

# The Exponential Speed of Innovation: Is IP Driving Your Business?



# The Current Pace of Reform: Strengthening or Curtailing IP Rights?

# Panelists

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- Nicholas Leach, Chief IP Counsel, Chevron Corporation
- Matthew Lowrie, Chair, IP Litigation Practice
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- [Assisted by: Justin Gray, Associate, IP Litigation Practice]

# Patent Reform

## Leahy Smith America Invents Act

### Yes, it's finally happening

# Leahy Smith America Invents Act: Key Goals

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- First-to-File and Prior Art Harmonization
- Improvements to Patent Quality
  - pre-grant submissions
  - post-grant review
  - *inter partes* review
- Best Mode
- *Qui Tam* False Marking Suits
- Limiting Inequitable Conduct Claims
- Prior User Rights
- Substantive Expansion of Prior Art

# AIA: Effective Immediately

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- USPTO Fee Setting Authority
  - Fee diversion still possible
- Standard for *inter partes* reexamination changes from “*substantial new question of patentability*” (SNQ) to a “*reasonable likelihood that the requestor would prevail*” regarding at least one claim
- Ban on “tax strategy patents” and claims encompassing human organisms

# AIA: Effective Immediately

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- *Qui Tam* False Marking Suits
  - Changes standing to bring false marking cases and marking requirements
  - Marking with an expired patent  $\neq$  violation of statute
  - Standing will no longer exist in nearly all pending false marking suits, requiring dismissal
- Prior commercial use defense to infringement
- 35 U.S.C. §299 limits circumstances for joinder of defendants in infringement litigation
- Best mode violation  $\neq$  basis for invalidating a patent
  - Does not apply to on-going litigation

- *Inter Partes* Review procedures
  - Petitions filed only after the later of (i) 9 months after patent grant date, or (ii) after termination of post-review grant proceeding
  - Based only on patents or printed publications under 35 U.S.C. §102 and §103
- Transitional Post-Grant Review procedures for business method patents

## ■ Pre-Grant Prior Art Submission

- Any party can file regarding any pending application at any time
- Submissions *ex parte* – no involvement by third party after prior art submitted
- Can submit anonymously

## ■ Patent application filing by assignee

## ■ Elimination of no “deceptive intent” requirement

- E.g., errors in inventorship, errors corrected in reissue application, failure to obtain foreign filing license

## ■ “First-to-File” System

- Applies to any application with effective filing date on or after 18 months after enactment
- Changes to 35 U.S.C. §102
  - Prior art = any available before effective filing date
- Retains limited one-year grace period for disclosure if:
  - Disclosure was made by an inventor (I), joint inventor (JI) or by another who obtained subject matter from I/JI
  - Subject matter disclosed had, before disclosure, been publically disclosed by I/JI or another who obtained subject matter from I/JI

# AIA: Effective After 18 Months

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- Post-Grant Review procedures
  - Effective for any patent granted from application with priority date on or after 18 months after date of enactment
    - Pertains to patents encompassed by first-to-file provisions
  - Can challenge patent on any ground of patentability
  - Must file within 9 months of patent grant

## ■ Derivation proceedings

- Determines whether inventor named in an earlier-filed application derived claimed subject matter from inventor of a later-filed application
- Derivation proceedings replace interference proceedings
  - BUT interference proceedings still available to earlier filed applications
- Must file petition within one year of first publication of a relevant claim (i.e., same or substantially same as claim in earlier application)

# Post-Grant Review

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- Effective for any patents granted from applications with priority dates on or after 18 months after date of enactment
  - Regarding patents encompassed by first-to-file provisions
- Third party has 9 months after a patent issues (or reissues) to file a petition
- Petitioner must establish:
  - (i) “it is more likely than not that at least 1 of the claims challenged ... is unpatentable”; or
  - (ii) “the petition raises a novel or unsettled legal question that is important to other patents or patent applications”
- Petitioner may raise any questions of patentability
- Must be completed within 1 year (6 months extension for good cause)

