



PATENT APPLICATION PROCESS: BACKGROUND TO PROPOSED CHANGES

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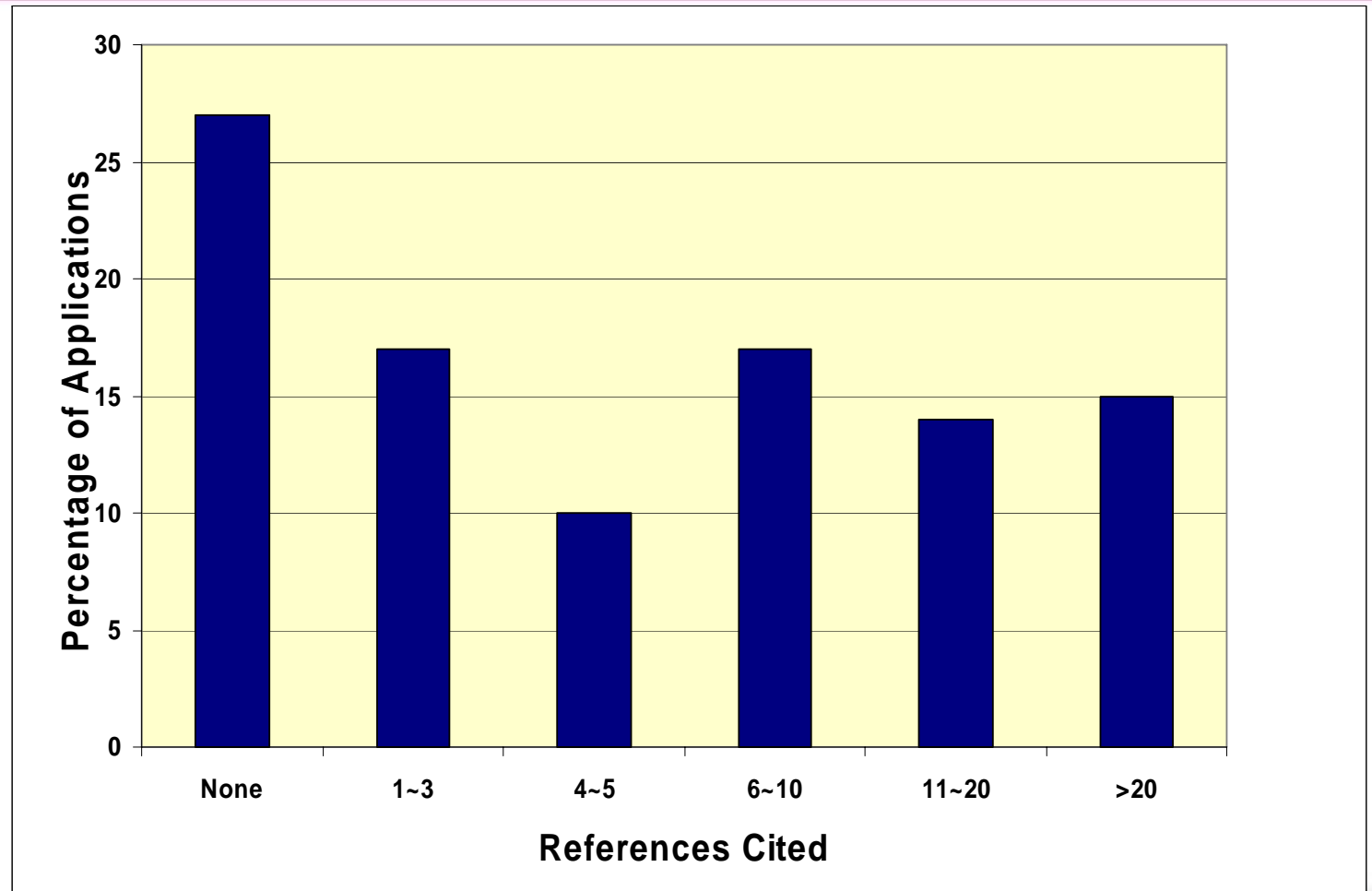
Current Pertinent Procedures

