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## THE UNITED STATES SUPREME COURT SPEAKS ON INJUNCTIONS IN PATENT CASES

### COURT CLARIFIES ROLE OF EQUITY IN IMPOSING INJUNCTIONS IN PATENT CASES

The United States Supreme Court, in one of its increasingly less rare cases involving patents, has ruled that whether or not an injunction is to be granted in a patent case must be decided under the traditional guide lines applicable to the granting of injunctions in general.

On May 15, 2006, the Court rendered a unanimous decision in *eBay Inc. v. MercExchange LLC*, 78 USPQ2d 1577 (Sup. Ct. 2006), in which the Court vacated a decision by the Court of Appeals for the Federal Circuit and remanded the case to the District Court for the Eastern District of Virginia. The facts are straight forward. MercExchange had brought an action against eBay and Half.com Inc., a wholly owned subsidiary of eBay, for infringement of several business method patents covering an electronic market designed to facilitate the sale of goods between private individuals by establishing a central authority to promote trust among the participants to the transactions. MercExchange had initially sought to license its patents to eBay and Half.com, but no agreement was reached. In the suit in the District Court, a jury found that the patent was both valid and infringed, and awarded damages. Following the jury verdict the District Court denied MercExchange's motion for a permanent injunction. On appeal, the Federal Circuit reversed the denial of the permanent injunction. Specifically, the Federal Circuit held that, for patents, the "general rule [is] that courts will issue permanent injunctions

against patent infringement absent exceptional circumstances." The Supreme Court granted certiorari to determine the appropriateness of this "general rule."

According to well-established principles of equity as articulated by the Supreme Court, a plaintiff seeking an injunction must satisfy a four-factor test before a court may grant relief. The plaintiff must show (1) that it has suffered an irreparable injury, (2) that remedies available at law, such as monetary damages are inadequate to compensate for that injury, (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted, and (4) that the public interest would not be disserved by an injunction. The Supreme Court held that the District Court had not applied those rules and needed to apply the grant or denial of the permanent injunction in accordance with this framework. Once properly applied, the Supreme Court held that the District Court's decision was reviewable by the Federal Circuit to determine if the lower Court had abused its discretion.

The Supreme Court then took issue with the holding of the Federal Circuit in regards to the "general" rule, unique to patent disputes, "that a permanent injunction will issue once infringement and validity have been adjusted," and that injunctions should be denied only in unusual cases, involving exception circumstances to protect the public interest. The language of the Supreme Court's decision is telling: "Just as the District Court erred in its categorical

denial of injunctive relief, the Court of Appeals erred in its categorical grant of such relief.” The last two paragraphs of the Supreme Court’s decision speak eloquently for themselves:

Because we conclude that neither court below correctly applied the traditional four-factor framework that governs the award of injunctive relief, we vacate the judgment of the Court of Appeals, so that the District Court may apply that framework in the first instance. In doing so, we take no position on whether permanent injunctive relief should or should not issue in this particular case, or indeed in any number of other disputes arising under the Patent Act. We hold only that the decision whether to grant or deny injunctive relief rests within the equitable discretion of the district courts, and that such discretion must be exercised consistent with traditional principles of equity, in patent disputes no less than in other cases governed by such standards. Accordingly, we vacate the judgment of the Court of Appeals, and remand for further proceedings consistent with this opinion.

It should be added that the decision was accompanied by two separate concurring opinions, one by the Chief Justices in which he was joined by two other Justices and the other by four Justices. Another noteworthy aspect of the matter is that a footnote to the opinion tells us that e-Bay and Half.com continue to challenge the validity of the patent in proceedings pending before the United States Patent and Trademark Office in a re-examination proceeding. It remains to be seen whether

the outcome of that proceeding, whatever it may be, will be sufficiently timely to affect whatever action the District Court may take in view of the remand ordered by the Supreme Court.

#### POTENTIAL IMPACT ON PATENT REFORM

The full impact of the Supreme Court’s decision has yet to be felt. However, immediately after the decision, the Eastern District of Texas denied a request for a permanent injunction against Microsoft based, in part, on the principles of equity set forth in the eBay decision. Of special interest to patent owners is that the injunction was denied, at least in part, because the patent owner was not a manufacturer of the invention such that monetary damages would be sufficient, the scope of the infringement was large, and Microsoft would be unable to avoid the infringement for existing copies such that the harm to the public would be large. *z4 Technologies v. Microsoft*, Case No. 6:06-CV-142 (E.D. Tex. June 14, 2006). The Court placed special emphasis on the status of z4 Technologies as only being a patent licensing company. This result was one of the more controversial elements of the Patent Reform Act of 2005. See James G. McEwen, *Is the Cure Worse Than the Disease? An Overview of the Patent Reform Act of 2005*, 5 J. MARSHALL REV. INTELL. PROP. L. 55 (2005) and Robert A. Armitage, *The Conundrum Confronting Congress: The Patent System Must Be Left Untouched While Being Radically Reformed*, 5 J. MARSHALL REV. INTELL. PROP. L. 268 (2006) *outlining criticisms*. As such, the Supreme Court’s decision likely blunts these criticisms to (and obviates the need for) potential legislative changes to require courts to consider principles of equity in granting permanent decisions.

