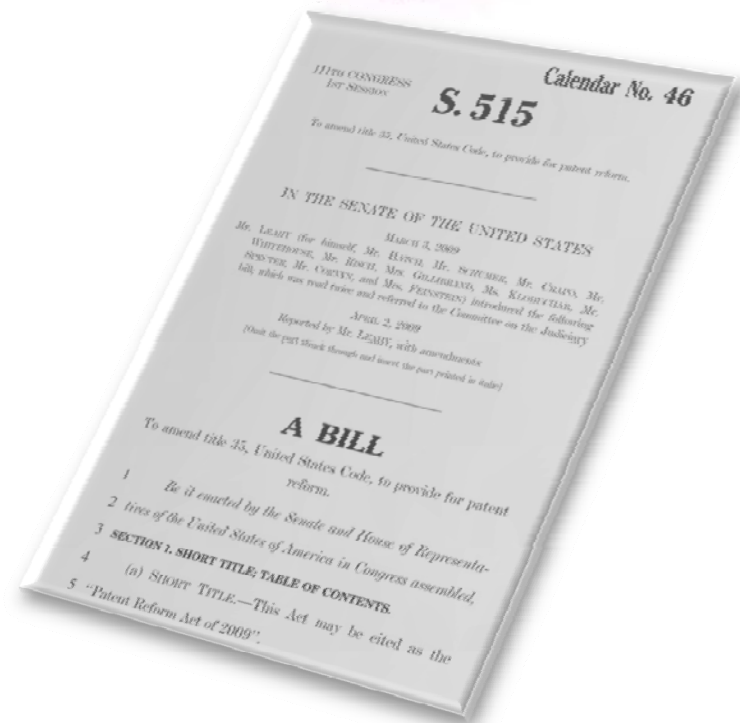
- The *old* S. 515 (Sen. Leahy et al.)
  - Amended in Judiciary Committee and referred to full Senate last April
  - At least two manager's markups were circulated last fall
  - Hatch pulled support due to watering down of damages provisions and failure to address inequitable conduct
  - Endorsed by Kappos and Administration
  - Congressional Budget Office cost estimate = \$3 million to implement bill from 2010-2019



*“The Senate has an inherent like of being courted and wooed like a lifetime bachelor. It doesn't really want to go to the altar, it simply wants to be courted and wooed.” -- U.S. Rep Darrell Issa*