Information Submissions:

- **Obligation only to submit “material” information known to those assisting in application**
- **Examiner may request “such information as is reasonably necessary to treat the matter”**
- **No search requirement**
- **Prior art submissions made in Information Disclosure Statement without comment**
- **Office undertakes to scrutinize all submissions in IDS, regardless of number**



Distribution of the Number of References Cited in Applications





Developments in Online Availability of Patent Information

Issued Patents

March 26, 1999
patents issued

Patent Full-Page Images, for
1976-present

November 19, 1998
issued 1976-

Patent Full-Text, for patents
present

October 1, 2000
1790-

Expanded to include patents issued
present

Patent Applications

July 30, 2004
or

PAIR

File Wrapper Images of published
patented applications made
available through Public



“Applicant Quality Submission”

Section 11 of Patent Reform Bill in Senate:

- Applicant to provide result of search before examination
- Analysis relevant to patentability
- “Micro-entities” excluded

Secretary of Commerce:

- Administration supports AQS
- Would support Inequitable Conduct changes if coupled with AQS





Administration Opposes IC Reform without Submission Requirement

How to provide public assurance on reliability of representations of invention

- Lowered sanctions
- The Internet Age (greater information available to applicants)

Senate Bill: Applicant Quality Submission

- Online search

Administration letters: No IC reform without AQS

- Analysis of what in claims is not disclosed by most pertinent references
- No final rejection of application for failure of AQS without opportunity to cure



Perverse Effects on Patent Applications?

Fear of Inequitable Conduct findings more important to applicants or their representatives than obtaining valid patent claims?

Willful ignorance and indiscriminate submissions?





Litigation of Inequitable Conduct Defense

Patstats.org: Of 2500 patent cases per year 2000-2003

- Rulings on inequitable conduct: 18/year (both on s.j., after trial)
- IC not found 24/70

Katherine Nolan-Stevaux, “*Inequitable Conduct Claims in the 21st Century: Combating the Plague*”, 20 Berkeley Tech. L. J. 147 (2005)

- Over ten-year period (est. 25,000 patent cases)
- 119 summary judgment decisions on IC:
 - 50 finding IC;
 - 10 finding no IC;
 - 59 remand cases to trial
- 125 trials on IC:
 - 88 finding no IC;
 - 37 finding IC



Issues and Proposals – The Nuclear Sanction

All claims of a patent in which IC is found, and in related patents, are rendered **unenforceable** . *J.P. Stevens v. Lex Tex*, 747 F.2d 1553, 1567 (Fed. Cir. 1984); *Nilssen v. Osram Sylvania, Inc.*, 50 F.3d 1223, 1229-30 (Fed. Cir. 2007)

Proposals: Make the Sanction Equitable

- Let district court decide whether IC warrants unenforceability of some claims, all claims, no claims, or effect on equitable relief
- Apply unenforceability only to asserted claims





Issues and Proposals – Intent Showing

Intent may be inferred from nature of the information withheld. *Semiconductor Energy Laboratory Co. v. Samsung Electronics Co.*, 204 F.3d 1368, 1377-78 (Fed. Cir. 2000)

Proposal:

- Require proof of intent independent of the materiality of the information withheld or misrepresented



Issues and Proposals -- Materiality

Multiple Standards of materiality, from “but for,” to Rule 56, to “important to the reasonable examiner”

available to show IC *Digital Control Inc. v. The Charles Machine Works*, 437 F.3d 1309 (Fed. Cir. 2006).

