



Stein McEwen & Bui LLP

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PATENTS

Lexmark Is Able to Prevent Patent Exhaustion Through Use of End User License to Prevent End User's From Re-filling Single Use Cartridges

Lexmark International, Inc. (hereinafter Lexmark) is a manufacturer of printers and printer cartridges. In order to prevent unauthorized re-filling of the printer cartridges, Lexmark has been attempting to enforce its rights using a combination of actions, including one well publicized action based upon its existing patent rights. Specifically, as part of its end user license for the same cartridges, Lexmark included a provision which is substantially as follows:

License Agreement: Patented cartridge inside sold subject to a Single Use Only restriction. It is a violation of this agreement and/or it is unlawful to resell, reuse, refill or remanufacture.

The Arizona Cartridge Remanufacturers Association (hereinafter referred to as the ACRA) is an association which represents the cartridge remanufacturing industry. The ACRA sued Lexmark for unfair trade practices in relation to its attempt to control the post-sale use of the cartridges and, in particular, for the single use restriction contained in the licensing agreement. According to the ACRA, since the patents were exhausted when first sold to the user, the single use restriction contained in the license was deceptive to consumers. Lexmark filed a counterclaim of patent infringement.

On motion for summary judgment, the District Court for the District of Northern California reviewed the law of patent exhaustion and found that, for exhaustion to attach, the patented article must have been sold without restrictions on the use. Further, if the sale was conditional, patent exhaustion does not apply. In analyzing the sale of the printer cartridge having the single use restriction, the District Court noted that the single use restriction was obviously placed and readily seen by the end user. The District Court further held that the restriction was included in a valid shrink wrap license and that the user is able reject the restriction by obtaining a more costly version of the cartridge from Lexmark, which was evidence that the end user received consideration for the restriction on the cartridge's use. As such, the District Court held that the restriction was valid and enforceable such that the sale was conditional. Since the sale of the cartridge was conditional, the patent was not exhausted. Therefore, the District Court granted summary judgment dismissing ACRA's claims of unfair trade practices, and found that Lexmark's use of the single use restriction was proper and "falls squarely within Lexmark's patent right." [ACRA v. Lexmark Int'l Inc.](#), Civ. No. 01-4626 (N.D. Cal. Sept. 29, 2003).

While the case is currently on appeal pending a decision by the Ninth Circuit, the District Court's decision is instructive in showing that, by placing a condition on the sale of the patented consumable, it is possible to preserve the patent rights for that patented consumable. Specifically, the use of end user license agreements would appear to directly prevent the end user from performing one or more tasks not required for the intended end use of the consumable (i.e., using the printer cartridge in the printer) while validly preventing the unauthorized use of the consumable (i.e., re-filling the printer cartridge).

Failure to Seek Certificate Of Correction Prevents District Court from Making Corrections Not Evident On Face Of Patent

In [Group One Ltd. v. Hallmark Cards, Inc., 04-1296 \(Fed. Cir. May 16, 2005\)](#), the Federal Circuit reviewed the patentability of U.S. Patent No. 5,518,492 (the '492 patent) and U.S. Patent No. 5,711,752 (the '752 patent) which were found invalid at the District Court level for both procedural reasons and for obviousness. With regard to the '492 patent, the Federal Circuit reviewed the authority of the District Court to make corrections for printing errors caused by the United States Patent and Trademark Office (USPTO) but which were not corrected prior to bringing an action. Specifically, in claim 1 of the '492 patent, a phrase was added to the claim for purposes of patentability and was not printed on the issued patent. It was uncontested that the error was correctable under 35 U.S.C. §254 as an error caused by the USPTO.

However, the patent owner had not filed for or obtained a certificate of correction at the time of trial. The Federal Circuit held that, in certain cases where the error is "evident from the face of the patent," the District Court has the authority to effect the change retroactively as was done in Hoffer v. Microsoft, et al., [Civ. Case. No. 04-1103](#) (Fed. Cir. April 22, 2005). However, unlike the situation in Hoffer, the error in claim 1 was not evident from the face of the patent such that the District Court correctly did not make the correction at trial. As such, the claims as presented at trial were invalid.

