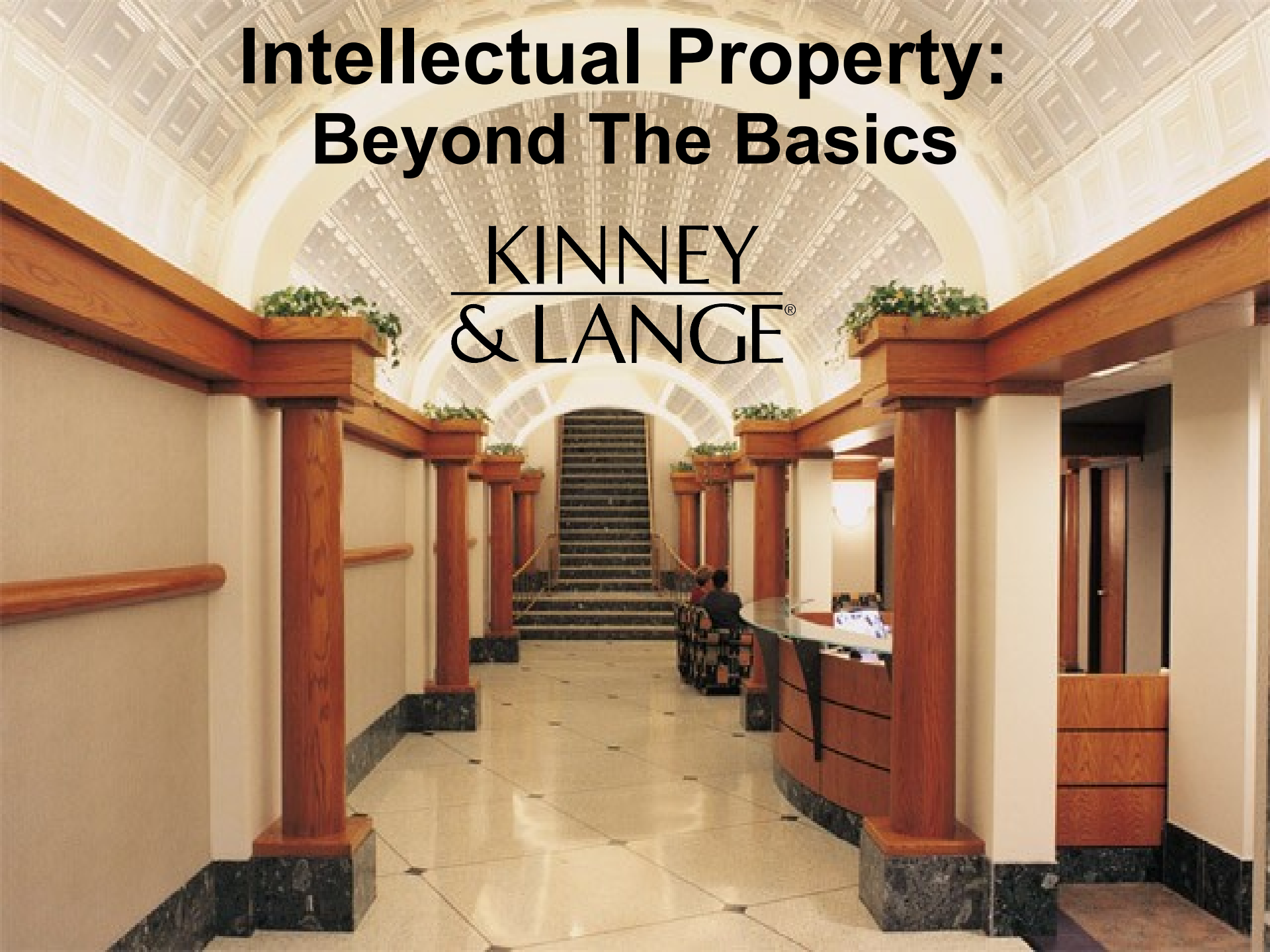


Intellectual Property: Beyond The Basics

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Inequitable Conduct in Patent Prosecution: Examining *Therasense*

Stuart A. Nelson

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Inequitable Conduct in Patent Prosecution: Examining *Therasense*

- What Is Inequitable Conduct?
- Why Were Charges Sought?
- What Did the *Therasense* Decision Change?
- How Will New Rules Affect Cases?

What Is Inequitable Conduct?

Inequitable conduct is an affirmative defense to patent infringement. A patent may be rendered unenforceable if an applicant, with intent to mislead or deceive the examiner, fails to disclose material information or submits materially false information to the USPTO during prosecution.

Noriam Corp. v. Stryker Corp., 363 F.3d 1321, 1330-31
(Fed. Cir. 2004)

What Is Inequitable Conduct?

Applicants for patents have a duty to prosecute patent applications in the Patent Office with candor, good faith, and honesty. A breach of this duty-including affirmative misrepresentations of material facts, failure to disclose material information, or submission of false material information-coupled with an intent to deceive, constitutes inequitable conduct.

Honeywell Int'l Inc. v. Universal Avionics Sys. Corp.,
488 F.3d 982,999 (Fed. Cir. 2007)

What Is Inequitable Conduct?

In determining whether inequitable conduct occurred, a trial court must determine whether the party asserting the inequitable conduct defense has shown by clear and convincing evidence that the alleged nondisclosure or misrepresentation occurred, that the nondisclosure or misrepresentation was material, and that the patent applicant acted with the intent to deceive the United States Patent and Trademark Office.

Honeywell Int'l Inc. v. Universal Avionics Sys. Corp., 488 F.3d 982, 999 (Fed. Cir. 2007)

What Is Inequitable Conduct?

- What Does USPTO Require to be Disclosed?
 - (b) Under this section, information is material to patentability when it is not cumulative to information already of record or being made of record in the application, and
 - (1) It establishes, by itself or in combination with other information, a *prima facie* case of unpatentability of a claim; or
 - (2) It refutes, or is inconsistent with, a position the applicant takes in:
 - (i) Opposing an argument of unpatentability relied on by the Office, or
 - (ii) Asserting an argument of patentability.

37 CFR 1.56(b)

Why Were Changes Sought?

- Multiple standards on materiality
- Uncertainty of patent practitioners
- Burden of excessive citations on examiners
- Numerous claims of inequitable conduct in courts

Therasense

- *Therasense Inc. v. Becton, Dickinson and Company* (Fed. Cir. 2011)
- Decided May 15, 2011
- 6-1-4 Decision
- *Pending Appeal to U.S. Supreme Court*

Therasense

- Inequitable Conduct Requires:
 - ▶ Intent
 - ▶ Materiality
 - ▶ Unfair Benefit
 - ▶ Clear and Convincing Evidence

Therasense

- Intent

- Deliberate decision to deceive: “applicant knew of the reference, knew that it was material, and made a deliberate decision to withhold it”
- Gross negligence is not enough: “should have known” is not the standard
- Circumstantial evidence can be used if intent to deceive is the “most reasonable inference”, not just a possible inference

Therasense

- Materiality
 - ◆ “But-For” Materiality
 - ◆ Must show that USPTO would not have allowed a particular claim “but for” the deception
 - ◆ “In making this patentability determination, the court should apply the preponderance of the evidence standard and give claims their broadest reasonable construction.”

