

Stein McEwen Newsletter



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Table of Contents

Overview of the Leahy-Smith America Invents Act: What Is The Practical Effect of First-to-File for Patent Applicants	1
Federal Circuit Finds Prosecution History Estoppel Prevents Coverage of Equivalent Since Amendment Was Foreseeable Equivalent	7
Federal Circuit Finds Assigned "Inventions and Discoveries" Extends to Continuation Applications	9
Federal Circuit Finds District Courts Can Correct Obvious Errors Without Certificate of Correction	10
Stein McEwen News	12
Stein McEwen Welcomes New Additions	12
Stein McEwen Hosting Biotechnology Conference	13
Stein McEwen Co-Hosting German Conference	13
Feature Comment: Effective Dates For Patent Reform	14

Overview of the Leahy-Smith America Invents Act: What Is The Practical Effect of First-to-File for Patent Applicants

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Introduction

The American Invents Act is a result of pressures from diverse industries and groups. From international companies and academics, there has been a desire to have the U.S. conform to international standards, and specifically, to switch from its first-to-invent system to a first-to-file system.¹ Furthermore, in view of the high costs of litigation, there was pressure from electronics companies to reduce the uncertainties of litigation by clarifying the law in regards to willful infringement and inequitable conduct, eliminating "secret" prior art, and retaining the prior user defense.² There were conflicting pressures from the electronics and pharmaceutical industries in relation to making changes to various types of damages deemed excessive, such as treble damages for willful infringement, as well as mechanisms for making equitable factors play a greater role in determining whether to enjoin infringement.³ Additional issues related to perceived abuses of venue, as well as ensuring patent quality and reducing

pendency by enhancing the obviousness standard and increasing funding for the United States Patent and Trademark Office so that more examiners could be hired to deal with the increased number of patent applications being filed.

These pressures and issues have been at the forefront of the patent community since the American Inventors Protection Act was enacted on November 29, 1999⁴ and amended by the Intellectual Property and High Technology Technical Amendments Act of 2002, and they have pitted different elements of the patent community against each other.⁵ Starting in 2004, two major reports revisited these issues with an expanded emphasis on patent quality and enforceability. The first report, issued by the Federal Trade Commission, is titled *To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy*.⁶ The second report, issued by the National Academies Board on Science, Technology, and Economic Policy is titled *A Patent System for the 21st Century*.⁷ Upon issuance of these reports, the National Academies Board on Science, Technology, and Economic Policy and the American Intellectual Property Law Association ("AIPLA") further promoted the need for change in a series of Conferences on Patent

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¹ See generally William S. Thompson, *Reforming the Patent System for the 21st Century*, 21 AIPLA Q.J. 171 (1993).

² Patent Reform Act of 2005, H.R. 2795, 109th Cong. §§ 3, 6 (2005).

³ *Id.* at §§ 6-7.

⁴ American Inventors Protection Act of 1999, Pub. L. No. 106-113, 113 Stat. 1501 (2000).

⁵ High Technology Technical Amendments Act of 2002, Pub. L. No. 107-273, 116 Stat. 1758 (2000).

⁶ FED. TRADE COMM'N, *TO PROMOTE INNOVATION: THE PROPER BALANCE OF COMPETITION AND PATENT LAW AND POLICY*, (2003), <http://www.ftc.gov/os/2003/10/innovationrpt.pdf>.

⁷ THE NATIONAL ACADEMIES BOARD ON SCIENCE, TECHNOLOGY, AND ECONOMIC POLICY, *A PATENT SYSTEM FOR THE 21ST CENTURY* (2004), <http://www.nap.edu/books/0309089107/html> [hereinafter SYSTEM FOR THE 21ST].

Reform in 2005.⁸ These conferences and reports focused their discussion on changing the novelty requirement to comport with a first-to-file system, emphasizing the need for reinvigorating the obviousness standard, and reducing litigation risks and costs.⁹

These reports and the growing call for change led to the first serious attempt to make substantial changes to the U.S. patent system in 50 years when, on June 8, 2005, Representative Lamar Smith, Chairman of the House Subcommittee on Courts, the Internet, and Intellectual Property, along with several co-sponsors, introduced H.R. 2795.¹⁰ Popularly known as the “Patent Reform Act of 2005,” the omnibus bill overhauled multiple aspects of patent practice.¹¹ The Patent Reform Act overhauled basic procedures including the filing of patent applications,¹² how patent practitioners are regulated,¹³ and even how patents are enforced.¹⁴ In view of the scope of the Patent Reform Act, a great deal of interest and scrutiny surrounded certain major proposed changes, and especially a proposal to switch to a first-to-file system. However, other proposals, including changes to the award of damages, pitted independent inventors against large patent owners, and the pharmaceutical industry against the consumer electronics industry.¹⁵ Due to the scope of this bill, these conflicting constituencies prevented passage of the Patent Reform Act of 2005 and like bills in the following years.

With each year, however, more of the problems in the two reports were addressed by the Courts. For instance, the Supreme Court clarified the law on obviousness¹⁶ and, perhaps more significantly, made

injunctions harder to obtain in IP cases.¹⁷ Also significant were changes in the law at the Circuit Court level, where courts made venue transfer easier to obtain¹⁸ and reduced damage by clarifying they should be calculated.¹⁹ As the courts resolved these issues, there were fewer problems needing to be solved by legislation, and thus fewer contested issues needing resolution. The result was a simplified Patent Reform Act in 2011, which issued as the America Invents Act signed by President Obama on September 16, 2011.²⁰ Below is an overview of the more notable portions of the America Invents Act, along with a discussion on potential pitfalls of each section.

Changes to Meet International Norms

Perhaps most prominent of the changes introduced by the America Invents Act is section 3, which changed the law from first-to-invent to first-to-file. Sort of. Under the new law, 35 U.S.C. § 102 was changed to have only two novelty parts in 35 U.S.C. §102(a) that can be used to reject claims. 35 U.S.C. §102(b) through (d) include four exceptions to these novelty parts. Two exceptions were designed to preserve the existing grace period, and two other exceptions broaden the patentability of patents for large patent holders.

The changes, in a broad sense, replaced dates of invention with “effective date”, thereby removing any semblance of a first-to-invent system. The changes further made the novelty defeating acts available wherever they occur in the world, thereby removing requirements related to occurrences in the United States. In a sense, these changes were an attempt to simplify a complex system.

However, in attempting to make the changes simple, it appears Congress has failed. Under the prior 35 U.S.C. §102, Congress needed only 416 words to convey a complex hybrid system of first-to-invent and first-to-file provisions. In contrast, under the new system of purely first-to-file, excluding exceptions in 35 U.S.C. §102(b) and (c) relating to commonly owned inventions, Congress needed 433 words. As will be detailed below, these additional words may have some harmful effects for patent owners and applicants.

⁸ THE NATIONAL ACADEMIES BOARD ON SCIENCE, TECHNOLOGY, AND ECONOMIC POLICY, AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION, AND FEDERAL TRADE COMMISSION, CONFERENCE ON PATENT REFORM (2005), http://www.aipla.org/Content/ContentGroups/Meetings_and_Events1/Roadshows/20058/Transcript_6-9-05.pdf [hereinafter CONFERENCE ON REFORM].

⁹ See generally SYSTEM FOR THE 21ST, *supra* note 7; CONFERENCE ON REFORM, *supra* note 8; FED. TRADE COMM’N, *supra* note 6.

¹⁰ Patent Reform Act of 2005, H.R. 2795, 109th Cong. (2005).

¹¹ *Id.* Additional information, including status information, related to H.R. 2795 can be found at Thomas - U.S. Congress on the Internet, <http://thomas.loc.gov/>.

¹² Patent Reform Act of 2005, H.R. 2795, 109th Cong. § 3 (2005).

¹³ *Id.* §§ 3, 8-9.

¹⁴ *Id.* §§ 3, 5.

¹⁵ See *Intellectual Property*, NAT’L J.’S TECH. DAILY, June 19, 2005; Lora Volkert, *Changes in Federal Patent Law Loom: Legislation May Generate Rush of Applications*, KAN. CITY DAILY REC., Oct. 8, 2005; Sarah Lai Stirland, *Intellectual Property: Patent Consensus Closer but Industry Divide Remains*, NAT’L J.’S TECH. DAILY, Sept. 15, 2005.

¹⁶ *KSR International v. Teleflex*, 550 U.S. 398 (2007).

¹⁷ *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 394 (2006).

¹⁸ *In re Volkswagen of America, Inc.*, 545 F.3d 304 (5th. Cir., 2008) (made transfer possible from EDTX).

¹⁹ *Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d 1292 (Fed. Cir. 2011).

²⁰ Pub. L. No. 112–29, 125 Stat. 284-341 (2011) (to be codified in scattered sections of 35 U.S.C.).

