

**AIPLA, IPO:
The position of the US Industry**

Melvin C. Garner
President of AIPLA

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President of IPO



INAUGURAL MEETING BETWEEN THE TRILATERAL PATENT OFFICES AND THE INDUSTRY TRILATERAL



Japan
Intellectual
Property
Association

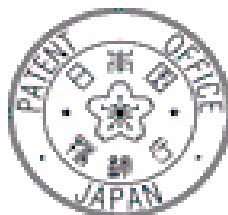


Intellectual
Property
Owners
Association





EPO



JPO



USPTO

The Patent System of the Future: The Role of the Trilateral offices

PATENT REFORM IN THE U.S.

Melvin Garner
President - AIPLA
Darby & Darby PC
New York, NY

European Patent Office
Munich
17 November 2005

UNICE
THE VOICE OF BUSINESS IN EUROPE



Japan
Intellectual
Property
Association



Intellectual
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Owners
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AIPLA
American Intellectual Property Law Association

Background

- Since 1992 the U.S. Congress had been **diverting funds** from the PTO.
- **Biotech applications** have lots of claims and are restricted into multiple applications.
- *State Street Bank* (1998) made it clear that business methods could be patented.
- The rise of the **Internet**, where the only thing unique was the business method, prompted a large increase in patent filings.


Background

- Patent **pendency** soared and there is anecdotal evidence that **quality** of examination suffered.
- Congress refused to allow the PTO to hire its way out of the problem, instructing it to find innovative ways of doing its work.
- Business leaders in computer software, hardware and Internet businesses complained about weak patents being asserted.

FEDERAL TRADE COMMISSION

**To Promote Innovation:
The Proper Balance of
Competition and Patent Law and Policy**

A Report by the Federal Trade Commission
October 2003



AIPLA
AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION
2001 JEFFERSON DAVIS HIGHWAY • SUITE 203 • ARLINGTON, VIRGINIA 22202

AIPLA Response
to the
**September 2004
National Academies Report**

"A Patent System for the 21st Century"

September

ABA
American Bar Association
The American Bar Association of
Intellectual
Property Law

Resolution 102-2: Substantive Provisions for Implementation of a First-Inventor-to-File Standard (Omnibus Resolution)

RESOLVED, that the Section supports, in principle, in the context of ratification of an international harmonization treaty involving at least Japan or major European countries that mandates U.S. adoption of a first-inventor-to-file system, eliminating from U.S. patent law:

- (1) abandonment as set forth in 35 U.S.C. §102(c) as a basis for a loss of right to patent;
- (2) premature foreign patenting as set forth in 35 U.S.C. §102(d) as an element of prior art or a basis for a loss of right to patent;
- (3) an inventor's forfeiture of his or her right to patent an invention once placed "in public use or on sale" as set forth in 35 U.S.C. §102(b) by providing that no such loss of right to patent an invention can arise unless the invention had become reasonably and effectively accessible to persons of ordinary skill in the art more than one year before the inventor sought a patent for the invention;
- (4) prior art as set forth in 35 U.S.C. §102(f), under which non-public knowledge of the inventor, not otherwise qualifying as prior art, can render an invention made by such inventor obvious, by:

CALL TO ACTION

Innovate or Abdicate

The National Innovation Initiative™ (NII) defines innovation as the intersection of invention and insight, leading to the creation of social and economic value.

Innovation has always been deep in America's soul. From the nation's birth, we have most fundamentally been about exploration, opportunity and discovery, about new beginnings, about setting out for the frontier.

make incremental improvements to organizational structures and curricula.

Together, these large shifts suggest that we stand at an inflection point in history. Whether one looks at demographics, science, culture, technology, geopolitics, economics or the biological state of the planet, major changes are underway that will shape human society for the next century and beyond. The actions that enterprises, governments, educational institutions, communities, regions and nations take right now will determine this future.

What will America do? Will we plan and invest for the long term, rather than just the next quarter, putting in place the talent pool, innovation capital and infrastructure necessary for continuing success throughout the 21st century? Will we recognize the multifaceted nature of this problem and come together across all sectors - business, government, labor and academia - to form a new social and economic compact?