# Inter Partes Review

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- Effective after one year, but retroactive
  - Can challenge patents issued before enactment
- Replaces *inter partes* reexamination
- May file petition only after the later of:
  - (i) 9 months after patent grant date, or
  - (ii) after termination of post-review grant proceeding
- Petitioner must establish:
  - “there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claim challenged”

# Inter Partes Review

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- Petitions based only on patents and printed publications
- Petition can only raise Qs only based on anticipation or obviousness
- No review if petition is filed more than 1 year after petitioner served with complaint alleging infringement

## Post Grant and Inter Partes Review

- Petitioner must identify real parties of interest
- Patentee can cancel or propose substitute claims, but cannot enlarge scope or introduce new matter
- Petitioner burden of proof: POE
- USPTO must issue final determination in review within a year (extendable by six months) after review instituted

## Post Grant and Inter Partes Review

- Estoppel: Petitioner may not assert in district court litigation or ITC proceeding that a claim is invalid on ground petitioner raised or reasonably could have raised during review resulting in a final decision
- If review is terminated (e.g., via joint request after settlement), no estoppel

# Post Grant and Inter Partes Review

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- Review barred if petitioner (or real party of interest) previously brought civil action challenging validity of a relevant claim
- If petitioner files suit after submitting a petition, civil action is stayed until patent owner takes certain action in court:
  - Patentee asks court to lift stay, files infringement action or moves to dismiss civil action

# Supplemental Examination for Patentee

- Effective one year after enactment
- Patentee may request supplemental examination to consider, reconsider or correct information relevant to patent
- Information not limited to prior art patents and publications (e.g., can include on-sale bar issues)
  - Unlike current reexam scheme
- USPTO will order supplemental exam if 1 or more items of info raise a SNQ of patentability
- Immunizes against holding of inequitable conduct based on same info (unless prior allegation in civil suit)

# Transition After Enactment

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1. Examination (current)
2. Interference (current)
3. Reissue (current)
4. *Ex Parte* Reexamination (current)
5. *Inter Partes* Reexamination (current)
6. *Inter Partes* Review (new)
7. Transitional Post-Grant Review procedures for business method patents (new)
8. Post-Grant Review (new)
9. Derivation Proceedings (new)
10. Supplemental Examination (new)

# Qui Tam False Marking Suits

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- *Qui tam* false marking lawsuits are *retroactively* abolished
  - The change in the law “shall apply to all cases, without exception, that are pending on, or commenced on or after, the date of the enactment....”
  - Thus, effective immediately
- Only U.S. government can sue for statutory damages, although persons who have suffered a “competitive injury” from false marking can bring a civil action for damages.
  - Thus, virtually all pending false marking suits will be dismissed once law is enacted

# Expanded Prior Use Defense

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- May be used against any patent granted on or after date of enactment
- Defense may eliminate infringement liability relating to subject matter consisting of a process or thing used in manufacturing or commercial process
  - If a defendant commercially used subject matter covered by plaintiff's patent more than a year before
    - (i) effective filing date of patent application; or
    - (ii) date invention was disclosed by inventor or another who obtained from inventor
- Defense is personal
- Defense includes within definition of “commercially used”
  - Pre-marketing regulatory review activities
  - Use by non-profit entities such as university or hospital

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## U.S. Supreme Court, Federal Circuit, and District Court Trends



## 35 U.S.C. §101: Myriad/Prometheus/Classen

- “Isolated DNA” and diagnostic method claims
- *Prometheus v. Mayo*: (U.S. Supreme Court granted certiorari petition on June 20, 2011)
  - CAFC previously held patent eligible “method of optimizing therapeutic efficacy” claims comprising “determining” a metabolite level
- *Myriad* (decided by CAFC on July 29, 2011)
  - “Isolated DNA” claims = patent eligible
  - Method claims only “comparing” or “analyzing” DNA sequences ≠ patent eligible
  - Petitions for panel (not en banc) review filed on August 25 and 29, 2011
- *Classen* (decided by CAFC on August 31, 2011)
  - Certain method claims patent eligible and others not