Two novelty parts: 35 U.S.C. §102(a)(1) and (a)(2)

Under the new 35 U.S.C. §102, there are two classes of prior art: 35 U.S.C. 102(a)(1) which relates to prior art dates relative to the effective filing date of the application, and 35 U.S.C. §102(a)(2) which relates to conflicts between inventions in different applications. Specifically, both classes of prior art are defined as follows:

35 U.S.C. §102(a)(1): the claimed invention was patented, described in a printed publication, or in public use, on sale, or otherwise available to the public before the effective filing date of the claimed invention; or

35 U.S.C. §102(a)(2): the claimed invention was described in a patent issued under section 151, or in an application for patent published or deemed published under section 122(b), in which the patent or application, as the case may be, names another inventor and was effectively filed before the effective filing date of the claimed invention.

However, in creating these new categories, there are a number of issues to be resolved.

1. *Problem: “otherwise available to the public”*

In crafting 35 U.S.C. §102(a)(1), Congress used a number of familiar terms. Terms such as “patented”, “printed publication”, “public use”, and “on sale” have been well defined under the prior law. By using such known terms, patent applicants and owners should expect some continuity in interpretation, which should reduce litigation uncertainty (and hence legal costs). However, Congress added a new term into the mix: prior art which is “otherwise available to the public”. There is no indication as to what this term means. All that is known is that this category of prior art must be something other than patented, printed publication, in public use, on sale.

While no meaning is expressed in the America Invents Act, it is instructive to note that under the 2005 Patent Reform Act, a similar term –“publicly known”– appears and was defined in 35 U.S.C. § 102(b)(3) consistent with existing trade secret law.²¹ Under

²¹ See Patent Reform Act of 2005, H.R. 2795, 109th Cong. § 3 (2005); see also 1 ROGER M. MILGRIM, MILGRIM ON TRADE SECRETS § 1.06 (2005). For instance, under Virginia’s implementation of the Uniform Trade Secrets Act,

a “[t]rade secret” means information, including but not limited to, a formula, pattern, compilation, program, device, method, technique, or process, that: 1. Derives independent economic value, actual or potential, from not being generally known to, and not being readily

trade secret law, trade secrets are often defined in terms of whether information has been made available to the public through distribution of a completed product.²² In essence, if a member of the public can readily reverse engineer a product such that the underlying technology, method, or method of manufacture can be understood, there is no trade secret protection for that information.²³ Given the present state of reverse engineering technologies, it is likely that almost any release of a product would work as a potential prior art event under the new 35 U.S.C. §102(a).²⁴

As an illustration of how this might represent a change, lets look at the facts in *Motionless Keyboard Co. v. Microsoft et al.*²⁵ In *Motionless Keyboard*, the inventor of a new keyboard showed his keyboard to investors, a friend, a business partner and a typist prior to filing an application. The Federal Circuit found that the mere visual display was not sufficient to create a public use for purposes of 35 U.S.C. §102. However, it is not hard to imagine that a court, faced with similar facts, would find that this visual display was sufficiently accessible to the public as to be otherwise available to the public and thus represent a bar under new 35 U.S.C. §102(a)(1). Thus, whether a non-public event involving the invention, such as licensing of software, or mere public display will be considered “otherwise available to the public” will not be clear until courts interpret the phrase in a more definitive manner, but patent applicants need to be conscious that acts which previously did not harm patentability are now more likely to create a prior art bar.

2. *Problem: What is “public use” under 35 U.S.C. §102(a)(1)?*

As noted above, 35 U.S.C. §102(a)(1) uses a number of terms which are consistent with prior law. One such term is public use. As defined in *Invitrogen Corp. v.*

ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use.

VA. CODE ANN. § 59.1-336 (2005).

²² See 1 MILGRIM, *supra* note 21, § 1.06.

²³ See Uniform Trade Secrets Act, § 1 (1985). The Uniform Trade Secrets Act, model legislation, defines a trade secret to include “information . . . that: (i) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means . . .” *Id.*

²⁴ Also, the standard is relative to the state of reverse engineering technology at the time the application is filed, adding to the confusion of whether certain events, such as licenses, offers for sale, and in-house demonstrations under non-disclosure agreements, can become patent invalidating events.

²⁵ 486 F.3d 1376; 82 U.S.P.Q.2D 1801 (Fed. Cir. 2007).

*Biocrest Manufacturing L.P.*²⁶, a public use includes any uses accessible to the public, as well as secret uses to the extent the use is for commercial exploitation of the invention. In this way, patent applicants were faced with a choice at the time of commercialization: either maintain the invention in secrecy or file a patent application.

Under the new law, while 35 U.S.C. §102(a)(1) appears to use the same definition of public use, Congress also revised 35 U.S.C. §273 to include any internal commercial use. Specifically, under new 35 U.S.C. §273, if a company is making secret commercial uses of the invention more than 1 year before effective date, the company can keep using the invention as a prior user. However, if public use had the same meaning under 35 U.S.C. §102(a)(1) as it did under the prior law discussed in *Invitrogen*, this same commercial use would have invalidated the claim thereby also allowing the prior user to continue using the invention. In order to read both provisions consistently, it appears that the prior definition of public use should no longer include secret commercial use and be solely limited to uses in public. However, until a court definitively rules on whether prior user rights exist in addition to the traditional definition of public use or narrows the definition of prior user rights, patent applicants and owners should assume that secret commercial uses are still patent defeating events.

3. *Problem: What is “effectively filed” under 35 U.S.C. §102(a)(2)?*

One of the intended changes made by Congress is to increase the scope of filing dates available to defeat patentability. For this reason, Congress drafted 35 U.S.C. § 102(d) to define an effective filing date as the date of filing for U.S. patent or patent publication, or filing date of foreign priority application. This provision at least partially overrules *In re Hilmer*.²⁷ The scenario in an *in re Hilmer* situation is that a first prior art patent was first filed in a foreign country, a second patent application containing the invention was filed second in foreign country, a third prior art patent was first filed in US claiming priority to the first patent foreign application, and a fourth patent application containing the invention was later filed in US but claimed priority to the second patent application. Under *in re Hilmer*, the prior art patent could not use its earliest priority date (i.e., the filing date of the first patent application), whereas the invention could use its earliest filing date (i.e., the filing date of the second application). This rule meant that, in many cases,

patent applicants were able to obtain patents even where they were not the first-to-file anywhere in the world so long as their foreign filing date preceded a prior art application’s U.S. filing date. By removing this rule, patent applicants will have a harder time obtaining patents, especially in rapidly evolving arts where it is common to see the same or similar patent applications filed within months of each other.

That being said, 35 U.S.C. § 102(d) has its limits. For instance, and perhaps significantly, 35 U.S.C. § 102(d) does not allow the use of a foreign application priority date unless that application also is later filed in the United States. This creates a significant gap in prior art dates since many patent applications are not filed in the United States, and this is especially true as companies concentrate their filing dollars on new markets such as China.

4. *Problem: What is the status of PCT applications?*

It also creates an issue as to the status of PCT applications claiming foreign priority dates. Specifically, for purposes of U.S. law, PCT applications are considered U.S. applications to the extent that they designate the United States.²⁸ Further, the publication of the PCT application is considered a U.S. patent publication under 35 U.S.C. §374. While the use of the filing dates for PCT applications was previously limited to only uses of U.S. priority dates for published applications or the international filing dates where the publication was in English²⁹, 35 U.S.C. §§ 102 and 374 have been revised to eliminate the English and U.S. filing requirements. As such, except in the odd case where the United States is not designated in the PCT application, any foreign priority date for all PCT publication should be considered the effective filing date for purposes of 35 U.S.C. §102(a)(2). And as this is regardless of whether a national stage application is even filed in the United States. Therefore, where applicants are not certain they want to proceed with a U.S. filing but wish to prevent competitors from patenting the same invention in the United States, PCT applications would seemingly provide a beneficial protection mechanism.

²⁸ 35 U.S.C. § 363 says PCT “designating the United States shall have the effect ... of a national application for patent regularly filed in the Patent and Trademark Office”.

²⁹ MPEP 1857.01

²⁶ 424 F.3d 1374 (Fed. Cir. 2005).

²⁷ 359 F.2d 859 (CCPA 1966)

5. *Problem: What is “the effective filing date of the claimed invention” under 35 U.S.C. § 102(a)?*

In order to implement 35 U.S.C. §102, a universal definition needs to exist for a date of filing versus dates of invention. In so doing, Congress created an apparent problem for U.S. applicants. Under new 35 U.S.C. §100(i), the effective filing date for the claimed invention is as follows:

(A) the actual filing date of the patent or the application for the patent containing a claim to the invention; or

(B) the filing date of the earliest application for which the patent or application is entitled, as to such invention, to a right of priority under section 119, 365(a), or 365(b) or to the benefit of an earlier filing date under section 120, 121, or 365(c). (emphasis added).

This definition creates two different priority dates for U.S. applications: one based upon the written description contained in a prior application, and another based upon what was claimed in the first application. The difference in terminology could be significant since many U.S. applicants do not claim priority to another application, and therefore the scope of which claim has a priority date is dependent on what claims were in the application as filed.