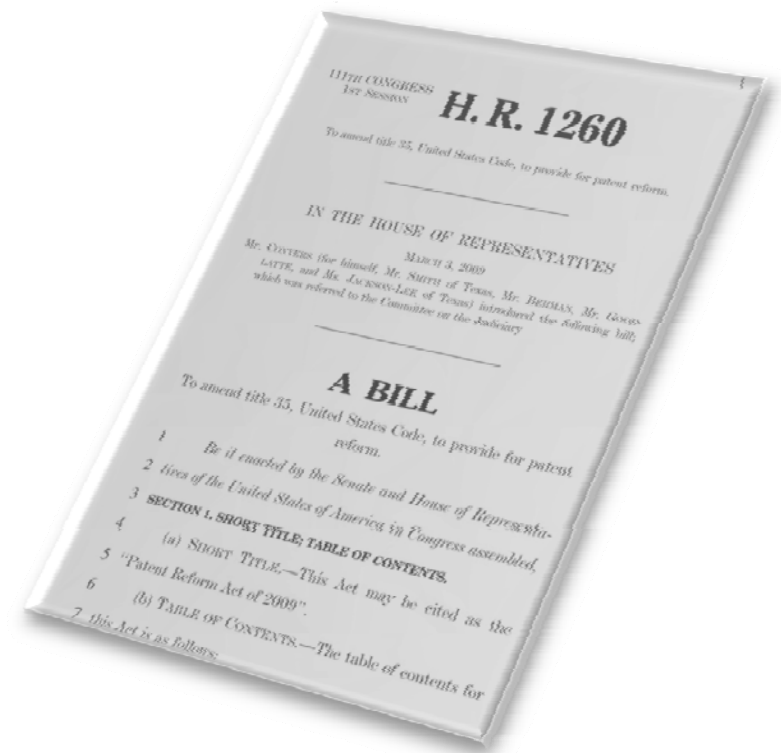
# What's in the *new* Patent Reform Act

- The *new* S. 515  
(Sen. Leahy and now, many others)
  - Leahy has reached agreement with the remaining Senate holdouts
    - Changes in reexam and post grant to get support of Sen. Sessions
    - Addition of an inequitable conduct absolution process to get support of Sen. Hatch
    - Some tweaking to the gatekeeper damages compromise to get/keep support of lobbying groups
  - Public release is being delayed to give Conyers and the House time to consider/comment on bill



# What's in the Patent Reform Act

- H.R. 1260  
(Reps. Conyers et al.)
  - Content originally was identical to S. 515 as introduced
    - Additional provisions for PTO studies and reports on the law's effects
    - Similar version passed in House in 2007; stalled in Senate in 2008
    - Key difference now is damages – apportioned value vs. gatekeeper
  - Supported by electrical, mechanical, and software groups
  - House Judiciary Committee hearings currently on “time out”—committee vote not scheduled



## The *new* Patent Reform Act



- Key Proposed Changes
  - First-inventor-to-file (FITF) system
    - FITF with backward-looking 1 year grace period
    - Replaces interferences with derivation proceedings
  - Damages
    - Gatekeeper compromise: Judge decides whether each party's damages theories are appropriate before trial
    - *New* compromise retains original language of § 284 for measuring damages
  - Completely Revamped Inter Partes/Post Grant Reviews
    - Both procedures now done by panel of APJs
    - Process must be completed, by statute, in 1 year
    - Standard changed from SNQ to likelihood of prevailing
    - Addresses estoppel, repeats and timing issues

## The *new* Patent Reform Act



- Key Proposed Changes (cont.)
  - Willful Infringement
    - Codifies *In re Seagate* objectively reckless standard
    - Adds other protections, including the “close case” protection
  - Inequitable Conduct
    - Adds Supplemental Examination option that can absolve patent
    - Submit previously not considered materials and Office determines whether there is an SNQ in 3 months
      - If not, then certificate of “clean bill of health”
      - If so, then *ex parte* reexam
  - Funding
    - Office gets authority to set fees, but fee diversion is not yet solved
    - Creates micro-entity status for 75% fee reduction

## The *new* Patent Reform Act

### ■ Key Proposed Changes (cont.)

#### ■ Patent Marking

- Limits damages on false marking to proven damage
- Adds options for virtual marking via the Internet

#### ■ 3<sup>rd</sup> Party Prior Art Submission

- Submissions allowed up to Notice of Allowance
- Must include concise description of relevance and required fee

#### ■ Other Features not significantly changed from earlier bills

- Assignee filing option
- Prior user rights extended to affiliates
- Venue provisions codifying *TS Tech*
- Best mode neutered
- PTO telework pilot program
- District court patent specialists pilot program