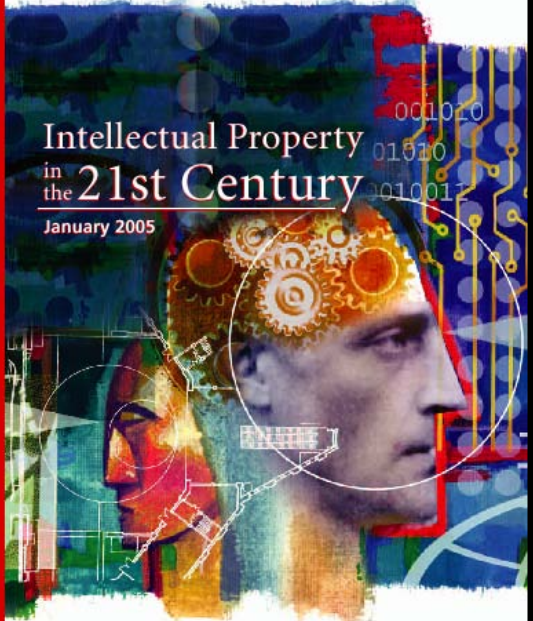
Perhaps most important is whether the United States will continue its historic and unique role as a leader among nations, exporting the vision and tools of hope and the power of innovation. America must champion and lead a new era of openness and competition - fueled by agility and constant motion, and enabled by lifelong learning, technological process and the infinite creativity of the innovation process itself.

We live in tumultuous times, yet Americans know instinctively that our way forward is not to retreat or to re-trench. The way forward is to become more open, more experimental and to embrace the unknown. We cannot turn inward, nor can we allow our institutions to become overly centralized, calcified and risk averse.

If America were a company, freedom and exploration would be our core competencies. And the capacity to innovate is the foundation

**Intellectual Property
in the
21st Century**

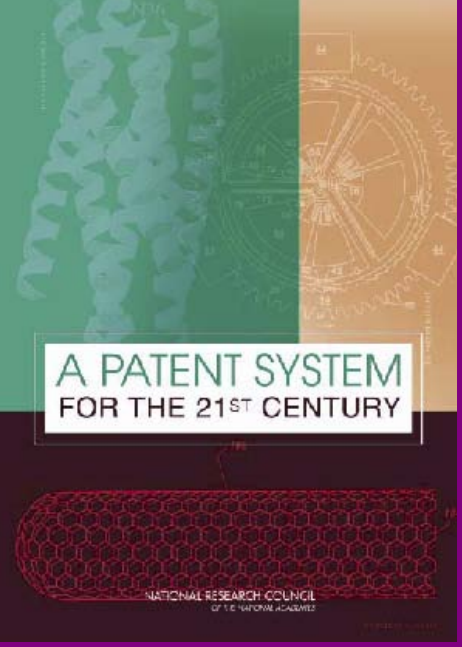
January 2005



BSA CEO Initiative for the Future

**A PATENT SYSTEM
FOR THE 21ST CENTURY**

NATIONAL RESEARCH COUNCIL
OF THE NATIONAL ACADEMIES



Background

- The **Federal Trade Commission** conducted hearings around the country and issued a report in October 2003.
- The **National Academies of Science** conducted hearings and issued a report in 2004.
- The **U.S. Patent and Trademark Office** developed its 21st Century Strategic Plan.

Background

- Bar and Industry Associations (e.g., AIPLA, IPO, ABA/IPL) issued reports responding to both.
- AIPLA, FTC & NAS held town meetings throughout the country earlier in 2005.
- AIPLA & BSA proposed legislation.

Background

- Major Goals of Reforms
 - **Improve Patent Quality** by giving PTO prior art from the public (3rd party submissions & post grant oppositions).
 - **Reduce Litigation Expenses** by removing or reducing subjective elements (Best mode, willfulness & inequitable conduct).
 - **Further Reduce Litigation Expenses and Adopt Best Practices** (first-inventor-to-file and simplified definition of prior art).

Stakeholders

- Individuals, design companies & Universities – depend on patents for income ([WARF](#), [Dean Kamen](#)).
- Biotech Co. – depend on patents to attract investments and for income to support research ([BIO](#)).
- Pharma Co. – depend on patents only to protect lucrative products ([Pharma](#)).
- Manufacturing Co. (mechanics/electronics) – patents both help and hurt ([National Manufacturers Association](#)).
- Computer Co. – if small, they act like Tech companies: if large, patents are an annoyance

Adequate Funding of PTO

- Supported by all groups
- Separate legislation

Patent Reform Act of 2005

House Committee Print on April 14, 2005.

HR 2795 introduced on June 8, 2005.

July 26 Amendment in the Nature of a Substitute to H.R. 2795 published

September 1 "Coalition Text" distributed

House Hearings on April 20 & 27, June 9, & Sept. 15, 2005.

Senate Hearings on April 25, June 14, & July 26, 2005.

TO ACTION
Abdicate

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[COMMITTEE PRINT]

109TH CONGRESS
1st Session
H. R. _____

To amend title 35, United States Code, relating to the procurement,
enforcement, and validity of patents.

IN THE HOUSE OF REPRESENTATIVES

M. _____ introduced the following bill, which was referred to the
Committee on _____

To amend title 35,
procurement, and
1 Be it enacted
2 that the United States
3 SECTION 1. SHORT
4 (a) SHORT
5 "Patent Act of 2005"
6 (b) TABLE
7 this Act is as fol-
Sec. 1. Short title; table of contents.
Sec. 2. References to titles, United States Code, and other quality enhancements.
Sec. 3. Definitions.

