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FEDERAL CIRCUIT LAW APPLIES IN DETERMINING WHETHER PATENT LAW CONFLICTS WITH OTHER FEDERAL STATUTES AND STATE LAW

Overruling its precedent to the contrary, the Federal Circuit ruled that it will now apply its own law in determining whether patent law and other federal and state laws conflict. *Midwest Indus., Inc. v. Karavan Trailers, Inc.*, No. 98-1435 (Fed. Cir. May 5, 1999) 1

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EDITED BY VINCE KOVALICK

Federal Circuit Law Applies in Determining Whether Patent Law Conflicts with Other Federal Statutes and State Law

Louis J. Levy

[Judges: Bryson (author), Schall, and Smith]

In *Midwest Industries, Inc. v. Karavan Trailers, Inc.*, No. 98-1435 (Fed. Cir. May 5, 1999), the Federal Circuit was asked to review a district court grant of summary judgment (“SJ”) dismissing Midwest’s federal and state trademark claims on grounds that they were barred by federal patent law. The Court applied Federal Circuit law, overruling *en banc*, its previous decisions holding that regional law should apply, and reversed the.

Both Midwest Industries, Inc. (“Midwest”) and Karavan Trailers, Inc. (“Karavan”) manufacture and sell trailers for hauling watercraft behind automobiles. Midwest sued Karavan, claiming that Karavan’s use of curved, winch posts in its trailers infringed its rights under two design patents, as well as its rights in the trade dress of a curved winch under Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a) and analogous state statutes. Citing the Tenth Circuit decision in *Vornado Air Circulation Systems v. Duracraft Corp.*, 58 F.3d 1498 (1995), the district court dismissed Midwest’s trade dress claims on the grounds that the product configuration in question is a “described, significant inventive component” of an issued utility patent, *i.e.*, U.S. Patent No. 5,518,261 (“the ‘261 patent”), which recites a winch post curving “forwardly and upwardly,” slip op. at 3 (internal citations omitted).

Before reaching the merits, the Federal Circuit broke with precedent to hold that it would apply the law of the Federal Circuit in determining whether patent law conflicts with other federal statutes or preempts state law causes of action. The Court ruled *en banc* on this issue to expressly overrule its previous decisions such as *Cable Electric Products, Inc. v. Genmark, Inc.*, 770 F.2d 1015 (Fed. Cir. 1985), and more recently, *Hunter Douglas, Inc. v. Harmonic Design, Inc.*, 153 F.2d 1318 (Fed.

Cir. 1998), *cert. denied*, 119 S. Ct. 1038 (1999), which had held that regional circuit law controlled such issues. Specifically, the Federal Circuit stated:

In order to fulfill our obligation of promoting uniformity in the field of patent law, it is equally important to apply our construction of patent law to the questions whether and to what extent patent law preempts or conflicts with other causes of action. Otherwise, we will be forced in the awkward posture of holding that, with respect to cases coming to us from district courts in some circuits, patent law forecloses certain other causes of action, but with respect to cases coming to us from district courts in other circuits, it does not.

Midwest Indus., slip op. at 9.

Turning to the merits, the Court rejected the Tenth Circuit’s holding in *Vornado* that trade dress protection is unavailable for a product that is “claimed in a patent and is a described, significant inventive aspect of the patented invention.” *Midwest Indus.*, slip op. at 16. Although statements in a patent may provide evidence that trade dress in question is functional and thus not entitled to legal protection, wrote the Court, the mere fact that a patent has been obtained does not “convert what otherwise would have been protected trade dress into nonprotected matter.” *Id.* at 13. Rather, functionality must be evaluated according to the definition set forth by the Supreme Court in *Qualitex Co. v. Jacobson Products Co.*, 514 U.S. 159 (1995), which stated that trade dress is functional if it is “essential to the use or purpose of the article or if it affects the cost or quality of the article . . . [or] if exclusive use of the feature would put competitors at a significant non-reputation-related disadvantage.” *Midwest Indus.*, slip op. at 12. Because the district court had failed to undertake such an inquiry, the Federal Circuit reversed and ordered the lower court to assess the functionality of the winch post and to determine whether its configuration is otherwise protectible as trade dress.