Therasense

- **Materiality**

- Validity of the claim is NOT the materiality standard
- Flexible trial court discretion is NOT the materiality standard (Concurrence)
- Rule 56 is NOT the materiality standard (Dissent)

Therasense

- **Materiality Exception**

- ▶ If deception involved egregious conduct, no need to show “but-for” materiality
- ▶ Egregious deception is always material
- ▶ Examples of egregious conduct:
 - filing unmistakably false affidavits
 - intentional omission of a declarant's employment with applicant
 - perjury
 - bribery

Therasense

- No Sliding Scale
 - ▶ Both Intent and Materiality Must be Proven
 - ▶ A Strong Showing of Materiality Does Not Make Up for a Weak Showing of Intent
 - ▶ However, Same Facts Can be Used to Show Both Materiality and Intent

Therasense

- **Unfair Benefit**
 - If inequitable conduct resulted in an unfair benefit, then patent is unenforceable
 - Remedy must be commensurate with the violation

Therasense

- Unfair Benefit: Possible Remedies
 - ▶ Render certain claims (but not whole patent) unenforceable
 - ▶ Render entire patent unenforceable
 - ▶ Render entire patent family unenforceable
 - ▶ Dismissal of claim
 - ▶ Attorney fees for “exceptional” case
 - ▶ Other

Therasense

- **Unclean Hands Doctrine Still Exists**
 - ▶ **Unclean Hands Doctrine was the basis for Inequitable Conduct Doctrine**
 - ▶ **Unclean Hands Doctrine Does Not Require But For Materiality**
 - ▶ **Early Supreme Court Cases Cannot Be Overruled**

Therasense: Effect on Cases

- *McKesson v. Bridge Medical*

487 F.3d 897 (Fed. Cir. 2007)

- *Materiality: failure to disclose art*

- *Trial Court: "[i]f the same art had been before the examiners and the claims are substantially similar, [that is] probably a pretty good indication that the reference would be pretty material."*
- *Trial Court: reasonable examiner would likely consider art important to evaluation*
- *Applicant: art was cumulative*

Therasense: Effect on Cases

- *McKesson v. Bridge Medical*
 - ♦ *Intent: failure to disclose art*
 - *Applicant: art was cumulative*
 - *Trial Court: "Schumann could not have (or certainly should not have) missed Baker's significance [since] it rendered his recent statement to Examiner Trafton untrue, further confirming that intent to deceive should be inferred."*
 - *Trial Court: applicant does not recall the actual prosecution, only now argues cumulative*

Therasense: Effect on Cases

- *Nilssen v. Osram Sylvania*

504 F.3d 1223 (Fed. Cir. 2007)

- *“affidavits failed to disclose ... [declarant's] financial interest in [applicant's] patents.”*
- *“Nilssen had made twenty-one improper small entity payments”*
- *“Nilssen had intentionally misclaimed an effective priority date”*
- *Failure to disclose ongoing litigation*
- *Failure to disclose prior art*

Therasense: Effect on Cases

- ***Monsanto v. Bayer Bioscience NV***

514 F.3d 1229 (Fed. Cir. 2008)

- ◆ “We hold that the Mariani notes are material because they directly contradict arguments [applicant] made to the PTO in support of patentability”
- ◆ “Intent is easily inferred when, as here, an applicant makes arguments to the PTO that it knows, or obviously should have known, are false in light of information not before the examiner, and the applicant knowingly withholds that additional information.”

Therasense: Effect on Cases

- *Larson Mfg. of So. Dakota v. Aluminart Products*

559 F.3d 1317 (Fed. Cir. 2009)

- ▶ “because a 'rejection of a substantially similar claim refutes, or is inconsistent with the position that those claims are patentable, [the] adverse decision by another examiner ... meets the materiality standard.'”
- ▶ Opposite conclusion by another examiner of what prior art shows is material, even if art is already before the examiner

Therasense: Practical Effect

- Less disclosure of patents to USPTO?
- Fewer claims of inequitable conduct in litigation?