In regards to the '752 patent, the Federal Circuit upheld the patentability of the claims since the conflicting evidence of obviousness supported the jury's non-obviousness verdict. Moreover, the Federal Circuit held the '752 patent enforceable over various technical and procedural defects. Specifically, the Federal Circuit held that, while the patent owner had failed to pay a maintenance fee, the patent owner's petition to pay maintenance fees, which was not granted until after the close of evidence at trial, did not render the patent invalid since the late payment was retroactive under 35 U.S.C. §41(c)(1) and did not affect the enforceability of the claims. Lastly, the Federal Circuit held that the terminal disclaimer signed by the inventors and filed in the '752 patent was effective since, while the patent was assigned by the inventors at the time the terminal disclaimer was filed, the assignment was not recorded at the USPTO and 37 CFR 1.321 only requires a signature where there is an assignee of record.

Claim Interpretation And Use of "Whereby" Clause to Limit Scope of Recited Function, And Allows Minor Corrections of Issued Patents During Litigation

Steven Hoffer is an independent inventor and owns U.S. patent no. 5,799,151, which is directed to an interactive trade network by which users interactively post information in regard to discrete and indexed economic topics. The indexed topics are posted on a host computer, and the users are able to interact with each other directly. Mr. Hoffer asserted that Microsoft Corp. and others infringed claim 21 of U.S. patent no. 5,799,151 due to their use of the Universal Description Discovery and Integration (UDDI) system. The UDDI system does not use interactive messaging and instead requires posting of the individual messages. However, since claim 21 does not specifically recite the use of interactive messaging except in a whereby clause, Mr. Hoffer believed that the whereby clause did not limit the claim to interactive messaging.

In the first part of its ruling, the District Court held that the recitation of interactive messaging in the whereby clause limited the scope of claim 21 to require interactive messaging, and relied upon statements in the specification to support its position. Citing the Summary of

the Invention, the District Court found that removing the interactive messaging requirement recited in the whereby clause would be contrary to the fundamental invention. On appeal, the Federal Circuit agreed with the District Court's use of the whereby clause. Specifically, while the general rule is that "whereby" clauses do not limit the scope of the claim where the clause merely recites an intended result, if the clause expresses a necessary function performed by the recited invention, the necessary function required in the whereby clause will become a claim limitation. As such, the UDDI system did not infringe claim 21 literally or under the doctrine of equivalents since the UDDI system lacks the recited interactive messaging.

In the second part of its ruling, the District Court had held claim 22 invalid for improper dependency and stated that the District Court lacked the power to allow correction of the claim after filing of the lawsuit even though the error was incurred by the United States Patent and Trademark Office and was corrected using a Certificate of Correction after filing of the lawsuit. On appeal, the Federal Circuit reversed the District Court and held that the District Court has the power to correct typographical errors and that such errors do not automatically render claim 22 invalid for indefiniteness if the error is plain from the prosecution history. According to the Federal Circuit, absent evidence of prejudice to the defendants or evidence that the patent owner delayed obtaining the Certificate of Correction to deceive the defendants, the District Court has the power to correct the patent since "a patent should not be invalidated based upon an obvious administrative error." Hoffer v. Microsoft, et al., [Civ. Case. No. 04-1103](#) (Fed. Cir. April 22, 2005).

Claim Interpretation Of Phrase "Attenuated and Filtered" Has Broader Common Meaning In Light of Dictionary Definition, Specification, And Since the Narrower Meaning Excludes All Embodiments of the Invention

