

# FULL DISCLOSURE

## Patent Prosecution Update

**February 2010**

### USPTO News

U.S. Patent & Trademark Office (USPTO) procedures provide only limited opportunities to challenge a U.S. patent. That, however, may soon change. Last year, lawmakers proposed legislation to add a post-grant review procedure at the USPTO. If adopted into law, this procedure will provide a relatively low-cost, efficient alternative to challenging the validity of U.S. patents. [More](#)

### EPO News

On April 1, 2010, the European Patent Office (EPO) will implement a number of significant changes intended to streamline patent examination proceedings in Europe. The changes will affect the filing of divisional applications, search procedures, responses to search opinions, and support for amendments in pending European applications. [More](#)

\*Abhay A. Watwe, Ph.D. is a Law Clerk with Finnegan and he contributed to select portions of the newsletter.

### Rule Review

[Read](#)

### The Federal Circuit Says

[Read](#)

### Did You Know?

[Read](#)

### Events

BNA's Patent on Wednesday Series

*Hosted by BNA LegalEDGE*

Claim Drafting Practice: European versus U.S. Patent Law

*Hosted by Forum Institute for Management*

HUSL Seventh Annual Intellectual Property Law Seminar

*Hosted by Finnegan*

### Articles

USA, India Eagerly Awaiting US Supreme Court's Decision on Software and Business Method Patents

*by Anand K. Sharma and Rajeev Gupta, Ph.D.*

U.S. Patent-Law Reform Update

*by Erik R. Puknys and Weiguo (Will) Chen*

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# FULL DISCLOSURE

**February 2010 Issue**

[Back to Main](#)

## USPTO News

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Although the proposed legislation still awaits a full vote from both lawmaking bodies of Congress, the Senate Judiciary Committee approved a bill including a post-grant review procedure last spring. That bill provides for an administrative proceeding at the USPTO, where anyone other than the patent owner may file a petition to challenge the validity of an issued patent in order to cancel as unpatentable any claim of the patent. Similar to current USPTO reexamination proceedings, the proposed legislation gives the USPTO discretion to institute post-grant review proceedings if the Office finds that the petition raises a substantial new question of patentability for at least one claim in the challenged patent. Unlike reexamination proceedings, however, the proposed post-grant review will allow for challenges on any patentability ground, including anticipation, obviousness, and inadequate written description. Challenges for failure to disclose the best mode of an invention, however, will not be permitted. And for prior art, the proposed procedure will allow for challenges based on prior publications, public uses, sales, and offers for sale. The proposed post-grant review procedure also includes provisions permitting affidavits, declarations, factual evidence, and/or expert opinions, as well as limited discovery. The procedure will require the USPTO to render a final decision, appealable to the Federal Circuit, within one year of initiation. An extension of six months is available upon a showing of good cause.

The proposed procedure provides some protections to patent owners. For example, the procedure, as currently proposed, limits each petitioner to one petition. It also bars a petitioner from raising in a later civil action any invalidity ground raised in the post-grant review. The proposal also requires challenges against a U.S. patent to be brought within twelve months of the patent's issue date. In addition, the proposed procedure allows the patent owner to amend the patent claims so long as claim scope is not enlarged.

Regardless of its benefits (or detriments), the proposed procedure will provide an alternative to USPTO reexamination or district court validity challenges. While legal and business considerations will often dictate the best approach for a particular circumstance, the proposed procedure offers significant incentives to a party facing a patent infringement suit immediately after patent issuance. In addition to providing a faster and lower-cost resolution, it provides three other important advantages. First, it involves a lower standard of proof compared to court actions—a preponderance of the evidence as opposed to the heightened clear and convincing evidence standard applied in court. Second, the presumption of validity that applies at court does not attach to a patent undergoing post-grant review. Third, the proposed procedure will require the USPTO to give challenged claims their broadest,

reasonable construction, which will effectively widen the universe of applicable prior art.