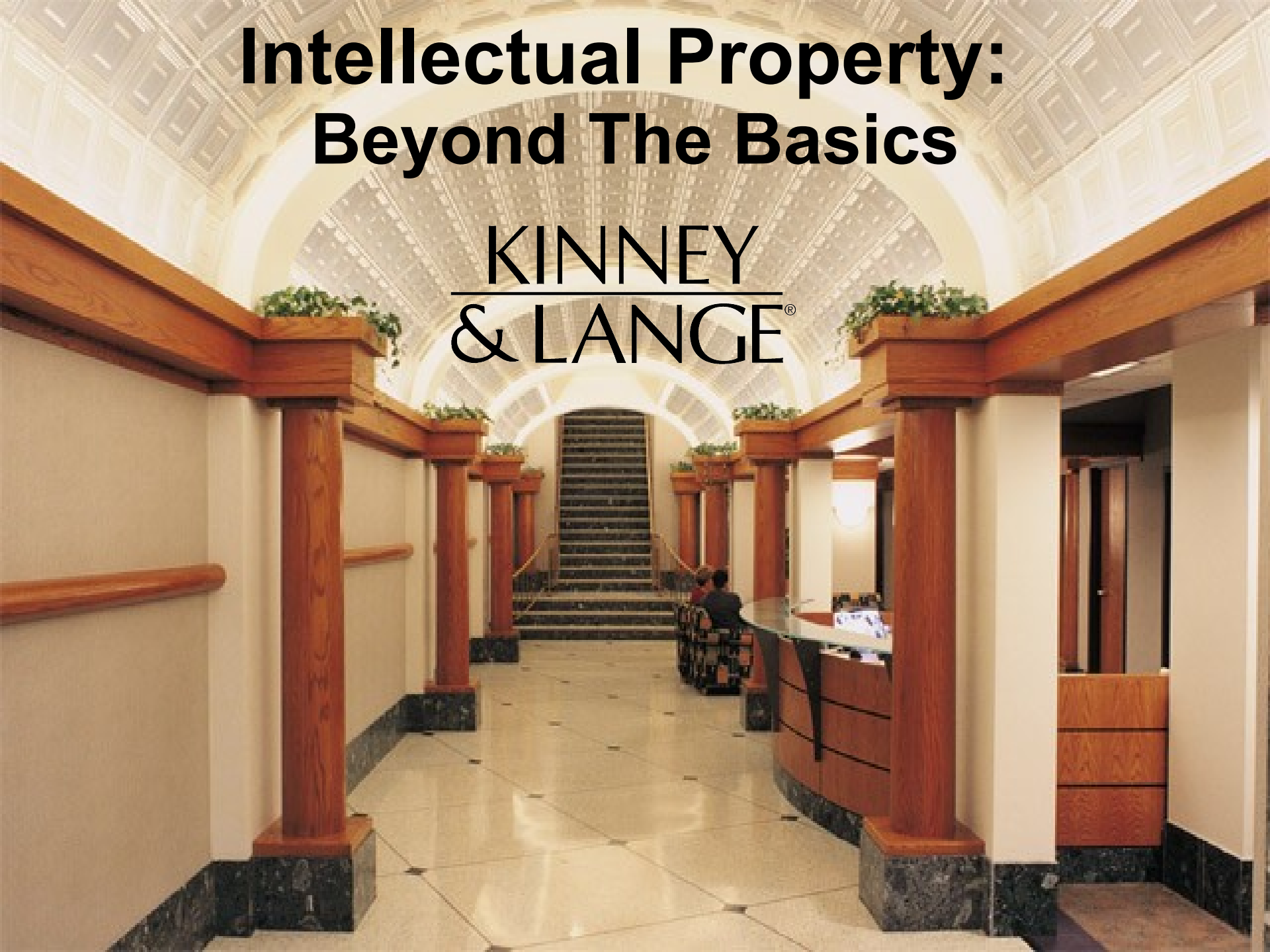
Inequitable Conduct: Summary

- Intent
 - ▶ Deliberate Decision
- Materiality
 - ▶ But-For Materiality
 - ▶ Exception for Egregious Deception
- Unfair Benefit
 - ▶ Unenforceability Only If Unfair Benefit

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Liability for Inducement of Infringement

Carolyn H. Beck

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Patent Infringement

- Direct: making, selling, using, offering to sell, selling, or importing into the United States any patented invention, without authority, during the term of the patent
- Indirect: assisting someone else's infringement either by contributing to their infringement or inducing them to infringe

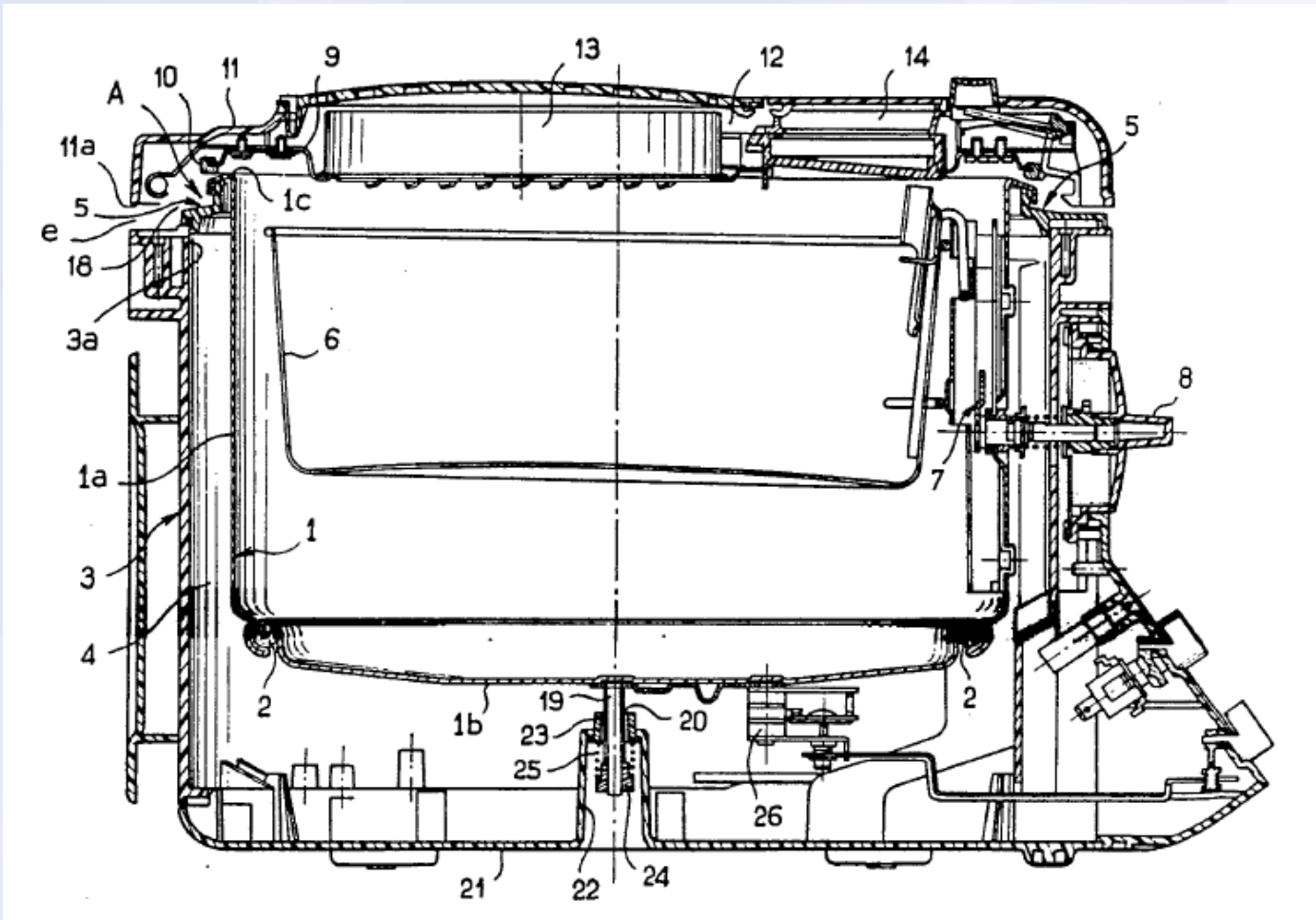
Indirect Patent Infringement

- **Contributory:** knowingly offering to sell, selling, or importing a material part of a patented invention that does not have a substantial non-infringing use
- **Inducement:** actively induces infringement of a patent

Liability for Inducement

- What level of knowledge and intent is required to be liable for inducing infringement?
 - *Global-Tech Appliances, Inc. v. SEB S.A.*
- Who can be found liable for inducing infringement?
 - *Wordtech Systems, Inc. v. Integrated Network Solutions, Inc.*

Global-Tech v. SEB



District Court

- *SEB v. Montgomery Ward & Co., Inc., Global-Tech Appliances, Inc., and Pentalpha Enterprises, Ltd.* (collectively “Pentalpha”)
- Southern District of New York
- Alleged infringement of the ‘312 patent

District Court

- SEB granted preliminary injunction
- Pentalpha redesigned deep fryer and obtained a “right-to-use” study
- SEB granted a supplemental preliminary injunction

District Court

- Pentalpha moved for JMOL on inducement
 - Argued no evidence that anyone at Pentalpha “had any knowledge whatsoever with respect to the existence of the patent”
- Court rejected Pentalpha’s JMOL
 - Found specific intent could be inferred by fact that Pentalpha didn’t disclose that they copied SEB product to lawyer doing “right-to-use” study for accused product

District Court

- Jury found Pentalpha willfully infringed, and induced infringement of, claim 1 of the '312 patent with both versions of the deep fryers and awarded SEB \$4.65 million in damages
- Pentalpha filed post-trial motions on several grounds, some of which were granted and some of which were not denied

Federal Circuit

- Case Law:
 - ▶ Federal Circuit: Plaintiff must show that the alleged infringer knew or *should have known* that his actions would induce actual infringements (*DSU Med. Corp. v. JMS Co.*)
 - ▶ Supreme Court: “Deliberate indifference” is not the same as “should have known” (*Farmer v. Brennan*)

Federal Circuit

- Pentalpha deliberately disregarded a known risk that SEB had a protective patent
 - ▶ Purchased and copied SEB product
 - ▶ Failed to notify counsel of copying
 - ▶ President versed in patent system and knew that SEB was also cognizant of patent rights
 - ▶ No exculpatory evidence from Pentalpha
- Knowledge of patent-in-suit satisfied by Pentalpha's **deliberate indifference**

Supreme Court

- Issue: Whether the legal standard for the “state of mind” element of a claim for actively inducing infringement under 35 U.S.C. § 271(b) is “deliberate indifference of a known risk” that an infringement may occur or instead “purposeful, culpable expression and conduct” to encourage an infringement.