In [Nellcor Puritan Bennett, Inc. v. Masimo Corp. 04-1427 \(Fed Cir. April 8 2005\)](#), the Federal Circuit revisited the issue of claim construction and the process used to construe the claim. In particular, this case deals with construing the meaning of "attenuated and filtered." The District Court construed the phrase "attenuated and filtered" to mean "reduced and removed," and then granted summary judgment of non-infringement in favor of defendant Masimo based on this narrowed construction. The Federal Circuit vacated the district court's summary judgment of non-infringement, and remanded for further consideration based on a new construction of the claim terms. In order to construe the claim, the Federal Circuit first looked at the ordinary meaning of the claim language and relied on a standard dictionary (IEEE, Authoritative Dictionary of IEEE Standard Terms) for such definitions. Since two of the definitions

provided by the dictionary were consistent with the definition proposed by the plaintiff, Nellcor, the Court looked then at the specification. The specification provided further guidance as to the meaning of the term "attenuated and filtered from the composite," since at one part of the specification the term "attenuated and filtered" was used to refer to the "effective removal" of data rather than the absolute removal of data. Furthermore, the Federal Circuit rejected the district court's interpretation that "attenuated and filtered" meant "reduced and removed" since such interpretation would exclude all of the embodiments of the invention. According to Vitronics Corp. v. Conceptronic, Inc. 90 F.3d 1576, 1583 (Fed. Cir. 1996), a construction that excludes all of the embodiments of the invention is rarely if ever correct. As such, the Federal Circuit found that a broader interpretation was both consistent with the ordinary meaning of the phrase and with the examples provided in the specification.

Claim Interpretation And Use of Specification, Prosecution History, And Common Meaning To Interpret "Mounted On"

In the context of a claimed processing system in which a first communication means and a first microcomputer are mounted on a transportable container and are in communication with a second communication means and a second microcomputer mounted on a workstation, the patent owner attempted to interpret the phrase "mounted on" to include electrical connections such that the claims are not limited to only physical attachments between the second microcomputer and the workstation. The Federal Circuit held that, where an ordinary meaning is present and is consistent with the specification and statements made to the Examiner during prosecution history of the issued patent and its parent application to distinguish over prior art references, broader meanings are not adopted. Further, a conclusory statement by an expert is insufficient to broaden the term "mounted on" to include electrical connections. Thus, the term "mounted on" does not read on mere electrical connections to a microcomputer. Lastly, since the term "mounted on" is binary in nature, the term "mounted on" cannot be used by the doctrine of equivalents to read on an item which is not "mounted on" since doing so would violate the all elements rule of claim construction by vitiating a claim term. Asyst Techn. Inc. v. Emtrak, Inc., [Civ. Case No. 04-1048](#), -1064 (Fed. Cir. March 22, 2005).

Claim Interpretation And Use of Specification, Prosecution History, And Common Meaning To Interpret "Substantially Uniform"

Medrad owns a patent drawn to radio frequency coils used in the manufacture of magnetic resonance imaging (MRI) devices. As recited in claim 1, the patented coils provide a

"substantially uniform" magnetic field that is "applied to a "region of interest." Medrad accused MRI Devices of infringement and MRI Devices asserted, as a defense, that the patent was invalid as reading on the prior art. The District Court granted a summary judgment of invalidity. In affirming the invalidity of the patent, the Federal Circuit noted that Medrad's definitions of the terms "substantially uniform" and "region of interest" to avoid invalidity are not supported by the specification, which includes in its objects of the invention and specific examples, support for the interpretation of the claim terms afforded by the District Court. Further, Medrad's definition of the term "substantially uniform" in the context of a magnetic field does not conform to the examples of coils used to generate the magnetic field disclosed in the patent. Thus, in the context of a claim term which provides little guidance as to the appropriate meaning, the written description is to be consulted and any resulting claim construction should be consistent with the written description since a "claim construction that does not encompass a disclosed embodiment is ... rarely, if ever, correct. Johns Hopkins Univ. v. Cellpro, 152 F. 3d 1342, 1355 (Fed. Cir. 1998)." (Opinion at Pg. 11). Lastly, the mere fact that the term "substantially uniform" has been differently interpreted by the Federal Circuit in an unrelated case is not dispositive since the unrelated case, Ecolab, Inc. v. Envirochem, Inc., 264 F.3d 1358 (Fed. Cir. 2001), did not relate to magnetic fields used in MRI imaging as does the claimed invention. Medrad Inc. v. MRI Devices Corp., [Civ. Case No. 04-1134](#) (Fed Cir. March 16, 2005).