# Joint Infringement

- *Akamai Techs. v. Limelight Networks* (decided by CAFC on Dec. 20, 2010)
  - “[T]here can only be joint infringement when there is an agency relationship between the parties who perform the method steps or when one party is contractually obligated to the other to perform the steps.”
- *McKesson Techs. v. Epic Sys.* (decided by CAFC on Apr. 12, 2011)
  - “A doctor-patient relationship does not by itself give rise to an agency relationship or impose on patients a contractual obligation such that the voluntary actions of patients can be said to represent the vicarious actions of their doctors.”
- *Centillion Data Sys. V. Qwest Commc’ns.* (decided by CAFC on Jan. 20, 2011)
  - “[T]o ‘use’ a system for purposes of infringement, a party must put the invention into service, i.e., control the system as a whole and obtain benefit from it.”
  - “[D]irect infringement by ‘use’ of a system claim ‘requires a party ... to use each and every ... element of a claimed [system].’ In order to ‘put the system into service,’ the end user must be using all portions of the claimed invention.”

# Damages

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- Absent from America Invents Act
- *Uniloc USA v. Microsoft* (decided by CAFC on Jan. 4, 2011)
  - “This court now holds as a matter of Federal Circuit law that the 25 percent rule of thumb is a fundamentally flawed tool for determining a baseline royalty rate in a hypothetical negotiation.”

# Standard of Proof - Invalidity

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- *Microsoft v. i4i* (decided by U.S. Supreme Court on June 9, 2011)
  - Standard of proof for patent invalidity is “clear and convincing evidence”
    - “There is a presumption of validity, a presumption not to be overthrown except by clear and cogent evidence.”
    - “When warranted, the jury may be instructed to consider that it has heard evidence that the PTO had no opportunity to evaluate before granting the patent.”

# Induced Infringement

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- *Global-Tech v. SEB* (decided by U.S. Supreme Court on May 31, 2011)
  - For inducement under 271(b), the plaintiff must show that the defendant either had actual knowledge that the induced acts constitute infringement, or that the defendant engaged in “willful blindness” of the existence of a patent.
    - Willful blindness requires
      - “(1) the defendant must subjectively believe that there is a high probability that a fact exists” and
      - “(2) the defendant must take deliberate actions to avoid learning of this fact”