## FEDERAL CIRCUIT FINDS THAT A FOREIGN UNPUBLISHED PATENT APPLICATION IS A “PRINTED PUBLICATION” UNDER §102

In *Bruckelmyer v. Ground Heaters*, 445 F.3d 1374 (Fed. Cir. April 20, 2006), *petition for reh’g denied* (June 28, 2006), the Court of Appeals for the Federal Circuit affirmed the lower court’s summary judgment invalidating plaintiff Bruckelmyer’s patents 5,567,085 and 5,820,301.

Bruckelmyer’s patents were for using flexible tubes carrying heated liquid to thaw frozen ground so as to permit proper curing of concrete. Thirteen years prior to Bruckelmyer’s filing, Norman Young filed an application which eventually issued as Canadian Patent 1,158,119. Young’s patent was for a portable heating system using flexible hoses with the primary purpose of

conditioning ground for concrete pouring, although thawing frozen ground was not the objective. Two illustrations accompanied Young’s application and illustrated the use of the invention to thaw frozen ground. These two illustrations did not accompany the issued patent because they were cancelled; however, they were still available in the file wrapper during the critical period.

In 2002, Bruckelmyer sued Ground Heaters for infringement. Ground Heaters counterclaimed, asserting invalidity based on the two illustrations in Young’s ‘119 patent application, and filed a motion for summary judgment. The district court determined that

the illustrations in the file wrapper were “sufficiently accessible to the relevant and interested public” to be a “printed publication” under 35 U.S.C. §102(b), which forbids patents on inventions “described in a printed publication ... more than one year prior to the date of filing in the U.S.” However, the district court denied Ground Heater’s motion for summary judgment to resolve whether the illustrations were sufficient to enable a person of ordinary skill in the art to practice the invention in the ‘085 and ‘301 patents.

Disagreeing that the illustrations were “printed publication[s],” Bruckelmyer filed a stipulation conceding that the illustrations permitted the practice of the ‘085 and ‘301 patents, upon which Ground Heaters successfully renewed their motion for summary judgment. Bruckelmyer then appealed to the Court of Appeals for the Federal Circuit on the single issue of whether the two illustrations of the ‘119 patent are printed publications under § 102.

The Court of Appeals analyzed the case under the precedent of *In re Wyer*, 655 F.2d 221 (CCPA 1981), where an Australian patent application was available to the public and an abstract of the application was published. According to *Wyer*, a reference meets the standard of § 102 if “such document has been disseminated or otherwise made available to the extent that persons interested and ordinarily skilled in the subject matter or art exercising reasonable diligence, can locate it ...” *Id.* at 226. In *Wyer*, the published application abstract was considered a sufficient roadmap to the application to meet this standard. In the current case, the court reasoned that the published

‘119 patent was an even better research aid in finding the application file wrapper; thus the file wrapper was publicly available.

The court also clarified its holding in *In re Cronyn*, a case where several student theses were found to not be publicly accessible, in part because they were not meaningfully catalogued or indexed. 890 F.2d at 1161. The court found Bruckelmyer’s reliance on *Cronyn* to be misplaced, noting that indexing or cataloguing is not a necessary element, but relevant only to establishing if one ordinarily skilled in the art could locate these references. Whether the file wrapper in this case was indexed or catalogued “in a meaningful way” was irrelevant, according to the court, since the ‘119 patent was certainly indexed and would lead a person of reasonable diligence to the application wrapper.

A short dissent by Judge Linn questioned the suitability of a granted patent as an “index” to the patent application, especially when, as in this case, the patent itself contained little to indicate that the drawings in the file wrapper disclosed subject matter not discussed in the patent itself.

Following this case, the Court of Appeals for the Federal Circuit denied Bruckelmyer’s request for rehearing *en banc*. Judge Newman argued forcefully in dissent that a file wrapper only available by traveling to a foreign country and which discloses an invention not mentioned in the resulting patent is not a “printed publication” under any reasonable interpretation of the term. (Fed. Cir. Case No. 2005-1412). Yet the Court’s judgment stands, arguably expanding the realm of available prior art.