By way of example, assume a U.S. application is first filed with claims directed to embodiment A, but the specification contains embodiments A and B. While the claims are entitled to the original filing date, if the applicant tries to introduce claims to embodiment B, technically there is no effective filing date for the new claims unless the original claims are generic to both embodiments A and B. This is not an uncommon occurrence since, often during prosecution, applicants will add new claims to new features based upon prior art and market conditions. While this problem can be cured through the filing of a continuation or divisional application, the added expense of maintaining two applications and patents represents a problem for applicants. As such, in comparison to foreign applicants who normally use a foreign priority date, U.S. applicants face a potential trap for the unwary where the originally presented claims are too narrow to cover all possible inventions in the application.

Four Exceptions under 35 U.S.C. §102 to the Two Novelty Parts: 35 U.S.C. §§ 102(b) & 102(c)

While the U.S. did transition to a first-to-file system under 35 U.S.C. §102(a), there remained a strong constituency which argued for maintaining the 1 year

grace period available to inventors under the prior system. This grace period was especially advantageous for small companies and individual inventors who could use the grace period to determine the market value of their invention and otherwise perfect the invention prior to investing in a patent. As a compromise, Congress attempted to maintain the 1 year grace period for disclosures by the inventor under 35 U.S.C. §§102(b)(1) and (2). Congress also provided a huge benefit to large patent portfolio holders by taking the “commonly owned” provisions of prior 35 U.S.C. §103(c), and making these same exceptions available for defeating novelty under 35 U.S.C. §§102(b)(3) and (c). These exceptions seemingly increase the amount of subject matter which is available to patent applicants and reduce the extent that their own inventions are usable as prior art. However, there remain issues as to the scope of these exceptions as will be detailed below.

1. *35 U.S.C. §102(b)(1): 1 Year grace period*

Perhaps the most noticeable of the exceptions is the retention of the 1 year grace period. Under the prior version of 35 U.S.C. §102(b), acts which would otherwise constitute a prior art bar under 35 U.S.C. §102(a) were not patent defeating events if these acts were performed by the inventor within 1 year of the filing of a U.S. application. In order to preserve this same basic right, 35 U.S.C. §102(b)(1) creates a 1 year grace period for public disclosures under 35 U.S.C. § 102(a)(1). This grace period extends to disclosures “directly or indirectly” from the inventor or joint inventor, as well as to public disclosures by another who derived the invention from the inventor’s prior disclosure. While seemingly a change from existing 35 U.S.C. §102(b) practice, this merely re-codifies how prior versions of 35 U.S.C. §§ 102(a) & 102(b) operated by allowing the inventor to file Declarations under 37 C.F.R. §1.132 to show that the disclosure was derived from the inventor.³⁰ As such, in many ways, inventors who could rely on the prior 1 year grace period should be able to do the same under the new 35 U.S.C. §102(b)(1).

a. *Problem: “disclosure” under 35 U.S.C. §102(b)(1) does not match language of “public” under 35 U.S.C. §102(a)(1)*

While in many ways the new 35 U.S.C. §102(b)(1) should operate like the grace period in prior 35 U.S.C. §102(b), Congress did not make life so simple. Specifically, 35 U.S.C. §102(a)(1) provides a bar to

³⁰ See generally MPEP 716.10 (discussing use of Declarations to show attribution) (8th Ed. July 2010).

patentability where the subject matter was previously “patented, described in a printed publication, or in public use, on sale, or otherwise available to the public”, 35 U.S.C. §102(b)(1) does not use any of these categories. Instead, 35 U.S.C. §102(b)(1) only provides a grace period for public “disclosures” of the inventor without defining what a disclosure it. While it is possible for Courts to, in light of the intended purpose of providing a comprehensive grace period for acts by the inventor, interpret a “disclosure” as being at least “patented, described in a printed publication, or in public use, on sale, or otherwise available to the public to be consistent” with 35 U.S.C. §102(a)(1), there is no requirement for the Courts to do so.

To illustrate the issue, a common definition of a “disclosure” includes revealing the information.³¹ Therefore, it would appear that any publication or patent would certainly qualify as a revelation of information. However, sales can be done privately, and public uses can be done privately without revealing information about the invention. These sales and commercialization efforts would not have been a bar to patentability under prior law if an application was filed within 1 year, but it is uncertain if these same activities still qualify for the grace period under new 35 U.S.C. §102(b)(1). Therefore, patent applicants need to presume that 35 U.S.C. §102(b)(1) is not necessarily coextensive with the requirements of 35 U.S.C. §102(a)(1), and ensure that they file an application prior to selling or using the invention.

And while it is seemingly clear that a publication would be a disclosure entitling the inventor to the one year grace period, the best practice remains to ensure that an application is filed prior to publication also.

2. 35 U.S.C. §102(b)(2): Same invention in different applications

In order to preserve some of the protections currently afforded to applicants under prior 35 U.S.C. §102(e), Congress created another exception. Under 35 U.S.C. §102(b)(2), if the same invention exists in different applications under 35 U.S.C. § 102(a)(2), this will not be a bar to patentability if the invention described in the other application was filed by the same inventor, was derived “directly or indirectly” from the inventor,³² or was publicly disclosed by the inventor “directly or indirectly” from the inventor.³³ In many ways this mimics existing law as under 35 U.S.C.

§102(e), an inventor was entitled to prove that the claimed subject matter that appeared in another application was the inventors or derived from the inventor using a Declaration under 37 C.F.R. 1.132.³⁴ Therefore, outside of a change in statutory sections, applicants will not likely find a great deal of difference in how these situations are resolved.

3. Movement of Former 35 U.S.C. § 103(c) to 35 U.S.C. § 102

While the exceptions in 35 U.S.C. §102(b)(1) through (2)(B) appear to provide a potential lessening in what is patentable as compared to prior law, 35 U.S.C. §102(b)(2)(C) and 35 U.S.C. §102(c) appear to dramatically increase the ability of owners of large patent portfolios to obtain patents. Specifically, 35 U.S.C. §102(b)(2)(C) has taken the exception to obviousness found in former 35 U.S.C. 103(c), and applied to novelty. Since holders of large patent portfolios often face problems caused by multiple copending applications having the same or similar descriptions of like technologies, this change should prove beneficial to these owners.

To illustrate this change, assuming a Company has patent applications A and B with the same subject matter in each application, but patent application A was filed previously. Under prior law, the claims in application B could be anticipated by the disclosure in patent application A under 35 U.S.C. §102(e). However, since patent applications A and B are commonly owned, the claims in application B cannot be rendered obvious using the disclosure in patent application A due to 35 U.S.C. §103(c)(1). Thus, so long as there was any new description in patent application B as compared to patent application A, the claims in patent application B could be made patentable.

However, if patent application A included all of the subject matter of patent application B, the claims of patent application B could not become patentable. A famous example of this occurred at Polaroid where two inventors, Land and Rogers, had their joint application rejected due to their individual research being previously filed.³⁵ Thus, for prolific inventors working in the same laboratory (and especially if using the same patent counsel), there was always the danger that an earlier filed and more complete application would

³¹ E.g., Disclosure includes the act of disclosing, which is to “make known; reveal”. The Oxford American Dictionary and Thesaurus, p.405 (Oxford University Press 2003).

³² 35 U.S.C. §102(b)(2)(A).

³³ 35 U.S.C. §102(b)(2)(B).

³⁴ See generally MPEP 2336.05 (discussing uses of Declarations to show inventorship of subject matter in other applications) (8th Ed. July 2010).

³⁵ See MPEP 2136.05 for a more detailed discussion of *In re Land*, 368 F.2d 866 (CCPA 1966).

prevent the issuance of a later filed and less complete application.

This latter issue has largely been resolved under new 35 U.S.C. § 102(b)(2)(C). Under this new law, even if patent application A has the exact same disclosure as patent application B, patent application A cannot anticipate patent application B under 35 U.S.C. § 102. Therefore, as holders of large patent portfolios have the greatest likelihood of this occurrence, this change is likely to greatly increase their ability to obtain broad coverage for all of their inventions resulting from a common research drive.

This idea was similarly carried forward to joint development agreements. Under prior law, the CREATE Act (Pub. L. 108-453, 118 Stat. 3596 (2004)) created another exception to what prior art was usable for obviousness: joint development agreements. Basically, inventors working under a joint development agreement would be able to remove, for purposes of obviousness, prior art applications for each member of the joint development agreement if that prior art was only usable under 35 U.S.C. §102(e). Under the America Invents Act, 35 U.S.C. §102(c) now prevents use of these same prior art applications for purposes of novelty where the inventors were under a joint development agreement. While joint development agreements do occur between private companies, they

are more likely between Universities and companies sponsoring research. It is therefore likely that this change should enhance the ability of parties to such research agreements to obtain broad patent coverage for their joint research projects.