New Claim Construction “Breathes Life” into Medical Resuscitator Patent

Lawrence F. Galvin

**[Judges: Clevenger (author), Gajarsa, and
Lourie (dissenting-in-part)]**

In *Smiths Industries Medical Systems, Inc. v. Vital Signs, Inc.*, No. 98-1106 (Fed. Cir. May 10, 1999), the Federal Circuit reversed a district court’s judgment of invalidity, vacated its judgment of noninfringement, and remanded the case for further proceedings. The Court based its decision on the district court’s misinterpretation of the single claim at issue relating to medical manual resuscitator devices.

United States Patent No. 4,774,941 (“the ‘941 patent”) issued to Wallace F. Cook on October 4, 1988. Cook assigned the ‘941 patent to Intertech Resources, Inc., which has been succeeded by Smiths Industries Medical Systems, Inc. (“Smiths”). The ‘941 patent claims medical manual resuscitator devices used to supply gas, typically air or oxygen, to patients. Such resuscitators customarily consist of three main elements: a face mask, a directional valve assembly (“DVA”), and a squeeze bag. The face mask provides a seal around the patient’s nose and mouth. The DVA directs gas to and from the patient’s lungs via the face mask. The squeeze bag accepts and collects gas, and also supplies pressure to force collected gas into a patient’s lungs via the DVA and face mask.

By repositioning its valve assembly to change internal flowpath directions, the essential DVA element allows a manual resuscitator to operate in three different modes: forced inhalation, exhalation, and spontaneous breathing. During forced inhalation, compression of the squeeze bag forces gas into the patient’s lungs via the DVA and the face mask. During exhalation, the patient pushes gas out of their lungs via the face mask and DVA to the atmosphere. During spontaneous breathing, the DVA allows gas into and out of the patient’s lungs via the face mask in response to the patient’s breathing. In practice, gas is admitted into and collected within the squeeze bag either via the same hole through which it later flows into the patient’s lungs

(“single-entry” or “SE”) or via a different hole (“double-entry” or “DE”). Alternatively, the squeeze bag may be replaced by a hollow tube for gas collection and a rescue worker’s lung power for pressure in a “mouth-to-mask” (“MM”) resuscitator.

Vital Signs, Inc. (“Vital Signs”) sells SE, DE, and MM resuscitators. Smiths sued Vital Signs in the United States District Court for the Northern District of Illinois, alleging that all three Vital Signs’s products infringed one asserted claim of the ‘941 patent.

At the district court, Vital Signs moved for partial summary judgment of noninfringement with respect to its SE and MM resuscitators, arguing that the claim language reciting “means for supplying gas” required means for supplying gas *under pressure*. Relying on this interpretation, the district court found no literal infringement by the SE and MM resuscitators, but reserved the doctrine of equivalents (“DOE”) issue for trial. After a bench trial, the district court found that the SE resuscitators did not infringe the ‘941 patent under the DOE, but made no DOE findings for the MM resuscitator. Additionally, the district court found the asserted claim invalid as obvious over the prior art under 35 U.S.C. § 103. Smiths appealed both the ruling that the asserted claim was invalid and the ruling that the SE and MM resuscitators did not infringe the asserted claim.

On appeal, the Federal Circuit first analyzed the invalidity holding. Reviewing the claim construction *de novo*, the Court found that the asserted claim specifically included a limitation drawn to the spontaneous breathing mode, a critical feature not understood by the district court that distinguished the claimed invention over the prior art. Although Smiths had conceded that some combination of prior art references probably encompassed all limitations of the asserted claim, according to the Court, the ‘941 patent’s presumption of validity required Vital Signs to present clear and convincing evidence of motivation to combine those references that would also suggest a reasonable likelihood of success. Vital Signs had failed to provide such evidence. Accordingly, the Federal Circuit reversed the obviousness holding.