## FEDERAL CIRCUIT DEFINES CLAIMS IN CONTINUATION APPLICATIONS SIMILARLY EVEN WHERE CLAIMS DIFFERENTLY WORDED

In *Advanced Cardiovascular Sys, Inc. v. Medtronic Vascular, Inc.*, Civ. Case Nos. 05-1280, 05-1281, 05-1282 (Fed Cir. May 26, 2006) (non-precedential), the Federal Circuit affirmed a district court decision of granting a summary judgment of non-infringement of Medtronic’s U.S. Patent No. 5,292,331 (the ‘331 patent), U.S. Patent No. 5,674,278 (the ‘278 patent), U.S. Patent No. 5,879,382 (the ‘382 patent), and U.S. Patent No. 6,344,053 (the ‘053 patent), which are drawn to stent devices and methods of delivery and manufacture and all of which are related patents.

In interpreting the claims of the ‘331, ‘278, ‘382, and the ‘053 patents at trial, the District Court had found

that the terms “circular member,” “stent member,” “ring,” and endovascular support member” have the same meaning as a “stent.” The Federal Circuit upheld this construction since, while used in different claims and in different patents, these terms had no clear meaning from the specification and were “employed in a manner analogous to and interchangeable with the term ‘stent’.”

Further, in interpreting the term “stent,” the District Court found that Medtronic had clearly disavowed any stent not having straight segments ending at peaks. Specifically, during prosecution of the ‘331 patent, Medtronic asserted that the invention distinguished over

the prior art since the stent used substantially straight segments connected to form ends, and that the ends must be at top or bottom. The Federal Circuit agreed that this assertion in prosecution was sufficient to disavow any additional element being used on the recited stent ends.

Moreover, even though the disavowal was arguably broader than necessary to overcome the prior art, the Federal Circuit held that “there is no principle of patent law that the scope of a surrender of subject matter during prosecution is limited to what is absolutely necessary to avoid a prior art reference .... *Norian Corp. v. Stryker Corp.*, 432 F.3d 1356, 1361-62 (Fed. Cir. 2005).” Since the broader disclaimer was applied to the claims of the ‘331 patent, this same disavowal applied to the remaining continuation patents: the ‘278 patent, the ‘382 patent, and the ‘053 patent. The Federal Circuit relied upon a statement in the prosecution of each of the ‘278 patent, the ‘382 patent, and the ‘053 patent that the claims were allowable “for at least the same reasons as the parent application.”

Also, while acknowledging that certain of the claims, such as in the ‘053 patent, do not recite an “end,” the

Federal Circuit found that the claims instead recited a “turn.” The Federal Circuit found that, since the specification and claims use the term “turn” synonymously with “end,” the claims of the ‘053 patent also recite an end and are subject to the disavowal in the parent application.

Lastly, the Federal Circuit found that no doctrine of equivalents was available for the recited “stent” and the synonymous terms in any of the patents due to prosecution history estoppel due the broad disavowal precluded in the ‘331 patent.

#### SIGNIFICANCE TO PATENT OWNERS

While designated as non-Precedential, this case illustrates the Federal Circuit's apparent view that claims in continuation applications are viewed collectively and within the intrinsic record available for use in narrowing the potential scope of claims. Thus, applicants need to be cautious when referring to other applications in an application family since these statements can be used to interpret an otherwise broad claim term to instead be limited to the scope in the referenced application.

## FEDERAL CIRCUIT USES SUMMARY OF THE INVENTION TO BROADEN RECITED “FORM SET” TO ENCOMPASS A SINGLE SHEET AS WELL AS MULTIPLE SHEETS

In *Paymaster Technologies, Inc. v. United States*, Civ. Case Nos. 05-5025, 05-5029 (Fed Cir. May 2, 2006), the Federal Circuit affirmed a Court of Federal Claims decision finding the United States was liable under 28 U.S.C. 1498 for the unauthorized use of Paymaster Technologies’ U.S. Patent No. 5,292,283 (the ‘283 patent) based on the United States’ use of money orders.

The claimed invention of the ‘283 patent is directed to money orders having a form set and which have a sheet allowing ink to permeate from a front of the sheet to a back surface to create a mirror image on the back surface. The United States was using two types of money orders at issue: a five ply money order having three sheets on which indicia are copied and ink-infused transfer layers between each of the sheets, and a singly ply money order in which the ink penetrates the first sheet and the remaining sheets are stored electronically. The Court of Federal Claims found

infringement under 28 U.S.C. 1498 for both types of money orders.

On appeal, the Federal Circuit agreed with the Court of Federal Claims that the recited form set includes singly ply form sheets, and does not require multiple sheets per form set. The Federal Circuit noted that, while claims 1 and 5 recite three sheets, claim 10 does not recite multiple sheets. Further, the specification contained an example of a negotiable instrument sheet as the form set without requiring multiple sheets in the summary of the invention. While the detailed description had no specific example of a form set with only one sheet, the detailed description was entitled “Description of a Preferred Embodiment.” According to the Federal Circuit, “it is axiomatic that claims are only rarely, if ever, construed as limited to the preferred embodiment.” As such, in view of the summary of the invention, the Federal Circuit found that a form set can include a single sheet.