Conclusion

It is important to realize that America Invents Act is first significant change in U.S. Patent Law in 50 years. Its passage was based, not just on the belief that the changes improve efficiency and encourage innovation, but that the changes by themselves create new jobs. While the changes themselves will likely not increase jobs outside of the hiring of new patent examiners, these changes were long sought and represent an important step in harmonizing U.S. law with international standards. And while there are multiple other changes which will be the subject of a later feature article, the most dramatic change has been the changes to the U.S. novelty standard under 35 U.S.C. 102. These changes will have certain benefits as noted above, but will also create a great deal of uncertainty which will take years to sort out in court. Therefore, it is important for applicants and patent owners to recognize the need, now more than ever, to engage competent U.S. counsel to ensure that their inventions survive and thrive in a first-to-file environment.

Federal Circuit Finds Prosecution History Estoppel Prevents Coverage of Equivalent Since Amendment Was Foreseeable Equivalent

In *Duramed Pharmaceuticals, Inc v Paddock Laboratories, Inc.*, 644 F3d 1376, 99 USPQ2d 1388 (Fed. Cir. 2011), Duramed (now known as Teva Women's Health Inc.) owns U.S. Patent No. 5,908,638 ('638 patent.), which is directed to estrogen pharmaceutical compositions. When originally filed, original independent claim 1 recited a conjugated estrogen pharmaceutical composition "coated with a moisture barrier coating," and original dependent claim 7 limited "said moisture barrier coating" to one that "comprises ethylcellulose." During prosecution, the examiner rejected both claims for obviousness. However, after an interview, the Examiner indicated that if the limitation of claim 7 was included the independent claim 1, it would be allowed. Duramed amended claim 1 to include the limitation, and the claim was allowed. Thus, claim 1 of the issued '638 patent claimed pharmaceutical compositions for hormonal treatment of pre-menopausal, post-

menopausal, and menopausal disorders with "a moisture barrier coating comprising ethylcellulose."

In 2009, Duramed brought suit against Paddock under 35 U.S.C. §271(e)(2) for infringement of the '638 patent. Paddock had proposed in an Accelerated New Drug Application for a generic version of Duramed's hormone replacement utilizing polyvinyl alcohol (PVA) for a moisture barrier coating (marketed as Opadry AMB.) Duramed asserted that the generic version infringed claims 1, 4, and 6-8 under the doctrine of equivalents because Paddock's proposed generic product uses a polyvinyl alcohol ("PVA") MBC, marketed as Opadry AMB. Paddock moved for summary judgment of noninfringement, arguing that Duramed was barred by amendment-based prosecution.

The district court granted summary judgment of non-infringement to Paddock since these equivalents were known in the prior art at the time of the amendment

and were thus foreseeable. The district court held that the prosecution history estopped Duramed from infringement allegations, because the amendment narrowed the scope of the claim triggering the presumption under *Festo* that Duramed had surrendered all territory between the original and amended claim scope. *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 344 F.3d 1359 (Fed. Cir. 2003). Further, the district court held that the Duramed Failed to rebut the *Festo* presumption based on an argument of, inter alia, the foreseeability of the use of PVA as a MBC in a pharmaceutical formulation. Specifically, the district court found foreseeability based upon: 1) a PCT to Colorcon published January 25, 1996 that disclosed formulations of the PAV based MBC, including Opadry AMB which included technical drawbacks, 2) U.S. Patent No. 3,935,326 to Groppenbacher issued in 1976 that discloses the use of PVA in moisture tight tablets, 3) an article in 1995 of “Manufacturing Chemist” that tested Opadry AMB and concluded that it was a highly effective moisture barrier, 4) scientific articles on PVA MBC distributed conferences in May 1995, May 1998, and November 1998, and 5) invoices from Colorcon indicating sales of Opadry AMB before September of 1996.

On appeal, the Federal Circuit noted that, under the doctrine of equivalents, “a product or process that does not literally infringe the express terms of a patent claim may nonetheless be found to infringe if there is ‘equivalence’ between the elements of the accused product or process and the claimed elements of the patented invention.” *Warner-Jenkins Co. v. Hilton Davis Chem. Co.*, 520 U.S. 17 (1997) (citing *Graver Tank & Mfg. Co. v. Linde Air Prods. Co.*, 339 U.S. 605 (1950)). However, the doctrine of prosecution history estoppel prevents these equivalents from reaching subject matter surrendered to acquire the patent. *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 734 (2002). The presumption is rebuttable if at the time of the amendment the alleged equivalents would not have been foreseeable and thus beyond the fair interpretation of what was surrendered. An alternative is foreseeable if it is known in the field of invention as reflected in the claim prior to amendment. *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 344 F.3d 1359, 1366-67 (Fed. Cir. 2003) (en banc)

Duramed argued that this interpretation of foreseeability would mean that any mention of the alleged equivalent in the prior art would make it equivalent as a matter of law. Instead Duramed argued that an equivalent was not foreseeable if it is not understood by one of ordinary skill in the art to be

suitable for use in the invention that was originally claimed. Specifically, they argued that PVA was not disclosed as a suitable MBC for moisture sensitive pharmaceuticals such as conjugated estrogen.

Paddock responded that the foreseeability standard only requires that PVA be a foreseeable MBC for pharmaceutical applications at the time of the narrowing amendment. The Colorcon PCT would be sufficient to render PVA foreseeable, but it is also bolstered by the Groppenbacher patent, scientific publishings, and the commercialization of Opadry.

The Federal Circuit held that Duramed had failed to rebut the presumption of prosecution history estoppel based on unforeseeability. The court also noted that Duramed’s overly restrictive definition of the field of invention. Specifically in *Schwarz*, the court had previously held that if the original and issued claims start with language such as “[a] pharmaceutical composition” it defines the field of invention for the purposes of foreseeability. *Schwarz Pharma, Inc. v. Paddock Labs.*, 504 F.3d 1371 (Fed Cir. 2007). At the time of the narrowing amendment of the Duramed claim, PVA MBCs need only to have been known in the field of pharmaceutical compositions, the Colorcon PCT establishes this.

Although, the Colorcon PCT gives only conclusory statements, list drawbacks, and lacks data on the stability of pharmaceutical compounds, foreseeability does not require such precision evidence of suitability. Disclosure that the equivalent would be useful as such would be sufficient to render it foreseeable for the purposes of prosecution estoppel. “Foreseeability does not require a flawless perfection to create estoppel.” As such, the Federal Circuit upheld the district court’s grant of summary judgment of noninfringement.

Significance to Patent Applicants

Duramed is an important reminder that, while the doctrine of equivalents is available, it is very difficult to apply where the equivalence is for an element added through amendment during prosecution. While technically possible to overcome, such amendments will generally bar any equivalence except in all but the most inconsequential changes. As demonstrated in *Duramed*, this is because foreseeability is not limited to what was foreseeable by the inventors (and thus disclosed in the specification), but from anything accessible to one skilled in the art. Therefore, while amending claims simply to obtain a quick allowance can be tempting, applicants need to be careful in doing so, as it often has unforeseen consequences.

Federal Circuit Finds Assigned “Inventions and Discoveries” Extends to Continuation Applications

In *MHL Tek, LLC v. Nissan Motor Co.*, 99 USPQ2d 1681 (Fed. Cir. 2011), the controversy surrounds the ownership of U.S. Patent Nos. 5,663,496 (“the ‘496 patent”), 5,741,966 (“the ‘966 patent”), and U.S. Patent No. 5,731,516 (“the ‘516 patent”), all of which relate to a tire pressure monitoring system (“TPMS”) and have the same inventors. Two of the patents, the ‘496 and ‘966 patents, are divisionals of the same parent application (the “Parent Application”), while the third patent, the ‘516 patent, has a separate specification from the ‘496 or ‘966 patents or to the Parent Application.

The Parent Application was filed on August 3, 1993, while the ‘496 and ‘966 patents were both filed on June 6, 1995, and the ‘516 patent was filed on May 2, 1996. On August 5, 1993, two days after the Parent Application was filed, the inventors executed an assignment to Animatronics, Inc. (“Animatronics”), assigning all rights to “the inventions and discoveries” in the Parent Application.

Two months later, Animatronics executed an assignment (the “1993 Assignment”) to McLaughlin Electronics (“ME”), stating that Animatronics assigned all rights to “the inventions and discoveries set forth” in the Parent Application. However, this 1993 Assignment contained a carve-out provision, stating that the Assignment did not cover any rights to the Parent Application concerning Animatronics’ “Proprietary Inventions.” The Proprietary Inventions were defined in a separate Development Agreement as “(1) the Communications Link; (2) a radio frequency transceiver and algorithm used in the Service Unit and Sensor Unit; and (3) a piezo resistive rubber pressure sensor for use in the Sensor Unit.” However, Animatronics and ME began to have disputes as to ME’s progress under the Development Agreement, and Animatronics began to dispute the ownership over the ‘496 & ‘966 patents, which were divisionals of the Parent Application in the 1993 Assignment. The dispute was not resolved.

On June 7 and July 6, 2007, the inventors signed documents assigning the ‘496, ‘966, and ‘516 patents to MHL Tek, LLC (“MHL”), who then sued the Defendants on July 13, 2007, claiming that Defendants’ TPMS infringed on all three patents. Animatronics assigned any of its rights to the patents-in-issue to MHL on November 6, 2007.