Supreme Court

- Pentalpha's Arguments
 - Relied on copyright inducement case in which the court required “purposeful, culpable expression and conduct” (*MGM Studios, Inc. v. Grokster, Ltd.*)
 - A lower standard would make the inducement statute so broad as to render the contributory infringement statute insignificant
 - Policy considerations

Supreme Court

- SEB arguments
 - ▶ No basis for requiring evidence that the accused party possess actual knowledge of the patent; or
 - ▶ Willful blindness is a form of constructive knowledge and therefore, sufficient for inducement
 - ▶ Damages awarded were attributed to direct infringement
 - ▶ Tort and Criminal law

Supreme Court

Held:

- Induced infringement requires knowledge that the induced acts constitute patent infringement
- Deliberate indifference to a known risk is *insufficient* for a finding of knowledge, but affirmed Federal Court because facts sufficient to support a finding of Pentalpha's knowledge under the doctrine of **willful blindness**

Supreme Court

Willful Blindness:

- Defendant must subjectively believe that there is a high probability that a fact exists; and
- Defendant must take deliberate actions to avoid learning of that fact.

District Court

- *Wordtech v. Integrated Network Solutions (INSC), San Juan Unified School District, Nassar Khatemi, & Hamid Assadian*
- Eastern District of California
- Alleged infringement of the '198 patent, the '932 patent, and the '298 patent
- San Juan Unified School District settled and was dismissed

District Court

- Relevant Facts

- INSC incorporated in Nevada on March 17, 1994
- Nevada law requires corporations to file annual forms, and failure to file results in revocation of the corporate charter
- INSC filed annual statements only in 1994 and 1995
- After this lawsuit was filed, INSC filed for Revival of a Nevada Corporation

District Court

- Jury found INSC, Khatemi, and Assadian liable for infringement of all three patents
- Wordtech awarded damages of \$250,000
- Wordtech awarded treble damages, attorneys' fees, interest, and costs

Federal Circuit

- Arguments:
 - Khatemi and Assadian argued that INSC's corporate veil shielded them from direct and indirect infringement liability, and that INSC was a valid corporation during all periods of alleged infringement
 - Wordtech argued INSC was non-existent during the alleged infringement, or in the alternative, that the jury heard substantial evidence to warrant piercing the corporate veil for both types of infringement

Federal Circuit

- Held:

- The corporate veil can shield a company's officer from personal liability that the officers commit in the name of the corporation unless the corporation is the officers "alter ego"
- Officers who actively assist with their corporation's infringement may be personally liable for inducing infringement regardless of whether the circumstances are such that a court should disregard the corporate entity and pierce the corporate veil

Conclusions

- **Willful blindness** satisfies the state of mind requirement for inducement –
 - Subjectively believe that there is high probability risk; and
 - Take deliberate steps to avoid knowledge of that fact
- **Tip: Be honest and forthcoming with your counsel – face infringement issues early and often**

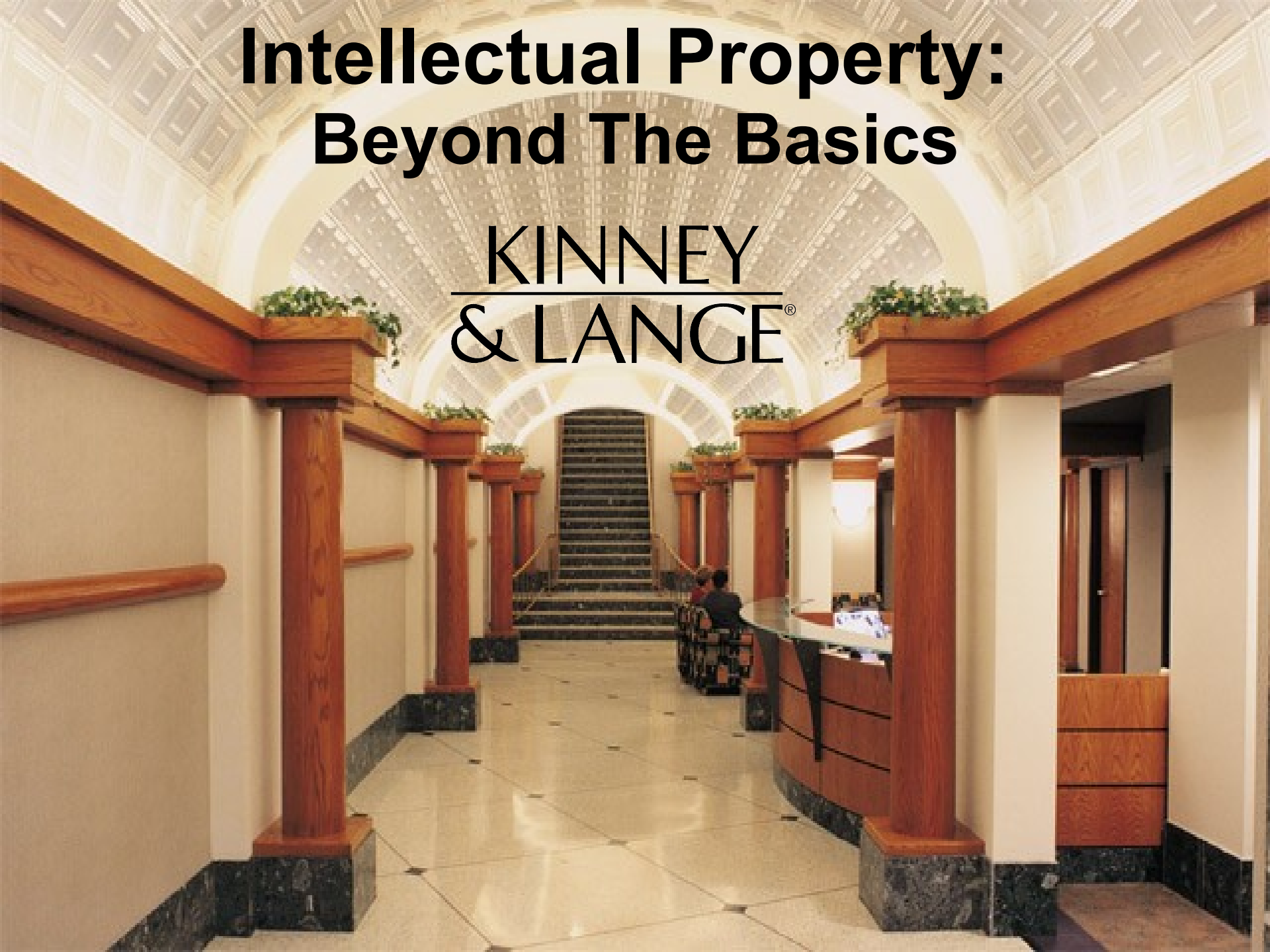
Conclusions

- Corporate Officers who **actively aid and abet** their corporation's infringement may be personally liable for indirect infringement regardless of whether the corporation is the alter ego of the corporate officer
- Tip: If you become aware of infringement issues:
 - Do not participate; and
 - Seek advice of counsel