The Federal Circuit further held that the term “on” does not require that the ink “on” the back surface permeate through the back surface so long as the ink is on the surface. The Federal Circuit noted that this construction is consistent with the specification, is consistent with the extrinsic evidence set forth in dictionaries, and is consistent with the actual usage in the claims.

Lastly, the Federal Circuit upheld the royalty rate of 3.5% awarded by the Court of Federal Claims.

## FEDERAL CIRCUIT FINDS TERM “RIGID” DOES NOT ENCOMPASS SEMI-RIGID DEVICES

In *Schoenhaus v. Genesco, Inc.*, 78 USPQ2d 1252 (Fed Cir. 2006), the Federal Circuit affirmed a district court decision of granting a summary judgment of non-infringement of Schoenhaus’ U.S. Patent No. 5,174,052 (the ‘052 patent) based on the absence of a claimed element from the accused product.

The claimed invention of the ‘052 patent is directed to an orthotic device for preventing hyperpronation of a human foot. During the prosecution of this patent, the inventors approached the defendants attempting to arrange a license agreement. After the signing of a confidential disclosure agreement, the defendant entered negotiations with the inventors for 2-1/2 years, but ultimately withdrew from the negotiations. About 8 years later, in 2002, the inventors discovered that the defendants were selling a line of footwear which they believed to infringe the claims of the ‘052 patent. The inventors filed suits against the defendants alleging infringement of the ‘052 patent, as well as misappropriation of trade secrets and unjust enrichment. The defendants filed a counterclaim of invalidity.

On January 10, 2005, the district court granted a summary judgment of non-infringement. The inventors appealed.

## FEDERAL CIRCUIT FINDS CLAIM PREAMBLE IS LIMITING WHEN IT RECITES ESSENTIAL STRUCTURE OF INVENTION

In *Bicon Inc. v. Straumann Co.*, 78 USPQ2d 1267 (CA FC 2006), Appellant Diro, Inc. (“Diro”) and Diro’s licensee Bicon, Inc. (“Bicon”) owned U.S. Pat. No. 5,749,731 (“the ‘731’ patent”). The ‘731 patent is directed towards a plastic cuff that is designed to preserve a space around a

### SIGNIFICANCE TO PATENT OWNERS

While applicants are cautioned about use of summaries of the invention, this case shows that the summary of the invention, when well drafted, broadens the scope of the invention by including broad descriptions of elements of the invention. However, in so doing, applicants need to ensure that the summaries do not limit the scope of the invention by indicating that the invention is only what is set forth in the summary.

The claims of the ‘052 patent are directed to an orthotic shoe device designed to prevent flattening of the foot arch. Genesco’s accused footwear had a rear heel portion of the upper of the shoe to provide support, rather than only an insert. The issue on appeal was whether the claimed “orthotic device” was limited to a discrete insert that was removable or immovable from a shoe, or whether the term encompassed other parts of a shoe.

During trial, the Plaintiffs attempted to define the use of the term “ridged” in the patent to mean “semi-ridged” in hopes of making the claims broad enough to cover the allegedly infringing footwear. However, the Federal Circuit noted the specification of the ‘052 patent refers to the term “semi-ridged” as a material to be used in the manufacture of the orthotic insert, instead of the resulting product itself. The Federal Circuit also noted that there was no support for the term “ridged” in the file history. Therefore, the Federal Circuit concluded that “rigid” could not include “semi-rigid.” The Federal Circuit reasoned that if one was to substitute each proposed construction for the claimed “orthotic device,” this term could only encompass an “insert or immovable insert portion” because an illogical and inconsistent construction would result if the term read on any part of the shoe. Accordingly, the Federal Circuit affirmed the district court’s decision.

dental implant so that when a dental crown is placed on top of the implant, the base of the crown can fit beneath the patient’s gum line. The preamble of claim 5 of the ‘731 patent reads as follows:

An emergence cuff member for use in preserving the interdental papilla during the procedure of placing an abutment on a root member implanted in the alveolar bone of a patient in which [a] the abutment has a frusto-spherical basal surface portion and [b] a conical surface portion having a selected height extending therefrom comprising ...[e] the bore having a taper generally matching that of the conical surface portion of the abutment ... (claim elements a-d and f-h omitted for simplicity).

Diro sued the appellee Straumann Company and Institut Straumann AG (collectively, "Straumann") for patent infringement, alleging that Straumann's sale of two dental devices infringed at least claim 5 of the '731 patent.