In its infringement analysis, the Federal Circuit spotted two district court errors. First, the district court’s interpretation of “means for

supplying gas” claim language as requiring means for supplying gas *under pressure* improperly read a limitation into the claim from the specification and led to an improper “identify of function” analysis by the district court. Second, the district court’s identification of a generic squeeze bag as the structure corresponding to the claimed means failed to recognize that the ‘941 patent disclosed only a DE-type squeeze bag as the structure corresponding to the gas-supplying function. Accordingly, the Federal Circuit vacated the district court’s finding of no literal infringement by the SE and MM resuscitators. The Court also remanded the case to the district court to determine whether Vital Signs’s accused resuscitators contain equivalent structure to the ‘941 patent’s claimed gas-supplying structure that performs the claimed gas-supplying function and for findings under the DOE.

While joining the majority’s invalidity opinion, Judge Lourie dissented-in-part, indicating that he would have affirmed the judgment of noninfringement because the district court’s error was harmless. He found no basis for a future finding of infringement, finding Smiths’ arguments “untenable,” “specious,” and “far-fetched.”

Infringement “Flickers out” on Flashing Footwear Patent

Kristin L. Yohannan

[Judges: Gajarsa (author), Michel, and Bryson]

In *Orlaford Ltd. v. BCC International, Ltd.*, No. 98-1332 (Fed. Cir. May 20, 1999), Orlaford Ltd. et al. (“Orlaford”) appealed a decision of the United States District Court for the Western District of Wisconsin granting summary judgment (“SJ”) of noninfringement of claim 1 of U.S. Patent No. 4,848,009 (“the ‘009 patent”) to BBC International Ltd. et al. (“BBC”). Finding no error on appeal, the Federal Circuit affirmed.

Orlaford is the exclusive licensee of the ‘009 patent entitled, “Flashing Footwear,”

which relates to footwear and circuitry that causes the footwear to light up and flash when the footwear is moved. BBC, a former licensee of the ‘009 patent, now designs its own flashing footwear that competes with Orlaford’s product. When BBC terminated its license under the ‘009 patent because its product contained circuits not covered by the ‘009 patent, Orlaford sued BBC for patent infringement.

Claim 1 of the ‘009 patent requires that the circuitry include “a timing circuit being adapted to disconnect [the] power source from [the] light source a predetermined time after [the] transition [between the off and on state].” The ‘009 patent states that footwear providing constant illumination or intermittent flashing was known in the art. However, such footwear did not provide a reliable means for extinguishing the illumination or for stopping the intermittent flashing. The ‘009 patent solved this problem using a timing circuit in the lighting circuitry. The timing circuit disconnects the battery from the light source a predetermined time after the off/on switch turns on and causes the light source to illuminate.

In Orlaford’s first patent infringement action against BBC (“BBC-I”), it alleged that BBC infringed claim 1 of the ‘009 patent by selling footwear that contained three flashing module designs, Modules 1, 2, and 3. The issue in BBC-I was whether the accused devices contained a timing circuit. A jury found that Modules 2 and 3 infringed the ‘009 patent. Subsequently, BBC developed three new flashing modules, identified as Module 4, the Random Module, and the Faderz Module. All three new modules contain spring switches. Orlaford sued BBC again alleging that its new modules infringed the ‘009 patent (“BBC-II”).

On SJ, the district court held that BBC’s new modules did not literally infringe the ‘009 patent because none of the new modules contained the timing circuit limitation. The district court concluded that the ‘009 patent disclosed a switch and a timing circuit as separate limitations, therefore the spring switch could not simultaneously meet both limitations. The district court also ruled that the new modules did not infringe the ‘009 patent under the doctrine of equivalents (“DOE”). Also, prosecution history estoppel barred a

finding of infringement under the DOE because during the prosecution of the '009 patent, claim 1 was amended to overcome prior art. Finally, the district court denied Orlaford's motion for SJ that the new modules infringed under the doctrine of collateral estoppel, finding that the new modules were significantly different from the modules litigated in BBC-I.

The Federal Circuit declined to review the collateral estoppel ruling because the jury had not answered special interrogatories. Thus, the Court could not know the exact theory and the exact features of the accused devices upon which the jury found infringement in BBC-I.