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Practical Copyrights For Small Businesses

Austen P. Zuege

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Tip #1

- Register with the Copyright Office – *on time*
 - Register **within three months** of “publication”
 - “[N]o award of statutory damages or of attorney's fees, as provided by sections 504 and 505, shall be made for—

(2) any infringement of copyright commenced after first publication of the work and before the effective date of its registration, unless such registration is made within three months after the first publication of the work.” 17 U.S.C. §412.
 - Some limited exceptions

Tip #1 (cont.)

- Damages:
 - ▶ actual damages + profits (17 U.S.C. §504(b))
or
 - ▶ statutory damages, if available (17 U.S.C. §504(c))
 - \$750 to more than \$30,000 (per no. of works)
 - Willful infringement: increase up to \$150,000
 - Innocent infringement: decrease to no less than \$200

Tip #1 (cont.)

- Costs and attorney's fees, if available (17 U.S.C. §505)
 - Discretionary

Tip #1 (cont.)

- Copyright litigation, “small case” (< \$1M)
 - Costs through end of discovery:
 - \$195,000 (average)
 - \$150,000 (median)
 - \$60,000 (first quartile, 1-5 atty. firm)
 - Costs, all inclusive:
 - \$366,000 (average)
 - \$300,000 (median)

Source: AIPLA, “Report of the Economic Survey 2009,” pp. I-138, I-140 (July 2009)

Tip #1 (cont.)

- Register what?
 - ◆ Original works of authorship, fixed in a tangible medium of expression, such as
 - Instructions and manuals
 - Marketing materials
 - ...Anything a competitor might copy
- How do I register?
 - ◆ Do it yourself - www.copyright.gov
 - ◆ \$35

Tip #2

- Understand “works made for hire”
 - The creator is the “author” (and copyright owner) by default, unless a “work made for hire” (17 U.S.C. §§101 and 201)
 - A “work made for hire” is
 - By an employee within the scope of employment (not a freelance contractor), or
 - In an enumerated category of works *and* a written agreement is executed

Tip #3

- Use a copyright notice
 - Examples:
 - ©2011 Kinney & Lange, P.A.
 - Copyright 2011, Austen Zuege
 - Registration *not* needed to include notice
 - Use eliminates innocent infringer defense
 - In general, conveys awareness of rights
 - *But* fraudulent notice is a crime (17 U.S.C. §506)

Tip #4

- Monitor for Infringement
 - Three-year statute of limitations: “No civil action shall be maintained under the provisions of this title unless it is commenced within three years after the claim accrued.” 17 U.S.C. §507(b).

Tip #5

- Know the limits of copyright
 - Do you really need a patent?
 - Do you really want a trademark with potentially unlimited duration?

Copyright and Street Art

Austen P. Zuege

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Fairey v. Associated Press

- Southern District of New York, Civil Action No. 1:09-cv-01123
- Shepard Fairey, “street artist”
 - Appears in “Banksy - Exit Through the Gift Shop” (Paranoid Pictures 2010)
 - OBEY®



Garcia's Photo

Case 1:09-cv-01123-AKH Document 54-3 Filed 11/12/09 Page 2 of 2



Fairey's Artworks



Comparison

Case 1:09-cv-01123-AKH Document 54-3 Filed 11/12/09 Page 2 of 2



Case 1:09-cv-01123-AKH Document 41-10 Filed 10/16/09 Page 9 of 13



Fair Use?

- 17 U.S.C. §107

- (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
- (2) the nature of the copyrighted work;
- (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- (4) the effect of the use upon the potential market for or value of the copyrighted work.