The U.S. District Court for the District of Massachusetts granted summary judgment of noninfringement on several grounds. The court held that claim 5's preamble was an integral part of the claim and thus limited the claim. Since Straumann's devices did not incorporate one of the limitations in the preamble, the court held that Straumann did not infringe the '731 patent. The court also held that Straumann's devices did not literally or equivalently infringe claim 5 because they did not read on claim element [e]. The court also held that licensee Bicon did not have standing to sue Straumann since Bicon was not an exclusive licensee of Diro, and thus dismissed Bicon as a party plaintiff.

On appeal, the Federal Circuit held that the preamble is regarded as limiting. Specifically, the Federal Circuit noted that a preamble is considered to be limiting if the preamble recites essential structure that is important to the invention or necessary to give meaning to the claim. In the '731 patent, the preamble of claim 5 is not limited to stating the purpose or intended use of the invention, but contains structural features of the abutment. Further, the body of the claim referred back to features of the abutment described in the preamble, so that the references to the abutment in the body of the claim derive their antecedent basis from the preamble. If claim 5 is not limited to the particular abutment described in the preamble, then elements [e] and [h] of claim 5 become meaningless. As such, the Federal Circuit upheld the District Court's summary judgment on the issue of no literal infringement.

Additionally, the Federal Circuit upheld the finding of no infringement under the doctrine of equivalents since claim 5 recites specific convex shapes not found in the accused device. Quoting *SciMed Life Sys., Inc. v. Advanced Cardiovascular Sys., Inc.*, 242 F.3d 1337, 1346 (Fed. Cir. 2001), the Federal Circuit held that, as in claim 5, "by defining the claim in a way that clearly excluded certain subject matter, the patent implicitly disclaimed the subject matter that was excluded and thereby barred the patentee from asserting infringement under the doctrine of equivalents." As such, the Federal Circuit also upheld the District Court's finding of no infringement under the doctrine of equivalents.

## DISTRICT COURT CASE OF NOTE: KING PHARMACEUTICALS, INC. V. TEVA PHARMACEUTICALS USA INC

TERMINALLY DISCLAIMED PATENTS ARE  
ELIGIBLE FOR EXTENSION UNDER 35 U.S.C.  
§156

In *King Pharmaceuticals, Inc. v. Teva Pharmaceuticals USA Inc.* 78 U.S.P.Q.2d 1237 (D. NJ. Jan. 20, 2006), plaintiff King and involuntary plaintiff Wyeth brought an action for patent infringement against defendant Teva pharmaceuticals. King alleged that Teva infringed one or more claims of U.S. Pat. No. 4,626,538, owned by Wyeth and for which King has an exclusive license. The '538 patent relates to zaleplon drug products. The '538 patent was issued on Dec. 2, 1986, and is subject to a terminal disclaimer. The '538 patent was initially rejected on the ground that it claimed the same invention that was claimed in an earlier application, U.S. Pat. No. 4,521,422, and the

PTO granted the '538 patent only after the applicant filed a terminal disclaimer under 35 U.S.C. §253.

The terminal disclaimer disclaimed any term of the '538 patent that would otherwise have extended beyond the '422 patent, which expired on June 23, 2003. The original termination date of the '422 patent was June 3, 2002 (17 years from its issue date) but, pursuant to 35 U.S.C. §154, this date was reset to June 23, 2003 (20 years from its filing date). The USPTO agreed that the '538 patent's expiration date should be reset at June 23, 2003 as well since the term of the '538 patent was linked to the term of the '422 patent. Thus, based on the terminal disclaimer, the '538 patent had been scheduled to expire on June 23, 2003.

On June 4, 2003, pursuant to 35 U.S.C. §156, the PTO extended the term of the '538 patent for a period of 1810

days, running from June 23, 2003, based on FDA review. Teva submitted an ANDA to the FDA seeking approval to engage in the commercial manufacture, use, and sale of zaleplon, a generic product which is bioequivalent to King's Sonata drug products. The crux of Teva's argument is that the term of a terminally disclaimed patent may not be extended under 35 U.S.C. §156 and, therefore, the '538 patent expired on June 23, 2003.

On the issue of whether a terminally disclaimed patent is extended under 35 U.S.C. §156, the District Court held that a terminally disclaimed patent is eligible for extension under 35 U.S.C. §156. Specifically, the District Court held that 35 U.S.C. §156 is plain and unambiguous: a terminally disclaimed patent is not barred from receiving a 35 U.S.C. §156 extension. The only limitations on the provision of a 35 U.S.C. §156 patent term extension are those expressly enumerated at §156(a)(1)-(5). Nonexistence of a terminal disclaimer is not among those enumerated conditions, and, therefore, cannot be construed to be a condition for obtaining a §156 patent term extension.