109TH CONGRESS
1st Session
H. R. 2795

To amend title 35, United States Code, relating to the procurement,
enforcement, and validity of patents.

IN THE HOUSE OF REPRESENTATIVES

JUNE 8, 2005

Mr. SMITH of Texas (for himself, Mr. BISHOP, Mr. GOODLATTE, Mr. BO-
VEN, Mr. ZOE LORANGE of California, Mr. CANNON, Mr. SHARPE, Mr.
JARA, Mr. COLEMAN, and Mr. COLE) introduced the following bill, which
was referred to the Committee on the Judiciary

THE REBIRTH OF
Intellectual
Property Law

First-Inventor-to-File

text of ratification of an
European countries that
from U.S. patent law.

To amend
procure-
1 Be it
2 that the United
3 SECTION
4 (a)
5 "Patent
6 (b)
7 this Act is
Sec. 1. Short
Sec. 2. Refer-
Sec. 3. High
Sec. 4. High
Sec. 5. Day

AMENDMENT IN THE NATURE OF A SUBSTITUTE
TO H.R. 2795
OFFERED BY MR. SMITH OF TEXAS

Strike all after the en-
following:
1 SECTION 1. SHORT TITLE;
2 (a) SHORT TITLE;
3 the "Patent Reform Act of
4 (b) TABLE OF CON-
5 this Act is as follows:
Sec. 1. Short title; table of contents.
Sec. 2. Reference to title 35, United States Code, and other quality enhancements.
Sec. 3. Right of the first inventor to file.
Sec. 4. Right to a patent.
Sec. 5. Duty of candor.
Sec. 6. Right of the inventor to obtain damages.
Sec. 7. Post-grant procedure and other quality enhancements.
Sec. 8. Submissions by third parties.
Sec. 9. Term.
Sec. 10. Applicability; transitional provisions.

AMENDMENT IN THE NATURE OF A SUBSTITUTE
TO H.R. 2795
OFFERED BY MR. SMITH OF TEXAS

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the "Patent Reform Act of 2005".
(b) TABLE OF CONTENTS.—The table of contents of this Act is as follows:
Sec. 1. Short title; table of contents.
Sec. 2. Reference to title 35, United States Code.
Sec. 3. Right of the first inventor to file.
Sec. 4. Right to a patent.
Sec. 5. Duty of candor.
Sec. 6. Right of the inventor to obtain damages.
Sec. 7. Post-grant procedure and other quality enhancements.
Sec. 8. Submissions by third parties.
Sec. 9. Term.
Sec. 10. Applicability; transitional provisions.

SEC. 2. REFERENCE TO TITLE 35, UNITED STATES CODE.

Whenever in this Act a section or other provision is amended or repealed, that
amendment or repeal shall be considered to be made to that section or other provision of
title 35, United States Code.

SEC. 3. RIGHT OF THE FIRST INVENTOR TO FILE.

(a) DIRECTION.—Section 100 is amended by adding at the end the following:
(1) The term "inventor" means the individual or, if a joint invention, the
individuals collectively who invented or discovered the subject matter of the invention.
(2) The terms "joint inventor" and "co-inventor" mean any one of the individuals
who invented or discovered the subject matter of a joint invention.
(3) The "effective filing date" of a claimed invention is—
(A) the filing date of the patent or the application for patent containing the
claim to the invention; or

9/01/2005 -1- Coalition Print

Intel
in the 21st
Century
January

BSA CEO Initiative for the Future

Principal Elements of 7/26/05 Version of HR 2795

- First Inventor to File
- Filing by Assignee
- Definition of Prior Art
- Eliminate Best Mode
- Inequitable conduct defense limited
- Royalties for Combinations Defined – Willful Infringement Limited
- Publish all Applications
- Expand Prior User Rights
- Limit Reexamination Estoppel
- Post Grant Opposition
- 3rd Party Submission of Prior Art
- Venue

First Inventor to File Filing by Assignee

- **Sec. 3 and 4 (§ 100, 101, 115, 118)** The **first inventor to file** is entitled to the patent. The **assignee can file**, but must name the inventor.
- One year grace period
- No self-collision
- Under coalition provision a publication subsequent to that of the inventor does not bar patent, even if before the application is filed, i.e., first-inventor-to- publish.

Definition of Prior Art

- **Sec. 3 (102) Prior Art includes patents, publications** or information otherwise **publicly known**, except through the inventor.
- Information is **publicly known** if it was (1) **reasonably and effectively accessible** through its **use, sale or disclosure** by other means or (2) is **embodied in or is otherwise inherent in** subject matter that has become **reasonably and effectively accessible**. Secret use or offer for sale by the inventor does not invalid the patent. so **litigation should be less expensive**.