Further Thoughts

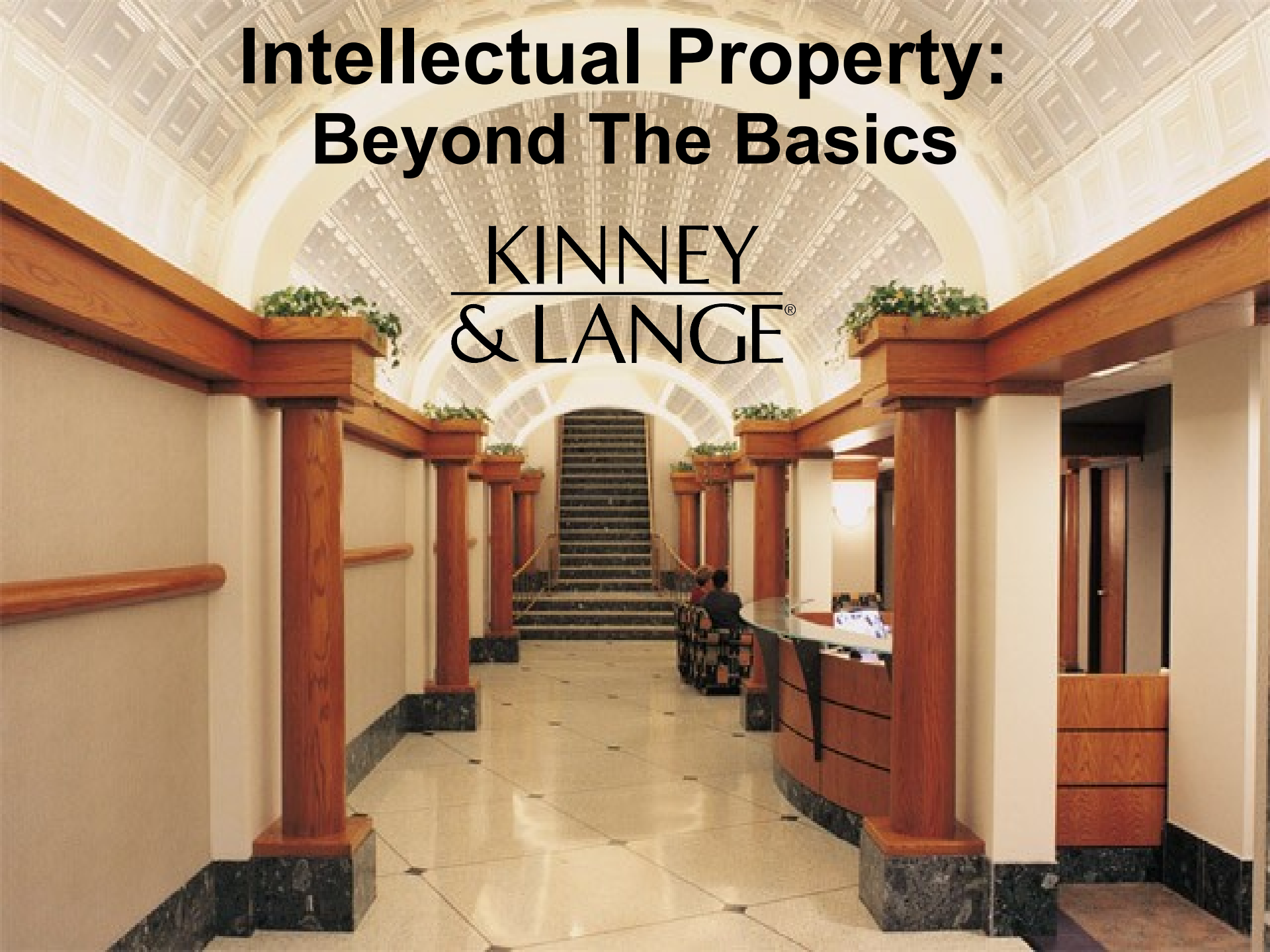
- Quotes/sayings

- ♦ “Where there's a hit, there's a writ.”
- ♦ “One of the surest of tests is the way in which a poet borrows. Immature poets imitate; mature poets steal; bad poets deface what they take, and good poets make it into something better, or at least something different. *** A good poet will usually borrow from authors remote in time, or alien in language, or diverse in interest.” T.S. Eliot, “Philip Massinger,” The Sacred Wood (1920) , *available at* <<http://www.bartleby.com/200/sw11.html>>

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News from the PTO: A Prosecutor's Perspective

Nathaniel P. Longley

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Synopsis



This talk is based on a May 23, 2011 presentation at the MIPLA Stampede by Robert Stoll, Commissioner for Patents, United States Patent Office.

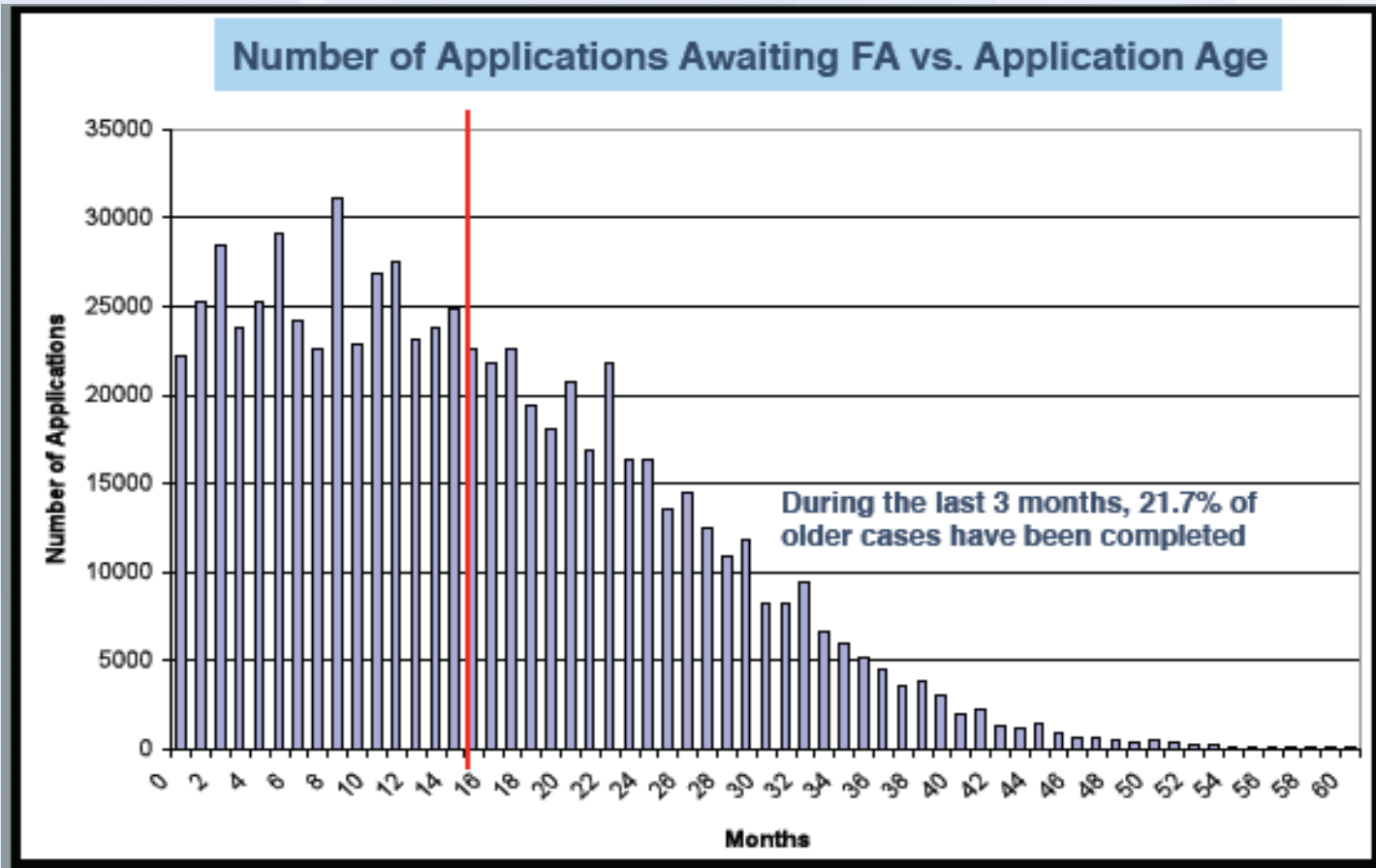
Commissioner Stoll described new programs at the PTO, and changes that may be in store.

What does this mean for patent prosecutors, in-house counsel, and other people with an interest in U.S. patents and patent prosecution?