## First Inventor to File: FITF Will Be Different

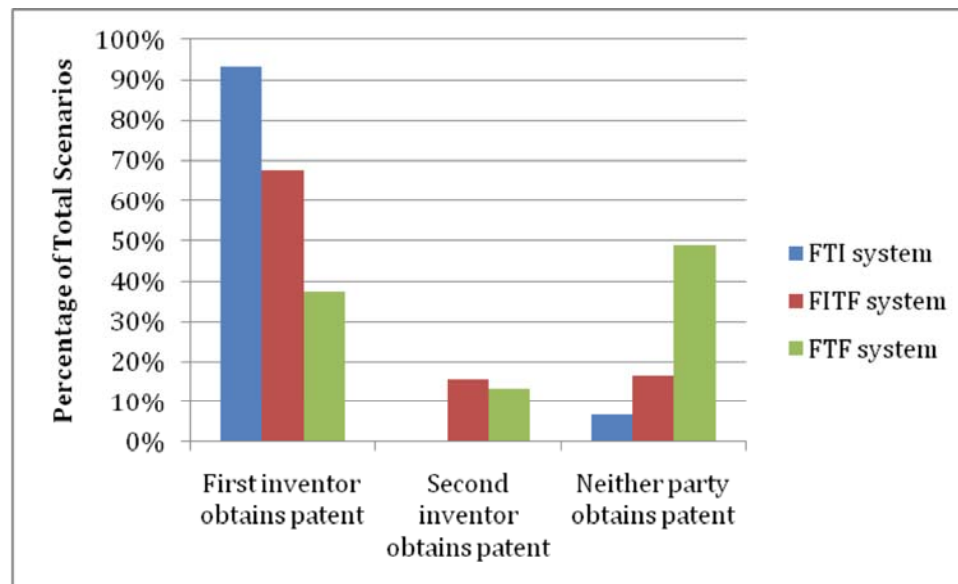


FIG. 1 – Scenarios where both parties are seeking a patent (based on hypothetical evaluation of about 200 typical fact patterns)

## First Inventor to File: FITF Will Be Different

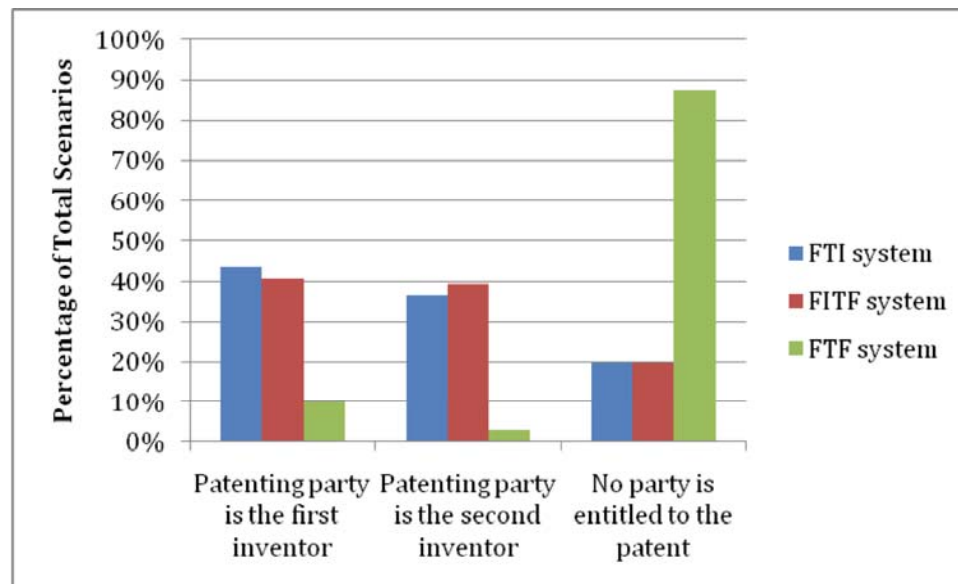


FIG. 2 – Scenarios where only 1 party is seeking a patent (based on hypothetical evaluation of about 200 typical fact patterns)

## What's Missing from the *new* Patent Reform Act?

- Problematic Transition Issues
  - Transition from FTI to FITF based on priority date
    - Applications with priority date <1 year after enactment – FTI
    - Applications with priority date >1 year after enactment – FITF
  - Transition from interference to derivation
    - 2 year period for remaining interferences to be declared
    - Provisions for dealing with bridging situations
- Obama's Golden Patent
- Permanent Fix for Fee Diversion (may come in by floor amendment)
- Substantive Rule Making Authority
- Interlocutory Appeals and Applicant Quality Submissions

# I'm a Patent Attorney and Patent Reform was my idea

- Better Inter Partes/Post Grant System run by APJs with statutory time limits
- Better FITF without a springing public disclosure exception
- Better Transition from FTI to FITF

