

Update on Patent Reform Legislation

Presentation to the Patent Public Advisory Committee (PPAC)

April 29, 2010



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History of Current Patent Reform Legislation

108th Congress (2003-2004)

- Federal Trade Commission (FTC) and National Academies of Sciences (NAS) Reports issued; make recommendations on Patent Reform
- House hold hearings on “Committee Print” (Rep. Smith, April 2004)

109th Congress (2005-2006)

- Senate introduces S.3818 (Sen. Hatch); hearings held
- House introduces H.R.2795 (Rep. Smith); hearings held
- H.R.5096, PDQ Act also introduced (Rep. Berman), did not include damages reforms, but addressed Post Grant, Willfulness, Venue and Injunctions

110th Congress (2007-2008)

- Senate holds hearings on S.1145; Senate Judiciary Reports out the bill but it is never considered on the Floor
- House passes H.R. 1908 (Rep. Berman) on 9/7/2007 by a vote of 220 – 175.



111th Congress – Current Status Patent Reform Legislation

111th Congress

- 3/3/2009 S.515 and H.R.1260 introduced at Joint Press Conference
- 4/2/2009 Senate Judiciary Committee Amends and Reports out S.515
- 4/30/2009 House holds hearing on H.R.1260
- 5/12/2009 Committee Report filed, S. Rep. 111-18 with Supplemental/Minority Views (*concerns over Willfulness and Post Grant Proceedings*)
- 10/05/2009 Administration “views letter” supporting much of S.515 filed.
- 2/25/2010 Sen. Leahy announces that a “*tentative agreement in principle*” was reached in the Judiciary Committee which preserves the core of the compromise struck in 2009; circulates Managers Amendment to S.515 and pushes for floor action.



Patent Reform: Issues in Play

Three Primary Areas Addressed in Patent Reform Legislation:

- ✓ **Simplifying and Speeding up the Process**
(First-Inventor to File, Assignee Filing, Fee Setting Authority)
- ✓ **Enhancing Patent Quality**
(inter partes/Post Grant Proceedings, 3rd Party Submission of Prior Art)
- ✓ **Addressing Litigation Uncertainty and Cost**
(Damages, Willfulness, Venue, Best Mode, patent pilot in U.S. District Courts)



Patent Reform: Issues in Play

Major Provisions Addressed in S.515

- First-Inventor-to-File ←
- Assignee Filing
- Apportionment of Damages ←
- Willful Infringement
- Prior User Rights
- Post-Grant Opposition Proceeding } ← **Threshold; Estoppel Effect**
- *Inter Partes* Reexamination }
- Prior Art Submissions by 3rd Parties
- Venue

- Providing PTO with Fee-Setting Authority
- Micro-entity provision
- Patent Marking – Virtual Marking and False Marking
- Residency Req. for Federal Circuit Judges
- Supplemental Examination
- Telework flexibility
- Venue for USPTO



Other Legislation Important to USPTO

Signed into Law

- Trademark Technical and Conforming Amendment Act of 2010 (Signed into law as P.L. 111-146, March 17, 2010)

Pending

- “4 Easy Pieces”
 - ↪ Implementing legislation for the Hague Agreement on Designs
 - ↪ Implementing legislation for the Patent Law Treaty
 - ↪ Technical correction to clarify USPTO ability to fund travel for GIPA programs
 - ↪ Technical correction to clarify pay scale for Administrative Law Judges
- Performance Rights Act (S.379); views letter filed April 1, 2010
- Telework Legislation (S.707, S.515, H.R.1722)
- Foreign Relations Authorization Act, FY2010 and 2011 (H.R.2410)



Thank you.

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PATENT REFORM (S. 515, 111th Congress):
Comparison of Senate Judiciary Committee Reported version (Apr. 2, 2009)
vs. Proposed Senate Manager's Amendment (Feb. 17, 2010)