The main infringement issue concerned whether the accused devices contain a timing circuit as claimed in the '009 patent. Based on the written description in the patent and the prosecution history, the Federal Circuit found the timing circuit to be "an assemblage of electronic components that cuts off power to the light source a predetermined time after a switch, responsive to the motion of the footwear, transitions between the 'off' and 'on' state." *Orlaford*, slip op. at 11. According to the Court, the timing circuit cuts off power to the light source regardless of the position of the switch, *i.e.*, if the switch remains in the on position, the light source will be disconnected from the power source, preventing battery exhaustion.

Orlaford argued that prosecution history estoppel did not apply because the prosecution history merely suggested that the timing circuit must terminate the illumination of the shoe no matter what the attitude of the shoe, not that such a termination could not be effected by a switch mechanism. Nevertheless, Orlaford asserted further that BBC's spring switch was equivalent to a timing circuit because a spring switch and timing circuit are interchangeable.

BBC countered that prosecution history estoppel does apply because the original claims were allowed only after the addition of the timing circuit limitation. Additionally, BBC argued that its spring switch was not equivalent to a timing circuit because in the new BBC modules the spring switch closes upon sufficient impact of the shoe. The closing of the switch initiates illumination, which contin-

ues as long as the switch is closed. Once the switch opens, the lights flash or fade (depending upon the module) and then extinguish. Therefore, the switch is different from the timing device since the lights stay on continuously as long as the switch is closed, regardless of the amount of time the switch stays closed, precluding an automatic shut-off.

The Federal Circuit agreed with BBC, finding that the prosecution history requires that the footwear contain a timing circuit per se. The Court concluded that the inventor had amended the '009 patent claims to overcome problems created using a mercury switch and therefore intended the timing circuit to be an element separate and distinct from the switch. The Court also found that BBC's device did not infringe under the DOE because the accused spring switch operates in an entirely different way, *i.e.*, it does not automatically terminate power from the power source to the light source. Therefore, no reasonable jury could have found infringement under the DOE.

Vapor Limitation "Evaporates" Infringement Finding

Vince Kovalick

[Judges: Plager (author), Newman, and Clevenger]

In *CFMT, Inc. v. Steag Microtech, Inc.*, No. 98-1487 (Fed. Cir. May 13, 1999) (nonprecedential decision), the Federal Circuit vacated a judgment as a matter of law ("JMOL") on literal infringement, but affirmed on all other respects.

The asserted claim limitation includes the clause "replacing said rinsing fluid with said drying vapor." The district court had construed the claim term "drying vapor" as "a vapor that facilitates the removal of liquid from a surface," and defined "vapor" as "the gaseous state of a substance that, under ordinary circumstances, is usually a liquid or solid." *CFMT*, slip op. at 2 (citations omitted). The district court also construed the claim term "replacing" as "taking the place of." *Id.*

The Federal Circuit agreed with the district court's claim construction, but concluded that Microtech Steag, Inc.'s ("Steag") accused method does not replace the rinsing fluid with drying liquid as required by the asserted claim. In particular, Steag's method replaces the rinsing fluid by an atmosphere that is almost entirely nonvapor, *i.e.*, 97.5% nonvapor (nitrogen) and only 2.5% vapor (IPA). Though the Federal Circuit found that the jury's contrary verdict lacked substantial evidence, it concluded that the district court had not expressly addressed the issue, and therefore, remanded the matter for the district court's consideration in the first instance.

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Accused Cable Connector "Connects" with Prior Art to Avoid Infringement

Kristen Healey

[Judges: Michel (author), Rader, and Gajarsa]

In *LRC Electronics, Inc. v. John Mezzalingua Associates, Inc.*, No. 98-1545 (Fed. Cir. May 27, 1999) (nonprecedential decision), the Federal Circuit reversed a district court's denial of judgment as a matter of law ("JMOL") of no infringement under the doctrine of equivalents ("DOE") by a revised model of an accused moisture-proof coaxial cable connector. The Federal Circuit also vacated the district court's denial of the accused infringer's JMOL motion of no willfulness and motion for a new damages trial, vacated the district court's attorney fees award to the patent owner, and remanded the case for further proceedings.