The Defendants moved to dismiss for lack of standing. The district court granted this motion with respect to the ‘496 and ‘966 patents, agreeing that these patents had already been assigned to Animatronics due to the 1993 Assignment and thus were not assigned to MHL until November 6, 2007, after MHL had filed suit. However, the district court denied the motion with respect to the ‘516 patent, holding that the inventors never assigned this patent to Animatronics, and therefore the June and July 2007 assignments conferred standing upon MHL in regard to this patent.

MHL filed an amended complaint to cure the timing defect with respect to the ‘496 and ‘966 patents. The Defendants again moved to dismiss these claims for lack of standing, asserting that Animatronics had assigned its rights in these patents to ME and therefore could not assign them to MHL. The district court agreed, holding that these two patents did not concern Animatronics’ Proprietary Inventions and were not subject to the carve-out provision of the Assignment.

The Defendants moved again to dismiss the ‘516 infringement claim for lack of standing, asserting that the ‘516 patent was assigned to Animatronics and then to ME because it was within the scope of the “inventions and discoveries” in the Parent Application. Here, the district court disagreed, holding that the ‘516 patent was not related to the Parent Application and therefore was not included within the scope of either assignment. Litigation commenced regarding infringement of the ‘516 patent, and the district court eventually granted the Defendants’ motion for summary judgment of non-infringement of the ‘516 patent.

On appeal, MHL did not dispute that the ‘496 and ‘966 patents were “inventions and discoveries” within the Parent Application as defined in the 1993 Assignment, but instead argued that the ‘496 and ‘966 patents included additional features which were part of the carve-out. Specifically, the ‘496 patent claims include limitations to a communications link, and the ‘966 patent covers a Service Unit and its RF Link, both of which were Proprietary Inventions in the carve-out. The Federal Circuit, however, noted that there was no evidence that these technologies included in the specification of the Parent Application were the same ones included in the 1993 Assignment carve-out. Therefore, the Federal Circuit held that the ‘496 and ‘966 patents were not subject to the carve-out

provision of the 1993 Assignment because the patent claims did not cover any of the Proprietary Inventions - thus, they were assigned to ME and could not be then assigned to MHL by Animatronics. As such, the Federal Circuit affirmed the district court's decision that MHL lacked standing to assert those two patents.

In regards to the '516 patent, the Federal Circuit noted that the 1993 Assignment was not limited solely to patents claiming priority to the Parent Application since it was limited only to "inventions and discoveries" of the Parent Application. As such, it was possible for the 1993 Assignment to also cover the '516 patent. To determine the scope of the 1993 Assignment, the Federal Circuit noted that the invention is both determined by the existing claims of the '516 patent as defined in *Phillips v. AWH Corp.*, 415 F.3d 1303, 1312 (Fed. Cir. 2005) (en banc), as compared to whether the written description in the Parent Application would describe the invention for purposes of 35 U.S.C. § 112 "reasonably conveys to those skilled in the art," *Ariad Pharms., Inc. v. Eli Lilly & Co.*, 589 F.3d 1336, 1351 (Fed. Cir. 2010) (en banc).

Under this test, the Federal Circuit first noted that the specification of the Parent Application did support the claims of the '516 patent, and therefore did include the invention of the '516 patent. As such, the '516 patent was also subject to the 1993 Assignment. Therefore, the Federal Circuit held that MHL also lacked standing to assert the '516 patent, reversing the district court's decision, and vacated the district court's grant of summary judgment of non-infringement of the '516 patent.

Federal Circuit Finds District Courts Can Correct Obvious Errors Without Certificate of Correction

In *CBT Flint Partners, LLC v. Return Path, Inc.*, 99 USPQ2d 1610 (Fed. Cir. 2011), CBT Flint Partners, LLC ("CBT") appealed the District Court for the Northern District of Georgia's grant of summary judgment of invalidity of claim 13 of U.S. Patent 6,587,550 ("the '550 patent"). CBT owns the '550 patent, as well as another patent, the '114 patent, which both relate to methods and systems for charging a fee for sending spam email to recipients. In the preferred embodiment of the '550 patent, the invention is implemented as part of an Internet Service Provider ("ISP"). When a sender attempts to send spam emails over the ISP network, the patented system determines whether this sender is an "authorized sending party," i.e., a party who has agreed to pay a fee to the ISP. If the sender is

Significance to Patent Owners

MHL Tek is a continuation of the Federal Circuit's recent jurisprudence in which Federal Common Law is being applied to interpret assignment documents. This is an issue which has recently come to the forefront and is not without some controversy since the difference can change an outcome of a case. Indeed, the Supreme Court in *Stanford Junior Univ. v. Roche Molecular Sys.*, 131 S. Ct. 2188; 98 U.S.P.Q.2d 1761 (2011) seemed to critical of the application of Federal Common Law to assignments, and at least one petition for certiorari has been filed on this very issue. See generally Ian B. Feinberg, Eric B. Evans, and Andrew M. Holmes, *Consequences of the Federal Circuit's New Reliance on Federal Common Law to Interpret Patent Assignment Agreements*, *Landslide* 24-29 (ABA Jan./Feb. 2011) (arguing that the application of Federal Common Law by the Federal Circuit in Stanford resulted in a different outcome than would have occurred under California law). In MHL, it is also unclear as to whether a state court would have reached the same conclusion since the 1993 Assignment did not specify whether it covered other distinct applications, such as continuations, divisionals, continuations in part etc as is the normal practice with regards to assignments, and therefore the Federal Circuit was relying on very vague language as interpreted under Federal Circuit claim construction laws to cover entire classes of technology. Until this issue is resolved, patent owners are advised of the need to carefully review their standard assignment and licensing language to ensure that they are updated to reflect this growing body of Federal Common Law.

an authorized sending party, the ISP will forward its spam emails to the intended recipients. If the sender is not an authorized sending party, the patented system will send a message to the sender, giving the sender the option to pay the fee and become an authorized sending party. If the sender does not pay this fee, its spam emails will not be forwarded over the network.

In August 2007, CBT sued Return Path, Inc. and Cisco Ironport Systems, LLC ("the Defendants"), alleging infringement of both the '550 and '114 patents by the Defendants' "Bonded Sender" system. This system analyzes incoming emails to determine whether they came from an authorized computer and, if so, forwards them to their intended recipients. CBT asserted

infringement of claim 13 of the '550 patent, as well as infringement of ten claims of the '114 patent.

On July 10, 2008, the district court issued a claim construction order, and the next day it granted summary judgment of invalidity of claim 13 of the '550 patent. All parties and the court agreed that claim 13 contained a drafting error where it recited "the computer being programmed to detect analyze the electronic mail communication sent by the sending party to determine whether or not the sending party is an authorized sending party or an unauthorized sending party." The court determined that there were three reasonably possible corrections of this error: (1) delete the word "detect," (2) delete the word "analyze," and (3) add the word "and" between the words "detect" and "analyze."

After considering the claim language and specification, the court held that the appropriate correction was subject to reasonable debate. It also noted that one of the inventors, who prosecuted the '550 patent application, testified that he could have meant to draft the claim in any of the three ways listed. As a result, the court held that under *Novo Industries L.P. v. Micro Molds Corp.*, 350 F.3d 1348, 1354 (Fed. Cir. 2003), it was unauthorized to correct the error, rendering claim 13 invalid for indefiniteness. The parties then stipulated to noninfringement of all asserted claims of the '114 patent and the court entered final judgment in favor of the Defendants.

On appeal, the Federal Circuit held that the district court did have authority to correct the drafting error in claim 13 of the '550 patent and therefore reversed the district court's summary judgment of invalidity for indefiniteness. The Federal Circuit held that there was an obvious and correctable error in the claim, the construction of which was not subject to reasonable debate, and remanded to the district court for further proceedings.

The Federal Circuit began by citing to *I.T.S. Rubber Co. v. Essex Rubber Co.*, 272 U.S. 429, 442 (1926) for the proposition that it is well-settled that in a patent infringement suit, a district court may correct an obvious error in a patent claim. The Federal Circuit also noted that it qualified this statement in *Novo Industries* by holding that a "district court can correct a patent only if (1) the correction is not subject to reasonable debate based on consideration of the claim language and the specification and (2) the prosecution history does not suggest a different interpretation of the claims." The Federal Circuit then observed that in *Ultimax Cement Manufacturing Corp. v. CTS Cement Manufacturing Corp.*, 587 F.3d 1339, 1353 (Fed. Cir.

2009), it further held that a district court must consider any proposed correction "from the point of view of one skilled in the art" when determining whether the district court had authority to correct a claim.

CBT argued that the question that determines indefiniteness is whether the claim would have the same meaning under all reasonable formulations and the Federal Circuit agreed. The Federal Circuit found that in this case, the district court erred by failing to consider the three possible corrections from the point of view of one skilled in the art. Here, the Federal Circuit determined that a person of skill in the art would find the claim to have the same scope and meaning under each of the three possible corrections.