Senate Bill: codify “important to the reasonable examiner”



Issues and Proposals – Materiality Standard (cont'd)

Alternative Proposals

- Let USPTO define materiality by rule
- Define materiality as information that if known by a reasonable examiner would have led that examiner, if true facts were known, not to allow the claim, without more, based on information of record at the time (answering question: was fraud on the Office committed?)
- Proposals to require at least one claim to be found invalid before IC may be found





Issues and Proposals – Discovery Burdens and Pleading

Cost and emotional burdens of discovery of “what did they know and when did they know it?”

Alternatives:

- Require pleading as fraud under FRCP 9(b): “with particularity”
- “But for” as trigger for pleading IC: Require invalidity of at least one claim be found before IC may be pleaded –



Issues and Proposals: Cure

Proposals to allow inequitable conduct to be cured through reissue:

- By referral from court if facts suggest IC likely
- By bona fide purchaser for value
- By any patentee if not before litigation



Issues and Proposals: Alternative Sanctions

Issue: Administrative proceedings suspending professionals are subject under , 28 U.S.C. § 2462 to a limitation running from the date of the alleged misconduct. *Johnson v. Securities and Exchange Comm'n*, 87 F.3d 484 (D.C. Cir. 1996)

Proposal: As normally with fraud, suspend statute of limitations until USPTO office has information





Issues and Proposals: Alternative Sanctions

Issue: If “but for” or “cure” alternatives are adopted, do sufficient means for accountability remain?

Civil Penalties

- Instead of unenforceability
- As back-stop to cure proposals



Would IC Reform Improve Information to USPTO?

Other reasons for poor information flow, reluctance to search on-line databases

- Reluctance to make disclosures on record:
 - Prosecution history estoppel
 - Argument estoppel
- Desire for multiple patents at low cost





Post-Grant Review





Post Grant Review

Essential Points

The USPTO can and should manage a rigorous, streamlined, transparent post-grant review proceeding; it must be given the tools and flexibility to do so

A first window process can provide quality control; a second window process, suitably controlled, can expertly resolve disputes with serious economic impact without burdening the courts



Post Grant Review

Existing Mechanisms

Issuance of patents not subject to immediate appeal

- Normally challenged in subsequent district court litigation when patentees seek to enforce them
- Cost, length may lead to enforcement of invalid patents

Perceived need:

- Expeditious review of patents by expert agency
- Potential to lower litigation costs



Post Grant Review

Limits of existing USPTO mechanisms

Interference proceeding – only if an application claims same subject matter as recently issued patent

Ex parte reexamination -- may be initiated by third party, but essentially no participation

Inter partes reexamination -- third party participation throughout, but third party subject to estoppel with no discovery or cross-examination

Both reexaminations – limited grounds; examination open-ended



Post Grant Review

Basic Elements of a Design That Can work

Rigorous:

- Sufficient discovery, cross-examination rights to justify estoppel effect
- All grounds of unpatentability

Streamlined: Sufficient limits that process will be expeditious; only evidence presented by parties

Transparent: Challenger must disclose real party in interest

Governed by agency: USPTO needs to be able to set showing, etc., standards by regulation



Before Patent Board



Post Grant Review

A Design that Can Work – First Step

Petition by Challenger:

- Necessary showing to be established by regulation
- Essentially: Set forth evidence (affidavits, etc.) that if unrebutted it would establish unpatentability of claims
- Identifying real party in interest

Opportunity by Patentee to argue inadequacy of that showing

Initiation by Board only if Challenger's initial showing is sufficient



Post Grant Review

A Design that Can Work – Post-Initiation

**Patentee Presents its Affirmative Case,
including affidavits**

**Patentee May also Present Alternative,
Narrowed Claims**

- Must be limited to one-for-one replacement to achieve expedition
- Further amendments allowed on need showing



Post Grant Review

A Design that Can Work –Post-Initiation

Discovery upon order of the Board

- Normally to explore affidavits presented
- Other discovery for just cause

Settlement Opportunity

Office must be able to regulate relation among post-grant mechanisms



Post Grant Review

First and Second Windows

First Window

- An opportunity for quality check in first year after issuance
- Open without regard to standing of challenger