Additionally, the District Court compared 35 U.S.C. §156 and 35 U.S.C. §154(b) to show that unlike 35 U.S.C. §156, 35 U.S.C. §154(b) expressly refers to terminally disclaimed patents. Specifically, 35 U.S.C. §154(b) provides that "[n]o patent the term of which has been disclaimed beyond a specified date may be adjusted under this section beyond the expiration date specified in the disclaimer." As such,

35 U.S.C. §154 demonstrates that Congress knows how to draft a clear exception barring a terminally disclaimed patent from receiving a patent term extension.

Moreover, the District Court found that Congress amended both 35 U.S.C. §156 and 35 U.S.C. §154 in Pub. L. No. 103-465, §532 (1994), in which Congress initially enacted 35 U.S.C. §154's exception for terminally disclaimed patents, and has amended both provisions several times since it enacted Pub. L. No. 103-465, §532 (1994). The Court thus presumed that Congress acted intentionally and purposely when it included an exception for terminally disclaimed patents in 35 U.S.C. §154 and omitted any exception for terminally disclaimed patents in 35 U.S.C. §156.

Lastly, the District Court noted that the United States Patent and Trademark Office, in 37 C.F.R. §1.775(a), states that "[i]f a determination is made pursuant to §1.750 that a patent for a human drug, antibiotic drug or human biological product is eligible for extension, the term shall be extended by the time as calculated in days in the manner indicated by this section. The patent term extension will run from the original expiration date of the patent or any earlier date set by terminal disclaimer (§1.321)." Since the PTO promulgated §1.775(a), Congress amended §156 six times. However, Congress has never amended §156 to undermine the PTO's interpretation of §156 or to change §156's language to bar terminally disclaimed patents from receiving a §156 extension.

## UNITED STATES PATENT AND TRADEMARK OFFICE IMPLEMENTS SPECIAL EXAMINATION PROCEDURE TO RECEIVE ACTION WITHIN TWELVE MONTHS

On August 25, 2006, the United States Patent and Trademark Office will implement a major change to the existing Petition to Make Special procedures. Under the existing procedures, an applicant can request an application be designated as "Special" in certain circumstances in order to accelerate examination. In one circumstance, the applicant can base the Petition to Make Special on a prior art search by, when filing the application, including only claims to a single invention in the application, indicating that a search was made (by who and where), supplying a copy of the prior art, and providing a detailed discussion of prior art and why claims patentable over the prior art. Under the revised procedure, applicants filing a Petition to Make Special would further need to file the application electronically, limit the total number of

independent claims to three (3), agree to conduct an interview with the Examiner, and most importantly, agree not to argue the patentability of depending claims. If the Petition is granted, examination would be greatly accelerated such that the complete examination would take place within twelve (12) months. *See generally* Federal Register: June 26, 2006 (Volume 71, Number 122) for a complete description.

While the accelerated examination may be attractive in certain circumstances, it is noted that the applicant must be ready for a greatly compacted examination. Moreover, applicants would not be able to amend the claims to avoid prior art unless the search encompassed the potential amendment. Lastly, as was also a drawback to the existing

Petition procedure, the statements made in explaining the prior art potentially increase the risk to the enforceability of the resulting patents. Therefore, applicants need to be wary of the consequences before filing such a Petition.

## USPTO PROPOSED RULE CHANGES: A BRIEF OVERVIEW

BY DOUGLAS AGOPSOWICZ & JAMES G. McEWEN

### **BACKGROUND**

On Jan. 3, 2006, the USPTO proposed sweeping changes to the rules governing patent claim drafting and examination practice in an effort to increase the efficiency of the examination practice. The two most significant proposed rule changes: (1) limit the number of continuations allowed to be filed by the applicant as a matter of right to one, and (2) require the applicant to designate no more than ten representative claims, otherwise the applicant must file an examination support document. The proposed rule changes also create an automatic rebuttable presumption that similar, commonly-owned applications filed within two months share at least one patentably indistinct claim.

### **PROPOSED CHANGES TO CONTINUATION PRACTICE**

#### *CONTINUATIONS LIMITED TO ONE AS A MATTER OF RIGHT*

A proposed rule change (proposed in 48 Fed. Reg. 71) modifies 37 C.F.R. part 1 by limiting the number of continued examination filings to one as a matter of right. This rule applies to continuation applications as well as requests for continued examination (RCEs). The USPTO plans on implementing this proposed rule in order to reduce the backlog of applications (over 900,000 cases currently pending in early 2006) and improve the quality of issued patents by making the exchanges between examiners and applicants more efficient.