For a party facing imminent litigation, these advantages may present a strategic benefit, but not without a host of additional considerations on the timing and content of the challenge. For example, waiting to file towards the end of the twelve-month filing window may allow a party to avoid the estoppel provisions of the post-grant review procedure. Because other parties may also file petitions, waiting would allow a party to assess the likelihood of patent cancellation without any involvement, thus preserving its ability to pursue a reexamination or civil action in the future. Waiting, however, is not without risk because the USPTO can stay a post-grant review proceeding pending completion of a civil action addressing the same or substantially the same questions of patentability. A waiting party, therefore, may lose its opportunity to initiate post-grant review if the patent owner initiates a civil action against it first. In addition to timing, a petitioner must decide whether to raise all or only some grounds of invalidity in the petition. Since the estoppel provisions only apply to grounds raised by a party, not to grounds the party could have raised, a petitioner may want to include only a few grounds of invalidity in the petition, preserving perhaps stronger validity challenges for a later civil action.

The proposed post-grant review procedure, if implemented, should provide a faster, cost-effective mechanism for challenging issued U.S. patents. Whether to challenge a patent via this new procedure, however, will depend on many considerations that must be closely tailored to the particulars at hand. Unfortunately, like many areas of patent practice, there is no one-size-fits-all approach to the proposed post-grant review procedures. Rather, each situation will require a careful and independent review of the relevant legal and business considerations.

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# FULL DISCLOSURE

**February 2010 Issue**

[Back to Main](#)

## **EPO News**

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### **Restrictions on Divisional Applications**

With regard to the filing of divisional applications, the April 2010 rule changes will place new restrictions on the time period for filing divisional applications. Currently, divisional applications may be filed at any time as long as its parent is pending. Beginning April 1, 2010, however, all "voluntary" divisional applications must be filed within a non-extendable two-year time period from the first communication of the Examining Division in the *earliest* application in the family. Thus, all such divisional applications in a patent family, whether derived from a parent, grandparent, or any other ancestral application, will have the same filing deadline. In the event that the EPO raises a lack of unity objection, and that objection is being raised for the first time, then the objection will trigger a separate period of two years in which an applicant may file a divisional application. In such instances, divisional applications will be restricted to the inventions raised by the lack of unity objection and thus are being referred to as "mandatory" divisional applications. The rules will allow for the filing of a "mandatory" divisional application even if the two-year time period for filing a "voluntary" divisional application has expired. In either case, the parent application must be pending.

The new rule applies to all divisionals filed after April 1, 2010, including divisionals of parent applications already pending. Thus, the rule is also applicable to those applications for which the new time period for filing a divisional application has already expired. To address the foreseeable issues with such a retroactive provision, the EPO is providing a non-extendable six-month transition period to October 1, 2010. That is to say, the EPO will allow for the filing of a divisional application during this six-month transition period even if the time limit for filing such a divisional application has already expired.

In light of these significant changes to divisional application practice in Europe, applicants should review their portfolios to ensure all divisional applications are filed within the newly introduced time limits, or, in cases where the time limits have expired, before October 1, 2010.

### **Changes to Search Procedures**

Turning to search procedures, the rule changes will require the EPO to raise objections to multiple independent claims within a single claim category during the search stage instead of during substantive examination. The new rules also require applicants to respond to the EPO's objections within two months. If an applicant does not timely respond, the EPO will only search the first claim in each claim category. Examination then will be restricted to only the searched subject matter.

In addition, if the search division finds it impossible to conduct a meaningful search of the claimed subject matter, the EPO will invite the applicant to define the subject matter to be searched within a non-extendable two-month time period. A failure to respond may result in only a partial search or no search at all. Here again, examination will be restricted to only the searched subject matter.

### **Responses to Search Opinions**

Search reports are issued by the EPO in either the international phase (if the EPO is the international searching authority (ISA)) or during the regional phase (if the EPO is not the ISA). Presently, applicants have no obligation to respond to these search reports. This, however, will change on April 1, 2010. The new rules will require applicants to respond to objections in a search report within certain preset time periods. For European patent applications where the EPO is the designated ISA, a response will be required within one month. For applications where the EPO is *not* the designated ISA, a response to the search report will be required within two months of the EPO's invitation to declare an applicant's desire to proceed with examination.

### **Support for Amendments**

Finally, the changes taking effect on April 1, 2010, make it mandatory for applicants to identify written basis in the original application for all amendments. If an applicant fails to provide the required written basis for an amendment, the EPO will set a one-month time period within which the applicant must supply the required information. A failure to do so will cause the EPO to withdraw the application from further consideration.