Second Window

- An opportunity for expeditious, binding expert agency dispute resolution on patentability
- Sought in limited time
- When patent enforcement threatened



Post Grant Review

First and Second Windows

Estoppel Effects

- First Window: As to issues raised
- Second Window: As to issues that were or could have been raised (like litigation)

Standing Requirement

- First Window: None
- Second Window: Received threat of litigation



Post Grant Review

First and Second Windows

Need Showing

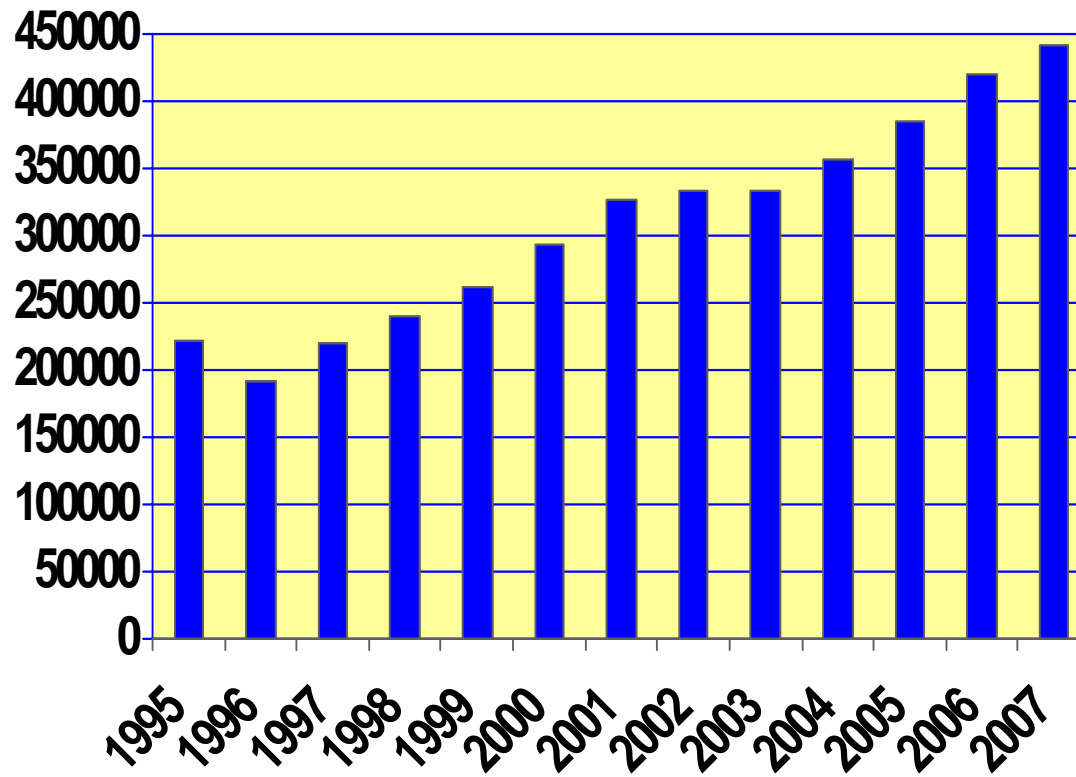
- First Window: None
- Second Window: Economic Significance must be shown

Distinctions in Scope?

- USPTO favors all grounds of patentability for both
- Otherwise: potentially greater burden on parties, courts through splitting trial of defenses