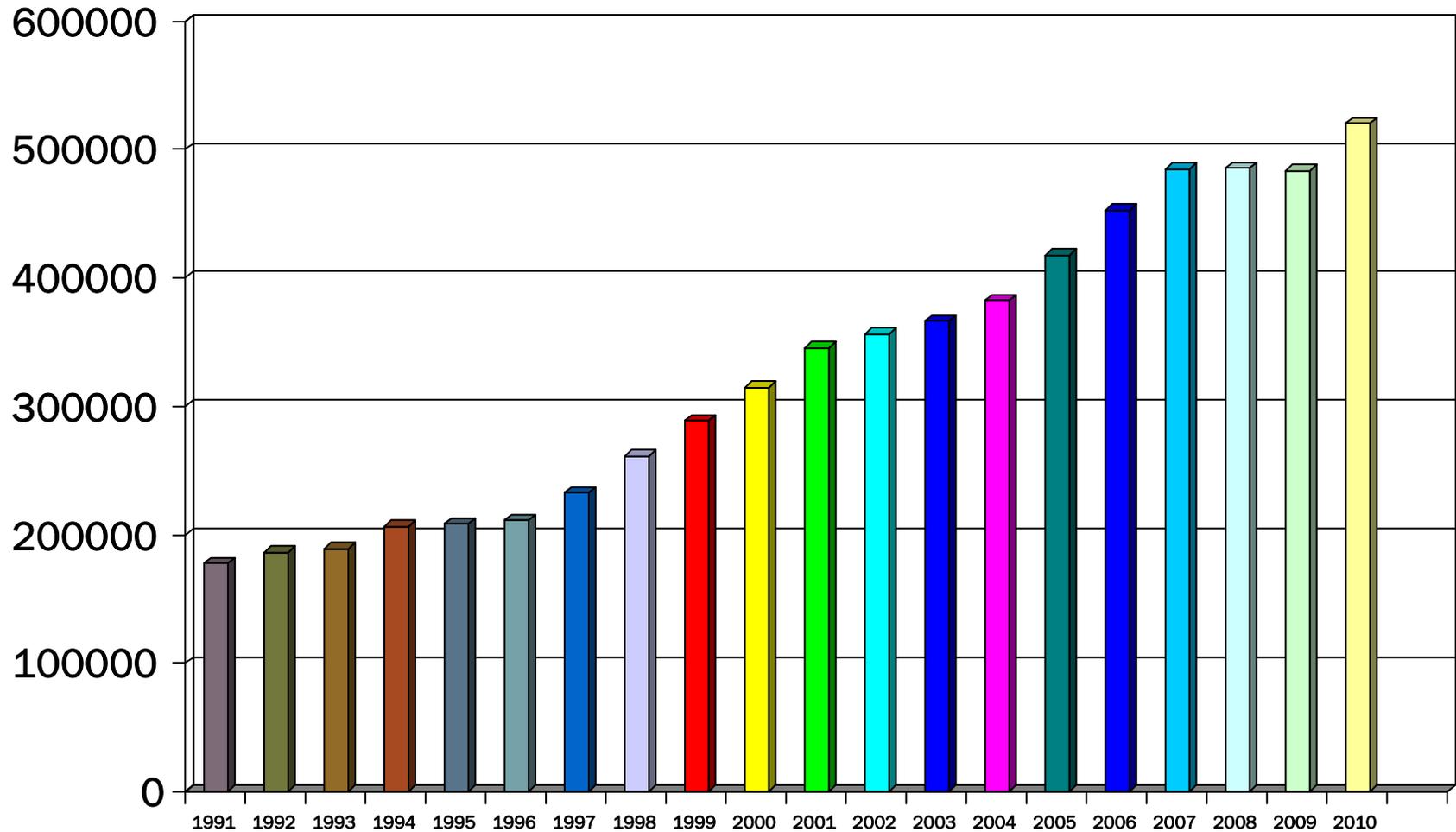
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## USPTO Trends