Although the April 2010 changes may be designed to further streamline the examination of patent applications before the EPO, the changes are significant and may adversely impact an applicant's rights. Thus, applicants must carefully review their European patent portfolio to prevent loss of patentable subject matter during prosecution due to these changes. In particular, applicants must be aware of the new time limits for filing divisional applications. Applicants must also take steps to ensure the most relevant subject matter is searched by the EPO or risk limiting examination to subject matter of lesser importance. Additionally, applicants must recognize the need to respond to the search opinions issued by the EPO and ensure that amendments are fully supported by written basis in the originally filed application.

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**February 2010 Issue**

[Back to Main](#)

## **Rule Review**

Rule 56 requires disclosure to the USPTO of information material to the patentability of a pending claim. That obligation is the same for information that is a trade secret, proprietary, or under a protective order. An applicant should assume that such materials will be made of record in the file and be made public. Nonetheless, the USPTO has procedures in place for applicants to submit confidential materials under seal and the Office to handle these materials. If the applicant submits such materials and timely files a petition to expunge, and the Office finds the information not material to patentability, the materials will be expunged. Otherwise, the materials will be made part of the public record upon issuance of the patent. See [M.P.E.P. § 724](#) (8th ed., rev. 6, Sept. 2007) for details.

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# FULL DISCLOSURE

**February 2010 Issue**

[Back to Main](#)

## The Federal Circuit Says

The USPTO's method of calculating patent term adjustment (PTA) misinterprets 35 U.S.C. § 154(b)(1) and is flawed. According to the Court, patent applicants should be entitled to not only a term adjustment that accounts for delays caused by the USPTO's failure to meet certain examination guidelines, but also for the delays due to the USPTO's failure to issue a patent within three years of filing, to the extent those delay periods do not occur on the same calendar days. The Court further opined that delays attributable to the USPTO's failure to issue a patent within three years of filing can only begin to accumulate after three years from the application's filing date. Thus, contrary to the USPTO's treatment of PTA, these three-year delays cannot overlap with delays caused during prosecution before the date that is three years after the application's filing date. *Wyeth v. Kappos*, No. 09-1120 (Fed. Cir. Jan. 7, 2010). Under the Court's decision, therefore, some applicants may be entitled to a greater term adjustment than that calculated by the USPTO.

After the Court's ruling, the USPTO issued a statement confirming that it will not seek further review of the *Wyeth* decision. In addition, the USPTO is in the process of modifying its computer programs for calculating PTA. It expects these modifications to be completed by March 2, 2010. In the meantime, however, the USPTO has established interim procedures for requesting PTA recalculation in light of the *Wyeth* ruling. In particular, the USPTO is providing an alternative to a Rule 1.705(d) petition for any patent issued before March 2, 2010. For such a patent, a patentee can request recalculation of PTA without a fee and within 180 days of the patent's issuance, if the alleged error is due to only the pre-*Wyeth* interpretation. A simple form is provided for that request. This alternative, however, does not preserve the right to have the PTA reviewed by a court. Should a patentee wish for such review, he or she must still follow Section 154(b)(4) and file a civil action within 180 days of the patent's issuance. This alternative procedure also does not apply to requests to reconsider PTA due to non-*Wyeth* errors.

The USPTO will begin deciding pending requests to reconsider PTA in accordance with the framework of the *Wyeth* decision. For requests for reconsideration that were decided under the pre-*Wyeth* framework, patentees may file a request for reconsideration of that decision within two months of the decision, under Rule 1.181(f). Finally, for patents issuing after March 2, 2010, patentees must file a request for reconsideration of PTA under Rule 1.705(d) within two months of the patent's issuance.

Patentees interested in pursuing any additional PTA available under the *Wyeth* framework should review all patents issued within the past 180 days to determine if options exist for pursuing the additional PTA that may not have been pursued earlier.

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**February 2010 Issue**

[Back to Main](#)

## **Did You Know?**

The USPTO changed its Request for Continued Examination (RCE) docketing system on November 15, 2009. Previously, RCEs were placed on an examiner's "amended" docket and were expected to be acted on within two months of the date docketed to the examiner. Under the new system, however, the USPTO places RCEs on an examiner's "special new" docket together with continuations and divisionals. Examiners are expected to act on at least one "special new" case every other bi-week. Thus, depending on the number of cases on an examiner's special new docket, an RCE may not be acted on for a very long time. When filing an RCE, an applicant therefore should consider the time frame within which an RCE may be acted on under the USPTO's new docketing system. In cases where rapid allowance is desired, an applicant may wish to consider alternate strategies to further prosecution, including an examiner interview and an after-final response.

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