Best Mode Eliminated

- FTC & NAS proposed eliminating from litigation elements that depend on a party's **state of mind**, and therefore generate high discovery costs.
- The Best Mode requirement is eliminated by Sec. 4. Elimination of this subjective element is expected to **reduce litigation costs**.

Inequitable Conduct Limited

- Inequitable conduct can render a patent unenforceable only if a claim is found invalid and it was originally found allowable due to an intentional misrepresentation upon which the examiner relied.
- Other acts of misconduct are referred to the PTO by the court for action
- Can be pleaded only after claim found invalid, so **saves litigation expense.**

Royalties on Combination Inventions

- **Sec. 6 (§ 284)** In determining a **reasonable royalty on a combination** invention, the court shall consider the **portion of realizable value that should be credited to the inventive contribution** as distinguished from other features of the combination, the manufacturing process, business risks or contributions of the infringer.
- Coalition proposes “claimed invention,” not inventive contribution, **and all inventions, not just “combinations.”**

Willful Infringement

- **Sec. 6 (§ 284)** Limits **willful infringement** to ignoring **written notice** of infringement, **copying** and **violating an injunctions** for the period during which the infringer did not have a good faith belief that the patent is invalid, not infringed or unenforceable.
- Can be pleaded only after infringement is established and is tried by the court without the jury. **Should save litigation expense**

Publication of All Applications

- Proposed by FTC & NAS
- **Sec. 7 (§122)** publish all applications 18 months after priority date.
- This should improve the **quality of patents** by providing the public with information about pending applications so they can cite prior art to the examiner.

Expand Prior User Rights

- Proposed by FTC to avoid the effects of continuation application practice.
- **Sec. 7. (§ 273)** Expand **prior user rights** beyond business methods and allow them to cover substantial preparations for commercial use.
- This provision is to provide US companies with rights equal to those in foreign countries to avoid driving jobs offshore.

Limit Estoppel in Interparties Reexamination

- **Sec. 7** – Amend 315 to eliminate estoppel for issues that “could have been raised.”
- Encourages removal of invalid patents without litigation to reduce litigation expenses.

Post Grant Opposition

- Proposed by FTC, NAS
- **Sec. 9 (§§321-340)** within **9 months** of issuance of the patent. Covers patents, publications and prior uses through affidavits. Cross examination of affiant. Discovery of support for affidavits. **Preponderance standard**. Can **amend claims** in responding and once more with permission, but there are intervening rights. Estoppel as to issues raised, but not those that could have been raised. Either party can appeal to the Fed. Cir. Can be stayed by filing suit within 3 months. Should **avoid some litigation, thereby saving the expense.**

Submission of Prior Art

- FTC proposes expanded quality review in PTO.
- **Sec. 8 (§ 122)** Allows public to submit prior art against a pending application and to provide comments explaining how it applies.
- Providing more prior art should **improve the quality of patents.**

Limitation on Venue

- Proposed by BSA
- **Sec. 9 - Limit venue** under 28 USC 1400 to the judicial district (1) **where the defendant resides** (which would not be governed by 1391, i.e., **not where you can get personal jurisdiction**, but its principal place of business) (2) **where defendant has committed acts of infringement and has a regular and established place of business** or (3) **if the plaintiff is a not-for-profit educational institution, anywhere the defendant is subject to personal jurisdiction.**

Provisions Dropped from Original Bill

- Limits on Continuation Applications.
- Limits on Injunctions
- § 271(f) “Components” Must Be “Tangible”
- “Second Window” in Post-Grant Oppositions

Coalition Proposal

- 37 companies have agreed.
- Changes Venue provision to a **Venue Transfer** provision.
- For **inequitable conduct** it is **presumed** the action was with the **agreement of the patent owner**
- Court has jurisdiction to **rule on validity** of any claim asserted to be infringed

Conclusion

- If enacted it would provide some improvement in quality and reduce some litigation costs.
- However, quality was mainly affected by PTO's inability to hire examiners until recently.



Trilateral Users Group
Munich
November 2005

Quality

- Evaluate Proposals from the Perspective:
 - “Does the Examiner have the best art available”
- All Issued Patents Meet Statutory Criteria
- Align Examiner Incentives with Public Interest
- Industry Support for US Post Grant Opposition

Cycle Time

- Eliminate Queues, Interruptions and Handoffs
 - “Why Does it Take 4 years to do 40 hours of work”
- Reduce Long Pendency due to Continuations and Divisionals in U.S.
 - Continue to Allow the Ability to Get Complete Coverage

Efficiencies

- We Agree with UNICE: Strong Support for London Agreement
- Increase Work Sharing Starting with Search Sharing
- Support “One Application” Initiatives
 - Standard that Allows for a Single Application that Does not Need Amendment



**Thank you
for your attention**