Claim Interpretation and Use of Objects of Invention and Cited Prior Art as Intrinsic Evidence

V-Formation claimed that Benetton's in-line skates infringed 3 of V-Formation's patents (U.S. Patent Nos. 5,873,584; 5,803,466; and 6,045,143). One patent was still at issue on appeal, the 5,803,466 patent. In particular, the interpretation of the claim term "releasably attaching" found in claims 1 and 9 was at issue. The district court focused on the "intrinsic record" of the 5,803,466 patent. The district court construed the claim term by looking at the specification and a listed object of the invention. Additionally, and most interestingly, the district court construed the prior art cited by V-Formation as "intrinsic evidence" and therefore relied upon the disclosure in U.S. Patent No. 5,549,310 issued to Meibock to interpret the claims of the 5,803,466 patent. Thus, applicants should be aware when using terms that references cited in an Information Disclosure Statement are construed as part of the intrinsic record of the patent and any claim terms that are used contrarily to the use of the cited reference should be defined explicitly in the specification. V-Formation, Inc. v. Benetton Group SPA, Rollerblade, Inc., [03-1408](#) (Fed. Cir. March 15, 2005).

Commercial Offer for Sale Does Not Occur Until Claimed Invention Actually Conceived Even Where Commercial Offer Might Include Variation Including Claimed Invention Within Scope of Contract

Sparton alleged that the United States infringed Sparton's U.S. Patent Nos. 3,921,120 and 4,029,233 relating to sonobuoys and sought relief under 28 U.S.C. 1498(a) in the Federal Court of Claims. As a defense, the United States noted that the patented invention had been subject to a commercial offer for sale such that the patents were invalid under 35 U.S.C. §102(b). The Court of Claims agreed with the United States and ruled that the patents were invalid because the inventions were subject to a commercial offer for sale more than one year prior to the effective filing date of these patents since the offer, as interpreted under commercial contracting rules and the UCC, encompassed the claimed invention. The Federal Circuit reversed the Court of Claims and noted that, in order for a patent to be held invalid based on the 35 U.S.C. §102(b) on-sale bar, the claimed invention itself must have been subject to a commercial offer for sale and the invention as claimed must be ready for patenting. For the asserted "commercial offer" prong of the test, the relevant sale occurred on March 17, 1971 as part of an engineering change proposal (ECP) submitted by Sparton for sonobuoy work being performed under a United States Navy contract. However, the patents at issue each recite a single release plate mechanism, whereas the contract having the ECP was for a multiple release plate mechanism. Thus, any offer was not for the patented invention since there was no evidence that the single release plate was actually offered or conceived. Thus, even assuming that the ECP would have allowed the contractor to submit the single release plate as a variation on the design to fulfill the contractual requirements, since the design itself was for the multiple release plate mechanism and there is no evidence that the claimed release plate mechanism was conceived prior to submission of the ECP, the Federal Circuit held that no offer for sale was made for the patented invention. [Sparton Corporation v. United States, Civ. Case. No. 03-5169](#) (Fed. Cir. February 28, 2005).

Failure of License to Convey All Substantial Rights Prevents Licensee From Asserting Patent Rights Against Third Party Without Patent Owner

In [Fieldturf, Inc. v. Southwest Recreational Industries, Inc.](#), 57 F.3d 1266 (Fed. Cir. 2004), Fieldturf obtains a license to practice the claimed "artificial turf" as an alternative to natural grass for playing surfaces for athletic games, as disclosed in U.S. Patent No. 4,337,283. Evidently, the inventor of the '283 patent, Frederick Haas Jr., had assigned the patent to a

Louisiana partnership that, through a succession of entities, conveyed the exclusive license rights to Fieldturf. Fieldturf asserted the '283 patent against Southwest, the maker of AstroPlay™ (a rubber and sand-filled system), on the basis that Southwest's manufacture of AstroPlay™ was alleged to infringe the patent. However, on appeal from a Kentucky district court, the Federal Circuit dismissed the patent claim because Fieldturf did not have standing to enforce the patent because the licensing agreement was nothing more than a bare license that did not grant the right to enforce the patent, either explicitly or impliedly. Fieldturf was neither the patentee, a successor in title to the patentee or an exclusive licensee of the patent at issue. To have an exclusive license, Fieldturf must show that it possesses "all substantial rights in the patent, which Fieldturf was not able to do. As a result, Fieldturf does not have standing and cannot bring suit against Southwest.

