

## **Senate Judiciary Committee Reaches Agreement on Patent Reform Act**

*Ying Cao – Jones Day*

On March 4, 2010, leaders of the Senate Judiciary Committee announced details of an agreement on long-pending legislation to make reforms to the nation's patent system.

The agreement proposes an amendment in the nature of a substitute to the bill S.515 (the Patent Reform Act of 2009) reported by the Judiciary Committee in April, 2009. The full text of the proposed amendment is available online. The proposed amendment retains critical improvements to the current patent laws that were part of the reported bill S.515:

(1) the transition to a first-inventor-to-file system to give priority to the earlier-filed application for a claimed invention;

(2) important changes to improve patent quality, including by allowing third parties to comment on pending patent applications;

(3) a new, first-window post-grant review proceeding to weed out patents that should not have issued;

(4) the gatekeeper compromise on damages;

(5) the compromise on venue;

(6) fee-setting authority for the PTO to address its back-log problem;

(7) amendments to best mode;

(8) the new district court pilot program; and

(9) increased incentives for government laboratories to commercialize inventions.

Further, the proposed amendment contains important changes to the reported bill S.515:

**First-window post-grant review:** Shortens the window from 12 months to 9 months, and raises the threshold for instituting a proceeding to a showing that it is "more likely than not" that at least one claim is unpatentable.

**Inter partes review (IPR):** (1) Slightly raises the threshold for instituting an IPR to a "reasonable likelihood" that the challenger would prevail in invalidating a claim of the patent; (2) creates additional safeguards to prevent a challenger from using the administrative process to harass patent owners; and (3) inserts "reasonably could have raised" estoppel, preventing a challenger from raising in court an argument that reasonably could have been raised during an inter partes review that the challenger instituted.

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**Willfulness:** Codifies the recent case law on willfulness, which requires willfulness to be demonstrated by clear and convincing evidence that the infringer acted with objective recklessness, and adds additional substantive and procedural safeguards for alleged infringers, including (1) requiring willfulness to be pled with particularity; (2) preventing mere knowledge of the patent to support a finding of willfulness; (3) requiring specificity in pre-suit notifications; (4) upon motion, prohibiting increasing damages where there is a determination that a "close case" on infringement, validity or enforceability exists; (5) permitting a party to request the damages and willfulness phases be sequenced to occur after the infringement stage; and (6) failing to obtain advice of counsel may not be used to show willfulness or inducement.

**Interlocutory appeals:** Removes the provision that would have required the Federal

Circuit to accept interlocutory appeals of claim construction determinations.

**PTO Funding:** Requires that the PTO to reduce fees by 50% for small entities and by 75% for the new classification of “micro-entities” created by the bill.

**Supplemental Examinations:** Permits a patent holder to provide additional, potentially material prior art regarding the patent to the PTO. If the PTO considers the information and determines it has no effect on patentability, that additional information cannot serve as the basis for an inequitable conduct claim later in court. The information must be presented to the PTO and any reexamination must be completed prior to litigation.

The Judiciary Committee’s bipartisan agreement of the proposed amendment suggests it may move ahead to a vote by the full Senate without significant changes.

### **USPTO Proposes Change to the Provisional Patent Application Period**

*Kathryn M. Cooper – BECK & THOMAS, P.C.*

In an April 2, 2010 Press Release, the USPTO proposed a change that would effectively provide a 12-month extension to the provisional patent application period. The proposed change would “give applicants greater flexibility, reduce costs, and conserve agency resources.”

The change would be implemented through the missing parts practice in nonprovisional applications. The proposed change is expected to benefit the USPTO and the public by adding publications to the body of prior art and by removing nonprovisional applications for which applicants have decided not to pursue examination from the USPTO’s workload.

The proposed change would provide applicants with more time to reply to a missing parts notice in a nonprovisional application that claims the benefit of a provisional application. Applicants would be permitted to file a nonprovisional application with at least one claim within the 12-month statutory period after the provisional application is filed, pay the basic filing fee, and submit an executed oath or declaration. The nonprovisional would need to be

in a condition for publication and the applicant would not be able to file a nonpublication request.

Under Secretary of Commerce for Intellectual Property and Director of the USPTO David Kappos said he learned at roundtables that were held with inventors across the country that additional time flexibility during the provisional period would greatly benefit them “because the existing 12-month provisional period may provide too little time for inventors to test the marketplace.”

The USPTO is seeking public comment on the proposed change.

### **Federal Courts Have Jurisdiction over Claims of Unregistered Copyright Works**

Ying Cao – Jones Day

In *Reed Elsevier v. Muchnick*, No. 08–103 (U.S. Mar. 2, 2010), the Supreme Court overturned a Second Circuit decision which held that the district court lacked jurisdiction to certify either the class or the settlement in a case involving holders of unregistered copyrights. The Second Circuit had held in a sua sponte decision that a copyright holder’s failure to comply with 17 U.S.C. § 411(a)’s registration requirement deprives a federal court of subject-matter jurisdiction to adjudicate his copyright infringement claim.

This case arose when a group of freelance writers filed a class action lawsuit against a group of publishers alleging copyright infringement for electronically reproducing their works without permission. The parties were urged by the district court to settle through negotiations that would determine royalties for works written under the old contractual arrangements. The parties eventually reached a settlement with the district court’s approval.