In 1996, LRC Electronics, Inc. ("LRC") sued John Mezzalingua Associates, Inc. ("JMA") for infringement of U.S. Patent No. 4,902,246 ("the '246 patent"), which covered a snap-seal coaxial connector for mechanically and electrically interconnecting a coaxial cable to an electronic device. The claim at issue included a "compression sleeve means for snap engaging into said connector" ("compression sleeve means"). Several months later, JMA modified the allegedly infringing connector,

CMP1, but LRC asserted that the modified connector, CMP2, also infringed the '246 patent. JMA argued that neither its CMP1 nor its CMP2 connector infringed because the connectors had a press-fit structure as opposed to the snap-engaged structure claimed as a limitation in the '246 patent.

According to the Federal Circuit, the district court made several errors in instructing the jury. First, although the district court had read its claim construction to the jury, it had failed to mention the written description or any structure in the description that corresponded to the "compression sleeve means." Second, when instructing the jury on infringement, the district court had told the jury to consider whether the accused connectors used the same means as described in the specification or an equivalent means to accomplish the function stated in the '246 patent claim, but did not discuss equivalents or the application of the DOE to the compression sleeve means clause.

Based on these instructions, the jury found, among other things, that the CMP1 connector literally infringed, the CMP2 connector infringed under the DOE, and JMA willfully infringed the '246 patent. JMA motioned for a new trial and JMOL on the willfulness and infringement verdicts, arguing that its connectors did not have the "compression sleeve means" claim limitation. The district court denied JMA's motions but granted LRC's motion for attorney fees. JMA then appealed, challenging the district court's claim construction and award of attorney fees and contesting the denials of JMOL on willfulness and infringement under the DOE by the CMP2 connector.

The Federal Circuit concluded that a finding of infringement by the CMP2 connector under the DOE, given a properly construed claim, was legally precluded. Construing the compression sleeve means claim under 35 U.S.C. § 112, ¶ 6, the Court found that the corresponding disclosed structure was a ridge that fit into a groove on the connector body. In contrast, the CMP2 connector had an enlarged shoulder on the sleeve that could be pressed inside the connector body. The evidence indicated that such press-fit structures were known in the art before LRC invented the snap-n-seal connector. Using its "hypothetical claim" test from *Wilson Sporting Goods Co. v. David Geoffrey & Assocs.*, 904 F.2d 677 (Fed. Cir. 1990), the Federal Circuit concluded that

the U.S. Patent and Trademark Office (“PTO”) would have rejected as obvious in light of the prior art a hypothetical claim broad enough to cover the accused press-fit structure.

Accordingly, the Federal Circuit ruled that the jury’s verdict on infringement under the DOE could not stand, and it reversed the district court’s denial of JMA’s motion for JMOL as to infringement by the CMP2 connector under the DOE and vacated and remanded the remaining issues.

Court “Shines” on Sunglasses Patent

Vince Kovalick

[Judges: Plager, Friedman, and Lourie (per curiam)]

In *Suntiger, Inc. v. Scientific Research Funding Group*, No. 98-1418 (Fed. Cir. May 6, 1999)(nonprecedential decision), the Federal Circuit affirmed a district court decision denying judgment as a matter of law (“JMOL”) that Scientific Research Funding Group (“SRFG”) did not literally infringe or induce infringement of Suntiger, Inc.’s (“Suntiger”) U.S. patents, and denying JMOL that the patents were invalid and unenforceable.

Suntiger sued SRFG for infringement of three patents covering sunglasses that screen out certain wavelengths of harmful radiation. At the close of evidence in a jury trial, the district court granted Suntiger’s motion for JMOL that SRFG had not proven the patents at issue invalid or unenforceable and had proven SRFG liable for direct infringement and inducement to infringe. The jury found SRFG’s infringement to be willful on two patents, and awarded \$3 million in damages.