Rebuttable Presumption of Market Power and Per Se Illegality in Antitrust Actions in Which Patented Tying Product is Tied to Unpatented Tied Product

Trident owns U.S. patent no. 5,343,226, which claims a patent on an ink jet device and supply system used in the manufacture of printers. Trident also manufactures ink for use in the patented ink jet device. In licensing agreements with OEM manufacturers to use the patented ink jet device, Trident required the OEM manufacturers to purchase from Trident the ink used to refill the licensed ink jet devices. A competitor, Independent Ink, sued Trident claiming that the license agreements constitutes a per se illegal tying arrangement in violation of the Sherman Act, 15 U.S.C. §1 et seq. Specifically, Independent Ink asserted that license illegally tied the licensing of the patented ink jet with the purchase of unpatented ink. While the District Court held that such tying arrangements require a showing of market power in the market for the patented ink jet device, the Federal Circuit overturned the District Court's decision. Specifically, the Federal Circuit noted that, as required by the Supreme Court in Jefferson Parish Hospital District No. 2 v. Hyde, 466 US 2, 16 (1984) and International Salt Co. v. United States, 332 US 392 (1947), where the tying product is patented, there is a presumption of market power in the tying market. The Federal Circuit specifically noted that, in comparison with recent trends to require a showing of market power for non-patented tying goods, the treatment of patented tying products and the presumption of market power has been "more consistent" than for unpatented products. (Opinion at Pg. 8). As such, while there is considerable criticism of the presumption of market power for patented products and while the prosecutorial guidance set forth in the Department of Justice's Antitrust Guidelines for the Licensing of Intellectual Property (1995) indicates that no presumption of market power exists based only upon a patent, this criticism

and exercise of prosecutorial guidance "does not affect the validity of the Supreme Court's decisions in International Salt and United States v. Loew's Inc., 371 US 38 (1962)]" such that both International Salt and Loew's remain good law. (Opinion at Pgs. 13 and 14, n. 10). Therefore, the Federal Circuit held that Independent Ink did not need to prove market power in the market of the patented tying product. However, the Federal Circuit held that, while there is a presumption of market power in the patented tying product, the patent owner Trident is entitled to present evidence to rebut the presumption. Independent Ink, Inc. v. Illinois Tool Works, Inc., et al., [Civ Case No. 04-1196](#) (Fed. Cir. January 25, 2005).

Declaratory Action Requires Affirmative Act Beyond Mere Notice of the Patent and Institution of Litigation Against Others In Field

Teva is a generic drug manufacturer and filed an Abbreviated New Drug Application ("ANDA") pursuant to the provisions of the Hatch-Waxman Amendments to the Federal Food, Drug and Cosmetic Act in order to manufacture a generic version of the drug sertraline hydrochloride, which is sold by Pfizer under the name Zoloft®. Since Pfizer holds patents for sertraline hydrochloride, Pfizer listed these patents in the Orange Book in compliance with the Hatch-Waxman Act, 21 U.S.C. §355. In filing the ANDA, Teva acknowledged the existence of the patents, but asserted in the ANDA that Teva did not infringe these patents and/or that they were not valid. After filing the ANDA, Teva initiated a Declaratory Judgment based upon Pfizer's previously having sued another company for the manufacture of sertraline hydrochloride and due to Teva's having filed the ANDA. The Federal Circuit held that, in order to show a reasonable apprehension of being sued, the Declaratory Judgment Act, 28 U.S.C. §2201(a) requires a showing of actual controversy between the parties. The mere fact that Pfizer complied with 21 U.S.C. §355 did not, in and of itself, present an actual controversy since this provision does not require that the patent owner enforce the listed patent. As such, without an affirmative act by Pfizer against Teva, Teva does not have standing to bring a declaratory judgment. Teva Pharmaceuticals USA v. Pfizer, Inc., [Civ. Case No. 04-1186](#) (Fed. Cir. January 21, 2005) petition for reh'g en banc denied [Civ Case. No. 04-1186o](#) (Fed. Cir. April 4, 2005).