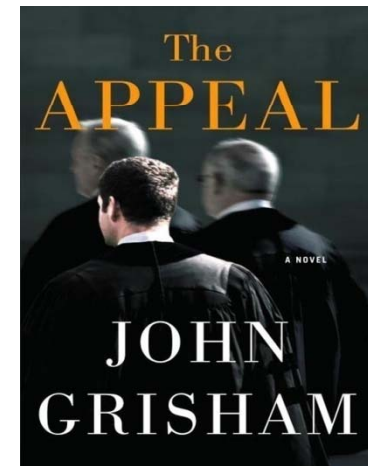


## Rulemaking

- Rules on claims and continuations rescinded (*Tafas v. Kappos*, 541 F. Supp. 2d 805 (E.D. Va. 2008))
  - “Continuation Rule” and “RCE Rule” would have permitted only two continuation applications and one request for continued examination per application family
  - “Claims Rule” would have permitted an applicant to file 5 independent claims and 25 total claims per application
- USPTO announced October 2009 that it will rescind the claiming and continuations rules package 😊!!!!
- The “Rest of the Story”
  - Federal Circuit granted motion for dismissal of appeal on November 13, 2009, but denied motion to vacate
  - Tafas is still pursuing injunction on remand at District Court
  - Tafas needs to win in order to collect attorneys fees

## Appeals Rules

- Appeals Rules Status
  - Roundtable held in January
  - Latest round of Comments closed in February
  - Expect the Final Rule Package (II) by summer
- Reasons for the Rule Changes
  - Increased backlog
  - Increased uniformity
  - Judge Fleming’s “ships passing in the night” problem
- Biggest Concern
  - BPAI has changed standard of review—must show Examiner error
- Biggest Benefit
  - BPAI will be in charge of reviewing whether briefs meet technicalities

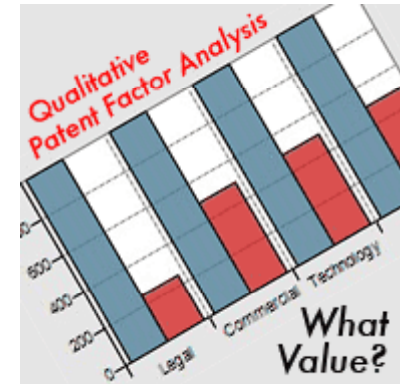


## IDS Rules

- IDS Rules
  - Limit of 25 cited references on a PTO-1449
  - If > 25 cited references, then an ESD (Examination Support Document) was required
- IDS Rules had gotten to last step of process, but were held up with change of administrations
- No currently announced plans to reanimate the old IDS Rule package; however, the notes in the Request for Comments on Patent Quality still contains hints that the Office considers best practice to be a limited number of cited references
- Hopefully, any new rules would be issued only in conjunction with an attempt by the Office to exert more control over inequitable conduct and document management in terms of related cases citations

## Patent Quality

- USPTO request for public comment on patent quality
  - Comments due by March 8th
- Interested in:
  - Prior Art
  - Comprehensive Initial Application
  - Comprehensive First Office Action
  - Comprehensive and Clear Responses to Office Action
  - Patent Quality Measurements
- Probably no new rules directly on patent quality
  - Likely to see new forms of quality measures
  - Hopefully, we see continued focus on customer service



## Kappos' Vision for the USPTO

- USPTO is re-engineering its internal processes in attempt to reduce delays
- USPTO is re-engineering its quality measures and the statistics it will use to report quality
- First Action Interview program increases chances of a first action allowance
- USPTO Directors blog: [www.uspto.gov/blog](http://www.uspto.gov/blog)
- PCT and international issues will play a central role in USPTO policy



*“In taking the actions we are announcing today, we hope to engage the applicant community more effectively on improvements that will help make the USPTO more efficient, responsive and transparent to the public.”*

*-- David Kappos, Director of the USPTO, October 9, 2009*



# Thank You!

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