Issues	S. 515 <i>(as reported on April 2, 2009)</i>	Manager's Amendment <i>(as of 2-17-10)</i>
First-Inventor-to-File	<p>Changes the U.S. to a first-inventor-to-file system. Also expands the definition of prior art to include "public use, on sale or otherwise available to the public" outside the US. (Sec. 2, page 2)</p> <p>[NOTE: House Bill requires a study to be performed every 7 years on the effectiveness and efficiency of this provision (Sec. 3, page 18)]</p>	<p>Reorganizes text but does not substantially alter provisions; changes definition of "effective filing date" for applications claiming priority. (Sec. 2, page 2)</p>
Search and Examination Duties	<p>Search and examination duties for the grant of a patent must be performed "within the United States by U.S. citizens who are employees of the federal government." (Sec. 2, page 17)</p>	<p>Provision deleted.</p>
Statute of Limitation "Tolling" change for sanctioning members of the Patent Bar.	<p>Not included.</p>	<p>Changes the time from which the period "tolls" when the Office can initiate a proceeding to sanction a member of the patent bar to when "information regarding the fraud, concealment or inequitable conduct is made known" to the office. (Sec. 2, page 17)</p> <p>** NOTE: USPTO opposes inclusion of this Provision.</p>
Inventor's Oath / Assignee Filing	<p>Provides more flexibility in completing the oath requirements (amendments to 35 U.S.C. §115), particularly in cases where it is difficult to reach an inventor. Allows assignee filing (Sec. 3, page 18)</p>	<p>Reflects technical corrections suggested by USPTO. (Sec. 3, page 18)</p>
Determination of Damages	<p>Preserves the court's discretion to identify any of the factors in the <i>Georgia Pacific</i> case, or any other factor, but requires the court to identify for the record the methodologies and factors relevant to the determination of reasonable royalty damages and direct the jury to consider those factors. (Sec 4, page 25)</p>	<p>Adds to compromise language adopted in Committee markup.</p> <p>Tilts court toward ordering sequencing re infringement/validity and damages/willfulness; limits judicial discretion. (Sec. 4, page 29)</p>
Willful Infringement	<p>Heightens standards for notice required to find willfulness. Incorporates the "objective recklessness" standard from <i>In re Seagate Technologies, LLC</i>, 497 F.3d 1360 (Fed. Cir. 2007) (Sec. 4, page 30)</p>	<p>Changes permitted grounds for a finding of willfulness.</p> <p>Prohibits award of increased damages if court determines that "there is a close case as to infringement, validity, or enforceability." (Sec. 4, page 31)</p>
Prior User Rights	<p>Extends the current defense to affiliates. Also requires the USPTO to conduct a study on the operation of prior user rights in various countries. (Sec. 4, page 35)</p>	<p>No change. (Sec. 4, pages 32-33)</p>

Issues	S. 515 <i>(as reported on April 2, 2009)</i>	Manager's Amendment <i>(as of 2-17-10)</i>
Virtual Marking	Provides, as an alternative to the current statute, that manufacturers may satisfy the requirement by marking an item with an Internet address accessible to the public that associates the patented article with the patent number. (Sec. 4, page 36)	No change. (Sec. 4, page 33)
False Marking	Not included.	Revises 35 USC 292(b) to permit a person who has suffered competitive injury from false marking to file a civil action in a district court for recovery of damages adequate to compensate for the injury; eliminates current qui tam provision. (Sec. 2, page 16)
Post-Grant Review Proceeding at the USPTO	Establishes post-grant review proceeding available within 12-months after the grant of a patent. The Office may initiate proceeding if "a substantial question of patentability" exists. Once initiated by the office, the proceeding must be completed within 1-year (plus 6-mo if good cause is shown). (Sec. 5, page 41)	Revision: <ul style="list-style-type: none"> • raises threshold ("more likely than not") • provides that proceedings are governed by the renamed Patent Trial and Appeals Board • requires identification of real party in interest • imposes estoppel on parties <ul style="list-style-type: none"> ○ future civil litigation = "raised" ○ future office proceedings = "raised or and that could have been reasonably raised" (Sec. 5, page 49)
Inter Partes Reexamination Expansion	Expands <i>inter partes</i> reexamination. Strikes "could have raised" from the estoppel provision. Requires that an administrative patent judge hear petitions (instead of an examiner) and allows for oral hearings. (Sec. 5, page 39)]	Revision adopted the Administration's position on all subjects of importance: <ul style="list-style-type: none"> • raises threshold ("reasonable likelihood") • Adopts adjudication model; IPR not conducted as an examination • provides that proceedings are governed by the renamed Patent Trial and Appeals Board (effective 1 year after enactment) • requires identification of real party in interest • imposes estoppel on parties for both future civil litigation and office proceedings as "raised and that could have been reasonably raised" (Sec. 5, page 34)
Best Mode Requirement	Eliminates best mode as a basis for a request to initiate a post-grant review proceeding (Sec. 5, page 44) or for establishing invalidity in civil litigation. (Sec. 14, page 75)	No change. (Sec. 15, page 92)