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Digital Millennium Copyright Act: Lexmark Reversed on Digital Millennium Copyright Act (DMCA) Since Unprotected Program Is Not Subject to DMCA Protection and Since Encryption Protected Program Was Not Copyrightable

Lexmark International, Inc. (hereinafter Lexmark) is a manufacturer of printers and printer cartridges. In order to prevent unauthorized re-filling of the printer cartridges, Lexmark has been attempting to enforce its rights using a combination of actions, including one well publicized action based upon the DMCA. Lexmark brought suit against Static Control Components, Inc. (hereinafter SCC) in the Eastern District of Kentucky and was initially granted a preliminary injunction preventing SCC from selling the chip. Among the grounds supporting the preliminary injunction, the District Court found that Lexmark was likely to succeed on its claim that SCC's chip was in violation of 17 USC 1201(a)(2) of the DMCA. On appeal to the Court of Appeals for the Sixth Circuit, the District Court was reversed on the DMCA claim.

Specifically, the Sixth Court found that the DMCA did not prevent SCC's creation and distribution of the chip since the chip did not prevent the unauthorized access of the Printer Engine Program resident on the printer. The Sixth Circuit also held that SCC's chip did not prevent the unauthorized of access of the Toner Loading Program since the Toner Loading Program was held to not be copyrightable. Therefore, even though the Toner Loading Program was copied onto SCC's chip and the algorithm designed to protect access to the Toner Loading Program was admittedly broken, the DMCA did not prevent this access. [Lexmark Intern'l, Inc. v. Static Control Components, Inc.](#), 387 F.3d 522; 72 U.S.P.Q.2D 1839 (6th Cir. 2004) reh'g denied, 2004 U.S. App. LEXIS 27422 (Dec. 29, 2004), reh'g en banc, denied, 2005 U.S. App. LEXIS 3330 (Feb. 15, 2005).

While the Sixth Circuit's decision merely remanded the case for further proceedings and has not yet been finalized, the Sixth Circuit succinctly pointed out the possible deficiencies in the DMCA as applied to printer products:

- 1) the work being protected by the technology measure needs to be copyrightable;
- 2) some technological protection must prevent access to the copyrighted work; and
- 3) the user alleged to be accessing the work must not be authorized (i.e., license must restrict right to access copyrighted work).

LEGISLATION, USPTO RULES, AND OTHER MISCELLANEOUS MATTERS

COPING WITH THE 2005 USPTO FEE INCREASES: STRATEGIC APPROACHES

By: Steven W. Crabb & James G. McEwen

On December 8, 2004, President Bush signed the Consolidated Appropriations Act of 2005. A portion of the omnibus spending bill revised regulatory fees at the U.S. Patent & Trademark Office (USPTO). The bill increased the effective filing fee for filing a new non-provisional application and dramatically increased extra claims fees associated with filing new applications with more than the standard 3 independent and 20 total claims provided with the filing fee. The bill also increased costs of Appeal as well as costs associated with the filing of reissue applications.

The most significant changes are for excess patent claim fees. Fees for excess patent claims more than doubled, and new fees were instituted for the search and examination of utility patents and for excess pages in lengthy applications. Additionally, the excess patent claims fees were applied to reexaminations, which had previously not required payment of excess claims fees.

The basic filing fee has now been split into three separate fees all payable at the time of application: (1) the filing fee is \$300, (2) a new search fee is \$500, and (3) a new examination fee is \$200. Certain of these fees may be refunded based upon whether the application was filed under the Patent Cooperation Treaty (PCT) naming the USPTO as the International Searching Authority.

While not yet implemented, according to the USPTO's Office of Patent Legal Administration, the USPTO has authority to implement rules in regard to refunds of certain fees including: 1) applications which are withdrawn before entering the search and examination phases may become eligible for a refund of at least the search and examination fees; 2) any excess claims fees for claims cancelled prior to examination on the merits (i.e., prior to a first Office Action); and 3) the search fee for a search report meeting the requirements of the Director. These refund provisions are forthcoming.