First, if the word "detect" was deleted, the claim would require the computer to be programmed to analyze the email. But to be able to analyze the email, the computer would necessarily have to first detect the email.

Second, if the word "analyze" was deleted, the claim would require the computer be programmed to detect the e-mail and then determine whether or not the sending party is an authorized sending party or an unauthorized sending party. To make this determination, however, would necessarily involve analysis of the email.

Finally, the addition of the word "and" between the words "detect" and "analyze" results in the same claim scope as the other two possible interpretations. Because both other interpretations involve both detection and analysis, the omission of the word "and" was an obvious error. A person of skill in the art would readily know that the meaning of the claim required insertion of the word "and" between the words "detect" and "analyze." As such, the district court was not required to guess which meaning was intended in order to make sense out of the patent claim. See *I.T.S. Rubber Co. v. Essex Rubber Co.*, 272 U.S. 429, 442 (1926) ("This is not in any real sense, a re-making of the claim; but is merely giving to it the meaning which was intended by the applicant and understood by the examiner."). The error was obvious and the correction was not subject to reasonable debate, so the district court was authorized to make the correction.

The Federal Circuit further held that the district court erred in its heavy reliance on the inventor's testimony that he was unsure what he meant by the language "detect analyze." The Federal Circuit found that this

testimony merely related to his recollection of how he intended to draft the claim and not to the meaning of the claim itself. The Federal Circuit also found that the district court incorrectly ignored the inventor's testimony that the meaning of claim 13 would be the same under any of the three proposed interpretations. Therefore, this testimony supported CBT's arguments.

Significance for Patentees and Defendants

CBT indicates that courts may occasionally assist patentees during litigation by correcting obvious drafting errors. Nevertheless, the takeaway from this case should not be that patentees can always rely on courts to correct errors in patent claims. CBT was fortunate here that all the reasonably possible corrections had the same scope and meaning. Often, however, this will not be true. Many situations of this kind will involve non-obvious errors or instances where the correction is subject to reasonable debate, even from the standpoint of one skilled in the art. Therefore, as always, patentees should diligently review claims during prosecution to prevent drafting

errors, and should thoroughly review issued patents before suing on them.

And importantly, instead of relying on the district court to exercise discretion to correct the claim, it is important that patent owners recognize that they can correct such errors using Certificates of Correction under 35 U.S.C. §§ 254 & 255. These provisions are relatively inexpensive and quick, and would have likely avoided the problems and delays associated with what occurred in CBT. Therefore, if possible, prior to initiating suit, patent owners should consider correcting errors through this simple process.

Meanwhile, although this type of claim correction by a district court may be relatively rare, defendants should be aware that it can and will occur. Therefore, defendants should not rest their entire case on a finding of indefiniteness where there is an obvious claim drafting error, especially since not only can the United States Patent and Trademark Office correct such errors, so can district courts.

Stein McEwen News

Dr. Alan Ehrlich Named American Chemical Society

Fellow

Stein McEwen, LLP would like to congratulate Dr. Alan Ehrlich for being named a member of the 2011 Fellows of the American Chemical Society (ACS). The ACS established the Fellows Program "to recognize members of ACS for outstanding achievements in and contributions to Science, the Profession, and the Society." Dr. Ehrlich was honored at the August 29, 2011 ACS National Meeting in Denver, where he also presented a paper on the *Ramifications of Stanford v. Roche for Invention Assignments and Technology Transfer*.

Upcoming Stein McEwen Events

- James G. McEwen will be co-presenting *Regulatory and Government Issues in IP Licensing* at Understanding the Intellectual Property License 2011, scheduled in Chicago on November 3-4, 2011, and in San Francisco and via live webcast on December 12-13, 2011.
- Dr. John K. Weatherspoon will be speaking on a panel regarding *Intellectual Property: Rethinking Value, Rethinking the Way it's Been Done, Changing the Paradigm* at the Life Sciences Summit in New York occurring on November 16 and 17th, 2011.
- On November 7, 2011 in Osaka, Japan, Michael D. Stein will be speaking before the Kansai Patent Attorneys Study Group (KTK) regarding the Leahy-Smith America Invents Act, signed into law by President Obama on September 16, 2011 and making some of the most significant changes to US patent in decades. Mr. Stein will also be discussing major recent US Supreme Court and US Federal Circuit decisions regarding patents at the seminar.
- Amy Benjamin will be speaking before the DC Bar on the subject of Trademarks during the *Intellectual Property Law 2011: Year in Review* Series on December 5, 2011.

Stein McEwen Welcomes New Additions

Sungyeop Chung

Stein McEwen, LLP is pleased to welcome Sungyeop Chung as IP Advisor. Mr. Chung has a wide range of experience in U.S. and foreign patent prosecution, developing litigation strategies and trials. He is experienced in writing infringement and validity opinions, and also in client counseling, having conducted the same for a large electronics company in Korea. He also has broad experience in preparing foreign patent applications, responses to office actions, and trial and litigation briefs for intellectual property law firms in Korea. While skilled in a wide range of technical areas, he has particular expertise in optical instruments, liquid crystal displays (LCDs), organic light-emitting diodes (OLEDs), light-emitting diodes (LEDs), plasma display panels (PDPs), semiconductors, consumer electronics, and mechanical instruments, among others.

Mr. Chung received a Master's Degree in Electrical Engineering from Seoul National University, and a Bachelor's Degree in Physics from Sogang University. While working at Stein McEwen LLP, he is working towards his LL.M. at Georgetown University Law Center. He also completed the training courses

provided by the International Intellectual Property Institution in Daejeon, Korea.

Mr. Chung is registered to practice before the U.S. Patent and Trademark Office and before the Korean Intellectual Property Office. He is a member of the American Intellectual Property Lawyers Association and the Korean Patent Attorneys Association. He is not registered to practice law in the District of Columbia.

Nicolas C. Johnson

Stein McEwen, LLP is please to welcome Nicolas C. Johnson, Esq., Of Counsel, who will head up the firm's Renewable Energy Law Group. Mr. Johnson has experience in the legal aspects of renewable energy project acquisitions and development. He has a proficiency in creating new market opportunities for investors and for linking developers with the funding they seek. He is also experienced in advising during the course of an investor's due diligence. His work in the energy and infrastructure field dates back to the late 1990s. Since then, he has created numerous successful business opportunities in wind, biomass and solar energy, among other areas. With its Renewable Energy Law Group, Stein McEwen adds value to innovation with regard to the full range of renewable energy projects.

Stein McEwen Hosting Biotechnology Conference

Stein McEwen, LLP will be hosting the Conference on Breathing Additional Life into the Life Sciences - Reaching the Next Milestone, on Friday November 4, 2011 from 7:30 AM to 2:00 PM. This conference is designed for biotechnology/pharmaceutical company decision makers in enabling them to reach the next milestone, no matter what stage their company is in presently. The conference deals with addressing attracting funding, making technology based decisions, and protecting their intellectual property, to best capitalize on their efforts. University technology transfer attorneys, government attorneys and others

stand to benefit from attending as well. Our speakers come from a vast array of perspectives and experiences, spanning in-house counsel, a certified licensing professional, a publisher of biotechnology magazine, a technology transfer and commercialization professional, a Director of Technology Transfer Officer of a division of NIH, a financial consultant and intellectual property professionals. For more information on attending, as well as a full list of speakers and the agenda, please refer to the conference website at <http://www.smiplaw.com/seminar.cfm>.

Stein McEwen Co-Hosting German Conference

Stein McEwen, LLP will be co-hosting the Current Significant Issues in US Patent Law and a Comparative Analysis with German and European Patent Law, on Friday November 15, 2011 from 2:00 PM to 7:00 PM. This conference is designed for corporate executives, in-house counsel and patent team members, university technology transfer team members, and attorneys representing such entities, and any other patent holders and their competitors who already or are considering conducting business in the United States. The conference will address strategies

to deal with the new post grant opposition practice and the new first-to-file system, what constitutes prior art under the revised US Code, updates on infringement issues for exports to US markets, current issues in intellectual property and business for green technology, recent US court decisions affecting patent rights, and the standard for inequitable conduct in the US. For more information on attending, as well as a full list of speakers and the agenda, please refer to the conference website at http://www.smiplaw.com/seminar_de.cfm.

Feature Comment: Effective Dates For Patent Reform

By Thad Cox¹ and James G. McEwen²

Ever since June 8, 2005, Representative Lamar Smith, then Chairman of the House Subcommittee on Courts, the Internet, and Intellectual Property, along with several co-sponsors, has attempted to change the U.S. patent system. In 2005, this was through introduction of H.R. 2795. Popularly known as the “Patent Reform Act of 2005,” the Patent Reform Act was an omnibus bill which overhauled multiple aspects of patent practice. While this act aroused a significant amount of interest, it ultimately failed as lawmakers were unable to reconcile numerous competing interests. Similar efforts failed in each successive legislative session.