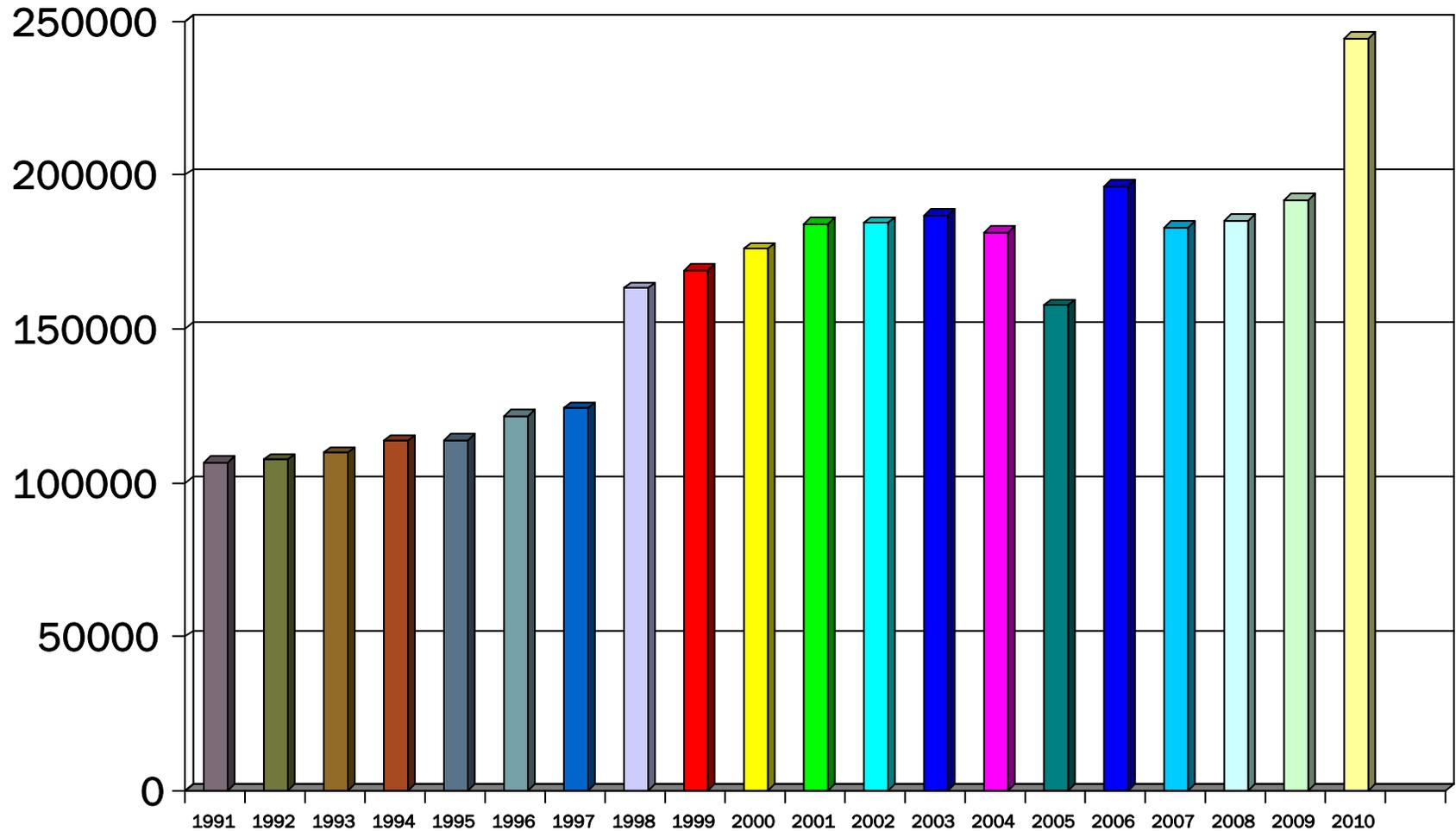


# U.S. Applications Filed



[http://www.uspto.gov/web/offices/ac/ido/oeip/taf/us\\_stat.htm](http://www.uspto.gov/web/offices/ac/ido/oeip/taf/us_stat.htm)