However, some writers holding unregistered copyrights felt that their interests were inadequately addressed by the royalty framework proposed by the settlement. These plaintiffs objected to the settlement and appealed to the Second Circuit, which ruled that the federal court lacked subject-matter jurisdiction over the case.

The Supreme Court decision revived a possible \$18 million settlement between freelance writers, publishers and electronic database owners, involving payment to freelance writers for online use of their work — even when some writers have not registered their copyright.

Subject to certain exceptions, the Copyright Act requires copyright holders to register their works before suing for copyright infringement. Following a test set forth in *Arbaugh v. Y & H Corp.*, 546 U.S. 500 (2006), the Supreme Court stated that a statutory requirement should only be interpreted as jurisdictional if Congress “clearly states” that it is jurisdictional. Looking at the text of § 411(a), the Supreme Court found § 411(a) “imposes a precondition to filing a claim that is not clearly labeled jurisdictional, is not located in a jurisdiction-granting provision, and admits of congressionally authorized exceptions.”

While holders of unregistered copyrights might still have difficulty bringing infringement lawsuits by themselves under the Copyright Act, this case shows that they can still participate in settlement and class action lawsuits.

### **THE CUTTING EDGE**

*In The Cutting Edge, we break down the best of the best pending patent applications and recent patent grants to give you a preview of the next great invention that is coming soon to your neighborhood. For example...*

#### **Diaper Alarm**

(U.S. Patent No. 4,205,672)

Are you tired of sticking your fingers down a wet diaper for moisture verification? How else will you know if your baby's diaper is wet again? The detachable diaper alarm disclosed in this patent will alert you when new wetness dampens baby's butt and keep your fingers dry in the process!

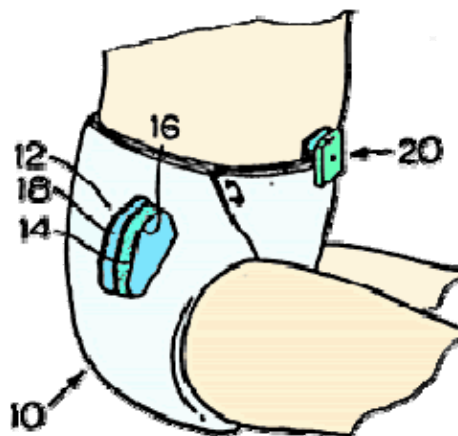


FIG. 1

As shown in FIG. 1, a disposable diaper 10 comprises a waterproof outer layer 12 of flexible plastic, and an inner layer comprising a thick porous, absorbent sub-layer 14. A stronger water permeable sub-layer 16 is designed to be located inwardly of the sub-layer 14 and to retain sub-layer 14 in position. In addition to the conventional arrangement of layers 12, 14 and 16, a conducting sub-layer 18 is provided between sub-layer 14 and inner layer 12 adjacent an edge of the diaper. The conducting sub-layer 18 of the diaper should extend into that part of the diaper extending between the infant's legs. The sub-layer 18 can be a piece of metal foil or can be made of metalized or treated cloth or paper. The sensor 20 resembles in appearance a large clothes-pin.

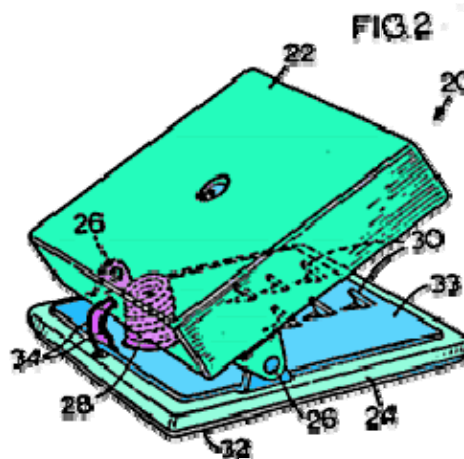


Fig. 2 shows the sensor 20 comprising a pair of swingably connected jaws 22 and 24. The jaws are pivotally connected at pin 26 and biased toward closed position by a compression spring 28. On

jaw 24 electrically conducting teeth 30 on a plate 33 also of electrically conducting material are mounted so that when the sensor is clamped on the edge of the baby's diaper, with the jaw member 24 inwardly thereof the teeth 30 will pierce sub-layers 14 and 16 and achieve electrical contact with sub-layer 18. An electrically conducting area 32 is located on the outside of member 24 arranged to contact the skin of a baby when the sensor is clamped to the edge of a diaper. The conduction path between teeth 30 and sub-layer 18 is through the inner sub-layers 14 and 16 of the diaper and along the baby's skin (or vice versa).

You can simply clamp the sensor onto the diaper. When your baby gets wet, a mild electrical conduction along your baby's newly dampened skin activates blinking lights and an audible alarm signaling "Hey Mom, time to change this thing!"

The inventor never mentioned whether combining a baby, electricity and wetness may cause unpleasant electric shocks to the baby. You use this diaper alarm at your own risk.

### **FROM THE NEWSLETTER COMMITTEE**

We hope you've enjoyed this issue of the 2009/2010 PIPLA News, an informative and hopefully entertaining look at the goings on in IP law. We invite our entire readership to contribute to this endeavor with articles, announcements, and job postings of your own. If you have something you would like included in PIPLA News or have questions about how you can contribute, please contact Matt Johnson at 412-394-9524 or at [mwjohanson@jonesday.com](mailto:mwjohanson@jonesday.com).

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