SRFG argued that the patents in suit are invalid under the on-sale bar of 35 U.S.C. § 102(b), given that the patents are not entitled to an earlier filing date because they had issued from continuation-in-part applications and contain new matter. The Federal Circuit agreed with the district court, however, that

SRFG had failed to carry its burden and that no reasonable jury could have found for SRFG on invalidity and unenforceability, given that the only evidence consisted of testimony by Suntiger’s expert.

The Federal Circuit also found substantial evidence to support the JMOL for infringement, given un rebutted expert testimony and an admission by SRFG’s business partner that if the patents were not invalid, they would likely be infringed. The Federal Circuit also found evidence to support the district court’s JMOL on inducing infringement. In particular, SRFG was aware of at least one of the patents at issue and had actively involved a television advertiser in making sales and controlled product development under its contract with that advertiser.

Finally, the Federal Circuit agreed that the district court had properly excluded certain evidence, given SRFG’s failure to disclose it during discovery.

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District Court’s Interpretation of “Flow Valve” Limitation Cannot “Restrict” Infringement Finding

Vince Kovalick

[Judges: Clevenger, Bryson, and Gajarsa (per curiam)]

In *Innova/Pure Water, Inc. v. Aladdin Sales & Marketing, Inc.*, No. 99-1085 (Fed. Cir. May 24, 1999)(nonprecedential decision), the Federal Circuit reversed a district court judgment of noninfringement and remanded for further consideration.

Innova/Pure Water, Inc. (“Innova”) sued Aladdin Sales & Marketing, Inc., and five co-defendants (collectively “Aladdin”) for infringement of Innova’s U.S. Patent No. 5,609,759 (“the ‘759 patent”) on a water bottle filtering system. After construing the claims, the district court granted Aladdin’s motion for summary judgment of noninfringement.

The Federal Circuit disagreed with the district court's claim construction because it improperly limited the literal scope of the claims to exclude bottles employing a certain valve design depicted in a prior art patent. Aladdin had admitted that a valve in its accused device is identical to the valve of the prior art. The Federal Circuit found no language in the claims or the prosecution history for limiting the claims as the district court had done. Because the claim language read on the prior art valve, and nothing in the prosecution history disclaimed such subject matter, the Federal Circuit reversed the judgment of noninfringement and remanded for reconsideration on the issue.

CHARLIE'S CORNER

Charles E. Van Horn

Patent Legislation on the Horizon

Significant progress apparently has been made in resolving many of the differences among those favoring patent law reform. Some of the changes from prior controversial legislative proposals are cosmetic (*e.g.*, a prior user right defense to infringement will be called the first-to-invent defense); others are more substantive. As a result of this progress, patent legislation may be on the horizon that will make substantial changes to the patent system in the United States.

Among the changes to present law that are likely to appear in this legislation are (1) regulation of invention development firms by codifying contractual requirements and rights of inventors; (2) a prior user right defense to patent infringement limited to processes; (3) expanded opportunities for patent term extension based on delay in the U.S. Patent and Trademark Office ("PTO"); (4) publication of patent applications that are also published outside the United States; (5) reexamination

reform that will permit a third-party requester of reexamination to participate throughout the proceeding, but only in writing; and (6) reorganization of the PTO as an independent agency under the policy direction of the Secretary of Commerce with authority to retain all revenue for exclusive use by the PTO. The proposed changes contain some unique protections for patent owners. For example, a litigant who invokes the prior user right defense in court and loses must pay the attorney fees of the patent holder. Similarly, an unsuccessful requester of reexamination will be responsible for the legal fees of the patent holder.

Additional changes under consideration include adding § 102(e) prior art to § 103(c), which now precludes reliance, for the purpose of determining obviousness, on prior art under §§ 102(f) and (g) that is assigned to or subject to an assignment to the same owner at the time the inventions were made. The Commissioner would be authorized to treat an application filed as a provisional application as a nonprovisional application, and the copendency requirement for obtaining the benefit of a provisional application filing date would be deleted. By an amendment to 35 U.S.C. § 119, applications for plant breeder's rights filed in a World Trade Organization member country would be recognized the same as a priority patent application. Section 102(g) would be expanded to include prior inventions established under 35 U.S.C. § 104 during an interference conducted under § 135 or § 291.

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