# U.S. Patents Issued



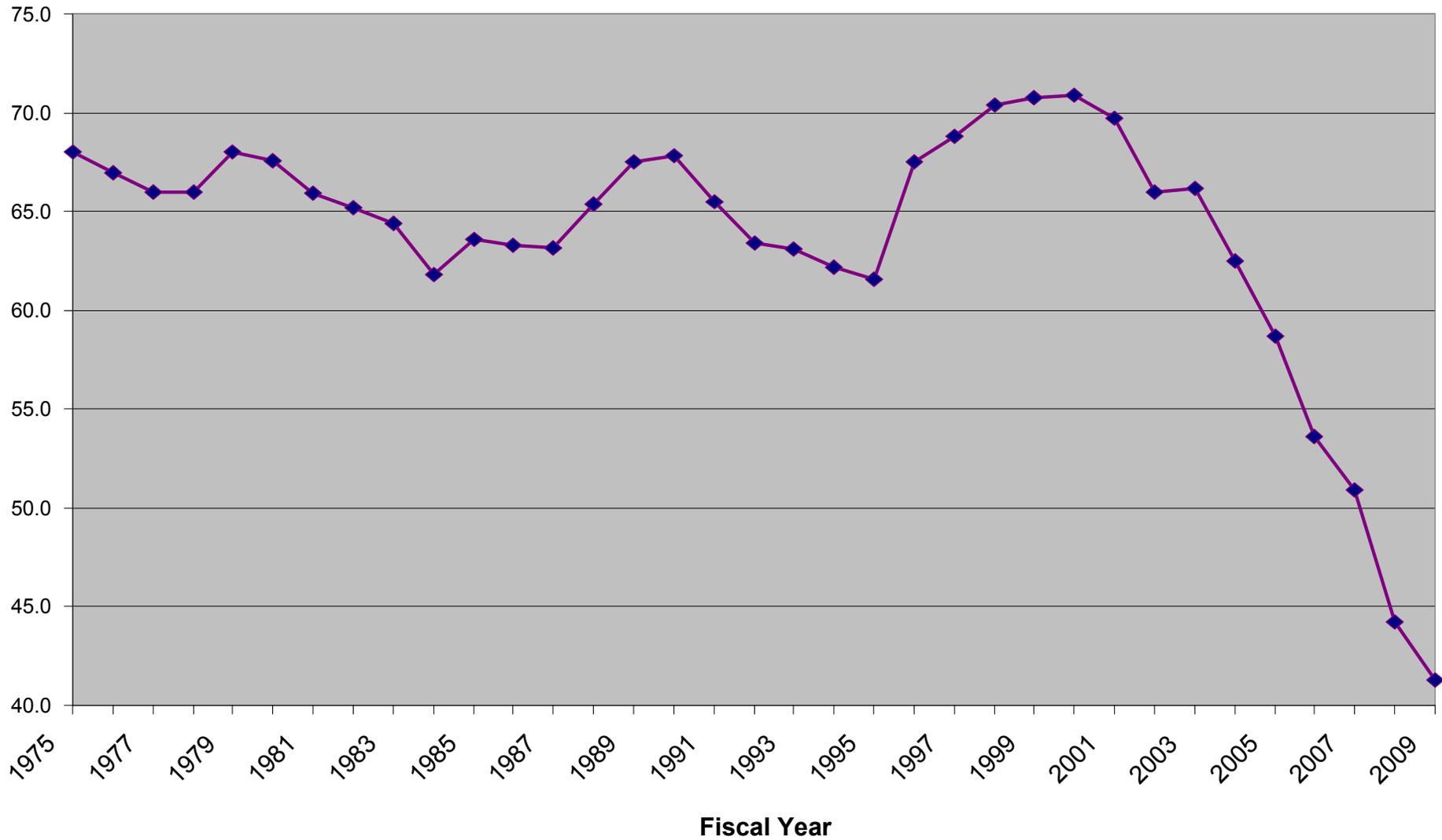
[http://www.uspto.gov/web/offices/ac/ido/oeip/taf/us\\_stat.htm](http://www.uspto.gov/web/offices/ac/ido/oeip/taf/us_stat.htm)