Issues	S. 515 <i>(as reported on April 2, 2009)</i>	Manager's Amendment <i>(as of 2-17-10)</i>
Submission to USPTO of Prior Art by 3rd Parties	Allows submissions of prior art by 3 rd parties for at least 6 months after publication unless the USPTO mails a notice of allowance earlier; effective 1 yr after enactment. (Sec. 7, page 57)	Reflects many of the technical corrections suggested by USPTO including changing "person" to "third party". (Sec. 7, page 71)
Venue for Patent Infringement and DJ Actions	Codifies the holding of the <i>TS Tech</i> ^[1] case to require a court to transfer a case upon a showing that the proposed venue is "clearly more convenient." (Sec. 8, page 61)	No change. (Sec. 8, page 72)
Venue for USPTO	Changes venue in certain suits where USPTO is a party from D. of the District of Columbia to E.D. of Virginia. (Sec. 8, Page 62)	No change. (Sec. 8, page 72)
Interlocutory Appeals	Upon District Court approval, requires the Federal Circuit to hear an interlocutory appeal on claim construction determinations. Requires the district court to find that the appeal will materially advance the ultimate termination of the litigation or will likely control the outcome of the case. (Sec. 8, page 61)	Provision deleted.
Fee-Setting Authority	Provides fee setting authority for USPTO with required notice, public comment and review by advisory committees and Congress. (Sec. 9, page 63)	At PTO's suggestion, adds electronic filing incentive for patent applications and reduction for micro entities. (Sec. 9, page 73)
Supplemental Examination	Not included.	Manager's draft adds new section 10 (page 80) to enable patent owners to request supplemental examination of a patent to consider, reconsider, or correct information believed to be relevant to the patent. If a substantial new question of patentability is raised, Director would order a reexamination. The provision would take effect one-year after enactment and apply to patents issued before, on, or after that date. (Sec. 10, page 80)
Residency Requirement for Federal Circuit Judges	Repeals DC-area residency requirement for Federal Circuit judges and also explicitly requires the Administrative Office of the U.S. Courts to provide appropriate facilities and administrative support wherever they do reside. (Sec. 10, page 68)	No change. (Sec. 11, page 84)
Micro-entities	Defines "Micro-entities" as a new category of patent applicant; includes any applicant who qualifies as a small entity, is named in less than 5 patent applications and has a <u>gross income</u> less than 2.5 times the national average. (Sec. 11, page 69)	Includes additional language to REQUIRE a reduction of fees by 50% for small entities (CONTINUING CURRENT LAW) and 75% for micro-entities. (Sec. 12, page 85)

^[1] Misc. Docket No. 888 (Fed. Cir. Dec. 29, 2008).

Issues	S. 515 <i>(as reported on April 2, 2009)</i>	Manager's Amendment <i>(as of 2-17-10)</i>
Royalty Income under Bayh-Dole	Decreases the amount of royalty income a Government-owned-contractor-operated (GOCO) facility must pay back to the U.S. Treasury when income from its royalties exceeds 5%. (Sec. 12, page 71)	No change. (Sec. 13 page 87)
USPTO Telework Program Flexibility	Provides PTO with additional flexibility to design its telework program and in particular, among other things, removes current rules requiring employees to report to the office at least weekly even if stationed outside of the DC Metro area. (Sec. 13, page 71)	No change. (Sec. 14, page 88)
Patent Pilot Program in selected U.S. District Courts	Similar to S. 299, establishes a pilot program in a limited number of U.S. district courts to enhance expertise in patent cases among district judges. (Sec. 15, page 76)	No change. (Sec. 16, page 92)
Technical Amendments	Reported bill makes various technical adjustments to title 35. (Sec. 16, page 82)	Modifies bill to eliminate various "without deceptive intent" and "without deceptive intention" requirements relating to joint inventions (sec. 116); filing of applications in foreign countries (sec. 184); filing without a license (sec. 185); reissue of defective patents (sec. 251); effect of reissue (sec. 253); correction of named inventor (sec. 256); and action for infringement (sec. 288). (Sec. 17, page 99)