Previously, utility patent applications were not subject to page count restrictions and some applications would reach hundreds of pages long. In order to more closely reflect the costs associated with these large specifications (and possibly to discourage lengthy specifications), the patent office now charges a utility application size fee of \$250 for each

additional 50 pages in excess of 100 pages. The total page count includes not only the specification, but the drawings and any computer or sequence listings.

Previously, the cost of filing a patent application was set at \$790. This single filing fee covered an application of unlimited length, including up to twenty claims, of which three could be independent claims. Claims in excess of twenty were previously subject to an \$18 per claim fee, and independent claims in excess of three cost \$88 each. An example of the impact of this increase in fees is as follows:

Example 1: For Application With 10 Independent Claims And 40 Claims Total

Old Fee Schedule (Prior to December 8, 2004)	New Fee Schedule (Effective December 8, 2004)
7 extra independent claims x \$88 per claim = \$616	7 extra independent claims x \$200 per claim = \$1400
20 extra total claims x \$18 per claim = \$360	20 extra total claims x \$50 per claim = \$1000
Excess claims surcharge = \$976	Excess claims surcharge = \$2400
Total filing fee = \$790 + \$976 = \$1766	Total filing fee = \$1000 + \$2400 = \$3400

Example 2: For Application With 5 Independent Claims And 40 Claims Total

Old Fee Schedule (Prior to December 8, 2004)	New Fee Schedule (Effective December 8, 2004)
2 extra independent claims x \$88 per claim = \$176	2 extra independent claims x \$200 per claim = \$400
20 extra total claims x \$18 per claim = \$360	20 extra total claims x \$50 per claim = \$1000
Excess claims surcharge = \$536	Excess claims surcharge = \$1400
Total filing fee = \$790 + \$536 = \$1326	Total filing fee = \$1000 + \$1400 = \$2400

Another significant increase was made to Appeal fees. Filing the Notice of Appeal is \$500; filing an appeal brief is \$500; and requesting an oral hearing is now \$1000. Previously the fees were \$340 for filing the Notice of Appeal; \$340 for filing the Appeal Brief and \$300 for requesting an oral hearing. Thus, the raise in fees substantially increases the cost of appeals,

and especially the cost of conducting an oral hearing, and will likely have an effect in discouraging at least the routine requests for oral hearings.

While these changes raise the cost of filing and prosecuting a patent application in the United States, an applicant may be able to minimize the impact of the fee structure changes using the following strategies.

- During prosecution after a Restriction Requirement, consider canceling the claims withdrawn by the restriction, and replacing the same number of cancelled claims with new claims drawn to the elected invention. In this way, the extra claims fees previously paid for are not lost merely due to the issuance of a Restriction Requirement.
- Further, where a Restriction Requirement is likely, consider splitting the applications to stay within or near the standard fee claim limits for each of the new applications in order to reduce the extra claims fees as well as the costs associated with responding to Restriction Requirements.
- Carefully consider when to redraft dependent claims in independent form because this may create excess claim fees without obtaining substantial desired coverage. Further, since making claims independent does not necessarily prevent the assertion of prosecution history estoppel, making claims independent does not necessarily maintain coverage available under the doctrine of equivalents.
- Avoid oral hearings unless necessary. For complex cases, an Oral Hearing can be useful to clarify the issues. However, Oral Hearings are often discouraged by the Administrative Law Judges on the Board of Patent Appeals and Interferences in at least their public speeches on the subject, while doubling the amount of appeal fees (\$1000 vs. \$2000).
- An applicant may consider using dependent claims when extra claims are needed to obtain coverage of the invention. One extra independent claim has the same cost as four extra dependent claims, while potentially having the same literal coverage.

However, since the protection offered by a patent is entirely dependent on the scope of the claims and since the Doctrine of Equivalents is providing less coverage than historically provided, applicants should not reduce the number of claims (or their scope) solely to reduce the costs associated with filing the application.

If you have any questions or would like additional information on any of the articles cited in this newsletter, please contact:

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