The proposed rule requires an applicant to support a second or subsequent continued examination filing with a showing as to why the amendment, argument or evidence presented in the second or subsequent filing could not have been previously submitted. Examples of a sufficient showing include:

- (1) the final rejection contains a new ground of rejection that could not have been anticipated by the applicant;
- (2) the applicant seeks to submit evidence which could not have been submitted earlier
  - a. e.g., data necessary to support a showing of unexpected results just became available and was the result of a lengthy experimentation that was started after the applicant received the rejection for the first time;
- (3) an interference is declared in an application containing both:
  - a. claims corresponding to the count(s), and
  - b. claims not corresponding to the count(s); and
- (4) in an interference, the Administrative Patent Judge suggests that the claims not corresponding to the count(s) be cancelled from the application in the interference and pursued in a separate application.

#### *SPECIAL RULES FOR DIVISIONALS AND CIP APPLICATIONS*

This proposed rule also creates special rules for divisional applications and continuation-in-part (CIP) applications. Regarding divisional filings, the proposed rule limits the filing of divisional applications to only involuntary divisionals, e.g., divisionals filed as a result of a requirement of unity of invention under PCT Rule 13 or divisionals filed as a result of a restriction requirement under 35 U.S.C. §121 in a prior-filed application. Regarding CIP filings, the proposed rule requires applicants to identify which claims are supported by the parent's disclosure. Claims which the applicant does not identify as supported by the parent's disclosure are only entitled to the filing date of the CIP. Furthermore, the new rule permits continuation filings on CIPs, but all the continuation claims are only entitled to the benefit of the filing date of the CIP.

**CLAIM EXAMINATION****DESIGNATION OF REPRESENTATIVE CLAIMS**

Another proposed rule change (proposed in 71 Fed. Reg. 61) modifies 37 C.F.R. part 1 by focusing the USPTO's initial examination on the claims designated by the applicant as representative claims. The USPTO proposed this rule to assist examiners in focusing on the most important claims during the claim examination process, and reduce the effort wasted by examiners who are currently required to examine every claim in an application for every Office Action on the merits, even if the patentability of dependent claims stands or falls together with independent claims which they depend on. The representative claims will be all of the independent claims and only the dependent claims that are expressly designated by the applicant for initial examination. If the number of representative claims exceeds ten - either because the application has more than ten independent claims, or because the applicant designates enough dependent claims so that the sum of the independent and designated dependent claims exceeds ten - then, under the proposed rule, the applicant must submit an examination support document which covers all the representative claims.

**UNDESIGNATED CLAIMS**

Dependent claims which are not designated as representative claims by the applicant are deferred until the PTO decides that the application is in condition for allowance, at which point the undesignated claims are examined for only compliance with 35 U.S.C. §§101 and §112, and not with respect to 35 U.S.C. §§102 and 103.

**THE EXAMINATION SUPPORT DOCUMENT**

The examination support document would resemble a petition to make special for accelerated examination (see MPEP §708.02) and would require the applicant to disclose the following: an affirmative statement that a search was made; the fields of the search; a copy of each reference deemed most closely related to the subject matter encompassed by the claims (if the reference is not already in the record); and a detailed argument explaining why the claimed subject matter is patentable over the references.

**REBUTTABLE PRESUMPTION  
SIMILAR, COMMONLY-OWNED****APPLICATIONS ARE PATENTABLY  
INDISTINCT****REBUTTABLE PRESUMPTION OF  
APPLICATIONS**

A third proposed rule change (proposed in 48 Fed. Reg. 71) proposes that when multiple applications are filed with the same effective filing date for which a benefit under 35 U.S.C. is sought, an overlapping disclosure, a common inventor, and a common assignee, a rebuttable presumption is triggered that at least one claim is not patentably distinct. To rebut this presumption, the applicant must provide either:

- (1) an explanation of how the claims are patentably distinct, or
- (2) a terminal disclaimer and explanation of why patentably indistinct claims have been filed in multiple applications.

Similarly, if multiple applications have different filing dates which are within 2 months of each other, overlapping disclosures, a common inventor, and a common assignee, the applicant is required to make an express disclosure. The express disclosure must disclose the application number (and patent number, if applicable) of every application or patent matching these criteria. This proposed rule change is based on the notion that the applicant is in a far better position than the PTO to determine whether there are one or more applications or patents containing patentably indistinct claims, and therefore, it will increase examination efficiency for the applicant to be required to assist the USPTO in resolving potential double patenting situations.