Outline

- Backlog & Pendency
 - ▶ COPA: Clearing Oldest Patent Applications
 - ▶ Accelerated examinations
 - ▶ 1st Action Interview Pilot Program
 - ▶ E-Petitions, Applicant participation, etc.
- Patent Reform & Harmonization
 - ▶ Patent Prosecution Highway
 - ▶ America Invents Act of 2011
- Budgets and Management at the PTO
- Conclusions – PTO Agenda & Practitioner Views

Workload Distribution

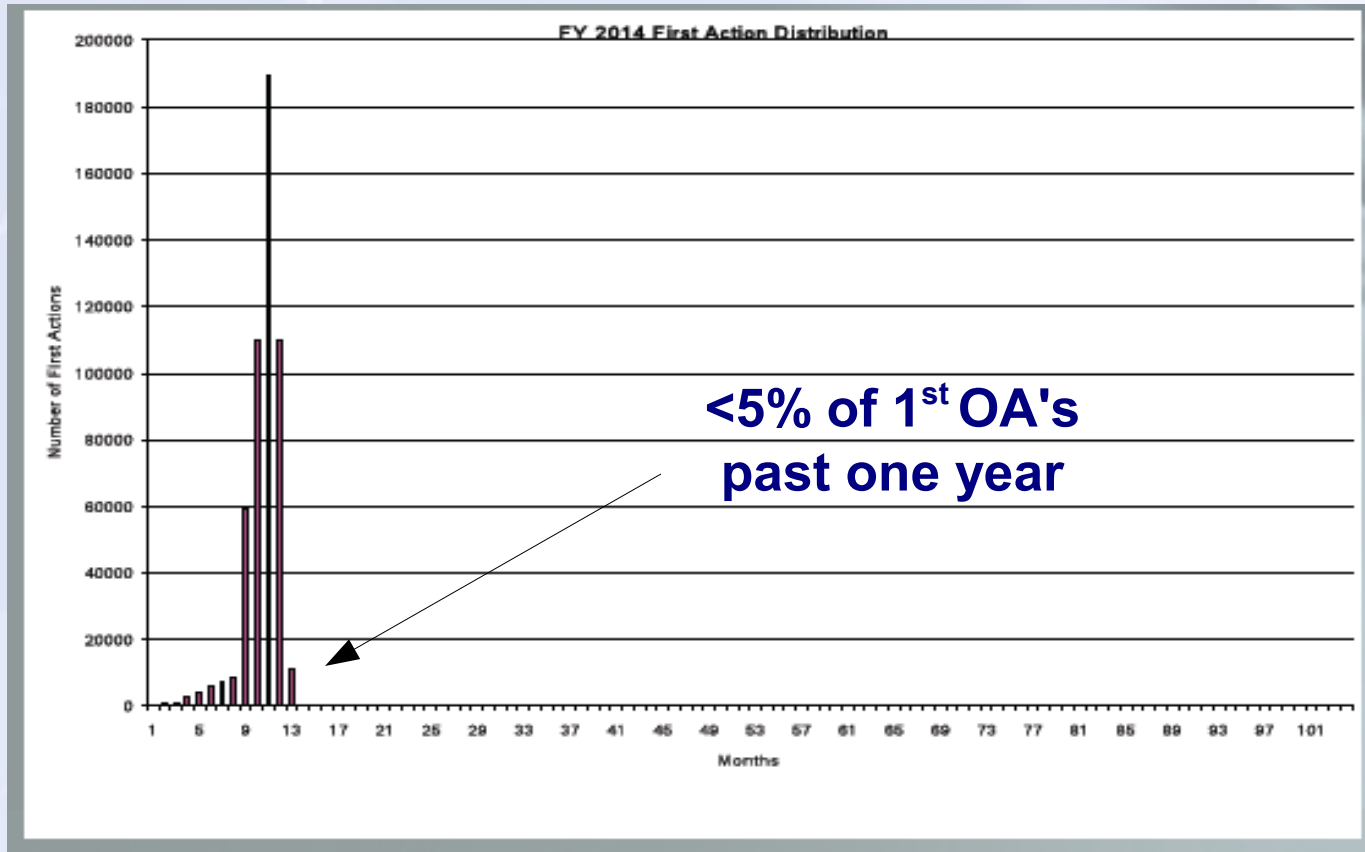


Clearing Oldest Patent Applications (COPA)

Business-based approach from PTO:

- ▶ **Issue:** “Unacceptable” number of old cases
- ▶ **Challenge:** High variability in workload across technology areas
- ▶ **Solution:** “Analyze old case backlog distribution, and balancing workloads by sharing resources both within and across Technology Centers”
- ▶ **Gee,** that sounds *great!*

COPA Goal 2014 - 1st Action





Ok, show me how this is going to work.

Petitions to Make Special

- “Old” 37CFR § 1.102(a): Advance out of turn, by reason of
 - (b) Peculiar importance (gov't request),
 - (c) Applicant's age/health, enhancing the environment developing/conserving energy, counter-terrorism
- New (or relatively new) options:
 - Accelerated Examination Program
 - Green Tech Pilot Program
 - Project Exchange
 - Patent Prosecution Highway

Accelerated Exams

Accelerated Examination Program

- ▶ ≤ 20 claims, ≤ 3 independent; no multiple dependency
- ▶ Applicant-supplied pre-examination search report
- ▶ 1/5/2011: petitions 4464 filed, 3653 granted
 - R. Stoll: 76.6% allowance rate; 295 days to issue
 - Actual: 2745 issued patents (75%), 228 pending (6%)
 - 680 not issued & no longer pending (19%)

*High success rate but modest overall numbers.
The pre-examination burden is perceived to be high.*

Other Accelerated Programs

- Green Tech Pilot Program
 - ▶ Expanded definition of “green technologies”
 - ▶ 06/01/2011: 3527 Petitions, 1918 granted; 328 issued patents
 - ▶ Similar # of apps (to accelerated exam); fewer patent grants
- Project Exchange:
 - ▶ 05/30/2011: 198 petitions, 156 granted
 - ▶ Many fewer apps
 - ▶ *Requires express abandonment of co-owned, co-pending application*

http://www.uspto.gov/patents/process/file/accelerated/comp_chart_dom_accel.pdf

Patent Prosecution Highway

- PPH Basics:
 - ▶ On a ruling of patentability in one int'l office (for at least one claim)
 - ▶ May request fast track exam in another office
 - ▶ USPTO (05/2010): no fee petition to make special
- Participants: USPTO, EPO; AU, AT, CA, DE, DK, ES, FI, HU, JP, KR, MX, RU, SG, UK

http://www.uspto.gov/patents/init_events/pph/index.jsp

PPH – Numbers

- Total PPH requests (May 2011): >6,000
- FY 2011 Goal: 8,000 total (add'l 2,000)
- USPTO Allowance Rates
 - ▶ PPH: 98% (PCT); 92% (Paris)
 - ▶ Non-PPH: 46%
- USPTO Actions per disposal
 - ▶ PPH: 1.17 (PCT); 1.88 (Paris)
 - ▶ Non-PPH: 2.41

PPH – Benefits

- Benefits:
 - ▶ Cost Reduction (reduced # of actions)
 - ▶ “Higher quality” patents (Stoll)
 - ▶ Free accelerated exam (!)
 - Overall #'s are similar, with even higher issue rate
- Proposed changes (PPH 2.0)
 - ▶ More streamlined, user-friendly, centralized, easy-to-use framework; minimize differences in practice & procedure among offices

First Action Interview

- Features:
 - ▶ Program extended to May 2012
 - ▶ Now open to all technology areas
 - ▶ File request via EFS-web (prior to 1st OA)
 - ▶ First-Action allowance rate: **33%**
- R. Stoll: “Has proven to be effective in promoting examiner-applicant communication prior to 1st Office Action.”

http://www.uspto.gov/patents/init_events/faipp_full.jsp

Proposed: 3-Track Exam

- Track 1 – “Go fast”
 - Reduced pendency, for a fee
- Track 2 – Current process
 - Does that mean “*don't* go fast” ?
- Track 3 – “Go slow”
 - Opportunity to “test the waters” with int'l applications (or abandon marginal claims)
 - PTO workshare with other int'l offices

Track One: Fast

- Features:

- App must be filed via EFS-Web
- ≤ 30 claims, ≤ 4 independent
- Goal: final disposition within 12 months (*of granted request for priority*)

- Proposed fee: \$4,000 (“full cost recovery”)

Wait – aren't current fees already set for (at least) full cost recovery?