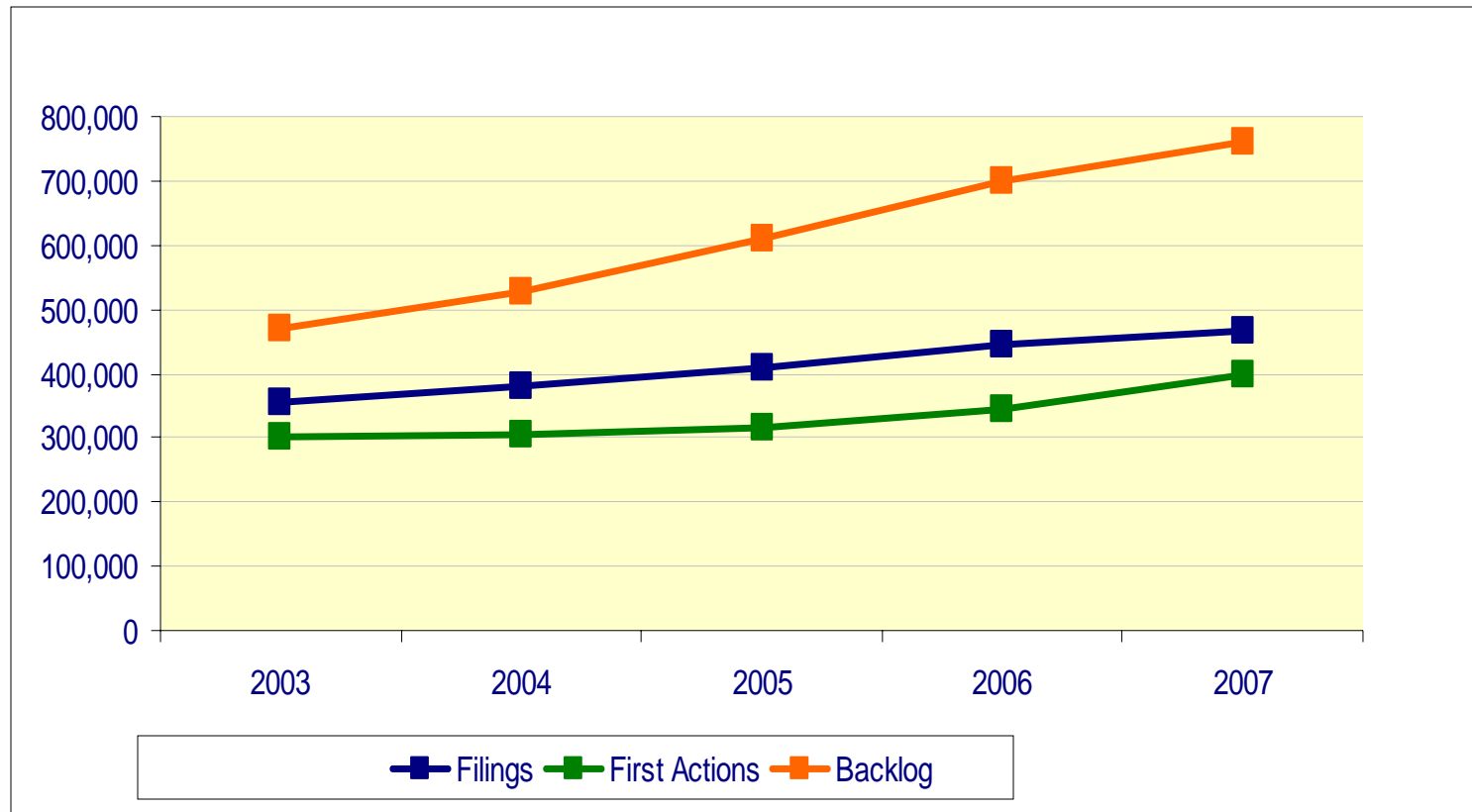
UPR Applications Filed



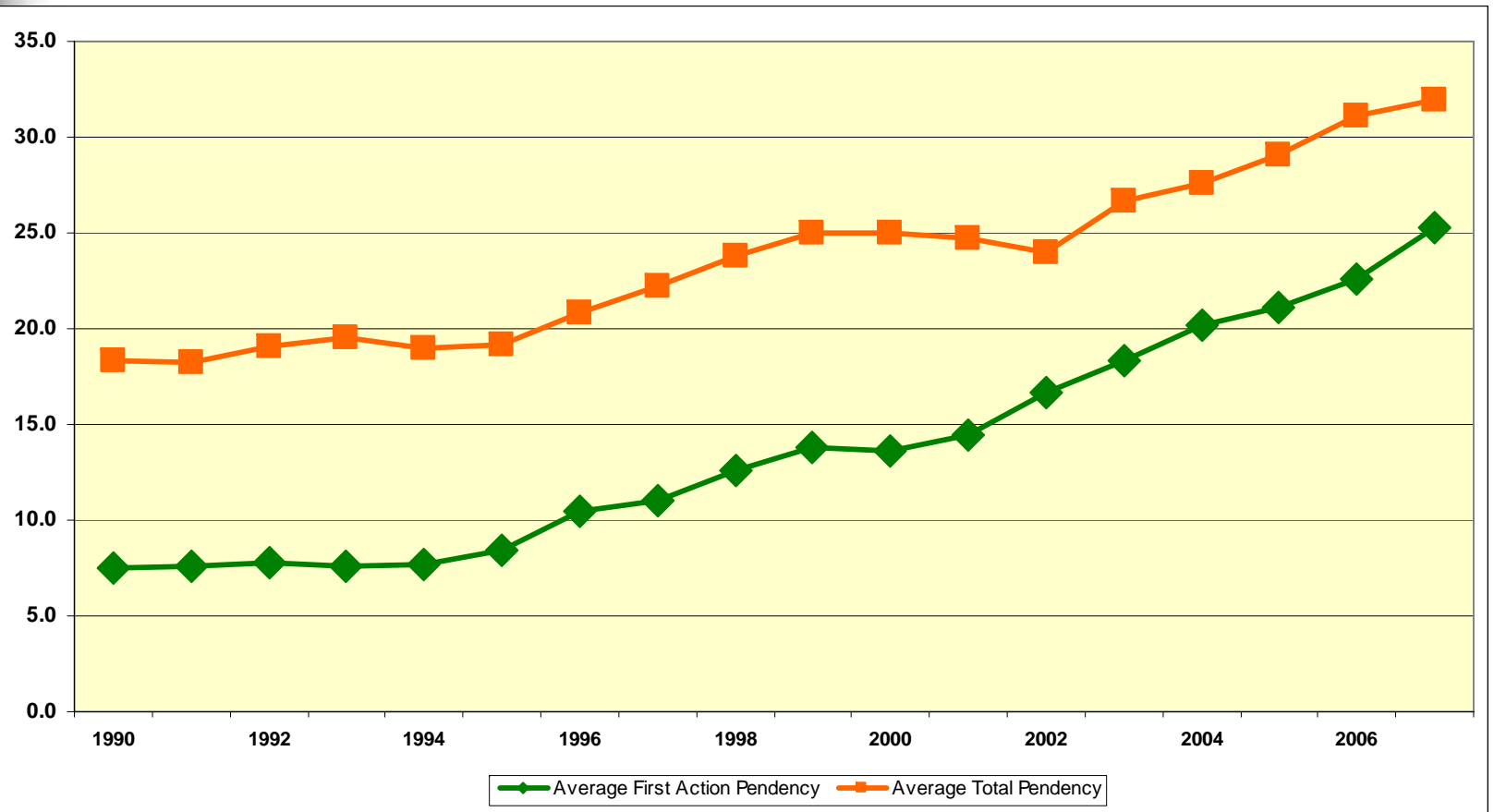
- FY '06 419,760
- Growth of 9.2% from '05
- FY '07 441,637
- Growth of 5.2% from '06