# Pendency Statistics

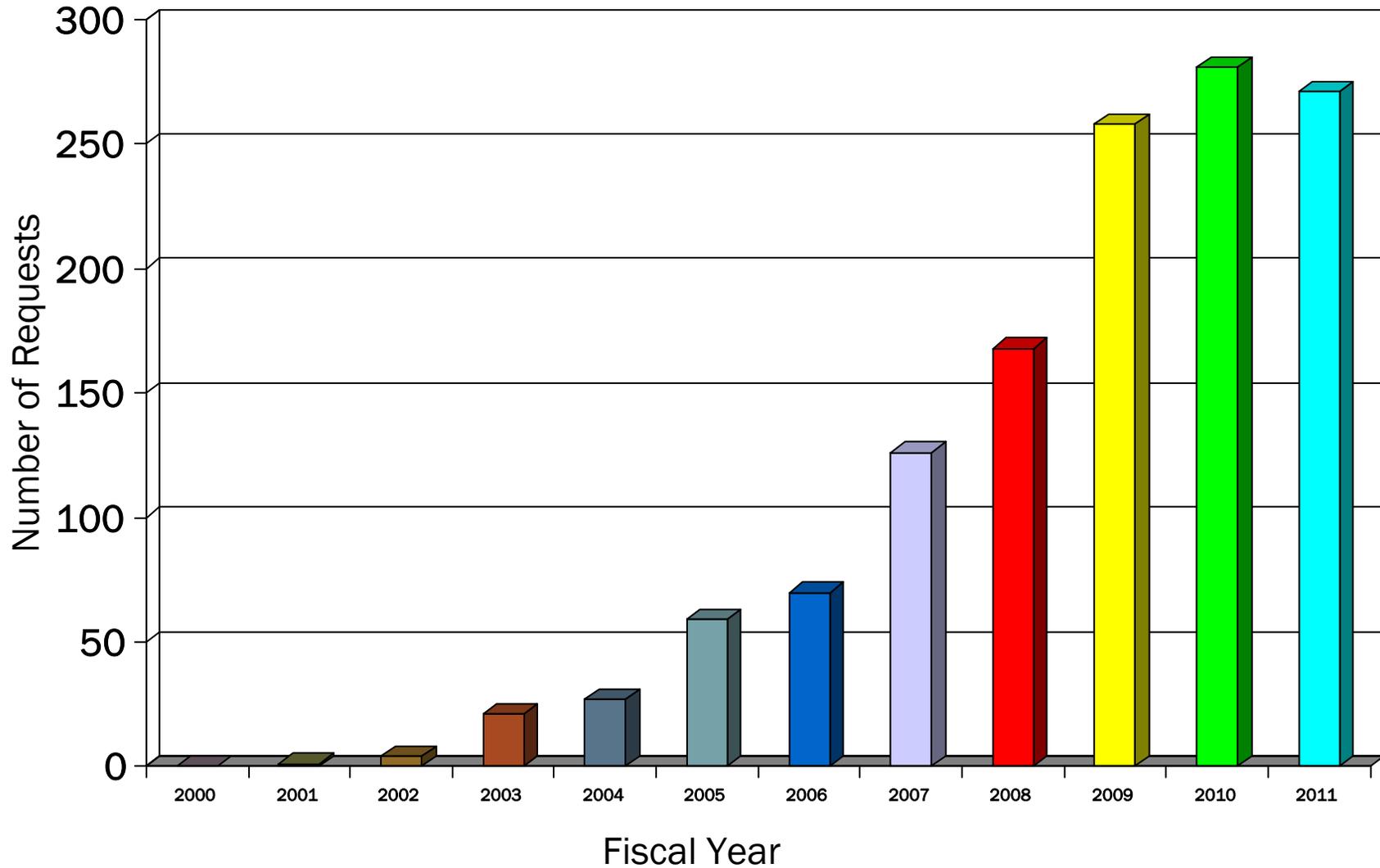
UPR Pendency Statistics by Technology Center (in months)	Average First Action Pendency	Total Average Pendency
Total UPR Pendency	27.8	33.5
Tech Center 1600 - Biotechnology & Organic Chemistry	23.6	33.8
Tech Center 1700 - Chemical and Materials Engineering	25.7	35.3
Tech Center 2100 - Computer Architecture, Software & Information Security	30.1	39.2
Tech Center 2400 - Network, Multiplexing, Cable & Security	34.0	39.8
Tech Center 2600 - Communications	31.7	40.6
Tech Center 2800 - Semiconductor, Electrical, Optical Systems & Components	25.3	29.1
Tech Center 3600 - Transportation, Construction, Agriculture & Electronic Commerce	26.3	33.7
Tech Center 3700 - Mechanical Engineering, Manufacturing & Products	29.2	37.3

<http://www.uspto.gov/dashboards/patents/kpis/kpiTCFirstActionPendency.kpixml> (July 2011)

# Allowance Rates



# Inter Parties Reexamination



[http://www.uspto.gov/patents/IP\\_quarterly\\_report\\_June\\_2011.pdf](http://www.uspto.gov/patents/IP_quarterly_report_June_2011.pdf) (June 2011)

# Inter Parties Reexamination

5.	Decisions on requests .....	1155	
a.	No. granted .....	1099	95%
	(1) By examiner	1092	
	(2) By Director (on petition)	7	
b.	No. not granted .....	53	5%
	(1) By examiner	48	
	(2) Reexam vacated	5	
6.	Overall reexamination pendency (Filing date to certificate issue date)		
a.	Average pendency	36.6 (mos.)	
b.	Median pendency	33.0 (mos.)	
7.	Total inter partes reexamination certificates issued (1999 - present) .....	278	
a.	Certificates with all claims confirmed	35	13%
b.	Certificates with all claims canceled (or disclaimed)	123	44%
c.	Certificates with claims changes	120	43%

[http://www.uspto.gov/patents/IP\\_quarterly\\_report\\_June\\_2011.pdf](http://www.uspto.gov/patents/IP_quarterly_report_June_2011.pdf) (June 2011)