Track Two: Default

- Features:
 - Track 2: Basic/Default Program
 - Track 2 pendency to be used for (relative) reporting

Here, the question is the cost to Track 2 when financial resources and experienced examiners are shifted to Track 1.

Track Three

- Features:
 - ▶ Docketing delayed up to 30 months
 - ▶ Must pay search, examination & claim fees
 - ▶ Must affirmatively request examination, then treated as Track 2
 - ▶ *All apps publish at 18 months, with priority from date examination was requested*

*Post-publication priority date?
See int'l harmonization, below.*

3-Track Exam: Status

- Track 1: Scheduled for May 4, 2011
 - Postponed due to federal budget issues
(Of course, this was to be a revenue-generating program)
- Track 2: Already in place (default)
- Track 3: As-yet unresolved issues?

E-Petition Update

- New automated petitions
 - ▶ Withdrawal of attorney
 - ▶ Withdrawal from issue after payment of issue fee
 - ▶ Late payment of issue fee under 37 CFR § 1.316 or § 1.155(c) (unintentional standard)
 - ▶ Revival under 37 CFR § 1.137(f) (failure to notify of foreign filing)
 - ▶ Revival under § 1.137(b) (continuity only)

*(Forms selected by volume & level of complexity
– more e-Petitions to come)*

Patent Examiner Technical Training Program

- PETTP Features

- ▶ Volunteer (industry) program
 - No expenses paid by PTO
- ▶ Opportunity to train examiners in field of expertise
 - *We all have a story, where this might be nice; but*
- ▶ No discussion of pending apps :(
- ▶ Some participants: Samsung, Facebook, Yahoo, Apple, VISA, UPS, Hitachi, St. Jude Medical

<http://www.uspto.gov/patents/pettp.jsp>

Peer-to-Patent Project

- PtoP Features

- ▶ Joint project with New York Law School
 - There is also a companion UK program
- ▶ Applicants file consent form with USPTO
 - Apps available online
 - Anyone in the public may submit prior art
- ▶ So far, 230 volunteer applications
 - 98 complete – avg of 4 refs/app sent to PTO
- ▶ Participants: GE, IBM, HP, Intel, uSoft, Sun; *pro se*

International Patent Law Harmonization

- R. Stoll:
 - ♦ “Patent rights are a global issue”
 - ♦ “Patent laws remain the least harmonized of the world's IP laws”

*Comprehensive international patent protection
on the forefront of global IP policy*

Harmonization – Goals

- R. Stoll: “Would NOT raise the level of protection, and in our view would greatly benefit small offices and large offices alike”
- “Substantial benefits” include:
 - ▶ Consistent patent examination standards
 - ▶ Reduced patent office workloads
 - ▶ Higher patent quality
 - ▶ Reduced costs, speedier examinations
- Timing: to coordinate with US patent reform

America Invents Act of 2011

(Patent Reform Act of 2011)

- Key Provisions:

- ▶ First to File (see *harmonization*, above)
- ▶ Prior art as of filing date (1-yr grace for inventor)
- ▶ Expanded opposition procedures
- ▶ PTO fee setting authority (“aggregate” cost model)
 - Passed US Senate (95-5) March, 2011
 - House Judiciary Committee (23-3) April, 2011

[http://leahy.senate.gov/imo/media/doc/
PRESS-FirstInventorToFileSupport-OnePager-FINAL.pdf](http://leahy.senate.gov/imo/media/doc/PRESS-FirstInventorToFileSupport-OnePager-FINAL.pdf)

PTO Budget – Impacts

- Postponed:
 - ▶ Track 1 (fast track) implementation
 - ▶ Satellite office in Detroit
- On hold:
 - ▶ Hiring
 - ▶ Overtime
- Not on hold: other accelerated programs:
 - ▶ PPH, Accelerated Exam, Green Initiative, *etc.*

PTO Management

- Work sharing/flexibility (a/k/a “jargon”)
 - Review classification boundaries & “art unit docketing”
 - Create “sister technology” areas to “leverage examiner expertise”
 - “Match examiner resources to workload demand”
- Concrete Initiatives:
 - Hiring/Overtime (but see *Budget*, above)

Quality Metrics

- Existing Measures:
 - ▶ Final Disposition Propriety (Compliance Rate)
 - ▶ In-Process Propriety (Compliance Rate)
- New Measures:
 - ▶ First Action on the Merits (search review plus “complete” review)
 - ▶ Quality Index Report (QIR statistics of “quality-related events”)
 - ▶ External Quality Survey (Applicants and practitioners)
 - ▶ Internal Quality Survey (Examiners)
- Goal: shift resources from “2nd pair of eyes” to front end

http://www.uspto.gov/patents/init_events/metrics_for_roundtable_20100423.pdf

Conclusions – PTO View

- The US PTO is clearly focused on three goals
 - ▶ Backlog & pendency
 - ▶ Patent reform & harmonization
 - ▶ “Quality” prosecution & work management
- R. Stoll: “We have embraced transparency and openness because collaboration with our partners and our applicants brings us the insight we need to reach all of our goals.”

Practitioner View – Backlog

- The backlog may be leveling off:
 - ▶ Pending apps: 1,207,794 (2009) v. 1,245,574 (2010)
 - ▶ New apps: 456,106 (2009) v. 490,226 (2010)
 - ▶ Issued patents: 167,349 (2009) v. 219,614 (2010)
- But average pendency remains high:
 - ▶ 25.7 months (first OA); 35.3 months (total)
 - ▶ And, *the new program numbers are not enough*
So – not great, but maybe not as bad as predicted

<http://www.uspto.gov/about/stratplan/ar/2010/index.jsp>

Practitioner View – Reform

- Patent reform is coming in every direction
 - Front Door – Congress/America Invents Act
 - Back Door – Harmonization (PPH)
 - Side Door – Semi-permanent “pilot” programs
- The first-to-invent debate may be almost over
- EP prior art practices may be closing in

The future is now.

Practitioner View – Quality

- PTO Strategic Goal 1
 - ♦ “Optimize Patent Quality and Timeliness”

Here, the jury is still out.

*As with the backlog, new programs may be effective,
but total numbers are modest.*

<http://www.uspto.gov/about/stratplan/ar/2010/index.jsp>

Final Analysis – Bottom Line

- *Three additional facts of interest:*
 - ▶ *Count system modified to reward earlier identification of allowable matter*
 - ▶ *Increase in number of interviews, 2009 to 2010: **37%***
 - ▶ *Increase in number of allowances, 2009 to 2010: **31%***

You do the math.

<http://www.uspto.gov/about/stratplan/ar/2010/index.jsp>

Intellectual Property: Beyond The Basics

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