Filings, First Actions, and Backlog



Pendency in Months

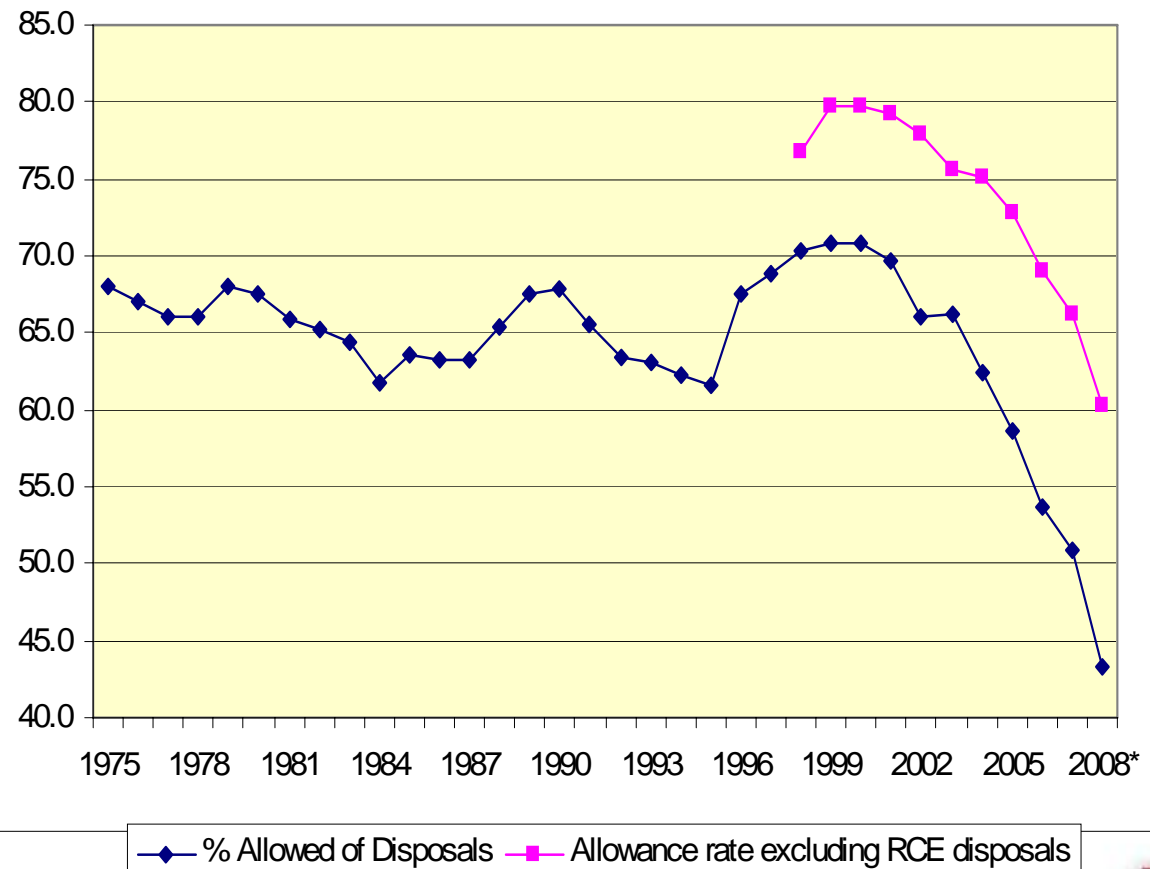


Patent Examiner Staffing

Fiscal Year	Hires	EOFY Staff	Total Attritions	Attrition Rate (Less transfers and retirees)
1998	728	2,785	259	8.99%
1999	799	3,205	375	10.92%
2000	375	3,143	437	12.48%
2001	414	3,296	263	7.27%
2002	769	3,803	250	6.06%
2003	308	3,850	241	5.54%
2004	443	3,959	336	6.97%
2005	959	4,471	425	8.09%
2006	1,193	5,150	510	8.83%
2007	1,215	5,800	543	8.47%