**PROPOSED CHANGES  
CONTROVERSIAL**

Despite the best efforts of the United States Patent and Trademark Office to convince many in the patent field otherwise, the proposed changes have run into substantial opposition from small businesses as well as the patent bar itself. Copies of the comments provided by these groups are found at:

- (1) [http://www.uspto.gov/web/offices/pac/dapp/opa/comments/fpp\\_continuation/continuation\\_comments.html](http://www.uspto.gov/web/offices/pac/dapp/opa/comments/fpp_continuation/continuation_comments.html) (continuation comments)
- (2) [http://www.uspto.gov/web/offices/pac/dapp/opa/comments/fpp\\_claims/claims\\_comments.html](http://www.uspto.gov/web/offices/pac/dapp/opa/comments/fpp_claims/claims_comments.html) - (claim comments)

The Small Business Administration has come out against the proposed rules since "[s]mall entity representatives indicated that limiting applicants to ten representative claims would make it very difficult to properly identify a potential patent, could create future liability concerns, and would weaken potential patents." Additionally, the Small Business Administration indicated that "[s]ome small entities also stressed that continuation applications are used frequently by small businesses to secure the most commercially successful inventions. Therefore, limiting the number of continuations could severely weaken small entities' ability to protect their patent." As such, the Small Business Administration suggested that the United States Patent and Trademark Office instead provide incentives, such as accelerated examination of cases with less than ten representative claims and increasing fees for each successive continuation application. Copies of the Small Business Administration comments are found at [Letter from Office of Advocacy \(Advocacy\) of the U.S. Small Business Administration \(SBA\) of April 27, 2006 Re: Changes to Practice for the Examination of Claims in Patent Applications, 71 Fed.](#)

The American Intellectual Property Law Association (AIPLA) has also come out squarely against these proposed changes. The specific criticisms include the fact that there has been no evidence that the proposed changes will have the desired effect of reducing the backlog of cases, would hamper the legitimate uses of continuations to obtain claim scope to which applicants are entitled under the law, and could increase the workload instead. The AIPLA took specific issue with various "flawed" assumptions that appear to be the basis of the rule, and also noted that, in not examining some of the claims, the United States Patent and Trademark Office may be operating *ultra vires* since the rule changes are outside of their statutory authority under 35 U.S.C. Copies of the AIPLA Comments on these rules are found at [Letter from AIPLA to USPTO of April 24, 2006](#)

[Re Comments on Proposed Rules: "Changes to Practice for Continuing Applications, Requests for Continued Examination Practice, and Applications Containing Patentably Indistinct Claims" 71 Fed. Reg. 48 \(January 3, 2006\)](#) and [Letter from AIPLA to USPTO of April 24, 2006 Comments on Proposed Rules: "Changes to Practice for the Examination of Claims in Patent Applications" 71 Fed. Reg. 61 \(January 3, 2006\)](#).

The American Bar Association has also come out against this rule change. To date, no major association has come out in support of the proposed rule changes. However, it appears that certain larger companies are privately supporting the changes, but have not submitted formal comments to the United States Patent and Trademark Office in support of the changes. Instead, such companies appear to be using their law firms to come out in support of the changes since these firms have all submitted identical letters. See Patently-O [USPTO Continuation Rule Changes \(Apr 28, 2006\)](#).

#### **CONCLUSION**

The deadline for submitting final comments closed May 3, 2006. As such, it is conceivable that the rules could be enacted any time thereafter. However, given the controversy surrounding these changes, the fact that another executive agency (the Small Business Administration) has formally opposed the changes, and the virulent opposition expressed by the patent bar (such as the AIPLA and the ABA), it is likely that the rules will need substantial modification in order to be enacted in a manner which holds up to judicial review. However, while the USPTO is unlikely to enact the rules, as noted in the AIPLA comments, cautious patent holders will be rushing their filings to be made prior to any issuance such that the only certain result will be a spike in potential filings in May.

## **STEIN McEWEN & BUI IS PLEASED TO WELCOME THE FOLLOWING NEW ATTORNEY**

SETH S. KIM

Seth S. Kim joins the firm as associate. Mr. Kim earned a Bachelor of Science in Materials Science and Engineering from the University of California at

Berkeley, and a J.D., cum laude, from the State University of New York at Buffalo. Mr. Kim's practice involves all phases of patent prosecution in the

mechanical and electro-mechanical arts. Mr. Kim's field of experience includes plasma and LCD displays, semiconductors, ceramics, and electro-mechanical devices. Mr. Kim has further prepared infringement opinions, has prepared and prosecuted trademark applications, and has advised clients on general intellectual property matters. Mr. Kim is a member of the Virginia Bar, and is registered to practice before the

U.S. Patent and Trademark Office. Mr. Kim is fluent and literate in Korean. Mr. Kim is further a member of the Virginia State Bar and the American Intellectual Property Law Association.



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Stein, McEwen & Bui, LLP is a full service intellectual property law firm with an emphasis on intellectual property creation and maximization. With a diverse clientele, including large multinational corporations, as well as small to midsize domestic and international companies, the attorneys of Stein, McEwen & Bui, LLP have worked with and counseled clients on the use of intellectual property as a tool for maximizing the protection of their research and development efforts.

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