However, with the Patent Reform Act of 2011 (H.R. 1249) as introduced by Rep. Smith (R-TX) on March 30, 2011, the first significant change to the United States patent system has arrived. Since renamed the Leahy-Smith America Invents Act, the bill was passed by the U.S. House of Representatives on June 23, 2011, and by the U.S. Senate on September 8, 2011, and was signed into law by President Obama on September 16. As such, applicants and patent owners need to be aware of when the changes will become effective and when to expect the United States Patent and Trademark Office to begin changing the way it conducts business, including establishing new fee schedules. What follows below is a summary of which portions of the Leahy-Smith America Invents Act are effective relative to the date of enactment.

Effective the Day of the Enactment: September 16, 2011

1. Fee Setting Authority, General Fees, and Small & Micro Entities

Sections 10 and 11 of the Patent Reform Act set forth a schedule of fees and give authority to the Director of the PTO to set and adjust fees. This fee schedule, which amends 35 U.S.C. § 41, is substantially the same as the current fee schedule for the PTO.

However, it is likely that the Director will soon exercise his new authority to adjust these fees so that PTO revenue matches spending. Further, as an interim measure, the Act imposes a 15% surcharge fee on most

fees (as discussed below), which takes effect after 10 days and terminates once the Director exercises his fee-setting authority. These fees are rounded to the nearest \$10. Finally, the Act provides that new “Micro Entities” shall have their fees reduced by 75%.

The Director’s authority to set or adjust fees for recovering costs to the PTO for processing, activities, services, and materials relating to patents and trademarks. However, this authority is subject to a sunset provision—it terminates 7 years from the enactment of the Act.

a. Filing and basic national fees, set at the following amounts:

	Fee Amount	With Surcharge	15%
Filing an application for an original patent, except for design or plant applications	\$330	\$380	
Filing an application for an original design patent	\$220	\$250	
Filing an application for an original plant patent	\$220	\$250	
Filing a provisional application for an original patent	\$220	\$250	
Filing an application for the reissue of a patent	\$330	\$380	
Basic national fee for an international application filed under the PCT entering the national stage	\$330	\$380	

¹ Thad Cox is a Road to the Future Fellow at Stein McEwen, LLP.

² James G. McEwen is a partner at Stein McEwen, LLP. The opinions in this article do not represent the official positions of Stein McEwen, LLP.

For any application wherein the specification and drawings exceed 100 sheets of paper (or equivalent if filed electronically)	\$270 for each additional 50 sheets of paper (or equivalent if filed electronically) or fraction thereof	\$310 for each additional 50 sheets of paper (or equivalent if filed electronically) or fraction thereof
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b. Excess claims fees, set at the following amounts:

	Fee Amount	With Surcharge 15%
For each claim in independent form in excess of 3	\$220	\$250
For each claim (dependent or independent) in excess of 20	\$52	\$60
For an application containing a multiple dependent claim	\$390	\$450

c. Examination fees, set at the following amounts:

	Fee Amount	With Surcharge 15%
For examination of an application for an original patent, except for design, plant, provisional, or international applications	\$220	\$250
For examination of an original design patent	\$140	\$160
For examination of an original plant patent	\$170	\$200
For examination of the national stage	\$220	\$250

of an international application		
For examination of an application for the reissue of a patent	\$650	\$750

d. Issue fees, set at the following amounts:

	Fee Amount	With Surcharge 15%
For issuing an original or reissue patent, except design or plant patents	\$1,510	\$1,740
For issuing an original design patent	\$860	\$990
For issuing an original plant patent	\$1,190	\$1,370

e. A disclaimer fee, set at the following amount:

	Fee Amount	With Surcharge 15%
On filing each disclaimer	\$140	\$160

f. Appeal fees, set at the following amounts:

	Fee Amount	With Surcharge 15%
On filing an appeal from the examiner to the PTAB	\$540	\$620
On filing a brief in support of the appeal	\$540	\$620
On requesting an oral hearing in the appeal before the	\$1,080	\$1,240

PTAB		
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g. Revival fees, set at the following amounts:

	Fee Amount	With Surcharge 15%
On filing a petition for revival of an unintentionally abandoned application, for an unintentionally delayed payment of the fee for issuing a patent, or for the unintentionally delayed response by the patent owner in a reexamination proceeding	\$1,620	\$1,860
Unless the petition is filed under 35 U.S.C. §§ 133 or 151	\$540	\$620

h. Extension fees for petitions for 1-month extensions of time to take required actions, set at the following amounts:

	Fee Amount	With Surcharge 15%
Extension for response within first month	\$130	\$150
Extension for response within second month	\$490	\$560
Extension for response within third month	\$1,110	\$1,270
Extension for response within fourth month	\$1,730	\$1,980
Extension for response within fifth month	\$2,350	\$2,690

i. Maintenance fees, except design/plant patents, set at the following amounts:

	Fee Amount	With Surcharge 15%
3 years and 6 months after grant	\$980	\$1,130
7 years and 6 months after grant	\$2,480	\$2,850
11 years and 6 months after grant	\$4,110	\$4,730

j. Patent search fees (except for provisional applications), set at the following amounts:

	Fee Amount	With Surcharge 15%
For each application for an original patent, except for design, plant, provisional, or international applications	\$540	\$620
For each application for an original design patent	\$100	\$120
For each application for an original plant patent	\$330	\$380
For the national stage of each international application	\$540	\$620
For each application for the reissue of a patent	\$540	\$620

k. The 15% surcharge does not apply to these fees:

	Fee Amount
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For recording a document affecting title	\$40 per property
For each photocopy	\$0.25 per page
For each black and white copy of a patent	\$3
The yearly fee for providing a specified with uncertified printed copies of the specifications and drawings for all patents	\$50

The above fees shall be reduced by 50% for any applicant who qualifies as a “Small Entity” - any small business concern as defined under section 3 of the Small Business Act, and any independent inventor or nonprofit organization as defined in regulations issued by the Director. The fee for filing an application for an original patent, except for design, plant, or provisional applications, shall be reduced by 75% for small entities if the application is filed electronically.

Once the Director exercises his fee-setting authority, such fees as he may set shall be reduced by 50% for any applicant who qualifies as a small entity and by 75% for any applicant who qualifies as a “Micro Entity.” A micro entity is any small entity that: (1) has not been named as an inventor on more than 4 previously filed patent application; (2) did not have a gross income for the previous year exceeding 3 times the median household income; and (3) has not assigned, granted, or conveyed (and is not under an obligation by contract or law to assign, grant, or convey) any ownership interest in the application to an entity that had a gross income for the previous year exceeding 3 times the median household income.

2. *Defenses to Infringement Based on Earlier Commercial Use*

Section 5 of the Patent Reform Act modifies the ability to use certain defenses based on an earlier commercial use in an infringement action. This provision takes effect immediately upon enactment of the Act. It applies to any patent issued on or after the date of enactment.

3. *Change of Default Venue*

Section 9 of the Patent Reform Act shifts the default venue for actions brought under 35 U.S.C. §§ 32, 145, 146, 154(b)(4)(A), and 293, as well as under 15 U.S.C. § 1071(b)(4), from the U.S. District Court for the District of Columbia to the U.S. District Court for the Eastern District of Virginia.

This provision takes effect immediately upon enactment of the Act and applies to any civil action commenced on or after that date.

4. *Best Mode Requirement no Longer a Basis to Cancel an Issued Patent*

Section 15 of the Patent Reform Act maintains the previous requirement for the inventor to disclose the best mode for accomplishing the invention, and failure to do so remains a basis upon which an examiner may reject an application under 35 U.S.C. § 112. However, failure to disclose the best mode will no longer be a basis upon which an issued patent claim may be canceled or held invalid or otherwise unenforceable under 35 U.S.C. § 282.

This provision takes effect on the date of enactment of the Act. It applies to all proceedings that commence on or after this effective date.

5. *Virtual Markings and Limited Ability to Bring False Marking Actions*

Section 16 of the Patent Reform Act amends 35 U.S.C. § 287(a) by allowing for virtual markings, which are markings that direct the public to a free internet address that associates the patented article with the number of the patent.

Section 16 also amends 35 U.S.C. § 292 to significantly limit the ability to bring qui tam lawsuits for false marking. Only individuals who have suffered a competitive injury as a result of the false marking may bring such action. Further, those individuals may recover damages adequate to compensate such injury, but only the U.S. government may collect the statutory penalty for false marking. Previously, the plaintiff collected one-half of the penalty, with the other half going to the government.

These provisions take effect on the date of enactment of the Act. They apply to all cases, without exception, that are pending on, or are commenced on or after, this effective date. And one court has taken advantage of this change by dismissing, on its own initiative, a false marking suit the Monday following the enactment of the America Invents Act.³

6. *Jurisdiction and Procedure*

Section 19 of the Patent Reform Act amends several Federal rules and procedures. 28 U.S.C. § 1338(a) is amended to deny jurisdiction by state courts over actions arising under Acts of Congress relating to patents, plant variety protection, and copyrights. 28

³ *Kilts Resources LLC v. Uniden Direct In USA Inc.*, Civ. Case No. 2:10-cv-00517-TJW (E.D. Tex. Sept. 19, 2011)

U.S.C. § 1295(a)(1) is amended to grant exclusive jurisdiction of appeals in all cases relating to patents or plant variety protection.