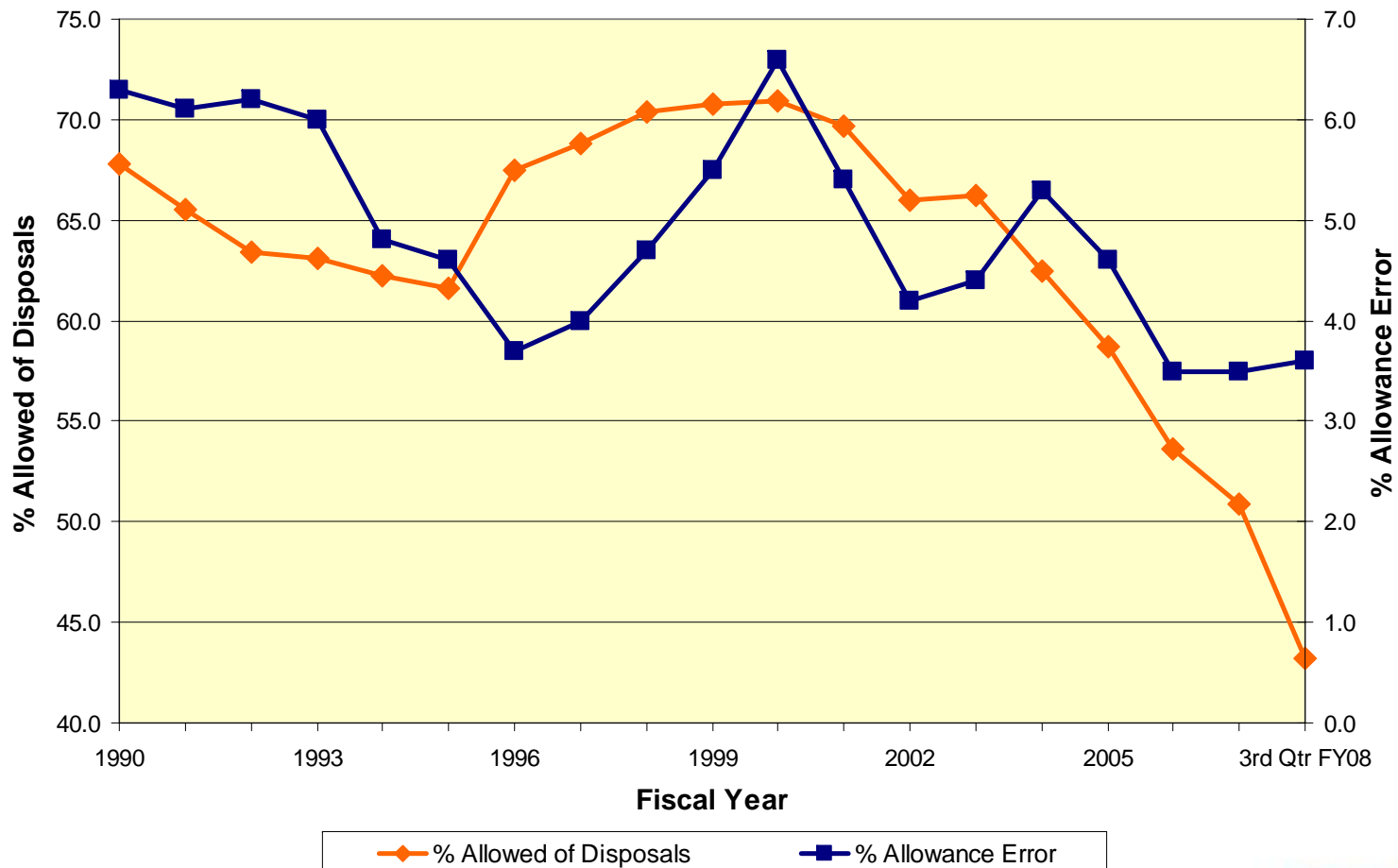
Allowance Rate over Time



Data is through the 3rd Quarter of 2008.



Error and Allowance Rates



Data is through the 3rd Quarter of 2008.





Thank you