Section 1454 is added to Chapter 89 of title 28 of the U.S.C., allowing for the removal to U.S. district court of any civil action relating to patents, plant variety protection, or copyright, and the remand of unrelated matters. Finally, § 299 is added to Chapter 29 of title 35 of the U.S.C., allowing for accused infringers to be joined as defendants in a single action if the right to relief arises out of the same transaction or occurrence.

These provisions apply to any civil action commenced on or after the date of enactment of the Act.

Takes Effect After 10 Days (and Terminates When the Director Exercises his Fee-Setting Authority): September 26: 2011

1. *\$4,800 Prioritized Examination Fee and 15% Transition Surcharge Fees*

Section 11 of the Patent Reform Act establishes a fee of \$4,800 for filing a request for prioritized examination of a nonprovisional application for an original utility or plant patent. This provision takes effect 10 days from the date of enactment of the Act, but terminates when the Director exercises his fee-setting authority with respect to this fee.

Section 11 also imposes a 15% surcharge fee on all fees charged discussed above in Section I. This provision also takes effect 10 days from the date of enactment of the Act and terminates when the Director exercises his fee-setting authority with respect to this fee.

Takes Effect After 60 Days: November 15, 2011

1. *\$400 Electronic Filing Incentive*

Section 10 of the Patent Reform Act establishes a new electronic filing incentive provision, which imposes an additional \$400 fee on new applications that are not filed electronically. This provision takes effect 60 days from the date of enactment of the Act.

Takes Effect After 1 Year: September 16, 2012

1. *Substitute Declarations or Oaths Requirement Relaxed*

Section 4 of the Patent Reform Act relaxes the requirements for substitute declarations or oaths by assignees under 35 U.S.C. § 115. This provision takes effect 1 year from the date of enactment and applies to any patent application filed on or after this effective date.

2. *Third Party Challenges: Post-Grant Review, Inter Partes Review, and Preissuance Submissions*

a. Post-Grant Review

Section 6 of the Patent Reform Act adds Chapter 32 to title 35 of the U.S.C. This new chapter allows any third party to request the cancellation of one or more claims of a patent, on any ground that could be raised under defenses (2) or (3) of 35 U.S.C. § 282, by petitioning for post-grant review of the patent. This petition must be filed within 9 months of the date the patent is granted (or the date the reissue patent is issued).

This provision takes effect 1 year from the date of enactment of the Act. Except as provided in Sections 6(f)(3) and 18, it applies only to patents that contain or contained at any time: (1) a claim with an effective filing date [as defined in 35 U.S.C. § 100(i)] that is on or after the effective date of this provision, or (2) a specific reference under 35 U.S.C. §§ 120, 121, or 365(c) to any patent or application having such a claim.

b. Inter Partes Review

Section 6 of the Patent Reform Act also amends Chapter 31 of 35 U.S.C. to allow third parties to petition for inter partes review of a patent. A petitioner in an inter partes review may request the cancellation of one or more claims of a patent, but only on novelty or obviousness grounds, and only on the basis of prior art consisting of patents or printed publications. The petition can only be filed after the later of: (1) 9 months after the grant of the patent (or issuance of a reissue of the patent), or (2) if a post-grant review is instituted under Chapter 32, the date of termination of such post-grant review.

This provision takes effect 1 year from the date of enactment of the Act. It applies to any patent application filed before, on, or after this effective date. Additionally, for requests for inter partes reexamination filed on or after the date of enactment but before the effective date of this provision, there is a transition period, wherein:

35 U.S.C. § 312(a) is amended as follows:

In the first sentence, by striking “a substantial new question of patentability affecting any claim of the patent concerned is raised by the request,” and inserting “the information presented in the request shows that there is a reasonable likelihood that the requester would prevail with respect to at least 1 of the claims challenged in the request,”; and

In the second sentence, by striking “The existence of a substantial new question of patentability” and inserting “A showing that there is a reasonable likelihood that the requester would prevail with respect to at least 1 of the claims challenged in the request.”

35 U.S.C. § 312(c) is amended as follows:

In the second sentence, by striking “no substantial new question of patentability has been raised,” and inserting “the showing required by subsection (a) has not been made.”

35 U.S.C. § 313 is amended as follows:

By striking “a substantial new question of patentability affecting a claim of the patent is raised” and inserting “it has been shown that there is a reasonable likelihood that the requester would prevail with respect to at least 1 of the claims challenged in the request.”

3. *Preissuance Submissions*

Section 8 of the Patent Reform Act amends 35 U.S.C. § 122 by adding subsection (e). This subsection allows any third party to submit any patent or printed publication, along with a statement of relevance, for consideration by the examiner of any pending patent application.

This provision takes effect 1 year from the date of enactment of the Act. It applies to any patent application filed before, on, or after this effective date.

4. *Patent Trial and Appeal Board (PTAB) and Appeals to the Federal Circuit*

Section 7 of the Patent Reform Act replaces the Board of Patent Appeals and Interferences (BPAI) with the Patent Trial and Appeal Board (PTAB). The PTAB is comprised of the same members and performs substantially the same duties as the BPAI; however, the PTAB accommodates the new procedures provided by the Act. These new procedures include conducting derivation proceedings (which essentially take the place of interference proceedings), as well as inter partes and post-grant reviews, as described in Section 6 of the Act. Section 7 also provides for appeals directly from the PTAB to the U.S. Court of Appeals for the Federal Circuit of PTAB decisions regarding examinations, reexaminations, post-grant and inter partes reviews, and derivation proceedings.

This provision takes effect 1 year from the date of enactment of the Act. It applies to proceedings

commenced on or before this effective date, except that:

The extension of jurisdiction to the U.S. Court of Appeals for the Federal Circuit to entertain appeals of decisions of the PTAB in reexaminations under the amendment made by subsection (c)(2) takes effect on the date of the enactment of this Act and extends to any decision of the BPAI with respect to a reexamination that is entered before, on, or after the date of the enactment of this Act;

The provisions of 35 U.S.C. §§ 6, 134, and 141, as in effect on the day before the effective date of this provision shall continue to apply to inter partes reexaminations that are requested under § 311 of such title before such effective date;

The PTAB may be deemed to be the BPAI for purposes of appeals of inter partes reexaminations that are requested under 35 U.S.C. § 311 before the effective date of this provision; and

The Director’s right under the fourth sentence of 35 U.S.C. § 143, as amended by subsection (c)(3) of this provision, to intervene in an appeal from a decision entered by the PTAB shall be deemed to extend to inter partes reexaminations that are requested under 35 U.S.C. § 311 of such title before the effective date of this provision.

5. *Supplemental Examination*

Section 12 of the Patent Reform Act creates the ability for a patent owner to request supplemental examination of a patent to consider, reconsider, or correct information relevant to the patent. The Director shall, by regulation, establish fees for the submission of a request for supplemental examination.

If the information presented in the request raises a substantial new question of patentability, the Director shall order reexamination of the patent and the patent owner must pay also fees established and applicable to ex parte reexamination proceedings

This provision takes effect 1 year from the date of enactment of the Act. It applies to any patent issued before, on, or after this effective date.

6. *Advice of Counsel re: Infringement*

Section 17 of the Patent Reform Act adds 35 U.S.C. § 298. This new section provides that neither the failure of an accused infringer to obtain the advice of counsel with respect to an allegedly infringed patent, nor the failure to present such advice to the court or jury, may be used to prove that infringement was willful or induced.

This provision is not specifically provided with an effective date in Section 17, and therefore it takes effect 1 year from the date of enactment of the Act, according to the catch-all effective date provision of Section 35 of the Act. It applies to any patent issued on or after this effective date.

Takes Effect After 18 Months: March 16, 2013

First-to-File System

Section 3 of the Patent Reform Act shifts the U.S. patent system from a first-to-invent system to a first-to-file system, thereby promoting harmonization with the patent systems used by nearly all other countries throughout the world with whom the United States conducts trade.

Generally, this provision takes effect 18 months from the date of enactment. This provision applies to any patent application or patent that contains or contained at any time: (1) a claim with an effective filing date [as defined in 35 U.S.C. § 100(i)] that is on or after the effective date of this provision, or (2) a specific

reference under 35 U.S.C. §§ 120, 121, or 365(c) to any patent or application having such a claim.

However, with regard to interfering patents, the provisions of 35 U.S.C. §§ 102(g), 135, and 291, as in effect on the day before the effective date of this provision given above, continue to apply to each claim of a patent application or patent that contains or contained at any time: (1) a claim with an effective filing date that is before the effective date of this provision, or (2) a specific reference under 35 U.S.C. §§ 120, 121, or 365(c) to any patent or application having such a claim.

Conclusion

While there are a number of changes created by the Leahy-Smith America Invents Act, most of the more dramatic effects will not be felt for months to come. However, applicants need to be aware of some of the immediate effects, especially those related to increased fees, and should act accordingly to help reduce costs.

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Stein McEwen, 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, 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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